



## **AWE caps off strong year with \$62.5m profit**

- **AWE reports FY2013-14 Statutory NPAT of \$62.5 million, up 213% over previous year**
- **Production of 5.6 million BOE was up 13% and exceeded guidance**
- **Sales Revenue of \$328.2 million, up 9%, from Sales Volume of 5.4 million BOE**
- **Field EBITDAX of \$208.8 million, up 13%; EBIT of \$106.5 million, up 75%**
- **Sale of 50% of AAL oil project for USD188 million, a key strategic initiative, completed**
- **Net cash of \$42 million and undrawn \$300 million debt facility has AWE positioned for growth**

AWE Limited (ASX: AWE) today announced its results for the financial year 2013-14. Statutory net profit after tax for the 12 months to 30 June 2014 was \$62.5 million, up significantly over the previous financial year.

Managing Director, Mr Bruce Clement, said that the strong result reflected AWE's focused and disciplined approach and the company is well positioned to deliver on its growth strategy.

"AWE achieved a number of important milestones during the 2013-14 financial year. We exceeded our full year guidance for production and sales revenue and we made good progress on our major growth and exploration projects," he said.

"Production and EBITDAX were both up 13% to 5.6 million BOE and \$208.8 million respectively, confirming the ability of the Company to generate robust cash flows. We have a number of significant growth projects in our portfolio and AWE is targeting production growth to 10 million BOE and EBITDAX of over \$500 million by the end of 2018," Clement said. <sup>(1)</sup>

Our improved operating performance was largely due to another strong performance at Sugarloaf and improved production from BassGas. Condensate production was up 41% and gas production was up 12%, offsetting a 13% drop in oil production.

Sales Revenue of \$328.2 million was up 9% on the previous financial year, reflecting higher production as well as higher realised prices from oil and condensate. In addition, AWE's share of inventory at year end was 208,000 barrels.

Development and exploration expenditure was below forecast, largely due to timing of activities. Both development and exploration activity levels are planned to increase substantially in the 2014-15 financial year.

The Company's 2P Reserves increased by more than 9% to 91.0 million BOE in the period from 1 January to 30 June 2014, representing more than 16 years of production at current rates. The increase was due to a major uplift in Sugarloaf reserves and drilling of the Pateke-4H development well at Tui. 2C Contingent Resources were reduced to 76.6 million BOE largely due to the relinquishment of the Anambas PSC.

Clement said, "AWE's balance sheet remains in excellent shape and at year end we held net cash of \$42 million, with no debt and an undrawn facility of \$300 million. We have ample capacity to fund all our current development and exploration activities and we will continue to look for new growth opportunities".

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During the year, AWE continued to actively manage its asset portfolio which has further strengthened the Company's cash position and provided a number of additional growth opportunities. The major transactions include:

- The sale of a 50% interest in the Ande Ande Lumut (AAL) oil project to Santos Limited (including transfer of Operatorship) for USD188 million
- The sale of an 11.25% interest in BassGas (TL1) and a 9.75% interest in the Trefoil exploration asset (T18P) to Prize Petroleum for \$85 million (that will result in AWE holding 35% of BassGas on completion which is anticipated in the current quarter)
- The purchase of an additional 5% in the Trefoil exploration asset (T/18P) from Drillsearch for a nominal amount (which will result in AWE holding 40% of this asset once both transactions are complete)
- The purchase of an additional 15% interest in Tui oil project from Mitsui for USD6.4 million.

"Health, safety and environment (HSE) is an ongoing area of focus for management, and I am pleased to report that there were no lost time injuries or reportable environmental incidents during the period. We continue to invest in renewing our management processes for safety and environment," Clement said.

"Community and stakeholder engagement is an increasingly important part of our operations, particularly in onshore locations such as the Perth Basin. AWE has an open and transparent approach to addressing community and stakeholder concerns and will work to further enhance its communication and engagement activities over the coming year," he added.

### **Major Growth Projects**

Good progress was made during the financial year on the Company's major growth projects in the USA, Australia, New Zealand and Indonesia.

Activity levels at the Sugarloaf AMI, USA, continued to accelerate with a further 38 wells added to production during the year, bringing the total number of producing wells to 128. Annual production increased by 31% over the previous financial year and the Operator has indicated that it may drill up to an additional 45 wells in the second half of the 2014 calendar year. A major upgrade to Sugarloaf's Reserves and Resources was achieved during the year with 7.7 million BOE added to 2P Reserves, which is greater than AWE's total annual production, and 8.2 MMBOE added to 2C Contingent Resources.

In September 2013, the BassGas joint venture reached FID approval for the development drilling phase of the Mid Life Enhancement project. A jack-up drill rig has been contracted to drill two production wells over the summer of 2014-15 and the joint venture is targeting increased production up to system capacity of 60-70 TJ per day gross with a good condensate yield. The joint venture may also bring forward the lifts of the gas compression and condensate pumping modules over the summer period. The schedule for these activities is dependent on the timing of the mobilisation of the drill rig and FID for the module lift.

In New Zealand, the Pateke-4H development well was drilled and completed during the period. The well is currently suspended pending the installation of a sub-sea flow line and control equipment to connect the well to the Tui Oil Field gathering system and Floating Production Storage and Offloading (FPSO) vessel. This work is planned to commence in 1Q of the 2015 calendar year.

Good progress was made on the Ande Ande Lumut (AAL) oil project during the year. Following completion of the sale of a 50% interest in the project, Operatorship was transferred to Santos in November 2013. Front End Engineering Design (FEED) for the well head platform (WHP) is nearing completion and a revised tender plan for the FPSO vessel has been lodged with the regulator. Once approved, the FPSO tender process is expected to commence in the second half of the 2014 calendar year. FID is expected in mid-2015, following completion of the FPSO tender process, with first oil anticipated in late 2017.

### **Exploration & Appraisal**

AWE substantially increased its exploration and appraisal activity during the year. Drilling commenced in the onshore Perth Basin and the offshore Taranaki Basin; new acreage was awarded in Australia and New Zealand; and work continued on evaluation of a number of other promising prospects in our portfolio.

Significant progress was made on the Company's onshore Perth Basin unconventional activities with the start of a three well drilling program. Subsequent to the end of the financial year, the Drover-1 exploration well reached its planned depth and was suspended. The data from the well will be analysed and evaluated before

determining the next phase of activity, which may include hydraulic fracture stimulation. Drilling of the Senecio-3 appraisal/ development well commenced in the first quarter of the FY2014-15 and an exploration well in the Irwin prospect is planned for later in the financial year.

In addition, an independent technical assessment of AWE's four most southern exploration permits in the Perth Basin resulted in the release of a gross unconventional prospective resource estimate of 11.1 Tcf of gas and 31 million barrels of Natural Gas Liquids (9.2 Tcf of gas and 14 mmbbls net to AWE).

During the year, AWE was awarded two new exploration permits and farmed-in to a third subsequent to year end. In December 2013, an AWE operated joint venture was awarded an onshore exploration permit in New Zealand's Taranaki Basin close to existing infrastructure. In April 2014, AWE was awarded a new exploration permit in the North Carnarvon Basin, offshore Western Australia. AWE holds 100% interest and is the operator. In August 2014, AWE farmed-in to Block 09/05 in China's Bohai Bay and drilling of the first exploration well has commenced. The second well is anticipated to be drilled in 3Q calendar year 2015.

In Indonesia, a Plan of Development (POD) was completed for the Lengo gas field and the Operator has submitted a draft to the regulator, SKK Migas. Following a review of commerciality and development feasibility studies, AWE relinquished the Anambas PSC in late June on the expiry of the 10-year exploration period. The AWE joint study of the unconventional potential of the Jembar-Rimba Area, onshore central Sumatra, was completed and approved by MIGAS. If the area is offered in a future unconventional oil and gas bid round as a Direct Offer Block, AWE would then have the right to match any offer submitted.

### Outlook

AWE's medium to long-term goal remains to double production to 10 million BOE and triple EBITDAX to more than \$500 million by the end of 2018.<sup>(1)</sup> The Company will continue to pursue exploration and new business opportunities in conventional and unconventional oil and gas, with a particular focus on appraisal and pre-development assets where AWE possesses the core skills to add significant value.

The Company remains in a strong financial position and is well placed to fund its development and exploration commitments in FY2014-15. These commitments are expected to increase substantially in the coming year with the next stages of development work at BassGas and accelerated drilling at Sugarloaf.

The completion of the sale of an 11.25% interest in BassGas will provide additional cash and reduce future funding commitments. The Board continues to assess capital management options on a regular basis, however, any capital management initiatives will be tested against the AWE's portfolio of high return growth projects.

### Guidance

The company provides the following guidance for the financial year 2014-15:

Oil and gas production	4.6 – 5.1 million BOE
Sales revenue	\$290 million - \$320 million
Development expenditure	\$220 million - \$250 million
Exploration expenditure	\$50 million

**Notes. (1).** Production and EBITDAX growth targets are based on doubling production and tripling EBITDAX from FY2012-13.

**Reserves and Resources.** The reserve and resource information contained in this report is based on information compiled by Neil Tupper (General Manager, Exploration and Geoscience) and Ian Palmer (General Manager Development). Mr Tupper is a Geologist with a Masters Degree in Sedimentology and has over 31 years' experience in petroleum exploration. Mr Palmer holds a Bachelor Degree in Engineering and has 33 years' experience in the practice of petroleum engineering. Both have consented in writing to the inclusion of this information in the format and context in which it appears.

**Prospective Resources.** AWE follows the Society of Petroleum Engineers – Petroleum Resources Management System (SPE-PRMS) guidelines with respect to the definition of different classes of reserves and resources. SPE-PRMS defines Prospective Resources as being the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have a probability of discovery and a probability of development. Consistent

with these guidelines, REA has assessed the probability of discovery to be between 80% and 100%. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons and the probability of development.

**Financial Summary.** The following tables provide an overview of the production and financial performance of AWE as detailed in the Company's Financial Report.

	30 June 2014	30 June 2013	Variance
	mmboe <sup>(1)</sup>	mmboe	%
<b>Production</b>			
Gas	3.22	2.88	12%
LPG production	0.49	0.25	95%
Condensate production	0.76	0.54	41%
Oil	1.14	1.30	(13%)
<b>Total production</b>	<b>5.61</b>	<b>4.97</b>	<b>13%</b>

Financial performance	\$million	\$million	%
Sales revenue	328.2	300.5	9%
Production costs and royalties	(119.4)	(115.8)	3%
Field EBITDAX <sup>(2)</sup>	208.8	184.7	13%
Exploration and evaluation expense	(39.8)	(9.7)	>100%
Amortisation	(117.6)	(105.0)	12%
Net financing expense	(10.1)	(9.4)	7%
Fair value adjustment assets held for sale	(12.4)	-	-
Other income / (expense)	67.5	(9.2)	>100%
<b>Statutory Net Profit before Tax</b>	<b>96.4</b>	<b>51.4</b>	<b>88%</b>
Tax expense	(33.9)	(31.4)	8%
<b>Statutory Net Profit after Tax (NPAT)</b>	<b>62.5</b>	<b>20.0</b>	<b>&gt;100%</b>

The underlying NPAT was \$7.0 million. 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	\$million
<b>Statutory NPAT</b>	<b>62.5</b>
Less non-recurring items (after tax):	
Gain on sale of 50% interest in Northwest Natuna PSC	(75.5)
Restructuring costs in relation to Jakarta office	3.5
BassGas fair value adjustment on assets held for sale	8.3
Perth Basin restoration costs	2.5
Anambas PSC relinquishment	1.0
Capitalised borrowing costs written off	1.1
Other project and restructuring costs	3.6
<b>Total non-recurring items (after tax)</b>	<b>(55.5)</b>
<b>Underlying NPAT<sup>(3)</sup></b>	<b>7.0</b>

1. mmboe refers to million barrels of oil equivalent

2. Sales revenue less production costs and royalties.

3. 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.

**About AWE Limited.** AWE Limited is an Australian based energy company focused on upstream oil and gas and related energy opportunities. Established in 1997 and listed on the ASX, the Company is headquartered in Sydney, Australia, with international operating offices in New Zealand and Indonesia. AWE has built a substantial portfolio of production, development and exploration assets in Australia, New Zealand, USA, Indonesia and China, including major growth opportunities such as the Ande Ande Lumut oil project in Indonesia and large unconventional gas resources in Australia. AWE also holds an interest in the Sugarloaf AMI in the Eagle Ford shale play in the USA. With its strong financial and technical base, AWE will continue to pursue exploration, appraisal and development growth opportunities in the greater Asian region.

### Summary of Abbreviations

AAL	Ande Ande Lumut oil project, Indonesia
AMI	Area of Mutual Interest
Bbls	Barrels
Bcf	Billion Cubic Feet
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
MLE	Mid-Life Enhancement
NGL	Natural Gas Liquids
NPAT	Net Profit After Tax
POD	Plan of Development
PSC	Production Sharing Contract
Tcf	Trillion Cubic Feet

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

### 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	<b>Oil</b> 1 barrel = 1 BOE
1 petajoule (PJ) = 1,000,000 gigajoules (GJ)	<b>Condensate</b> 1 barrel = 1 BOE
1 gigajoule = 947,817 British Thermal Units (BTU)	<b>LPG/NGLs</b> 1 tonne = 11.6 BOE
	<b>Sales Gas</b> 6PJ = 1 million BOE

For information please see our website [www.awexplore.com](http://www.awexplore.com) or contact:

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