

Quarterly Report

For the 3 months to 31 December 2016



HIGHLIGHTS

- Waitsia Stage 1A well performance in its first 3 months of operations exceeded AWE's pre-production expectations and confirmed high quality conventional reservoir system with excellent connectivity
- Pre-FEED work for Waitsia Stage 2 development has commenced
- Final Stage 2 appraisal wells planned to be drilled in first half of CY 2017 and may lead to additional 2C Contingent Resources being reclassified as 2P Reserves
- Waitsia gas sales process making excellent progress and negotiations are well advanced with a selected shortlist of buyers - gas tender volumes were more than double the Joint Venture's current 2P Reserves
- Work is underway to mature significant Waitsia-style prospects in the Kingia and High Cliff sandstones held in AWE's Perth Basin portfolio.
- The BassGas Mid Life Enhancement project is nearing completion and compression remains on schedule for start-up in the first half of CY 2017
- Tui sale completes asset divestment program and significantly reduces AWE's abandonment liabilities

MANAGING DIRECTOR'S COMMENTS

"Production assets performed as expected in the December quarter. Planned maintenance at BassGas and Casino resulted in lower overall production when compared to the previous quarter, however year to date performance remains in line with guidance and we anticipate returning to higher production levels in the March quarter," said David Biggs, Managing Director and CEO.

"Waitsia Stage 2 development continued to make excellent progress. The gas sales tender process was oversubscribed and we are in advanced discussions with a shortlisted group of potential customers. Pre-FEED work is underway and preparations to drill two appraisal wells in the June quarter are proceeding as planned. Data from these appraisal wells combined with Stage 1A production data will enable us to re-assess Waitsia 2P Reserves in the second half of 2017," he said.

"We also announced the sale of our 57.5% interest in the Tui Area Oil Fields in New Zealand which will significantly reduce AWE's future abandonment liabilities," said Biggs.

Key Statistics	3 months to Dec 2016	3 months to Sep 2016	Qtr on Qtr Change	6 months to Dec 2016	6 months to Dec 2015 ¹	YTD Change
Net Production (mmboe)	0.7	0.8	-15%	1.5	1.8	-18%
Net Sales Volumes (mmboe)	0.6	1.0	-45%	1.6	2.0	-21%
Sales Revenue (\$m) ²	14.5	39.7	-64%	54.2	72.2	-25%
Field Opex (\$m)	11.8	23.0	-48%	34.8	38.1	-9%
Field EBITDAX (\$m)	2.6	16.7	-84%	19.3	34.1	-43%
Average Oil Price (\$/bbl) ²	-	63.9	N/A	61.2	61.5	0%
Cash (\$m) at period end	23.4	28.6	-18%	23.4	30.1	-22%
Drawn Debt (\$m) at period end	43.4	34.5	26%	43.4	227.5	-81%

Notes: 1. Production and financial data for prior periods has been adjusted to exclude operations discontinued or divested in FY16, specifically Sugarloaf and Cliff Head. For reported historic data, please refer to AWE's FY16 Annual Report, Quarterly and Financial Reports. 2. Includes effective hedging where applicable. 3. Numbers are preliminary and unaudited and may not add due to rounding.



PERFORMANCE OVERVIEW

PRODUCTION

Production for the December quarter was 0.7 mboe, 15% lower than the September quarter as expected due to periods of planned maintenance at BassGas and Casino. Production for the first six months of FY17 was 1.5 mboe and in line with guidance. The ratio of gas to liquids production was 70:30 for the December quarter, compared with 68:32 in the previous quarter.

Production by Product	3 months to Dec 2016	3 months to Sep 2016	Qtr on Qtr Change	6 months to Dec 2016	6 months to Dec 2015 ¹	YTD Change
Oil ('000 Bbls)	146	152	-4%	297	447	-33%
Condensate ('000 Bbls)	36	53	-32%	89	112	-20%
LPG (Tonnes)	2,634	4,752	-45%	7,386	9,519	-22%
Gas (TJ)	2,917	3,373	-14%	6,290	7,049	-11%
Total ('000 BOE)	698	822	-15%	1,520	1,844	-18%

Production by Segment	3 months to Dec 2016	3 months to Sep 2016	Qtr on Qtr Change	6 months to Dec 2016	6 months to Dec 2015 ¹	YTD Change
South East Australia						
BassGas						
Condensate ('000 Bbls)	35	52	-32%	87	109	-20%
LPG (Tonnes)	2,634	4,752	-45%	7,386	9,519	-22%
Gas (TJ)	1,094	1,559	-30%	2,653	3,222	-18%
Casino/Henry						
Condensate ('000 Bbls) ²	1	1	-2%	1	1	-26%
Gas (TJ)	979	1,241	-21%	2,219	2,580	-14%
Western Australia						
Onshore Perth Basin						
Condensate ('000 Bbls) ²	1	1	14%	1	1	-42%
Gas (TJ)	459	419	10%	878	1,247	-30%
Waitsia Stage 1A						
Condensate ('000 Bbls) ²	0	0	N/A	0	-	N/A
Gas (TJ)	385	154	149%	539	-	N/A
New Zealand						
Tui						
Oil ('000 Bbls)	146	152	-4%	297	447	-33%
Total by Project ('000 BOE)						
BassGas	248	367	-32%	615	756	-19%
Casino/Henry	164	207	-21%	371	431	-14%
Onshore Perth Basin	77	70	10%	147	209	-30%
Waitsia Stage 1A	64	26	149%	90	-	N/A
Tui	146	152	-4%	297	447	-33%
TOTAL ('000 BOE)	698	822	-15%	1,520	1,844	-18%

Notes: 1. Production data for prior periods has been adjusted to exclude operations discontinued or divested in FY16, specifically Sugarloaf and Cliff Head. For reported historic data, please refer to AWE's FY16 Annual Report, Quarterly and Financial Reports. 2. Oil and condensate production rounded to the nearest 1,000 barrels. 3. Numbers may not add due to rounding.

REVENUE

With no liftings at Tui and planned maintenance at BassGas and Casino, sales revenue for the December quarter, inclusive of hedging, was \$14.5 million, down 64% from \$39.7 million in the September quarter. At 31 December, oil inventory was 175,000 barrels net to AWE. Subsequent to the end of the period, a crude oil sales lifting occurred at Tui in early January 2017.

Sales Revenue (\$ million)	3 months to Dec 2016	3 months to Sep 2016	Qtr on Qtr Change	6 months to Dec 2016	6 months to Dec 2015 ¹	YTD Change
Oil ²	-0.9	20.5	-104%	19.6	28.4	-31%
Condensate	1.9	2.6	-26%	4.5	6.3	-28%
Gas	12.2	14.6	-17%	26.8	32.8	-18%
LPG	1.3	2.0	-37%	3.3	5.7	-42%
Total Gas & Gas Liquids ³	15.3	19.2	-20%	34.5	44.8	-23%
Total Sales Revenue	14.5	39.7	-64%	54.2	72.3	-26%

Average Realised Prices (A\$)	3 months to Dec 2016	3 months to Sep 2016	Qtr on Qtr Change	6 months to Dec 2016	6 months to Dec 2015 ¹	YTD Change
All Products (\$/boe) ²	26.2	40.1	-35%	35.1	36.6	-4%
Oil (\$/bbl) ²	-	63.9	N/A	61.2	61.5	0%
Gas (\$/GJ)	4.2	4.3	-3%	4.3	4.7	-9%
LPG (\$/t)	475.7	426.3	12%	443.9	593.5	-25%
Condensate (\$/bbl)	53.0	49.0	8%	50.6	56	-10%

Notes: 1. Production and financial data for prior periods has been adjusted to exclude operations discontinued or divested in FY16, specifically Sugarloaf and Cliff Head. For reported historic data, please refer to AWE's FY16 Annual Report, Quarterly and Financial Reports. 2. Includes effective hedging where applicable. 3. Gas Liquids includes Condensate and LPG. 4. Numbers are preliminary and unaudited and may not add due to rounding.

Field Opex for the December quarter was \$11.8 million, 48% lower than the September quarter. Field EBITDAX for the period was also lower at \$2.6 million, down 84% primarily due to no lifting occurring at Tui and lower production due to planned maintenance at BassGas and Casino.

The mark to market value of unutilised hedging at 31 December 2016 was a liability of US\$1.9 million (A\$2.6 million) comprising 187,000 barrels of oil hedged for the 6 months to June 2017 at a weighted average Brent price of US\$47.82 per barrel in relation to New Zealand production assets. The Tui sale transaction includes the oil hedge book.

INVESTMENT EXPENDITURE

Development expenditure for the December quarter was \$11.9 million, a decrease of 5% compared to the previous quarter, due to lower expenditure incurred for AAL and Waitsia. Development expenditure for Waitsia is expected to increase over the remainder of FY17 as the project moves into FEED and contracting phases. Exploration expenditure continued at reduced levels and totalled \$0.8 million for the quarter.

Investment Expenditure (\$'000)	3 months to Dec 2016	3 months to Sep 2016	Qtr on Qtr Change	6 months to Dec 2016	6 months to Dec 2015 ¹	YTD Change
Exploration and Evaluation	793	918	-13%	1,711	16,997	-90%
Development	11,870	12,491	-5%	24,361	51,710	-53%
Total	12,663	13,409	-6%	26,072	68,707	-62%

Notes: 1. Financial data for prior periods has been adjusted to exclude operations discontinued or divested in FY16, specifically Sugarloaf and Cliff Head. For reported historic data, please refer to AWE's FY16 Annual Report, Quarterly and Financial Reports. 2. Numbers are preliminary and unaudited and may not add due to rounding.

LIQUIDITY

At 31 December 2016, AWE was in a net debt position of \$20 million, with cash of \$23 million, drawn debt of \$43 million, and undrawn facilities of \$257 million.

CORPORATE ACTIVITY

In December 2016, AWE announced the sale of its 57.5% interest in the Tui Area Oil Fields to Tamarind Management Sdn Bhd ("Tamarind"), subject to customary consents from the New Zealand Government and Tui JV. Under the terms of the agreement, Tamarind will acquire all of the outstanding shares of AWE New Zealand Pty Ltd and AWE Taranaki Limited, which together own 57.5% of Tui, for US\$1.5 million. This includes Operatorship (subject to JV consent), assets and inventory, AWE's oil hedge book, and a working capital cash balance of US\$10.8 million. The sale agreement has an effective date of 30 November 2016 and is subject to purchase price adjustments at completion, which is anticipated in the first quarter of calendar year 2017. AWE will continue to book production and revenue associated with the project until completion, with the final purchase price adjustments to be recognised through AWE's Profit and Loss account. The sale of Tui is estimated to generate a non-cash profit after tax of approximately \$28 million (unaudited), subject to purchase price adjustments, and will reduce AWE's provisions by approximately 33%.

The sale of AWE's 42.5% interest in the Bulu PSC, including the Lengo gas project, to a subsidiary of HyOil Pte Ltd for up to \$27.5 million is awaiting final approval from the Indonesian government

RESERVES AND RESOURCES

There were no material changes to Reserves and Resources during the period.

PRODUCTION & DEVELOPMENT

SOUTH EAST AUSTRALIA

BassGas Project (35%), Bass Basin

Gross production for the December quarter was down 32% over the previous quarter and comprised 3.1 PJ of gas, 101,000 barrels of condensate and 7,500 tonnes of LPG. AWE's share was approximately 1.1 PJ of gas, 35,000 barrels of condensate and 2,600 tonnes of LPG. Production for the period was impacted by the 26-day planned BassGas integrity shutdown in November-December. No adverse incidents were recorded during the shutdown. The average gross daily rate for the quarter, excluding planned downtime, was 47 TJ/d.

Work to hook-up and commission the compression and condensate pumping modules on the Yolla Platform continued on schedule, with start-up targeting Q4 of FY17. Gas production rates exceeding 60 TJ/d are targeted after start-up.

Casino Gas Project (25%), Otway Basin

Gross December quarter production for the Casino Gas Project decreased by 21% compared to the previous quarter, with 3.9 PJ of sales gas and 2,200 barrels of condensate. AWE's share of production was 1.0 PJ of sales gas and 540 barrels of condensate. Production for the period was impacted by the 11-day planned plant maintenance at the Iona production facility in November. No adverse incidents were recorded during the shutdown. The average gross daily rate for the quarter, excluding planned downtime, was 48 TJ/d.

WESTERN AUSTRALIA

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

AWE's share of production from the various onshore Perth Basin assets was up 10% with 459 TJ of gas and 370 barrels of condensate. AWE's program to decommission non-producing wells and rehabilitate well sites is proceeding as planned and will continue over a number of years.

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

Gross production for the December quarter increased by 149% over the previous quarter, in line with budgeted targets, and comprised 770 TJ of gas and 172 barrels of condensate. AWE's share was 385 TJ of gas and 86 barrels of condensate. The average daily rate for the quarter was 8.4 TJ/d.

Preliminary results from the two wells under extended production test have exceeded AWE's pre-production expectations. The production performance over the first three months of operation confirms a high quality conventional reservoir system with excellent connectivity for the Kingia Sandstone (produced from Senecio-3) and the High Cliff Sandstone (produced from Waitsia-1).

During the December quarter, the Waitsia Stage 2 development project commenced pre-Front End Engineering Design work. Final preparations are being made to drill two appraisal wells on the Waitsia field in the first half of CY 2017. These wells will conclude Stage 2 appraisal drilling and may lead to conversion of significant 2C Contingent Resources to 2P Reserves following analysis and evaluation.

AWE is aiming to contract substantial gas volumes in CY 2017 ahead of FID. During the period, a tender process for Waitsia Stage 2 gas sales was completed with a high number of responses from potential customers. Waitsia Stage 2 is expected to supply approximately 100 TJ/d of gas for 10 years. Feedback from potential customers indicates that the Waitsia gas is a welcome addition to the Western Australia domestic gas market as it increases competition among producers, provides diversity of supply, and improves security of supply by offering a lower risk onshore supply chain. Bid volumes totalled more than double the Joint Venture's 2P Reserves, and the decision to align with customer demand from 2020 onwards is bearing out. Negotiations for gas sales are well advanced with a selected shortlist of buyers.

NEW ZEALAND

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

Gross production from the Tui Oil Fields was down 4% from the previous quarter with 254,000 barrels (net of fuel oil consumed) produced at an average daily rate of 2,763 bopd. AWE's share of production was 146,100 barrels. No crude oil sale liftings were undertaken during the quarter. Inventory at the end of the December quarter was 304,200 barrels, net 175,000 barrels to AWE. A crude oil sales lifting occurred in early January 2017.

An underwater inspection of the mooring system commenced in January 2017. No production interruptions are anticipated.

INDONESIA

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

Analysis of data and oil samples from the AAL-4XST1 appraisal well is ongoing. Work is underway to optimise the field development in light of the new data from the appraisal well. Assessment of the G-Sand resource is ongoing along with laboratory work to assess feasibility of co-mingled production of K-sand and G-sand oil. Technical evaluation of FPSO and WHP tenders is complete and the Operator is preparing recommendations for Stage 2 commercial tenders. Project economics are being updated in light of improved crude quality, improved oil prices through the quarter, and anticipated reduced FPSO, WHP and drilling costs.

EXPLORATION & APPRAISAL

The company continues to proactively manage its exploration portfolio by deferring or reducing all discretionary exploration activity. The company is currently running a farm-out process for all 100% held permits to seek partners and manage near to mid-term exploration cost exposure.

AUSTRALIA

Bass Basin

In T/RL2 (AWE 40%), the Operator is progressing development concept studies for the Trefoil Field.

Otway Basin

In permit VIC/P44 (AWE 25%), the Joint Venture is reviewing options for a possible future exploration program that in a success case could tie into existing infrastructure at the Casino Field.

Onshore Perth Basin

In EP455 (AWE 81.5%, Operator), work is underway to review the remaining prospectivity in the permit in light of the Drover-1 well results.

In EP413 (AWE 44.25%), the Joint Venture has obtained a 12 month extension to review permit options and potential exploration targets for a future well.

In EP320 (AWE 33.33%), the Joint Venture has renewed the permit for a further five year term with the focus being near-field exploration to tie into the Beharra Springs production facility. Work is underway to mature significant Waitsia-style prospects in the Kingia and High Cliff sandstones.

Offshore Perth Basin

In WA-512P (AWE 100%, Operator), 2D and 3D PSDM seismic reprocessing is complete and interpretation of the data is ongoing. A farmout process is underway.

North Carnarvon Basin

In WA-497P (AWE 100%, Operator), work continues to progress prospects to drillable status. A farmout process is underway.

In WA-511P (AWE 100%, Operator), interpretation of the multi-client Eendracht 3D seismic survey data is complete. Seismic attribute studies are underway to de-risk the gas-prone prospects. A farmout process is underway.

NEW ZEALAND

Taranaki Basin

In onshore permit PEP 55768 (AWE 51%, Operator), the Joint Venture continues to optimise the well location for Kohatukai-1 and a farm-out process is underway.

RESERVES CONSENT

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 General Manager WA Assets and Engineering, and Mr Andrew Furniss, AWE General Manager Exploration and Geoscience. Dr. Hunt, a Petroleum Engineer with a Ph.D. in Geomechanics, is a member of the Society of Petroleum Engineers and has over 19 years' experience in the petroleum sector in geoscience, field development planning, reserves estimation, reservoir 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. Dr Hunt and Mr Furniss have consented in writing to the inclusion of this information in the format and context in which it appears.

AWE reserves and contingent resources are estimated in accordance with the following:

- SPE/AAPG/WPC/SPEE Petroleum Resources Management System guidelines of November 2011;
- SPEE Monograph 3 "Guidelines for the Practical Evaluation of Undeveloped Reserves in Resource Plays";
- ASX Disclosure rules for Oil and Gas Entities, Chapter 5; and
- ASX Listing Rules Guidance Note 32.

AWE applied deterministic methods for reserves and contingent resource estimation for all assets. The reserves were estimated at the lowest aggregation level (reservoir) and aggregated to field, asset, basin and company levels. Estimated contingent resources are un-risked and it is not certain that these resources will be commercially viable to produce.

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}

SUMMARY OF ABBREVIATIONS

2C	Contingent Resources
2P	Proved and Probable Reserves
AAL	Ande Ande Lumut oil project
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
FY	Financial Year
GJ	Gigajoules
JV	Joint Venture
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injuries
mmboe	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.

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.

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