

ASX Announcement

5 May 2016



AWE sells Lengo for up to A\$27.5 million

- **AWE to sell its 42.5% interest in the Bulu PSC, including the undeveloped Lengo gas project, to a subsidiary of HyOil Pte Ltd for up to A\$27.5 million cash**
- **Transaction structured in two tranches with an effective date of 1 April 2016**
- **AWE recycling capital to deliver key growth projects, including Waitsia gas project in WA**

AWE Limited (ASX: AWE) today announced that it has entered into an agreement to sell its 42.5% interest in the Bulu PSC to a 100% owned subsidiary of HyOil Pte Ltd for cash consideration of up to A\$27.5 million, subject to Indonesian government approval. The Bulu PSC is located offshore east Java and includes the undeveloped Lengo gas project.

The transaction is structured in two tranches:

- A\$15 million up-front cash payment following the receipt of Indonesian government approval for the transfer of ownership; and
- An additional cash payment following the execution of a gas sales agreement (GSA) of:
 - A\$5 million if the contract gas price is at or exceeds US\$5.50/mmbtu,
 - plus a further A\$7.5 million if the contract gas price is at or exceeds US\$7.65/mmbtu.

The sale is expected to be neutral for accounting purposes, with a nominal book gain after tax anticipated after final purchase price adjustments. AWE will receive a cash deposit of A\$1.5 million and the effective date is 1 April 2016.

David Biggs, AWE's Managing Director and CEO, said the company continues to deliver on its strategy of divesting non-core assets in order to recycle capital into high value growth projects, such as the Waitsia gas project in Western Australia.

"The sale of the Bulu PSC, including the undeveloped Lengo gas project, is another important step in reshaping AWE to deliver sustainable growth in a low oil price environment," Biggs said.

"We recently completed the sale of Sugarloaf in the USA, at a price that exceeded market expectations, and at the end of the March quarter AWE was cash positive with no drawn debt. The sale of Lengo, when completed, will further reduce capital commitments and strengthen the company's balance sheet," he said.

"In the current low-oil price environment, we are focused on achieving near-term growth through the delivery of valuable domestic gas projects. We have commenced construction of Stage 1A of the Waitsia gas project, an A\$18 million (gross) development that will supply gas to the historically strong Western Australia domestic gas market from the third quarter of this calendar year.

"The Waitsia joint venture is already considering options for the next phases of development to deliver up to 100 TJ/day, and gas marketing is well under way," Biggs said.



“In addition, over the next 12 to 24 months we will be recontracting gas from our east coast production assets in the Bass and Otway basins and we anticipate achieving gas prices substantially higher than the historic contracts,” he said.

“In Indonesia, we remain focused on progressing the Ande Ande Lumut (AAL) oil project (101 mmbbls gross recoverable oil, net 24.3 mmbbls to AWE), which will provide AWE with exposure to any rise in oil prices.

“The joint venture is planning to drill an appraisal well on the underlying G-sand reservoir before the end of the current financial year, which has the potential to increase the AAL project’s total gross recoverable oil by a further 30 to 40 mmbbls.

“Following the sale of Sugarloaf and Lengo, AWE has significantly strengthened its balance sheet. With its substantial portfolio of Reserves and Resources, AWE is well positioned to pursue key development projects and deliver long term growth in revenue and cash flow,” Biggs said.

Participants in the Bulu PSC include:

AWE Limited (via subsidiaries)	42.5%
KrisEnergy (via subsidiaries) (Operator)	42.5%
PT. Satria Energindo	10.00%
PT. Satria Wijayakusuma	5.00%

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Reserves and Resources

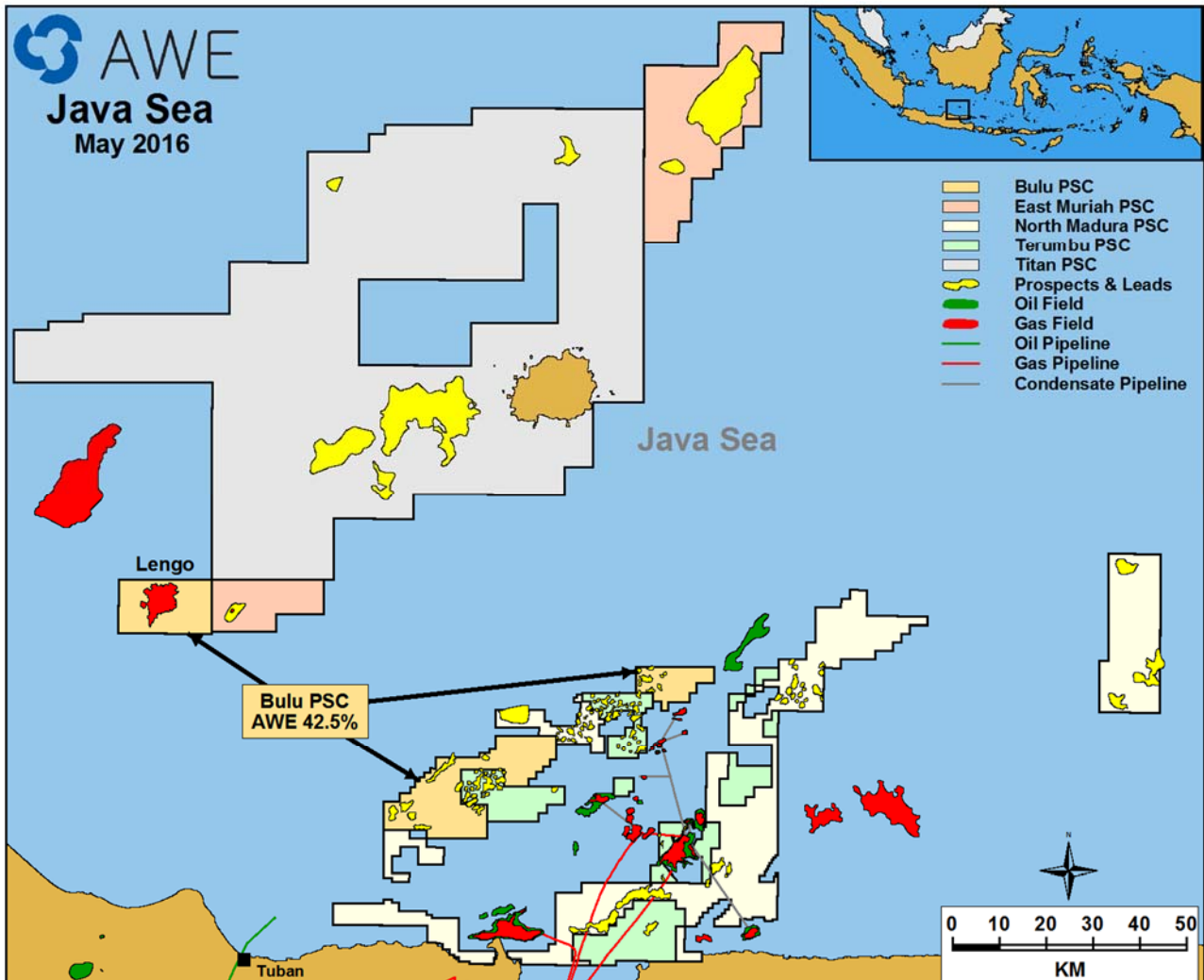
The reserves and resources in this announcement are based on and fairly represent information and supporting documentation prepared by and under the supervision of qualified petroleum reserves and resource evaluators: Dr. Suzanne Hunt, AWE Manager for Engineering and Development, and Mr. Andrew Furniss, 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.

About HyOil Pte Ltd

HyOil Pte Ltd is an upstream oil and gas company, recently incorporated in Singapore, specifically established to invest-in, acquire and operate offshore near-term production assets and also to undertake the commercial delineation/appraisal of discoveries. HyOil's management has proven ability, significant technical and operational expertise, and a track record of successful upstream oil and gas investment throughout Asia-Pacific. HyOil is targeting offshore oil and gas fields with proven reserves and minimal exploration risk with the highest priority given to undeveloped discoveries, especially those with approved development plans. HyOil has strategic partnerships with a number of associate companies that provide it with access to assets, equipment and a wide range of operating ability.



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