

Quarterly Report

For the 3 months to 31 March 2016



HIGHLIGHTS

PRODUCTION AND DEVELOPMENT

- YTD production of 4.2 mmbbl, up 13% over the previous corresponding nine months, with Tui up 40%, BassGas up 36%, and Sugarloaf up 33%.
- Total production of 1.3 mmbbl for the March quarter, down 13% over the previous quarter, due to planned maintenance at Casino, BassGas and Tui and the sale of Sugarloaf.
- Construction of Stage 1A of the Waitsia Gas Project has commenced following the award of construction contracts in March.

EXPLORATION AND APPRAISAL

- The Operator of the AAL oil project is preparing to drill an appraisal well on the deeper G Sands (289 mmbbl gross oil in place, 36 mmbbl gross recoverable oil) in the June quarter to better assess this resource.
- The G Sands could potentially be developed in conjunction with the K Sands (101 mmbbl gross recoverable oil) which would significantly increase the value of the AAL oil project.

FINANCIAL AND CORPORATE

- At 31 March 2016 AWE had net cash of \$52 million, no debt, and undrawn facilities of \$400 million.
- The sale of Sugarloaf for US\$206 million, including adjustments, was completed in March.
- Revenue for the March quarter was \$41 million, down 35% over the previous quarter due to lower production and no oil sales lifting occurring at Tui. Oil inventory at Tui increased to 246,000 bbls net to AWE.
- Operating and administration costs have been reduced by approximately 20% year to date. Field Opex was \$21 million and Field EBITDAX was \$20 million for the quarter.
- The average realised oil and condensate price for the March quarter, inclusive of hedging, was A\$54.27 per barrel.
- No Lost Time Injuries (LTIs) or reportable environmental incidents during the quarter.
- AWE's new CEO and Managing Director, Mr David Biggs, will commence in early May 2016.

	QUARTERLY PRODUCTION BY PRODUCT '000 BOE	QUARTERLY REVENUE BY PRODUCT \$'000
OIL	243	6,337
CONDENSATE	252	15,598
LPG	150	3,831
GAS	646	15,099
TOTAL	1,291	40,865

Note: Numbers may not add due to rounding. Revenue includes effective hedging where applicable.



MANAGING DIRECTOR'S COMMENTS

AWE delivered a good third quarter operating performance and continued to implement its strategy to strengthen the company's financial position and focus on delivering the Waitsia gas project in the Perth Basin.

Our production assets generally performed well, although planned maintenance at Tui, BassGas and Casino affected production volumes. We are achieving excellent outcomes from our divestment program, and we have realised substantial cost savings across our business.

Revenue was down during the period due to lower production and no oil sales lifting occurring at Tui. However at the end of the quarter, Tui oil inventory was high at 428,000 barrels (246,000 barrels net to AWE) and a lifting commenced in late April. AWE's oil revenues from Australia and New Zealand are hedged until the end of the financial year.

The sale of our 10% interest in the Sugarloaf AMI, Texas USA, for total consideration of US\$206 million including adjustments was an outstanding result that exceeded market expectations. Proceeds from the sale were used to repay debt, resulting in a net cash position of \$52 million at the end of March. It also reduced the company's future capex commitments significantly.

Construction contracts for Stage 1A of the Waitsia project were awarded in March and work commenced in April. Stage 1A will produce 10 TJ/day from the Senecio-3 and Waitsia-1 wells, via the existing Xyris Production Facility, and first gas is scheduled for August 2016. AWE is currently evaluating plans for future development options targeting production of up to 100 TJ/day and gas marketing is well under way.

On the east coast, the third and final phase of the BassGas Mid Life Enhancement (MLE) made good progress. This phase involves the hook-up and commissioning of the compression and condensate pumping modules with start-up targeted for the first half of the 2017 calendar year. This should bring production back up to system capacity in the mid 60 TJ/day range.

We anticipate recontracting gas production from Casino and BassGas over the next 12 to 24 months at prices significantly higher than the current contracts.

In Indonesia, the Operator is preparing to drill an appraisal well at Ande Ande Lumut (AAL) on the deeper G Sands reservoir in the June quarter, which has the potential to increase the project's total recoverable oil from 101 mmbbls to between 130 and 140 mmbbls with further potential upside. This would significantly increase the value of the AAL project.

We have also continued to reduce operating and administrative costs across the business, achieving year to date cost reductions of \$18 million or approximately 20% compared to the previous corresponding nine month period.

AWE remains on track to achieve guidance¹. We have strengthened the company's balance sheet and reduced costs and capex commitments. We will continue to pursue opportunities to divest non-core assets and recycle capital to ensure our business remains focused and efficient.

With significant reserves and resources, we are well positioned to deliver long term revenue growth from our base gas production business and we have reshaped our development portfolio to focus on the Waitsia gas project in the near term and the AAL oil project when oil prices recover.

Bruce Clement
Managing Director and CEO

Note 1. Revised guidance reflecting the sale of Sugarloaf, issued on 24 February 2016.

FINANCIAL & CORPORATE

FINANCIAL

March quarter production was 1.3 mmboe, 13% lower than the December quarter. Lower production was due to planned maintenance at Casino, BassGas and Tui and the sale of Sugarloaf (effective 17 March 2016). The ratio of liquids to gas production was 50:50 for the quarter.

For the nine months to 31 March 2016, total production of 4.2 mmboe represents a 13% increase over the previous corresponding period. The main contributors were Tui, up 40%, BassGas, up 36%, and Sugarloaf, up 33%.

Total revenue, including hedging, for the March quarter was \$41 million, down 35% from \$63 million in the December quarter. No liftings were undertaken at Tui during the quarter which, together with low oil prices, resulted in reduced revenue and a lower average realised oil and condensate price of A\$54.27 per barrel. Field Opex was \$21 million and Field EBITDAX for the period was \$20 million.

The mark to market value of unutilised hedging at 31 March 2016 was \$2.4 million, comprising:

- 233,000 barrels of oil hedged for the 3 months to June 2016 at a weighted average Brent price of US\$50.85 per barrel in relation to Australian and New Zealand production assets.

Development expenditure for the March quarter was \$20 million, an increase of 11% compared to the previous quarter. The increase was due primarily to capex adjustments at Sugarloaf. Exploration expenditure was reduced significantly to \$1.4 million, down 84%.

At the end of March 2016, AWE was in a net cash position of \$52 million, with no drawn debt and undrawn facilities of \$400 million.

FINANCIAL HIGHLIGHTS	3 months to March 2016	3 months to December 2015	9 months to March 2016
	\$'000	\$'000	\$'000
Exploration expenditure			
South East Australia	260	145	696
Western Australia	615	3,304	5,230
New Zealand	71	157	(275)
Indonesia	266	498	1,591
China	87	4,320	10,699
Other	130	351	485
Total	1,428	8,776	18,426
	3 months to March 2016	3 months to December 2015	9 months to March 2016
	\$'000	\$'000	\$'000
Development expenditure			
South East Australia	6,136	11,142	40,761
Western Australia	2,622	2,446	10,925
New Zealand	2	(24)	(2,447)
USA	7,997	(1,767)	26,241
Indonesia	3,184	6,103	14,416
Total	19,942	17,900	89,896
	3 months to March 2016	3 months to December 2015	9 months to March 2016
	\$ million	\$ million	\$ million
Revenue	41	63	163
Field Opex	21	32	86
Field EBITDAX	20	31	77

Note: Financial highlights are preliminary and unaudited. Numbers may not add due to rounding. Revenue includes effective hedging where applicable.

CORPORATE

In March 2016, AWE completed the sale of its 10% working interest in the Sugarloaf AMI, located in Texas USA, to Carrier Energy Partners II, a US-based private oil and gas company for total consideration, including purchase price adjustments, of US\$206 million. Tax on the transaction is estimated at US\$33 million, payable in the June quarter. The proceeds of the sale were used to repay drawn debt.

Also in March 2016, AWE relinquished its 50% interest, including Operatorship, in the North Madura exploration PSC to joint venture partner, Azipac, subject to Indonesian government approval.

AWE continues to work with Elixir Petroleum Limited in relation to the sale of its 57.5% interest in Cliff Head. The period of exclusivity has expired and negotiations with Elixir are continuing.

In March 2016, AWE announced the appointment of Mr David Biggs as its new CEO and Managing Director, commencing early May 2016. David has over 35 years of experience in the upstream oil and gas sector. He has worked extensively throughout Australia, New Zealand, Indonesia and the Americas with both large multi-national and smaller organisations.

In April 2016, AWE's Chief Financial Officer (CFO), Ms Ayten Saridas, left the company to pursue other opportunities. AWE's Group Finance Manager, Mr Tony Fulton, has been appointed acting CFO.

PRODUCTION & DEVELOPMENT

SOUTH EAST AUSTRALIA

BassGas Project (35%), Bass Basin

Gross production for the March quarter was down 14% over the previous quarter and comprised 4.4 PJ of gas, 149,000 barrels of condensate and 13,500 tonnes of LPG. AWE's share was approximately 1.6 PJ of gas, 52,000 barrels of condensate and 4,700 tonnes of LPG. Production during the quarter was affected by planned pipeline inspection and maintenance activity which required the field to be shut-in at various times. As a result, the average gross daily rate for the quarter was approximately 49 TJ/day. BassGas is currently producing from three wells at a rate of approximately 56 TJ/day.

For the first nine months of the 2015-16 financial year, total production from BassGas was up 36% compared with the previous corresponding period. AWE's share of year to date production at 31 March 2016 was 4.8 PJ of gas, 161,000 barrels of condensate, and 14,000 tonnes of LPG.

Work on the hook-up and commissioning of the compression and condensate pumping modules on the Yolla Platform is making good progress, targeting start up in the first half of calendar year 2017.

Casino Gas Project (25%), Otway Basin

Gross quarterly production for the Casino Gas Project reduced by 2% compared to the previous quarter, with 4.4 PJ of sales gas and 2,600 barrels of condensate. AWE's share of production was 1.1 PJ of sales gas and 650 barrels of condensate. Production during the quarter was affected by a nine day period for the planned onshore and offshore pipeline inspection program. The average gross daily rate for the quarter was approximately 48 TJ/day, however Casino is currently producing at approximately 60 TJ/day.

WESTERN AUSTRALIA

Cliff Head Oil Field (57.5%), Offshore Perth Basin

Gross quarterly production for Cliff Head was up 7%, quarter on quarter, with approximately 122,000 barrels produced at an average rate of 1,345 bopd. AWE's share was 70,000 barrels. The Operator is continuing to successfully implement a cost reduction program for the facility.

Onshore Perth Basin (33–100%, some Operated)

Gross production for the March quarter was down 16% from the previous quarter. AWE's share of production from the various onshore Perth Basin assets was 500 TJ of gas and 400 barrels of oil/condensate.

Waitsia Gas Project (50%, Operator), Onshore Perth Basin

During the quarter, construction contracts were awarded and work has commenced on Stage 1A of the Waitsia Gas Project. Works will include two four-inch flowlines from the Waitsia-1 and Senecio-3 well heads to a northern gathering manifold, a six-inch pipeline to transport the gas to the Xyris Production Facility (XPF), and minor upgrades to the XPF. Treated gas from XPF will be delivered to the Parmelia pipeline for domestic consumption. Engineering, execution and management costs for Stage 1A of the Waitsia gas project are estimated at \$18 million (\$9 million net to AWE).

The initial capacity of XPF will be approximately 10 TJ per day, with further expansion possible, and first gas is scheduled for August 2016. A take or pay gas sales agreement, based on 90% of annual gas quantity, has been executed with Alinta Energy for 10 TJ/day over a 2.5 year period.

NEW ZEALAND

Tui Area Oil Fields (57.5%, Operator), Taranaki Basin

Gross production from the Tui Oil Fields was down 17% from the previous quarter with 300,346 barrels (net of fuel oil consumed) produced at an average daily rate of 3,301 bopd (gross net of fuel). AWE's share of production was 172,699 barrels. A four day planned maintenance shutdown was completed on time and on budget in mid-March, partially contributing to lower production for the quarter. No crude oil sale liftings were achieved during the quarter. Inventory at the end of the March quarter was 427,801 barrels, net 245,986 barrels to AWE.

A number of cost reduction initiatives have been successfully implemented including sharing of workboats and helicopters with other Operators and reducing FPSO costs. A production optimisation project is also under way.

INDONESIA

Ande Ande Lumut Oil Project (50%), Northwest Natuna Sea

The Operator is planning to drill an appraisal well on the underlying G Sands reservoir, estimated to contain 289 mmbbl gross oil in place with 36 mmbbls gross recoverable oil (net 10 mmbbls 2C Resources to AWE), in the June quarter as a precursor to preparation of a Plan of Development (POD) for this reservoir. This could facilitate development of the G Sands in conjunction with the already approved K Sands development (101 mmbbl gross recoverable oil, net 24.3 mmbbl 2P Reserves to AWE).

The Operator has advised that the timing for the WHP and FPSO procurement process was likely to slip due to extensions requested by bidding contractors in order to conform with recent regulatory changes. The joint venture is currently assessing the potential impact on the project schedule, including FID.

Lengo Gas Project (42.5%), East Java Sea

The Operator, KrisEnergy, is continuing negotiations for a gas sales agreement which is required prior to the Joint Venture reaching FID for the project. The sale process for this asset is continuing.

USA

Sugarloaf AMI (~10%, net ~7.5% after royalties), Texas

AWE's share of production from Sugarloaf declined by 16% in the March quarter following the completion of the sale of this asset on 17 March. AWE's net share after royalties comprised 199,000 barrels of oil/condensate, 8,194 tonnes of LPG and 714 TJ of gas.

EXPLORATION & APPRAISAL

AUSTRALIA

Bass Basin

In T/RL2 (AWE 40%), development concept studies for the Trefoil Field are continuing.

Otway Basin

In permit VIC/P44 (AWE 25%), the Operator is reviewing regional exploration prospectivity and is preparing an updated prospect and lead inventory.

Onshore Perth Basin

In EP455 (AWE 81.5%, Operator), the Drover-1 Rehabilitation Environmental Plan has been approved and rehabilitation work has commenced.

In EP413 (AWE 44.25%), interpretation of the Arrowsmith 3D PSDM seismic is ongoing.

Offshore Perth Basin

In WA-512P (AWE 100%), 2D and 3D PSDM seismic reprocessing is nearing completion.

North Carnarvon Basin

In WA-497P (AWE 100%, Operator), interpretation of approximately 1,200km² of 3D and 280km of 2D seismic survey data was completed.

In WA-511P (AWE 100%, Operator), interpretation of the multi-client Eendracht 3D seismic survey data is ongoing.

NEW ZEALAND

Taranaki Basin

In onshore permit PEP 55768 (AWE 51%, Operator), work continued on evaluating the opportunity to drill a vertical exploration well.

SUMMARY OF ABBREVIATIONS

2C	Contingent Resources
2P	Proved and Probable Reserves
AAL	Ande Ande Lumut oil project
AMI	Area of Mutual Interest
Bcf	Billion cubic feet
BOE	Barrels of Oil Equivalent
Bbls	Barrels
Bopd	Barrels of oil per day
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration expenses
FID	Final Investment Decision
FPSO	Floating Production Storage and Offloading
GJ	Gigajoules
JV	Joint Venture
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injuries
MLE	Mid Life Enhancement
mmboc	Million Barrels of Oil Equivalent
mmbbl	Million Barrels
mmscf/d	Million Standard Cubic Feet of gas per Day
PJ	Petajoules
PSDM	Pre-Stack Depth Migration
TJ	Terajoules
WHP	Well Head Platform
XPF	Xyris Production Facility

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

PRODUCTION SUMMARY

	3 months to Mar 2016	3 months to Dec 2015	% Change	9 months to Mar 2016	9 months to Mar 2015	% Change
NEW ZEALAND						
Tui						
Oil ('000 Bbls)	173	208	-17%	619	443	40%
SOUTH EAST AUSTRALIA						
BassGas						
Condensate ('000 Bbls)	52	61	-14%	161	126	28%
LPG (Tonnes)	4,675	5,378	-13%	14,194	10,758	32%
Gas (TJ)	1,556	1,800	-14%	4,760	3,437	38%
Casino/Henry/Netherby						
Condensate ('000 Bbls)	1	1	0%	2	3	-28%
Gas (TJ)	1,112	1,135	-2%	3,692	4,966	-26%
WESTERN AUSTRALIA						
Cliff Head						
Oil ('000 Bbls)	70	66	7%	217	273	-21%
Onshore Perth Basin						
Oil ('000 Bbls)	1	1	-20%	2	2	-22%
Gas (TJ)	497	594	-16%	1,744	1,975	-12%
ONSHORE USA						
Sugarloaf AMI						
Condensate ('000 Bbls)	199	242	-18%	626	503	24%
LPG (Tonnes)	8,194	9,744	-16%	25,246	18,152	39%
Gas (TJ)	714	837	-15%	2,221	1,543	44%
TOTAL						
Oil ('000 Bbls)	243	275	-11%	838	718	17%
Condensate ('000 Bbls)	252	303	-17%	789	632	25%
LPG (Tonnes)	12,869	15,122	-15%	39,440	28,910	36%
Gas (TJ)	3,878	4,366	-11%	12,417	11,921	4%
Total ('000 BOE)	1,291	1,481	-13%	4,154	3,672	13%
PRODUCTION BY PROJECT ('000 BOE)						
Tui	173	208	-17%	619	443	40%
BassGas	366	423	-14%	1,119	824	36%
Casino/Henry	186	190	-2%	617	831	-26%
Cliff Head	70	66	7%	217	273	-21%
Onshore PB	83	99	-16%	292	331	-12%
Sugarloaf AMI	413	495	-16%	1,289	971	33%
Total ('000 BOE)	1,291	1,481	-13%	4,154	3,672	13%

Note: Oil and condensate production rounded to the nearest 1,000 barrels. Numbers may not add due to rounding.
Minor adjustments to BassGas gas production figures are reflected in the first three quarters of the 2015-16 financial year.

CONVERSION TABLES

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 = 10^3

mega = million = 10^6

giga = 1,000 million = 10^9

tera = million million = 10^{12}

peta = 1,000 million million = 10^{15}

RESERVES AND RESOURCES

The reserves and 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. Andrew Furniss, AWE General Manager for Exploration and Geoscience. Dr. Hunt, a Petroleum Engineer with a Ph.D. in Geomechanics, is a member of the Society of Petroleum Engineer Engineers and has over 19 years' experience in the petroleum sector in field development planning, reserves estimation, production and facilities engineering. Mr. Furniss, a member of the Society of Petroleum Engineers and the American Association of Petroleum Geologists, holds an MSc in Exploration Geophysics and a BSc (Hons) in Geological Sciences and has over 25 years' of industry experience in strategic planning, portfolio management, prospect evaluation, technical due diligence and peer review, reserves and resource assessment, the application of advanced geophysical technology and business development. Both have consented in writing to the inclusion of this information in the format and context in which it appears.

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. With its strong technical base and disciplined financial management, AWE is well positioned to pursue exploration, appraisal and development opportunities in Australasia and Asia.

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

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