ASX Announcement
20 November 2015

AWE Limited Annual General Meeting – Chairman's Address

Please find attached the Chairman's Address which will be presented at the Annual General Meeting of AWE Limited which commences at 10.30am on 20 November 2015, in compliance with listing rule 3.13.3.

Regards

Neville Kelly
Company Secretary

Chairman’s Address

2015 AWE Limited - Annual General Meeting

Ladies and gentlemen,

After a good year in 2013-14, it would be easy to stand here today and correlate the low oil price environment to AWE’s poor share price performance in 2014-15.

While it’s true that market conditions have been difficult over the last 18 months, AWE’s story is much more positive.

The reality is that your company is in far better shape than the market gives us credit, and we are optimistic about the future.

Industry Background

As I outlined in last year’s AGM address, the remarkable success of the US shale gas and liquids sector unleashed powerful forces in global energy markets. In particular, the USA experienced a resurgence in manufacturing, falling unemployment and strong GDP growth driven by low energy prices associated with its record oil and gas production.

Rapidly increasing USA production prompted major producers in the Middle East to increase supply to defend their share of global markets. The resulting reduction in international oil prices is now starting to drive marginally economic producers in the USA out of the market.

Few forecast the duration of this struggle for market share, and the oil price decline over the past 18 months has changed the world in which your company operates.

2014-15 Results

With that background I’d now like to share some brief insights into AWE’s operating and financial performance for the last year.

Absolute Total Shareholder Return was -33%, and our Relative Shareholder Return (to our peer group) was in the third quartile. This is clearly not where we want to be.

Operationally, full year production of 5.1 million BOE was at the top end of our market guidance range and, despite lower oil prices, sales revenue of $284 million was only 2% below guidance. Development expenditure of $243 million and exploration expenditure of $63 million were within guidance and reflected our disciplined approach to allocation of capital.

Pleasingly, 2P Reserves plus 2C Resources increased by more than 40% during the financial year.

Despite an operational performance in line with guidance, the Company regrettably recorded a Statutory Loss of $230 million for the year, largely due to non-cash impairments associated with the decline in oil prices. However, cash flow was solid and AWE remains in a sound financial position. At the end of the September quarter of the 2015-16 financial year, AWE held cash of $54 million, net debt of $156 million and undrawn facilities of $190 million.

Capital Discipline

AWE has responded to the challenge of lower oil prices by reshaping our business to operate in the new world order.

We are closing our Jakarta project office and reducing staff numbers in Sydney and New Plymouth, ensuring a lean and efficient operating structure that is optimised to match our activity levels in those regions. Conversely, we are budgeting for a modest increase in our personnel numbers in Perth to deliver the exciting Waitsia project.

Irrespective, management is focused on reducing costs across the company, including operating expenses and corporate overheads, and I note that at the end of the September quarter operating costs were down 21% on the previous quarter, development expenditure was down 26% and exploration expenditure was down 40%.

Management also initiated a process to divest some assets and reduce high equity interests on non-operated projects.

While we have significantly reduced development and exploration spending in the current financial year, it is important to understand that AWE still has substantial growth potential that will be managed in a tightly controlled and disciplined manner.

Strategy and Outlook

While the low oil price environment has certainly adversely impacted AWE's share price performance, particularly since late August of this year, the company remains focused on its growth objectives and continues to deliver against guidance and project milestones.

AWE has a clear growth outlook, with long-life reserves held in a diverse portfolio of high quality production and development assets. These assets provide sound cash flows, even at reduced oil prices, with a significant portion underpinned by long-term CPI-linked gas contracts in South Eastern Australia.

Going forward, we are looking at sustained higher production from the BassGas and Sugarloaf projects, stable production from Casino, and declining production from the Tui field (the latter in line with its late-life status).

We have two high-quality, project-ready growth opportunities in Indonesia, in the Lengo gas project and the Ande Ande Lumut (AAL) oil project, that give us exposure to growing demand for oil and gas in key Asian markets, as well as anticipated improvement in commodity prices over time.

And, of course, we have the Waitsia gas project in Western Australia's Perth Basin. Last year I suggested that shareholders should watch activity on this exciting project with keen interest. Since our last AGM, shareholders have benefited from successful follow-up appraisal drilling, outstanding flow test results, and booking of substantial 2P Reserves and 2C Resources.

Waitsia looks like delivering on its potential to be the biggest onshore conventional gas field discovery in Australia in over 30 years. AWE has made this project a clear priority and we are focused on achieving first-stage gas production in mid-2016. The excellent flow test results from Waitsia-1 imply greater productivity per well and, as a result, full field development could potentially be achieved with less wells and lower capex.

AWE is distinguished from many of its peers in that it doesn't have to go looking for new opportunities. Instead, we are in the enviable position of deploying capital into our choice of the highest rate of return projects held in the portfolio.

Our managing director, Mr Bruce Clement will talk in more detail about the projects in his address but, suffice to say, AWE retains flexibility and optionality in terms of managing scheduling and development costs.

Going forward, disciplined capital management will be required to maintain a strong balance sheet. 2014-15 was a peak investment year for AWE and, as I outlined earlier, we are already seeing substantial reductions in operating costs and capital expenditures so far in 2015-16.

We plan to reduce our net debt position by the end of the financial year through a combination of reduced operating costs, reduced development and exploration expenditure, and the sale of some assets.

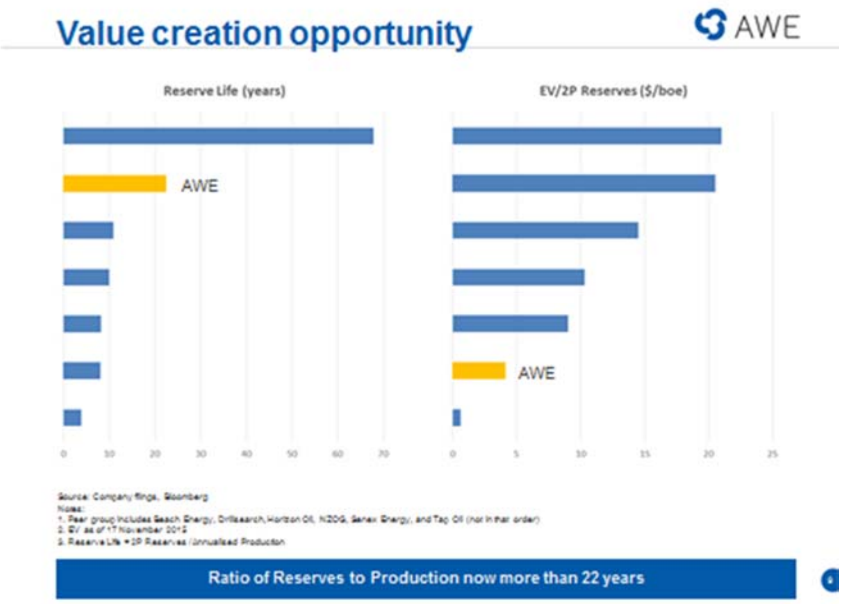
In addition, AWE has put in place an oil hedging program from October 2015 through to June 2016 that will provide certainty of cash flow as we move forward with the development of our growth projects.

AWE remains focused on growing the company in line with our long-term strategy, albeit at a necessarily slower pace in line with current market conditions. Our goal to double annual production to 10 mmboe from current reserves, along with significant cash flow growth, remains achievable, but the speed and timing of reaching that target is now inevitably linked to global oil and gas prices.

Succession Planning

In line with the Board's succession planning strategy, our highly regarded managing director, Bruce Clement will step down in 2016, after more than five years in the role.

Under Bruce's stewardship, AWE's portfolio of 2P Reserves and 2C Resources has increased by 75% to 236 mmboe and is characterised by a high percentage of quality, project-ready assets. He has been responsible for identifying and securing the significant Waitsia and AAL assets, both of which have the potential to provide excellent shareholder returns for AWE into the next decade and beyond.



Importantly, at current production rates, Bruce's legacy will leave AWE with a 2P Reserves to production ratio of more than 22 years.

On behalf of the board and shareholders, I thank Bruce for his significant contribution and diligence in guiding AWE over the past five years, and for providing a clear pathway for our company to grow and prosper in a low oil price environment.

Today, I would also like to acknowledge the contribution made by Dr Vijoleta Braach-Maksvytis, a non-executive director since 2010, who is retiring at this AGM to pursue her growing business interests.

Vijoleta has been a very successful chair for our People Committee, and her insights in the area of innovation and her commitment to the development of leadership skills and mentoring within AWE have been invaluable.

And last but not least, I thank my other colleagues on the board, the management team, and all our staff and contractors for their hard work over the past, very challenging year.

Conclusion

The outlook for AWE remains positive and your Board is optimistic about the years ahead. We are focused on creating long-term shareholder value and we will continue to be innovative in areas where we can use our strengths to add real value.

We have a very strong and diverse reserves and resources position. Monetising these reserves and converting our resources into reserves is our high priority.

There is significant value in AWE's people, projects, reserves and resources - much more than the market currently gives us credit for - and we will continue to work diligently to deliver this value to our shareholders.

Thank you.