

# FULL-YEAR REPORT TO 30 JUNE 2017



INCORPORATING  
APPENDIX 4E DISCLOSURES  
DIRECTORS' REPORT  
CONSOLIDATED FINANCIAL REPORT

AWE Limited and its controlled entities  
For the full-year ended 30 June 2017

# Financial report 30 June 2017

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## About AWE

AWE Limited is an independent, Australian energy company focused on upstream gas and oil opportunities. Established in 1997 and listed on the Australian Securities Exchange (ASX: AWE), the company is based in Sydney with a project office in Perth. AWE has a substantial portfolio of production, development and exploration assets based in Australia, Indonesia and New Zealand.

## About the Waitsia gas field

The northern Perth Basin has been one of Western Australia's major gas producing regions for more than 50 years. Discovered in September 2014, the Waitsia field is regarded as the largest onshore conventional gas discovery in Australia for the last 40 years and has the capability to supply the domestic market with 100 TJ/d for 10 years from conventional reservoirs.



## Appendix 4E

For the year ended 30 June 2017

**30 June 2017**  
**'Current period'**

**30 June 2016**  
**'Previous corresponding period'**

Revenue from continuing ordinary activities	<b>down</b>	<b>30%</b>	<b>to</b>	<b>A\$'000</b> <b>71,849</b>
Revenue from discontinued ordinary activities				<b>33,164</b>
<b>Total revenue</b>	<b>down</b>	<b>49%</b>	<b>to</b>	<b>105,013</b>
<b>Net loss for the period attributable to members is</b>	<b>down</b>	<b>40%</b>	<b>to</b>	<b>(217,526)</b>

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
No dividend will be paid for the year ended 30 June 2017	<b>nil</b>	<b>nil</b>

<b>Net Tangible Assets</b>	<b>Current period</b>	<b>Previous corresponding period</b>
Net tangible asset <sup>(1)</sup> backing per ordinary security	<b>\$0.187</b>	<b>\$0.605</b>

1. Net tangible assets represents total assets (inclusive of exploration assets) less deferred tax balances and intangibles.

A review of the group's operations during the year ended 30 June 2017 and the results of those operations are included in the AWE Limited 30 June 2017 Directors' report.

### **Change in ownership of controlled entities**

During the financial year AWE disposed of AWE New Zealand Pty Limited, AWE Taranaki Limited and AWE (North Madura) NZ Limited.

### **Details of dividends**

There were no dividends paid or declared during the year ended 30 June 2017 or up to the date of this report.

### **Dividend reinvestment plans**

There are no dividend reinvestment plans in place.

Additional Appendix 4E disclosure requirements can be found in the Directors' report and the 30 June 2017 financial statements and accompanying notes.

This report is based on the consolidated financial statements audited by Ernst and Young.

## Directors' report

The directors present their report together with the consolidated financial statements of AWE Limited ('AWE' or 'the Company') and its controlled entities (collectively the "Group") for the financial year ended 30 June 2017 and the Auditor's report thereon.

### Operating and financial review

This operating and financial review forms part of the Directors' Report is prepared in accordance with section 299A of the Corporations Act 2001 (Cth). The information is provided to assist users in assessing the operations and financial position of AWE.

The principal activities continue to be the exploration for, as well as development and production, of hydrocarbons.

### 1. Performance overview

#### Highlights

Key highlights include:

- HSE - No reportable environment incidents recorded and no Lost Time Injuries. The Company continues to place the health and safety of employees and contractors as its first priority.
- Continued open engagement with landowners, local communities, regulators and government.
- Production - Total production of 2.75 mmbob, in line with market guidance.
- Development -
  - Waitsia Stage 1A successfully completed with first gas in August 2016.
  - Waitsia Stage 2 pre-FEED completed. Design competition phase of FEED commenced in June 2017.
  - BassGas achieved compression startup ahead of time and under budget in June 2017 and production reached nameplate capacity - MLE project completed.
- Drilling success -
  - Waitsia-3 and 4 appraisal wells significantly exceeded pre-drill expectations - Kingia reservoir considerably thicker and better quality than predicted and gas shows below previously interpreted gas water contact.
  - Positive results from Waitsia 3 have led to the conversion of some 2C Contingent Resources to 2P Reserves.
- Completion of asset sales -
  - In late February 2017 the sale of Tui completed and generated a profit after tax of \$36.3 million and reduced future abandonment obligations by \$67 million.
- Impairment of Ande Ande Lumut (AAL) - An impairment loss of \$131.1 million has been recorded on the carrying value of the AAL asset and it has been transferred from Oil & gas assets to Exploration & evaluation assets. The capital expenditure Carry of \$96.3 million receivable from Santos upon Final Investment Decision (FID) in respect of the AAL oil project was derecognised and an associated transfer tax accrual of \$6.6 million was reversed in the period (net impact pretax: \$89.7 million, after tax: \$76.3million). The contract in respect of the Carry is binding and the balance remains payable to AWE, however is dependent upon the project proceeding.

The following tables provide an overview of production and the financial performance of AWE for the year ended 30 June 2017 as detailed in the financial report.

	30 June 2017	30 June 2016	Variance
Group overview	mmboe	mmboe <sup>(3)</sup>	%
<b>Continuing operations</b>			
Gas	2.02	2.22	(9%)
LPG production	0.17	0.22	(23%)
Condensate production	0.17	0.22	(24%)
Oil	-	0.28	-
Total production from continuing operations	2.36	2.94	(20%)
<b>Discontinued operations</b>			
Gas	-	0.37	-
LPG production	-	0.30	-
Condensate production	-	0.62	-
Oil	0.39	0.79	(51%)
Total production from discontinued operations	0.39	2.08	(81%)
<b>Total production</b>	<b>2.75</b>	<b>5.02</b>	<b>(45%)</b>

Financial performance - Continuing operations	\$million	\$million	%
Sales revenue - oil and gas	70.5	100.7	(30%)
Production costs and royalties	(38.5)	(53.9)	29%
Field EBITDAX <sup>(1) &amp; (2)</sup>	31.9	46.7	(32%)
Exploration and evaluation expense	(2.4)	(18.2)	(87%)
Amortisation	(31.2)	(52.3)	40%
Net financing expense	(7.6)	(11.2)	32%
Impairment	(134.5)	(238.2)	44%
Write down - capital expenditure Carry	(89.7)	-	-
Fair value adjustment on held for sale assets	-	(2.1)	-
Other income / (expense)	(27.9)	(13.5)	(>100%)
<b>Statutory net loss before tax</b>	<b>(261.5)</b>	<b>(288.8)</b>	<b>9%</b>
Tax benefit / (expense)	5.9	(23.0)	>100%
<b>Statutory net loss after tax (NPAT)</b>	<b>(255.6)</b>	<b>(311.8)</b>	<b>18%</b>
<b>Cash flow from operating activities</b>	<b>8.9</b>	<b>73.8</b>	<b>(88%)</b>

Financial performance - Discontinued operations	\$million	\$million	%
Sales revenue - oil and gas	33.1	101.7	(67%)
Production costs and royalties	(23.9)	(56.5)	58%
Field EBITDAX <sup>(1) &amp; (2)</sup>	9.2	45.2	(80%)
Amortisation	(5.2)	(44.3)	88%
Net financing expense	-	(3.0)	-
Impairment	-	(53.6)	-
Other income / (expense)	(0.1)	(0.7)	93%
Gain on disposal of discontinued operations	36.3	18.8	93%
<b>Statutory net profit / (loss) before tax</b>	<b>40.3</b>	<b>(37.6)</b>	<b>&gt;100%</b>
Tax expense	(2.2)	(13.7)	84%
<b>Statutory net profit / (loss) after tax (NPAT)</b>	<b>38.1</b>	<b>(51.2)</b>	<b>&gt;100%</b>
<b>Cash flow from operating activities</b>	<b>11.0</b>	<b>(3.5)</b>	<b>&gt;100%</b>

Continuing and discontinued operations	\$million	\$million	%
<b>Statutory net loss after tax (NPAT)</b>	<b>(217.5)</b>	<b>(363.0)</b>	<b>40%</b>
<b>Cash flow from operating activities</b>	<b>19.9</b>	<b>70.3</b>	<b>(72%)</b>

1. Sales revenue less production costs and royalties. Refer Note 2.1 for information by segment.

2. AWE's Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) profit / (loss) is unaudited but is derived from the audited accounts by removing the impact of non-recurring items from the reported (IFRS) audited profit. AWE believes the non-IFRS profit / (loss) reflects a more meaningful measure of the Group's underlying performance.

3. Production data for prior period has been adjusted to exclude operations discontinued or divested in FY16; specifically Sugarloaf and Tui. For reported historical data please refer the FY16 Annual Report.

To assist users reconcile the underlying performance, the following table provides a reconciliation of NPAT (inclusive of continuing and discontinued operations) and the impact of non-recurring items.

Reconciliation of underlying NPAT	30 June 2017 \$million Pre tax	30 June 2017 \$million Post tax
<b>Statutory NPAT</b>		<b>(217.5)</b>
<b>Less non-recurring items (after tax):</b>		
Impairment	134.5	133.5
Write down of Carry <sup>(2)</sup>	89.7	76.3
Gain on divestment of Tui	(36.3)	(36.3)
Arbitration costs	3.6	3.6
Loss on divestment of Lengo & North Madura	10.7	10.7
<b>Total non-recurring items</b>		<b>187.8</b>
<b>Underlying NPAT<sup>(1)</sup></b>		<b>(29.8)</b>

1. AWE's Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) profit / (loss) is unaudited but is derived from the audited accounts by removing the impact of non-recurring items from the reported (IFRS) audited profit. AWE believes the non-IFRS profit / (loss) reflects a more meaningful measure of the Group's underlying performance.

2. The taxation impact in respect of the write down of the Carry relates to the reversal of deferred tax balances, not current tax expense.

Note: numbers may not add due to rounding.

## Financial performance

AWE reported a statutory net loss after tax of \$217.5 million for the year ended 30 June 2017 compared to a statutory net loss after tax of \$363.0 million for the previous corresponding period. The 2017 result included a net impairment charge after tax of \$133.5 million (\$134.5 million pre-tax, \$1.0 million tax effect) (2016 impairment was \$242.5 million; pre-tax \$291.8 million) and a 2017 write down in respect of the capital expenditure Carry of \$76.3 million (pre-tax \$89.7 million) (2016 nil impairment of Carry).

After adjusting for non-recurring items of \$187.8 million after tax largely related to impairment of AAL, write down of the AAL capital expenditure Carry and a gain on divestment of Tui, an underlying net loss after tax of \$29.8 million was recognised for the year. This compared to an underlying net loss after tax of \$67.4 million for the previous corresponding period.

Total oil and gas production of 2.75 mmbob for the period was in line with guidance, but 45% lower than the previous corresponding period of 5.02 mmbob reflecting the divestment of Tui, Sugarloaf and Cliff Head. The ratio of gas to total liquids (LPG, condensate and oil) production was 73:27 for the year ended 30 June 2017, compared to 52:48 for the previous corresponding period. Production from continuing operations for the period was 2.36 mmbob compared to 2.94 mmbob, a fall of 20% reflecting natural field decline and scheduled maintenance at BassGas and Casino. The ratio of gas to total liquids production for continuing operations was 86:14 for year ended 30 June 2017, compared to 76:24 for the year ended 30 June 2016.

AWE recorded oil and gas sales revenue from continuing and discontinued operations for the period of \$70.5 million and \$33.1 million respectively; resulting in total oil and gas revenue of \$103.6 million, down 49% compared to \$202.4 million for the previous corresponding period. This decline reflects the lower revenue base following the divestment of Tui, Sugarloaf and Cliff Head and a change in the product mix to higher gas production.

Operating costs (production and royalties) from continuing and discontinued operations for the period was \$38.5 million and \$23.9 million respectively; resulting in total operating costs of \$62.4 million, down 43% from \$110.4 million. The reduction in operating costs was largely due to the divestment of Tui, Sugarloaf and Cliff Head as well as operating cost reductions achieved at BassGas.

Field EBITDAX from continuing and discontinued operations of \$31.9 million and \$9.2 million respectively, totalled \$41.1 million, compared to \$91.9 million for the previous corresponding period.

The Company incurred and expensed total exploration and evaluation costs of \$2.4 million during the period, compared to \$18.2 million in the prior corresponding period, reflecting continuing efforts to manage discretionary expenditures.

The taxation benefit from continuing operations was \$5.9 million and the taxation expense arising from discontinued operations was \$2.2 million, resulting in a net taxation benefit \$3.7 million compared to a taxation expense of \$36.7 million for the previous corresponding period. The total taxation benefit includes the reversals of deferred tax balances and the accounting gains / losses on divestment of Tui and Lengo respectively.

Net cash from operating activities was \$19.9 million for the year, compared to \$70.3 million for the previous corresponding period, reflecting lower cash receipts following the divestment of Tui, Sugarloaf and Cliff Head.

## Summary of financial position

At year end the Company was in a net debt position of \$54.3 million with cash of \$12.8 million and drawn debt of \$67.1 million, leaving undrawn facilities of \$232.9 million. This compares to a net cash position of \$17.8 million at 30 June 2016 with cash of \$32.6 million and drawn debt of \$14.8 million.

The increased debt reflects continuing spend in development activities primarily at Waitsia (Waitsia stage 1A, Waitsia-3 and 4 drilling and FEED), BassGas (MLE compression hook-up and commissioning) and AAL in the carry-over of costs associated with the 4XST1 well.

## 2. Production and development operations

Production (mmboe)	30 June 2017					30 June 2016	
	South East Australia	Western Australia	New Zealand	Indonesia	Total	Total Adjusted <sup>(1)</sup> Production	Total Unadjusted <sup>(2)</sup> Production
Gas	1.52	0.50	-	-	2.02	2.22	2.59
LPG	0.17	-	-	-	0.17	0.22	0.52
Condensate	0.17	-	-	-	0.17	0.22	0.84
Oil	-	-	0.39	-	0.39	0.79	1.07
<b>Total</b>	<b>1.87</b>	<b>0.50</b>	<b>0.39</b>	<b>-</b>	<b>2.75</b>	<b>3.45</b>	<b>5.02</b>
<b>Development Expenditure (\$m)</b>	<b>16.6</b>	<b>14.9</b>	<b>-</b>	<b>8.1</b>	<b>39.7</b>	<b>94.1</b>	<b>120.3</b>

(1) Prior year production adjusted to exclude production from Sugarloaf and Cliff Head in order to provide a comparative for current year which excluded both Sugarloaf and Cliff Head.

(2) Unadjusted prior year production represents actual production for the year ended 30 June 2016.

Total oil and gas production of 2.75 mmboe compared to 3.45 mmboe for the previous corresponding period adjusted to exclude Sugarloaf and Cliff Head which were divested during the year ended 30 June 2016. The reduction of 0.70 mmboe to 2.75 mmboe for the year ended 30 June 2017 reflects lower Tui production volume since its divestment (0.15 mmboe) and planned maintenance shutdowns at BassGas and Casino together with natural field declines.

### Western Australia - Onshore Perth Basin

#### Waitsia Gas Project (50%, Operator)

Stage 1A of the Waitsia Gas Project commenced production in August 2016 and AWE's share of gross production was 0.23 mmboe (1.4PJ) for the year ended 30 June 2017. Preliminary results from the two wells under the extended production test have exceeded AWE's pre-production expectations confirming a high quality conventional reservoir system with excellent connectivity for the Kingia and High Cliff Sandstones.

During the December quarter, the Waitsia Stage 2 project commenced pre-FEED work for a gas plant capable of producing 100 TJ of gas per day for 10 years. Pre-FEED was successfully completed and in June 2017 the Waitsia joint venture partners agreed to enter FEED with commencement of a design competition phase for the Stage 2 development. A shortlist of four bidders was selected to provide EPC and BOO contracting alternatives due in November 2017.

Waitsia-3 and 4 were drilled from June to August, confirming the southern and eastern extent of the Waitsia Field and revealing a substantially thicker Kingia reservoir with excellent porosity and low levels of total inerts. These wells are the last to be drilled on Waitsia before Final Investment Decision (FID).

AWE is aiming to contract substantial gas volumes in CY 2017 ahead of making a FID on the Waitsia stage 2 project. Negotiations for gas sales are advancing with a selected shortlist of buyers.

#### Dongara, Corybas, Beharra Springs (33–100%, some Operated)

AWE's share of gross production from the various onshore Perth Basin assets was 0.27 mmboe compared to 0.36 mmboe for the previous corresponding period.

AWE's program to decommission non-producing wells and rehabilitate well sites is proceeding as planned and will continue over the coming years. Total decommissioning and rehabilitation expenditure charged to existing provisions for the year ended 30 June 2017 was \$5.5 million (2016: \$2.2 million).

## *South East Australia*

### **BassGas Project (35%), Bass Basin**

The BassGas project achieved gross production for the year ended 30 June 2017 of 15.1 PJ of gas, 494,000 barrels of condensate and 42,000 tonnes of LPG. AWE's share was comprised of 5.3 PJ of gas, 173,000 barrels of condensate and 14,600 tonnes of LPG. Production for the period decreased by 18% over the previous corresponding period, impacted by a 26-day planned BassGas integrity shutdown in November-December 2016. No incidents were recorded during the shutdown. The average gross daily rate for the year, excluding planned downtime, was 45.0 TJ/d.

Hook-up and commissioning of the compression and condensate pumping modules on the Yolla-A platform was completed ahead of schedule and under budget in late June 2017. Gas production rates subsequently increased to nameplate capacity (approximately 67TJ/d).

### **Casino Gas Project (25%), Otway Basin**

AWE's share of gross production from the Casino gas project, including the Casino, Henry and Netherby gas fields, was 3.9 PJ of gas and 2100 barrels of condensate. Production for the period was impacted by an 11-day planned plant maintenance shutdown at the Iona Production Facility in November 2016 and the shutting in of the Casino-5 well during April 2017 to address an anomalous annulus pressure reading. The Operator is planning a workover on Casino-5 in early 2018 to return it to production. During the shut-down of the Iona Gas Plant, subsea maintenance was undertaken on various backup control systems. The average gross daily rate for the year, excluding planned downtime, was 47.7 TJ/d.

Marketing of uncontracted gas from Casino, for the period post February 2018, has commenced.

## *Indonesia*

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

Field development optimisation studies are ongoing to incorporate results from the AAL-4XST1 appraisal well with a focus on assessing G sand resources. Laboratory work has been completed, confirming that comingled production of K sand and G sand oil is possible with no significant changes to the FPSO processing infrastructure.

The joint venture is now finalising new reservoir models to support an application to jointly develop G sand and K sand reservoirs from field startup. This may require an amendment and government approval of the K sand POD which will result in FID being delayed. Stage 2 commercial tenders remain on hold until this work is completed.

Post year end, AWE announced that it would impair the carrying value of AAL by \$131.1 million, and transfer it to Exploration and evaluation assets. In addition the capital expenditure Carry receivable from Santos of \$96.3 million (pre-tax) was derecognised and an associated transfer tax accrual of \$6.6 million was reversed (net impact \$89.7). These changes arose as uncertainty surrounding FID of the AAL asset increased due to the operator starting a process to sell its interest, ongoing technical evaluation of the K and G sands and continuing low oil prices. The Carry remains payable to AWE contingent upon the project proceeding.

## *New Zealand*

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

The Tui Area Oil Fields were divested at the end of February 2017. Gross production from the Tui Oil Fields was 0.67 mmbœ for the period from 1 July 2016 up until its divestment in February 2017. AWE's share of this production was 0.39 mmbœ. All remaining oil inventory passed to the buyer Tamarind.



### 3. Exploration operations

\$m	30 June 2017							30 June 2016
	Western Australia	South East Australia	New Zealand	Indonesia	China <sup>(1)</sup>	Other	Total	Total
Exploration Expenditure	1.9	1.1	0.1	0.3	(0.5)	0.2	3.0	18.8

(1) As a consequence of relinquishing the permit in China and dissolving the joint venture accrued exploration expenditure was reversed.

The Group continues to manage its exploration portfolio by deferring or reducing all discretionary exploration activity and by reviewing and ranking prospects and inventory. The Group is currently running a farmout 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 with seismic reprocessing and updated static and dynamic modelling of the reservoirs nearing completion.

##### Otway Basin

In permit VIC/P44 (AWE 25%), the Joint Venture is planning new seismic inversion studies to de-risk prospects for a possible future exploration program. Applications have been submitted to renew retention leases over VIC/RL11 (Martha) and VIC/RL12 (Blackwatch) for a further five year period and are pending approval of the regulator.

##### Onshore Perth Basin

In EP320 (AWE 33.33%), the Joint Venture has commenced planning of a 3D seismic programme to fulfil Permit year 2 work commitments. The 3D survey will mature significant Waitsia style prospects in the Kingia and High Cliff sandstones in the east of the permit.

In production Licence L11 (AWE 33%), the Joint Venture is reviewing options for an exploration well to test the Beharra Deep prospect in the Kingia and High Cliff Sandstones directly beneath the Beharra Springs Gas Field and close to existing processing facilities.

##### Offshore Perth Basin

In WA-512P (AWE 100%), 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 plan the Kohatukai-1 exploration well and a farmout process is progressing.

### 4. Business strategy and opportunities

As a consequence of the divestment of Tui, AWE is now primarily a conventional gas producer active in Australia's east coast and west coast domestic markets with significant potential to improve realised gas prices.

Appraisal work at Waitsia continued to enhance the outlook for Waitsia reserves and development potential. Waitsia-3 recently confirmed the southern extent of the Waitsia Field and revealed a substantial Kingia reservoir with excellent porosity and low levels of inerts.

#### Business strategy

AWE's goal is to be a leading mid-cap energy company in Australia by building a sustainable business that delivers superior returns to shareholders.

The Company has implemented a strategy that is focused on pursuing opportunities in high value gas and oil in the geographic areas comprising Australia, New Zealand and Indonesia.

AWE has established and valuable producing assets supporting the East Coast Australian gas market that deliver stable operating cash flows. There is potential to grow with the recontracting of gas reserves AWE is prioritising the development of its high value gas assets in the Perth Basin. The Ande Ande Lumut oil project in Indonesia provides exposure to potential upside in oil prices in the medium term.

AWE is committed to these goals while preserving our commitment of zero harm to our people, minimising its impact on the environment, supporting the communities in which we operate and building a motivated and engaged team.

### *Opportunities*

The focus and objective of the Company is to generate sustainable returns to shareholders whilst maintaining a prudent and disciplined approach to financial management. AWE will pursue growth initiatives from its existing portfolio of exploration and development assets as well as new opportunities where they are value accretive and where balance sheet capacity exists to support future development expenditure.

Key projects and opportunities being pursued during the next financial year include:

- Development of the Waitsia Stage 2 gas project. The key work streams for achieving a final investment decision include:
  - Gas Marketing - Signing Gas Sales Agreements (GSAs) to underpin an FID;
  - Subsurface - Proving up additional Reserves from Waitsia-3 and -4 drilling campaign;
  - Facilities FEED – Completing the FEED design competition.
- At BassGas, progress development concept studies for the Trefoil field, adjacent to the existing Yolla field in the Bass Basin.
- In the Otway Basin, the Casino joint venture will assess a range of options for the next phase of development for the project.
- Revision of the Plan of Development of AAL

AWE will continue to review a range of exploration and new business opportunities in conventional oil and gas, but only where the business and economic case continues to be positive at low oil prices.

### *Material business risks*

The following material business risks have been identified as key issues that have the potential to impact the Company's performance:

- Commodity price risk, which directly impacts AWE through the realised price received from the sale of hydrocarbons – gas, crude oil, condensate and LPG with the exception of Australian gas sales which are made under long-term contracts where the price is denominated in Australian dollars. The risk relating to oil prices has been mitigated in the near term by the sale of the Company's interest in the Tui area oil fields during the 2017 financial year.
- Reserves and production risks, where future performance of individual assets may not meet current estimates and forecasts.
- Execution of development and operating projects, including meeting schedule and budget, which could be subject to changes in future industry and economic conditions.
- Sovereign risk relating to the expected fiscal, tax and regulatory environment in jurisdictions that AWE does business.
- Continuing access to debt and capital markets to execute projects.
- Health, Safety and Environmental risks which are recognised by AWE as being of critical importance in ensuring AWE continues to build and operate a sustainable business and which remain a key priority for the Company.
- Maintaining the Company's social licence to operate by pursuing operational excellence and proactively engaging with the communities, regulators and other key stakeholders, particularly in relation to onshore oil and gas exploration, development and production activities.

## Directors' qualifications and experience

Current Directors	Experience
<p><b>Bruce Phillips</b> <b>BSc (Hons) Geol</b></p> <p>Independent Non-executive Director and Chairman</p> <p>Member of the People Committee Member of the Nominations Committee</p>	<p>Bruce Phillips is a petroleum explorationist who has more than 35 years of technical, financial and managerial experience in the upstream energy sector of the oil and gas industry. He has broad domestic and international exploration and production experience throughout Australia, South East Asia, Africa and South America.</p> <p>Bruce is currently a non-executive Chairman of ALS Limited. He was formerly the non-executive Chairman of Platinum Capital Limited (to June 2015) and a non-executive director of AGL Energy Limited (to September 2016).</p> <p>Bruce was founder and Managing Director of AWE. He retired as Managing Director on 31 August 2007 and was appointed as a non-executive director on 19 November 2009 and non-executive Chairman on 18 November 2010.</p>
<p><b>Kenneth Williams</b> <b>BEc (Hons), MAppFin, MAICD</b></p> <p>Independent Non-executive Director and Deputy Chairman</p> <p>Chairman of the Audit and Governance Committee</p> <p>Member of the People Committee Member of the Nominations Committee</p>	<p>Kenneth Williams has over 25 years operational experience in corporate finance with an emphasis on treasury and financial risk management as well as diverse experience in mergers, acquisitions, divestments and corporate reconstructions. During his executive career he has worked for significant Australian enterprises including Renison Goldfields, Qantas, Normandy Mining and Newmont Australia.</p> <p>Ken has an Honours degree in Economics and a Masters of Applied Finance and is a member of the Australian Institute of Company Directors. Ken is a non-executive Chairman of Havilah Resources Limited.</p> <p>Ken was appointed as a non-executive director of AWE on 26 August 2009.</p>
<p><b>David Biggs</b> <b>LLB, MAICD</b></p> <p>Chief Executive officer and Managing Director</p>	<p>David Biggs was appointed CEO and Managing Director of AWE Limited on 2 May 2016. David's 35-year career in the upstream oil and gas sector includes senior executive roles at Cue Energy, BHP Billiton Petroleum, the Natural Gas Corporation and the Petroleum Corporation of New Zealand. He has extensive experience in leadership, strategy and planning, business improvement, P&amp;L management and commercial transactions, particularly M&amp;A and gas marketing, gained in Australia, New Zealand, Indonesia, the USA and other international markets. David holds a tertiary qualification in law from Victoria University in Wellington.</p>
<p><b>David McEvoy</b> <b>BSc (Physics), Grad Dip (Geophysics)</b></p> <p>Independent Non-executive Director Chairman of the Sustainability Committee Member of the Audit and Governance Committee Member of the Nominations Committee</p>	<p>David McEvoy has a petroleum geoscience background with almost 40 years' experience in international exploration and development. He has held several senior executive positions in affiliates of ExxonMobil, most recently Vice President, and Business Development in ExxonMobil Exploration Company from 1997 to 2002.</p> <p>David is currently a non-executive director of Seven Group Holdings Limited. He was formerly a non-executive director of Woodside Petroleum Limited (to May 2017).</p> <p>David was appointed a non-executive director of AWE on 22 June 2006.</p>
<p><b>Ray Betros</b> <b>BEng Chemical, Grad Dip Process Plant Engineering</b></p> <p>Independent Non-executive Director Member of the Sustainability Committee Member of the Audit and Governance Committee Member of the People Committee Member of the Nominations Committee</p>	<p>Ray Betros has over 35 years' experience in international business and project development and technical management. He has held senior positions in resource companies and worked extensively internationally including Indonesia, United Kingdom and Egypt.</p> <p>Ray has held various senior executive positions at BHP/BHP Billiton (1993-2004), BG Group (2004-2008) and most recently Santos (2008-2011) where he held the position of Executive Vice-President Technical.</p> <p>Ray was appointed as a non-executive director of AWE on 22 November 2012.</p>
<p><b>Karen Penrose</b> <b>BComm CPA, FAICD</b></p> <p>Independent Non-executive Director</p> <p>Chair of the People Committee</p> <p>Member of the Audit and Governance Committee Member of the Nominations Committee Member of the Sustainability Committee</p>	<p>Karen Penrose has a strong background and experience in the finance and corporate sectors. She is a full-time non-executive director. Her prior executive career includes 20 years with Commonwealth Bank and HSBC and eight years as a Chief Financial Officer and Chief Operating Officer with two ASX listed companies.</p> <p>Karen is a non-executive director of Bank of Queensland Limited, Vicinity Centres Limited, Spark Infrastructure Group and a pro-bono board member of Future Generation Global Investment Company Limited. Ms Penrose was formerly Deputy Chairman of Silver Chef Limited (to February 2015) and Novion Limited (to June 2015).</p> <p>Karen was appointed a non-executive director of AWE on 28 August 2013.</p>

## Company secretary

Mr Neville Kelly was appointed to the position of Company Secretary in October 1999. Mr Kelly (BCom, Merit, CPA) is an accountant with over 30 years commercial experience in the upstream sector of the Australian oil and gas industry, including 12 years' experience with Bridge Oil Limited. Neville was also the Chief Financial Officer of AWE until 31 October 2011 and joined the Company on its public listing in 1997.

## Directors' interests

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Securities Exchange ("ASX") in accordance with section 205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Fully paid ordinary shares
B. Phillips	3,178,414
D. Biggs	10,000
D. McEvoy	30,000
K. Williams	80,000
R. Betros	70,000
K. Penrose	50,000

No directors' interests are subject to margin loans.

## Directors' meetings

Director	Directors' meetings		Audit and Governance Committee meetings		People Committee meetings		Sustainability Committee meetings		Nominations Committee meetings	
	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended	Held <sup>1</sup>	Attended
B. Phillips	18	18			4	4			2	2
D. Biggs	18	18								
D. McEvoy	18	18	6	6			4	4	2	2
K. Williams	18	18	6	6	4	4			2	2
R. Betros	18	18	6	6	2	2	4	4	2	2
K. Penrose	18	15	6	5	4	4	4	3	2	2

1. Reflects the number of meetings held during the time the Director held office, or was a member of the Committee during the year.

## Indemnification and insurance of officers

Under the Company's Constitution, and to the extent permitted by law, every person who is, or has been, a director or officer of the Company is indemnified against:

- a liability incurred by that person, in his or her capacity as a director or secretary, to another person (other than the Company or a related body corporate of the Company) provided that the liability does not arise out of conduct involving a lack of good faith; and
- a liability for costs and expenses incurred by that person:
  - in defending any proceedings in which judgement is given in that person's favour, or in which that person is acquitted, or
  - in connection with an application in relation to any proceedings in which the Court grants relief to that person under the Corporations Act.

During the financial year, the Company paid premiums based on normal commercial terms and conditions to insure all directors, officers and employees of the Company against the costs and expenses in defending claims brought against the individual while performing services for the Group. The premium paid has not been disclosed as it is subject to the confidentiality provisions of the insurance policy.

The Company has entered into Indemnity Deeds to indemnify directors and certain executives of the Company against all liabilities incurred in the course of or arising out of their employment with the Company and its controlled entities, except where the liability results wholly or in part from serious and wilful misconduct by the executive or director.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to Ernst & Young during or since the financial year.



## Environmental regulation and climate change

AWE is subject to a range of environmental legislation in Australia and other countries in which it operates. Through the sustainability committee it plans and performs business activities to avoid adverse environmental impacts. Following the release of the 'Recommendations of the Task Force on Climate-related Financial Disclosures' issued in June 2017, the Company and its auditors have considered both transition and physical risks as they might impact AWE's business for the financial year.

In making a determination of the risks posed by transitioning to a low-carbon economy, and how this might affect AWE, consideration has been made in relation to those risks associated with the evolving policy and legal environment; technological improvements and innovations that might support the decarbonisation of our economy; the market risks associated with shifts in the supply and demand of AWE's products as well as that of critical inputs used by the business; and also the reputational risks which could impact the pricing of commodities.

We also seek to understand what potential risks to AWE's own physical assets (and that of critical suppliers) which could be impacted by a changing climate, such as more frequent and extreme weather events. And then whether this might impact asset valuations and the operating costs associated with procuring critical goods. Such risks are considered in evaluating the impairment of assets and the need to provide for future climate related liabilities when considered material within a foreseeable time horizon. It is currently the view of the Company that Climate-related risks do not currently present a material risk with regards to the financial statements.

The Company is preparing a climate change policy and climate change will be included in future material risk assessments.

## Remuneration report

The Remuneration Report set out on pages 16 to 32 forms part of the Directors' Report for the financial year ended 30 June 2017.

## Corporate governance statement

Details of the Company's corporate governance practices are included in the Corporate Governance Statement set out on the Company's website.

## Dividends

Dividends paid or declared by the Company to members since the end of the previous financial year were:

	Cents Per Share	Total amount \$'000	Franking	Date of payment
Declared and paid during the 2017 financial year	-	-	-	-
Declared and paid during the 2016 financial year	-	-	-	-

## Events subsequent to balance date

In the opinion of the directors, no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

## Audit and non-audit services

Details of the amounts paid to the auditor of the Company, Ernst & Young, and its related practices for audit and non-audit services provided during the year are set out below.

	2017	2016
Ernst & Young	\$	\$
Audit services - auditor of the Company	307,675	414,899
Taxation compliance services	-	57,136
Taxation advisory services	13,390	15,000
Advisory and assurance services <sup>(1)</sup>	120,000	17,346
<b>Total remuneration of Ernst &amp; Young</b>	<b>441,065</b>	<b>504,381</b>

- (1) Relates to sustainability and climate report and other general advisory services.

During the year Ernst & Young, the Company's auditor, has performed certain other services in addition to their statutory duties primarily taxation advice in relation to an acquisition opportunity. The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit & Governance Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services do not impact the integrity and objectivity of the auditor; and
- The non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

## Auditor's independence declaration under section 307C of the Corporations Act 2001

The auditor's independence declaration is set out on page 15 and forms part of the Directors' Report for the year ended 30 June 2017.

## Rounding off

The Group is of a kind referred to in ASIC Corporations (rounding in Financial / Directors' Reports) Instrument 2016/191 and in accordance with that Class Order, amounts in the financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a Resolution of the Directors.



**Bruce Phillips**  
Chairman

Dated at Sydney this 25<sup>th</sup> day of August 2017



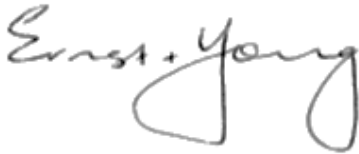
**David Biggs**  
CEO and Managing Director

## Auditor's Independence Declaration to the Directors of AWE Limited

As lead auditor for the audit of AWE Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AWE Limited and the entities it controlled during the financial year.



Ernst & Young



Trent van Veen  
Partner  
25 August 2017

# June 2017 remuneration report

## Key Points

<b>Total Shareholder Return (TSR)</b>	<ul style="list-style-type: none"> <li>• TSR for 3 years to 30 June 2017 of -76% compared with the ASX 300 Energy Index of -31%</li> <li>• TSR for the financial year to 30 June 2017 of -46% compared with the ASX 300 Energy Index of 8%</li> </ul>
<b>Fixed remuneration</b>	<p>In recognition of the challenging business conditions in the upstream oil and gas industry the Board has determined that for the June 2016, June 2017 and June 2018 financial years:</p> <ul style="list-style-type: none"> <li>• Non-executive director fees - no increase</li> <li>• Managing Director salary - no increase</li> <li>• Senior executive salaries - no increase</li> </ul>
<b>Short term Incentive (STI) (Based on performance for the June 2017 financial year)</b>	<p>In recognition of the challenging business conditions in the upstream oil and gas industry the Board has determined that there will be no STI payable for the June 2017 financial year notwithstanding company KPI performance for determining STIs was assessed at 40%</p>
<b>Long Term Incentive Plan (LTI)</b>	<p>CEO/Managing Director and senior executives:</p> <ul style="list-style-type: none"> <li>• Relative TSR Rights – nil vesting based on 3 year performance at the 10<sup>th</sup> percentile of comparator group</li> <li>• Absolute TSR Rights – nil vesting based on 3 year TSR of -37.2% compound</li> <li>• Retention Rights – 100% vesting <sup>(1)</sup></li> </ul>
<b>Vesting of Rights – 3 year cycle to June 2017 (Based on 3 year performance to June 2017)</b>	
<b>Award of Rights – 3 year cycle to 30 June 2020 (Based on performance for the June 2017 financial year)</b>	<p>70% of potential maximum entitlement granted to CEO/Managing Director and senior executives other than the Chief Financial Officer who was granted 100%</p>
<b>Non-executive directors</b>	<p>No participation in LTI or STI</p> <p>Total NED pool approved by shareholders - \$1,200,000 Total NED fees paid for June 2017 financial year - \$770,165</p>
<b>Remuneration changes implemented with effect from the June 2017 Financial Year</b>	<p>LTI Plan varied so that Retention Rights are no longer granted for cycles commencing from 1 July 2016</p> <p>No component of senior executive salary packages include retention related compensation</p> <p>Senior executive management committee membership has been restructured significantly and at a substantially lower remuneration base</p>

(1) Retention Rights are not granted to the CEO/Managing Director. Commencing from the June 2017 financial year Retention Rights are no longer granted to any employees.

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## Abbreviations used in this report

Act	Corporations Act 2001 (Cth)
ASX	Australian Securities Exchange Limited
AWE	AWE Limited or the Company
Cycle	Share rights plan or term
HSE	Health safety & environment
KMP	Key management personnel
KPI	Key performance indicator
LTI	Long term incentive
MD	CEO & Managing Director
NED	Non-executive director
Plan	Share rights plan
Rights	Share rights
STI	Short term incentive
TSR	Total shareholder return
VWAP	Volume weighted average price



## 1. Introduction

The directors of AWE Limited (“AWE” or the “Company”) present the Remuneration Report prepared in accordance with section 300A of the Corporations Act 2001 (“the Act”) for the consolidated entity for the year ended 30 June 2017.

The information provided in this report forms part of the Directors’ Report and outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the Act and its regulations. This information has been audited as required by section 308 (3C) of the Act.

This report details remuneration information pertaining to directors and senior executives who are the ‘Key Management Personnel’ (“KMP”) of the consolidated entity. KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of AWE.

The following non-executive directors (“NEDs”) and senior executives have been identified as KMP for the purpose of this report:

Non-executive directors – as at 30 June 2017	
<b>Bruce Phillips</b>	Chairman
<b>Kenneth Williams</b>	Deputy Chairman
<b>David McEvoy</b>	Non-Executive Director
<b>Raymond Betros</b>	Non-Executive Director
<b>Karen Penrose</b>	Non-Executive Director

Non-executive directors - former	Date ceased being a director	
<b>Violeta Braach-Maksvytis</b>	Non-Executive Director	Retired 20 November 2015

Executive director and senior executives – as at 30 June 2017		
<b>David Biggs</b>	CEO/Managing Director	Appointed 3 May 2016
<b>Ian Bucknell</b>	Chief Financial Officer	Appointed 13 July 2016
<b>Andrew Furniss</b>	General Manager, Exploration and Geoscience	Appointed 1 January 2016
<b>Suzanne Hunt</b>	General Manager WA Assets and Engineering	Appointed 1 August 2016
<b>Neville Kelly</b>	Company Secretary/General Manager Corporate	

Executive director and senior executives – former	Date executive ceased being a KMP	
<b>Bruce Clement</b>	Managing Director	2 May 2016
<b>Dennis Washer</b>	Chief Operating Officer/General Manager, New Zealand	30 November 2015
<b>Ayten Saridas</b>	Chief Financial Officer	22 April 2016
<b>Neil Tupper</b>	General Manager, Exploration and Geoscience	1 January 2016

Dates of appointment or resignation are noted in the above tables if the appointment or resignation occurred within the previous two financial years.

## 2. Company response to challenging business conditions

In response to the challenging business conditions in the upstream oil and gas industry and to establish substantially lower long-term remuneration cost structures significant changes have been made to the Company’s remuneration structures including:

- Nil salary increases for NEDs and senior executives for the June 2016, June 2017 and June 2018 financial years;
- Nil STIs for any employees for the financial years ending June 2016 and June 2017, despite Company KPI performance being assessed at 40% for both financial years;
- Decision not to replace a NED who retired during the June 2016 financial year;
- Removal of the retention component of the Company’s LTI Plan;
- Discontinuation of retention based arrangements for senior executives; and
- Restructure of senior executive management committee membership to align with the Company’s reduced asset base and geographic spread at a substantially lower long-term fixed and at risk remuneration base.

### 3. Remuneration governance framework

The People Committee is responsible for making recommendations to the Board on remuneration policies and employment practices applicable to directors, senior executives and other employees.

The role and responsibilities of the People Committee is documented in a charter approved by the Board and is reviewed as required but in any event at least each two years. A copy of this charter is available on the Company's website.

The People Committee must comprise at least three non-executive directors, the majority of whom shall be independent. No executive can be a member of the Committee. The People Committee comprises Karen Penrose (Chairman), Kenneth Williams (former Committee Chairman), Bruce Phillips and Ray Betros, each of whom are non-executive directors and are considered by the Company to be independent.

#### Role

The role of the People Committee as defined in the charter is to assist the Board in adopting remuneration policies and employment practices of AWE that are designed to:

- Be consistent with the Company's goals and objectives;
- Deliver outcomes in line with strategic business goals;
- Recognise the scale and complexity of the Company's business activities;
- Encourage directors and senior executives to deliver short term objectives and to pursue the long term growth and success of the Company within an appropriate control framework;
- Deliver a level and composition of remuneration that is appropriate and fair to stakeholders;
- Define the relationship of remuneration to corporate and individual performance; and
- Attract and retain talented and effective directors, management and employees so as to encourage enhanced performance of the Company and to create value for shareholders.

The People Committee also evaluates the appropriateness of remuneration packages given trends in comparable companies, the need to drive a performance-based culture and the objectives of the Company's remuneration strategy.

#### Responsibilities

The responsibilities of the People Committee as defined in the charter are to review and make recommendations to the Board or its related committees on:

- Policies for employment and remuneration of all AWE employees;
- Recruitment, retention and termination policies, procedures and practices for senior executives;
- The remuneration package of the Managing Director;
- The remuneration packages of senior executives in consultation with the Managing Director;
- Performance schemes including short term and long term incentives;
- Superannuation arrangements;
- The remuneration framework for non-executive directors, within the limit approved by shareholders;
- Ongoing induction and education procedures for new Board appointees and key executives;
- Training and development and continuing education practices for non-executive directors, senior executives and all AWE employees;
- Management succession planning;
- Procedures necessary to comply with employment practices law;
- The appointment of external remuneration consultants and evaluation of advice from remuneration consultants in accordance with the Act;
- The Diversity Disclosure Plan and the Company's progress in achieving measurable diversity objectives;
- The annual Statutory Remuneration Report;
- People related disclosures in the Annual Report; and
- Other matters as requested by the Board.

Should the Company receive advice from external consultants to assist in making decisions on the amount or structure of the remuneration of one or more KMP:

- The consultant is to be appointed by the People Committee or NEDs;
- Advice received from the consultant must be provided directly to the People Committee or NEDs;
- Fees paid to the consultant must be disclosed; and
- The consultant must declare their independence.

No remuneration consultants were appointed during the current financial year.

## 4. Executive remuneration arrangements

### 4.1. Principles and strategy

#### Objectives

The key objectives of AWE's remuneration practices are to:

- Align the interests of senior executives, employees and shareholders;
- Attract and retain suitably qualified senior executives and employees; and
- Motivate senior executives and employees to achieve superior performance.

#### Mix of remuneration

To achieve these objectives remuneration packages consist of:

- Fixed remuneration;
- Short term performance benefits; and
- Long term performance benefits.

The remuneration structures are designed to align the interests of shareholders with remuneration outcomes by taking into account:

- The performance of the consolidated entity including:
  - The growth in total returns to shareholders;
  - The consolidated entity's financial results;
  - Delivery of base business;
  - The results of exploration, development and production activities;
  - Business growth;
  - Delivery of strategic objectives;
  - Adherence to health, safety and environment policies and targets; and
  - Compliance with regulations.
- The capability and experience of senior executives;
- The ability of senior executives to control the performance of their relevant area of responsibility; and
- Current economic and industry circumstances.

#### Market comparatives

In order to attract and retain suitably qualified senior executives and technical personnel and to ensure that salary packages are reasonable and competitive, fixed remuneration levels and at "risk" remuneration structures in the form of short and long term incentive benefits are benchmarked against independently provided data on Australian upstream oil and gas companies.

To ensure that long term incentive structures are appropriately aligned to the long term interests of shareholders, the vesting of share rights ("rights") are conditional on performance conditions which are tied to the three year total shareholder return of the Company and to the three year total shareholder returns of comparator group upstream oil and gas companies in the ASX 300 Energy Index.

#### Company performance

The following table identifies the consolidated entity's performance in respect of the current financial year and the previous four financial years:

	2017	2016	2015	2014	2013
Statutory profit/(loss) (\$ millions)	(217.5)	(363.0)	(230.2)	62.5	20.0
30 June share price (\$)	0.45	0.83	1.21	1.80	1.24
Change in share price (\$)	(0.39)	(0.38)	(0.59)	0.56	(0.10)
Total shareholder return (%)	-46%	-32%	-33%	45%	-7%
AWE performance relative to ASX 300 Energy Index	-54%	-6%	-14%	26%	-15%
AWE performance relative to ASX 300 Index	-62%	-27%	-40%	26%	-30%

#### Deferral and Clawback of Performance – Based Remuneration

Scope

A deferral and clawback policy has been adopted for performance-based remuneration and applies to the Managing Director and senior executives. The policy applies on a prospective basis for STI and LTI awards granted from July 2014. The Board (or delegated committee of the Board) has discretion and authority to make determinations under this policy.

#### *Application*

Clawback can include reduction, clawback or cancellation of awards and applies to both vested awards which have been deferred and awards granted but not yet vested. Once an STI or LTI award is vested, 50% of that award will be deferred for a period of 12 months and will be subject to clawback.

#### *Clawback Circumstances*

- Serious misconduct;
- Material misstatement in AWE's financial statements; or
- Material error or miscalculation that results in the award of performance based remuneration that would not have otherwise been awarded.

### **Changes to remuneration structures**

Changes to remuneration arrangements that were implemented with effect for financial year ending 30 June 2017 include:

- Removal of the retention component of the Company's LTI Plan;
- Agreement not to put in place any retention based arrangements for the Managing Director or senior executives; and
- Removal of the distinction between base and stretch targets in determining the Company's KPI performance for STI calculation purposes.

### **4.2. Fixed remuneration**

Fixed remuneration consists of base salary calculated on a total cost basis, including fringe benefits tax and superannuation contributions (or equivalent).

Remuneration levels are reviewed at least annually by the People Committee through a process that considers independent externally provided remuneration data and also taking into account the overall performance of the consolidated entity to ensure that remuneration is appropriate and competitive in the market place.

In recognition of the challenging business conditions in the upstream oil and gas industry the Board has determined that for the June 2018 financial year, there will be no increases to non-executive director fees or the salaries of the Managing Director or senior executive salaries.

For details of fixed remuneration paid to senior executives and directors refer to section 6 and 7.

### **4.3. Short term incentives**

Short term performance benefits are awarded in the form of cash bonuses. These benefits are "at risk" and are paid for performance during the financial year and are designed to reward senior executives for meeting or exceeding Company and individual Key Performance Indicators ("KPIs").

#### **Managing Director KPIs**

Each year, the Board sets corporate KPIs for the Managing Director based on overall corporate performance targets.

The Board reviews the KPI's for the Managing Director annually and will amend the KPIs to reflect the strategic objectives of the Company, changing circumstances in the upstream oil and gas sector as well as other operational and financial factors. The Board believes that the KPI's should be set at robust and challenging levels and be aligned to activities that will achieve both short and long term sustainable shareholder returns.

#### **June 2017 Financial Year**

For the June 2017 financial year the corporate KPIs for the Managing Director were based on a balanced scorecard approach which are designed to deliver sustainable shareholder returns both in the short term and long term. These performance measures included:

- Delivery of Base Operating Business (60%)
- Strategy and Growth (20%)
- Board Discretion (20%)

Delivery of Base Business KPI's includes delivery at or in excess of specific Board agreed performance measures in the following areas of operation:

- Safety and environment performance statistics;
- Production within or better than market guidance;
- Operating costs lower than or within budget;
- Development projects on schedule and within budget;
- Decommissioning projects;
- Balance sheet management and debt funding position;



- People related activities including implementation of revised organisation structures in response to the challenging business conditions in the upstream oil and gas industry and development of senior executive succession plans; and
- Stakeholder management activities including shareholders, regulators, business partners and local communities and impacts on associated project schedules.

Strategy and Growth KPIs includes delivery at or in excess of specific Board agreed performance measures in the following areas of operation:

- Share price to net asset value discount;
- Portfolio management including asset divestments and exploration farmouts;
- Conversion of 2C resources to 2P reserves; and
- Development of long-term strategy for onshore Perth Basin gas development.

Board discretion KPI's includes an allowance to cover the potential and inevitable changing company and industry circumstances during the financial year.

On an assessment of actual performance for the June 2017 financial year the board has assessed KPI performance at 40% as follows:

- Delivery of base business (29%)
- Strategy and growth (6%)
- Board discretion (5%)

However, in recognition of the challenging business conditions in the upstream oil and gas industry the Board has determined that there will be no STI payable for the June 2017 financial year notwithstanding company KPI performance for determining STIs was assessed at 40%

For further details refer to section 6.2.

#### Senior Executives KPIs

Corporate KPIs for senior executives are based on the same corporate KPIs as the Managing Director. In addition, the Managing Director sets individual KPIs for the senior executives. These KPIs take into account individual and departmental performance over which the senior executive has responsibility. The Board believes that the attainment of these individual and departmental KPIs is essential in delivering overall corporate objectives.

The structure of these short term incentive ("STI") benefits as a percentage of fixed remuneration is as follows:

Maximum Short Term Incentive Benefits as a percentage of fixed remuneration	
Managing Director <sup>(1)</sup>	50%
Senior Executives <sup>(2)</sup>	40%

1. 100% of Managing Director KPIs are based on achieving corporate performance measures.
2. 50% of senior executive KPIs are based on the same corporate KPIs as the Managing Director and 50% are subject to individual and departmental KPIs over which the individual senior executive has responsibility.

The maximum STI is only payable if both the Company and individual performance has met or exceeded expectation. In exceptional circumstances where all of the Company performance targets have not been met but an individual has demonstrated outstanding performance, the Board may use its discretion award up to 100% of that individual's short term performance benefit.

#### 4.4. Long term incentive plans

Long term incentive ("LTI") "at risk" performance benefits are awarded in the form of share rights with vesting conditions tied to retention, absolute Total Shareholder Return ("TSR") and relative TSR.

The rationale for the choice of these criteria includes:

- To align employees with the commonly shared goals of delivering high returns for shareholders over the medium to long term;
- To encourage and assist employees to become shareholders of AWE;
- To provide a long term component of remuneration to enable AWE to compete effectively for the calibre of talent required for the Company to be successful; and
- To help retain talented personnel and to minimise employee turnover.

#### Share Rights Plan

The Company has a Share Rights Plan in place for the award of long term performance benefits. The Plan is designed to generate performance-based awards that may be converted, at the Board's discretion, into AWE shares or cash.

The key elements of the Plan include:

- Rights are granted each year with the number of rights granted being determined by the employee's level in the Company, fixed remuneration at the time of grant and taking into account both the Company and employee's performance in the previous financial year;

- There are three tranches of rights with separate vesting criteria:
    - Retention <sup>(1)</sup>;
    - Absolute TSR; and
    - Relative TSR.
  - The vesting period is for three years with rights lapsing after three years if not vested and there will be no retesting; and
  - Rights granted in any particular financial year are tested for vesting over the three year period commencing 1 July of the grant year.
1. Retention rights are not granted to the Managing Director and with effect from the 3 year cycle commencing 1 July 2016, Retention Rights are no longer granted to senior executives or to any employee.

The Plan defines TSR as “the percentage change over a period in shareholder value due to share price movement and dividends paid assuming dividends are reinvested into AWE shares”.

Unvested rights do not entitle the holder to receive dividends.

The following table indicates the treatment of rights on termination of employment under the Plan:

Termination Circumstance	Treatment of Right
Dismissal/termination for fraud, cause, or gross misconduct	Forfeit entitlements.
Resignation (other than as set out below)	Any and all opportunities in relation to the Cycle will be forfeited unless and to the extent otherwise determined by the Board. To the extent not forfeited, participation in the Cycle in respect of the Absolute TSR and Relative TSR Performance Measures, will continue on a pro rata basis as if the employee had remained an employee.
Resignation (including 'retirement') after 10 years of service with the consent of the Board.	If the date of termination falls after the end of the first year of the Measurement Period for the Cycle then participation in the Cycle in respect of the Absolute TSR and Relative TSR Performance Measures, continues on a pro rata basis as if the employee had remained an employee.
Company initiated termination without cause e.g. retrenchment and redundancy	If the date of termination falls within the first year of the Measurement Period for the Cycle then any and all entitlements in relation to the Cycle will be forfeited unless and to the extent otherwise determined by the Board. To the extent not forfeited, participation in the Cycle in respect of the Absolute TSR and Relative TSR Performance Measures, will continue on a pro rata basis as if the employee had remained an employee.
Death or Total Permanent Disablement	Participation in the Cycle continues in full until expiry.

Early vesting of rights is not permitted other than at the time of change in control of the Company where the extent of any vesting is to be determined at the discretion of the Board.

The maximum number of rights that can be granted as a percentage of fixed remuneration at the time of grant and converted to a number of rights using the June volume weighted average price (“VWAP”) of the AWE share price immediately preceding the grant is as follows:

	Maximum percentage of Fixed Remuneration on which the number of rights are calculated			Total
	Retention vesting condition	Absolute TSR vesting condition	Relative TSR vesting condition	
<b>Managing Director</b>	<b>0%</b>	<b>50%</b>	<b>50%</b>	<b>100%</b>
<b>Senior Executives</b>	<b>15%</b>	<b>30%</b>	<b>30%</b>	<b>75%</b>
<b>Senior Executives<sup>(1)</sup></b>	<b>0%</b>	<b>37.5%</b>	<b>37.5%</b>	<b>75%</b>

1 For rights issued after June 2016

The above table represents the maximum percentage of fixed remuneration on which the number of rights to be awarded are calculated. These rights will vest only if all performance conditions are satisfied to 100% (and then only if the maximum number of initial rights were granted based on past Company and individual performance).

Vested rights will entitle the senior executive to an award which will vary with the AWE share price at the time of vesting. The Board may decide in its absolute discretion the form of payment (cash or issue of shares) to satisfy these vested rights.

#### Retention grants

- Number of rights calculated using the June VWAP of the AWE share price immediately preceding the grant; and
- Vest after three years if the employee remains employed by AWE.

Retention grants are only applicable for rights issued prior to July 2016 and vesting up to June 2018. For rights issued for periods commencing from July 2016, retention rights are no longer granted.

### Absolute TSR grants

- Number of rights calculated using the 30-day VWAP of the AWE share price in June of grant year
- Vest after three years according to the Company's Absolute TSR for that three year period.
- The vesting scales to apply for Absolute TSR grants are as follows:

AWE TSR	% of rights to vest
< 8% pa compound	-
8% pa compound	25%
>8% and <10% pa compound	Pro rata
10% pa compound	50%
>10% and <12% pa compound	Pro rata
12% pa compound	100%

### Relative TSR grants

- Number of rights calculated using the June VWAP of the AWE share price immediately preceding the grant.
- Vest after three years according to the Company's TSR relative to comparator group companies in the ASX Energy 300 Index.
- The Board determines in advance the appropriate comparator group to apply to Relative TSR grants for the following 3 year period. For the grant of rights for all three year cycles since July 2014 the nominated relative comparator group is upstream oil and gas companies in the ASX 300 Energy Index at the end of the applicable three year measurement period. Refer to section 4.1 for discussion on current comparator group.
- The vesting scales to apply for Relative TSR grants are as follows:

AWE TSR relative to TSR of comparator group companies in S&P/ASX 300 Energy Index	% of rights to vest
< 50%	-
50%	25%
>50% and <90%	Pro rata
90% and above	100%

For an analysis of rights granted, vested and forfeited in the June 2017 financial year, refer to section 6.3.

## 5. Service agreements

### Managing Director – David Biggs (Appointed 3 May 2016)

<b>Term of Contract</b>	<p>Start Date – 3 May 2016.</p> <p>Fixed term, ending on 1 July 2019, unless the employment is terminated earlier.</p> <p>The term may be extended for two additional one year terms, subject to the agreement of the Board.</p>
<b>Remuneration</b>	<p>Remuneration is made up of the following components:</p> <ul style="list-style-type: none"><li>• Base Salary - \$800,000 per annum inclusive of superannuation, reviewed annually.</li><li>• “At risk” STI's - up to a maximum of 50% of the Base Salary for the relevant fiscal year, payable at the discretion of the Board, having regard for the achievement of annual KPIs approved by the Board.</li><li>• “At risk” LTIs:<ul style="list-style-type: none"><li>a. 100% of the Base Salary in the form of share rights issued under the Company's Share Rights Plan for the three year cycle to 30 June 2019 and subsequently approved by shareholders at the 2016 Annual General Meeting;</li><li>b. Grants of up to a maximum of 100% of Base Salary may be made in respect of subsequent cycles at the discretion of the Board; and</li><li>c. Vesting of share rights will be subject to the Company achieving Relative TSR and Absolute TSR returns as described in section 4.4</li></ul></li></ul> <p>The Board has determined that any grant of rights to Mr Biggs is subject to approval of shareholders at the Company's Annual General Meeting.</p> <ul style="list-style-type: none"><li>• Relocation Costs - reasonable relocation costs capped at \$50,000.</li></ul>
<b>Clawback</b>	<p>Payment of STIs and LTIs are subject to the Company's Senior Executive Deferral / Claw Back Policy</p>
<b>Termination</b>	<p>The Company may terminate the engagement:</p> <ul style="list-style-type: none"><li>a. For cause with immediate effect. On such termination, Mr Biggs will only be entitled to receive short term incentives which have been determined, and long term incentives which have vested, as at the date of termination;</li><li>b. For an extended period of absence (whether consecutive or in aggregate over a 12 month period) by giving 3 months' notice. On such termination, Mr Biggs will be entitled to a pro-rated proportion of STIs and LTIs that have been earned or vested in the ordinary course up to date on which notice of termination is given; or</li><li>c. 'Without cause' by giving 6 months' notice. On such termination, Mr Biggs will be entitled to 6 months' Base Salary and a pro-rated proportion of STIs and LTIs that have been earned or vested in the ordinary course up to date of termination.</li></ul> <p>Mr Biggs may terminate his engagement by giving 6 months' notice. On such termination, Mr Biggs will be entitled to a pro-rated proportion of Incentives that have been earned or vested in the ordinary course up to date on which notice of termination is given.</p> <p>In all cases any entitlement on termination is subject to the operation of the Company's Senior Executive Deferral/Claw Back Policy.</p> <p>All termination payments are subject to the limits prescribed under Section 200B of the Act.</p>

## Senior Executives

The key terms and conditions of service agreements for current senior executives (excluding the Managing Director) are summarised as follows:

<b>Remuneration</b>	Executive Service Contracts standardise the executive's entitlement to: <ul style="list-style-type: none"><li>• Fixed remuneration;</li><li>• "At risk" short term performance benefits (refer Section 4.3) ;</li><li>• "At risk" long term performance benefits (refer Section 4.4) ; and</li><li>• Any other benefits that may be provided by the Company.</li></ul>
<b>Termination</b>	<p>Service agreements may be terminated under the following circumstances:</p> <p><b>Notice</b></p> <ul style="list-style-type: none"><li>• Resignation - three months' notice by the executive</li><li>• Termination without cause - three months' notice by the Company</li><li>• Termination for cause - nil notice by the Company.</li></ul> <p><b>Termination Payment</b></p> <ul style="list-style-type: none"><li>• Resignation – nil</li><li>• Termination without cause or defined change in circumstances - 6 months <sup>(1)</sup></li><li>• Termination for cause – nil</li></ul> <p><sup>(1)</sup> Under the terms of a contract dated July 2001 in the event of termination without cause or defined change in circumstances Mr Kelly is entitled to a 24 month termination payment unless not otherwise permitted by law.</p> <p><b>LTI Entitlements</b></p> <ul style="list-style-type: none"><li>• Refer to section 4.4</li></ul> <p><b>STI Entitlements</b></p> <ul style="list-style-type: none"><li>• Pro rata STI to date of termination unless terminated for cause.</li></ul> <p>All termination payments are subject to the limits prescribed under Section 200B of the Act.</p> <p><b>Clawback</b></p> <p>Payment of STIs and LTIs are subject to the Company's Senior Executive Deferral / Claw Back Policy.</p>
<b>Term</b>	The Executive Service Agreements have no fixed term.

### Termination Payments

There were no termination payments made to former senior executives during the financial year.

For all former executives any entitlement on termination is subject to the operation of the Company's Senior Executive Deferral/Claw Back Policy (refer section 4.1).

## 6. Executive remuneration outcomes

### 6.1. Remuneration tables

Details of the nature and amount of each major element of remuneration of the managing director of the Company and each of the named senior executives are as follows:

Consolidated entity		Salary package <sup>(1)</sup>	Cash bonus	Non-monetary benefits/ allowance <sup>(2)</sup>	Total	Superannuation benefits <sup>(3)</sup>	Other long-term <sup>(4)</sup>	Termination benefits <sup>(5)</sup>	Total cash related	Value of rights <sup>(6)</sup>	Total	Performance related
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Continuing KMP</b>												
<b>Managing director</b>												
D. Biggs <sup>(7)</sup>	2017	766,384	-	67,098	833,482	31,129	1,406	-	866,017	76,061	942,078	8%
	2016	125,257	-	18,505	143,762	5,000	223	-	148,985	-	148,985	0%
<b>Other KMP</b>												
I. Bucknell <sup>(8)</sup>	2017	421,708	-	26,526	448,234	29,626	805	-	478,665	27,453	506,118	5%
	2016	-	-	-	-	-	-	-	-	-	-	-
A. Furniss <sup>(9)</sup>	2017	454,734	-	24,053	478,797	27,066	6,774	-	512,627	88,291	600,918	15%
	2016	228,698	-	2,209	230,907	12,202	16,115	-	259,224	45,356	304,580	15%
S. Hunt <sup>(10)</sup>	2017	407,917	-	125,297	533,214	27,500	1,969	-	562,683	54,815	617,498	9%
	2016	-	-	-	-	-	-	-	-	-	-	-
N. Kelly	2017	401,318	-	21,610	422,928	30,000	7,580	-	460,508	91,116	551,624	17%
	2016	401,318	-	14,354	415,672	30,000	7,601	-	453,273	106,972	560,245	19%
<b>Total continuing KMP</b>	2017	2,452,061	-	264,584	2,716,645	145,321	18,534	-	2,880,500	337,736	3,218,236	10%
	2016	755,273	-	35,068	790,341	47,202	23,939	-	861,482	152,328	1,013,810	15%
<b>Former KMP</b>												
B. Clement <sup>(11)</sup>	2017	-	-	-	-	-	-	-	-	-	-	0%
	2016	750,804	-	17,952	768,756	25,114	54,639	747,574	1,596,083	128,873	1,724,956	7%
A. Saridas <sup>(12)</sup>	2017	-	-	-	-	-	-	-	-	-	-	0%
	2016	397,380	-	6,930	404,310	15,707	(13,086)	330,484	737,415	45,968	783,383	6%
D. Washer <sup>(13)</sup>	2017	-	-	-	-	-	-	-	-	-	-	0%
	2016	261,665	-	2,021	263,686	35,101	-	647,730	946,517	(27,696)	918,821	(3%)
N. Tupper <sup>(14)</sup>	2017	-	-	-	-	-	-	-	-	-	-	0%
	2016	263,369	-	4,390	267,759	15,000	(4,134)	-	278,625	(164,278)	114,347	(144%)
<b>Total former executive KMP</b>	2017	-	-	-	-	-	-	-	-	-	-	-
	2016	1,673,218	-	31,293	1,704,511	90,922	37,419	1,725,788	3,558,640	(-17,133)	3,541,507	(0%)
<b>Total KMP</b>	2017	2,452,061	-	264,584	2,716,645	145,321	18,534	-	2,880,500	337,736	3,218,236	10%
	2016	2,428,491	-	66,361	2,494,852	138,124	61,358	1,725,788	4,420,122	135,195	4,555,317	3%

#### Notes in relation the remuneration table above.

1 - Salary package include amounts salary sacrificed superannuation.

2 - Non-monetary benefits include employee insurances, miscellaneous fringe benefits and in respect of Mr Biggs and Ms Hunt, relocation costs.

3 - Superannuation benefits include the amount required to be contributed by the consolidated entity and does not include amounts salary sacrificed.

4 - Other long-term benefits comprise the amount of long service leave accrued and adjustments to underlying assumptions therein in the period.

5 - Amounts classified as termination benefits include amounts paid or accrued up to the employment end date and after the date that the executive was no longer a KMP.

6 - The fair value of rights granted have been calculated at the grant date using a Black-Scholes Pricing Model and assuming an expected share price volatility of 48.5% and vesting probability of 43.5% for performance related awards. The value disclosed is the portion of the fair value of rights allocated to this reporting period. The value disclosed does not therefore represent cash received.



#### Notes in relation to key management personnel

- 7 - Mr Biggs commenced as Chief Executive Officer/Managing Director/ on 3 May 2016.
- 8 - Mr Bucknell was appointed as Chief Financial Officer on 13 July 2016
- 9 - Mr Furniss was promoted to General Manager Exploration and Geoscience on 1 January 2016.
- 10 - Ms Hunt was promoted to General Manager WA Assets and Engineering on 1 August 2016
- 11 - Mr Clement retired as Managing Director on 2 May 2016.
- 12 - Ms Saridas retired as Chief Financial Officer on 22nd April 2016.
- 13 - Mr Dennis Washer retired as Chief Operating Officer on 30 November 2015.
- 14 - Mr Tupper retired as General Manager Exploration & Geoscience on 1 January 2016.

## 6.2. Analysis of short term performance benefits included in remuneration

### Award of short term performance benefits

Section 4.3 of this report details the consolidated entity's approach to the granting and vesting of short term performance benefits.

In recognition of the challenging business conditions in the upstream oil and gas industry the Board has determined that there will be no STI payable for the June 2017 financial year even though company KPI performance for determining STIs was assessed at 40%. Accordingly Nil% of potential short-term incentives in the form of cash bonuses vested and 100% of potential short-term incentives were forfeited during the year and no amounts were deferred and subject to clawback.

## 6.3. Analysis of long term performance benefits included in remuneration

Section 4.4 of this report details the consolidated entity's approach to the granting and vesting of long term performance benefits.

The value of rights are allocated to each reporting period over the period from grant date to vesting date. Accordingly, amounts included as remuneration for the financial year represent that amount allocated to the financial year from the grant of rights both in the current financial year and previous financial years.

### Granting of Share Rights

The number and value of rights granted during the financial year to the managing director and senior executives is detailed below:

Granted during the year in respect of June 2016 financial year performance and vesting post 30 June 2017					
	Grant date	Number <sup>(1)</sup>	% of maximum available	Total value \$	Fair value per right granted \$
<b>Managing Director - current</b>					
D. Biggs <sup>(2)</sup>	16 November 2016	920,282	100%	228,184	0.25
<b>Executives - current</b>					
I. Bucknell	10 October 2016	286,869	70%	82,360	0.29
A. Furniss	10 October 2016	290,975	70%	83,539	0.29
S. Hunt	10 October 2016	286,869	70%	82,360	0.29
N. Kelly	10 October 2016	260,487	70%	74,786	0.29
Total KMP		2,045,482		551,229	

1 - The number of rights granted is based on past company and individual performance. No rights were granted during the financial year to former Senior Executives.

2 - The number of rights granted to Mr. Biggs was in accordance with his Executive Service Agreement.

The movement during the financial year in the number of rights held by the managing director and senior executives is detailed below:

Movement in share rights	Opening balance	Granted as remuneration	Exercised	Lapsed unexercised	Net change other <sup>(1)</sup>	Closing balance
<b>As at 30 June 2017</b>						
<b>Managing Director - current</b>						
D. Biggs	-	920,282	-	-	-	920,282
<b>Executives - current</b>						
I. Bucknell	-	286,869	-	-	-	286,869
A. Furniss	337,239	290,975	(67,938)	(85,293)	-	474,983
S. Hunt	-	286,869	-	(48,990)	187,374	425,253
N. Kelly	369,209	260,487	(92,164)	(105,125)	-	432,407
	706,448	2,045,482	(160,102)	(239,408)	187,374	2,539,794
<b>As at 30 June 2016</b>						
<b>Managing Director - current</b>						
D. Biggs	-	-	-	-	-	-
<b>Executives - current</b>						
A. Furniss	-	162,685	-	(57,873)	232,427	337,239
N. Kelly	354,412	145,639	(52,332)	(78,510)	-	369,209
<b>Managing Director - former <sup>(2)</sup></b>						
B. Clement	895,783	-	(102,757)	(245,797)	(547,229)	-
<b>Executives - former <sup>(2)</sup></b>						
A. Saridas	416,910	-	(53,546)	(122,901)	(240,463)	-
D. Washer	445,148	-	(68,980)	(179,415)	(196,753)	-
N. Tupper	397,859	-	-	-	(397,859)	-
	2,510,112	308,324	(277,615)	(684,496)	(1,149,877)	706,448

1 - In respect of Mr Furniss and Ms Hunt, Net change other includes rights held prior to becoming a KMP.

2 - In respect of former KMP, Net change other includes rights held on ceasing to be a KMP.

### Vesting of Share Rights

The following table describes the actual vesting criteria applying to rights tested for vesting conditions at 30 June 2017 for the managing director and senior executives:

Senior executives rights vesting performance 3 years to June 2017				
Retention rights	Absolute TSR rights		Relative TSR Rights	
<b>Percentage vested – 100%</b>	<b>Percentage vested – nil</b>		<b>Percentage vested – nil</b>	
<b>Vesting criteria</b>	<b>Vesting criteria</b>		<b>Vesting criteria</b>	
Senior executive employed by the consolidated entity three years subsequent to initial grant.	Minimum annual compound rate required for any vesting:	8.0%	Minimum relative performance required for any vesting:	50 <sup>th</sup> percentile
	Actual AWE annual compound TSR for the three year period to 30 June 2017:	-37.2%	AWE relative performance against upstream oil and gas companies in the ASX 300 Energy Index for the three year period to 30 June 2017:	10 <sup>th</sup> percentile

On the application of the vesting criteria described above details of 30 June 2017 vesting rights which were tested for vesting conditions subsequent to the end of the financial year are as follows:

		30 June 2017 vesting share rights			
		Retention Rights	Absolute TSR Rights	Relative TSR Rights	Total Rights
<b>Managing Director - current</b>					
D. Biggs	On Issue	-	-	-	-
	Forfeited	-	-	-	-
	Vested	-	-	-	-
<b>Executives - current</b>					
I. Bucknell	On Issue	-	-	-	-
	Forfeited	-	-	-	-
	Vested	-	-	-	-
A. Furniss <sup>(1)</sup>	On Issue	21,323	42,647	42,647	106,617
	Forfeited	-	(42,647)	(42,647)	(85,294)
	Vested	21,323	-	-	21,323
S. Hunt <sup>(1)</sup>	On Issue	12,248	24,495	24,495	61,238
	Forfeited	-	(24,495)	(24,495)	(48,990)
	Vested	12,248	-	-	12,248
N. Kelly <sup>(2)</sup>	On Issue	26,281	52,563	52,563	131,407
	Forfeited	-	(52,563)	(52,563)	(105,126)
	Vested	26,281	-	-	26,281
<b>Managing Director - former</b>					
B. Clement <sup>(3),(4)</sup>	On Issue	-	182,776	182,776	365,552
	Forfeited	-	(182,776)	(182,776)	(365,552)
	Vested	-	-	-	-
<b>Executives - former</b>					
A. Saridas <sup>(3)</sup>	On Issue	-	68,071	68,071	136,142
	Forfeited	-	(68,071)	(68,071)	(136,142)
	Vested	-	-	-	-
D. Washer <sup>(3)</sup>	On Issue	-	71,254	71,254	142,508
	Forfeited	-	(71,254)	(71,254)	(142,508)
	Vested	-	-	-	-
<b>Total</b>	<b>On Issue</b>	<b>59,852</b>	<b>441,806</b>	<b>441,806</b>	<b>943,464</b>
	<b>Forfeited</b>	<b>-</b>	<b>(441,806)</b>	<b>(441,806)</b>	<b>(883,612)</b>
	<b>Vested</b>	<b>59,852</b>	<b>-</b>	<b>-</b>	<b>59,852</b>

1 - Rights vested for Mr Furniss and Ms Hunt were granted prior to becoming a KMP and therefore not subject to deferral and clawback.

2 - 50% of vested rights for Mr Kelly are to be deferred for twelve months, subject to the Company's Deferral Clawback Policy.

3 - Relative TSR rights and Absolute TSR rights for former executives held for testing on a pro rata basis and assessed at vesting date.

4 - Approval was received at the Company's 2014 Annual General Meeting to grant these rights to the former managing director, and further, approval was received under ASX Listing Rule 10.14 to issue shares to the managing director on the vesting of these rights.

All the above rights were originally issued in the June 2015 financial year. The Board has determined that vested rights for the managing director and senior executives will be settled by the issue of AWE shares.

## 6.4. Analysis of movements in long term performance benefits

### Employee Share Rights

Details of employee rights granted as remuneration to the managing director of the Company and each of the named senior executives and held at the end of the June 2017 financial year are detailed below:

	Grant date	Number <sup>(1)</sup>	Financial years in which rights vest <sup>(2)</sup>	Fair value per right granted <sup>(3)</sup> \$
<b>Managing Director - current</b>				
D. Biggs <sup>(4)</sup>	16 November 2016	920,282	30 June 2019	0.25
<b>Executives - current</b>				
I. Bucknell	10 October 2016	286,869	30 June 2019	0.29
A. Furniss	26 September 2014	21,323 <sup>(5)</sup>	30 June 2017	1.01
	30 June 2016	162,685	30 June 2018	0.45
	10 October 2016	290,975	30 June 2019	0.29
S. Hunt	30 June 2015	12,248 <sup>(5)</sup>	30 June 2017	0.66
	30 June 2016	126,136	30 June 2018	0.45
	10 October 2016	286,869	30 June 2019	0.29
N. Kelly	26 September 2014	26,281 <sup>(5)</sup>	30 June 2017	1.01
	30 June 2016	145,639	30 June 2018	0.45
	10 October 2016	260,487	30 June 2019	0.29

1 - The vesting of rights is conditional upon satisfaction of vesting conditions as described in section 4.4.

2 - Rights vesting on 30 June 2017 tested for satisfaction of vesting conditions subsequent to the end of the financial year.

3 - The fair value per right granted represents the valuation for rights granted and calculated at grant date.

4 - Grants of rights to Mr Biggs have been approved by shareholders at the 2016 Annual General Meeting.

5 - Satisfied vesting conditions effective 30 June 2017 on the determination of the Board subsequent to the end of the financial year. Refer section 4.4 for further details.

## 6.5. Analysis of movement in shareholdings

The movement during the financial year in the number of shares held by key management personnel is detailed below:

Movements in shares	Opening balance	Granted as remuneration	Received on exercise of rights	Net change other <sup>(1)</sup>	Closing balance
<b>As at 30 June 2017</b>					
<b>Directors - current</b>					
B. Phillips	3,178,414	-	-	-	3,178,414
D. McEvoy	30,000	-	-	-	30,000
K. Williams	20,000	-	-	60,000	80,000
R. Betros	70,000	-	-	-	70,000
K. Penrose	25,000	-	-	25,000	50,000
D. Biggs	-	-	-	10,000	10,000
<b>Executives - current</b>					
I. Bucknell	-	-	-	-	-
A. Furniss	110,543	-	67,938	(30,133)	148,348
S. Hunt	-	-	-	-	-
N. Kelly	318,890	-	92,164	(100,000)	311,054
	<b>3,752,847</b>	<b>-</b>	<b>160,102</b>	<b>(35,133)</b>	<b>3,877,816</b>
<b>As at 30 June 2016</b>					
<b>Directors - current</b>					
B. Phillips	3,178,414	-	-	-	3,178,414
D. McEvoy	30,000	-	-	-	30,000
K. Williams	20,000	-	-	-	20,000
R. Betros	70,000	-	-	-	70,000
K. Penrose	25,000	-	-	-	25,000
<b>Directors - former</b>					
B. Clement	701,091	-	102,757	(803,848)	-
V. Braach-Maksvytis	3,000	-	-	(3,000)	-
<b>Executives - current</b>					
N. Kelly	266,558	-	52,332	-	318,890
A. Furniss <sup>(2)</sup>	-	-	-	110,543	110,543
<b>Executives - former</b>					
A. Saridas	107,850	-	53,546	(161,396)	-
D. Washer	50,020	-	68,980	(119,000)	-
N. Tupper	-	-	-	-	-
	<b>4,451,933</b>	<b>-</b>	<b>277,615</b>	<b>(976,701)</b>	<b>3,752,847</b>

1 - In respect of the former KMP, Net change other includes shares held on ceasing to be a KMP.

2 - In respect of Mr Furniss, Net change other includes shares held prior to becoming a KMP.

## 7. Non-executive director remuneration

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2014 Annual General Meeting of the Company, is not to exceed \$1,200,000 per annum, inclusive of superannuation.

This total pool enables the Company in the future, if required, to provide for:

- Adequate financial incentives commensurate with the market to attract and retain suitably qualified and experienced directors to replace existing non-executive directors;
- Appropriate arrangements to be put in place to ensure a smooth transition on replacement of directors, including a period of overlap if required; and
- Increases in the number of non-executive directors in the future should it be considered appropriate.

Total remuneration paid to non-executive directors in the financial year was \$770,165 (2016: \$806,290).

In recognition of the challenging business conditions in the upstream oil and gas industry the Board has determined that for financial years ended 30 June 2016, 30 June 2017 and 30 June 2018 there is to be no increase in fees payable to non-executive directors.

Non-executive directors' fees (including superannuation) for the 2017 financial year were as follows:

	Board	Audit Committee	People Committee	Sustainability Committee	Nominations Committee
Chair	\$232,793	\$24,388	\$17,737	\$17,737	-
Member	\$99,769	\$12,194	\$8,868	\$8,868	-

		Fees	Non-monetary benefits	Total	Superannuation benefits	Termination benefits	Total cash related	Total
		\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>								
B. Phillips	2017	220,696	-	220,696	20,966	-	241,662	241,662
	2016	220,697	-	220,697	20,966	-	241,663	241,663
D. McEvoy	2017	118,447	-	118,447	11,253	-	129,700	129,700
	2016	118,447	-	118,447	11,253	-	129,700	129,700
K. Williams	2017	121,485	-	121,485	11,541	-	133,026	133,026
	2016	121,485	-	121,485	11,541	-	133,026	133,026
R. Betros	2017	116,173	-	116,173	11,036	-	127,209	127,209
	2016	110,348	-	110,348	10,483	-	120,831	120,831
K. Penrose	2017	126,546	-	126,546	12,022	-	138,568	138,568
	2016	120,233	-	120,233	11,422	-	131,655	131,655
V. Braach-Maksvytis <sup>(1)</sup>	2017	-	-	-	-	-	-	-
	2016	45,128	-	45,128	4,287	-	49,415	49,415
<b>Total</b>	<b>2017</b>	<b>703,347</b>	<b>-</b>	<b>703,347</b>	<b>66,818</b>	<b>-</b>	<b>770,165</b>	<b>770,165</b>
	<b>2016</b>	<b>736,338</b>	<b>-</b>	<b>736,338</b>	<b>69,952</b>	<b>-</b>	<b>806,290</b>	<b>806,290</b>

1 – Ms Braach-Maksvytis retired as a director on 20 November 2015.

Non-executive directors do not receive incentive-based remuneration and do not receive any retirement benefits other than statutory entitlements.



# Financial report

## Consolidated income statement

For the year ended 30 June 2017

	Note	30 June 2017 \$'000	30 June 2016 \$'000
<b>Continuing operations</b>			
Revenue	2.3	71,849	102,369
Cost of sales	2.4	(69,748)	(106,194)
<b>Gross profit / (loss)</b>		<b>2,101</b>	<b>(3,825)</b>
Other income	2.5	555	16,996
Exploration and evaluation expenses	5.6	(2,441)	(18,228)
Fair value adjustment on held for sale assets	5.4	-	(2,114)
Impairment - oil and gas / exploration assets	5.5 / 5.6	(134,466)	(238,198)
Write down - capital expenditure carry	5.2	(89,712)	-
Other expenses	2.6	(29,878)	(32,203)
<b>Results from continuing operating activities</b>		<b>(253,841)</b>	<b>(277,572)</b>
Finance income	2.7	161	1,456
Finance costs	2.7	(7,794)	(12,647)
<b>Net finance costs</b>	2.7	<b>(7,633)</b>	<b>(11,191)</b>
<b>Loss before tax from continuing operations</b>		<b>(261,474)</b>	<b>(288,763)</b>
Income tax benefit / (expense)	4.1	2,989	(13,556)
Royalty related taxation benefit / (expense)	4.1	2,861	(9,454)
<b>Total tax benefit / (expense) from continuing operations</b>		<b>5,850</b>	<b>(23,010)</b>
<b>Loss for the year from continuing operations</b>		<b>(255,624)</b>	<b>(311,773)</b>
<b>Discontinued operations</b>			
Revenue from discontinued operations	2.2	33,164	101,777
Expenses from discontinued operations		(29,184)	(158,096)
<b>Profit / (loss) before tax from discontinued operations</b>	2.2	<b>3,980</b>	<b>(56,319)</b>
<b>Income tax expense from discontinued operations</b>	2.2 / 4.1	<b>(2,163)</b>	<b>(20,097)</b>
<b>Profit / (loss) for the year from discontinued operations</b>	2.2	<b>1,817</b>	<b>(76,416)</b>
<b>Post-tax gain on disposal of discontinued operations</b>	2.2	<b>36,281</b>	<b>25,168</b>
<b>Loss attributable to members of the Company</b>		<b>(217,526)</b>	<b>(363,021)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share from continuing and discontinued operation</b>			
Basic loss per ordinary share	2.8	(41.21)	(68.94)
Diluted loss per ordinary share	2.8	(41.21)	(68.94)
<b>Earnings per share from continuing operations</b>			
Basic loss per ordinary share	2.8	(48.43)	(59.20)
Diluted loss per ordinary share	2.8	(48.43)	(59.20)

The above consolidated income statement is to be read in conjunction with the notes to the financial statements.

## Consolidated statement of comprehensive income

For the year ended 30 June 2017

	30 June 2017 \$'000	30 June 2016 \$'000
<b>Loss attributable to members of the Company</b>	<b>(217,526)</b>	(363,021)
<b>Items that may be reclassified subsequently to profit and loss</b>		
Foreign currency translation differences for foreign operations	1,585	14,762
Foreign currency translation difference on discontinued operation - reclassified to profit and loss	(12,020)	(21,517)
Changes in the fair value of cash flow hedges	-	(2,264)
Income tax effect on cash flow hedges	-	635
<b>Other comprehensive loss (net of income tax)</b>	<b>(10,435)</b>	(8,384)
<b>Total comprehensive loss for the year</b>	<b>(227,961)</b>	(371,405)
<b>Total comprehensive loss attributable to owners of the Company</b>	<b>(227,961)</b>	(371,405)

The above consolidated statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

## Consolidated statement of financial position

As at 30 June 2017

	Note	30 June 2017 \$'000	30 June 2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5.1	12,826	32,562
Trade and other receivables	5.2	31,585	16,423
Inventory	5.3	2,403	14,140
Held for sale assets	5.4	-	24,083
<b>Total current assets</b>		<b>46,814</b>	<b>87,208</b>
<b>Non-current assets</b>			
Trade and other receivables	5.2	890	109,748
Oil and gas assets	5.5	177,047	375,666
Exploration and evaluation assets	5.6	96,595	32,995
Land and building		12,190	12,190
Other plant and equipment		1,407	1,890
Intangible assets		96	577
Deferred tax assets	4.3	110,017	131,493
<b>Total non-current assets</b>		<b>398,242</b>	<b>664,559</b>
<b>Total assets</b>		<b>445,056</b>	<b>751,767</b>
<b>Current liabilities</b>			
Trade and other payables	6.1	25,760	57,242
Employee benefits	3.2	1,307	1,487
Liabilities associated with held for sale assets	5.4	2,274	3,810
Provisions	6.2	8,486	14,643
Derivative financial instruments	6.3	-	2,264
Taxation (receivable) / payable	4.2	(1,942)	2,363
<b>Total current liabilities</b>		<b>35,885</b>	<b>81,809</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	6.4	67,101	14,813
Employee benefits	3.2	255	597
Deferred tax liabilities	4.3	-	14,995
Provisions	6.2	133,070	203,872
<b>Total non-current liabilities</b>		<b>200,426</b>	<b>234,277</b>
<b>Total liabilities</b>		<b>236,311</b>	<b>316,086</b>
<b>Net assets</b>		<b>208,745</b>	<b>435,681</b>
<b>Equity</b>			
Issued capital	6.5	772,172	772,172
Reserves		90,851	100,274
Retained losses		(654,278)	(436,765)
<b>Total equity</b>		<b>208,745</b>	<b>435,681</b>

The above consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

## Consolidated statement of cash flows

For the year ended 30 June 2017

	Note	30 June 2017 \$'000	30 June 2016 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		112,538	253,615
Cash payments in the course of operations		(79,466)	(151,261)
Payments for exploration and evaluation expenses		(3,278)	(18,905)
Interest received		161	404
Borrowing costs paid		(4,128)	(7,294)
Income tax received / (paid)		556	(2,284)
Royalty related taxation paid		(6,517)	(3,928)
<b>Net cash provided by operating activities</b>	5.1	<b>19,866</b>	<b>70,347</b>
<b>Cash flows from investing activities</b>			
Payments in relation to oil and gas assets		(60,322)	(162,375)
Other plant and equipment and intangibles		(31)	(448)
Net (payments) / proceeds from disposal and relinquishment of assets		(30,122)	235,569
<b>Net cash (used in) / provided by investing activities</b>		<b>(90,475)</b>	<b>72,746</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		55,817	81,549
Repayment of borrowings		(2,640)	(235,328)
<b>Net cash provided by / (used in) financing activities</b>		<b>53,177</b>	<b>(153,779)</b>
<b>Net decrease in cash held</b>		<b>(17,432)</b>	<b>(10,686)</b>
<b>Cash at the beginning of the year</b>		<b>32,562</b>	<b>46,559</b>
Effect of exchange rate fluctuations on the balances of cash held in foreign currencies	7.2	(2,304)	(3,311)
<b>Cash at the end of the year</b>	5.1	<b>12,826</b>	<b>32,562</b>

The above consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

## Consolidated statement of changes in equity

For the year ended 30 June 2017

	Share capital \$'000	Equity compensation reserve \$'000	Translation & other reserves \$'000	Retained earnings / (losses) \$'000	Total Equity \$'000
<b>Balance as at 1 July 2015</b>	772,172	17,377	90,346	(73,731)	806,164
<b>Loss for the year ended 30 June 2016</b>	-	-	-	(363,021)	(363,021)
<b>Other comprehensive income</b>					
Foreign currency translation differences for foreign operations	-	-	14,762	-	14,762
Foreign currency translation differences for discontinued operation	-	-	(21,517)	-	(21,517)
Net change in fair value cash flow hedges net of tax	-	-	(1,629)	-	(1,629)
<b>Total other comprehensive income</b>	-	-	(8,384)	-	(8,384)
<b>Total comprehensive income for the year</b>	-	-	(8,384)	(363,021)	(371,405)
<b>Transactions with owners in their capacity as owners</b>					
Share Rights Plan	-	935	-	-	935
<b>Balance as at 30 June 2016</b>	<b>772,172</b>	<b>18,312</b>	<b>81,962</b>	<b>(436,752)</b>	<b>435,694</b>
<b>Loss for the year ended 30 June 2017</b>	-	-	-	(217,526)	(217,526)
<b>Other comprehensive income</b>					
Foreign currency translation differences for foreign operations	-	-	1,572	-	1,572
Foreign currency translation differences for discontinued operation	-	-	(12,020)	-	(12,020)
<b>Total other comprehensive income</b>	-	-	(10,448)	-	(10,448)
<b>Total comprehensive income for the year</b>	-	-	(10,448)	(217,526)	(227,974)
<b>Transactions with owners in their capacity as owners</b>					
Share Rights Plan	-	1,025	-	-	1,025
<b>Balance as at 30 June 2017</b>	<b>772,172</b>	<b>19,337</b>	<b>71,514</b>	<b>(654,278)</b>	<b>208,745</b>

The above consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

## Notes to the consolidated financial statements

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### Section 1: Basis of preparation

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#### 1.1. Reporting entity

AWE Limited is a for profit company limited by shares, domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (“ASX”).

The Company’s registered office is at level 16, 40 Mount Street North Sydney. These consolidated financial statements comprise AWE Limited and its subsidiaries (collectively the “Group”).

These financial statements were authorised for issue in accordance with a resolution of the directors on 25 August 2017.

#### 1.2. Basis of preparation

- These consolidated financial statements are a general purpose financial report which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards (“AASBs”) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (“AASB”).
- They comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, including new or amended accounting standards issued and effective for reporting periods beginning on or after 1 July 2016.
- Unless otherwise indicated, accounting policies disclosed throughout these consolidated financial statements have been consistently applied.
- The financial statements are presented in Australian Dollars, which is the Company’s functional currency and the functional currency of the majority of controlled entities within the Group.
- The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and Held for sale (liabilities) / assets (Note 5.4) which are recorded at fair value.
- The Group is of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission (“ASIC”), relating to the “rounding off” of amounts in the financial statements, and in accordance with this class order, amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise stated.
- Comparative information has been reclassified to facilitate comparison and conform to current year financial statement presentation.

#### 1.3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to:

##### Exploration and evaluation assets

The Group’s accounting policy for exploration and evaluation expenditure is set out at Note 5.6. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves will be found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement. Changes in assumptions may result in a material adjustment to the carrying amount of exploration and evaluation assets.



## Restoration obligations

The Group estimates the future removal costs of production facilities and wells at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. Judgements are made regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. The Group's accounting policy for restoration obligations is set out at Note 6.2.

## Reserve estimates

Estimates of recoverable quantities of proven and probable reserves reported include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the calculation of amortisation charged to the income statement.

## Oil and gas price forecast

Future oil and gas price forecasts are a combination of contracted gas prices, forward market prices at 30 June 2017 and longer term observable price forecasts. Refer Note 5.5 for further details.

## Impairment of oil and gas assets

The Group assesses whether oil and gas assets are impaired when preparing its annual and interim financial statements. Estimates of the recoverable amount of oil and gas assets are made based on the present value of future cash flows.

## Receivables

The Group recognises receivables at fair value as described in Note 5.2, Trade and other receivables.

The capital expenditure Carry receivable from Santos upon Final Investment decision (FID) in respect of the AAL oil project amounting to \$96.3 million has been derecognised in the statement of financial position given the continued evaluation of the project, delays in FID and the operator indicating that AAL is no longer part of its core business strategy. The contract in respect of the Carry is binding and the balance remains payable to AWE, however is dependent upon the project proceeding.

## Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the application of the relevant tax law. Significant judgement is also required in determining income tax provisions. Deferred tax assets are recognised only to the extent that future taxable profits against which the deferred tax asset can be utilised. Future taxable profits are estimated using forecasts and budgets and the deferred tax assets are impaired to the extent the forecast indicates it is no longer probable that there will be future taxable profits.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

## Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date on which they are granted.

## 1.4. Basis of consolidation

### Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

### Jointly controlled operations and assets

The Group has interests in joint operations. For the purpose of this financial report the joint operations have been deemed "Joint Ventures" in accordance with Oil and Gas companies market practice.

Interests in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in the financial statements the proportionate share of the assets they control, the liabilities and expenses they incur, and their share of the income that they earn from the sale of goods or services by the joint venture.

## Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

## Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of AWE Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is adjusted to fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement where appropriate.

## 1.5. Foreign currency

### Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates at the dates the fair value was determined.

### Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates at the end of the reporting period. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in Translation and other reserves in the Consolidated statement of changes in equity.

### Presentation of foreign exchange gains and losses in the income statement

The Group presents its foreign exchange gains and losses within net financing income/expense in the income statement.

## Section 2: Financial performance

### 2.1. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment assets include both oil and gas assets, exploration assets and other assets, such as cash, receivables and inventory, which are directly attributable to the segment.

Unallocated items comprise mainly head office income and expenses, foreign exchange gains and losses and corporate assets

#### Description of segments

The operating segments are based on the reports reviewed by the CEO and Managing Director for assessing performance and determining the allocation of resources and strategic decision making within the Group. The CEO and Managing Director consider the business from both a product and a geographic perspective and on this basis has identified six reportable segments. For each reportable segment, internal management reports are reviewed on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

South East Australia	Production and sale of gas, condensate and LPG from the BassGas (T/L1, Bass Basin, offshore southern Australia) and Casino (VIC/L 24, Otway Basin, offshore southern Australia) projects.
Western Australia	Production and sale of oil and gas from the Perth Basin, onshore, Western Australia. The Cliff Head oil project was previously included in the WA segment, however this asset was divested on 30 June 2016.
Indonesia	The Northwest Natuna PSC development asset comprising the undeveloped Ande Ande Lumut oil (AAL) field.
Discontinued – New Zealand	Production and sale of crude oil from the Tui Area oil project (PMP 38158, offshore Taranaki Basin, New Zealand) divested in February 2017.
Discontinued – USA	Production and sale of gas, NGL and condensate from the Sugarloaf AMI (Texas, United States of America) divested in March 2016.
Exploration Activities	Exploration and evaluation activities within the production licences and exploration permits held by AWE in Australia and New Zealand.

#### Major customers

The Company had revenues from 5 external customers that each represent greater than 10% of the total sales revenue and when combined represent 85% of total sales revenue (2016: four external customers; 64%).

	30 June 2017 \$'000	30 June 2016 \$'000
<b>Revenues from major customers by segment - continuing operations</b>		
South East Australia	59,731	49,463
Western Australia	-	14,768
	<b>59,731</b>	<b>64,231</b>

Prior year comparative has been adjusted to remove discontinued operations.

Segment information provided to the chief operating decision maker for the year ending 30 June

	South East Australia		Western Australia		Indonesia		Exploration Activities		Total continuing operations		New Zealand <sup>(1)</sup>		USA <sup>(2)</sup>		Total discontinued operations		Total operations	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Sales revenue	59,615	71,923	10,840	28,732	-	-	-	-	70,455	100,655	33,111	42,646	-	59,049	33,111	101,695	103,566	202,350
Production costs	(27,770)	(27,952)	(10,462)	(25,276)	-	-	-	-	(38,232)	(53,228)	(23,888)	(28,524)	-	(14,392)	(23,888)	(42,916)	(62,120)	(96,144)
Royalties	(30)	(56)	(260)	(646)	-	-	-	-	(290)	(702)	-	-	-	(13,570)	-	(13,570)	(290)	(14,272)
Segment result before amortisation	31,815	43,915	118	2,810	-	-	-	-	31,933	46,725	9,223	14,122	-	31,087	9,223	45,209	41,156	91,934
Exploration expenses	-	-	-	-	-	-	(2,441)	(18,228)	(2,441)	(18,228)	-	-	-	-	-	-	(2,441)	(18,228)
Amortisation	(27,063)	(40,343)	(4,163)	(11,921)	-	-	-	-	(31,226)	(52,264)	(5,192)	(11,820)	-	(32,483)	(5,192)	(44,303)	(36,418)	(96,567)
Fair value adjustment	-	-	-	-	-	(2,114)	-	-	-	(2,114)	-	-	-	-	-	-	-	(2,114)
Write down - capital expenditure	-	-	-	-	(89,712)	-	-	-	(89,712)	-	-	-	-	-	-	-	(89,712)	-
Carry Impairment	-	(169,196)	(3,199)	(18,917)	(131,082)	(13,276)	(185)	(36,810)	(134,466)	(238,199)	-	(53,595)	-	-	-	(53,595)	(134,466)	(291,794)
Reportable segment profit / (loss)	4,752	(165,624)	(7,244)	(28,028)	(220,794)	(15,390)	(2,626)	(55,038)	(225,912)	(264,080)	4,031	(51,293)	-	(1,396)	4,031	(52,689)	(221,881)	(316,769)
Gain on disposal of discontinued operations																	36,281	18,754
Other revenue																	1,447	1,796
Other income																	555	16,996
Other expense																	(30,029)	(32,879)
Net financing expense																	(7,586)	(14,226)
Net loss before income tax																	(221,213)	(326,328)
<b>Segment assets</b>																		
Oil and gas assets	91,530	101,950	85,517	77,965	-	186,085	-	-	177,047	366,000	-	9,666	-	-	-	9,666	177,047	375,666
Exploration assets	-	-	-	-	-	-	96,595	32,995	96,595	32,995	-	-	-	-	-	-	96,595	32,995
Assets held for sale	-	-	-	-	-	24,083	-	-	-	24,083	-	-	-	-	-	-	-	24,083
Other assets	13,885	10,556	6,632	9,229	1,400	4,850	-	-	21,917	24,635	-	14,549	-	-	-	14,549	21,917	39,184
	105,415	112,506	92,149	87,194	1,400	215,018	96,595	32,995	295,559	447,713	-	24,215	-	-	-	24,215	295,559	471,928
Corporate and unallocated assets																	149,497	279,839
Total assets																	445,056	751,767

1. The divestment of AWE New Zealand Pty Ltd & AWE Taranaki Pty Ltd, which represented the majority of the New Zealand segment completed in February 2017. It is disclosed as a discontinued operation in Note 2.2. The post-tax gain on divestment of \$36.3 million is disclosed in the consolidated income statement.

2. The divestment of the Sugarloaf Area of Mutual Interest, which represented the entire USA segment completed in March 2016 and is disclosed as a discontinued operation in Note 2.2. The post-tax gain on divestment of \$25.2 million (pre-tax \$18.8 million) is disclosed in the consolidated income statement.

## 2.2. Discontinued operations

The Company will classify a segment or operation as discontinued if it has been disposed of and it represents a major line of business or a geographical area or operations.

Year ended 30 June 2017

On 28 February 2017, AWE completed the share sale of AWE New Zealand Pty Ltd and AWE Taranaki Limited which together owned a 57.5% interest in the Tui Area Oil Fields. The Tui Area Oil Fields represents the majority of the New Zealand segment.

The sale generated a pre-tax gain of \$36.3 million (post-tax \$36.3 million). This gain is inclusive of foreign currency gains of \$12 million previously recognised in other comprehensive income which have been recycled through current year profit and loss. The post-tax gain is disclosed on the face of the consolidated income statement as a discontinued operation.

The Tui Area Oil Fields have not previously been classified as held for sale or as a discontinued operation.

The 2016 comparative consolidated income statement and consolidated statement of other comprehensive income have been restated to include the Tui discontinued operation separately from continuing operations.

Year ended 30 June 2016

During March 2016, AWE sold its entire 10% interest in the Sugarloaf Area of Mutual Interest. The Sugarloaf Area of Mutual Interest represented the entire USA segment.

The impact of discontinued operations is set out in the table below as follows:

- 30 June 2017: the impact of the sale of Tui Area Oil Fields;
- 30 June 2016: the impact of the sale of Tui Area Oil Fields as well as the Sugarloaf Area of Mutual Interest.

Prior year comparatives have been adjusted to reflect the Tui Area Oil Fields as an additional discontinued operation.

		30 June 2017 \$'000	30 June 2016 \$'000
<b>Results of discontinued operations</b>			
	<b>Note</b>		
Revenue from ordinary activities	2.3	33,164	101,777
Cost of sales	2.4	(29,080)	(100,789)
Operating income		4,084	988
Finance income / (costs)		47	(3,036)
Impairment	5.5	-	(53,595)
Other expenses		(151)	(676)
Profit / (loss) before tax from discontinued operations		3,980	(56,319)
Income tax expense		(344)	(18,305)
Royalty related taxation expense		(1,819)	(1,792)
<b>Profit / (loss) for the year from discontinued operations</b>		<b>1,817</b>	<b>(76,416)</b>
<b>Pre-tax gain on sale of discontinued operations</b>		<b>36,281</b>	<b>18,754</b>
Income tax benefit		-	6,414
<b>Gain on sale of discontinued operations</b>		<b>36,281</b>	<b>25,168</b>
<b>Cash flows used in discontinued operations</b>			
Cash flows from operations		10,967	(3,499)
Cash flows from investing activities		(23,933)	223,095
Cash flows from financing activities		(7,451)	(222,103)
Net cash outflow		(20,417)	(2,507)
<b>Earnings per share</b>		<b>Cents</b>	<b>Cents</b>
Basic, profit / (loss) for the year from discontinued operations		7.22	(9.73)
Diluted, profit / (loss) for the year from discontinued operations		7.08	(9.73)

## 2.3. Revenue from ordinary activities

### Sales revenue

Revenue from the sale of oil and gas is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenues received under take or pay sales contracts in respect of undelivered volumes are accounted for as deferred revenue.

### Other revenues

Other revenues are recognised on an accrual basis and include royalty receipts and equipment rental income.

	30 June 2017 \$'000	30 June 2016 \$'000
<b>Continuing operations</b>		
Sales revenue - oil and gas	70,455	100,655
Other revenue	1,394	1,714
	<b>71,849</b>	<b>102,369</b>
<b>Discontinued operation</b>		
Sales revenue - oil and gas	33,111	101,695
Other revenue	53	82
	<b>33,164</b>	<b>101,777</b>
<b>Total revenue from continuing and discontinued operations</b>	<b>105,013</b>	<b>204,146</b>

Further detail regarding discontinued operations is provided in Note 2.1 Operating segments and Note 2.2 Discontinued operations.

## 2.4. Cost of sales

<b>Continuing operations</b>		
Production costs	38,232	53,228
Royalties	290	702
Amortisation	31,226	52,264
	<b>69,748</b>	<b>106,194</b>
<b>Discontinued operations (Note 2.2)</b>		
Production costs	20,085	48,932
Royalties	-	13,570
Amortisation	2,893	45,919
Movement in oil inventory:		
Production costs	3,803	(6,016)
Amortisation	2,299	(1,616)
	<b>29,080</b>	<b>100,789</b>
Made up of:		
Production costs	23,888	42,916
Royalties	-	13,570
Amortisation	5,192	44,303
	<b>29,080</b>	<b>100,789</b>
<b>Total cost of sales continuing and discontinued operations</b>	<b>98,828</b>	<b>206,983</b>

Further detail regarding discontinued operations is provided in Note 2.1 Operating segments and Note 2.2 Discontinued operations.



## 2.5. Other income

	30 June 2017 \$'000	30 June 2016 \$'000
Net gain on disposal of Cliff Head	-	16,372
Other income	<b>555</b>	624
	<b>555</b>	16,996

On 30 June 2016, AWE completed the sale of its 57.5% interest in the Cliff Head oil project for consideration of \$3.2 million. Following the write back of net liabilities (\$15.6 million), and close out of cash flow hedges (loss \$1.5 million) this resulted in a net gain before tax of \$16.4 million (post-tax \$6.7 million). An additional royalty will be receivable by AWE for oil sales in excess of US\$70/bbl. The benefit of this receivable has not been recognised due to uncertainty with respect to its recoverability.

## 2.6. Other expenses

General and administrative expenses	6,755	10,641
Share-based payments	947	961
Restructuring costs	1,294	6,301
Restoration and rehabilitation costs (Note 6.2)	6,599	8,786
Loss on disposals (Lengo and North Madura)	10,679	-
Relinquishment costs - Indonesia	-	5,514
Other expenses	3,604	-
	<b>29,878</b>	32,203

Included within general and administrative expenses are lease payments of \$1.3 million related to property and equipment rental where the Company is lessee (2016: \$1.5 million).

Other expenses relate to arbitration costs. The arbitration is now settled in full.

## 2.7. Net finance costs

Interest income	161	376
Net foreign exchange gain	-	1,080
Finance income	<b>161</b>	1,456
Borrowing costs	<b>(5,034)</b>	(5,783)
Adjustment of discount - non-current receivables (Note 5.2)	<b>(1,750)</b>	(262)
Unwinding of discount – restoration provisions (Note 6.2)	-	(6,602)
Net foreign exchange loss	<b>(1,010)</b>	-
Finance costs	<b>(7,794)</b>	(12,647)
<b>Net finance costs</b>	<b>(7,633)</b>	(11,191)

The adjustment of discount related to the capital expenditure carry has arisen as a result of the calculation of its net present value prior to its write down to nil on 30 June 2017. For further details refer Note 5.2 Trade and other receivables.

## 2.8. Earnings per share

### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	30 June 2017 \$'000	30 June 2016 \$'000
<b>Earnings used in calculating earnings per share</b>		
Basic and diluted loss - from continuing operations	(255,624)	(311,773)
Basic and diluted loss - from continuing and discontinued operations	(217,526)	(363,021)
<b>Weighted average number of ordinary shares used as the denominator</b>		
	2017 Number	2016 Number
Issued ordinary shares - opening balance	526,735,854	525,861,050
Effect of shares issued	1,100,887	749,832
<b>Weighted average number of ordinary shares</b>	<b>527,836,741</b>	526,610,882
<b>Weighted average number of ordinary shares (diluted)</b>		
Weighted average number of ordinary shares at 30 June	527,836,741	526,610,882
Effect of employee rights on issue	10,330,260	8,497,381
<b>Weighted average number of ordinary shares adjusted for effect of dilution</b>	<b>538,167,001</b>	535,108,263
<b>Basic loss per share</b>		
	2017 Cents	2016 Cents
Basic loss per share from continuing and discontinued operations attributable to the ordinary equity holders of the company	(41.21)	(68.94)
Diluted loss per share from continuing and discontinued operations attributable to the ordinary equity holders of the company	(41.21)	(68.94)
<b>Diluted loss per share</b>		
Basic loss per share from continuing operations attributable to the ordinary equity holders of the company	(48.43)	(59.20)
Diluted loss per share from continuing operations attributable to the ordinary equity holders of the company	(48.43)	(59.20)

Prior year earnings per share from continuing operations has been adjusted to exclude the Tui Area Oil Project which was classified as a discontinued operation following its divestment in February 2017. Refer Note 2.2 for further detail.

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## Section 3: Employee benefits

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30 June 2017  
\$'000

30 June 2016  
\$'000

### 3.1. Employee benefits expensed

Salaries and wages	12,868	17,092
Share-based payments	947	961
	<b>13,815</b>	<b>18,053</b>

### 3.2. Provision for employee benefits

#### Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represents the amount which the Group has a present obligation to pay resulting from employees' services provided up to the end of each reporting period. The provisions are undiscounted amounts based on wage and salary rates that the Group expects to pay and include related on-costs.

#### Long-term service benefits

Long service leave represents the present value of the estimated future cash outflows to be made resulting from an employee's services provided to the end of each reporting period. The provision is calculated using estimated future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using a corporate bond rate at balance date which most closely match the terms of maturity of the related liabilities.

<b>Current</b>		
Provision for employee benefits	1,307	1,487
<b>Non-current</b>		
Provision for employee benefits	255	597
	<b>1,562</b>	<b>2,084</b>

### 3.3. Superannuation plans

Obligations for contributions to accumulation type superannuation plans are recognised as an expense in the income statement as incurred.

The Group makes contributions to complying accumulation type superannuation plans nominated by individual employees. The Group contributes at least the amount required by law. The amount recognised as an expense was \$980,793 for the financial year ended 30 June 2017 (2016: \$1,388,380).

### 3.4. Share-based payments

#### Share-rights plan

Share-based compensation benefits are provided to employees via the long-term Employee Share Rights Plan.

The Share Rights Plan is designed to generate performance-based cash awards that may be converted, at the Board's discretion, into AWE shares or cash. The key elements of the plan include:

- Rights are granted each year and the number of rights granted will be determined by the employee's level in the Company, fixed remuneration at the time of grant and both the Company and employee's performance in the previous financial year;
- There are three tranches of rights with separate vesting criteria:
  - Retention<sup>1</sup>;
  - Absolute TSR<sup>2</sup>; and
  - Relative TSR.
- The vesting period is for three years, the rights will lapse after three years and there will be no retesting.

<sup>1</sup>Retention rights are not granted to the Managing Director and with effect from 1 July 2016, Retention rights are no longer granted to any employee.

<sup>2</sup>TSR refers to 'Total Shareholder Return' and is defined as the percentage change over a period in shareholder value due to share price movement and dividends paid assuming dividends are reinvested into AWE shares.

- Rights granted in any particular financial year are tested for vesting over the three year period commencing 1 July of grant year.

Unvested rights do not entitle the holder to receive dividends. The following table indicates the treatment of rights on termination of employment under the Plan:

Termination Circumstance	Treatment of Right
Dismissal/termination for fraud, cause, or gross misconduct	Forfeit entitlements.
Resignation (other than as set out below)	Any and all opportunities in relation to the Cycle will be forfeited unless and to the extent otherwise determined by the Board. To the extent not forfeited, participation in the Cycle in respect of the Absolute TSR and Relative TSR Performance Measures, will continue on a pro rata basis as if the employee had remained an employee.
Resignation (including 'retirement') after 10 years of service with the consent of the Board.	If the date of termination falls after the end of the first year of the Measurement Period for the Cycle then participation in the Cycle in respect of the Absolute TSR and Relative TSR Performance Measures, continues on a pro rata basis as if the employee had remained an employee.
Company initiated termination without cause e.g. retrenchment and redundancy	If the date of termination falls within the first year of the Measurement Period for the Cycle then any and all entitlements in relation to the Cycle will be forfeited unless and to the extent otherwise determined by the Board. To the extent not forfeited, participation in the Cycle in respect of the Absolute TSR and Relative TSR Performance Measures, will continue on a pro rata basis as if the employee had remained an employee.
Death or Total Permanent Disablement	Participation in the Cycle continues in full until expiry.

Early vesting of rights is not permitted other than at the time of change in control of the Company where the extent of any vesting is to be determined at the discretion of the Board.

The conditions for the award of rights and the criteria for vesting are described below.

### Retention Grants

- Number of rights calculated using the 30-day VWAP of the AWE share price in June of grant year.
- Vest after three years if the employee remains employed by AWE.

Retention grants are only applicable for rights issued prior to July 2016 and vesting up to June 2018. For rights issued for periods commencing from July 2016, retention rights are no longer granted.

### Absolute TSR Grants

- Number of rights calculated using the 30-day VWAP of the AWE share price in June of grant year.
- Vest after three years according to the Company's Absolute TSR for that three year period.
- The vesting scales to apply for Absolute TSR grants are as follows:

AWE TSR	% of rights to vest
< 8% pa compound	-
8% pa compound	25%
>8% and <10% pa compound	Pro rata
10% pa compound	50%
>10% and <12% pa compound	Pro rata
12% pa compound	100%

## Relative TSR Grants

- Number of rights calculated using the June VWAP of the AWE share price immediately preceding the grant.
- Vest after three years according to the Company's TSR relative to comparator group companies in the ASX Energy 300 Index.
- The Board determines in advance the appropriate comparator group to apply to Relative TSR grants for the following 3 year period. For the grant of rights for all three year cycles since July 2014 the nominated relative comparator group is upstream oil and gas companies in the ASX 300 Energy Index at the end of the applicable three year measurement period.
- The vesting scales to apply for Relative TSR grants are as follows:

AWE TSR relative to TSR of comparator group companies in S&P/ASX 300 Energy Index	% of rights to vest
< 50%	-
50%	25%
>50% and <90%	Pro rata
90% and above	100%

## Summary of rights on issue

Share-based compensation benefits are provided to employees via the long-term Employee Share Rights Plan.

The fair value of the rights granted is measured using the Black-Scholes Option Pricing model. In valuing the equity settled transactions no account is taken of any performance conditions other than conditions linked to market performance. The fair value of rights granted is recognised as an employee expense with a corresponding increase in equity or to the extent the share rights are expected to be cash settled, with a corresponding increase in liabilities. The Board has discretion regarding the settlement of share rights into either AWE shares or cash.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-market and service related vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

A summary of rights in the Company is as follows:

Grant date	Vesting date	Opening balance	Granted	Vested	Lapsed	Closing balance	AWE share price at date of issue
<b>As at 30 June 2017</b>							
27-Nov-13	30-Jun-16	181,677	-	(181,677)	-	-	\$1.28
16-Jan-14	30-Jun-16	1,270,090	-	(1,270,090)	-	-	\$1.04
20-Jun-14	30-Jun-16	109,625	-	(109,625)	-	-	\$1.39
25-Sep-14	30-Jun-17	2,443,472	-	-	(2,212,783)	230,689	\$1.25
20-Nov-14	30-Jun-17	365,552	-	-	(365,552)	-	\$1.34
30-Jun-15	30-Jun-17	115,592	-	-	(92,474)	23,118	\$1.30
30-Jun-16	30-Jun-18	2,288,807	-	-	(155,618)	2,133,189	\$0.83
10-Oct-16	30-Jun-19	-	4,196,554	-	(121,006)	4,075,548	\$0.66
16-Nov-16	30-Jun-19	-	920,282	-	-	920,282	\$0.57
29-Jun-17	30-Jun-19	-	85,200	-	-	85,200	\$0.47
		<b>6,774,815</b>	<b>5,202,036</b>	<b>(1,561,392)</b>	<b>(2,947,433)</b>	<b>7,468,026</b>	
<b>As at 30 June 2016</b>							
22-Nov-12	30-Jun-15	102,757	-	(102,757)	-	-	\$2.58
4-Dec-12	30-Jun-15	882,194	-	(882,194)	-	-	\$1.74
28-Jun-13	30-Jun-15	11,455	-	(11,455)	-	-	\$1.21
27-Nov-13	30-Jun-16	427,474	-	-	(245,797)	181,677	\$1.28
16-Jan-14	30-Jun-16	3,339,543	-	-	(2,069,453)	1,270,090	\$1.04
20-Jun-14	30-Jun-16	115,437	-	-	(5,812)	109,625	\$1.39
25-Sep-14	30-Jun-17	2,996,255	-	-	(552,783)	2,443,472	\$1.25
20-Nov-14	30-Jun-17	365,552	-	-	-	365,552	\$1.34
30-Jun-15	30-Jun-17	126,553	-	-	(10,961)	115,592	\$1.30
30-Jun-16	30-Jun-18	-	2,288,807	-	-	2,288,807	\$0.83
		<b>8,367,220</b>	<b>2,288,807</b>	<b>(996,406)</b>	<b>(2,884,806)</b>	<b>6,774,815</b>	

The share rights outstanding at 30 June 2017 have fair value in the range of \$0.20 to \$1.84, and a weighted average remaining contractual life of 1.6 years (2016: 1.1 years).

The fair value of services rendered in return for share rights granted is measured by reference to the fair value of share rights granted. The inputs into the model are shown in the following table:

Grant date	Fair value at measurement date	Weighted average share price	Expected volatility	Expected dividends	Vesting probability	Assumed staff turnover
<b>As at 30 June 2017</b>						
10-Oct-16	\$0.29	\$0.66	48.5%	0%	43.5%	10%
16-Nov-16	\$0.25	\$0.57	49%	0%	43.5%	10%
29-Jun-17	\$0.20	\$0.47	49%	0%	43.5%	10%
<b>As at 30 June 2016</b>						
30-Jun-16	\$0.36 to \$0.83	\$0.83	47%	0% to 3%	43.5%	10%

### 3.5. Key management personnel disclosures

Key management personnel compensation comprised the following:

	2017 \$'000	2016 \$'000
Short-term employee benefits	2,626	2,495
Post-employment benefits	145	138
Other long-term benefits	19	61
Termination benefits	-	1,726
Share-based payments	338	135
	<b>3,128</b>	<b>4,555</b>

#### Individual directors' and executives' compensation disclosures

Apart from the details disclosed in this note, no director or executive has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' or executives' interests existing at year end.

#### Key management personnel transactions with the Company or its controlled entities

No loans have been made to key management personnel. The Company has entered into Indemnity Deeds to indemnify executives of the Company against certain liabilities incurred in the course of performing their duties.

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## Section 4: Income taxes

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### 4.1. Taxation expense

#### Income tax

Income tax on the income statement comprises current and deferred tax except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

The tax rates used to calculate current and deferred tax will be relevant to the tax jurisdiction in which the operations are subject to tax.

The Australian Group is consolidated for income tax purposes and is subject to a tax sharing and funding arrangement.

#### Petroleum Resource Rent Tax (“PRRT”) and other government royalties

PRRT (including both onshore and offshore Australian projects) and New Zealand government royalties (APR) are treated as income tax and as such, current and deferred tax is calculated and disclosed in the same manner as for income tax as described above.

Royalty arrangements that do not meet the criteria for treatment as a tax such as state and private royalties are recognised on an accruals basis directly in the income statement.

	30 June 2017 \$'000	30 June 2016 \$'000
<b>Tax expense comprises:</b>		
<b>Income tax</b>		
Current tax benefit / (expense)	140	(1,256)
Adjustments from prior years	312	(3,634)
Tax benefit / (expense) related to movements in deferred tax balances	2,193	(20,557)
	<b>2,645</b>	<b>(25,447)</b>
<b>PRRT / APR</b>		
Current tax expense	(1,744)	(6,634)
Tax benefit / (expense) related to movements in deferred tax balances	2,786	(4,612)
	<b>1,042</b>	<b>(11,246)</b>
<b>Total tax benefit / (expense)</b>	<b>3,687</b>	<b>(36,693)</b>
<b>Numerical reconciliation between tax benefit / (expense) and pre-tax net result:</b>		
<b>Loss before tax</b>	<b>(221,213)</b>	<b>(326,327)</b>
Prima facie taxation benefit at 30% (2016: 30%)	66,364	97,898
Decrease / (increase) in income tax benefit due to:		
Differences in tax rates	(23,056)	845
Non-deductible expenses	(2,639)	(11,532)
Foreign exchange and other translation adjustments	(6,794)	(4,457)
De-recognition of prior year tax losses	-	(44,878)
Un-recognised tax losses relating to current year	(17,885)	(31,536)
De-recognition of deferred tax assets	-	(20,976)
Foreign tax losses not recognised as a deferred tax asset	(2,383)	(8,057)
Foreign tax losses transferred on disposal	(12,413)	-
Other	1,135	880
Adjustments for prior years	316	(3,634)
<b>Income tax benefit / (expense)</b>	<b>2,645</b>	<b>(25,447)</b>
Royalty related taxation benefit / (expense)		
PRRT	2,861	(9,454)
APR	(1,819)	(1,792)
<b>Total royalty-related tax benefit / (expense)</b>	<b>1,042</b>	<b>(11,246)</b>
<b>Total tax benefit / (expense)</b>	<b>3,687</b>	<b>(36,693)</b>
<b>Comprising</b>		
Continuing operations:		
Income tax benefit / (expense)	2,989	(13,556)
Royalty related taxation benefit / (expense)	2,861	(9,454)
Discontinued operations:		
Income tax expense attributable to discontinued operations	(344)	(18,305)
Royalty related taxation expense attributable to discontinued operations	(1,819)	(1,792)
Income tax benefit attributable to sale of discontinued operation (Note 2.2)	-	6,414
<b>Total tax benefit / (expense)</b>	<b>3,687</b>	<b>(36,693)</b>



## 4.2. Taxation (receivable) / payable

	30 June 2017	30 June 2016
	\$'000	\$'000
Income tax	-	(958)
Accounting Profits Royalty (APR) – New Zealand	-	409
Petroleum Resource Rent Tax (PRRT) - Australia	<b>(1,942)</b>	2,787
Other	-	125
	<b>(1,942)</b>	2,363

## 4.3. Deferred tax assets and liabilities

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes. The following temporary differences are not recognised, goodwill that is not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in controlled entities to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period

A deferred tax asset is recognised only to the extent that it is probable that they can be utilised against future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Net deferred tax asset comprising:

	Australia / New Zealand		Indonesia / Other	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$'000	\$'000	\$'000	\$'000
<b>Deferred tax asset</b>				
Tax benefit attributable to tax losses	<b>29,838</b>	29,583	-	-
Oil and gas assets	<b>51,102</b>	60,009	-	-
Provisions and accruals	<b>42,467</b>	42,808	-	-
Financial instruments	-	634	-	-
Arising from PRRT and APR	-	7,290	-	-
Other	-	1,005	-	-
	<b>123,407</b>	141,329	-	-
<b>Deferred tax liability</b>				
Exploration and evaluation assets	<b>(9,969)</b>	(9,836)	-	-
Arising from PRRT and APR	<b>(2,904)</b>	-	-	-
Other	<b>(517)</b>	-	-	-
Other receivables - non-current	-	-	-	(14,995)
	<b>(13,390)</b>	(9,836)	-	(14,995)
<b>Total deferred tax asset / (liability)</b>	<b>110,017</b>	131,493	-	(14,995)

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## Section 5: Assets

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### 5.1. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

	30 June 2017 \$'000	30 June 2016 \$'000
Bank balances	2,807	18,162
Call deposits	683	679
Cash held by joint ventures	9,336	13,721
	<b>12,826</b>	<b>32,562</b>

### Reconciliation of cash flows from operating activities

<b>Loss for the period</b>	<b>(217,526)</b>	<b>(363,021)</b>
<b>Adjustments for:</b>		
Amortisation of oil and gas assets	34,116	98,183
Amortisation of intangible assets	452	626
Depreciation	566	775
Gain on disposal of discontinued operations	<b>(36,281)</b>	<b>(18,754)</b>
Loss / (gain) on disposal of assets	10,679	<b>(16,372)</b>
Fair value adjustment related to asset held for sale	<b>(2,043)</b>	2,114
Impairment - evaluation assets and oil and gas assets	134,466	291,794
Write down - capital expenditure carry	89,712	-
Loan establishment fees written off and amortised	1,056	<b>(364)</b>
Unwinding of discount – restoration provisions	-	6,601
Adjustment in relation to non-current receivable	1,750	262
Relinquishment costs - Indonesia	-	5,514
Share-based payments	1,025	1,035
Net foreign currency losses	<b>(730)</b>	<b>(1,419)</b>
Other	-	4,963
<b>Change in assets and liabilities during the financial year:</b>		
Decrease in trade and other receivables	1,188	42,261
Decrease / (increase) in oil inventory	6,106	<b>(7,637)</b>
(Increase) / decrease in income taxes payable	<b>(1,226)</b>	2,118
(Increase) / decrease in net deferred tax assets	<b>(7,326)</b>	29,078
Decrease in provisions and employee benefits	6,426	8,473
Increase in accounts payable	<b>(2,544)</b>	<b>(15,883)</b>
<b>Net cash from operating activities</b>	<b>19,866</b>	<b>70,347</b>

## 5.2. Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement between 14 and 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment losses are recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

	30 June 2017 \$'000	30 June 2016 \$'000
<b>Current</b>		
Trade debtors	7,428	6,359
Less: Provision for doubtful debts	-	-
Net trade debtors	7,428	6,359
Joint venture debtors	2,787	3,896
Other debtors	19,823	4,161
Prepayments	1,547	2,007
<b>Total other receivables</b>	<b>24,157</b>	<b>10,064</b>
<b>Total current trade and other receivables</b>	<b>31,585</b>	<b>16,423</b>
<b>Non-current</b>		
Prepayments	879	1,935
Other receivables	11	107,813
<b>Total non-current trade and other receivables</b>	<b>890</b>	<b>109,748</b>
<b>Total current and non-current trade and other receivables</b>	<b>32,475</b>	<b>126,171</b>

### Current trade and other receivables

Other current receivables include \$14.9 million in respect of the divestment of a 42.5% interest in the Bulu PSC.

### Non-current trade and other receivables

The capital expenditure Carry receivable from Santos upon Final Investment decision (FID) in respect of the AAL oil project amounting to \$96.3 million has been derecognised in the statement of financial position given the continued evaluation of the project, delays in FID and the operator indicating that AAL is no longer part of its core business strategy. The contract in respect of the Carry is binding and the balance remains payable to AWE, however is dependent upon the project proceeding.

The write down of \$89.7 million is net of the reversal of the related accrued transfer taxes (refer Note 6.1).

In addition, the VAT associated with this project previously classified as other non-current receivables amounting to \$6.8 million has been reclassified to exploration assets (refer Note 5.6).

Prepayments relate to non-current loan establishment fees.

Other non-current debtors includes \$14.9 m in relation to the divestment of Lengo.

### 5.3. Inventories

Oil inventory is recorded at the lower of cost and net realisable value. Cost is determined on an average basis and includes production costs and amortisation of producing oil and gas assets. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

As a consequence of the divestment of Tui Area Oil fields, oil inventory is nil as at 30 June 2017.

Other inventories are recorded at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

	30 June 2017 \$'000	30 June 2016 \$'000
Oil (at cost)	-	10,866
Spares and consumables	<b>2,403</b>	3,274
	<b>2,403</b>	14,140

### 5.4. Held for sale (liabilities) / assets

The Company classifies assets and liabilities as held for sale if the carrying amounts will be recovered principally through a sale rather than through continuing use. Such assets are measured at the lower of their carrying value and fair value less costs to sell. The criteria for held for sale classification is regarded as met when the sale is highly probable and the asset or disposal Group is available for immediate sale and management must be sufficiently committed to the sale such that it will occur within 1 year.

<b>Assets classified as held for sale</b>		
Oil and gas assets	-	20,198
Fair value adjustment on held for sale assets	-	(2,114)
Other - assets directly associated with assets classified as held for sale	-	5,999
	-	24,083
<b>Liabilities directly associated with assets classified as held for sale</b>		
Restoration and abandonment provision	<b>(2,274)</b>	-
Joint venture creditors	-	(3,810)
	<b>(2,274)</b>	(3,810)
<b>Net held for sale (liabilities) / assets</b>	<b>(2,274)</b>	20,273

#### Year ended 30 June 2017

As at 30 June 2017, held for sale assets and liabilities refer to the proposed divestment of a Production Licence in Western Australia. The held for sale asset has a book value of nil.

#### Year ended 30 June 2016

As at 30 June 2016, held for sale assets and liabilities refer to the 42.5% interest in the Bulu PSC, which includes the Lengo gas project to HyOil. The loss of \$5.4 million is incorporated in Note 2.6, Other expenses.

## 5.5. Oil and gas assets

The cost of oil and gas producing assets and capitalised expenditure on oil and gas assets under development are accounted for separately and are stated at cost less accumulated amortisation and impairment losses. Costs include expenditure that is directly attributable to the acquisition or construction of the item as well as past exploration and evaluation costs. In addition, costs include:

- (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and
- (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

When an oil and gas asset commences production, costs carried forward will be amortised on a units of production basis over the life of the economically recoverable reserves. Changes in factors such as estimates of economically recoverable reserves that affect amortisation calculations do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

	30 June 2017 \$'000	30 June 2016 \$'000
Oil and gas assets at cost	1,089,154	1,119,373
Less amortisation and impairment	(912,107)	(743,707)
	<b>177,047</b>	375,666
<b>Reconciliation of movement:</b>		
Opening balance	375,666	882,857
Additions	39,700	115,505
Disposals	(6,500)	(278,619)
Amortisation	(34,119)	(98,183)
Transfer to asset held for sale (Note 5.4)	-	(20,198)
Impairment of oil and gas assets - continuing operations	(134,281)	(201,389)
Impairment of oil and gas assets - discontinued operations	-	(53,595)
Transfer to exploration and evaluation assets (Note 5.5)	(56,250)	-
Increase in restoration and abandonment provision	-	17,808
Foreign exchange translation difference	(7,169)	11,480
<b>Carrying amount at the end of the financial year</b>	<b>177,047</b>	<b>375,666</b>

### Disposals

Year ended 30 June 2017

During the year ended 30 June 2017 the Company disposed of the following interests:

- On 28 February 2017, the Group completed the sale of all outstanding shares of AWE New Zealand Pty Ltd and AWE Taranaki Limited which together own 57.5% of the Tui Oil Fields (representing oil and gas assets of \$6.5 million).

Year ended 30 June 2016

During the year ended 30 June 2016, the Company disposed of the following interests:

- 10% ownership interest in the Sugarloaf Area of Mutual Interest (representing oil and gas assets of \$269.2 million); and
- 57.5% ownership interest in the Cliff Head oil project (representing oil and gas assets of \$9.4 million).

### Impairment of oil and gas assets

Individual oil and gas producing assets are considered as separate cash-generating units. Recoverable amounts are determined based on the higher of value in use or fair value less costs of disposal.

Impairment testing in connection with oil and gas assets is performed initially to assess the presence of impairment indicators. Where there are indicators of impairment these asset values are then tested for impairment. The Group performs an internal review of asset values using cash flow projections. If the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement with a corresponding reduction in the carrying value of the asset.

The asset valuations are based on a proved and probable (2P) reserve production profile against various estimates and assumptions. The key assumptions used in the cash flow projections include the following:

- (a) Oil and gas prices – forecast prices comprise the Brent forward curve (to 30 June 2018) and subsequently, an independent long term observable price forecast;
- (b) Gas prices – contracted gas prices and observable long term price forecast for uncontracted gas;
- (c) Exchange rates – a combination of current spot and forward USD/AUD exchange rate prevailing at 30 June 2017 and long term observable forecasts; including broker estimates;
- (d) Discount rates – the post-tax discount rate applied to cash flow projections is 10%.

During the year ended 30 June 2017 the Company impaired the following assets:

<b>Impairment charge for the year ended 30 June 2017</b>	<b>Gross</b>	<b>Taxation</b>	<b>Net</b>
<b>Oil and gas assets</b>	<b>\$'000</b>	<b>benefit</b>	<b>impairment</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
AAL <sup>(1)</sup>	131,082	-	131,082
Onshore Perth Basin <sup>(2)</sup>	3,199	(960)	2,239
	<b>134,281</b>	<b>(960)</b>	<b>133,321</b>

- (1) Various oil price sensitivities were used in the fair value calculation of AAL to reflect increased project risk as described below in "Transfer to exploration assets".
- (2) The non-producing late life Onshore Perth Basin assets have been written down to nil.

#### Sensitivity analysis

Asset valuations, based on cash flow projections rely on a range of assumptions that are subject to change. Accordingly, asset values are sensitive to changes in key assumptions. The impairments that would arise from a possible change in key assumptions; all other assumptions remaining the same, is shown below:

- A 10% decrease in oil prices would result in additional impairment of \$30 million;
- A 10 % decrease in the gas price would result in nil additional impairment;
- A 10 % increase in exchange rates would result in additional impairment of \$3 million; and
- A 1% increase in the post-tax discount rate would result in additional impairment of \$9 million.

#### Transfer to Exploration assets

The Company's interest in the AAL project was transferred to exploration and evaluation assets following a review of the likely timing of FID. The timing of FID is now subject to additional evaluation of the K and G sands and notification by the operator that they no longer consider the asset to be part of its core business strategy. Consistent with this, the Reserves and Resources committee of AWE has reclassified 2P reserves to 2C contingent resources given the possible delays to any potential development. An impairment loss of \$131.1 million has been recorded on AAL at the time of transfer.

## 5.6. Exploration assets

Exploration and evaluation costs are accumulated in respect of each separate area of interest and are accounted for using the successful efforts method of accounting. An area of interest is usually represented by an individual oil or gas field.

The cost of acquisition of joint venture interests, successful drilling costs and costs incurred in relation to feasibility studies and the technical evaluation of a potential development are carried forward where right to tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or where the assessment to determine the existence of economically recoverable reserves for a potential development in an area of interest is not yet complete. Exploration and evaluation assets are reviewed for impairment indicators annually. When an indicator is identified, assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

All other exploration and evaluation costs, including pre-licence costs are expensed as incurred.

	30 June 2017 \$'000	30 June 2016 \$'000
Exploration and evaluation assets	<b>96,595</b>	32,995
<b>Reconciliation of movement:</b>		
Opening balance	<b>32,995</b>	69,119
Additions (net of amount recovered from joint operations)	<b>3,044</b>	18,752
Exploration costs incurred and expensed during the year	<b>(2,441)</b>	(18,228)
Impairment of exploration assets	<b>(185)</b>	(36,810)
Transfer from non-current receivables (Note 5.2)	<b>6,750</b>	-
Transfer from oil and gas assets (Note 5.5)	<b>56,250</b>	-
Foreign exchange translation difference	<b>182</b>	162
<b>Carrying amount at the end of the financial year</b>	<b>96,595</b>	32,995

The transfer from non-current receivables of \$6.75 million represents the VAT recoverable on the AAL project when production commences. This has been reclassified to evaluation assets consistent with the transfer of the AAL development asset pending greater project certainty. Together these amounts totalling \$63 million represent the fair value of the underlying AAL project.

### Impairment of exploration assets

The recoverability of the carrying amounts of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest. The impairment of exploration assets reflects the extent to which the costs capitalised are not expected to be recovered through successful sale or development of the area of interest.

During the year ended 30 June 2017 the following exploration assets were impaired:

Impairment charge for the year ended 30 June 2017	Gross	Taxation	Net
Exploration	\$'000	benefit \$'000	impairment \$'000
New Zealand (Kohatukai PEP 55768)	185	-	185

## Section 6: Liabilities and equity

### 6.1. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 14 days of recognition.

	30 June 2017	30 June 2016
	\$'000	\$'000
Trade payables	464	453
Joint venture creditors	16,450	34,423
Other payables and accrued expenses	8,846	20,913
Deposit received in connection with asset held for sale	-	1,453
	<b>25,760</b>	<b>57,242</b>

The reduction in other payables and accrued expense relates to the impact of reversing an accrual of \$6.6 million in respect of transfer taxes relating to the capital expenditure Carry (refer Note 5.2).

### 6.2. Provisions

Provisions are made for future decommissioning, restoration and environmental rehabilitation where there is a present obligation as a result of past exploration, development or production activities, and it is probable that settlement of the obligation will be required. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas. The amount provided is the best estimate of the present value of expenditure required to settle the obligation at the end of each reporting period, based on current legal requirements and technology. The ultimate costs are uncertain and may vary in response to changes to legal requirements, the emergence of new techniques or experience at other production sites.

Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period. The amount of the provision for future restoration costs relating to exploration and development activities is capitalised as a cost of those activities; unless the underlying asset has ceased production, in this case, the provision is recognised directly in current year profit and loss. Provisions are discounted at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate the risks specific to the liability. The unwinding of discounting on the provision is recognised as a finance cost.

#### Current

Restoration and abandonment	2,339	2,974
Deferred revenue	946	896
Relinquishment and other provisions	5,201	10,773
	<b>8,486</b>	<b>14,643</b>

#### Non-current

Restoration and abandonment	133,070	203,872
	<b>133,070</b>	<b>203,872</b>

#### Total provisions

	<b>141,556</b>	<b>218,515</b>
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#### Reconciliation of movement:

##### Restoration and abandonment:

Carrying amount at the beginning of the financial year	206,846	207,176
Write back in provisions due to asset sale	(67,904)	(33,729)
Transferred to asset held for sale	(2,274)	-
Provisions made during the year	6,599	26,594
Payments made during the year	(5,488)	(2,241)
Foreign exchange translation difference	(2,370)	2,445
Unwind of discount	-	6,601
<b>Carrying amount at the end of the financial year</b>	<b>135,409</b>	<b>206,846</b>

##### Deferred revenue and other:

Carrying amount at the beginning of the financial year	11,669	11,313
Payments made during the year	(5,420)	-
Provisions made during the year	50	356
Foreign exchange translation difference	(152)	-
<b>Carrying amount at the end of the financial year</b>	<b>6,147</b>	<b>11,669</b>
<b>Total provision</b>	<b>141,556</b>	<b>218,515</b>



### 6.3. Derivative financial instruments

During the financial year the Group entered into derivative financial instruments (commodity forward contracts) with various financial institutions to hedge against cash flow risks from movements in oil price. Following the divestment of the Tui oil asset in February 2017 the Group closed out its oil hedging operations. Therefore as at 30 June 2017, the fair value of derivative assets positions was nil (2016: \$2,264,000).

Further detail is set out in Note 7.1 Classification and fair value measurement of financial instruments.

### 6.4. Interest bearing liabilities

Interest-bearing borrowings are initially recognised at fair value and subsequently measured at amortised cost.

Fees paid on the establishment of loan facilities are treated as a prepayment and are recognised as such to the extent that it is probable that the facility will be drawn down. These fees are recognised as transaction costs relating to the loan and are amortised over the period of the facility.

	30 June 2017 \$'000	30 June 2016 \$'000
<b>Non-current</b>		
Bank loans	<b>67,101</b>	14,813
	<b>67,101</b>	14,813
The consolidated entity has access to the following lines of credit:		
Bank loans	<b>300,000</b>	400,000
Facilities utilised at balance date	<b>67,101</b>	14,813
Facilities not utilised at balance date	<b>232,899</b>	385,187
	<b>300,000</b>	400,000

The Company has access to a \$300 million secured multicurrency syndicated bank loan facility which is available for general corporate purposes and bears interest at the applicable base rate plus a margin. This facility expires in May 2019.

Unamortised loan establishment fees of \$1.9 million associated with the facility are classified as an asset and have been included in current and non-current prepayments in Note 5.2. These fees are amortised over the life of the facility.

## 6.5. Issued Capital and reserves

### Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, share rights or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares, share rights or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

<b>528,156,857</b> (2016: 526,735,854) ordinary shares, fully paid	<b>772,172</b>	772,172
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### Reserves

The Equity compensation reserve is used to recognise the value of equity settled share-based payments provided to employees, as part of their remuneration. Refer Note 3.4 for further details of these plans.

The Translation and other reserves comprises all foreign exchange differences arising from the following

- The translation of the financial statement of foreign operations where the functional currency is different to the functional currency of the parent entity.
- The translation of liabilities which hedge the Company's net investment in a foreign subsidiary; and
- Exchange differences which arise on the translation of monetary items which form part of the net investment in the foreign operation

### Retained earnings / (losses)

Retained earnings / (losses) acts to quarantine profits or losses generated in prior periods.

## 6.6. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

No dividends were paid or declared during the year ended 30 June 2017 (Year ended 30 June 2016: nil).

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## Section 7: Financial instruments – fair values and risk management

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### 7.1. Classification and fair value measurement

The carrying values of financial assets and liabilities of the Group approximate their fair value.

The Group measures and recognises in the statement of financial position on a recurring basis certain assets and liabilities at fair value in accordance with AASB 13 Fair value measurement. The fair value must be estimated for recognition and measurement or for disclosure purposes in accordance with the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Inputs for the asset or liability which are not based on observable market data (unobservable inputs).

### Valuation techniques used to derive fair values

The main valuation techniques used to derive the fair values of the financial instruments of the Group are summarised as follows:

- Held-to-maturity: Held-to-maturity investments are carried at amortised cost using the effective interest method.
- Assets held for sale: Assets held for sale are measured at the lower of their carrying value and fair value less costs to sell.
- Financial liabilities: Due to the nature of the financial liabilities, their carrying values is a good approximation of their fair values.
- Derivatives: Derivatives are valued using valuation techniques with observable market inputs. The most frequently applied valuation technique include present value calculations. The models incorporate various inputs including credit quality of counterparties and forward rate curves of the underlying commodity.

During the financial year the Group entered into derivative financial instruments (commodity forward contracts) with various financial institutions to hedge against cash flow risks from movements in oil price. Following the divestment of the Tui oil asset in February 2017 the Group closed out its oil hedging operations. Therefore as at 30 June 2017, the fair value of derivative assets positions is nil (2016: Derivative financial instrument liability: \$2,264,000).

The following table presents the Groups assets and liabilities measured and recognised at fair value as at 30 June 2017 and 30 June 2016.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2017</b>				
<b>Assets</b>				
Derivatives used for oil price hedging	-	-	-	-
<b>Liabilities</b>				
Derivatives used for oil price hedging	-	-	-	-
<b>As at 30 June 2016</b>				
<b>Assets</b>				
Derivatives used for oil price hedging	-	-	-	-
<b>Liabilities</b>				
Derivatives used for oil price hedging	-	2,264	-	2,264

## 7.2. Financial risk management

### 1) Risk management framework

The Group is involved in activities that expose it to a variety of financial risks including currency risk, fair value risk, interest rate risk and commodity pricing risk. In accordance with Board approved policies financial instruments may be used to hedge the exposure to fluctuations in exchange rates, interest rates and commodity prices.

The Board of Directors has overall responsibility for the establishment and oversight of the financial risk management framework of the Group. The Board has delegated to the Audit and Governance Committee the responsibility for developing and monitoring financial risk management policies across the Company. The Audit and Governance Committee's primary role is to advise and assist the Board of Directors in assessing the management of key financial risks of the Company. The financial risk management policies and systems are reviewed annually by the Audit and Governance Committee to reflect changes in market conditions and the entity's business activities.

Management of financial risks is carried out by a centralised treasury function which operates under Board approved policies. The Board approved Treasury and Risk Management Guidelines provide clear guidelines to management in respect of the management of financial risks of the Company and are designed to ensure that it adequately reflects the strategic risk management objectives of the Board.

The objective of AWE's financial risk management strategy is to minimise the impact of volatility in financial markets on the financial performance, cash flows and shareholder returns of AWE. This includes the need to ensure that sufficient liquidity is available to fund its strategic business plans. Identification and analysis of relevant financial risks and its impact on the achievement of the Company's objectives forms the basis for determining how such risks should be managed. The forecast financial position of the Group is regularly monitored and financial instruments may be used within approved guidelines to hedge exposure to fluctuations in interest rates, exchange rates and commodity prices.

### 2) Credit risk

Credit risk is the risk of sustaining a financial loss as a result of the default by a counterparty to make full and timely payments on transactions which have been executed, after allowing for set-offs which are legally enforceable. The credit risk on financial assets of the Group which have been recognised on the statement of financial position is the carrying amount, net of any provision for doubtful debts.

Credit risk arises from investments in cash and cash equivalents with bank, derivative financial instruments and credit exposure to customers and/or suppliers. Credit risk also arises from bank facilities which offer committed lines of credit, overdraft facilities, transaction banking services and financial guarantees, which may not be honoured when relied upon. The Board approved Treasury Risk Management Guidelines outline how credit risk exposure will be managed by Treasury. Receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk:

	2017 \$'000	2016 \$'000
Cash (Note 5.1)	12,826	32,562
Trade and other receivables (Note 5.2)	32,475	126,171

The ageing of trade receivables at the end of each reporting period was as follows:

Less than 1 month	7,428	6,359
1 month to 3 months	-	-
Greater than 3 months	-	-
	<b>7,428</b>	<b>6,359</b>

The Group does not hold any credit derivatives to offset its credit exposure. There is no concentration of credit risk to a single party other than major customers as disclosed in Note 2.1.

There are no trade receivables past due or impaired at the end of the reporting period (2016: Nil).

### 3) Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient liquidity to meet its financial obligations as they fall due.

The Board approved Treasury Risk Management Guidelines provide an appropriate framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by continually monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. Short and long-term cash flow projections are prepared periodically and submitted to the Board at each board meeting of the Company. In addition the Company's treasury risk management policy targets the corporate debt facility to be refinanced in advance of its maturity date.

Contractual cash flows	Note	Total	Less than 1 year	1-2 years	2-5 years	More than 5 years
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2017</b>						
<i>Consolidated</i>						
Trade and other payables	6.1	25,760	25,760	-	-	-
Bank loans	6.4	67,101	-	67,101	-	-
<b>30 June 2016</b>						
<i>Consolidated</i>						
Trade and other payables	6.1	57,242	57,242	-	-	-
Bank loans	6.4	14,813	-	-	14,813	-
Derivatives	7.1	2,264	2,264	-	-	-

### 4) Market risk

#### Commodity price risk

The Group is exposed to commodity price risk through its revenue from the sale of hydrocarbons – gas, crude oil, condensate and LPG. Australian gas sales are sold in Australian Dollars under long-term contracts with CPI escalators in place. Commodity price risk is limited to uncontracted gas volumes. However, crude oil, condensate and LPG are priced against world benchmark commodity prices and the Group is therefore subject to commodity price risk for these products.

Subject to approval of the Board, the Group may enter into certain derivative instruments to manage its commodity price risk. Following the divestment of Tui Area Oil Fields during February 2017 the Group closed out its oil hedging contracts. As at the end of the financial year, the Group has no derivative financial instruments in place.

#### Interest rate risk

During July 2016 the Company reduced its available secured multi-currency syndicated bank loan facility from A\$400 million to A\$300 million. The facility utilised at 30 June 2017 was \$67.1 million (2016: \$14.8 million) (refer Note 6.4). When drawn, the Australian Dollar portion of the facility bears interest at the bank bill swap rate plus a margin, and the United States Dollar portion of the facility bears interest at LIBOR plus a margin. Borrowings under the facility are at floating rates and when the facility is drawn the Group would be subject to interest rate risk from movements in the Australian dollar bank bill swap rate and the United States dollar LIBOR rate. Similarly, the Group is subject to interest rate risk from movements in the Australian and United States cash deposits.

In accordance with Board approved policies, the Group may enter into certain derivative instruments to manage its interest rate risk. As at the end of the financial year, the Group has no interest rate hedging or derivatives in place.

#### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars. The Group is subject to foreign exchange risk through the sale of products denominated in US dollars, borrowings denominated in US dollars and foreign currency capital and operating expenditure.

The Company manages its foreign exchange exposures on a net basis and may use forward foreign exchange contracts or cross currency swaps to manage its exposures. As at the end of the financial year, the Group has no foreign exchange hedging or derivatives in place.

Significant exchange rates applied during the year:	Average rate		Spot rate at the end of the reporting period	
	2017	2016	2017	2016
<b>AUD/USD</b>	<b>0.754</b>	0.7287	<b>0.7692</b>	0.7426
The financial instruments denominated in United States dollars:			2017	2016
			A\$'000	A\$'000
<b>Financial assets</b>				
Cash			<b>2,069</b>	12,648
Trade and other receivables			<b>4,717</b>	5,604
<b>Financial liabilities</b>				
Trade and other payables			<b>(4,285)</b>	(32,218)
Bank loans			<b>(35,101)</b>	(14,513)
The effects of exchange rate fluctuations on the balances of cash held in foreign currencies shown in the Consolidated statement of cash flows is as follows:				
Effect of exchange rate fluctuations on the balances of cash held in foreign currencies			<b>(2,304)</b>	(3,311)

## Sensitivity analysis

	Carrying amount \$'000	Commodity & other price risk				Interest rate risk				Foreign exchange risk			
		-10%		10%		-1%		1%		-10%		10%	
		Profit \$'000	Other equity \$'000	Profit \$'000	Other equity \$'000	Profit \$'000	Other equity \$'000	Profit \$'000	Other equity \$'000	Profit \$'000	Other equity \$'000	Profit \$'000	Other equity \$'000
<b>30 June 2017</b>													
<b>Financial assets</b>													
Cash and cash equivalents	12,826	-	-	-	-	(90)	-	90	-	189	-	(189)	-
Trade and other receivables	30,038	-	-	-	-	-	-	-	-	330	-	(330)	-
Prepayments	1,547	-	-	-	-	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>													
Trade and other payables	25,760	-	-	-	-	-	-	-	-	(303)	-	303	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank loans	67,101	-	-	-	-	470	-	(470)	-	(2,457)	-	2,457	-
<b>Total increase / (decrease)</b>		-	-	-	-	380	-	(380)	-	(2,241)	-	2,241	-
<b>30 June 2016</b>													
<b>Financial assets</b>													
Cash and cash equivalents	32,562	-	-	-	-	(228)	-	228	-	1,362	-	(1,362)	-
Trade and other receivables	14,636	-	-	-	-	-	-	-	-	392	-	(392)	-
Prepayments	2,007	-	-	-	-	-	-	-	-	-	-	-	-
<b>Financial liabilities</b>													
Trade and other payables	57,242	-	-	-	-	-	-	-	-	(2,325)	-	2,325	-
Derivative financial instruments	2,264	-	2,822	-	(2,822)	-	-	-	-	-	-	-	-
Bank loans	14,813	-	-	-	-	104	-	(104)	-	(1,037)	-	1,037	-
<b>Total increase / (decrease)</b>		-	2,822	-	(2,822)	(124)	-	124	-	(1,608)	-	1,608	-

## 5) Capital Management

The Group maintains an ongoing review of its capital management strategy to ensure it maintains an appropriate capital structure. The overriding objective of the Company's capital management strategy is to increase shareholder returns whilst maintaining the flexibility to pursue the strategic initiatives of the Company within a prudent capital structure.

The ability of the Company to pay future dividends or conduct any form of capital return to shareholders is regularly reviewed by the Board. This is considered against the Company's future funding requirements and ability to access capital and where there is surplus capital available for distribution.

## Section 8: Group structure

### 8.1. Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Refer Note 1.4 for further details.

Name	Note	Country of incorporation	2017 % Equity holding	2016
<b>Parent entity</b>				
AWE Limited				
<b>Controlled entities</b>				
AWE Administration Pty Limited	1	Australia	100	100
AWE Finance Pty Limited	1	Australia	100	100
AWE Overseas Pty Limited	1	Australia	100	100
AWE Offshore Pty Limited	1	Australia	100	100
AWE Argentina Pty Limited	1	Australia	100	100
AWE Australia Pty Limited	1	Australia	100	100
Omega Oil Pty Ltd	1	Australia	100	100
AWE Petroleum Pty Ltd	1	Australia	100	100
Peedamullah Petroleum Pty Ltd	1	Australia	100	100
AWE (Carnarvon) Pty Ltd	1	Australia	100	100
AWE Resources (Western Australia) Pty Ltd	1	Australia	100	100
AWE Perth Pty Ltd	1	Australia	100	100
AWE (Beharra Springs) Pty Ltd	1	Australia	100	100
AWE Energy Holdings Pty Limited	1	Australia	100	100
AWE (WA) Trading Pty Ltd	1	Australia	100	100
AWE (WA) Investment Company Pty Ltd	1	Australia	100	100
AWE (Bass Gas) Pty Ltd	1	Australia	100	100
Adelphi Energy Pty Limited	1	Australia	100	100
AWE (Houtman) Pty Limited	1	Australia	100	100
AWE Holdings NZ Limited		New Zealand	100	100
AWE (Satria) NZ Limited		New Zealand	100	100
AWE (East Muriah) NZ Limited		New Zealand	100	100
AWE (Terumbu) NZ Limited		New Zealand	100	100
AWE (Titan) NZ Limited		New Zealand	100	100
AWE Finance NZ Limited		New Zealand	100	100
AWE (AAL) NZ Limited		New Zealand	100	100
AWE (Sugarloaf) NZ Limited		New Zealand	100	100
AWE Holdings Singapore Pte. Ltd.		Singapore	100	100
AWE (Northwest Natuna) Pte. Ltd.		Singapore	100	100
AWE (Anambas) Pte. Ltd.		Singapore	100	100
AWE China Pte. Ltd.		Singapore	100	100
AWE New Zealand Pty Limited	1 & 3	Australia	-	100
AWE Taranaki Limited	3	New Zealand	-	100
AWE (North Madura) NZ Limited	3	New Zealand	-	100
Adelphi Energy Texas Inc.	2	USA	-	100
AWE Finance US Inc.	2	USA	-	100

1 - These controlled entities are a party to a Deed of Cross Guarantee between those group entities and the Company pursuant to ASIC Class Order 98/1418 and are not required to prepare and lodge financial statements and directors' reports (refer Note 8.4). The Company and those group entities are the "Closed Group".

2 - Entity was liquidated or deregistered during the year ended 30 June 2017.

3 - Entity sold, completion occurred during the year ended 30 June 2017.

## 8.2. Interests in oil and gas permits

### Jointly controlled operations and assets

The Group has interests in joint operations. For the purpose of this financial report the joint operations have been deemed as "Joint Ventures" in accordance with Oil and Gas companies' market practice.

Interests in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in the financial statements the proportionate share of the assets they control, the liabilities and expenses they incur, and their share of the income that they earn from the sale of goods or services by the joint venture.

Permit	Country and geographical area	Note	Consolidated percentage interest	
			2017 %	2016 %
T/L1 Yolla	Australia, Bass basin		35.00	35.00
T/RL2 (Trefoil)	Australia, Bass basin		40.00	40.00
T/RL3 (Rockhopper)	Australia, Bass basin		40.00	40.00
T/RL4 (White Ibis)	Australia, Bass basin		40.00	40.00
T/RL5 (Bass-3)	Australia, Bass basin		40.00	40.00
VIC/L 24 Casino	Australia, Otway basin		25.00	25.00
VIC/L 30 Henry, Netherby	Australia, Otway basin		25.00	25.00
VIC/P 44	Australia, Otway basin		25.00	25.00
VICRL11 Martha	Australia, Otway basin		25.00	25.00
VICRL12 Blackwatch	Australia, Otway basin		25.00	25.00
WA 497P	Australia, Carnarvon basin		100.00	100.00
WA 511 P	Australia, Offshore North Carnarvon Basin		100.00	100.00
WA 512 P	Australia, Offshore Perth Basin		100.00	100.00
L1/L2 Dongara and Yardarino	Australia, North Perth basin, Onshore		100.00	100.00
L1/L2 Corybas, Hovea and Xyris	Australia, North Perth basin, Onshore		50.00	50.00
L1/L2 Senecio, Waitsia	Australia, North Perth basin, Onshore		50.00	50.00
L4/L5 Woodada	Australia, North Perth basin, Onshore		100.00	100.00
L7 Mt Horner	Australia, North Perth basin, Onshore		100.00	100.00
L11 Beharra Springs, Redback Terrace	Australia, North Perth basin, Onshore		33.00	33.00
L14 Jingemina	Australia, North Perth basin, Onshore	1	-	44.14
EP 320	Australia, North Perth basin, Onshore		33.00	33.00
EP 413	Australia, North Perth basin, Onshore		44.25	44.25
EP 455	Australia, North Perth basin, Onshore		81.50	81.50
PMP 38158 Tui, Amokura, Pateke	New Zealand, Taranaki Basin, Offshore	2	-	57.50
PEP 55768	New Zealand, Taranaki Basin, Onshore		51.00	51.00
Bulu PSC	Indonesia, Java Sea	3	-	42.50
East Muriah PSC	Indonesia, Java Sea		50.00	50.00
Terumbu PSC	Indonesia, Java Sea		100.00	100.00
North Madura PSC	Indonesia, Java Sea	4	-	50.00
Titan PSC	Indonesia, Java Sea	5	-	40.00
North West Natuna PSC (AAL)	Indonesia, Natuna Sea		50.00	50.00
Anambas PSC	Indonesia, Natuna Sea	5	-	100.00
Block 09/05	China, Bohai basin	5	-	40.00
Yemen Block no. 7	Yemen, Shabwa basin	1	-	19.25
Yemen Block no. 74	Yemen, Masilah basin	5	-	29.75

1. Permits were divested.
2. AWE Taranaki Limited and AWE New Zealand Pty Limited which owned an interest in this permit was divested, refer Note 2.2 Discontinued operations.
3. Permit divested, refer note 5.4 Held for sale assets.
4. AWE (North Madura) Pte. Ltd which owned an interest in this permit was divested.
5. Permits were relinquished.



### 8.3. Parent entity disclosures

As at, and throughout the year ended 30 June 2017 the ultimate parent company of Group was AWE Limited. Selected financial information (excluding net impact of inter group receivables) of AWE Limited is as follows:

	Note	2017 \$'000	The Company 2016 \$'000
<b>Result of the parent entity</b>			
Loss for the period		(353,693)	(315,746)
Other comprehensive income		-	-
Total comprehensive loss for the period		(353,693)	(315,746)
<b>Financial position of the parent entity at year end</b>			
Current assets		974	297,604
Total assets		53,694	406,935
Current liabilities		307	736
Total liabilities		388	960
<b>Net assets</b>		<b>53,307</b>	405,975
<b>Total equity of the parent entity</b>			
Share capital	6.5	772,172	772,172
Reserves		19,336	18,311
Retained losses		(738,201)	(384,508)
<b>Total equity</b>		<b>53,307</b>	405,975

#### Parent entity contingencies and commitments

The contingent liabilities of the parent entity as at the end of the reporting period are disclosed in Note 9.1. The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

The parent entity did not have any capital or expenditure commitments as at end of the reporting period.

#### Parent entity guarantees in respect of debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed, are disclosed in Note 8.4.

### 8.4. Deed of cross guarantee

As a condition of the Instrument, the Company and each of the wholly-owned subsidiaries identified in Note 8.1 (collectively, "the Closed Group") have entered into a Deed of Cross Guarantee ("the Deed"). The effect of the Deed is that the Company has guaranteed to pay any deficiency in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. The subsidiaries have also given a similar guarantee in the event that the Company is wound up.

Pursuant to ASIC Corporations (wholly-owned companies) Instrument 2016/785, the wholly-owned subsidiaries within the Closed Group are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial report.

A consolidated income statement, consolidated statement of comprehensive income and summary of movements in consolidated retained earnings, comprising the Company and controlled entities which are party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2017 is set out as follows:

	2017	Closed group 2016
	\$'000	\$'000
<b>Summarised statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	12,228	26,593
Trade and other receivables	73,701	94,116
Held for sale assets	-	-
Inventory	2,175	6,119
<b>Total current assets</b>	<b>88,104</b>	<b>126,828</b>
<b>Non-current assets</b>		
Investments	-	76,398
Exploration and evaluation assets	33,245	32,805
Oil and gas assets	177,396	184,455
Other plant and equipment	1,407	1,890
Intangible assets	96	577
Land and Building	12,190	12,190
Deferred tax assets	109,763	122,783
<b>Total non-current assets</b>	<b>334,097</b>	<b>431,098</b>
<b>Total assets</b>	<b>422,201</b>	<b>557,926</b>
<b>Current liabilities</b>		
Trade and other payables	18,132	17,274
Employee benefits	1,265	1,326
Liabilities associated with asset held for sale	2,274	-
Provisions	488	2,974
Derivative financial instruments	-	2,356
Taxation (receivable) / payable	(1,942)	3,233
<b>Total current liabilities</b>	<b>20,217</b>	<b>27,163</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	67,100	14,813
Employee benefits	255	597
Provisions	133,932	156,330
<b>Total non-current liabilities</b>	<b>201,287</b>	<b>171,740</b>
<b>Total liabilities</b>	<b>221,504</b>	<b>198,903</b>
<b>Net assets</b>	<b>200,697</b>	<b>359,023</b>
<b>Equity</b>		
Issued capital	784,122	772,172
Reserves	36,838	74,685
Retained losses	(620,263)	(487,835)
<b>Total equity</b>	<b>200,697</b>	<b>359,022</b>
<b>Summarised consolidated income statement</b>		
Profit / (loss) before tax	(36,399)	(262,266)
Income tax expense	(73,872)	(35,312)
<b>Net profit / (loss) after tax for the year</b>	<b>(110,271)</b>	<b>(297,578)</b>
Retained losses at the beginning of the year	(509,992)	(190,257)
Dividends provided for or paid	122,692	-
<b>Retained losses at the end of the year</b>	<b>(620,263)</b>	<b>(487,835)</b>

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## Section 9: Other information

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### 9.1. Contingent liabilities

In accordance with normal industry practice, the Group has entered into joint venture operations with other parties for the purpose of exploring and developing its permit interests. If a party to a joint venture operation defaults and does not contribute its share of joint venture operation obligations, then the other joint venturers are liable to meet those obligations. In this event, the permit interest held by the defaulting party may be redistributed to the remaining joint venturers.

In accordance with normal industry practice and under the terms of various joint venture operating and product sales agreements, the Group may have provided performance guarantees to third parties on behalf of wholly-owned controlled entities to fulfil its permit obligations in various jurisdictions where it conducts its operations.

The Group has made an accounting provision for all known environmental liabilities. There can be no assurance that as a result of new information or regulatory requirements with respect to the Group's assets that provisions will not be increased at a future date.

The Native Title Act ("NTA") may impact on the Group's ability to gain access to new prospective exploration areas or obtain production titles. Some of the Group's onshore petroleum tenements now include land which may become the subject of a Native Title claim under the NTA.

### 9.2. Capital and other commitments

	2017 \$'000	2016 \$'000
<b>Capital expenditure commitments</b>		
Contracted but not provided for or payable:		
Not later than one year	1,350	13,253
<b>Exploration and evaluation expenditure commitments</b>		
Total exploration and evaluation expenditure contracted for but not provided for in the financial statements, payable:		
Not later than one year	4,580	400
Later than one year but not later than five years	-	9,700
	4,580	10,100
<b>Time charter commitments</b>		
Floating Production Storage and Offtake vessel ("FPSO") time charter contracted for but not provided for in the financial statements, payable:		
Not later than one year	-	21,454
Later than one year but not later than five years	-	10,727
	-	32,181
<b>Non-cancellable operating lease rental commitments</b>		
Future operating lease rentals, not provided for in the financial statements, payable:		
Not later than one year	2,751	9,552
Later than one year but not later than five years	2,976	7,094
	5,727	16,646

As a consequence of the divestment of the Tui Area Oil Interest, the Time charter commitments and other non-cancellable operating lease commitments have been divested.

### 9.3. Auditor's remuneration

	30 June 2017	30 June 2016
	\$	\$
<b>Audit services</b>		
Ernst & Young Australia		
Audit and review of financial reports	307,675	414,899
<b>Other Services</b>		
Taxation compliance services	-	57,136
Taxation advisory services	13,390	15,000
Advisory and assurance services	120,000	17,346
	133,390	89,482
<b>Total remuneration of Ernst &amp; Young</b>	<b>441,065</b>	<b>504,381</b>

### 9.4. Related party disclosures

#### Non-key management personnel disclosures

The Group has a related party relationship with its controlled entities (Note 8.1) and joint ventures (Note 8.2). The Company and its controlled entities engage in a variety of related party transactions in the ordinary course of business. These transactions are conducted on normal terms and conditions.

#### Key management personnel disclosures

Refer Note 3.5, Key management personnel disclosures.

### 9.5. Subsequent events

Other than outlined in this report, there has not been in the period since 30 June 2017 and up to the date of this report any other item, transaction or event of a material and unusual nature likely in the opinion of the Directors, to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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## Section 10: Accounting policies

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### 10.1. New and amended standards and interpretations

The following standards and interpretations which became effective and were applied for the first time during the year ended 30 June 2017, each was assessed to have no material impact on the Group's consolidated financial statements and disclosures:

AASB 2104-3	<i>Amendments to Australian Accounting standards – Accounting for Acquisitions of Interests in Joint Operations (AASB 1 and AASB11).</i>
AASB 2014-4	<i>Clarification of Acceptable Methods of Depreciation and Amortisation.</i>
AASB 2014-9	<i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.</i>
AASB 2015-1	<i>Annual Improvements to IFRSs 2012-2014 Cycle.</i>
AASB 2015-2	<i>Amendments to Australian Accounting Standards- Disclosure Initiatives: Amendments to AASB 101.</i>
AASB 2015-5	<i>Amendments to Australian Accounting Standards- Investment Companies: Applying the Consolidation Exemption.</i>

Several other standard amendments and interpretations were applicable for the first time from 1 July 2017, but were not relevant to the Company and do not impact the Group's consolidated financial statement.

In addition, there are a number of recently issued standards and interpretations which are not yet effective and have not been applied which are listed below. The Company is however in the process of assessing their impact; where the impact is likely to be material to the Group, further explanation has been provided in respect of the likely impacts.

2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>
2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107, Statement of Cash Flows</i>
2017-2	<i>Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 cycle.</i>
AASB 9, and relevant amending standards	<p><i>Financial Instruments</i></p> <p>The new standard replaces AASB139 and includes a logical model for classification, measurement and derecognition of financial assets, a single forward looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new standard is effective from 1 July 2018.</p> <p>All hedge positions have been closed out and AWE has no history of non-collection of accounts receivable given the nature of sales to a small number of large customers. As such, the application of this standard is not expected to have a material impact to the Group.</p> <p>On adoption of AASB 9, based on work performed up to the date of this report there is not expected to be:</p> <ul style="list-style-type: none"><li>• Material changes in the classification of financial assets and liabilities.</li><li>• Any significant impact on future results due to fair value changes resulting from credit risk.</li><li>• Any significant impact upon credit provisions due to the introduction of an expected loss impairment model for determining credit provisions.</li></ul>
AASB 15, and relevant amending standards	<p><i>Revenue from Contracts with Customers</i></p> <p>The new standard replaces AASB 118 Revenue and IAS 111, Construction contracts and a number of other revenue related interpretations and is effective 1 July 2018. The core principals of AASB15 is that an entity recognises revenue in accordance with the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard has introduced a five-step model as the framework for revenue recognition:</p> <p>Step 1: Identify the contracts with a customer Step 2: Identify the performance obligation of the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</p> <p>The Group is continuing to assess the impact of the adoption of this standard. At the current stage of analysis the following areas have been identified which require further consideration for treatment in accordance with the new standard:</p>

- Gas processing services;
- Banked gas and liquids payments; and
- Pricing linked to market indices.

Based on the assessment performed on these areas to date and the contracts reviewed up to the date of this report the implementation of this standard is not expected to have a material impact on the Group.

AASB 2014-10	<i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between Investor and its Associate or Joint Venture</i>
AASB16-5	<i>Amendments to Australian Accounting Standards – Classification and measurement of Share-based Payment Transactions</i>
AASB 2017-1	<i>Amendments to Australian Accounting Standards – Transfers of Investments Property, Annual Improvements 2014-2016 Cycle and Other Amendments</i>
AASB Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
AASB 16	<i>Lease accounting</i>
	<p>The principal change from the previous standard is the introduction of a single lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value.</p> <p>The Group has commenced its initial assessment of the impact from this standard and, whilst assessment is in the early stages, the indicative Group impact from adopting the standard can be summarised in two areas:</p> <ul style="list-style-type: none"> <li>• Identification of a lease: The standard introduces a distinction between a lease and a service contract on the basis of whether a customer is able to control an identifiable assets. The Group anticipates some existing operating and finance leases may fail to meet this definition, and therefore would be treated as a service contract.</li> <li>• Recognition of right-of-use assets and lease liabilities for existing operating leases: The standard removes the previous distinction between operating leases and finance leases and requires that, where a lease is identified in a contract, a right-of-use asset and lease liability are recognised. The Group anticipates that adoption is likely to result in the majority of arrangements currently accounted for as operating leases being recognised on the Consolidated Balance Sheet as right-of-use assets and lease liabilities.</li> </ul> <p>The majority of the Groups detailed impact assessment work will be performed during the forthcoming financial year and therefore is not in a position to quantify the full implementation effect of the standard. The Group has no plans for early adoption.</p>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
	<p>The Interpretation, released in June 2017 clarifies the application of recognition and measurement requirements in IAS 12 Income Taxes where there is uncertainty over income tax treatments. An assessment of the possible impact of this interpretation has not been completed.</p>

## Directors' declaration

In accordance with a resolution of the Directors of AWE Limited (the Company), we state that:

- 1) In the opinion of the Directors:
  - a) The financial statements and accompanying notes, and remuneration report in the Directors' Report, are in accordance with the Corporations Act 2001; including:
    - i) giving a true and fair view of the financial position of the Group as at 30 June 2017 and of its performance for the year ended on that date; and
    - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
  - b) The financial statements also comply with international Financial Reporting Standards as disclosed in Note 1.2.
  - c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2) There are reasonable grounds to believe that the Company and Group entities identified in Note 8.4 (the Closed Group) will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.
- 3) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the CEO and Managing Director and the Chief Financial Officer for the financial year ended 30 June 2017.

Signed on behalf of the Board:



**Bruce Phillips**  
Chairman



**David Biggs**  
CEO and Managing Director

Dated at Sydney this 25<sup>th</sup> day of August 2017.

## Independent Auditor's Report to the Members of AWE Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of AWE Limited (the Company), including its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Company.

In our opinion:

the accompanying financial report of AWE Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's consolidated financial position as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



## 1. Carrying Value of Oil and Gas Assets

### Why significant

The carrying value of Oil and Gas assets represents 40% of the Group's total assets at 30 June 2017. Determination of the carrying value is subjective, as it is dependent on assumptions about the future.

The Group has assessed that impairment indicators were present at 30 June 2017 and in accordance with Australian Accounting Standard AASB136 *Impairment of Assets*, impairment testing of oil and gas assets with impairment indicators was undertaken. The principal indicators of impairment were the anticipated delays in reaching Final Investment Decision ("FID") by the Ande Ande Lumut Oil Project ("AAL") and the decline in long term oil price forecasts.

The impairment testing process is complex and highly judgmental and is based on assumptions and estimates that are affected by expected future performance and market conditions. The key assumptions adopted by the Group are outlined in the financial report note 5.5.

At 30 June 2017, the consolidated entity has recognised an impairment expense of \$134.3m against the carrying value of oil and gas assets.

### How our audit addressed the key audit matter

We evaluated those estimates and judgments relating to the determination of cash generating units (CGUs), forecast cash flows and the inputs used to formulate them. This included assessing, in conjunction with our valuation specialists, the discount rates, reserves and resources, inflation rates, operating costs, foreign exchange rates and commodity prices.

We evaluated commodity prices with reference to contractual arrangements, market prices (where available), indices, broker consensus views and historical performance.

The Group used internal and external experts to provide the reserve and resource assumptions used in the cash flow forecasts. We considered the reserve estimation processes carried out and AWE's internal certification process for technical and commercial experts who are responsible determining reserves and resources.

We ensured that the updated reserves and resources estimates were included in the cash flow forecasts, calculation of depreciation, depletion and amortisation, and decommissioning provisions. We also considered the qualifications, objectivity and experience of the Group's experts and assessed whether key reserves economic assumptions were consistent with other operational information.

We also considered the adequacy of the financial report disclosures in note 5.5 regarding impairment and the recoverable amount of the consolidated entity's assets.

## 2. Write-down of Non-Current Receivables

### Why significant

In 2013 the Group recognised a non-current receivable in relation to the capital expenditure carry recognised by the Group as consideration for the sale of a 50% interest in AAL.

This receivable requires the current operator of AAL to fund a portion of the Group's future capital expenditure requirements, amounting to US\$88m and was recorded as a non-current financial asset at amortised cost. The recovery of this amount is dependent on FID being reached and development commencing on the project.

Significant judgment is required in determining when the project will be developed and the financial feasibility. Due to ongoing delays and increased uncertainty surrounding the timing of AAL FID and development, the capital expenditure carry has been written down to \$nil at 30 June 2017, resulting in a loss of \$96.3m.

Further details with respect to this loss are set out in the financial report in note 5.2

### How our audit addressed the key audit matter

We have evaluated the assumptions and methodologies used by the Group and the estimates made in determining the feasibility of the underlying project. This included consideration of the valuations performed for impairment purposes (as described above) and assessment of the economic viability of the project to a third party inclusive of the capital expenditure carry payable to the Group.

In addition we have discussed with management the likelihood of this project reaching FID in the near term, have considered the delays in the timing of development, and considered the comments made by the operator during the period with regards to them potentially exiting the project.

We have also considered the requirements of Australian Accounting Standards and the disclosures in the financial statements.

## 3. Restoration Provision

### Why significant

The Group has recognised restoration provisions of \$135.4 million at 30 June 2017 which are disclosed in note 6.2 to the financial report.

The calculation of restoration provisions required the Group to use internal and external experts. It required significant judgment in respect of asset lives, timing of restoration work being undertaken, environmental legislative requirements, the extent of restoration activities required and future costs.

### How our audit addressed the key audit matter

We considered the work of the Group's experts and performed the following procedures:

- ▶ assessed the competence and objectivity of both the Group's internal and external experts involved in the provision estimation process;
- ▶ evaluated the adequacy of the experts' work;
- ▶ understood the Group's decommissioning and restoration estimation process;
- ▶ tested the consistency in the application of principles and assumptions to other areas of the audit such as reserves estimation and impairment testing;
- ▶ tested the mathematical accuracy of the net present value calculations and discount rate applied;
- ▶ ensured the calculations were correctly reflected in the financial report.

We considered the requirements of Australian Accounting Standards and the associated disclosures in the financial statements.

## Other Information

The Directors of the Company are responsible for the other information. The other information comprises the information in the Company's Annual Report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Directors' responsibilities for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- ▶ Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast

significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the remuneration report

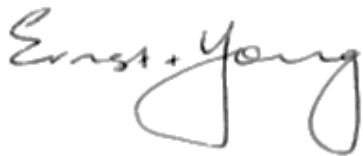
### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 16 to 32 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of AWE Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Trent van Veen  
Partner  
Sydney  
25 August 2017