



SUSTAINABILITY

We remain focused on delivering long-term, sustainable growth and we are committed to operating in an open, transparent and ethical manner.

Bruce Clement
Managing Director

AWE'S SUSTAINABILITY PRINCIPLES

1

Operate a healthy and safe workplace with a goal to achieve zero harm to people

2

Minimise the impact of our business activities on the environment

3

Benefit the local communities in which we operate and engage in an open and transparent manner

4

Build a team that is engaged, motivated and rewarded by working with AWE

5

Deliver superior, sustainable returns for shareholders

AWE is a dynamic Australian energy company focused on upstream oil and gas opportunities. Its diverse portfolio of exploration, development and production assets in Australia, New Zealand, Indonesia, China and the USA provides a solid production base with good cash flows and significant growth opportunities.

Established in 1997 and listed on the Australian Securities Exchange (ASX), the company has its head office in Sydney and project offices in Perth and New Plymouth. The company's substantial portfolio of 2P Reserves includes a range of projects that, when fully developed, will see the company's annual production base exceed 10 million BOE.

With strong technical foundations and disciplined financial management, AWE remains focused on delivering controlled growth that will generate long-term shareholder value.

www.awexplore.com

AWE provides accurate and transparent reporting of its greenhouse gas measurements to the market through participation in the Carbon Disclosure Project (CDP), and to the Australian government through the Emissions and Energy Reporting System (EERS).



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MANAGING DIRECTOR'S MESSAGE

The 2014-15 financial year presented the oil and gas industry with significant challenges as global oil prices declined rapidly to levels below US\$50 per barrel. While not immune to these challenges, AWE is well positioned to operate in a low oil price environment, with a sound business strategy and a commitment to long-term sustainability.

Operationally AWE performed well, meeting its production target and achieving a number of development milestones. The major highlight was the onshore exploration and appraisal success in Western Australia's Perth Basin where AWE now estimates more than 700 Bcf of gross recoverable gas (2P Reserves plus 2C Resources) from the Waitsia, Senecio, Irwin and Synaphea gas fields with further upside potential.

Success in the Perth Basin has highlighted the importance of our ongoing stakeholder engagement activities. Regular and open consultation and communication is a key part of successful engagement and helps build strong relationships with landowners, residents, businesses, Indigenous groups, councils and governments. We are also committed to delivering economic benefits to the communities where we operate through local hiring policies, procurement from local businesses and suppliers where possible, community partnerships and our Community Giving Program.

While many positive outcomes were achieved by the company in 2014-15, it was disappointing to record two Lost Time Injuries (LTIs) in the June quarter after more than two years injury free. AWE remains absolutely committed to operating a healthy and safe workplace with a goal of zero harm to our employees, contractors and visitors on every work site. With that goal in mind, we are focused on ensuring total commitment to health and safety by all employees and contractors, on all of our work sites at all times.



"SUCCESS IN THE PERTH BASIN HAS HIGHLIGHTED THE IMPORTANCE OF OUR ONGOING STAKEHOLDER ENGAGEMENT ACTIVITIES."

3

Our environmental performance was very good, with no reportable environmental incidents for the third year in a row. Greenhouse emissions reduced significantly, with direct emissions down 8% and indirect emissions down 44% over the previous year.

Low oil prices have forced our industry to focus on reducing costs to improve performance, and the year ahead will be one of change as AWE transitions to meet the challenge of lower revenues. We have cut costs, reduced funding commitments and reprioritised projects to operate within our financial capacity. The Jakarta office will close before the end of the 2015 calendar year, and staff numbers in the Sydney and New Plymouth offices will reduce. In Perth, we expect to increase the size of our business as we move into development of the Waitsia and Senecio gas fields, which will be an important priority in 2015-16.

We remain focused on delivering long-term, sustainable growth and we are committed to operating in an open, transparent and ethical manner. AWE's strong culture and identity, based on technical and commercial strengths, will continue to be a key foundation for our future. We have a number of valuable opportunities for growth within our portfolio of assets, and we look forward with optimism to the year ahead.

A handwritten signature in black ink, appearing to read 'Bruce Clement', written over a horizontal line.

Bruce Clement
Managing Director



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This report describes the initiatives and progress made by AWE over the 2014-15 financial year in the key performance areas of People, Safety and Health, Community, Environment, Financial Performance and Business Ethics.

We have highlighted the Material Issues facing the company now and into the near future, as well as providing a description of the company's key assets. In 2015, AWE retained Ernst & Young for the provision of an independent limited assurance over auditable aspects of its sustainability processes and performance.

Why report on sustainability?

AWE is committed to ensuring that exploration and production activities are sustainable, so that we can deliver positive long-term outcomes for the communities in which we operate, the environment and our shareholders. By reporting on the measures we undertake to achieve our goal of a sustainable business, we provide transparency and clarity to our stakeholders. Our commitment to monitoring progress and implementing or modifying initiatives to deliver continuous improvement in our business practices is a key driver of long-term business performance.

Addressing materiality

AWE regularly assesses and reviews material issues that have the potential to affect performance in the long-term to ensure the sustainability of our business. To identify the issues material to AWE, and to ensure we maintain a high standard of measurement and reporting, we review and evaluate internal and external information from a variety of sources including:

- + consultation with community stakeholders
- + feedback from our stakeholders regarding the 2014 Sustainability Report
- + benchmarking of key metrics reported by our competitors
- + media coverage of key issues and risks for AWE and the oil and gas industry
- + consultation with the AWE Sustainability Committee, a sub-committee of the Board
- + feedback from AWE shareholders, employees and subcontractors.



Material issues in 2015

The materiality assessment process has identified five key issues that have the potential to affect the sustainability of our business:

1. Maintain the highest levels of operational integrity and safety/security of our people and assets;
2. Adopt the highest standards of performance and protection of the environment, including well decommissioning and restoration of assets;
3. Engage with, and contribute to, local communities, educational institutions, regulators and other stakeholders to retain social license to operate;
4. Ensure business practices and ethics are managed in a fair, transparent and ethical manner; and
5. Maintain financial discipline during a low oil price environment.

AWE is committed to proactively managing the above material risks in a timely and responsible manner through the implementation of various initiatives, including the development of updated policies and procedures to (a) improve the quality and clarity of stakeholder engagement, (b) enhance the accuracy and quantity of data collected to assist with the monitoring of key environmental and health and safety metrics, (c) enhance the transparency and openness of our communication with key stakeholders, and (d) adopt a process of continuous improvement in the key sustainability areas.

Report scope

This sustainability report covers both AWE's operated sites and non-operated sites. Sustainability performance data for AWE's operated sites is collected and collated by AWE personnel. Data from the non-operated sites is prepared by the specific asset or project operator, as outlined under the joint operating agreements, and subsequently reviewed by AWE management on a regular basis. All data reported, from all AWE assets, relates to the 12-month period ended 30 June 2015.

Independent assurance

We have obtained independent assurance from Ernst & Young over auditable datasets within this report. Their limited assurance statement is included on pages 28 to 29.

The report contains Standard Disclosures from the GRI¹ Sustainability Reporting Guidelines, located on pages 8 through to and including 26. Ernst & Young has provided independent limited assurance over a range of non-financial metrics in accordance with the Australian Standard on Assurance Engagements 3000.

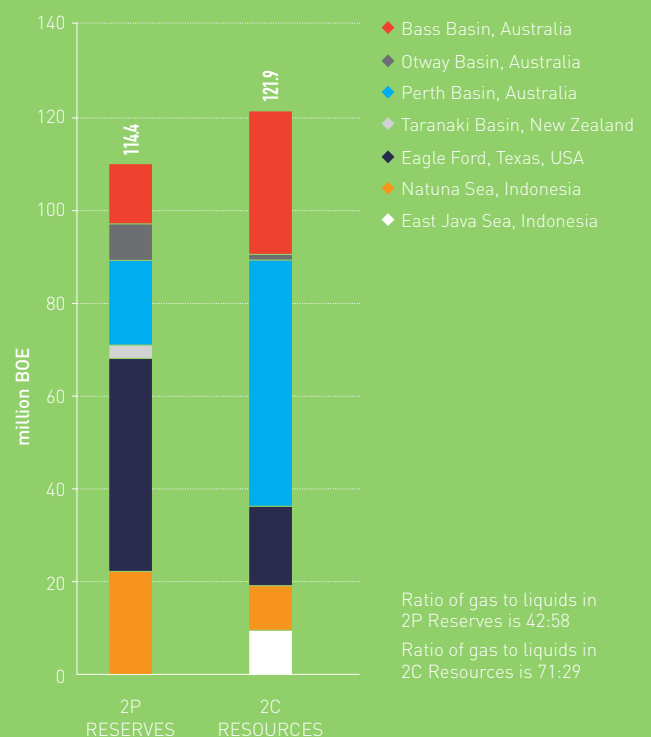
¹ The Global Reporting Initiative (GRI) is a non-profit organisation that promotes economic, environmental and social sustainability. GRI provides a comprehensive sustainability reporting framework that is widely used around the world.

OUR ASSETS AND OPERATIONS

| Region and Assets | FY 2014-15 Production | Percentage of Total |
|------------------------------------|-----------------------|---------------------|
| | '000 BOE | % |
| Australia | | |
| Bass Basin (BassGas) | 1,093 | 21.5% |
| Otway Basin (Casino) | 1,072 | 21.0% |
| Perth Basin (Cliff Head, onshore*) | 766 | 15.0% |
| New Zealand | | |
| Taranaki Basin (Tui*) | 836 | 16.4% |
| USA | | |
| Eagle Ford, Texas (Sugarloaf) | 1,327 | 26.1% |
| Total Production | 5,094 | |

*Denotes Operatorship (not all Perth Basin assets Operated by AWE)

NET 2P RESERVES AND 2C RESOURCES AS AT 30 JUNE 2015





- 1 BASS BASIN, AUSTRALIA**
BassGas Project (AWE 35%)

13.4 MMBOE
2P RESERVES

30.8 MMBOE
2C RESOURCES
- 2 OTWAY BASIN, AUSTRALIA**
Casino Gas Project (AWE 25%)

8.2 MMBOE
2P RESERVES

1.3 MMBOE
2C RESOURCES
- 3 PERTH BASIN, AUSTRALIA**
Cliff Head Oil Project (AWE 57.5%)
Waitsia Gas Project (AWE 50%, Operator)
Onshore Perth Basin (AWE 33-100%, some Operated)

19 MMBOE
2P RESERVES

53.6 MMBOE
2C RESOURCES
- 4 TARANKI BASIN, NEW ZEALAND**
Tui Oil Project (AWE 57.5%, Operator)

3 MMBOE
2P RESERVES
- 5 EAGLE FORD, TEXAS, USA**
Sugarloaf AMI (~10% working interest, ~7.5% net revenue interest)

47.8 MMBOE
2P RESERVES

17.1 MMBOE
2C RESOURCES
- 6 NATUNA SEA, INDONESIA**
Ande Ande Lumut Oil Project (AWE 50%)

23 MMBOE
2P RESERVES

9.6 MMBOE
2C RESOURCES
- 7 EAST JAVA SEA, INDONESIA**
Lengo Gas Project (AWE 42.5%)

9.5 MMBOE
2C RESOURCES
- 8 BOHAI BAY BASIN, CHINA**
Block 09 / 05 (AWE 40%)



OUR PEOPLE

8

AWE provides a safe and rewarding workplace so that employees have the opportunity to reach their full potential in a high-performance work environment.

To achieve this we foster a culture where people are empowered to perform, develop their careers and be recognised and rewarded for the contributions they make to the business and the communities in which we operate.

AWE's business strategy is built on diversity, and this equally applies to our people. AWE encourages innovative thinking to achieve its strategic goals, a process that is enhanced by diversity of gender and culture in its workforce.

Our values of honesty, integrity, common sense and respect are an integral part of working at AWE.

Highlights

- + Launched the AWE Community Giving Program, designed to provide staff with opportunities to give back to the local communities in which we operate.
- + Piloted a new coaching program for Emerging Leaders and further developed the Women's Leadership Program.
- + 43% of all roles were held by women at the end of the 2014-15 financial year, reflecting AWE's commitment to gender diversity in its workforce.

Organisational change

AWE's organisational structure is flat, flexible, lean and efficient. It is designed to adapt quickly to changing market conditions and has the capacity to focus on new projects and markets.

Based in Sydney, AWE maintains project offices in Perth, Western Australia, and New Plymouth, New Zealand. The Perth office is expected to increase numbers in 2015-16 as AWE moves closer to developing the recently discovered Waitsia gas field in the north Perth Basin. The New Plymouth and Sydney offices will reduce employee numbers in response to the low oil price environment. The company's project office in Jakarta will be closed by the end of the 2015 calendar year, due to the significant reduction in operated projects in Indonesia, and will be replaced by a representative office.

42%

of senior technical and professional staff are female

11%

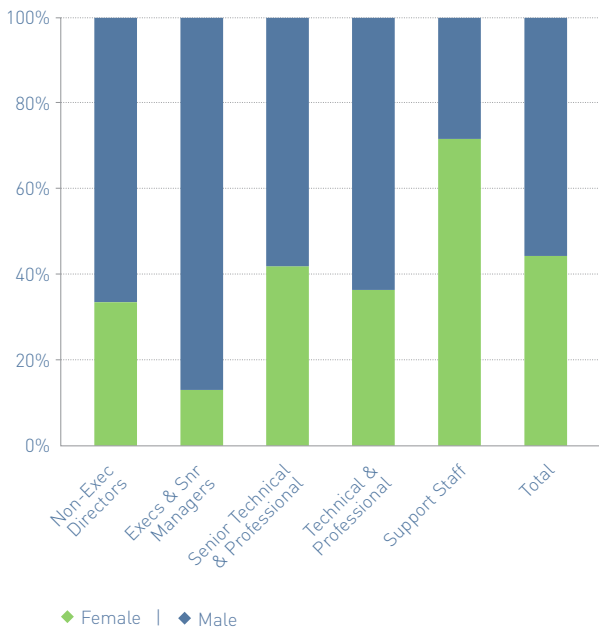
of the AWE workforce with flexible and/or part-time working arrangements

7%

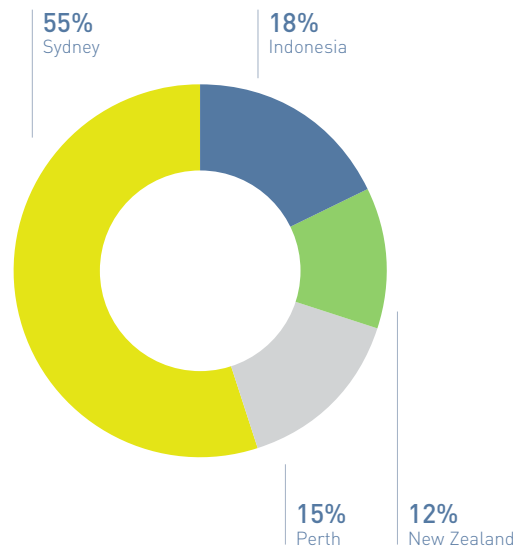
voluntary turnover



WORKFORCE GENDER REPRESENTATION AT 30 JUNE 2015
TOTAL: 119 EMPLOYEES



PERSONNEL BY LOCATION AT 30 JUNE 2015
TOTAL: 119 EMPLOYEES





**"TOGETHER WE CAN MAKE
A REAL DIFFERENCE TO
IMPROVING OUR COMMUNITY."**

Case Study: AWE Community Giving Program

AWE's Community Giving Program was launched in early 2015, and consists of three core components:

1. Workplace giving;
2. Volunteering; and
3. Workplace-based fundraising.

Each AWE office nominated a local charity, and each of these organisations was invited to make a presentation to all AWE employees about their goals, activities and the positive impact that our assistance could provide. Employees then selected which charity, or charities, they wanted to support through pre-tax payroll donations. In calendar year 2015, approximately \$22,000 will be distributed among the four chosen charities (Youth Off The Streets, St Bartholomew's House, CanTeen and GNOTA), with up to \$10,000 to be matched by AWE.

Case Study: Leadership development

AWE supports programs that assist employees achieve their career and personal development aspirations, while also contributing to AWE's goals. During 2014-15, a leadership development program was piloted where three emerging leaders received personalised coaching over a six to eight month period. The program commenced with a 360-degree feedback process and topics covered include Emotional Intelligence, Managing Upwards, Setting Performance Expectations, Conflict Management and Coaching and Developing Others.

David Reeve is the Principal Geoscientist in AWE's New Ventures team in Sydney.

"My role within AWE is to lead teams that provide geotechnical evaluations of new venture projects. This involves assembling and leading teams of professionals with varying levels of experience across multiple disciplines. The 'Fastlead' program has been very beneficial in providing support tools for improving my leadership capability. Examples of concepts discussed include engaging and motivating others, self-awareness and conflict management. The process has helped identify my strengths and challenges. The group sessions that involved sharing of different experiences, where colleagues faced similar challenges leading their teams, were particularly useful. It has been a valuable experience to learn how to manage both downwards and upwards within the team." *David Reeve*

\$32,000

pledged to charities by AWE and its employees through Workplace Giving



AWE's approach to safety and health emphasises that all accidents are preventable and that no task is so vital that the risk of injury can be justified.

After a two-year period of outstanding safety results with no Lost Time Injuries (LTIs), it was disappointing to report two LTIs in the June quarter of financial year 2014-15. Our total recordable injury frequency rate (TRIFR) rose from 1.6 to 5.58 per million man-hours during this reporting period. Both our LTI and TRIFR measures were affected by a 29% reduction in total hours worked, with most development activity in 2014-15 occurring across non-operated projects.

Management acted immediately to improve AWE's safety performance, particularly in the Perth Basin where activity levels have increased significantly. Both LTI incidents were fully investigated by relevant experts. A number of factors contributed to the incidents, which occurred among AWE's subcontractors, and lessons learned were shared across the business. In 2015-16 it will be a priority to improve subcontractor safety performance and we will focus on:

- + visible safety leadership and communication
- + subcontractor commitment to improved Health, Safety and Environment (HSE) performance
- + worker engagement at all levels
- + shared commitment to our safety culture.

Safety audits and risk management

AWE's safety strategy includes rigorous evaluation and reporting of risks, hazards and impacts to operations, safety communications, contractor monitoring, training and a continuous improvement program.

During the year we conducted a number of safety audits across our operations. The audit criteria comprised commitments contained within the AWE Health, Safety and Environment Management System (HSEMS). The objective of the HSEMS is to provide the definition and structure to ensure that all activities undertaken by AWE are conducted in a safe and responsible manner and meet the legal and regulatory requirements of the country in which we operate. The HSEMS elements audited during this reporting year included contractor management, regulatory compliance, risk management and incident management.

At the end of 2014-15, we revised our key performance indicators (KPI) to better measure HSE performance. AWE is focused on improving safety performance, particularly among subcontractors, in anticipation of increased drilling and development activity in the Perth Basin in coming years. One key area that will be targeted will be the induction and safety training of contractors and subcontractors prior to working on site. This is particularly relevant where a drilling program is commencing or where new construction or operational activities are occurring.

2
Lost Time Injuries

7
work place health campaigns and events

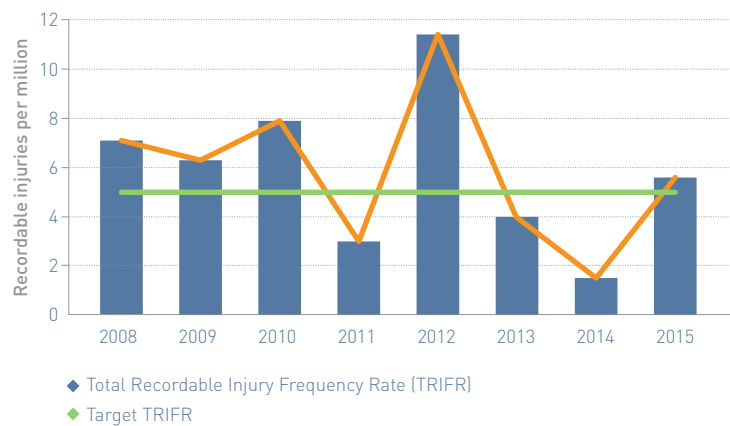


Case Study: Onshore well decommissioning

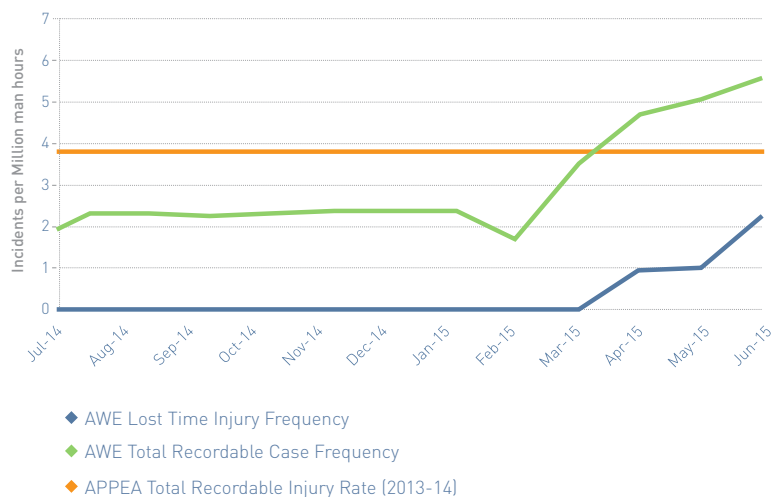
Well decommissioning involves the safe isolation and sealing of a well bore, the removal of the well head and the restoration of the well site back to its original land use. A well decommissioning program is under way in the north Perth Basin, and some new techniques to improve safety and efficiency have been successfully introduced.

A good example is the recent change to the technique used for cutting the well head, which is the last phase of well decommissioning and precedes rehabilitation. AWE now uses high pressure (45,000 psi) water/garnet jetting to cut the multiple layers of steel casing and cement just below the well head in a single operation, rather than the multi-stage cutting applied previously. The new technique is simple, takes less time and has reduced safety risks for employees and contractors.

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR)
AT 30 JUNE 2015



AWE OPERATED 12 MONTH ROLLING AVERAGE SAFETY PERFORMANCE INDICATORS





Engaging and working with key stakeholders, especially local communities, is crucial to AWE's long-term business sustainability.

AWE has a well-established track record in community engagement in the Taranaki region of New Zealand and Western Australia's north Perth Basin, where good stakeholder relationships are vital to maintaining a sustainable business and a social licence to operate. Over time, AWE has built strong relationships with the local communities, educational and research institutions, regulators, Indigenous and freehold landowners, and local and state governments.

Our dealings with all stakeholders are characterised by transparency, a spirit of positive engagement, honesty and integrity. These qualities will continue to underpin our operations, particularly as we increase onshore activity levels in the north Perth Basin.

AWE's approach to community and stakeholder engagement is based on two key foundations:

- + operations are based in the community (no fly in, fly out)
- + face-to-face contact is essential for building positive relationships.

We engage with people and communities in a number of ways, including open information exchange sessions, presentations, site visits, websites and email, and one-on-one meetings. These interactions provide numerous opportunities for communities and landowners to share their views and offer stakeholders an insight into AWE's current and planned operations.



Perth Basin, Western Australia

Following the September 2014 discovery of the Waitsia gas field, believed to be the largest onshore gas discovery in Australia for the past 30 years, the 2014-15 financial year held significant promise. AWE drilled three new exploration and appraisal wells in the north Perth Basin — Irwin-1, Waitsia-1 and Waitsia-2 — and completed a successful flow test at Senecio-3. Each operation was underpinned by substantial investment in community and stakeholder engagement, land access agreements and environmental plans prior to work commencing, with commitments to continue certain activities up to two years after the well has been drilled.

Some of the work undertaken in preparation for drilling and flow testing activity included:

- + the launch of a new community website: www.awemidwest.com.au
- + face-to-face meetings with landowners
- + hosting open community information exchange sessions in regional centres
- + presentations to local councils and chambers of commerce
- + distribution of information flyers to residents
- + a procurement workshop for local business owners and service providers
- + site tours for landowners, local residents, local business representatives, local and state government representatives.

In addition, AWE sponsored and participated in the independently facilitated Community Reference Group for the Drover-1 exploration well and made submissions to the Western Australia Parliamentary Inquiry into the Implications of Hydraulic Fracturing for Unconventional Gas.

Through these engagements we have identified and addressed a number of important issues, including:

- + industry engagement, transparency and disclosure
- + protection of groundwater quality
- + the process of hydraulic fracture stimulation
- + compensation for land use
- + potential benefits to local business
- + local job opportunities
- + community investment and sponsorship.

We are proactive in our approach to ensuring that these and other issues are properly managed so that we can create mutually beneficial outcomes for AWE and the communities in which we work.



Case Study: Stakeholder and community engagement activities

AWE created and launched the Mid West community website in March 2015 to provide local residents and stakeholders with a source of detailed and relevant information about AWE’s exploration and appraisal activities in the north Perth Basin. The website is updated regularly with general information about the company and specific information about our operating activities, work opportunities, health and safety, community engagement, upcoming events, Frequently Asked Questions (FAQ) and a regularly updated blog. The website can be visited at: www.awemidwest.com.au.

In April 2015, AWE hosted an open community information exchange in the town of Dongara/Port Denison to update the local Mid West community about the company’s ongoing operations and forward plans in the region, and to encourage feedback from local residents, farmers and business owners. The information exchange focused on the Senecio and Waitsia gas fields, located approximately 15 km east of Dongara, where AWE’s appraisal and development activities are planned to continue in 2015-16. AWE employees from our technical, drilling, environment, community engagement and project management teams were available during the event to answer questions and listen to issues raised by local people.

3

open community information exchanges and procurement workshops

11

site tours at three different well locations

5

Community Reference Group meetings

8

local council, community and traditional owner group meetings



Case Study: Senecio-3 flow test

In March 2015, AWE received a number of complaints from a section of Irwin town residents about noise, odour and vibrations from the flow test being conducted at the Senecio-3 well.

AWE responded immediately by shutting down the flow test, meeting with residents and then commissioning an independent investigation of the issues raised.

One issue that emerged quickly was that community notification of the Senecio-3 flow test should have been broader. The engagement plan for Senecio-3 was based on the previous Senecio-2 well flow test engagement plan, where there were no complaints. However, once differences in terrain and seasonality were taken into consideration, the need for broader community notification for the Senecio-3 flow test was recognised.

Representatives from AWE personally apologised to affected residents for inadvertently not making contact earlier and for any unintentional disturbance. The company also updated its engagement plans to engage with residents across a wider area regarding any future flow test activity.

The independent investigation provided a third-party assessment of the issues raised by the residents, as well as advice on improvement opportunities. It acknowledged that noise may have been an issue for some residents at certain times and that AWE's response was immediate and appropriate. Reports of vibration and odour were considered extremely unlikely due to the distances involved and the gas being almost odourless.

For a more detailed review of the independent analysis, please go to: www.awemidwest.com.au/blog.

Case Study: Business opportunities in the Mid West

AWE is growing its business in the Mid West region of the Perth Basin and makes a significant contribution to the regional economy. In 2014-15, AWE directly invested more than \$6 million into the local economy through wages, contracts and community partnerships. This is expected to increase substantially once the Waitsia and Senecio gas field projects move into development and production.

The company's employment and procurement policies offer direct employment and local supply chain opportunities for individuals and companies based in the Mid West region.

In March 2015, AWE and the Mid West Chamber of Commerce and Industry ran a procurement workshop in Dongara. The workshop was attended by more than 80 representatives from local Mid West businesses, with demand so high that a waiting list was required when the centre reached full capacity.

The purpose of the day was to:

1. Provide an overview of AWE's activities in the area and the business opportunities that could arise from those activities;
2. Improve AWE's understanding of the local services available in the Mid West; and
3. Provide local suppliers with the opportunity to ask questions about AWE's forward plans, procurement processes, and provide feedback.

While some of AWE's requirements were very specific and required expertise and skills to be brought into the area, it remains the company's preference to use local service providers wherever possible.

\$6M

direct investment in the Perth Basin's Mid-West economy through wages, contracts and community partnerships



"AWE AND ITS JOINT VENTURE PARTNERS IN THE TUI AREA OIL PROJECT HAVE BUILT A SUBSTANTIAL COMMUNITY INVESTMENT PROGRAM CENTRED ON NEW PLYMOUTH AND THE WIDER TARANKI REGION."

Taranaki, New Zealand

Since 2008, AWE and its joint venture partners in the Tui area oil project have built a substantial community investment program centred on New Plymouth and the wider Taranaki region. As well as financial contributions, the well-respected program has provided numerous opportunities for employees, contractors and consultants to become involved in activities that benefit the whole community, which has proved to be extremely rewarding and formed strong local bonds. The Tui joint venture estimates it has contributed more than US\$2 million to the local community from 2008 to 2015 with the primary focus on youth and education.

Case Study: Supporting the Taranaki community – Cape Egmont Rescue Vessel

With the Tui area oil field operations located 50 km offshore in the Taranaki Basin, it was a natural fit for offshore energy companies active in the basin to commit to providing joint sponsorship to the Cape Egmont Sea Rescue Trust. This sponsorship assisted with funding the construction of a new rescue vessel at Cape Egmont, 41 km south of New Plymouth. The Cape Egmont Rescue Vessel is responsible for first response search and rescue operations and is therefore particularly important to the local community. The rescue vessel has the ability to travel up to 50 nautical miles (93 km) from the coast to undertake rescue operations at the offshore facilities. AWE continues to support this community-based service with an ongoing maintenance program.

24

community groups supported

US\$94K

contributed to community organisations in 2014-15

US\$2M

plus contributed to community activities from 2008 to 2015



As an upstream oil and gas company, AWE recognises our obligation to minimise the impact of our operations on the environment.

AWE aims to ensure that our exploration and production activities are sustainable, and our approach to environmental management incorporates diverse locations and unique environmental conditions.

We work hard to minimise our environmental footprint and adopt the highest standards of performance and protection of the environment, including well decommissioning and site rehabilitation. AWE had no significant hydrocarbon spills and no reportable environmental incidents across our entire operation during 2014-15.

Environmental risk management

One of the ways AWE mitigates the environmental impact of its operations is through the preparation and implementation of approved Environmental Plans (EP). In Western Australia, EPs are required for a range of petroleum activities, including drilling appraisal and exploration wells, well interventions and for new projects.

Each EP describes how the Operator will manage the environmental risks associated with well activities. EPs are developed in consultation with relevant agencies, such as the Department of Water, and each EP must be approved by the Department of Mines and Petroleum before work can commence.

The EP identifies potential environmental risks of the proposed activity and describes the control measures that will be implemented to minimise or eliminate these risks and ensure that the environmental objectives are achieved.

Before any work commences on site, an independent consultant obtains soil and ground water samples for comprehensive analysis to establish baseline characteristics. Analysis of samples is conducted by an independent NATA-accredited laboratory.

During site preparation, topsoil and subsoil are stockpiled for site rehabilitation using low profile mounds to minimise erosion. After drilling, all drilling muds and cuttings are retained within a lined sump. Testing is undertaken to determine the appropriate method of disposal (if required) of drilling muds and cuttings. If offsite disposal is required, a licensed facility will be used in accordance with Landfill Waste Classification and Waste Definitions 1996 (as amended Dec 2009).

While the activity is underway, management measures outlined in the EP are implemented and monitoring is undertaken as required by the EP and the Department of Water.

8%

reduction in Scope 1 (direct) emissions

31%

reduction in Scope 2 (indirect) emissions

NO (ZERO)

reportable environmental incidents

NO (ZERO)

significant hydrocarbon spills



At the completion of activities, access tracks and well sites are rehabilitated to their original condition in accordance with landowner requirements and the schedule of Onshore Petroleum Exploration and Production Requirements 1991 and the Environmental Protection Act 1986.

During the 2014-15 year, there were no reportable environmental incidents. Environmental audits were conducted at the Irwin-1, Senecio-3 and Waitsia-1 well sites by an independent consultant to ensure compliance with approved EPs and to develop a compliance register. There were no significant operational non-conformance issues identified, only opportunities for further improvement.

Emissions reporting

AWE's direct greenhouse gases (GHG) are emitted from combustion in stationary and mobile combustion engines, gas processing equipment and from venting, flaring and fugitive methane (natural gas). The main components of GHG emissions from the industry are carbon dioxide (CO₂) and methane.

Carbon dioxide is emitted as a result of fuel combustion, typically for the purposes of energy production or through process safety requirements such as flaring. Other GHGs can potentially be emitted in the form of un-combusted gas from flares as well as from inefficient gas engines. Fugitive methane emissions are small contributors to the overall GHG emission total.

Scope 1 emissions are those arising directly from sources owned or controlled by the reporting entity. In our activities, the main categories of Scope 1 emissions are fuel used, flaring, venting and fugitive losses and distribution losses. In 2015, direct GHG emissions from operations directly under AWE's control emitted 73,327 tonnes, a decrease of 8% compared with 2014.

AWE also measures greenhouse gas emissions on an equity share basis, reporting emissions in line with the group's equity interest in operations, including where AWE is an investor but not an Operator. The annual total direct emissions by project (equity share) decreased by 26% to 130,368 tonnes largely due to decrease in production at BassGas for the 2014-15 year. Our emissions intensity also decreased by 7% predominately due to decreases in total direct (equity share) emissions for BassGas.

Scope 2 emissions, or indirect emissions, are those resulting from consumption of purchased electricity or gas. AWE's only significant purchased energy is electricity. In 2015, our operations purchased electricity that emitted 392 tonnes of GHG when originally generated at the source. This is a 31% reduction on the previous year.



"AWE AIMS TO ENSURE THAT OUR EXPLORATION AND PRODUCTION ACTIVITIES ARE SUSTAINABLE, AND OUR APPROACH TO ENVIRONMENTAL MANAGEMENT INCORPORATES DIVERSE LOCATIONS AND UNIQUE ENVIRONMENTAL CONDITIONS."

20

Case Study: Native plants program at Moturoa School

Moturoa School, a small primary school located on the coast of New Plymouth, is surrounded by native bush. Moturoa was the first school in Taranaki to participate in the nationwide Trees for Survival Environmental Education Program. AWE has been helping support the Moturoa School in this program for the past four years.

The curriculum focuses on rare native plants unique to the region and their botanical characteristics, habitat and ecological relationships as well as cultural and historical values with specific connection to Taranaki. This year the school children have been focusing on threatened coastal plants Koromiko (*Hebe speciose* and *elliptica*) and Kokihi (*Tetragonia tetragonoides*). They have a number of planting trips planned for various locations along the Taranaki coast. In May 2015, five AWE volunteers joined a group of Moturoa school children and Department of Conservation (DOC) staff at the Maitahi Reserve, where they helped plant Koromiko and Kokihi seedlings that had been grown by the children.

GREENHOUSE GAS INTENSITY
BY EQUITY SHARE OF PRODUCTION





Case Study: Drover-1 highlights the value of groundwater monitoring

The groundwater monitoring program at the Drover-1 exploration well in the Perth Basin, Western Australia, involved testing for 86 different analytes, sourced from four different locations. Out of a total of 344 tests, irregular readings were measured for methane at two locations.

Methane is non-toxic and non-poisonous and these results, while not harmful, were immediately reported to the regulatory authorities and the landowner. AWE then commissioned further testing and independent analysis of the results.

The independent analysis found that although methane readings at the two locations had increased:

- + they were most likely the result of a difference in sampling methodology between the tests
- + there were no safety or environmental issues associated with the measured levels, and
- + the Drover-1 exploration well was not the source.

The Department of Water subsequently confirmed that the levels of recorded methane posed no environmental or safety risk.

The independent analysis confirmed that the methane was microbial and was not from naturally occurring reservoir gas or shale gas, and that the sources of the methane in the two wells were different.

The elevated methane reading at the first location was consistent with the construction of a new water bore. At the second location, ongoing monitoring will confirm whether the methane levels have actually changed or whether the reading was a result of a testing anomaly.

For a more information about Drover-1 groundwater monitoring, please go to: www.awemidwest.com.au/blog.



AWE's production assets generate good operating cash flows that provide balance sheet capacity and flexibility to sustain the business through challenging market cycles.

AWE has continued to deliver on its objectives and hit its production, development and exploration targets while also delivering a revenue result that was only 2% below our full year guidance.

However, significantly lower oil prices affected AWE's financial results in 2014-15. The company reported a statutory net loss after tax of \$230 million, which included non-cash impairments of \$158 million after tax. After adjusting for non-recurring items, AWE recognised a net underlying loss of \$52 million.

Sales revenue of \$284 million was generated from production of 5.1 mmbob. Field EBITDAX of \$143 million was down on last year, a result of lower oil prices and the shut-in of BassGas facilities for development drilling. Field operating costs of \$141 million were higher than last year largely due to increased royalties paid at Sugarloaf, where production increased by 54% year on year.

Non-cash impairments of \$158 million after tax primarily relate to three key assets. We recorded an impairment of \$50 million for Tui and Cliff Head to reflect lower oil prices. We also booked a non-cash impairment of \$106 million after tax on the BassGas project after reducing the reserves at Yolla by 5.5 mmbob, down to 13.4 mmbob.

Operating cash flow before exploration of approximately \$100 million was lower than last year and reflects the impact of lower oil prices on revenues. Importantly, around 25% of cash flows were derived from domestic CPI-linked sales from gas-producing assets, which help provide substantial protection against the current volatility in oil prices.

Balance sheet discipline

At financial year end AWE held \$47 million in cash and \$170 million in borrowings, a net debt position of \$123 million, with \$230 million of our corporate debt facility undrawn.

Given the low oil price environment, AWE will continue to focus on reducing non-core and discretionary expenditure across the business over the coming years. AWE investment expenditure in 2015-16 is forecast to decrease by 37% - 47% over 2014-15, down to between \$160 million - \$190 million.

Further rationalisation of the asset portfolio will also be evaluated and cost reduction programs implemented across the business, particularly in overheads and administration.

5.1MMBOE

Total annual production

\$284M

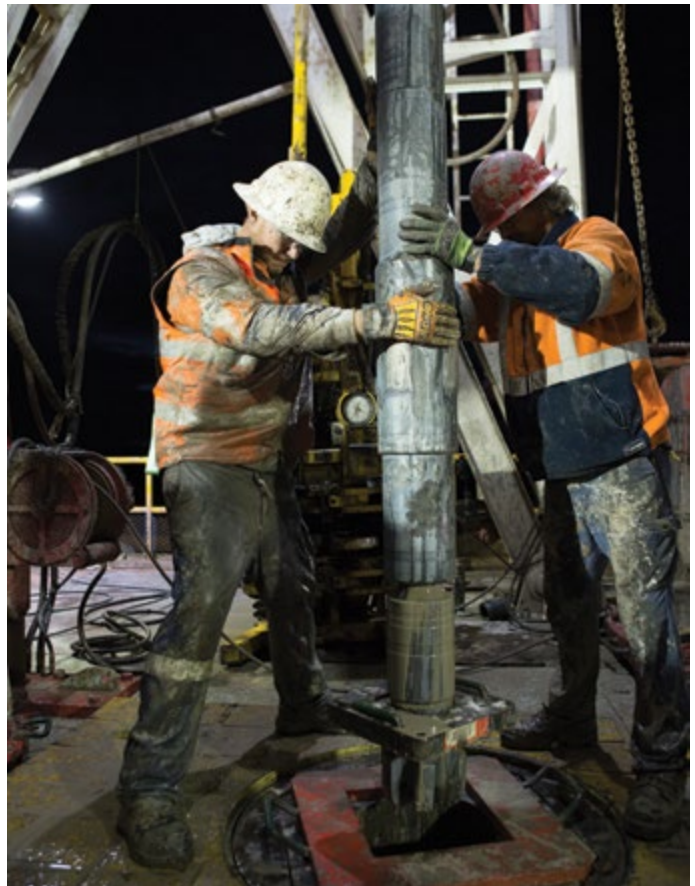
Sales revenue

\$143M

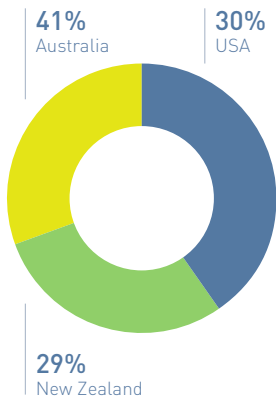
Field EBITDAX

25%

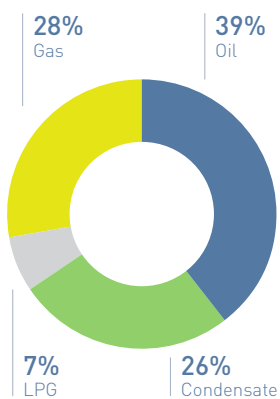
increase in 2P Reserves to 114 mmbob



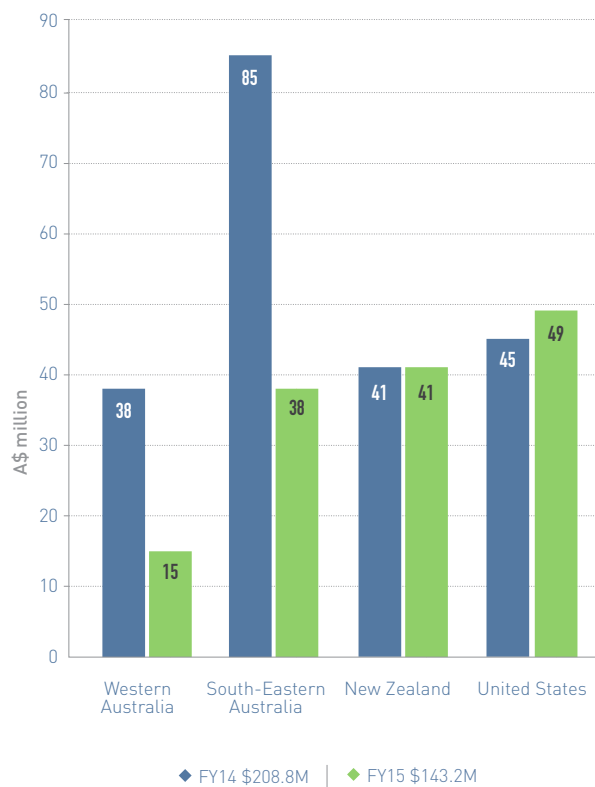
FY2014-15 SALES REVENUE BY GEOGRAPHY



FY2014-15 SALES REVENUE BY PRODUCT



FIELD EBITDAX FOR THE FINANCIAL YEAR ENDING 30 JUNE





Outlook

In the years ahead, AWE will prioritise investment in low-cost, high-return projects, such as the conventional onshore Waitsia gas project in the Perth Basin where we see substantial value and Reserves upside. We will do this in a disciplined manner with a view to minimising recurring expenditure.

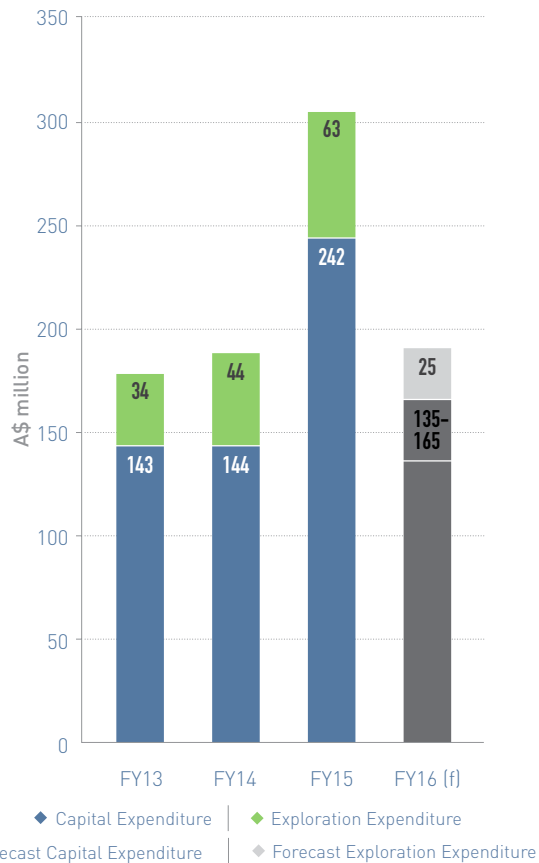
We will also focus on protecting our balance sheet by hedging production where fiscally prudent and consider alternative funding strategies to maintain balance sheet flexibility and increase shareholder returns.

For more financial information, please refer to AWE's 2015 Annual Report available at: www.awexplore.com.

\$52M
underlying loss after tax

59%
increase in 2C Resources to 122 mmboe

TOTAL INVESTMENT EXPENDITURE
FOR FINANCIAL YEAR ENDING 30 JUNE





2

ethical breaches reported

4

company policies updated

AWE's ethical framework, built on mutual respect, creates a positive working environment and provides an enduring set of business principles.

AWE conducts its business fairly, honourably, with integrity and in compliance with the law. We require our employees and contractors to act ethically and professionally and recognise the value in fostering a culture of corporate compliance, ethical behaviour and good corporate governance.

The AWE board oversees the development of the company's business policies and has zero tolerance for unethical behaviour or conduct that may cause personal, financial, reputational or legal harm to the company or its employees.

In 2014-15, there were two breaches of company policy that were reported to the board. In both cases, appropriate disciplinary action was taken.

An online training program was implemented during the year to provide employees with a better understanding of key company policies:

- a. Code of Conduct
- b. Procurement Practices Policy
- c. Securities Training Policy
- d. HSE Policy
- e. Alcohol and Drugs Policy
- f. Fraud and Corruption Policy
- g. Whistleblower Policy
- h. Equal Employment Opportunity Policy
- i. Acceptable Use of IT Policy.

The board and management reviewed and updated four policies during the year and established a Register of Gifts to enhance compliance with applicable anti-bribery and corruption legislation.

Code of Conduct policies

AWE's code of conduct reflects the following principles:

- + AWE is committed to conducting its business fairly, honourably, with integrity and in compliance with the law in all jurisdictions where it operates, including applicable anti-bribery and corruption legislation.
- + AWE does not pay bribes to anyone, including to government officials or external company executives, to obtain or maintain business, induce improper performance or to gain an unfair advantage.
- + AWE does not pay bribes directly or indirectly through brokers, agents, consultants or other associated persons or third parties.
- + AWE does not provide improper inducements through other means such as inappropriate meals and entertaining, excessive gift giving or making of unauthorised facilitation payments.
- + AWE will maintain detailed and accurate books and records and internal controls at all times.
- + AWE does not conceal bribes or other improper payments by 'off book' arrangements or by falsifying its books and records.
- + All AWE employees are charged with the responsibility of knowing what their brokers, agents, consultants and other third party representatives are doing and ensuring that such entities are not paying bribes on AWE's behalf.
- + Employees should not engage in conduct that would be in breach of any applicable anti-bribery and corruption legislation or any other AWE policy.

SUSTAINABILITY STATISTICS

| Year to June | 2011 | 2012 | 2013 | 2014 | 2015 | % Change |
|--|--------------|--------------|--------------|--------------|--------------|------------|
| Production (Equity Share) | | | | | | |
| Oil Production ('000 Bbls) | 1,968 | 1,700 | 1,309 | 1,140 | 1,203 | 6% |
| Gas Production (TJ) | 20,562 | 15,503 | 17,250 | 19,318 | 15,516 | -20% |
| LPG (tonnes) | 25,888 | 11,921 | 22,132 | 42,030 | 39,335 | -6% |
| Condensate ('000 Bbls) | 429 | 271 | 533 | 759 | 849 | 12% |
| Total Production ('000 BOE) | 6,124 | 4,692 | 4,974 | 5,606 | 5,094 | -9% |
| Greenhouse Gas Emissions | | | | | | |
| (Operational Control) | | | | | | |
| Direct Greenhouse Gas Emissions (tCO ₂ -e) | 117,628 | 105,801 | 73,954 | 79,880 | 73,327 | -8% |
| Indirect Greenhouse Gas Emissions (tCO ₂ -e) | 279 | 562 | 568 | 572 | 392 | -31% |
| Greenhouse Gas Emissions | | | | | | |
| (Equity Share) | | | | | | |
| Direct Greenhouse Gas Emissions (tCO ₂ -e) | 203,286 | 135,542 | 126,354 | 176,593 | 130,368 | -26% |
| Greenhouse Gas Intensity ¹ (tCO ₂ -e/'000 BOE) | 34.0 | 30.0 | 29.3 | 37.2 | 34.6 | -7% |
| Environment | | | | | | |
| Hydrocarbon Spills | 0 | 2 | 0 | 0 | 0 | n/a |
| Total Water Withdrawal ² (m ³) | - | - | 2,085 | 5,090 | 10,027 | - |
| Formation or Produced Water ³ (m ³) | - | - | 5,820,935 | 5,745,579 | 5,472,320 | - |
| Safety (Operations) | | | | | | |
| Hours Worked | 994,807 | 792,125 | 753,820 | 1,268,717 | 895,867 | -29% |
| Fatalities | - | - | - | - | - | - |
| Lost Time Injury | 1 | 6 | 2 | - | 2 | n/a |
| Lost Time Injury Frequency Rate (LTIFR) | 1.0 | 7.6 | 2.7 | - | 2.2 | n/a |
| Total Recordable Injuries | 3 | 9 | 3 | 2 | 5 | n/a |
| Total Recordable Injury Frequency Rate (TRIFR) | 3.0 | 11.4 | 4.0 | 1.6 | 5.6 | n/a |
| Community | | | | | | |
| Sponsorship and Donations (A\$) | - | - | 179,628 | 266,496 | 217,519 | -18% |

¹ Sugarloaf has been excluded from reporting due to the lack of availability of data provided by the Operator, and may represent a material source of emissions, as this site accounts for 26.1% of total AWE production.

² Consists of Ground Water and Municipal Water (2013 collected data for Perth Basin assets operated by AWE only)

³ Bohai Basin, China emissions are not included in the GHG intensity calculation due to emission not being available at the time by Operator (to be included in the 2016 Sustainability Report)

GLOSSARY

Abbreviations

| | |
|--|--|
| \$ | Australian Dollars |
| 2C | mid estimate in relation to recoverable contingent resource volumes |
| 2P | proved and probable (reserves) |
| AAPG | American Association of Petroleum Geologists |
| AMI | Area of Mutual Interest |
| API | American Petroleum Institute |
| bbl | barrel |
| BOE | barrels of oil equivalent |
| CDP | Carbon Disclosure Project |
| CO2 | carbon dioxide |
| CO2e | carbon dioxide greenhouse gas equivalent |
| CMP | Crisis Management Plan |
| DOC | Department of Conservation |
| DPaW | Department of Parks and Wildlife |
| EAP | Employee Assistance Program |
| EBITDAX | Earnings before interest, tax, depreciation, amortisation and exploration expenses |
| EERS | Emissions and Energy Reporting System |
| EPA | Environmental Protection Authority |
| FPSO | Floating Production Storage and Offloading Vessel |
| ERP | Emergency Response Plans |
| FY | financial year |
| GHG | greenhouse gas |
| GNOTA | Gerakan Nasional Orang Tua Asuh |
| GRI | Global Reporting Initiative |
| HR | Human Resources |
| HS | Hydrocarbon Spills (litres) - A Hydrocarbon Spill is defined as a hydrocarbon liquid spill greater than 1 barrel (159 litres) that reaches the environment (with reference to the IPIECA/API guidelines) |
| HSE | Health, Safety and Environment |
| HSEMS | Health, Safety and Environment Management System |
| IPIECA | International Petroleum Industry Environmental Conservation Associations |
| LPG | liquefied petroleum gas |
| LTI | Lost Time Injury |
| LTIFR | Lost Time Injury Frequency Rate |
| mmbae | million barrels of oil equivalent |
| NATA | National Association of Testing Authorities |
| Proved and Probable (2P) Reserves | means the reserves volume for which there is an equal probability that actual recovery will exceed or be less than the stated quantity |
| PSC | Production Sharing Contract |
| Reserves | means the volumes of economically recoverable hydrocarbons contained in a geological formation from a given date forward |
| Resources (or Contingent Resources) | means the volumes of hydrocarbons that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles |
| SPE | Society of Petroleum Engineers |
| SPEE | Society of Petroleum Evaluation Engineers |
| tCO2-e | tonnes of carbon dioxide equivalent |
| Total Hours Worked | Aggregate of total available hours for full-time, fixed term, and part-time employees plus actual hours worked by casual employees and contractors carrying out work related activities |
| TRCFR | Total Recordable Case Frequency Rate |
| TRIFR | Total Recordable Injury Frequency Rate |
| WPC | World Petroleum Council |

Conversion Table

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 = 10³
mega = million = 10⁶
giga = 1,000 million = 10⁹
tera = million million = 10¹²
peta = 1,000 million million = 10¹⁵

Reserves And Resources

The reserves and contingent resources in this report 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. Neil Tupper, AWE General Manager for Exploration and Geoscience. Dr. Hunt, a Petroleum Engineer with a Ph.D. in Geomechanics, is a member of Society of Petroleum Engineer Engineers and has over 18 years' experience in the petroleum sector in field development planning, reserves estimation, production and facilities engineering. Mr. Tupper, a member of Society of Petroleum Engineers and American Association of Petroleum Geologists, holds MSc in Sedimentology and its Applications and BSc (Hons) in Geology. Mr Tupper has over 31 years of industry experience with specific expertise in strategic planning, portfolio analysis, prospect evaluation, technical due diligence and peer review, reserves and resource assessment, unitisation and business development. Both qualified petroleum reserves and resource evaluators have consented in writing to the inclusion of this information in the form and context in which it appears.

The AWE reserves and contingent resource reported as at 30 June 2015 were prepared in accordance with the SPE/AAPG/WPC/SPEE Petroleum Resources Management System guidelines of November 2011.



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Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Limited Assurance Report to the Management and Directors of AWE Limited

Assurance conclusion

On the basis of our procedures for this limited assurance engagement, nothing has come to our attention that causes us to believe that the selected performance data, as presented in AWE Limited's 2015 Sustainability Report for the year ended 30 June 2015, was not presented fairly in all material respects in accordance with their criteria for reporting.

Scope

We have performed a limited assurance engagement in relation to AWE Limited's ('AWE') 2015 Sustainability Report ('the Report') for the year ended 30 June 2015, in order to state whether anything has come to our attention that would cause us to believe that selected performance data has not been presented in accordance with the criteria described below.

Subject Matter

The subject matter is limited to reviewing selected sustainability performance data disclosed within the Report for the year ended 30 June 2015, being:

- ▶ Total direct greenhouse gas (GHG) emissions under operational control in tonnes of carbon dioxide equivalent (tCO₂e) (p. 19 and 26)
- ▶ Total indirect GHG emissions under operational control (tCO₂e) (p. 19 and 26)
- ▶ Total direct GHG emissions on an equity share basis (tCO₂e) (p. 19, 20 and 26)
- ▶ Total community spend (donations and sponsorship in AUD) (p. 26)
- ▶ Number of reportable hydrocarbon spills (p. 18 and 26)
- ▶ Total water withdrawal for the Tui and Perth Basin operated sites (p. 26)
- ▶ Total Recordable Injury Frequency Rate (TRIFR) for all operated sites (p. 12 and 26)
- ▶ Lost Time Injury Frequency Rate (LTIFR) for all operated sites (p. 12 and 26)
- ▶ Number of fatalities (p. 26)
- ▶ Economic performance data (production, revenue, and operational cash flow) (p. 22 and 26)
- ▶ People diversity statistics (age, job position, nationality, and gender) (p. 8 and 9)

Criteria

Management of AWE has described its approach to sustainability performance within its Report and has determined methods considered appropriate for reporting greenhouse gas emissions, social, environmental, and safety data. There are no prescribed methods within Australia for determining the greenhouse gas emissions, social, environmental, and safety data for public reporting. The use of different methods can result in materially different amounts. AWE Management has reported the total greenhouse gas emissions on both an equity share and operational control basis. The

operational control approach for Australian operations has been delivered by reference to the Australian Government's National Greenhouse and Energy Reporting (NGER). Sources for emissions factors were drawn from the Australian Government's National Greenhouse and Energy Reporting (Measurement) Determination 2008; and New Zealand Government's Climate Change (Stationary Energy and Industrial Processes) Regulations 2009; AWE management has set out its approach for the non-financial data metrics related to community, economic performance, environment, and health and safety outlined within the subject matter presented in the Sustainability Report 2015. AWE has utilised the Global Reporting Initiative's G3.1 Sustainability Reporting Framework Guidelines.

Management Responsibility

The management of AWE are responsible for the collation, preparation and presentation of the subject matter in accordance with the criteria, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process.

Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion as to whether the subject matter is presented in accordance with the criteria. Our limited assurance engagement has been planned and performed in accordance with the following Australian Standards for Assurance Engagements: *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and *ASAE 3410 Assurance Engagements on Greenhouse Gas Statements*.

Level of Assurance

A limited assurance engagement consists of making enquiries and applying analytical and other limited assurance procedures. Our procedures were designed to provide a limited level of assurance and as such do not provide all the evidence that would be required to provide a reasonable level of assurance. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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Our Approach

Our procedures included, but were not limited to, the following:

- ▶ Conducting interviews to understand sustainability governance and reporting structures;
- ▶ Reviewing underlying sustainability governance documentation and evidence;
- ▶ Gaining an understanding of the greenhouse gas, community, workplace health and safety incidents, people, environmental spills and water data reporting processes supporting the business activities;
- ▶ Conducting interviews with data owners in Perth, New Zealand and Sydney and collation of evidence to understand the process and controls supporting the data;
- ▶ Reviewing incident reports on a sample basis to assess whether the classification of reported incidents were appropriately recorded;
- ▶ Undertaking analytical review procedures to support the reasonableness of the data;
- ▶ Reviewing assumptions supporting the calculations of incidental emissions for reasonableness; and
- ▶ Reviewing the Sustainability Report to assess the appropriateness of disclosure.

Inherent Limitations

There are inherent limitations of any assurance engagement arising from the evidence on which the assurance practitioner draws conclusions upon being persuasive, as it relies on selected data to be representative, rather than conclusive. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured

against source data compiled using definitions that are developed by the reporting entity.

Use of Report

Our responsibility in performing our limited assurance activities is to the Management and Directors of AWE only and in accordance with the terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk. No statement is made as to whether the Criteria are appropriate for any third party purposes.

Our Independence and Assurance Team

In accordance with APES 110, the firm and all professional personnel involved in this engagement have met the independence requirements of Australian or International professional ethical requirements. Ernst & Young has provided a range of services to AWE including but not limited to the provision of certain statutory financial audit services. We believe the provision of these services has not impaired our impartiality with respect to this work. Our team has the required competencies and experience for this assurance engagement.

Matters Relating to Electronic Presentation of the Sustainability Report

Our review was conducted on the Report that will be published on AWE's website. We provide no assurance over changes to the content of AWE's report after the date of this assurance statement.

Ernst & Young

Dr Matthew Bell
Partner
Sydney Australia
29 October 2015

