Annual Report 2009

Australian Worldwide Exploration

"AWE will remain focused on the issues that have added substantial value over the past 12 years"

2008-2009 Highlights

- Strong production performance for the year
- Reported profit of $89 million, despite the tough economic conditions
- Oil and gas reserves rose by 30% to 69 million BOE
- A substantial exploration campaign started, with $175 million to spend in 2009-10
- Company recorded zero LTIs for the year, with no environmental issues
- Balance sheet remains strong, with $356 million cash and no debt
- AWE continues to identify and pursue value accretive acquisitions in our core business to help generate business growth

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AGM

The 2009 Annual General Meeting of Australian Worldwide Exploration Limited will be held at 11.00am on Thursday, 19 November 2009 at the Museum of Sydney, corner of Bridge and Phillip Streets, Sydney NSW Australia.

CHAIRMAN'S REVIEW

"AWE has the people and the commitment to expand and grow and offer shareholders a more than acceptable return"

2008-09 was a year like never before for most of us, with dramatic changes in equity values, crude prices and currency as a global financial crisis impacted companies and individuals alike.

After a spectacularly successful prior year, AWE was inevitably faced with significant challenges. Nevertheless, the Company has stayed on course in the difficult external environment and remains well positioned for long-term growth, despite reduced year-on-year financial results and shareholder returns. Net profit after tax was $89 million, and cash reserves stood at $356 million at year end with no debt. During the year AWE was admitted to the ASX 100, reflecting the growth and success of the Company over its 12 years as a listed company and we were pleased to be able to pay a one-time special franked dividend of 10 cents per share in January 2009.

Generally our production operations have performed reliably and consistently, although longer than scheduled shut downs were experienced at BassGas and Cliff Head. Tui while in natural reservoir decline has once again been the major contributor to AWE's results and has performed slightly ahead of expectations. The Tui area remains a key focus for further reserves extension and development.

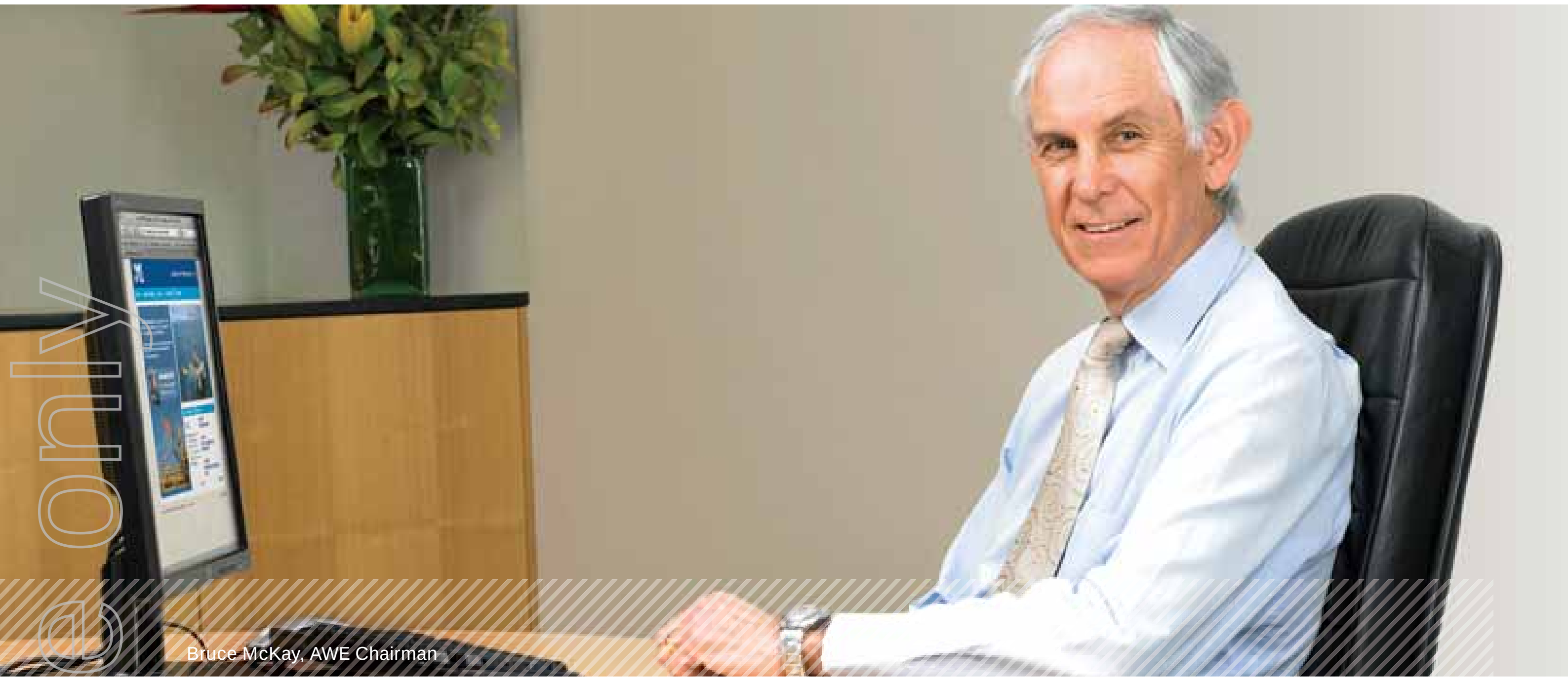
The merger with Arc Energy which offered complementary assets, increased reserves and production to AWE, was completed successfully and integration of the two companies has progressed satisfactorily. The onshore Perth Basin assets however have not delivered up to expectations, with a decline in production, delays in the drilling program and disappointing results once the program commenced.

It is once again pleasing to note the Company's performance in safety and environmental responsibility: achieving targets of zero LTIs or environmental incidents is challenging but very important for any operating company and reflects strong management commitment and effective systems and processes.


Operations at Dongara gas project

We have again focused significant effort on a broad range of sustainability initiatives documented in this Annual Report. AWE's ultimate success and therefore responsibility to our shareholders depends on our ability to successfully explore for and develop and produce oil and gas in a reliable and secure way. In achieving this, we aim to have a sustainability performance we can all be proud of, enabling us to earn the confidence of our joint venturers, shareholders and the communities in which our activities take place. AWE is pleased to report that during 2009 no oil spill incidents occurred at AWE operated or non-operated sites. At AWE, we regard any uncontained oil spill as unacceptable. Whilst our focus is on prevention, we are also ready to minimise the impact if a spill occurs.

AWE is committed to strong growth and to continually improving our framework for managing sustainability and integrating it further into our core business practices and processes. As we expand our operations in Australia, New Zealand, Asia, the Middle East and Europe, we understand the importance of reporting our sustainability



Bruce McKay, AWE Chairman

performance to our stakeholders in an open and transparent manner whilst building trust. Furthermore, for the first time we have participated in the international Carbon Disclosure Project and we are prepared to benchmark our progress on the relevant parameters captured in that survey.

The industry environment has been exceptionally volatile in the last year with WTI oil prices reaching more than US$145 per barrel in July 2008 then in less than six months almost touching US$30 per barrel on the downside. While some measure of relative stability has returned over the last few months, it would be frivolous to predict future movements with great certainty. Consensus opinion would indicate around a range of US$65–US$80 per barrel. In the long term, AWE's firm gas contracts provide a solid foundation for sustained contribution from existing and planned developments. Mirroring the oil price volatility, the AWE share price declined from $4.16 on 30 June 2008 to $2.57 on 30 June 2009 (during the year AWE shares reached a high of $4.20 but also a low of $1.75).

As a result of prudent management, AWE is blessed with a strong balance sheet, cash in reserve and zero debt. We have taken the strategic view that exploration represents our best opportunity to deliver significant growth in shareholder value and have accordingly committed over $175 million to a drilling program over the next 12 months. Concurrently we continue to evaluate merger and acquisition opportunities but we will be primarily driven by our technical assessment of the rocks and the fluids to ensure that only profitable additions to the portfolio are pursued.

Notwithstanding the perception that the difficult global financial circumstances over the last year may release some valuable opportunities, we have identified few Australian assets or obvious distress sales which meet our criteria. However, we remain well positioned to respond to the right opportunity when it becomes available. With a disciplined and balanced approach to exploration and acquisitions, we are confident that the Company can deliver further rewards to shareholders.

In response to our strategic direction, AWE has expanded its geoscience capability to more fully review drilling candidates adjacent to our existing assets as well as identify new prospective areas across a range of geographies: the Company is also seeking to build its internal production engineering resources. Once again, I would like to compliment AWE management and staff for their technical competence, professional approach and commercial acumen and especially Managing Director Bruce Wood and his leadership team for their effective management of the Company.

Succession plans for the AWE Board have been announced. Eddie Smith resigned during the year after ill health and on behalf of my fellow directors, the AWE staff and shareholders, I thank Eddie for his contribution to AWE since the Omega transaction in 2001. Similarly, our longest serving director, Colin Green, will retire at the November 2009 Annual General Meeting: it has been a privilege to work with Colin for more than 12 years in which time he has injected strong financial discipline and sound corporate governance principles. I genuinely thank Eddie and Colin for their role in the growth of AWE and delivery of value to shareholders. I am pleased to welcome as non-executive directors Ken Williams and Bruce Phillips, subject to shareholder election at the AGM. Both have the appropriate skill and approach to critically review and direct AWE's strategy and its implementation and I look forward to their constructive input.

AWE has the people and the commitment to expand and grow and offer shareholders a more than acceptable return on their investment. I thank you all for your support.

Bruce McKay

Bruce G. McKay
Chairman

OVERVIEW OF CORNERSTONE PROJECTS

BassGas project

(AWE 42.5%)

Offshore Bass Basin, Australia

Image above: BassGas platform

The BassGas project continued commercial production with gross gas output of 17.6 PJ in the year, with some minor maintenance issues impacting the output levels. Associated liquid recovery rates have improved slightly during the year, with the onshore plant reaching design capacity. Early planning and design work has started for the next phase of development for BassGas, including the drilling of additional wells at Yolla and the potential installation of compression on the Yolla platform. Exploration and appraisal drilling will be conducted in the adjacent T/18 P (AWE 47.5%) permit in the second half of 2009. Success in this exciting program may see further developments in the offshore Bass Basin.

Casino gas project

(AWE 25.0%)

Offshore Otway Basin, Australia

Image above: Offshore pipelay at Casino

The Casino gas project again generated strong returns, achieving gross gas sales of 33 PJ during the year, slightly below the annual contracted rate. Drilling success was achieved at the nearby Netherby-1 gas discovery and the gas development wells at Netherby and Henry. Despite some delays in the completion of the Henry gas development, activity is expected to restart in early 2010, with first gas sales planned by mid 2010.

Tui fields

(AWE 42.5% and Operator)

Offshore Taranaki Basin, New Zealand

Image right: Helicopter operations on the FPSO Umuroa

The Tui oil project began commercial production on 30 July 2007. During the past two years the field has produced a total of 23.3 million barrels of oil and contributed revenue in excess of A$1 billion to AWE.

AWE plans to drill up to five exploration wells in the offshore Taranaki Basin during the year. These wells range from near-field exploration targets at Tui up to high risk exploration wells at Hoki, where we are targeting potential reserves of up to 300 million barrels of oil. Success in this program will have a material positive impact on AWE. AWE will operate this drilling campaign, which is currently scheduled to start in late 2009.

Cliff Head oil project

(AWE 57.5%)

Offshore Perth Basin, Australia

Image above: Cliff Head oil platform

The Cliff Head oil project averaged 5,250 bopd for the year, lower than the previous year following the natural field decline and exacerbated by some pump problems in the latter part of the year. To date the field has produced in excess of 8 million barrels of oil. Planning for workover operations to replace some pumps is in progress. This work will assist in arresting the production decline rates at Cliff Head.

Onshore Perth Basin operations

(AWE 33-100%)

Onshore Perth Basin, Australia

Image above: Oil pump at Dongara

The Onshore Perth Basin operations were acquired through the merger with Arc Energy Limited. These operations comprise a series of small oil and gas fields to the south of Dongara, with total net oil and gas production of 0.3 million barrels of oil and 2.9 PJ of gas being achieved during the year. A 4-well drilling program was undertaken in the middle of the year to provide additional production and to test some of the undrilled prospects in the region.

"As always, our key measurement indicator for this activity is the pursuit of superior long-term shareholder returns"

The 2008-09 financial year has been a difficult one and AWE has not been immune from the effects of the global financial crisis. However, despite the sharp fall in oil price and difficult market conditions, AWE's business has performed well throughout the year producing 8.75 million barrels of oil equivalent, and achieving revenue of $590 million on an average oil price of $93 per barrel. Cashflow was strong, and a 30% step forward in oil and gas reserves was also recorded.

The Company is in a strong position with robust long-term oil and gas reserves to sustain the business for more than the next 10 years, supported by both oil production and by long-term contracted gas production at BassGas and from the Otway Basin.

In the current financial year, AWE will remain focused on the issues that have added substantial shareholder value over the past 12 years; delivering our base production targets, exploiting near field opportunities and pursuing growth options via exploration and prudent acquisitions. As always our key measurement indicator for this activity is the pursuit of superior long-term shareholder returns.

AWE has made significant progress in its campaign to develop its sustainability culture. AWE's commitment to sustainability is well understood at all levels of the Company. Safety is the Company's highest priority and AWE is very proud to report that last year, every employee and every contractor in every operation, went home every day without suffering a single lost time injury.

We have also upgraded our reporting in the key area of sustainability. The focus on this work is to monitor and improve our key performance indicators in the area of health and safety, greenhouse emissions, community involvement, human capital and engagement with stakeholders. These activities have always been a key part of the way we conduct our business, and they are now being reported to shareholders in our annual Sustainability Report.

In the last year AWE's geographic focus has also expanded with the AWE/Mitsui scouting alliance in Europe. AWE and Mitsui are working together to search for new investment opportunities in Europe that will deliver new growth to the Company and reward shareholders.

The whole team remains very focused on working to deliver shareholder value over the longer term by delivering on base business, and through growth.

The following operational review outlines AWE's recent activities and provides details of the exciting drilling program that is now underway.

Review of Operations

Australia

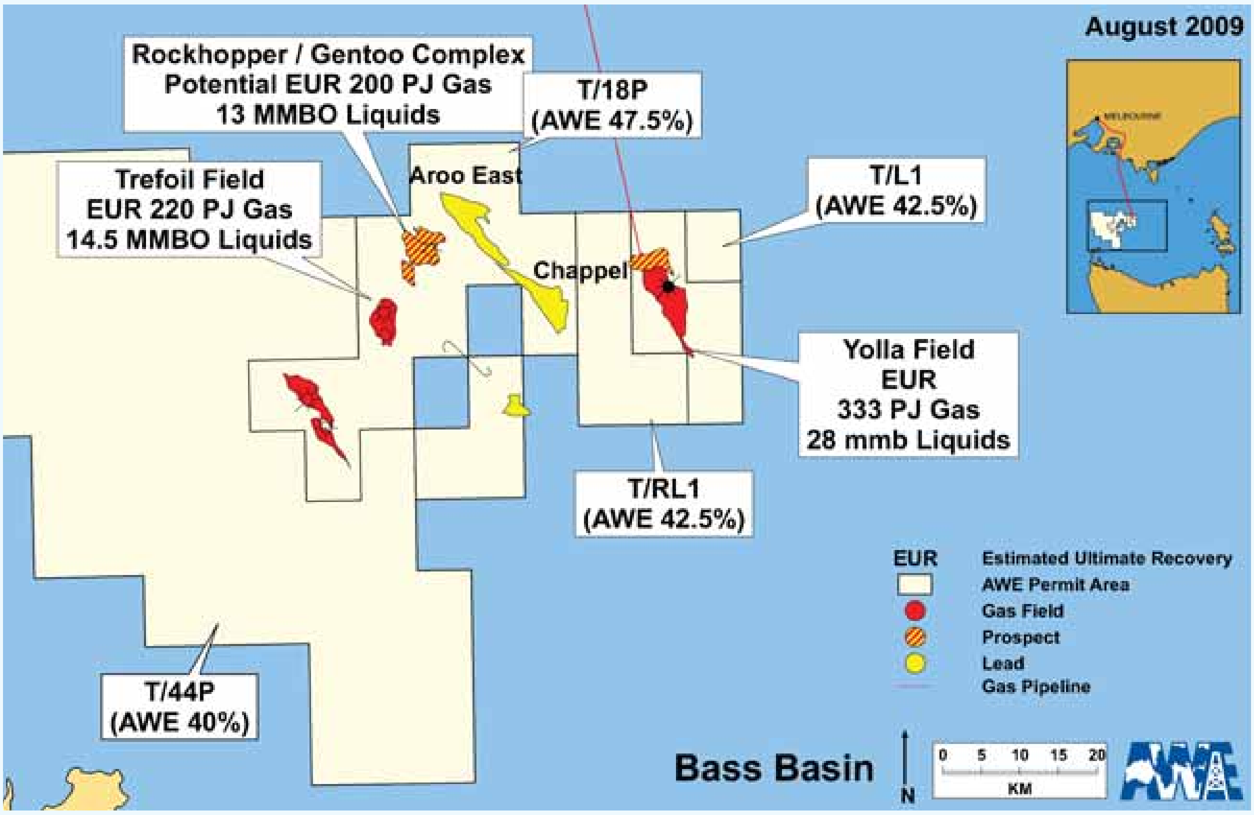
Bass Basin, offshore Tasmania

AWE holds a large acreage position in the offshore Bass Basin, with dominant joint venture interests in the key production and exploration areas, including a 42.5% interest in the BassGas project.

The BassGas project consists of an offshore, unmanned wellhead platform connected by pipeline to the gas processing facility onshore at Lang Lang. The Yolla platform is located approximately 147 kilometres offshore in a water depth of 80 metres. The project commenced gas sales in 2006, and has delivered consistent results since its commissioning. AWE increased its equity in the BassGas project from 30% to 42.5% during the year, through the merger with Arc Energy Limited.

In 2009, the BassGas project delivered a gross 17.6 PJ of sales gas, 726,000 barrels of associated condensate and 50,000 tonnes of LPG. Returns in this project are enhanced due to the high liquids component of the gas, with approximately 62% of sales revenue in the past year being derived from the associated liquids. The joint venture plans an extended shutdown in late 2009, which will enable the early stage works for the next phase of development on the project. This shutdown will reduce the annual sales from the project.


Bruce Wood, AWE Managing Director



Bass Basin, Tasmania

Design work has continued on the next phase of development for the BassGas project, incorporating some additional drilling on the Yolla field and the potential installation of compression on the Yolla platform. This design work is due to be completed by the end of 2009.

In the adjacent exploration permits, the joint venture is set to undertake the next phase of drilling in late 2009. Within T/18P, AWE will drill the Trefoil-2 and Rockhopper-1 wells. These wells are targeting substantial gas resources, which, if successful, will more than double the known gas reserves in the region.

Trefoil-2 is an appraisal well on the Trefoil field, which was discovered and flowed potentially commercial volumes of gas in 2004. Rockhopper-1 will test the adjacent feature to the north. Success in this campaign will provide potential commercial options for the development of the next phase of gas projects in the offshore Bass Basin.

Subsequent to the end of the year, AWE acquired a further 5% interest in T/18 P, bringing our equity to 47.5%.

MANAGING DIRECTOR'S REVIEW
continued

Otway Basin, offshore Victoria

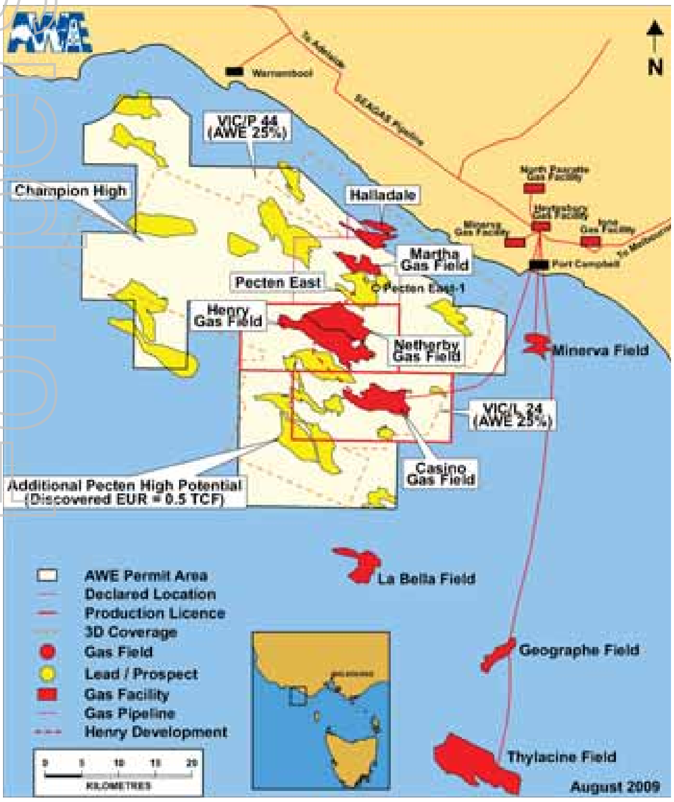
AWE has held an interest in the offshore Otway Basin since 2003, following the farmin to the exploration permit VIC/P 44. Successful discoveries have been developed over the past six years in this region, with AWE sharing in this success. AWE holds a 25% interest in this permit.

The Casino project, located approximately 30 kilometres offshore from Port Campbell, consists of two development wells which are connected to an undersea pipeline linked to the onshore Iona gas plant. The project was successfully commissioned in 2006 and has provided substantial volumes of gas to the east coast gas networks since its inception.

Casino gas production fell slightly during the year following the cessation of the "above-contract" sales. Despite the modest decline, sales were in line with the long-term contracted rates at approximately 33 PJ per annum.

Exploration in the Otway Basin encountered some success with the Netherby-1 discovery being made, whilst the Pecten East-1 well was a disappointment. Netherby-1 was subsequently completed as a development well while the Henry-2 development well was also successfully drilled and completed.

The Henry development, located 12 kilometres to the north of the Casino field, suffered from some setbacks during the year, despite the success of the drilling campaign. A holdup was encountered on the laying of the offshore pipeline, which has resulted in an estimated 12 month delay in the project. The operator has informed AWE that the installation contract will be awarded soon, with a target project completion by mid 2010.



Otway Basin, Victoria

Additional gas reserves were booked in the Otway Basin during the year, following the successful drilling campaign. AWE's share of the Netherby 2P reserves amounted to an additional 35 PJ of gas, whilst the successful Henry development drilling added a further increment to the AWE reserve inventory.

Perth Basin, offshore Western Australia

The Cliff Head oil project comprises an offshore platform and an onshore processing plant, which are both located to the south of Dongara in Western Australia.

The Cliff Head project was commissioned in 2006 and has produced approximately 8 million barrels of crude oil up to the end of June 2009. In the past 12 months, the project has produced approximately 1.9 million barrels of oil, an average of approximately 5,250 bopd. AWE increased its interest in Cliff Head from 27.5% to 57.5% through the merger with Arc Energy Limited.

The recent performance of the field has been hampered by the failure of some of the downhole production pumps, which have proven more difficult to replace than expected. Plans for workover operations to replace these pumps have recently been initiated. The Cliff Head offshore platform will also undergo modest upgrade work prior to this pump replacement program.

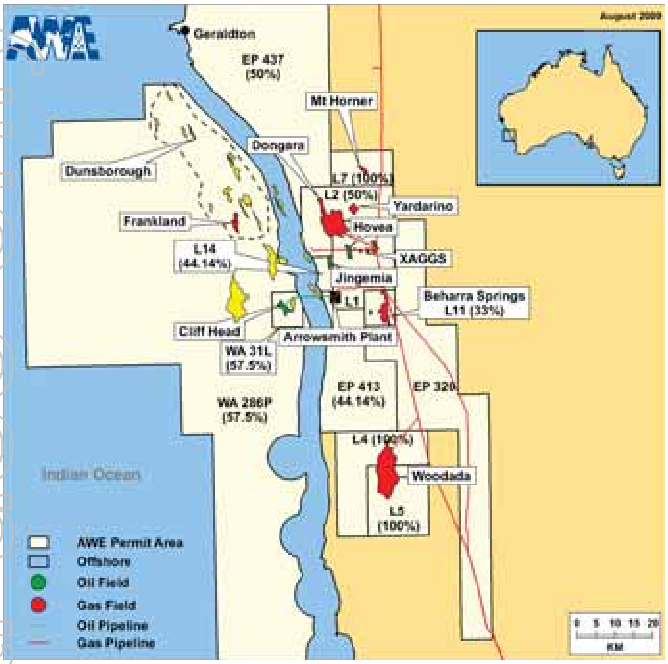
Perth Basin, onshore Western Australia

AWE's interests in the onshore Perth Basin principally lie within the northern part of the basin, approximately 300 kilometres north of Perth. These onshore assets were all acquired through the merger with Arc Energy Limited. They comprise operated and non-operated joint venture interests of between 33% and 100% in 11 oil and gas fields with remaining net reserves of approximately 2.4 million BOE.

Following the merger, AWE now has interests in all the producing fields in the Perth Basin, including the significant infrastructure supporting these operations. This position provides an economic advantage for the Company as it allows for early commercialisation of any oil and gas found within the acreage.

Following the merger, AWE has undertaken a 4-well onshore drilling program. This campaign is nearing completion, with modest success to date. A further assessment of the remaining prospects will be undertaken following the completion of the program, with a specific aim to evaluate some of the new opportunities in the basin.

One such opportunity has been pursued during the past 12 months, with the recompletion and fracture stimulation of the Corybas-1 well which was drilled as an exploration well in 2005. The initial production was insufficient to justify connection to production facilities despite the extensive gas column in relatively tight reservoirs.



Perth Basin, Western Australia

Following the fracture stimulation, a subsequent well test measured rates over a 48 hour period with a final rate of 3.9 mmcfgd on a 20/64 inch choke.

With the initial success of this activity, AWE as operator has recommended the installation of a flowline to the Dongara facilities, which will enable a long-term flow test of the well. Success in this flow test may result in further wells being drilled in the area.

New Zealand

Taranaki Basin, offshore North Island

The Taranaki Basin production and exploration operations of AWE have been a huge success over the past three years. The successful appraisal and development of the initial Tui discovery and the strong production history from the project has provided a commercial windfall for AWE and the Tui joint venture.

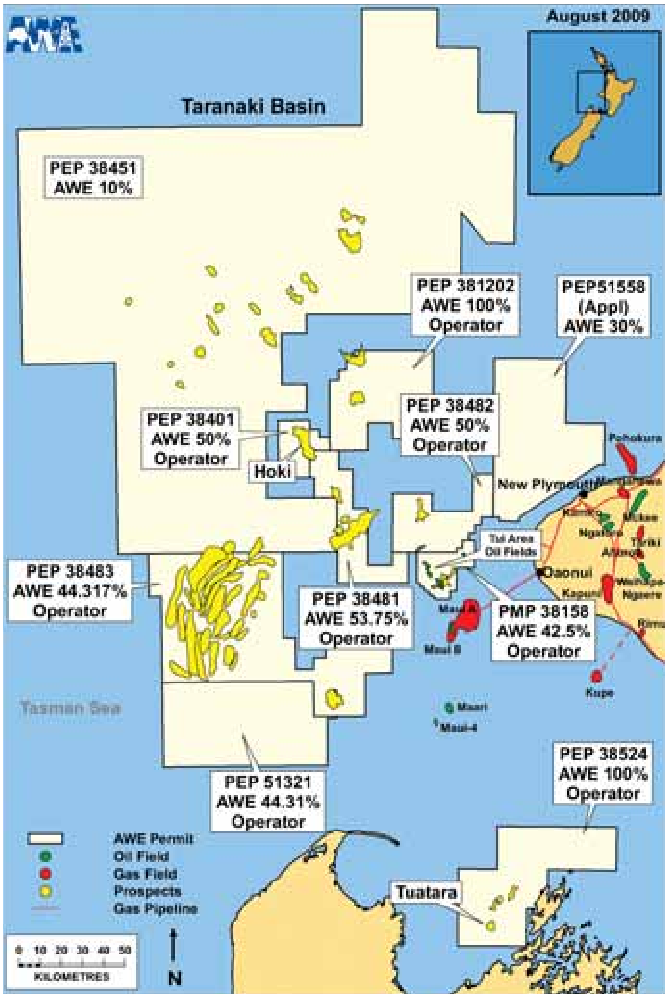
To the end of June 2009, the Tui project had produced approximately 23.3 million barrels of oil, with no production downtime, except the six days of scheduled maintenance in late 2008. The project has provided revenue to AWE of approximately A$1 billion in this period, and a strong financial return to New Zealand through taxation and royalties from the project.

In the year to June 2009, the Tui project reported oil production of 9.1 million barrels, marginally ahead of expectations. The strong result was impacted by increased water production, as expected, and some modest issues relating to the weather conditions, which are to be expected in the harsh environment of the offshore Taranaki Basin.

Following this success, the next phase of exploration and appraisal activity in the Taranaki Basin is now approaching. On the current drilling schedule, the Kan Tan IV semi-submersible drilling rig will drill four wells in the Taranaki Basin, starting in late 2009. The initial well in the campaign will be Hoki-1, which is located approximately 90 kilometres north west of the Tui project facilities. Hoki is a high reward prospect, with potential reserves of up to 300 million barrels of oil in the success case. AWE will operate the Hoki-1 well and holds a 50% interest in the permit.

The second phase of activity in the Taranaki Basin will involve exploration on the flanks of the Tui oil field. Two wells are planned in this round of drilling at Tui, which is aimed at delineating the upside at Tui, particularly on the eastern edge of the known oil reserves. Whilst more modest in size, any success in this phase will provide additional reserves, at low incremental cost, and will be directly tied into the existing Tui infrastructure.

Beyond the above program, AWE anticipates further drilling activity will be undertaken, utilising the Kan Tan IV rig while it is in New Zealand. AWE continues to mature oil and gas prospects for drilling, with the Tuatara prospect being high-graded for drilling. This activity is likely to be in early 2010, at the conclusion of the program.



Taranaki Basin, North Island, New Zealand

MANAGING DIRECTOR'S REVIEW
continued

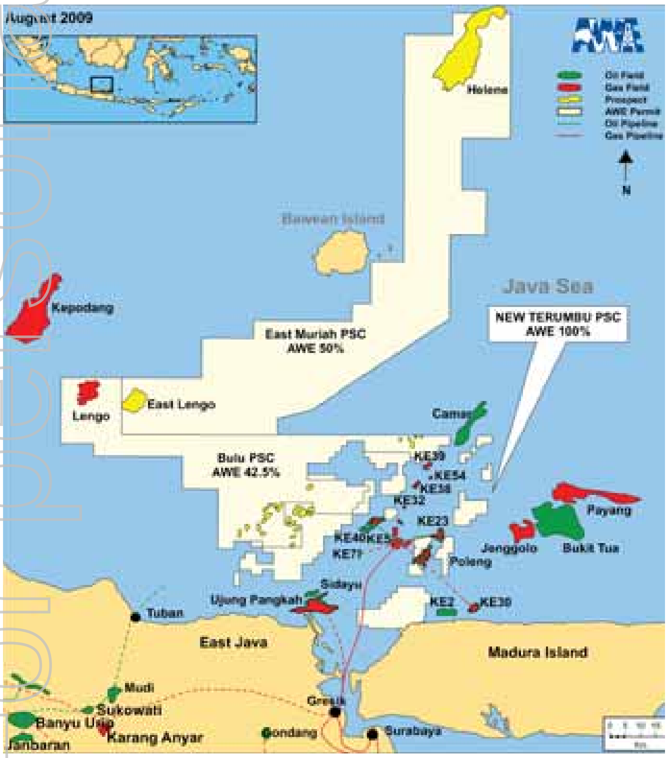
Asia

East Java Basin, offshore Indonesia

AWE's investments in Indonesia have continued over the past year, with the portfolio of PSCs expanding from one to three. All these PSCs are located in the prolific East Java Basin, where approximately 200 million barrels of oil and condensate and 1.4 trillion cubic feet of gas have been discovered to date in the acreage immediately to the east of the AWE contract area.

The original investment in the area, the Bulu PSC (AWE 42.5%) has been recently augmented by the East Muriah PSC (AWE 50.0%) and the Terumbu PSC (AWE 100%). These contiguous blocks comprise a gross area of over 9,500 square kilometres of prospective exploration acreage.

Seismic surveys have recently been acquired across this portfolio, and further drilling is planned, following the modest success of the 2008 drilling program. At least one well is planned in the Bulu PSC at the end of the year, with further drilling expected in 2010.



East Java Basin, Indonesia


Kan Tan IV at night

Nam Con Son Basin, offshore Vietnam

In early 2009, AWE announced the farmin to a 23.33% equity share of block 06/94 in the Nam Con Son Basin in Vietnam. In June 2009, the Tuong Vi-1 well was drilled but failed to encounter significant hydrocarbons despite the presence of good quality sands in the objective section.

Subsequent to the end of the year, AWE has elected to withdraw from the Block.

Shabwa Basin, onshore Yemen

AWE holds interests in two exploration permits in Yemen, which were acquired as part of the Arc Energy merger. Block 7 was ratified in early 2008 and a 3D seismic survey was acquired in the south western corner of the permit, nearby to the recent oil discoveries in an adjacent block. The Spatha-1 exploration well is planned in Block 7 in late 2009.

Merger with Arc Energy Limited

The merger with Arc Energy Limited was implemented in August 2008, following months of intensive work by both companies. The transaction has increased AWE's interests in the BassGas and Cliff Head projects, where AWE is already a major participant and has expanded the exploration and development options for the Company.

Exploration and Development Activity

AWE completed a successful drilling campaign in the offshore Otway Basin in the early part of the year, with a successful gas discovery (Netherby-1) being drilled. The exploration phase was followed by two successful development wells, both of which were successfully suspended for future gas production through the Henry gas development.

Later in the year, AWE participated in the initial stages of a 4-well program in the onshore Perth Basin. This drilling, a mix of exploration and development wells, which had some success, has continued into the 2010 financial year.

In Vietnam, AWE participated in the Tuong Vi-1 exploration well in the Nam Con Son Basin as part of the exploration-led strategy in Asia. The well was unsuccessful.

Exploration, appraisal and development wells drilled in 2008-09 year

Country	Well	Permit	Location	AWE Equity	Total Depth	Status	Operator
Australia	Pecten East-1	VIC/P 44	Otway Basin	25.0%	1,993 m	P&A	Santos
Australia	Netherby-1	VIC/P 44	Otway Basin	25.0%	1,870 m	Gas discovery	Santos
Australia	Netherby-1 ST1	VIC/P 44	Otway Basin	25.0%	2,517 m	Successful gas development well	Santos
Australia	Henry-2	VIC/P 44	Otway Basin	25.0%	2,648 m	Successful gas development well	Santos
Australia	Hovea-13	L1	Perth Basin	50.0%	2,200 m	Successful oil development well	AWE
Vietnam	Tuong Vi-1	Block 06/94	Nam Con Son	22.3%	2,762 m	P&A	Pearl
Australia	Apium North-1	L1	Perth Basin	50.0%	2,655 m	P&A	AWE

The 2010 exploration and appraisal program is focused on the long awaited activity in the Bass and Taranaki Basins. In addition, AWE is planning drilling in Indonesia, following the success in 2008 and is also drilling for the first time in Yemen in the December quarter.

Based on our current drilling schedule, the Company expects to participate in the following wells during the 2009-10 financial year:

2009-2010 Exploration targets

Well Name	Location	AWE share	Timing/Comments
Jingemia-12	Perth	44.1%	Successful oil development well
Redback South-1	Perth	33.3%	August 2009
Trefoil-2	Bass	47.5%	September quarter 2009
Rockhopper-1	Bass	47.5%	December quarter 2009
Hoki-1	Taranaki	50.0%	December quarter 2009
Unnamed well	East Java	42.5%	December quarter 2009
Tui NE-1	Taranaki	42.5%	March quarter 2010
Spatha-1	Shabwa, Yemen	19.25%	March quarter 2010
Further Tui well	Taranaki	42.5%	March quarter 2010
Tuatara-1	Taranaki	100%	June quarter 2010

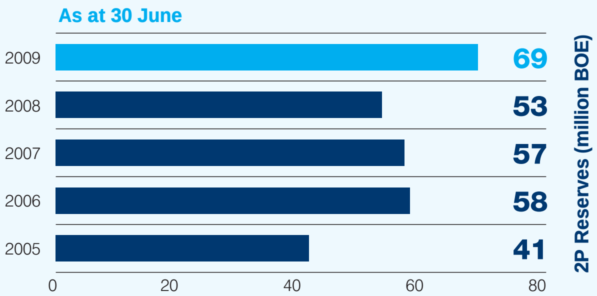
Timing of the exploration program is subject to change, but the table above reflects the expected timing as of the date of this report (September 2009).

MANAGING DIRECTOR'S REVIEW
continued

"AWE's balance sheet remains very strong, with $356 million in cash and no debt"

Review of Operational Performance and Financial Overview

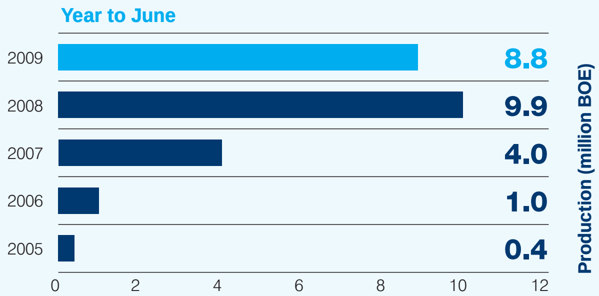
Oil and Gas Reserves



AWE's share of oil and gas reserves rose by 30% to 69 million BOE. This represents a compound annual growth rate of over 12% per annum over the past five years.

The increase in oil and gas reserves over the past 12 months was derived largely from the merger with Arc Energy Limited, which contributed 14 million BOE. The Netherby-1 discovery reserve additions at Henry and minor reserve additions at Cliff Head and Tui also contributed to the reserve growth.

Oil and Gas Production



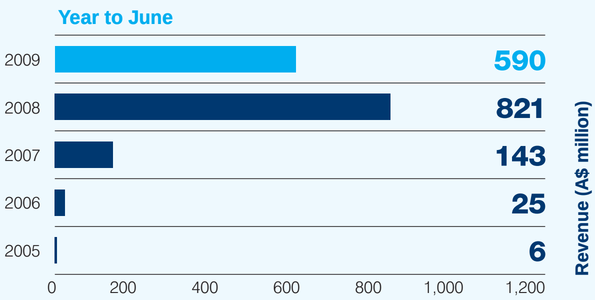
Oil and gas production fell over the period, from the previous record. The reduction was due to the natural production decline from Tui and Cliff Head and was further exacerbated by drilling delays and some unscheduled maintenance.

2010 production is again expected to fall, in line with the decline in the oil production. Workover activity and some additional drilling is being planned to reduce the rate of decline, where appropriate and economically feasible.

AWE is targeting 2010 production of 7.0 million BOE.

Lang Lang gas plant

Sales Revenue

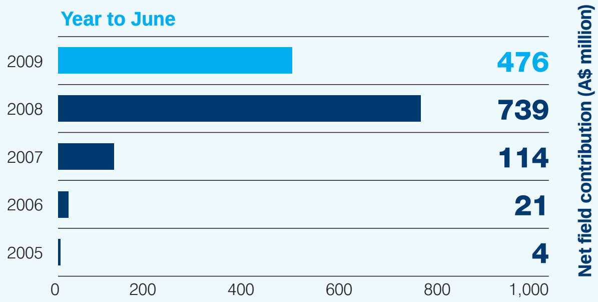


AWE's oil and gas revenues also fell from the previous record levels. The falls were exacerbated by a sharp reduction in average realised oil prices over the year, following the decline in global oil prices.

Sales revenue is also projected to decline in 2010, following the lower trend in oil and gas production.

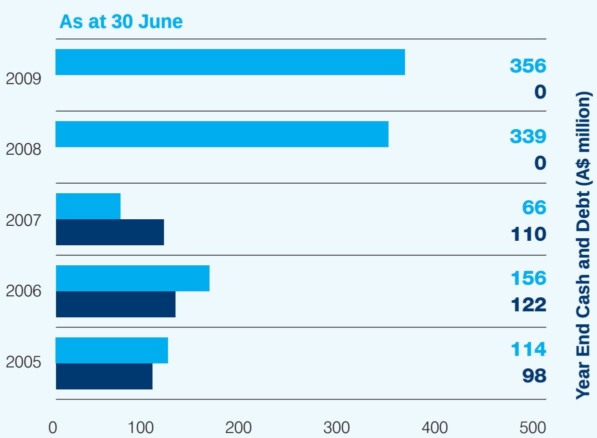
AWE is targeting 2010 sales revenue of $400 million.

Net Field Contribution



Net Field Contribution to profit, represented by sales revenue less field operating costs, fell to $476 million. Despite the decline, the field cashflow remains very strong for the business.

Year End Cash and Debt



The AWE balance sheet remains very strong, with $356 million cash and no debt at the end of the year.

Capital expenditure is expected to rise in 2010 to an estimated $125 million, with the majority of the expenditure planned on activities at BassGas and Henry.

Exploration spending is planned to increase sharply, with targeted spending of $175 million in the year. This major exploration program will concentrate on drilling in the Bass and Taranaki basins.

MANAGING DIRECTOR'S REVIEW
continued

Corporate Review

Reported profit after tax was $89 million, lower than the previous year's record due to reduced production and lower realised oil prices. This result was negatively impacted by some exceptional items, which reduced net profits by approximately $43 million. These exceptional items relate to asset and investment impairments following the merger with Arc Energy Limited, in addition to expensing costs associated with the merger. These negatives were partially offset by gains on foreign currency holdings, specifically US dollars, and a gain on the close out of oil hedges.

Sales revenue for the financial year fell to $590 million, with lower oil and gas production and sharply lower oil prices both contributing to the decline. Production costs also rose during the year, following the integration of the onshore Perth Basin assets and the higher equities in the BassGas and Cliff Head projects.

Amortisation charges were lower, in line with the reduced production rates. Exploration write-offs fell by $14.2 million, following the expensing of unsuccessful exploration activity in line with the Company's successful efforts policy. In the year, exploration expenses were incurred for work in Australia, New Zealand, Indonesia, Yemen and Vietnam.

Effective tax rates were again high at 58.4%, mainly as a consequence of the application of the tax effect accounting to both PRRT liabilities in our Australian operations and APR liabilities in our New Zealand operations, in addition to the non-deductibility of overseas exploration costs incurred outside of Australia and New Zealand.

AWE's balance sheet remains very strong, with $356 million of cash and no debt. During the year, the Company completed the merger with Arc Energy through a combination of cash and scrip, spent $133 million on exploration and development activities, paid a special dividend of $52 million and managed to grow its cash balance. This active year underlines the strong cash generation of the core production business.

Directors have determined that no further dividend is to be paid in respect of the 2009 financial year. The future payment of dividends will only be considered if it can be reasonably sustained, with due regard to the forward capital requirements of the business, and paid in a tax effective manner to shareholders.

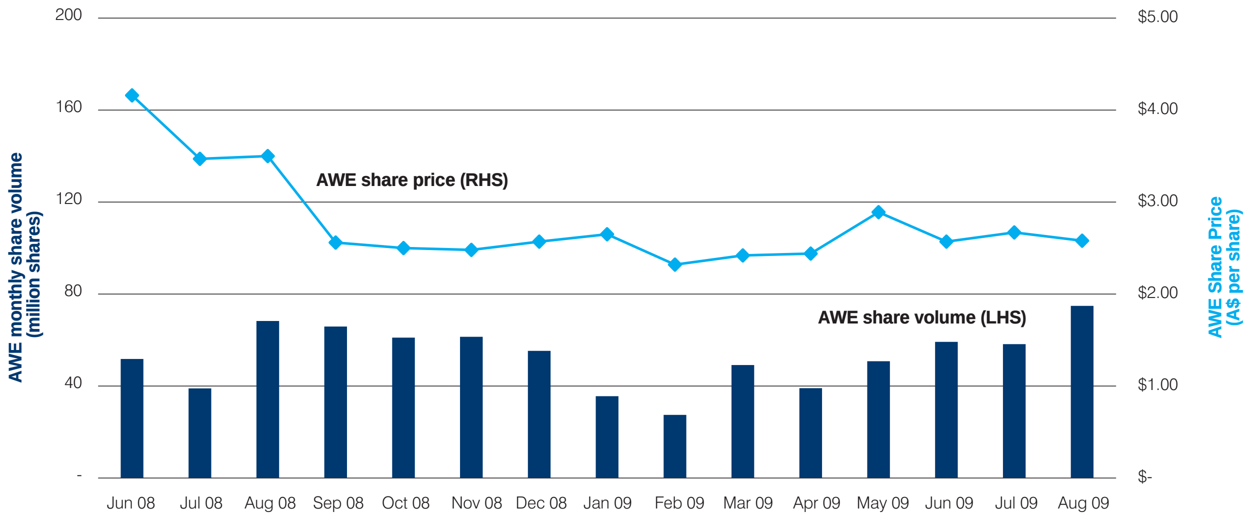
The share price performance of AWE was disappointing in the financial year, with the Company underperforming its peer group of Energy companies and the Australian market, in the form of the ASX 200 Index. The underperformance against the Energy Index was partly driven by the strong performance of a number of the coal seam methane companies in the Index, where a frenzy of deals were completed at premium prices during the period. AWE strives to outperform these indices over a rolling three year period and provide superior total shareholder returns to shareholders.

Changes to Directors

Mr Edward ("Eddie") Smith resigned from the AWE board on June 17, after some ill health. Eddie had been a Director of AWE since January 2000, following the merger with Omega Oil NL. Eddie has made a substantial contribution to the early stage development of AWE and remains a large shareholder. The board, management and staff wish Eddie a speedy recovery and best wishes for his plans post AWE.

Subsequent to the end of the year, AWE announced planned board changes to further strengthen the board with Mr Ken Williams being appointed to the board in August 2009 and Mr Bruce Phillips being nominated as a Director.

AWE share price and volumes traded



Ken Williams has over 20 years operational experience in corporate finance with an emphasis on treasury and financial risk management with significant Australian enterprises including Renison Goldfields, Qantas, Normandy Mining and Newmont Australia.

Bruce Phillips is also joining the board of AWE, subject to shareholder approval at the 2009 Annual General Meeting. Bruce is well known to AWE shareholders as the founding managing director, with extensive technical, commercial, strategic and leadership skills, which will be important in the future development of the Company.

We are also sad to report that Mr Colin Green will be retiring from the board of AWE at the 2009 Annual General Meeting. Colin was the first director of AWE and has made an outstanding contribution especially in the areas of financial discipline and corporate governance. His contribution to the business will be missed.

Future Outlook

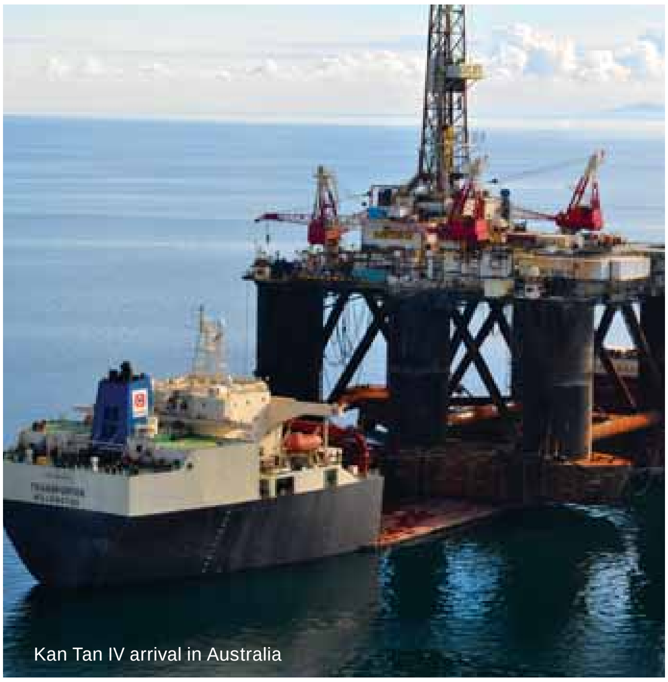
AWE has not been immune from the difficult financial conditions which have prevailed over the past 12 months. Sharply lower oil prices have severely impacted revenues and overall returns, but the strong balance sheet and appetite for growth means that AWE is better positioned to prosper into the future than a number of our peer group in the oil and gas sector.

AWE's total oil and gas production for the 2009-10 financial year is forecast to fall to 7.0 million BOE principally due to the natural field decline at Tui. A planned shutdown of the BassGas facilities late in 2009 is also expected to impact on the year's production performance.

After two years in planning, it is now expected that exploration expenditure in the 2009-10 financial year will increase significantly to $175 million. AWE has embarked on a very exciting exploration program, which will continue for the next nine months. This program will see continuous drilling activity in four countries; Australia, New Zealand, Indonesia and Yemen. It must be noted that under the Company's accounting policy, any costs associated with unsuccessful drilling will be expensed which will impact on reported profits.

The major exploration program in the current year includes drilling in five basins across four countries. This is a very important exploration program for AWE and one for which we hold high hopes for success; success that could more than double AWE's reserves. The program includes a combination of lower risk appraisal wells in both the Taranaki and Bass basins together with high potential exploration wells in New Zealand and Indonesia.

In parallel with the high level of exploration spending, AWE is continuing with a capital expenditure program to complete the Henry gas development and to maximise the value of the existing Yolla asset. This year AWE plans to spend approximately $125 million of capital expenditure on these assets. In addition to exploration



Kan Tan IV arrival in Australia

AWE is seeking to utilise its strong balance sheet to identify and evaluate asset and corporate acquisitions which could add value for shareholders.

AWE management have continued to evaluate new opportunities, both for exploration and for undeveloped producing assets. This activity will crystallise value for shareholders if the right opportunity is unearthed and delivered.

In this light, AWE's geographic focus has also expanded with the AWE/Mitsui scouting alliance in Europe. AWE and Mitsui are working together to search for new investment opportunities in Europe that will deliver new growth to the Company and reward shareholders.

AWE's prime driver is the creation of long-term shareholder value. Oil prices were volatile in the 2008-09 year and we expect further volatility in the future as the world economy recovers from the global financial crisis. AWE remains well placed to thrive in these conditions; our long-term oil and gas reserves, solid current cash flow and strong balance sheet place AWE in a very advantageous position.

The Company looks forward to the next year. AWE is financially strong and debt free, with an ongoing appetite for growth in shareholder value.

Bruce Wood
Managing Director

September, 2009.

"AWE is pleased to report that no injuries were reported by the business in the financial year"

Continuing our sustainability journey

AWE recognises that our operations have long-time horizons and managing them sustainably is vitally important. For a number of years sustainability has been part of our overall business strategy, focusing primarily on the health and safety of our employees. In recent years we have extended our view of sustainability more broadly – including aspects such as the environment, our reputation, corporate governance and the teaming of our people. We have also sought to formalise the concept of sustainability further into our business.

In our inaugural Sustainability Report 2008, we laid out our sustainability reporting commitments for future years, and began to implement processes for measuring and reporting our sustainability performance with a strong focus on developing a system to measure and monitor our greenhouse gas emissions. This is AWE's second sustainability report which confirms our commitment to alignment of our sustainability objectives with our core business objectives as well as highlighting our sustainability performance during 2009.

Formalising AWE's sustainability vision

For AWE, sustainability is about integrating the economic, social and environmental considerations into our core business, meeting stakeholder expectations and delivering superior business outcomes. We believe this can be achieved through our sustainability vision, which entails:

- valuing and maintaining the health and safety of our people;
- building a unified team which delivers valuable returns for our shareholders and provides challenging, satisfying and rewarding careers to our people;
- being a good corporate citizen applying best practice corporate governance to create value;
- respecting and contributing positively to the communities in which we operate and upholding our reputation; and
- conserving the diversity and sensitivity of the natural environments in which we operate.

These objectives recognise the stakeholders most valuable to us: our employees, communities and investors, to whom we rely on to provide a productive workforce, give us access to land and reserves, and to finance the growth of our business.

Sustainability at AWE begins at the board level, which is pivotal to embedding corporate responsibility within the organisation. This is achieved through our AWE vision and is linked directly to management incentives, of which one-third is now comprised of aspirations and targets around sustainability. From 2010, our employees will be rewarded for both individual and company success, by delivering a new company wide long term incentive

Lagoon rehabilitation near New Plymouth

plan that rewards all employees for company success linked equally to three key performance areas of "Base Business Delivery", "Growth" and "Sustainability".

The board has assigned accountability to me, the Managing Director of AWE, for integrating sustainability into our core business practice. For 2009, senior management has been responsible for determining the key areas for public reporting. This has been selected on a materiality basis, using reporting frameworks such as the Global Reporting Index G3, API/IPIECA Oil and Gas Guidance on Voluntary Sustainability Reporting so that we report the information that we believe relevant to our stakeholders. We found these to be health and safety and climate change for which we have collected and reported data over the 2009 period. In selecting our reporting boundary, we have reported greenhouse gas emissions and safety data associated with the operated facilities as well as our net share of non-operated production operation. We believe that this approach best reflects the overall impacts of our operations.

For collecting and reporting data, we have given ownership for the measurement frameworks at the site level as we believe this enables further integration of sustainability objectives into the business.

Sustainability is also embedded in our investment decision making process. As we continue to pursue growth opportunities which create shareholder value, we understand that growth must be sustainable, whilst our clear objective is to replace reserves, sustain production and grow the company to the benefit of our shareholders.

Sustainability performance highlights 2009

Our sustainability performance in 2009 was pleasing. We made significant progress in developing our reporting frameworks, collecting data and reporting of our performance in the aspects that we believe to be the most important to our business: climate change and safety. We saw sustainability integrated more strongly into our business – now representing one-third of our overall business vision and key performance indicators against which our employees' performance is measured.

In 2009, we have seen a strong focus in Australia on the complex issues surrounding climate change and greenhouse gas emissions reductions. In response to this, AWE responded for the first time to the Carbon Disclosure Project, which was a valuable process in understanding our exposure to climate change and communicating this information to our investors. In responding to the CDP, AWE is also committed to minimising our impact on the environment. We hope to achieve this through initiatives such as our agreement with Air Liquide, which will reduce our carbon dioxide venting emissions from our BassGas joint venture by 25% from 2010.

Another highlight was the progress we made on employee and contractor safety over the past 12 months, reducing lost time injury frequency rate ("LTIFR") from 2.34 to 0 across all of our operated and non-operated sites. This is a strong achievement for AWE as we believe a safe working environment is fundamental to a sustainable business.

In all of the communities that we work in, we continue to aim to leave them in "better shape" after we leave. Our community engagement programs continued in 2009, including AWE along with joint venture partner Mitsui becoming the national champion of the highly successful youth mentoring program, Big Brothers Big Sisters ("BBBS") in New Zealand.

Looking forward

Over the next year, we wish to continue formalising and embedding sustainability into the core of the business. In the years ahead, our focus will again be on safety and the environment and we will also be seeking to understand how AWE is perceived by stakeholders, and how we can maintain and improve our reputation

SUSTAINABILITY REPORT
continued

for integrity, transparency and sensitivity in all areas of our operations. We understand that our social license to operate is contingent on government and community confidence that our operations are properly conducted and provide benefit to the community. We aim to engage with our internal (employees) and external (communities and investors) stakeholders, using two-way consultation we will create open discussions to understand and address material stakeholder issues and commit to improving on and reporting on these issues in subsequent sustainability reports.

Continuing our sustainability journey….

In 2008, we incorporated an overview of our sustainability performance into our Annual Report for the first time. In recognition that communicating sustainability information to our stakeholders is essential, we committed to developing a sustainability measurement and reporting framework, to establishing a data collection methodology, and to reporting a set of measures and performance indicators covering the environmental and social performance. For 2009, we are proud to present our achievements against those commitments.

Safety

Our aim is to operate a safe and healthy workplace, with no fatalities or injuries. In the reporting year we achieved this target.

AWE maintains a strong focus on the safety of our employees, contractors and the communities in which we operate. We believe that all workplace accidents and injuries are preventable and continue to aspire to be injury free. Regardless of the severity of the injury, we maintain our belief that our safety performance can be improved, and that no task is so important that we risk an injury to our people. Our business relies on contractors to provide labour and for specialist skills and services. We value our contractors and their safety in exactly the same way we do our employees, and continue to work with contracting companies to improve our health and safety management systems.

We are pleased to report that over the period from 1 July 2008 to 30 June 2009, our lost time injury frequency rate ("LTIFR") rate was zero across all of our sites. LTIFR is where an employee or contractor is absent from work for a full shift as a result of a work related injury. At our operated sites, Tui Field and the Western Region – our LTIFR reduced from 3.5 in 2008 to 0 in 2009. Our total recordable injury frequency rate at our operated sites remained fairly consistent in 2008 and 2009. TRIFR includes lost time injuries, medical treatment injuries and restricted work injuries to employees and contractors.

We have refined our measurement of safety and note that our 2008 safety statistics now include our working hours from our offices in addition to sites to give a more complete picture of the safety across our operations. We have updated our 2008 and 2009 statistics to reflect this.

Looking forward

In 2010, we aim to achieve zero injuries at all sites, and to roll out further safety initiatives including improved application of risk assessment and increased training of employees and contractors.

Our team

Our aim is to build a unified team which delivers valuable returns for our shareholder and provides challenging, satisfying and rewarding careers to our people.

The success of our business strategy and our long-term sustainability as a company depends largely on the people who work for AWE. Sustainability requires constant attention to our people, the human capital of the company who are responsible for delivering the results to shareholders. Central to this is the alignment of the board, management and all other team members to deliver shareholder value and achieve high performance.

The combination of good people with the appropriate leadership and the ongoing commitment to operational excellence generates outstanding financial results. AWE ensures that we attract, retain and reward staff who demonstrates capacity to deliver the required operational excellence. By investing in ongoing training and development of our employees, we are ensuring our workforce is capable of taking on new challenges and contributing to the business improvements.

Looking forward

In 2010, we look to ensure all employees are rewarded for both individual and company success, through implementation of our long-term incentive plan that rewards all employees for company success linked equally to the three key performance areas of Base Business Delivery, Growth and Sustainability.

We look to build a unified team with a cooperative and communicative culture committed to the ongoing delivery of company objectives. We have a vision of zero regretted professional resignations, with a target of less than 5%.

We also look to develop a training plan including a training needs analysis to identify skills gaps and support the high performance culture.

Governance

AWE is committed to being a good corporate citizen applying best practice corporate governance to create value.

AWE seeks to meet or exceed statutory obligations and relevant codes of conduct governing corporate and financial integrity, safety and environmental performance. Corporate Governance also enables stakeholders outside of the decision making process to place more reliance and confidence in the business and its on-going viability including independence of directors and senior management, transparency of processes for risk management, audit and assurance. To achieve high standards of corporate governance, the Board has established policies including:

- Corporate Governance Statement
- Code of Conduct
- Charters of Board Sub-Committees
- Disclosure Policy
- Security Trading Policy
- Health, Safety and Environmental Policy
- Business Conduct Policies

These policies are available at www.awexplore.com

Looking forward

In 2010, we look to comply with all applicable regulation, laws and other obligation governing corporate and financial integrity, safety and environmental operations and performance.

Community and Reputation

Respecting and contributing positively to the communities in which we operate and upholding our reputation.

At AWE we will always seek to "do the right thing". AWE has formed strong relationships with many of the communities in which we operate – recognising its responsibility to contribute in a positive way. This is the key principle behind our decision for allocation of sponsorship funds. In addition to this key principle, AWE sponsorship opportunities should be:

- based on community needs, and designed in consultation with the community;
- measurable positive impact: socially, economically and environmentally;
- sustainable – delivering long term benefits; and
- self-support once AWE participation ends

In 2009, AWE in conjunction with Taranaki oil venture partner Mitsui became the national champion of the highly successful youth mentoring program, Big Brothers Big Sisters ("BBBS"). A three-year sponsorship deal (worth $NZ450,000) has guaranteed the program's national future, giving countless young people the chance to improve their lives and make the most of opportunities for the future.

The national sponsorship deal compliments the existing local sponsorship arrangement with Big Brothers Big Sisters of Taranaki. AWE and its partners in the Tui oil project have successfully sponsored Big Brothers Big Sisters of Taranaki for two years, and have just confirmed an additional $NZ100,000 per year for a further three years for the program. Big Brothers Big Sisters is a youth program, managed in some regions including Taranaki, by NZ Police's Youth Development section, which enjoys overwhelming positive community recognition.

In addition to supporting the BBBS program, AWE sponsors a variety of other youth focused programs including supporting the local high school Science and Math fairs, local Youth Summer Soccer league, and contributions towards assisting local schools with art and cultural programs. Support of these youth based programs is complimented by AWE's involvement as a sponsor of the Young Enterprise Scheme, where AWE staff provide business mentorship to local schools.

AWE's support extends into the community through contributions towards the purchase of new safety equipment for the Taranaki Surf Lifesaving Clubs, Waikirikiri Lagoon and Beach Restoration project which was developed with the local iwi and community to protect and enhance the biodiversity of the lagoon and beach areas through planting of native vegetation and ongoing maintenance of the area. A summary of the 2009 community activities is available on the AWE website.

As AWE expands new challenges will arise in interacting with diversity of locations, languages and cultures that will frame our interactions with communities.

Looking forward

In 2010 we look to continue to engage with our communities through stakeholder engagement processes and to continue to respond to community concerns – including the impact of our development activities on local communities, and responding to broader community needs.

Environment

AWE is committed to conserving the diversity and sensitivity of the natural environments in which we operate.

We understand that our operations – the extraction and production of oil and gas – have the potential to seriously impact on the environments in which we operate.
We continually strive to reduce our environmental impact and conserve biodiversity by implementing environmental management systems and technological improvements and innovation. We are committed to minimising our impacts through the life of our operations and via rehabilitation of the land once the operations have ceased.

AWE sponsorship of BBBS

SUSTAINABILITY REPORT
continued

AWE's Code of Conduct shows our clear commitment to complying with all applicable rules and regulations within and outside Australia with regard to the impact of our operations on the environment. When operating outside Australia, we continue to hold ourselves accountable to environmental leading practice. We will maintain an open and transparent disclosure with the investment community and regulatory authorities. We also seek to raise environmental awareness to all employees and contractors. We aim to be open with our stakeholders in the event of non-compliance with environmental laws and regulations.

Addressing climate change

Climate change is one of the most important business and environmental issues facing the world today. AWE acknowledges that climate change is a critical issue, accepting the need for a coordinated, global response. As a company operating in the oil and gas industry, AWE recognises its own environmental responsibility to participate in this effort and to address issues associated with our greenhouse gas emissions. This year the focus of our environmental reporting was developing our understanding of our greenhouse gas emissions profile across our operated and non-operated sites, and aggregating this at a corporate level.

In 2009, AWE reported under the CDP for the first time, addressing the regulatory and physical risks and opportunities associated with climate change, as well as disclosing our greenhouse gas emissions. Together with our joint venture partners, AWE is also required to report our greenhouse gas emissions from Australian operations under the National Greenhouse and Energy Reporting System. This reporting act requires robust, auditable data, which has assisted us to further our development of a more accurate data and measurement and reporting framework. It has facilitated our understanding of the emissions profile of our operations and joint venture partners in order to prepare us for the forthcoming Australian Carbon Pollution Reduction Scheme and New Zealand Emissions Trading Scheme. In recognising the need to cut global greenhouse gas emissions, we are supporting such regulatory frameworks.

As a producer of natural gas, we will help play a pivotal role in assisting Australia's transition to a low carbon economy. Climate change therefore presents an opportunity for AWE to explore new markets and develop its gas production. According to APPEA, natural gas uses between 17 and 50 percent less water than coal in the generation of electricity in Australia, and gas used for domestic power generation is estimated to emit as little as 30-50 percent of the carbon dioxide emitted by coal.

Greenhouse gas emissions and intensity

The summary table on page 23 shows the total annual emissions for our operations. We have reported our greenhouse gas emissions associated with our operated and non-operated assets on an equity share basis. We have also worked hard with the respective operators of our non-operated assets to ensure the accuracy of the data.

In 2008-09, our greenhouse gas emissions across operated sites totalled 316,565 tonnes of Carbon Dioxide equivalent (tCO_2-e). During the reporting period, the CO_2-e intensity of our sites remained flat 0.03 tCO_2-e/BOE. Emissions data from non-operated joint venture sites are indicative as they rely on data from joint venture partners. Flaring of methane at Tui in New Zealand (an operated site) reduced sharply through the year reflecting the lower output rates and increased recycling of gas. We will continue to look for ways to reduce flaring from our New Zealand operations and expect to see this reduced further in future years.

We undertook a number of initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation, such as our joint venture with Air Liquide at BassGas and Cool Energy's CyroCell® Technology in the Perth Basin.

Looking forward, AWE has a goal to continue this trend to reduce the greenhouse gas intensity across our operations. We believe this can be achieved through

Case Study:
Bass Gas emissions to be reduced by 25%

Carbon emissions from the BassGas gas plant at Lang Lang in Gippsland, Victoria will be reduced from the year 2010, following an agreement signed in May this year between the BassGas joint venture and Air Liquide, the leader in the CO_2 business in Australia.

The joint venture will capture approximately 25% of the carbon dioxide (CO_2) output of the gas plant which will be supplied to a new recovery unit to be constructed at the plant by Air Liquide at a cost of nearly $20 million.

The CO_2 recovered will be purified, liquefied and can then be re-used for various purposes including fire fighting, wine making, soft drink carbonation, food preservation and freezing. From 2010, the Air Liquide CO_2 recovery unit will reduce emissions from Lang Lang by 25 per cent.

investing in initiatives that reduce our greenhouse gas emissions, improving our operations and measuring and disclosing greenhouse gas emissions to stakeholders. AWE is already planning to use more fuel efficient generators in some of the existing gas plants, which will have the combined benefit of decreasing fuel usage and increasing gas sales into the network.

Incidents and spills

We are pleased to report that during 2009, no oil spill incidents occurred at AWE operated sites. We continue to implement a range of measures so as to prevent any incidents.

Looking forward

In 2010, we aim to define and commence data collection for a number of indicators, including, energy usage, water consumption, waste management and biodiversity.

We will also develop performance targets, and report our performance against targets in the next financial year in the Annual Report and as part our CDP submission. We also plan to improve our energy efficiency and implement initiatives to reduce greenhouse gas intensity (tCO_2-e/BOE), with particular focus on reducing our flaring of gas at the Tui oil field.

Our Vision

To achieve our vision to be a successful oil and gas exploration and production company, AWE will need to continue to achieve superior exploration, development and operations performance. In achieving this, AWE is committed to continually improving its framework for managing and reporting sustainability. As we look to grow our business exploration activities into Australia, New Zealand, Indonesia and Yemen and continue to create value for our shareholders, sustainability will be one of the key driving factors underpinning our business.

Over the next year, AWE's ongoing effort to build a successful and sustainable business will be guided by the commitments and targets laid out in this report. Our focus will be on better understanding our reputation, to improving our understanding of how AWE is viewed by our most valued stakeholders, and responding to the economic, social and environmental issues most material to them.

We will continue to understand our performance through the measurements and reporting framework, enabling us to reduce the impact of our operations and joint ventures on the environment and the communities in which we operate. To keep our stakeholders informed, we will continue to provide an overview of all sustainability issues and our performance related to our core business within our Annual Reports.

Our progress

The following table identifies our progress against actions and objectives we set in our Annual Report 2008, as well as actions and objectives for 2010.

AWE's priorities for 2010 will be to improve areas of the company's performance and to expand our reporting commitments and meet our objectives.

Focus Area	2009 Actions and Objectives	Progress	2010 Actions and Objectives
Sustainability reporting	Develop a sustainability measurement and reporting framework. Establish a data collection methodology and a set of measures and performance indicators covering the environmental and social performance coupled with economic performance.	Established data collection framework for key performance as determined by Senior Management.	Improve the quality of our data and meet reporting commitment for the environmental, social and management areas.
Safety	Zero injuries at all sites. Continue to improve safe operating procedures at our operations and joint ventures for all employees and contractors.	Achieved a zero lost time injuries at all sites. Aggregation of data at corporate level. Reported lost time injury frequency rates and total recordable injury frequency rates across all sites.	Zero injuries at all sites. Roll out further safety initiatives including improved application of risk assessment.

SUSTAINABILITY REPORT
continued

Focus Area	2009 Actions and Objectives	Progress	2010 Actions and Objectives
Our team	New for 2010.	New for 2010.	Ensure all employees are rewarded for both individual and company success, through implementation of our long term incentive plan that rewards all employees for company success linked equally to the three key performance areas of Base Business Delivery, Growth and Sustainability. We look to build a unified team with a cooperative and communicative culture.
Community	Support communities where we operate including ongoing monitoring the Taranaki coastal areas. Maximise the benefits to communities during our operations so that we can leave a positive legacy on communities after closure.	Collected data and information around investments made in the communities we operate.	Continue to engage with our communities through stakeholder engagement process. Respond to community concerns – including the impact of our development activities on local communities, and responding to broader community needs.
Engagement with stakeholders	Communicate with stakeholders by providing an overview of sustainability issues and performance against our commitments that relate to our core business within our annual report and on our website.	Provided an overview of sustainability issues we believed to be material to our business in our Annual Report 2009.	Develop a formal internal and external stakeholder engagement plan and use these forums to understand and address material stakeholder issues and to understand how AWE is perceived to identify areas for improvement. Report on our stakeholder engagement process and findings.
Environment	Develop an understanding of our greatest areas of environmental impact. Develop environmental performance targets for future reporting.	Reported on: – Greenhouse gas emissions – Greenhouse gas intensity – Gas Flaring at operated sites – Incidents and spills	Define and commence data collection for the following indicators: – Energy consumption – Fresh water consumption – Impacts of our operations on biodiversity – Air quality (SOx and NOx) – Waste Management Develop performance targets, and report our performance against targets in the next financial year in the company Annual Report and as part our Carbon Disclosure Project submission.
Climate change	Understand our exposure to climate change and associated regulation and to find ways to respond and adapt to the risks and opportunities associated with climate change Measure greenhouse gas emissions across sites, and reduce emissions.	Greenhouse gas inventory capturing data from all operated and non-operated sites prepared. Reduced greenhouse gas intensity (tCO_2-e/BOE) by 5%. During 2009, AWE responded to the Carbon Disclosure Project for the first time.	Improve energy efficiency and implement initiatives to reduce greenhouse gas intensity (tCO_2-e/BOE). Improve the data quality our response to CDP and make this publicly available. Reduce our flaring of hydrocarbon gases at the Tui oil field site.

Our performance data

Performance Measure	2008	**2009**	% Change
PRODUCTION (Equity Share)			
Oil Production ('000 BBls)	6,876	5,149	-25%
Gas Production (TJ)	15,641	18,418	+18%
LPG (tonnes)	13,197	19,802	+50%
Condensate ('000 BBls)	238	298	+25%
Total Production ('000 BOE)	9,875	8,746	-11%
GREENHOUSE GAS EMISSIONS (Operational Control)			
Direct Greenhouse Gas emissions (tCO_2-e)	301,585	316,565	+5%
Indirect Greenhouse Gas emissions (tCO_2-e)	126	132	
GREENHOUSE GAS EMISSIONS (Equity Share)			
Direct Greenhouse Gas emissions (tCO_2-e)	318,083	294,757	-7%
Greenhouse gas intensity (tCO_2-e/BOE)	0.032	0.033	
ENVIRONMENT			
Hydrocarbon Spills	1	0	n/a
SAFETY (All sites)			
Hours worked	1,283,000	1,265,000	+1%
Fatalities	0	0	
Lost time Injury	3	0	
Lost time injury frequency rate	2.34	0	
Total recordable injury frequency rate	4.67	5.53	
SAFETY (Operations)			
Hours worked	847,193	792,413	-6%
Fatalities	0	0	
Lost time Injury	3	0	
Lost time injury frequency rate	3.5	0	
Total recordable incidents	6	5	
Total recordable injury frequency rate	6.8	6.3	

AWE GROUP OPERATIONS

JOINT VENTURE INTERESTS AND RESERVES

Joint Venture Interests at 30 June 2009

Area	Joint Venture	Interest %
Production		
Australia		
Bass Basin	T/L1 and T/RL1 (BassGas)	42.50
Perth Basin	WA 31 L (Cliff Head)	57.50
	L1/L2 (Dongara)	100.00
	L1/L2 (Hovea and Eremia)	50.00
	L4/L5/PL 6 (Woodada)	100.00
	L7 (Mt Horner)	100.00
	L11 (Beharra Springs)	33.00
	L14 (Jingemia)	44.14
Otway Basin	VIC/L 24 (Casino)	25.00
	VIC/L 30 (Henry)	25.00
New Zealand		
Taranaki Basin[1]	PMP 38158 (Tui)	42.50
Argentina		
Neuquen Basin	LBEC	15.00

Area	Joint Venture	Interest %
Exploration		
Australia		
Otway Basin	VIC/P 44	25.00
Bass Basin	T/18 P[2]	42.50
	T/44 P	40.00
Perth Basin	WA 286 P	57.50
	WA 368 P	50.00
	EP 320	33.00
	EP 413	44.14
	EP 437	50.00
New Zealand		
Taranaki Basin	HSSB	42.50
	PEP 38401	50.00
	PEP 38481	53.75
	PEP 38482	50.00
	PEP 38483	44.32
	PEP 381202	100.00
	PEP 38451	10.00
	PEP 38524	100.00
	PEP 51321	44.32
Canterbury Basin	PEP 38259	25.00
Indonesia		
East Java Basin	Bulu PSC	42.50
	East Muriah PSC	50.00
	Terumbu PSC	100.00
Vietnam		
Nam Con Son Basin	Block 06/94	23.33
Yemen		
	Block no. 7	19.25
	Block no. 35	15.00
	Block no. 74	19.25

Notes:
1. Subject to a Net Cash Interest payable to the previous owners of a subsidiary of the Company (AWE Taranaki Limited, previously New Zealand Overseas Petroleum Limited), if returns from the Tui Area oil project in PMP 38158 exceed certain benchmark levels.
2. Subsequent to the end of the financial year, AWE acquired a further 5% interest in exploration permit T/18 P from Cal Energy Gas Australia Limited increasing its equity in the block from 42.5% to 47.5%.
3. The Company is also entitled to a Net Profits Royalty at rates varying from 7.5% to 8.3% from the Tintaburra field in ATP 299P. This royalty will be received when gross revenues from the permit exceed the sum of total expenditures from the permit.

JOINT VENTURE INTERESTS AND RESERVES
continued

Proved plus Probable Reserves at 30 June 2009 (AWE Share)

Area	Sales Gas (PJ)	LPG (ktonnes)	Condensate (million barrels)	Oil (million barrels)	Total mmboe	Notes
Australia						
Bass Basin						1
Yolla (T/L1)	122.4	377.8	4.7	0.3	29.8	2
Otway Basin						
Casino (VIC/L 24)	31.9	–	0.1	–	5.4	
Henry (VIC/L 30)	51.3	–	–	–	8.6	3
Netherby (VIC/L 30)	34.8	–	–	–	5.8	3
	118.0	–	0.1	–	19.8	
Perth Basin						
Cliff Head (WA 31 L)	–	–	–	5.4	5.4	
Onshore Perth (various)	7.3	–	–	1.1	2.4	
	7.3	–	–	6.5	7.8	
New Zealand						
Taranaki Basin						
Tui Area (PMP 38158)	–	–	–	11.6	11.6	4
Total	247.7	377.8	4.8	18.4	69.0	5

Notes:
1. The White Ibis, Aroo and Trefoil fields (T/18 P) have not been classified with proven or probable reserves pending future appraisal/commercialisation.
2. Oil reserves in Yolla (T/L1) only include recovery from initial gas development wells.
3. The Henry and Netherby fields have been classified with proved and probable reserves following drilling/completion of development wells.
4. Tui, Amokura and Pateke fields reserves defined to end of the FPSO contract (31/12/2022)
5. Conversion factors used are as follows: Gas 6 PJ = 1 mmboe; LPG 1 tonne = 11.6 boe; Oil 1 barrel = 1 boe; Condensate 1 barrel = 1 boe.

BOARD OF DIRECTORS

AWE Directors: Andy Hogendijk, Bruce Wood, Bruce McKay, Colin Green, David McEvoy.

Bruce G. McKay BSc (Hons) Geol, FIEAust, FAICD

Independent Non-executive Chairman
Bruce McKay is a geologist with almost 40 years experience in professional, management and executive roles in the upstream oil and gas industry.

Bruce was appointed Chairman of the Board of AWE on 19 March 1997.

Bruce J. W. Wood BE (Hons) Mining

Managing Director
Bruce Wood is a petroleum engineer with over 30 years of technical, commercial and management experience in the upstream oil and gas industry.

Bruce was appointed executive director of AWE on 11 April 2007.

Colin C. Green FCA

Independent Non-executive Director
Colin Green is a chartered accountant with 47 years experience in the corporate finance and business sector.

Colin was appointed a non-executive director of AWE at its incorporation on 17 March 1997.

David I. McEvoy BSc (Physics), Grad Dip (Geophysics)

Independent Non-executive Director,
David McEvoy has a petroleum geoscience background with almost 40 years experience in international exploration and development.

David was appointed a non-executive director of AWE on 22 June 2006.

Andy J. Hogendijk AAUQ, FCPA, FAICD

Independent Non-executive Director
Andy Hogendijk has had an extensive senior financial management career in a variety of industries.

Andy was appointed a non-executive director of AWE on 4 October 2007.

Board changes

Subsequent to the end of the year, AWE has appointed Mr Ken G. Williams as a non-executive director and has announced the nomination of Mr Bruce J. Phillips as a non-executive director.

2009 Financial Report

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DIRECTORS' REPORT

The directors present their report together with the financial report of Australian Worldwide Exploration Limited (the "Company") and of the consolidated entity ("AWE"), being the Company and its controlled entities, for the year ended 30 June 2009 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Bruce G. McKay BSc (Hons) Geol, FIEAust, FAICD

Independent Non-executive Chairman

Bruce McKay is a geologist with almost 40 years experience in professional, management and executive roles in the upstream oil and gas industry.

Bruce is an Honorary Life Member of APPEA, a member of PESA and the American Association of Petroleum Geologists, a Fellow of the Institution of Engineers Australia and a Fellow of the Australian Institute of Company Directors. He is the non-executive Chairman of Epic Energy Holdings Pty Ltd and is also an executive coach with the Stephenson Mansell Group. He was formerly a director of Sydney Gas Company Ltd.

Bruce was appointed Chairman of the Board of AWE on 19 March 1997. He is Chairman of the Remuneration Committee and a member of the Operations Risk Committee.

Bruce J. W. Wood BE (Hons) Mining

Managing Director

Bruce Wood is a petroleum engineer with over 30 years of technical, commercial and management experience in the upstream oil and gas industry. In addition to extensive experience in Australia, he has also lived and worked in Holland, France, the United States of America and Central America.

Prior to joining AWE, Bruce was the General Manager and a director of Delhi Petroleum Pty Ltd.

Bruce was appointed executive director of AWE on 11 April 2007.

Colin C. Green FCA

Independent Non-executive Director

Colin Green is a chartered accountant with 47 years experience in the corporate finance and business sector. Formerly a partner of KMG Hungerford, Hancock and Offner, Colin also previously held the position of Executive Director Corporate at TNT Australia.

Colin was appointed a non-executive director of AWE at its incorporation on 17 March 1997. He is Chairman of the Audit Committee and a member of the Remuneration Committee.

David I. McEvoy BSc (Physics), Grad Dip (Geophysics)

Independent Non-executive Director

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, Business Development in ExxonMobil Exploration Company from 1997 to 2002.

David is currently a non-executive director of Woodside Petroleum Ltd, Po Valley Energy Ltd and Innamincka Petroleum Ltd.

David was appointed a non-executive director of AWE on 22 June 2006. He is a member of the Audit Committee and Chairman of the Operations Risk Committee.

Andy J. Hogendijk AAUQ, FCPA, FAICD

Independent Non-executive Director

Andy Hogendijk has had an extensive senior financial management career with Suncorp Metway, Commonwealth Bank and the John Fairfax Group and roles with Shell Company of Australia and Australian Paper Manufacturers.

Andy is a fellow of CPA Australia and is a non-executive director of Magellan Flagship Fund Limited. He was formerly Chairman of Gloucester Coal Limited and a non-executive director of Aditya Birla Minerals Limited. He was appointed as a non-executive director of AWE on 4 October 2007 and is a member of the Audit Committee.

DIRECTORS' REPORT
continued

Directors of the Company who resigned during the financial year are listed below:

Edward S. Smith

Independent Non-executive Director

Edward Smith is a businessman with investments in exploration, mining and petroleum companies. He is a non-executive Chairman of Impress Ventures Ltd, an oil exploration company. He was formerly a director of Jupiter Energy Limited and Carpathian Resources Limited and non-executive Chairman of Jupiter Biofuels Limited.

Edward was formerly Chairman of Omega Oil NL and was appointed a non-executive director of AWE on 14 January 2000. Edward resigned as a director on 16 June 2009.

Company Secretary

Neville Kelly BCom (Merit), CPA

Chief Financial Officer and Company Secretary

Neville Kelly is an accountant with 27 years commercial experience including over 20 years in the upstream sector of the Australian oil and gas industry, including 12 years experience with Bridge Oil Limited. Neville is also the Chief Financial Officer of AWE and joined the Company on its public listing in 1997. He is responsible for all aspects of AWE's financial, accounting and secretarial operations.

Neville was appointed to the position of Company Secretary in October 1999.

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year were:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Operations Risk Committee Meetings	
Director	A	B	A	B	A	B	A	B
B. G. McKay	6	6	–	–	3	3	3	3
B. J. W. Wood	6	6	–	–	–	–	–	–
C. C. Green	6	6	5	5	3	3	–	–
E. S. Smith	5	6	–	–	2	3	2	3
D. I. McEvoy	6	6	5	5	–	–	3	3
A. Hogendijk	6	6	5	5	–	–	–	–

A – Number of meetings attended.
B – The number of meetings held during the time that the director held office during the financial year.

Remuneration Report

The Remuneration Report is set out on pages 39 to 50 and forms part of the Directors' Report for the financial year ended 30 June 2009.

Corporate Governance Statement

Details of the Company's corporate governance practices are included in the Corporate Governance Statement that is set out on pages 51 to 58 and forms part of the Directors' Report for the financial year ended 30 June 2009.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year included:

- exploration for oil and gas;
- appraisal and development of oil and gas properties; and
- production and sale of oil, gas and condensate.

Operating and Financial Review

Overview of the consolidated entity

Year to June	2009	2008	% Change
Gas production (PJ)	18.4	15.6	+18%
LPG production (tonnes)	19,802	13,197	+50%
Condensate production (bbls)	298,000	239,000	+25%
Oil production (bbls)	5,149,000	6,876,000	–25%
Total production ('000 BOE)	8,746	9,875	–11%
Sales revenue ($'000)	589,577	821,230	–28%
Net field contribution ($'000)*	476,013	738,749	–36%
Pre-tax profit ($'000)	213,065	503,971	–58%
Net profit after tax ($'000)	88,578	264,355	–66%

* Sales revenue less production costs.

Shareholder Returns

	2009	2008	2007	2006	2005	2004	2003
Profit/(loss) ($'millions)	88.58	264.36	35.38	(1.4)	(11.48)	5.96	10.06
Year end share price ($)	2.57	4.16	3.64	3.42	2.02	1.52	0.82
Change in share price ($)	(1.59)	0.52	0.22	1.40	0.50	0.70	0.05
Total shareholder return	(35%)	14%	6%	69%	33%	85%	6%
Relative to ASX 200 Energy Index	(11%)	(21%)	(12%)	38%	(31%)	45%	10%
Relative to ASX 200 Index	(15%)	31%	(17%)	50%	12%	69%	12%

Summary of financial performance

AWE's sales revenues fell during the year from the record year in 2008–09. The reduction came from both the lower oil and gas production during the year, as expected, in addition to the sharp reduction in US$ oil prices.

Net field contribution also fell sharply, as lower revenues impacted on returns from the oil and gas operations, while operating costs were higher due to the merger of new businesses, in particular the onshore Perth Basin operations.

A pre-tax profit of $213 million was reported for the year, after the expensing of $66 million of exploration and evaluation expenses and $62 million in asset impairment.

After tax AWE reported a net profit of $89 million, a 66% decline on the previous record year. This represents earnings per share of 17 cents.

Taxation

Taxation expense for the year amounted to $124 million, which represents an effective tax rate of 58.4%. The high effective tax rate has been primarily caused by the application of tax effect accounting to the consolidated entity's Petroleum Resource Rent Tax ("PRRT") and Accounting Profits Tax ("APR") projects. As a producer of oil and gas in Australian and New Zealand offshore waters, the consolidated entity is subject to, in addition to income tax, additional government imposts in the form of PRRT in Australia and APR in New Zealand.

The non-deductibility of exploration costs incurred outside of Australia or New Zealand, foreign exchange translation differences and not recognising the deferred tax asset on the impairment recognised on the consolidated entity's listed investments have all contributed to the high effective tax rate.

The taxation expense for the consolidated entity can be summarised as follows:

	Consolidated 2009 $'000	Consolidated 2008 $'000
Income tax expense – Australia	(12,556)	8,551
Income tax expense – New Zealand	73,582	131,262
Royalty related taxation – current**	68,880	73,862
Deferred PRRT and royalty related tax expense	(5,419)	25,941
	124,487	239,616

** PRRT and Accounting Profits royalty are deductible for income tax purposes.

DIRECTORS' REPORT
continued

Summary of Financial Position

AWE's balance sheet remains very strong, with in excess of $356 million of cash as at June 2009, a small increase on the prior year. A $52 million special dividend was also paid during the year.

Development and exploration expenditure reached a total of $135 million during the year, excluding the expenditures associated with the Arc Energy merger. Exploration spending is expected to rise sharply in the 2009-10 year, mainly in southern Australia and New Zealand, in addition to ongoing activity in Indonesia and Yemen. Further development expenditure on the Henry gas project and the FEED work at BassGas will also contribute to a substantial lift in exploration and development expenditures in the 2009-10 year.

AWE retains access to the unsecured corporate loan facility of A$135 million until December 2009. This facility remains undrawn at the end of June, 2009.

Merger with Arc Energy Limited ("Arc")

The Arc merger was implemented on August 25, 2008, resulting in the expansion of AWE's interests in some key oil and gas projects and several prominent exploration plays.

Progress on Cornerstone Assets

In New Zealand, the Tui Area oil project (PMP 38158, offshore Taranaki Basin, New Zealand, AWE share 42.5%) completed its second year of safe production operations and again exceeded the expectations of the project participants. Gross oil production of 9.1 million barrels or an average of approximately 25,000 bopd was slightly ahead of market guidance. The next phase of activity at Tui will be seen late in 2009, where a 2-well appraisal/near field exploration program is scheduled.

The BassGas project (T/L1, Bass Basin, offshore southern Australia, AWE share 42.5%, following implementation of the merger with Arc Energy, AWE's share of the BassGas project increased from 30.0% to 42.5%) continued its routine production operations during the year, achieving gross gas sales of 17.6 PJ and strong condensate and LPG yields. Production levels were impacted slightly by both scheduled and unscheduled maintenance during the year, but at year end the operations were producing consistently at rates of up to 70 TJ per day. Early planning and design work has started on the next phase of development for BassGas, including the drilling of additional wells at Yolla and the potential installation of compression on the Yolla platform.

The Casino gas project (VIC/L 24, Otway Basin, offshore southern Australia, AWE share 25%) continued its normal strong production performance during the year, producing in excess of 33 PJ of gas, in line with the long term contracted rates. The Henry gas project, being the development adjacent to Casino, suffered from some delays during the year, but following the execution of contracts for the offshore pipeline installation, the development is expected to be completed in the coming year.

The Cliff Head oil project (WA 31 L, Perth Basin, offshore Western Australia, AWE share 57.5%, following implementation of the merger with Arc Energy, AWE's share of the Cliff Head oil project increased from 27.5% to 57.5%) produced 1.9 million barrels of oil during the year, at an average rate of approximately 5,250 bopd. The flow rates were lower than previous, as a result of natural field decline and some problems with the downhole pumps. Plans for the workover operations to replace some pumps have been initiated to assist in arresting the decline rates.

AWE acquired the onshore Perth Basin operations through the merger with Arc Energy Limited. The production operations comprise a series of small oil and gas fields to the south of Dongara, with total net oil and gas production of 0.3 million barrels of oil and 2.9 PJ of gas being achieved from these operation for AWE during the year. A 4-well drilling program has been undertaken to provide additional production and to test some of the undrilled prospects in the region.

Drilling Activity

AWE completed a successful drilling campaign in the offshore Otway Basin in the early part of the year, with a successful gas discovery (Netherby-1) being drilled. The exploration phase was followed by two successful development wells, both of which were successfully suspended for future gas production through the Henry gas development.

Later in the year, AWE participated in the initial stages of a 4-well program in the onshore Perth Basin. This drilling, a mix of exploration and development wells, which had some success, has continued into the 2010 financial year.

In Vietnam, AWE participated in the Tuong Vi-1 exploration well in the Nam Con Son Basin as part of the exploration-led strategy in Asia. The well was unsuccessful and AWE intends to withdraw from this permit.

2008-2009

Well Name	Location	AWE share	Comments
Pecten East-1	Otway	25.0%	Plugged and abandoned with gas shows
Netherby-1	Otway	25.0%	Commercial gas discovery
Netherby-1 ST1	Otway	25.0%	Successful gas development well
Henry-2	Otway	25.0%	Successful gas development well
Hovea-13	Perth	50.0%	Successful oil development well
Apium North-1	Perth	50.0%	Plugged and abandoned
Tuong Vi-1	Nam Con Son	22.3%	Plugged and abandoned

The 2010 program is focused on the long awaited activity in the Bass and Taranaki Basins. This activity has been delayed due to the late arrival of the Kan Tan IV offshore drilling rig. In addition, AWE is planning drilling in Indonesia, following the success in 2008 and is also drilling for the first time in Yemen in the December quarter.

Based on our current drilling schedule, the company expects to participate in the following wells during the 2009-10 financial year:

2009-2010

Well Name	Location	AWE share	Timing/Comments
Jingemia-12	Perth	44.1%	Successful oil development well
Redback South-1	Perth	33.3%	August 2009
Trefoil-2	Bass	47.5%	September 2009
Rockhopper-1	Bass	47.5%	October 2009
Hoki-1	Taranaki	50.0%	December quarter 2009
Tui NE-1	Taranaki	42.5%	December quarter 2009
Spatha-1	Shabwa (Yemen)	19.25%	December quarter 2009
Unnamed well	East Java	42.5%	December quarter 2009
Further Tui well	Taranaki	42.5%	March quarter 2010
Tuatara-1	Taranaki	100%	March quarter 2010

Note: Timing of the exploration program is subject to change, but the table above reflects the expected timing as of the date of this report.

Future Performance and Strategy

AWE has not been immune from the difficult financial conditions which have prevailed over the past 12 months. Sharply lower oil prices have severely impacted revenues and overall returns, but the strong balance sheet and appetite for growth means that AWE is better positioned to prosper into the future than a number of our peer group in the oil and gas sector.

AWE has embarked on a very exciting exploration program, which will continue for the next nine months. This program will see continuous drilling activity in four countries; Australia, New Zealand, Indonesia and Yemen.

AWE management have continued to evaluate new opportunities. This activity will crystallise value for shareholders if the right opportunity is unearthed and delivered.

The Company looks forward to the next year. AWE is financially strong and debt free, with an ongoing appetite for growth in shareholder value.

Significant Changes in the State of Affairs

Other than as set out below, in the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity during the financial year under review.

The implementation of the Arc Energy merger was completed on August 25, 2008. The merger has united complimentary companies providing benefits to shareholders. The merger has increased AWE's interests in the BassGas and Cliff Head projects, where AWE is a major participant and has expanded the exploration and development options for the company.

Completion of the merger with Arc resulted in the issue of 69.7 million new AWE shares as partial consideration for the transaction with the remaining consideration represented by cash of $161.6 million (excluding transaction costs of $13.7 million).

DIRECTORS' REPORT
continued

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 2009 financial year:				
Special dividend	10.0	52,082	Franked	30 January 2009

Franked dividends declared as paid during the year were franked at the rate of 30 per cent.

Events Subsequent to Balance Date

Subsequent to the end of the financial year, AWE acquired a further 5% interest in exploration permit T18/P in the offshore Bass Basin from CalEnergy Gas Australia Limited increasing its equity in the block from 42.5% to 47.5%. The purchase, at a net cost of approximately $9 million (including drilling costs), will be funded from existing cash reserves. The transaction remains subject to the completion of joint venture and governmental approvals.

Likely Developments

In the opinion of the directors, the provision of further information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations would be likely to result in unreasonable prejudice to the consolidated entity and, accordingly, has not been included in this report.

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:

	Fully paid ordinary shares	Employee share options	Exercise price	Expiry date
B. G. McKay	223,805	–	–	–
B. J. W. Wood	138,050	500,000	$2.77	10 April 2012
		1,000,000	$3.18	30 August 2012
C. C. Green	43,293	–	–	–
D. I. McEvoy	–	–	–	–
A. Hogendijk	–	–	–	–

No directors' interests are subject to margin loans.
Details of employee share options are set out under "Options".

Options

Under the Company's Share Option Plan, options to subscribe for ordinary shares in the Company are issued at the discretion of the directors and the exercise price and exercise period are determined on the basis of rewarding employees if the Company's share price achieves significant long-term growth. Options are unlisted and are granted with exercise prices not less than the average market price of the Company's shares for the five days prior to grant.

The Plan was approved by shareholders at the time of the float of the Company. The sum of the number of shares issued on the exercise of options in the previous five years and the number of unexercised options cannot exceed 5% of the total number of shares on issue at any time.

During or since the end of the financial year, the Company granted options for no consideration over unissued ordinary shares to the following officers:

				Exercise period(1)	
	Grant date	Number	Exercise price	Start date	Expiry date
R. D. Frith	14 August 2008	100,000	$3.28	31 July 2011	14 August 2013
L. J. Brooks	14 August 2008	100,000	$3.28	31 July 2011	14 August 2013
N. F. Kelly	14 August 2008	100,000	$3.28	31 July 2011	14 August 2013
I. D. Palmer	14 August 2008	100,000	$3.28	31 July 2011	14 August 2013
D. Washer	14 August 2008	100,000	$3.28	31 July 2011	14 August 2013
B. W. Wray	14 August 2008	100,000	$3.28	31 July 2011	14 August 2013

(1) The exercise of these options is subject to the satisfaction of performance conditions (refer to the Remuneration Report on pages 39 to 50).

At the date of this report the details of options on issue under the Company's Share Option Plan are as follows:

Number	Exercise price	Expiry date
950,000	$1.85	21 December 2009
700,000	$2.10	25 September 2010
300,000	$2.10	24 November 2010
300,000	$2.21	24 November 2010
300,000	$2.31	24 November 2010
300,000	$2.46	19 March 2011
2,100,000	$2.59	19 March 2011
2,960,000	$2.71	19 March 2011
100,000	$2.66	11 April 2011
275,000	$3.00	15 June 2011
1,275,000	$3.27	19 July 2011
65,000	$3.10	9 November 2011
150,000	$2.86	14 January 2012
555,000	$2.68	11 March 2012
2,315,000	$3.56	14 July 2012
45,000	$3.56	8 October 2012
500,000	$2.77	10 April 2012
1,000,000	$3.18	30 August 2012
125,000	$3.65	6 April 2013
275,000	$4.10	12 May 2013
300,000	$4.08	11 June 2013
1,566,000	$3.28	14 August 2013
75,000	$2.60	15 January 2014
437,500	$2.75	15 June 2014
16,968,500		

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number	Exercise price
100,000	$1.60

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 secretary is indemnified against:

a. 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; or
b. a liability for costs and expenses incurred by that person:
   i. in defending any proceedings in which judgement is given in that person's favour, or in which that person is acquitted or
   ii. in connection with an application in relation to any proceedings in which the Court grants relief to that person under the Corporations Act.

DIRECTORS' REPORT
continued

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 consolidated entity. 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.

Non-audit Services

During the year, KPMG, the Company's auditor, has performed certain other services in addition to its statutory duties.

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 Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided 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, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below. In addition, amounts paid to other auditors for the statutory audit have been disclosed:

	Consolidated	
	2009 $	2008 $
Statutory audit:		
Auditors of the Company		
KPMG Australia – audit and review of financial reports	356,287	168,895
Overseas KPMG firms – audit and review of financial reports	8,730	6,477
	365,017	175,372
Other auditors – audit and review of financial reports	2,263	2,547
	367,280	177,919
Services other than statutory audit:		
KPMG Australia		
– Taxation compliance services	493,056	248,011
– Taxation services (Arc Energy Limited Scheme of Arrangement)	64,281	313,575
Overseas KPMG firms		
– Taxation compliance services	310,069	115,881
– Other assurance services	36,733	10,526
	904,139	687,993

Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 38 and forms part of the Directors' Report for the year ended 30 June 2009.

Rounding Off

The Company is of a kind referred to in Australian Securities and Investments Commission ("ASIC") Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in the financial report and the Directors' Report have been rounded off to the nearest one thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the directors:

Bruce McKay

B. G. McKay
Chairman

B J W Wood

B. J. W. Wood
Managing Director

Dated at Sydney this twenty fifth day of August 2009

LEAD AUDITOR'S INDEPENDENCE DECLARATION

Lead Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001

To: the directors of Australian Worldwide Exploration Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

David Rogers
Partner

Dated at Sydney this twenty fifth day of August 2009

REMUNERATION REPORT

This report is prepared in accordance with section 300A of the Corporations Act 2001. Where appropriate, information which is included in other parts of the Annual Financial Report is included in this report by reference.

AWE strives to achieve best practice in all aspects of corporate governance and as such, has followed Best Practice principles in the Remuneration Report as outlined herein. AWE has also obtained guidance from the Australian Institute of Company Directors ("AICD"), the ASX, the International Corporate Governance Network ("ICGN"), industry professionals and has relied on market comparative data in the creation of this document and subsequent implementation of remuneration policies.

Given the expanding size and nature of the Company's operations and staff numbers, AWE has continued to review remuneration practices during the current financial year to ensure that remuneration packages and policies are competitive and appropriate in today's environment. As a consequence of this review in particular it is proposed that AWE implement an employee cash share plan (refer to Section 2.3.3 of this report) as a means of providing long term incentives to employees and it is anticipated that employee share options will no longer be issued.

1. Remuneration Policies

1.1 Remuneration committee

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

The role of the Remuneration Committee is documented in a formal charter approved by the Board and is reviewed and updated periodically.

The responsibilities of the Remuneration Committee are to review and make recommendations to the Board on:

- policies for employment and remuneration of all AWE staff;
- recruitment, retention and termination policies and procedures 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 incentives and share incentive plans based upon measurable performance objectives;
- superannuation arrangements;
- the remuneration framework for non-executive directors, within the limit approved by shareholders; and
- other matters as requested by the Board.

The Remuneration Committee is to be comprised of not less than two non-executive directors, the majority of whom shall be independent. The Remuneration Committee comprises Mr Bruce McKay (Chairman) and Mr Colin Green. Up until his resignation as a director of the Company on 16 June 2009 Mr Edward Smith was also a member of the Remuneration Committee.

Meetings are to be held at least twice a year. The number of Remuneration Committee meetings and the number of meetings attended by each of the members of the Remuneration Committee during the financial year and information regarding Committee member experience and responsibilities are set out in the Directors' Report.

The remuneration policy of AWE is to establish remuneration practices that:

- are 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 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 a broad range of stakeholders;
- define the relationship of remuneration to corporate and individual performance; and
- attract and retain talented and effective directors and employees so as to encourage enhanced performance of the Company.

The Remuneration Committee 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.

REMUNERATION REPORT
continued

1.2 Remuneration Structures

The remuneration structures explained in this report are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of sufficiently motivating directors and senior executives to create value for shareholders. The remuneration structures take into account:

- the capability and experience of directors and senior executives;
- the ability of directors and senior executives to control the performance of their relevant area of responsibility;
- the performance of the consolidated entity including:
  - the success of exploration and production activities;
  - compliance with regulatory regimes;
  - adherence to health, environment and safety policies;
  - the consolidated entity's financial results; and
  - the growth in share price and returns to shareholders;
- the level of performance benefits within each executive's remuneration package;
- the relative value of each component of the remuneration package; and
- current economic and industry circumstances.

For the purposes of this report the senior executives who represent Key Management Personnel of the consolidated entity are:

Senior Executive	Position
Mr L. J. Brooks	General Manager, Exploration
Mr R. D. Frith*	General Manager, Engineering
Mr N. F. Kelly	Chief Financial Officer/Company Secretary
Mr I. D. Palmer	General Manager, Development
Mr D. Washer	General Manager, New Zealand
Mr B. W. Wray	General Manager, Commercial and Business Development
Mr G. J. Jeffery	General Manager, Western Region (from 28 August 2008)

The five highest paid executives of the Consolidated Entity are included above.
* Mr Frith retired on 8 July 2009.

2. Managing Director and Senior Executives

2.1 Mix of Remuneration

Remuneration packages consist of fixed remuneration in the form of base salary and superannuation (where applicable), short-term performance benefits in the form of cash bonuses and long-term performance benefits in the form of employee share options (historically) and cash share rights (for future awards).

Packages are tailored to individual employees in order to provide strong incentive to deliver business outcomes for the benefit of shareholders and are designed to reflect labour market demands. The aim of individual remuneration packages is to provide a balance between the immediate and the long-term goals of AWE.

Remuneration levels are reviewed at least annually by the Remuneration Committee through a process that considers independent externally provided remuneration data and overall performance of the consolidated entity to ensure that the remuneration of the Managing Director and senior executives is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

The guiding philosophy of the Company's remuneration structure is to deliver 75th percentile outcomes for the executive if target performance is satisfactorily achieved, with a significant proportion "at risk". Fixed remuneration levels are up to the median of market and industry comparatives, while short term incentives in the form of annual cash bonus payments and long term incentives in the form of employee share options (historically) and employee cash share rights (for future awards) are designed to deliver total remuneration packages which approximate third quartile market levels. Above target performance can result in top quartile remuneration outcomes versus the relevant market comparatives.

Managing Director – fixed remuneration (base salary plus superannuation) comprises 40-100% of the total remuneration package, with short-term performance benefits designed to offer up to 50% of the fixed remuneration and long-term performance benefits designed to offer up to 100% of the fixed remuneration. For outstanding absolute and relative AWE share price performance, the long term incentive plan could ultimately deliver greater than 100% of fixed remuneration.

Senior Executives – fixed remuneration (base salary plus superannuation) comprises 50-100% of the total remuneration package, short-term performance benefits up to 40% of the fixed remuneration and long-term performance benefits up to 60% of fixed remuneration. For outstanding absolute and relative AWE share price performance, the long term incentive plan could ultimately deliver greater than 60% of fixed remuneration.

2.2 Fixed Remuneration

Fixed remuneration consists of base remuneration calculated on a total cost basis, including fringe benefits tax and employer contributions to superannuation (if applicable).

The annual review of fixed remuneration determined that in the current challenging economic climate there would be no increases effective July 2009 for all levels of staff, other than to correct obvious anomalies or on promotion or acceptance of increased responsibilities of an employee.

A further review of fixed remuneration levels will be undertaken in January 2010.

2.3 Variable Remuneration

Variable remuneration, which includes both short-term and long-term components, is designed to reward the Managing Director and senior executives for meeting or exceeding their respective financial, operational and individual objectives. Those benefits are an "at risk" bonus provided in the form of cash and/or employee share options (historically) and cash share rights (for future awards).

Each year, the Board sets the Key Performance Indicators ("KPIs") for the Managing Director and the corporate performance targets. The Managing Director then sets KPIs for the senior executives. The KPIs take into consideration measures relating to the performance of the consolidated entity, the relevant part of the business and the individual, and include but are not limited to exploration and production activities, financial performance, total shareholder returns and risk strategy measures. The measures are chosen to align the individual's reward to the KPIs of the consolidated entity and to its strategy and performance.

2.3.1 Short-term Performance Benefits

Short-term performance benefits are awarded in the form of cash bonuses paid on an annual basis for performance during a given financial year.

Managing Director

A short-term performance benefit of up to 50% of fixed remuneration can be awarded subject to satisfaction of KPIs as approved by the Board. For the June 2009 financial year these KPIs were based on a balanced scorecard approach and included measures which reflected, in equal proportion:

- Safety and environmental performance;
- Financial results;
- Team leadership; and
- Company growth.

There are two reward bands – target (meets performance objectives) and stretch (exceeds performance objectives).

Achievement of target consolidated entity performance entitles the Managing Director to a short-term performance benefit of 25% of fixed remuneration and a further 25% of fixed remuneration on the achievement of stretch targets.

Senior Executives

A short-term performance benefit of up to 40% of fixed remuneration can be awarded subject to satisfaction of KPIs

The criteria for the award of short-term performance benefits to senior executives are:

Consolidated Entity Performance (maximum of 20% of fixed remuneration) – the performance of the consolidated entity as per the KPIs of the Managing Director.

Individual Performance (maximum of 20% of fixed remuneration) – a combination of individual KPIs and departmental KPIs over which the individual senior executive has responsibility.

KPIs are determined in advance each year and the Managing Director annually reviews and determines the performance of each senior executive against these KPIs with the Remuneration Committee.

There are two reward bands – target (meets performance objectives) and stretch (exceeds performance objectives).

Achievement of target consolidated entity performance entitles the senior executive to a short-term performance benefit of 10% of fixed remuneration and a further 10% of fixed remuneration on the achievement of stretch targets.

Similarly, the achievement of target individual performance entitles the senior executive to a short-term performance benefit of 10% of fixed remuneration and a further 10% of fixed remuneration on the achievement of stretch targets.

In the special circumstance of outstanding individual performance, the Board may award up to 100% of that individual's short term performance benefit even though some KPIs have not been achieved. This special circumstance is designed to reward and retain outstanding employees in times where some KPI targets have not been achieved due to circumstances beyond the control of the individual senior executive.

REMUNERATION REPORT
continued

2.3.2 Long-term Performance Benefits

Long-term performance benefits in the form of employee share options have historically been granted to senior executives and the number granted is based on the relative level of the individual senior executive in the consolidated entity and generally have a vesting period of three years and a total term of five years.

In addition, employee share options have been granted to attract and provide incentive for suitably qualified new senior executives.

In July 2008, employee share options were granted to senior executives but employee share options which would normally have been granted to senior executives in July 2009 have not been granted pending the implementation of a proposed cash share plan (refer Section 2.3.3).

The vesting of all employee share options is subject to the satisfaction of relative performance conditions. Relative performance criteria used to determine the ability of senior executives to exercise employee share options is measured by comparing the consolidated entity's TSR over a rolling three-year period against both the ASX Energy Index and the ASX 200 Index (refer to Section 5.2 for the relative performance criteria applying to the June 2009 financial year).

Under the relative performance measure, the consolidated entity must outperform the nominated index or indices over the previous rolling three-year period for employee share options to vest. If this relative performance measure is not satisfied, then only a proportion of employee share options will vest. Further, retesting of this relative performance measure is allowed every twelve months until expiry of the employee share option (which is generally a period of a further two years).

In a similar manner to the award of short-term performance benefits, in the special circumstance of outstanding individual performance, the board may allow employee share options to vest even though the relative performance criteria has not been achieved. Again, this is designed to retain outstanding employees in the special circumstance where these targets have not been achieved due to circumstances beyond the control of the individual senior executive. No such circumstances applied in the 2009 financial year and the Board did not allow for vesting of any options beyond the performance criteria or general rules of the plan.

Employee share options have generally been granted with a three year vesting period and can only be exercised by senior executives at the end of that three year period on the satisfaction of the relative performance criteria. Accordingly, senior executives will only be rewarded in circumstances where both the Company's share price achieves long-term growth and the relative performance criteria have been achieved.

Any options granted are issued under the Employee Share Option Plan (made in accordance with the plan approved by shareholders at the time of the float of the Company).

Key terms of the Employee Share Option Plan include:

- The exercise price must not be less than the higher of the market price or the minimum price specified in the ASX Listing Rules. The market price is determined by the five-day volume weighted average price prior to grant.
- The sum of the number of shares issued on the exercise of options in the previous five years and the number of unexercised options cannot exceed 5% of the total number of shares on issue at any time.
- Options are issued for a term of not more than five years, may have various vesting periods and can only be exercised after the conditions of exercise are met.

Without approval from the Chairman or the Remuneration Committee, senior executives are not permitted to enter into 'hedge contracts' or other forms of arrangements which may have the effect of fixing the value of, or return on, securities which form part of the incentive component of their remuneration or salary package (whether the securities are fully vested or not). As a general rule, approval is only likely to be given in exceptional circumstances (which will be determined at the discretion of the Chairman or Remuneration Committee as the case may be) and no such approvals have been granted.

On implementation of the merger with Arc Energy, the Company previously announced its intention to move towards the issue of performance rights rather than employee share options as a means to deliver long-term incentive benefits. The introduction of this scheme has been delayed by the recent changes announced in the 2009 Federal Budget regarding such plans and the taxation of such benefits. Once the final legislation is passed, the Company will confirm the details of the plan.

2.3.3 Proposed Employee Cash Share Plan

The employee cash share plan is designed to generate performance-based cash awards that may be converted, at the Board's discretion, into cash, AWE shares or other employee benefits.

The key elements of the proposed plan include:

- Rights will be granted automatically each year;
- The number of rights granted will be determined by the employee's level in the Company, their fixed remuneration and the value of the right, which is related to the 30-day VWAP of the AWE share price in the June of the year of grant (see below for proposed levels of grants for the Managing Director and senior executives);
- There will be three tranches of rights with separate vesting criteria;
  - Retention
  - Absolute TSR
  - Relative TSR
- The vesting period will be three years and there will be no retesting.

The conditions for the cash share rights and the criteria for vesting will be:

Retention Grants

- Valued at 30-day VWAP of AWE share price in June of grant year
- Vest after three years if participant remains employed by AWE

Absolute TSR Grants

- Valued with 33⅓% discount to 30-day VWAP of AWE price in June of grant year
- Vest after three years according to the table below of 30-day VWAP in June of Year 3 vs. 30-day VWAP in June of grant year

AWE TSR	% of rights to vest
<6% pa compound	0
6% pa compound	25%
>6% and <9% pa compound	Pro rata
9% pa compound	50%
>9% and <12% pa compound	Pro rata
12% pa compound	100%

Relative TSR Grants

- Valued with 33⅓% discount to 30-day VWAP of AWE price in June of grant year
- Vest after three years according to the table below of AWE TSR relative to companies in ASX Energy Index in grant year (companies no longer in the index are excluded)

AWE TSR relative to TSRs of companies in S&P/ASX Energy Index at date of grant	% of rights to vest
< P(50)	0
P(50)	50%
>P(50) and <P75)	Pro rata
P(75) and above	100%

Vested rights will entitle the participant in the plan (all full-time and permanent part-time employees will be eligible) to a cash amount which will vary with the AWE share price. Participants in the plan may at any time after vesting request the Board to pay out Vested Awards and the Board may approve or decline the payout request. If not paid out in cash or other employee benefits at the time of vesting or request, these entitlements will be contributed to an employee share acquisition trust (ESAT), from which the Board can deliver cash or shares at its discretion to the participant. The Board may determine to pay out Vested Awards at any time irrespective of whether or not the participant has requested that a Vested Award be paid out.

The ESAT is an entity that may:
- Accept non-refundable contributions from AWE or the AWE Group
- Apply them to acquire AWE shares, as directed by the Board, by either on-market purchase or subscription to a new issue
- Transfer title of those shares to the participant

The proposed cash share rights to be granted to the Managing Director and senior executives as a percentage of fixed remuneration is shown in the following table (consistent with the Mix of Remuneration described in Section 2.1):

	Retention Vesting Condition	Absolute TSR Vesting Condition	Relative TSR Vesting Condition	TOTAL
Managing Director	20%	40%	40%	100%
Senior Executives	20%	20%	20%	60%

The 30 day VWAP to 30 June 2009 was $2.71.

2.3.4 Rationale for Choice of Criteria for Determining Variable Remuneration

For the short term performance benefits (annual cash bonuses), the Remuneration Committee considers that establishing meaningful and measureable corporate, departmental and individual KPIs can drive performance for which the Company rewards the performance of individuals and their contribution to achieving the corporate objectives.

For historical long term performance benefits (employee share options awarded in prior years), the TSR performance criterion was chosen as it is widely accepted as one of the best indicators of shareholder wealth creation, as it includes share price growth, dividends and other capital adjustments. The comparator index used to measure relative TSR performance is determined annually so that remuneration levels are not purely formula driven and a degree of flexibility is retained. This will allow the Remuneration Committee to take into account any abnormal factors that may affect the measure of relative TSR performance. For the 2009 financial year the Company's share price performance was compared to both the ASX 200 Index and the ASX Energy Index and underperformed against both.

For the proposed employee cash share plan, the rationale for the choice of absolute and relative TSR and retention criteria include:
- To align employees with commonly shared goals related to producing high returns for shareholders over the medium to long term;
- To encourage and assist employees to become shareholders of AWE themselves;
- 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 such calibre of talent, minimise employee turnover and stabilise the workforce.

The Remuneration Committee considers that the current remuneration structure is generating the desired outcome and a direct linkage has been established between company performance and short and long-term rewards. The evidence for this is that there has been considerable growth in the Company over the last five years and in addition, the Company has been successful in attracting and retaining a highly skilled and motivated workforce.

2.4 Other Benefits

The personal needs of directors and senior executives may be taken into account when determining the appropriate remuneration mix and the Company allows salary sacrifice arrangements to the extent that there is no net cost to the Company doing so.

2.5 Service Agreements

Managing Director

Mr Bruce Wood has been Managing Director of the Company since 1 September 2007 and at the time of his formal appointment details of the service agreement entered into with Mr Wood was disclosed. A summary of the key terms of the service agreement and remuneration details are as follows:

Term of contract:

Commencement date of 1 September 2007 under a rolling twelve month contract with a minimum term of three years.

Remuneration:
- Current fixed remuneration of $750,000 per annum inclusive of superannuation reviewed annually on 1 July (refer comment in Section 2.2 of this report where it is noted that this annual review determined that no increases would be awarded to employees including the Managing Director before January 2010).
- Short-term performance benefits as summarised in Section 2.3.1 of this report.
- Long-term performance benefits in the form of employee share options of up to 50% of total remuneration granted on a rolling three year basis. These options vest if the consolidated entity achieves relative shareholder returns as described in Section 2.3.2 of this report.

No employee share options were granted to Mr Wood during the financial year and the only options issued since commencement of employment was pursuant to the approval of shareholders at the 2007 Annual General Meeting of the Company (refer to the Director's Interest section of the Directors' Report).

Under the proposed Employee Cash Share Plan, Mr Wood may be granted subject to shareholder approval 55,351 Retention Grants, 166,068 Absolute TSR Grants and 166,068 Relative TSR Grants.

Termination:

The service contract may be terminated under the following circumstances:

- Resignation by Mr Wood on twelve months notice;
- Termination on twelve months notice by the Company. However, if notice is given in the first three years of employment, the longer of the balance of the term or twelve months; or
- Termination without notice by the Company for cause.

Senior Executives

The Company has entered into service agreements with all senior executives that are unlimited in term but capable of termination on one month's notice and the Company retains the right to terminate the agreement immediately, by making payment equal to one month's pay in lieu of notice. The agreements stipulate that senior executives are entitled, where applicable, to receive long service leave after 10 years service and are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service agreements outline the components of remuneration paid to the senior executive but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

There are however exceptions to the above agreements as follows:
Mr Brooks and Mr Kelly – contingency payments may be made under certain circumstances amounting to one year's remuneration for less than 10 years of service and two years' remuneration for greater than ten years of service in addition to accrued statutory entitlements including long service leave, annual leave and superannuation benefits.

Mr Wray – a service agreement has been entered into for a minimum term of two years commencing on 2 June 2008 and may be terminated in the following circumstances:

- Resignation by Mr Wray on six months notice;
- Termination on twelve months notice by the Company;
- Termination without notice by the Company for cause.

Mr Jeffery – an agreement has been entered into for a minimum term of 16 months commencing on 25 August 2008 and may be terminated in the following circumstances:

- Resignation by Mr Jeffery on two months notice;
- Termination on ten months notice by the Company;
- Termination without notice by the Company for cause.

The Company is reviewing all employment contracts with senior executives with a view to aligning and updating terms and conditions across the expanded Company and in light of legislative changes announced during the 2009 financial year. In particular, it is intended that the notice periods be aligned for the benefit of both the senior executive and the Company.

3. Non-executive Directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2006 Annual General Meeting of the Company, is not to exceed $700,000 per annum. Total remuneration paid to non-executive directors in the financial year amounted to $618,000. Fees are set based on review of externally provided remuneration data with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees for the 2009 financial year were as follows:

	Board	Audit Committee	Remuneration Committee	Operations Risk Committee
Chair	$200,000	$22,000	$12,000	$12,000
Member	$80,000	$11,000	$7,500	$7,500

REMUNERATION REPORT
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The amounts are inclusive of superannuation. Consistent with determination of the Remuneration Committee in the annual review of fixed remuneration for employees for July 2009, director's fees will not be increased in the 2010 financial year although shareholder approval will be sought at the 2009 Annual General Meeting to increase the total remuneration for all non-executive directors to not exceed $900,000 per annum. This will provide flexibility to appoint new and/or additional directors commensurate with managed Board succession planning and renewal and the range and complexity of the Company's international operations as well as for future increases when appropriate.

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

4. Directors' and Executive Officers' Remuneration

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

		Short-term				Post employment	Other long-term	Share-based payments			
		Salary package and fees (a) $	Cash bonus (b) $	Non-monetary benefits $	Total $	Superannuation benefits (c) $	(d) $	Value of options (e) $	Total $	Performance Related %	Value of options %
Directors											
Company and Consolidated entity											
B. G. McKay	2009	201,377	–	–	201,377	18,123	–	–	219,500	–	–
	2008	149,375	–	–	149,375	11,644	–	–	161,019	–	–
B. J. Phillips	2009	–	–	–	–	–	–	–	–	–	–
	2008	275,000	–	4,237	279,237	24,750	19,582	23,017	346,586	7%	7%
B. J. W. Wood	2009	688,073	168,750	9,375	866,198	61,926	6,596	288,645	1,223,365	37%	24%
	2008	531,250	250,000	–	781,250	47,813	7,790	416,433	1,253,286	53%	33%
C. C. Green	2009	100,458	–	–	100,458	9,042	–	–	109,500	–	–
	2008	80,000	–	–	80,000	7,200	–	–	87,200	–	–
E. S. Smith	2009	91,284	–	–	91,284	8,216	–	–	99,500	–	–
	2008	67,500	–	–	67,500	6,075	–	–	73,575	–	–
D. I. McEvoy	2009	90,367	–	–	90,367	8,133	–	–	98,500	–	–
	2008	67,500	–	–	67,500	6,075	–	–	73,575	–	–
A. J. Hogendijk	2009	83,486	–	–	83,486	7,514	–	–	91,000	–	–
	2008	46,875	–	–	46,875	4,219	–	–	51,094	–	–
Total*	2009	1,255,045	168,750	9,375	1,433,170	112,954	6,596	288,645	1,841,365	25%	16%
	2008	1,217,500	250,000	4,237	1,471,737	107,776	27,372	439,450	2,046,335	34%	21%

* Mr B. J. Phillips retired as a director of the Company on 31 August 2007 and remained as an employee until 31 December 2007.
Mr B. J. W. Wood was appointed a director of the Company on 11 April 2007 and managing director on 1 September 2007.
Mr A. J. Hogendijk was appointed a director of the Company on 4 October 2007.
Mr E. S. Smith resigned as a director on 16 June 2009.

		Short-term: Salary package and fees (a) $	Short-term: Cash bonus (b) $	Short-term: Non-monetary benefits $	Short-term: Total $	Post employment: Superannuation benefits (c) $	Other long-term (d) $	Share-based payments: Value of options (e) $	Total $	Performance Related %	Value of options %
Executives											
Consolidated entity											
L. J. Brooks	2009	352,000	65,226	16,606	433,832	31,680	12,439	72,647	550,598	25%	13%
	2008	298,605	69,760	8,474	376,839	26,874	29,776	136,250	569,739	36%	24%
R. D. Frith	2009	352,000	115,226	16,606	483,832	31,680	6,587	72,647	594,746	32%	12%
	2008	298,605	69,760	8,474	376,839	26,874	31,484	136,250	571,447	36%	24%
N. F. Kelly	2009	322,000	86,686	11,918	420,604	28,980	6,027	69,236	524,847	30%	13%
	2008	254,373	106,820	8,474	369,667	22,894	32,070	132,830	557,461	43%	24%
I. D. Palmer	2009	322,000	86,686	11,918	420,604	28,980	7,171	53,672	510,427	27%	11%
	2008	262,982	106,820	8,474	378,276	23,668	8,501	100,493	510,938	41%	20%
D. Washer	2009	376,956	113,448	–	490,404	9,808	–	43,732	543,944	29%	8%
	2008	309,367	132,316	–	441,683	–	–	56,492	498,175	38%	11%
B. Wray(1)	2009	336,000	62,261	–	398,261	30,240	1,488	153,832	583,821	37%	26%
	2008	–	–	–	–	–	–	–	–	–	–
G. J. Jeffery(2)	2009	424,668	63,000	–	487,668	26,408	–	–	514,076	38%	0%
	2008	–	–	–	–	–	–	–	–	–	–
Total	2009	2,485,624	592,533	57,048	3,135,205	187,776	33,712	465,766	3,822,459	28%	12%
	2008	1,423,932	485,476	33,896	1,943,304	100,310	101,831	562,315	2,707,760	39%	21%

(1) Mr Wray commenced employment on 2 June 2008 and is considered to be a senior executive from 1 July 2008.
(2) Mr Jeffery commenced employment with the AWE group on 25 August 2008, the effective date of the merger of Arc Energy with AWE.

Notes in relation to table of directors' and executives' remuneration:

a. Salary package and fees includes amounts salary sacrificed.
b. The 2009 cash bonus is for performance during the 30 June 2009 financial year. The amount was finally determined and paid in July 2009 after performance reviews were completed and approved by the remuneration committee.
c. Superannuation benefits include the amount required to be contributed by the consolidated entity and does not include amounts salary sacrificed.
d. Other long-term benefits comprise the amount of long service leave accrued in the period.
e. The fair value of options is calculated at the grant date using a modified binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

   The fair value of options can only be converted to cash by the employee if on exercise of these options the Company's share price exceeds the exercise price by the amount shown as "Fair value per option granted" in the table in Section 6 of this report and the employee sells the shares. Option-pricing models for valuing options are an accounting guideline only.

   The following factors and assumptions were used in determining the fair value of options granted to senior executives in the June 2009 financial year:

Grant date	Weighted average share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free rate
15 August 2008	$3.28	$3.28	25.0%	5 years	0% to 3%	5.76%

   No options were granted to the Managing Director in the June 2009 financial year.

Amounts disclosed for remuneration exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance contracts. The premium paid has not been allocated to the individuals covered by the insurance policy as, based on all available information; the directors believe that no reasonable basis for such allocation exists.

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5. Analysis of Performance Benefits Included in Remuneration

The value of options is 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 options in previous financial years and the current financial year.

5.1 Award of Short-Term Performance Benefits

Short term performance benefits in the form of cash bonuses are awarded to the Managing Director and senior executives on the achievement of consolidated entity and individual performance KPIs (refer to Section 2.3.1 of this report) for the current financial year.

The award of bonuses in July 2009 (as detailed in Section 4 of this report) was in recognition of this performance.

Details of the vesting profile of these short-term cash bonuses are as follows:

	Included in remuneration (A$)[(a)]	% vested in year	% forfeited in year[(b)]
Director			
B. J. W. Wood	168,750	45.0%	55.0%
Executives			
L. J. Brooks	65,226	42.5%	57.5%
R. D. Frith	115,226[(c)]	75.1%	24.9%
N. F. Kelly	86,686	61.7%	38.3%
I. D. Palmer	86,686	61.7%	38.3%
D. Washer	113,448	75.2%	24.8%
B. W. Wray	62,261	42.5%	57.5%
G. J. Jeffery	63,000	30.0%	70.0%

(a) Amounts included in remuneration for the financial year represents the amount that vested in the financial year based on satisfaction of specified criteria. No amounts vest in future financial years.
(b) The amounts forfeited are due to that component of base and stretch performance criteria not being met in the financial year.
(c) Having reached 60 years of age, Mr R. D. Frith elected to retire from the company on 8 July 2009. In recognition of his service and outstanding contribution over 12 years with AWE, a special bonus was paid to Mr Frith included in these amounts.

5.2 Grant and Vesting of Long-term Performance Benefits:

Section 2.3.2 of this report details the consolidated entity's approach to the granting and vesting of long term performance benefits.

Granting – Section 7 of this report details the options granted to directors and senior executives in the current financial year.

Vesting – as the consolidated entity's absolute TSR for the rolling three year period to 30 June 2009 of -29% was below the performance of both the ASX Energy Index of 27% and the ASX 200 Index of -11% it has been determined that options granted in previous financial years and vesting in July 2009 are not capable of exercise as more fully described in Section 2.3.2. However these options will be retested in July 2010.

No employee share options have been forfeited in the current financial year as a consequence of the performance criteria not being met.

For details of the vesting profile of employee share options refer to Section 6.

The following table identifies the consolidated entity's performance and benefits for shareholder wealth in respect of the current financial year and the previous six financial years:

	2009	2008	2007	2006	2005	2004	2003
Profit/(loss) ($'millions)	88.58	264.36	35.38	(1.4)	(11.48)	5.96	10.06
Year end share price ($)	2.57	4.16	3.64	3.42	2.02	1.52	0.82
Change in share price ($)	(1.59)	0.52	0.22	1.40	0.50	0.70	0.05
Total shareholder return	(35%)	14%	6%	69%	33%	85%	6%
Relative to ASX 200 Energy Index	(11%)	(21%)	(12%)	38%	(31%)	45%	10%
Relative to ASX 200 Index	(15%)	31%	(17%)	50%	12%	69%	12%

6. Analysis of Share-based Payments Granted as Remuneration

Details of vesting profiles of unvested employee share options granted as remuneration to each director of the Company and each of the named senior executives are detailed below:

	Number[a]	Grant date	Vested %	Financial years in which options vest	Fair value per option granted $[c]
Director					
B. J. W. Wood*	250,000	26 November 2007	–	30 June 2011[b]	0.54
	300,000	26 November 2007	–	30 June 2011[b]	0.69
	400,000	26 November 2007	–	30 June 2011	0.71
Executives					
L. J. Brooks	150,000	21 July 2006	–	30 June 2011[b]	0.65
	150,000	13 July 2007	–	30 June 2011	0.71
	100,000	15 August 2008	–	30 June 2012	0.59
R. D. Frith	150,000	21 July 2006	–	30 June 2011[b]	0.65
	150,000	13 July 2007	–	30 June 2011	0.71
	100,000	15 August 2008	–	30 June 2012	0.59
N. F. Kelly	130,000	21 July 2006	–	30 June 2011[b]	0.65
	150,000	13 July 2007	–	30 June 2011	0.71
	100,000	15 August 2008	–	30 June 2012	0.59
I. D. Palmer	100,000	21 July 2006	–	30 June 2011[b]	0.65
	100,000	13 July 2007	–	30 June 2011	0.71
	100,000	15 August 2008	–	30 June 2012	0.59
D. Washer	50,000	21 July 2006	–	30 June 2011[b]	0.65
	100,000	13 July 2007	–	30 June 2011	0.71
	100,000	15 August 2008	–	30 June 2012	0.59
B. W. Wray	100,000	12 June 2008	–	30 June 2011[b]	0.75
	100,000	12 June 2008	–	30 June 2011[b]	0.77
	100,000	12 June 2008	–	30 June 2011	0.82
	100,000	15 August 2008	–	30 June 2012	0.59

* This grant of options was approved by shareholders at the 2007 Annual General Meeting of the Company.
(a) The exercise of options is conditional upon satisfaction of relative performance conditions as determined by the Remuneration Committee for the rolling three year period prior to the vesting date.
(b) Options originally vesting in July 2009 are subject to retesting in July 2010. Other than these options no terms of options granted as remuneration have been altered or modified during the reporting period or the prior period.
(c) The fair value per option granted represents the modified binomial option-pricing model valuation for options granted and calculated at grant date.

7. Analysis of Movements in Options

The movement during the reporting period, by value, of options granted over ordinary shares in AWE held by each Company Director and each of the named senior executives is detailed below:

	Grant Date	Number	Granted during year ended 30 June 2009, vesting post 30 June 2009 ($)
Director			
Nil	–	–	–
Executives			
L. J. Brooks	15 August 2008	100,000	47,360
R. D. Frith	15 August 2008	100,000	47,360
N. F. Kelly	15 August 2008	100,000	47,360
I. D. Palmer	15 August 2008	100,000	47,360
D. Washer	15 August 2008	100,000	47,360
B. W. Wray	15 August 2008	100,000	47,360
G. J. Jeffery	–	–	–
Total		600,000	284,160

* The minimum value of options yet to vest is $Nil as the performance criteria may not be met and consequently the option may not vest. The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Securities Exchange at the date the option vests.

The value of options granted in the year is the fair value of the options calculated at grant date using a modified binomial option-pricing model. The value of options issued is a consequence of the implementation of a rolling three-year vesting period (refer Section 2.3.2). This value does not represent the amount expensed as this amount is allocated over applicable financial periods to the date of vesting. No options lapsed or were forfeited during the year.

During the financial year, no shares were issued to any director or senior executive on the exercise of options previously granted as remuneration.

CORPORATE GOVERNANCE STATEMENT

The ASX Listing Rules require listed entities to disclose the extent to which they have followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period. This corporate governance statement summarises the corporate governance practices that have been formally reviewed and adopted by the AWE Board with a view to ensuring continued investor confidence in the operations of the Company and endorsing the corporate governance principles relevant to a company of AWE's nature and size. A table has been included at the end of this statement detailing the Company's compliance with the recommendations.

The Company's website at www.awexplore.com contains a corporate governance section that includes copies of the Company's corporate governance policies and board committee charters mentioned in this statement.

Board of Directors

Role of the Board

The responsibilities of the Board are to:

- set the strategic direction for the Company and monitor progress of those strategies;
- establish policies appropriate for the Company;
- monitor the performance of the Company, the Board and management;
- approve the business plan and annual work programs and budgets in line with the approved strategy;
- authorise and monitor major investment and strategic commitments;
- review and ratify systems for health, safety and environmental management; risk management and internal control; codes of conduct and regulatory compliance;
- appoint and monitor performance of the Managing Director;
- report to shareholders, including but not limited to, the financial statements of the Company;
- evaluate the performance of the Board and identify and appoint new directors to the Board; and
- take responsibility for corporate governance.

Board committees have been established to assist the board in discharging these responsibilities. Other than matters specifically reserved for the board, responsibility for the operation and administration of the Company has been delegated to the Managing Director.

Internal control processes are designed to allow management to operate within the parameters approved by the Board and the Managing Director cannot commit the company to additional activities or obligations in excess of previously approved limits and guidelines.

Composition of the Board

The names of the directors of the Company in office at the date of this statement and information regarding directors' experience and responsibilities are set out in the Directors' Report.

The number of directors is specified in the Constitution of the Company as a minimum of three up to a maximum of 10. The Board has resolved that it will at all times have a majority of non-executive directors, with at least 50% of directors considered to be independent, including the Chairman, who shall be non-executive.

The preferred skills and experience for a director of AWE include:

- international experience in upstream oil and gas exploration, development and production;
- finance;
- company strategy and business planning;
- business development; and
- public company administration.

Chairman of the Board

The Chairman of the Board will be a non-executive director and the Chairman will be elected by the directors. The Board considers that the Chairman, Mr Bruce McKay, is independent.

Independent Directors

The Board considers that a director is independent if that director complies with the following criteria:

- apart from director's fees and shareholdings, independent directors should not have any business dealings which could materially affect their independent judgement;
- must not have been in an executive capacity in the Company in the last three years;
- must not have been in an advisory capacity to the Company in the last three years;
- must not be a significant customer or supplier for the Company;
- must not be appointed through a special relationship with another Board member;
- must not owe allegiance to a particular group of shareholders which gives rise to a potential conflict of interest;

- must not hold conflicting cross directorships; and
- must not be a substantial shareholder or a nominee of a substantial shareholder (as defined under section 9 of the Corporations Act).

The Board considers that on application of the above guidelines, of a total of five current directors, four are considered to be independent (Mr Bruce McKay, Mr Colin Green, Mr David McEvoy and Mr Andy Hogendijk) with Mr Bruce Wood, as Managing Director considered not to be independent.

Retirement and Rotation of Directors

Retirement and rotation of directors are governed by the Corporations Act 2001 and the Constitution of the Company. Each year, one third of directors must retire and offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company.

Independent Professional Advice

Each director has the right to seek independent professional advice at the Company's expense after consultation with the Chairman. Once received, the advice is to be made immediately available to all Board members.

Access to Employees

Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or Company policies to the Managing Director who shall remedy the breach. If the breach is not rectified to the satisfaction of the employee, they shall have the right to report any breach to an independent director without further reference to senior executives of the Company.

Directors' and Officers' Liability Insurance

Directors' and officers' insurance for directors will be arranged by the Company at Company expense.

Share Ownership

Directors are encouraged to own Company shares.

The Company's policy is that directors should not engage in speculative trading. Also, directors must inform the Chairman if any Company securities are subject to a margin loan. The Company reserves the right to disclose this arrangement to ASX if the Company believes it is appropriate having regard to the Listing Rules.

Board Meetings

The following points identify the frequency of Board meetings and the extent of reporting from management at the meetings:
- a minimum of six scheduled meetings are to be held per year;
- other meetings will be held as required;
- meetings can be held where practicable by electronic means;
- information provided to the Board includes all material information on: operations, budgets, cash flows, funding requirements, shareholder movements, broker activity in the Company's securities, assets and liabilities, disposals, financial accounts, taxation, external audits, internal controls, risk assessments, investment proposals, and health, safety and environmental reports;
- the Chairman of the appropriate board committee reports to the next subsequent board meeting the outcomes of that meeting and the minutes of those committee meetings are also tabled.

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are set out in the Directors' Report.

Board Performance Review

A review of the Board's own performance and effectiveness is conducted annually. The review is prepared by the Chairman with collective responses from all directors and if considered necessary with the advice of external experts. The results are evaluated by the full board to identify strengths and areas for improvement. It is the intention of the board that an independent board effectiveness review be conducted in the June 2010 financial year.

The Audit Committee undertakes an annual self-assessment and the Audit Committee charter stipulates that a comprehensive review of the Audit Committee is to be undertaken every three years by the Board of Directors.

There is no separate review undertaken for the Remuneration Committee or the Operations Risk Committee as it is considered that the Company's manner of operation did not warrant this individual review. However, given the Company's expanding operations it is the intention of the company to undertake a self assessment of both the Operations Risk Committee and Remuneration Committee in the June 2010 financial year.

No performance evaluation is undertaken for individual directors, while the performance evaluation of senior executives and staff is undertaken annually (refer to separate discussion in the Remuneration Report).

Other Areas for Board Review

- Reporting to shareholders and the market to ensure trade in the Company's securities takes place in an efficient, competitive and informed market;
- succession planning for senior executives and the Board;
- insurance, both corporate and joint venture related insurances; and
- approval of external directorships for the Managing Director and senior executives and disclosure of external directorships by other directors.

Board Committees

Audit Committee

The role of the Audit Committee is documented in a formal charter approved by the Board. A formal charter has been in place since 1997 and the charter is reviewed on an annual basis.

The Audit Committee's primary corporate governance role is to assist the Board of Directors in discharging its responsibilities in respect of the financial affairs and related matters of the Company and to advise and make appropriate recommendations to the Board in respect of such financial responsibilities.

The objectives of the Audit Committee are to:

- assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Company's:
  - reporting of financial information to users of financial reports;
  - application of accounting policies;
  - financial management;
  - internal control system;
  - risk management system;
  - business policies and practices;
  - protection of the entity's assets; and
  - compliance with applicable laws, regulations, standards and best practice guidelines;
- improve the credibility and objectivity of the accountability process (including financial reporting), especially where the role of the Audit Committee and its membership by independent non-executive directors is disclosed to shareholders and the public;
- provide a forum for communication between the Board and senior financial management;
- improve the efficiency of the Board by delegating tasks to the committee and thus allowing more time for issues to be discussed in sufficient depth;
- improve the effectiveness of the external audit functions and to be a forum for improving communication between the Board and the external auditor;
- satisfy itself as to the independence of the external auditor (each reporting period the external auditor provides an independence declaration in relation to the audit or review); and
- improve the quality of internal and external reporting of financial information.

Under its charter, the Audit Committee must be comprised of at least three independent non-executive Board members appointed by the Board. Any director who is not a member of the Audit Committee, may attend Audit Committee meetings but will have no voting powers at such meetings. Members will have the appropriate skills (including financial literacy) and time to fill their role on the Audit Committee. The majority of members will have significant experience with financial and business matters. The Managing Director should not be a member of the Audit Committee. The Chairperson of the Board of Directors should not be the Chairperson of the Audit Committee.

At the discretion of the Audit Committee, the external auditor and the Managing Director and other executives are invited to attend meetings. At least once a year, the Audit Committee meets with the external auditor without executives present and at least twice a year the Managing Director meets with the external auditor without other executives present. Further, at least once a year the Audit Committee meets with the Company's tax advisers.

The Audit Committee comprises Mr Colin Green (Chairman), Mr David McEvoy and Mr Andy Hogendijk, all of whom are non-executive and considered to be independent. Meetings are to be scheduled prior to the commencement of each financial year and the charter stipulates that meetings are to be held at least twice a year. The number of Audit Committee meetings and number of meetings attended by each of the members of the Audit Committee during the financial year and information regarding committee member experience and responsibilities are set out in the Directors' Report.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the Company and consolidated entity's financial reports for the year ended 30 June 2009 present a true and fair view, in all material respects, of the Company and consolidated entity's financial condition and operational results and are in accordance with relevant accounting standards. This representation is made by the Managing Director and Chief Financial Officer prior to the directors' approval of the release of both the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management (refer also to Risk Management section for declaration made in respect of risk management).

Remuneration Committee

The role, responsibilities and objectives of the Remuneration Committee are included in the Remuneration Report. For details in relation to the Company's Share Option Plan, refer to Note 21 to the financial statements and to the Remuneration Report. For details of remuneration paid to directors and officers for the financial year and the process for evaluating the performance of senior executives, please refer to the Remuneration Report. The Remuneration Report is included in the Directors' Report on pages 39 to 50.

Operations Risk Committee

The role of the Operations Risk Committee is documented in a charter approved by the Board.

The Operations Risk Committee's primary corporate governance role is to advise and assist the Board of Directors in assessing risk factors associated with the execution of projects or operations in which the consolidated entity has equity or participatory interests.

The responsibilities of the Operations Risk Committee are:

- to evaluate with senior executives the probability of achieving the objectives of the consolidated entity's participatory projects;
- to identify the greatest risk factors of the Company's operations, and to review any planned actions to mitigate such risks;
- to ensure that all operations comply with the Company's health, safety and environmental policies; and
- to develop an understanding with management whereby the Operations Risk Committee is notified promptly if any adverse changes to project risks occur.

The Operations Risk Committee will be comprised of not less than three non-executive directors, and whenever possible, the majority of members will have significant experience in oil and gas operations. The members of the Operations Risk Committee are Mr David McEvoy (Chairman) and Mr Bruce McKay. Mr Edward Smith resigned as a director and member of the Operations Risk Committee on 16 June 2009 and it is expected that a replacement for his position on the committee will be made shortly. Meetings are to be scheduled prior to the commencement of each calendar year. The number of Operations Risk Committee meetings and the number of meetings attended by each of the members of the Operations Risk Committee during the financial year and information regarding Committee member experience and responsibilities are set out in the Directors' Report.

Risk Management

AWE recognises the need to proactively manage the risks and opportunities associated with both day-to-day operations of the organisation and its longer term strategic objectives. AWE seeks to achieve the following through its risk management framework:

- Risks are well understood and managed proactively by those in the organisation best able to deal with them.
- Staff are actively involved in risk management activities. Time is taken to discuss and explore risk issues with colleagues that may not otherwise be addressed as part of day-to-day management.
- Risk reporting provides insight, accountability, and a trigger for escalation of significant risk issues.
- Consistent use of language and risk scales across the organisation enables prioritisation and comparison of risks arising from different functional areas.
- The organisation constantly strives to achieve effective risk management practices through adherence to risk management standards, while retaining an adaptive approach that evolves to meet the needs of the organisation.

While every person in the organisation has responsibility for managing risk effectively, there are specific responsibilities for providing oversight to ensure that risks are being managed appropriately:

- The Board and delegated Board committees are responsible for oversight of risk management activities within AWE. On an annual basis the Board also undertake a full review of the strategic and other material business risks facing the organisation.
- The AWE Leadership Team are responsible for reviewing summarised risk registers and preparing quarterly consolidated risk reports of significant risk issues arising for inclusion in papers submitted to the Board and relevant Board Committees.
- General Managers are responsible for ensuring that each functional area they oversee has identified, assessed and are proactively managing risks appropriately. Each functional area must maintain a live risk register for documenting the results of this risk management process. General Managers present a summarised version of these risk registers (showing risks evaluated as Low, Medium or High) to the Leadership Team on a quarterly basis.

There are four major sources of material business risks for the organisation: strategic, operational, corporate/governance and external risks. The below table provides examples of the types of risks that fall into these categories and how the Board provides oversight for each.

Risk Category	Overseen By	Examples	Types of Impact
Strategic	AWE Board	– Exploration and development – Mergers and acquisitions – Other major investment decisions – External commercial environment (e.g. competitor activity, changing stakeholder expectations etc.)	– Financial – Reputational
Operational	Operational Risk Committee	– Operated assets – Non-operated assets – External operating environment (e.g. natural hazard events, failure of key supplier, regulatory change etc.) – HSE performance – Emissions	– Safety – Environmental – Financial – Reputational
Corporate and Governance	Audit Committee	– Corporate support (office management, IT, HR, business continuity, fraud, adequacy of financial controls, etc) – Legal – Financial Reporting – Taxation – ASX/Corporations Act requirements	– Financial – Reputational
External	Board oversight but generally assumed shareholders accept these risks	– Global economic conditions – Foreign exchange rates – Oil and gas price – Interest rates – Government policies	– Financial

The organisation's approach to risk management aligns with the Australian/New Zealand Standard for Risk Management (AS/NZS 4360). For more information on how we implement risk management please refer to the Risk Management Policy which can be found on AWE's website.

The Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively in all material respects in relation to financial reporting risks and such other risks as specified by the Board. This representation is made by the Managing Director and Chief Financial Officer prior to the directors' approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

Sustainability and Environmental Obligations

The consolidated entity is involved in an ongoing commitment to achieving high standards of environmental performance. The basis of these standards has been set through a combination of both government and industry efforts. In Australia, Commonwealth and State regulations govern the entity's operations, and similar mechanisms govern international interests. The consolidated entity strives to comply not only with all government regulations, but also to maintain industry standards. This is in line with the current trend toward self-regulation in environmental monitoring.

To maintain these high standards, a sound environmental management system has been developed. As part of this system, the past year has seen the continuance of an ongoing environmental monitoring program. Various enquiries have been made of all joint venture activities, both onshore and offshore, within Australia and internationally. This monitoring program will continue to expand as new regulations are implemented and adopted.

AWE understands its broader responsibility, including the adherence to proper health, safety, environment and community actions, which will ensure that we meet and exceed the expectations of our external stakeholders.

In the 2008 Annual Report, AWE committed to a number of actions to accelerate its work in the area of social responsibility, in particular in relation to employees, contractors, customers, joint venturers and the greater community. These actions are captured in the AWE Code of Conduct, which is available for review on the AWE website.

CORPORATE GOVERNANCE STATEMENT
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A number of new procedures were implemented, including the measurement and reporting of Greenhouse gas emissions, the reporting of safety statistics and the commitment to further community activity, particularly in New Zealand, where AWE is one of the dominant oil producers.

AWE also participated in the Carbon Disclosure Project ("CDP") for the first time in the current year. The CDP is a not-for-profit initiative on the business risks and opportunities related to climate change. It is supported by a number of global signatories, including major fund managers, with combined assets of US$75 trillion. AWE is planning to contribute to this initiative in future years.

Further, based on the monitoring and reporting programs in the past year, we are pleased to report that no environmental breaches occurred and no Lost Time Injuries were reported during the period. This monitoring program covers both AWE-operated and non-operated sites.

Promotion of Ethical and Responsible Decision-making

Code of Conduct

The goal of establishing AWE as a significant Australian-based petroleum exploration and production company is underpinned by its core values of honesty, integrity, common sense and respect for people. AWE desires to remain a good corporate citizen and appropriately balance, protect and preserve all stakeholders' interests.

The Board has adopted a Code of Conduct for directors and employees of the Company. The Company's goal of achieving above average wealth creation for our shareholders should be enhanced by complying with this Code of Conduct, which provides principles with which directors, key executives and employees should be familiar and with which they are expected to adhere and advocate.

Further, due to the Company's expanding international operations a separate Code of Conduct – Foreign Jurisdictions Policy has been adopted.

It is the responsibility of the Board to monitor the Company's performance under these Codes and for their regular review.

Trading in Company Securities by Directors, Officers and Employees

Trading of AWE's shares is covered by, amongst other things, the Corporations Act and the ASX Listing Rules. The Board has established a Securities Trading Policy that establishes strict guidelines as to when a director, officer or an employee can deal in Company shares. The policy prohibits trading in the Company's securities during designated blackout periods and whilst the director, officer or employee is in the possession of price-sensitive information. The policy also describes the Company's policy in respect of equity based remuneration "hedge contracts".

For details of shares held by directors and officers, please refer to the Directors' Report and Note 33 to the financial statements.

Shareholder Communications

The Board aims to ensure that shareholders and investors have equal access to the Company's information.

The Company has policies and procedures that are designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. This disclosure policy includes processes for the identification of matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and posting them on the Company's website.

The Company also has a strategy to promote effective communication with shareholders and encourage effective participation at general meetings through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

- conflicts of interest and related party transactions;
- executive remuneration;
- grant of options and details of Share Option Plans;
- external directorships;
- process for performance evaluation of the Board, its committees, individual directors and key executives;
- the link between remuneration paid to directors and senior executives and corporate performance; and
- shorter, more comprehensible notices of meetings.

The following information is communicated to shareholders:

- the Annual Report and notices of meetings of shareholders;
- for those shareholders electing not to be mailed a copy of the Annual Report, a copy can be viewed on the Company's website;
- mailing of quarterly reports reviewing the operations, activities and financial position of the Company;

- all documents that are released to the ASX are made available on the Company's website and via the website, shareholders may elect to receive notification of all ASX releases;
- the Company has commenced webcasting key events such as profit results and Annual General Meetings;
- information is made available on the company's website including past ASX releases, annual reports, quarterly reports and investor presentations; and
- all other information on the Company's website is updated on a quarterly basis.

ASX Best Practice Recommendations

The table below identifies the ASX Best Practice Recommendations (Revised Principles) and whether or not the Company has complied with the recommendations during the reporting period:

ASX Best Practice Recommendations		Complied	Note
1.1	Establish the functions reserved to the board and those delegated to senior management and disclose those functions	√	
1.2	Disclose the process for evaluating the performance of senior executives	√	
1.3	Provide the information indicated in Guide to Reporting on Principle 1	√	
2.1	A majority of the board should be independent directors	√	
2.2	The chair should be an independent director	√	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	√	
2.4	The board should establish a nomination committee		1
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors		2
2.6	Provide the information indicated in Guide to Reporting on Principle 2		1
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the company's integrity – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	√	
3.2	Disclose the policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	√	
3.3	Provide the information indicated in Guide to Reporting on Principle 3	√	
4.1	The board should establish an audit committee	√	
4.2	Structure the audit committee so that it consists of: – only non-executive directors – a majority of independent directors – an independent chair, who is not chair of the board – at least three members	√	
4.3	The audit committee should have a formal charter	√	
4.4	Provide the information indicated in Guide to Reporting on Principle 4	√	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	√	
5.2	Provide the information indicated in Guide to Reporting on Principle 5	√	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	√	
6.2	Provide the information indicated in Guide to Reporting on Principle 6	√	

CORPORATE GOVERNANCE STATEMENT
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ASX Best Practice Recommendations		Complied	Note
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	√	
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	√	
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks	√	
7.4	Provide the information indicated in Guide to Reporting on Principle 7	√	
8.1	The board should establish a remuneration committee	√	
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	√	
8.3	Provide the information indicated in Guide to Reporting on Principle 8	√	

Note 1

The Board of Directors of the Company does not have a nomination committee. The Board is of the opinion that due to the relatively small size of the Company's board, the specialised nature of the upstream oil and gas industry and the limited number of suitably qualified candidates available to fill board positions, it is appropriate that the functions performed by a nomination committee be handled by the full Board.

Note 2

The Board Performance Review section of the Corporate Governance Statement summarises the processes undertaken in the review of the Board, board committees and individuals.

INCOME STATEMENTS
for the year ended 30 June 2009

		Consolidated		The Company	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revenue	2	590,262	821,473	–	–
Cost of sales	3	(240,763)	(212,635)	–	–
Gross profit		349,499	608,838	–	–
Other income	4	25,827	–	138,033	55,750
Exploration and evaluation expenses		(66,321)	(80,474)	–	–
Administration expenses		(19,020)	(7,076)	(2,997)	(1,780)
Share of loss of associates		(2,401)	–	–	–
Impairment of oil and gas assets		(44,172)	–	–	–
Impairment of investment in equity accounted investment		(9,913)	–	–	–
Impairment of available for sale investments		(8,196)	–	–	–
Other expenses	5	(16,087)	(17,733)	(1,464)	(2,136)
Results from operating activities		209,216	503,555	133,572	51,834
Financial income		11,705	8,220	948	513
Financial expenses		(7,856)	(7,804)	–	–
Net financing income	6	3,849	416	948	513
Profit before taxation		213,065	503,971	134,520	52,347
Taxation (expense)/benefit	7	(124,487)	(239,616)	12,805	8,361
Profit for the year		88,578	264,355	147,325	60,708
Profit for the year attributable to equity holders of the parent		88,578	264,355	147,325	60,708

	Note	2009	2008
Basic earnings per ordinary share (cents)	8	17.36	58.78
Diluted earnings per ordinary share (cents)	8	17.26	56.82

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 63 to 99.

BALANCE SHEETS
as at 30 June 2009

		Consolidated		The Company	
	Note	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
Current assets					
Cash and cash equivalents	11	356,066	339,190	3,273	18,097
Trade and other receivables	12	52,985	112,277	389,437	71,035
Taxation receivable	23	–	–	1,757	–
Inventory	13	8,280	3,302	–	–
Total current assets		417,331	454,769	394,467	89,132
Non-current assets					
Available for sale financial assets	14	4,356	–	–	–
Equity accounted investment	14	3,111	–	–	–
Investments	14	–	–	487,028	487,028
Exploration and evaluation assets	15	160,368	22,363	2,143	3,146
Oil and gas assets	16	761,837	489,659	–	–
Other property, plant and equipment	17	2,006	461	–	–
Intangible assets	18	844	963	–	–
Deferred tax assets	24	–	–	32,818	13,981
Total non-current assets		932,522	513,446	521,989	504,155
Total assets		1,349,853	968,215	916,456	593,287
Current liabilities					
Trade and other payables	19	60,099	42,418	705	2,651
Employee benefits	21	1,352	666	–	–
Taxation payable	23	75,089	84,015	–	8,551
Total current liabilities		136,540	127,099	705	11,202
Non-current liabilities					
Employee benefits	21	429	349	–	–
Provisions	22	56,084	31,740	–	–
Deferred tax liabilities	24	58,971	19,322	–	–
Total non-current liabilities		115,484	51,411	–	–
Total liabilities		252,024	178,510	705	11,202
Net assets		1,097,829	789,705	915,751	582,085
Equity					
Issued capital	26	770,345	533,386	770,345	533,386
Reserves	26	14,492	(20,177)	6,238	4,774
Retained earnings		312,992	276,496	139,168	43,925
Total equity		1,097,829	789,705	915,751	582,085

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 63 to 99.

CASH FLOW STATEMENTS
for the year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Cash flows from operating activities					
Cash receipts in the course of operations		704,381	752,403	–	–
Cash payments in the course of operations		(158,870)	(107,892)	(2,437)	(1,398)
Interest received		11,984	7,862	978	501
Borrowing costs paid		(1,402)	(5,211)	–	–
Settlement of condensate forward contracts		–	(9,381)	–	–
Income taxes paid		(164,016)	(128,302)	(9,277)	–
Dividend received – related parties		–	–	138,025	31,075
Contribution received/(advance from) controlled entities under a tax funding agreement		–	–	(7,063)	21,753
Net cash provided by operating activities	30	392,077	509,479	120,226	51,931
Cash flows from investing activities					
Acquisition of Arc Energy Limited (including transaction costs and net of cash acquired)		(108,367)	–	–	–
Payments for:					
Exploration, evaluation and development		(131,648)	(115,870)	1,014	(3,146)
Other plant and equipment and intangibles		(1,297)	(432)	–	–
Net cash (used in)/provided by investing activities		(241,312)	(116,302)	1,014	(3,146)
Cash flows from financing activities					
Proceeds from issue of share capital		80	4,888	80	4,888
Payments for costs of equity raising		(184)	(28)	(184)	(28)
Close out of Arc Energy Limited oil hedges		(31,908)	–	–	–
Repayment of borrowings		(70,867)	(110,209)	–	–
Dividend paid		(52,082)	–	(52,082)	–
Advances to controlled entities		–	–	(83,886)	(40,834)
Net cash used in financing activities		(154,961)	(105,349)	(136,072)	(35,974)
Net (decrease)/increase in cash held		(4,196)	287,828	(14,832)	12,811
Cash at the beginning of the financial year		339,190	65,650	18,097	5,394
Effect of exchange rate fluctuations on the balances of cash held in foreign currencies		21,072	(14,288)	8	(108)
Cash at the end of the financial year	11	356,066	339,190	3,273	18,097

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 63 to 99.

STATEMENTS OF CHANGES IN EQUITY
for the year ended 30 June 2009

Consolidated	Share Capital $'000	Equity Compen-sation Reserve $'000	Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2007	528,526	2,855	(8,773)	12,141	534,749
Shares issued	4,888	–	–	–	4,888
Transaction costs arising from the issue of shares	(28)	–	–	–	(28)
Foreign exchange translation differences	–	–	(16,178)	–	(16,178)
Share option plan	–	1,919	–	–	1,919
Profit for the year	–	–	–	264,355	264,355
Balance at 30 June 2008	533,386	4,774	(24,951)	276,496	789,705
Shares issued	237,143	–	–	–	237,143
Transaction costs arising from the issue of shares	(184)	–	–	–	(184)
Foreign exchange translation differences	–	–	33,205	–	33,205
Share option plan	–	1,464	–	–	1,464
Profit for the year	–	–	–	88,578	88,578
Dividend to equity holders	–	–	–	(52,082)	(52,082)
Balance at 30 June 2009	770,345	6,238	8,254	312,992	1,097,829

The Company	Share Capital $'000	Equity Compen-sation Reserve $'000	Translation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 30 June 2007	528,526	2,855	–	(16,783)	514,598
Shares issued	4,888	–	–	–	4,888
Transaction costs arising from the issue of shares	(28)	–	–	–	(28)
Share option plan	–	1,919	–	–	1,919
Profit for the year	–	–	–	60,708	60,708
Balance at 30 June 2008	533,386	4,774	–	43,925	582,085
Shares issued	237,143	–	–	–	237,143
Transaction costs arising from the issue of shares	(184)	–	–	–	(184)
Share option plan	–	1,464	–	–	1,464
Profit for the year	–	–	–	147,325	147,325
Dividend to equity holders	–	–	–	(52,082)	(52,082)
Balance at 30 June 2009	770,345	6,238	–	139,168	915,751

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 63 to 99.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009

1. Statement of significant accounting policies

Australian Worldwide Exploration Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2009 comprises the Company and its controlled entities (together referred to as the "consolidated entity").

a. Basis of preparation

i. Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian Interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial report of the consolidated entity and the financial report of the Company also complies with IFRSs and interpretations adopted by the International Accounting Standards Board. The accounting policies set out in Note 1 have been applied consistently to all periods presented in this consolidated financial report.

The consolidated financial report was authorised for issue by the directors on 25 August 2009.

ii. Functional and presentation currency

The financial report is presented in Australian Dollars, which is the Company's functional currency and the functional currency of the majority of controlled entities within the consolidated entity.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

iii. Basis of measurement

The financial report is prepared on the historical cost basis except that derivative financial instruments and available for sale financial assets are stated at their fair value.

iv. New standards and interpretations not yet adopted

At the date of authorisation of this financial report a number of Accounting Standards and Interpretations had been issued but were not yet effective. The consolidated entity anticipates that the adoption of these Standards and Interpretations in future reporting periods is not expected to have a material effect, however, may have disclosure impact.

The consolidated entity has elected to early adopt the revised AASB 3 Business Combinations effective for transactions occurring after 1 July 2008. In accordance with this standard Arc merger costs of $13.7 million have been expensed in the period.

v. Uses of estimates and judgements

The preparation of a financial report 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 an ongoing 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 consolidated entity's accounting policy for exploration and evaluation expenditure is set out at Note 1(m). 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 have been 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 statements. Changes in assumptions may result in a material adjustment to the carrying amount of exploration and evaluation assets.

1. Statement of significant accounting policies continued

Restoration obligations

The consolidated entity 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. This requires judgemental assumptions 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 consolidated entity's accounting policy for restoration obligations are set out at Note 1(s).

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 complex and difficult 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 amount of depreciation and amortisation charged to the income statement.

Impairment of oil and gas assets

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

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity investments at the date of which they are granted. The fair value is determined using the binomial option-pricing model.

Cost of carbon emissions

The Australian Federal Government has proposed introducing a Carbon Pollution Reduction Scheme (CPRS) by 2010 and the New Zealand Government has proposed introducing the Climate Change (Stationary Energy and Industrial Processes) Regulations (SEIP). The introduction of the CPRS and the SEIP has the potential to significantly impact the assumptions used to determine the future cash flows generated from the continuing use of the consolidated entity's assets for the purpose of value in use calculations in impairment testing. The consolidated entity has not yet incorporated the impact of CPRS or SEIP into their assumptions at 30 June 2009 as insufficient market information existed. The carrying amount of the assets that could be affected by the CPRS and SEIP at 30 June 2009 is $761.8 million (refer to Note 16).

b. Basis of consolidation

i. 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.

ii. Jointly controlled operations and assets

The interests of the Company and of the consolidated entity 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.

iii. 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.

c. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date 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 ruling at the dates the fair value was determined.

ii. 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 ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

d. Derivative financial instruments

The consolidated entity uses derivative financial instruments to hedge its exposure to foreign exchange, commodity price and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the consolidated entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (refer Note 1(e)).

The fair value of interest rate swaps is the estimated amount that the consolidated entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of commodity price contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

e. Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised). For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

f. Impairment

The carrying amounts of the Company's and the consolidated entity's assets, other than inventories (refer Note 1(i)) and deferred tax assets (refer Note 1(v)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

1. Statement of significant accounting policies continued

Reversals of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

g. 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 consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

h. Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

i. Inventory

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.

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.

j. Available for sale financial assets

Investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised directly in a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Significant and prolonged impairment losses are recognised in profit and loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

k. Associates (Equity accounted investment)

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements includes the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

l. Property, plant and equipment

i. 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 depreciation 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.

ii. Other plant and equipment

The cost of other plant and equipment is stated at cost less accumulated depreciation and impairment losses. 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 (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.

Other plant and equipment is depreciated using the straight line method over its estimated useful life. The depreciation rates used for other plant and equipment are in the range 7.5% to 27% (2008: 7.5% to 27%).

iii. Leased assets

Leases of plant and equipment, under which the consolidated entity assumes all the risks and benefits of ownership, are classified as finance leases. Finance leases are capitalised and depreciated over their estimated useful lives.

Operating leases are not capitalised.

m. Exploration and evaluation

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 are not yet complete.

All other exploration and evaluation costs are expensed as incurred.

n. Capitalised borrowing costs

Borrowing costs relating to oil and gas assets under development up to the date of commencement of operations, are capitalised as a cost of the development. Where funds are borrowed specifically for qualifying projects the actual borrowing costs incurred are capitalised. Where the projects are funded through general borrowings the borrowing costs are capitalised based on the weighted average borrowing rate.

o. Intangible assets

The costs of computer software and loan establishment fees are stated at cost less accumulated depreciation and impairment losses.

p. Trade and other payables

Trade and other payables are stated at cost.

q. Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

r. Employee benefits

i. Wages, salaries and annual leave

The provisions for employee entitlements to wages, salaries and annual leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the reporting date. The provisions have been calculated at undiscounted amounts based on wage and salary rates that the consolidated entity expects to pay and include related on-costs.

ii. Long-term service benefits

Long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date. 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 the rates attaching to national government securities at balance date which most closely match the terms of maturity of the related liabilities.

iii. Share-based payment transactions

The Company has granted options to certain employees under an employee share plan. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a modified binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

iv. Superannuation plans

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

1. Statement of significant accounting policies continued

s. Provisions

A provision is recognised in the balance sheet when the consolidated entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows 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.

Site restoration

Provisions made for environmental rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas. The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the obligation at the reporting date, based on current legal requirements and technology. 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. If the effect is material, provisions are determined by discounting the expected future cash flows 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.

t. Revenue recognition

i. 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. Revenue received during the commissioning phase of oil and gas assets is recorded, together with the related costs of production, against the capitalised carrying value of the asset.

ii. Interest and royalty revenue

Interest and royalties are recognised on an accruals basis.

u. Leased assets

Leases in terms of which the consolidated entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the consolidated entity's balance sheet.

v. Taxation

i. Income tax

Income tax on the income statement comprises current and deferred tax. Income tax is recognised in the income statement 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

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 amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and 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 provided 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 balance sheet date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

ii. Petroleum Resource Rent Tax ("PRRT") and other government royalties

Resource rent taxes and government royalties are treated as taxation arrangements when they are imposed under Government authority and when the calculation of the amount payable falls within the definition of "taxable profit" for the purposes of AASB 112. Current and deferred tax is then provided on the same basis as described in (i) above. Royalty arrangements that do not meet the criteria for treatment as a tax are recognised on an accruals basis.

iii. Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Australian Worldwide Exploration Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using a modified stand alone tax allocation methodology.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the controlled entities are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangements.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head company only.

iv. Nature of tax funding and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivable (payable) is at call.

w. Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office ("ATO") is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

x. Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE FINANCIAL STATEMENTS
30 June 2009 continued

2. Revenue

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Sales revenue – oil and gas	589,577	821,230	–	–
Other revenue				
Other	685	243	–	–
	685	243	–	–
	590,262	821,473	–	–

3. Cost of sales

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Production costs	113,564	82,481	–	–
Amortisation	128,578	133,556	–	–
Movement in oil inventory	(1,379)	(3,402)	–	–
	240,763	212,635	–	–

4. Other income

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Gain on close out of Arc Energy Limited hedge book	8,722	–	–	–
Foreign exchange gain	13,455	–	8	–
Reversal of gas trading provision	3,650	–	–	–
Dividend income – controlled entities	–	–	138,025	31,075
Impairment reversal of loss on investment in controlled entities	–	–	–	12,194
Impairment reversal of receivables due from controlled entities	–	–	–	12,481
	25,827	–	138,033	55,750

5. Other expenses

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Merger costs expensed	13,716	–	–	–
Hedge ineffectiveness loss	–	2,243	–	–
Share option plan	1,464	2,029	1,464	2,029
Foreign exchange loss	–	12,796	–	107
Other	907	665	–	–
	16,087	17,733	1,464	2,136

6. Net financing income

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Interest income	11,705	8,220	948	513
Financial income	11,705	8,220	948	513
Interest expense	–	(4,048)	–	–
Other borrowing costs	(1,865)	(1,418)	–	–
Unwinding of discount – restoration provisions	(5,991)	(2,338)	–	–
	(7,856)	(7,804)	–	–
Net financing income	3,849	416	948	513

7. Taxation (expense)/benefit

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Recognised in income statement				
Current tax (expense)/benefit:				
Current year	(143,113)	(210,057)	–	(8,551)
Net effect of tax funding agreement	–	–	(7,063)	23,233
Adjustments for prior years	4,909	501	1,032	(1,480)
	(138,204)	(209,556)	(6,031)	13,202
Deferred tax expense:				
Origination and reversal of temporary differences	(10,746)	21,862	(208)	(44)
Net effect of tax losses recognised	19,044	(25,981)	19,044	(4,797)
	8,298	(4,119)	18,836	(4,841)
Deferred PRRT and royalty related tax expense	5,419	(25,941)	–	–
Total tax (expense)/benefit	(124,487)	(239,616)	12,805	8,361
Numerical reconciliation between tax (expense)/benefit and pre-tax net result:				
Profit before income tax	213,065	503,971	134,520	52,347
Prima facie taxation expense at 30% (2008: 30%)	(63,919)	(151,191)	(40,356)	(15,704)
(Increase)/decrease in income tax expense due to:				
Non-deductible expenses	(9,059)	(6,741)	(440)	(609)
Overseas tax losses not recognised as a deferred tax asset	(10,881)	–	–	–
Impairment loss not recognised as a deferred tax asset	(4,998)	–	–	–
Recognition of previously unrecognised tax losses	11,747	9,141	11,747	9,141
Effect of tax rates of foreign jurisdictions	–	(12,400)	–	–
Foreign exchange and other translation adjustments	(9,383)	(492)	–	–
PRRT (net of income tax benefit)	(7,466)	–	–	–
Royalty related taxation (net of income tax benefit)	(39,987)	(51,703)	–	–
Deferred PRRT and royalty related tax expense	5,419	(25,941)	–	–
Tax exempt income	–	–	41,407	9,323
Net impairment reversal – controlled entities	–	–	–	7,402
Other	(869)	(790)	(585)	288
Adjustments for prior years	4,909	501	1,032	(1,480)
Total tax (expense)/benefit	(124,487)	(239,616)	12,805	8,361

8. Earnings per share

	Consolidated 2009 $'000	Consolidated 2008 $'000
Profit reconciliation		
Basic and diluted earnings	88,578	264,355

	Consolidated 2009 Number	Consolidated 2008 Number
Weighted average number of ordinary shares		
Issued ordinary shares – opening balance	451,097,675	448,232,675
Effect of shares issued	59,041,091	1,527,432
Weighted average number of ordinary shares	510,138,766	449,760,107
Weighted average number of ordinary shares (diluted)		
Weighted average number of ordinary shares at 30 June	510,138,766	449,760,107
Effect of employee share options on issue	2,935,753	15,529,895
Weighted average number of ordinary shares (diluted)	513,074,519	465,290,002

9. Auditors' remuneration

	Consolidated 2009 $	Consolidated 2008 $	The Company 2009 $	The Company 2008 $
Audit services				
Auditors of the Company				
KPMG Australia				
– Audit and review of financial reports	356,287	168,895	336,454	156,030
Overseas KPMG firms				
– Audit and review of financial reports	8,730	6,477	–	–
	365,017	175,372	336,454	156,030
Other auditors				
– Audit and review of financial reports	2,263	2,547	–	–
	367,280	177,919	336,454	156,030
Other services				
Auditors of the Company				
KPMG Australia				
– Taxation compliance services	493,056	248,011	438,918	248,011
– Taxation services (Scheme of Arrangement with Arc Energy Limited)	64,281	313,575	41,891	313,575
Overseas KPMG firms				
– Taxation compliance services	310,069	115,881	–	–
– Other assurance services	36,733	10,526	–	–
	904,139	687,993	480,809	561,586

10. Segment reporting

Business segments

The consolidated entity operates in one business segment, namely exploration, development and production of oil and gas.

Geographical segments

	Australia		New Zealand		Other*		Consolidated	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000	**2009 $'000**	2008 $'000
External revenue	207,463	169,684	382,542	651,379	257	410	590,262	821,473
Segment result/ (loss)	(19,158)	35,809	280,825	494,697	(33,434)	(19,877)	228,233	510,629
Unallocated							(15,168)	(6,658)
Income tax expense							(124,487)	(239,616)
Net profit after tax							88,578	264,355
Depreciation and amortisation	(84,483)	(52,091)	(44,095)	(81,677)	–	–	(128,578)	(133,768)
Segment assets	789,876	357,480	157,333	259,301	46,578	12,244	993,787	629,025
Unallocated cash							356,066	339,190
							1,349,853	968,215
Segment liabilities	149,095	60,353	85,829	109,351	17,100	8,806	252,024	178,510

The geographic segment allocations are prepared based on the location of the underlying assets.

* The other segment includes Indonesia, Vietnam, Yemen and Argentine operations.

11. Cash and cash equivalents

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Bank balances	4,989	6,332	99	189
Call deposits	335,935	319,015	3,174	17,908
Cash held by joint ventures	15,142	13,843	–	–
	356,066	339,190	3,273	18,097

Included in the cash and cash equivalents is A$11.0 million (US$8.9 million) representing cash security for a letter of credit in relation to AWE's exploration permits in Yemen.

12. Trade and other receivables

Current				
Trade receivables	38,920	93,776	–	–
Interest receivable	170	435	9	39
Amounts receivable from controlled entities	–	–	389,427	68,479
Joint venture receivables	10,539	13,534	–	–
Prepayments	870	389	1	–
Other	2,486	4,143	–	2,517
	52,985	112,277	389,437	71,035

13. Inventories

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Current				
Finished goods	4,358	3,302	–	–
Other inventory	3,922	–	–	–
	8,280	3,302	–	–

14. Investments

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Non-current				
Available for sale financial assets	4,356	–	–	–
Equity accounted investment (refer Note 34)	3,111	–	–	–
Investment in controlled entities (net)	–	–	487,028	487,028
Carrying amount at the end of the financial year	7,467	–	487,028	487,028

All of the consolidated entity's investments are listed on the Australian Securities Exchange. A ten per cent increase in the share price of the investments at 30 June 2009 would have increased equity by $746,700 after tax; an equal change in the opposite direction would have decreased equity by $746,700 after tax.

15. Exploration and evaluation assets

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Costs carried forward in respect of areas in the:				
Exploration and/or evaluation phase (at cost)	160,368	22,363	2,143	3,146
Reconciliation of movements:				
Carrying amount at the beginning of the financial year	22,363	22,315	3,146	–
Transfer to oil and gas assets	–	(5,435)	–	–
Acquired via Arc merger (refer Note 35)	131,875	–	–	–
Additions (net of amount recovered from joint ventures)	70,685	85,957	(1,003)	3,146
Foreign exchange translation difference	1,766	–	–	–
Exploration costs incurred and expensed during the year	(54,321)	(80,474)	–	–
Exploration costs acquired and expensed during the year	(12,000)	–	–	–
Carrying amount at the end of the financial year	160,368	22,363	2,143	3,146

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

16. Oil and gas assets

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Oil and gas assets (at cost)	1,120,173	671,223	–	–
Less: Amortisation and impairment	(358,336)	(181,564)	–	–
	761,837	489,659	–	–
Reconciliation of movements:				
Oil and gas assets in production:				
Carrying amount at the beginning of the financial year	489,659	369,308	–	–
Transfer from exploration assets	–	5,435	–	–
Transfer from assets in development	–	217,161	–	–
Acquired via Arc merger (refer Note 35)	363,599	–	–	–
Additions	64,449	25,161	–	–
Increase in restoration and abandonment provision	6,849	13,351	–	–
Foreign exchange translation difference	10,031	(6,536)	–	–
Written off	–	(665)	–	–
Amortisation	(128,578)	(133,556)	–	–
Impairment charge	(44,172)	–	–	–
Carrying amount at the end of the financial year	761,837	489,659	–	–

Impairment

Impairment tests are performed where there is an indication of impairment. The consolidated entity performs annually an internal review of asset values using cash flow projections, these asset values are then used for impairment testing. Each oil and gas producing asset is considered a separate cash generating unit. The asset values are used to determine a recoverable amount for each asset based on its value in use. 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 and various estimates and assumptions. The key assumptions used in the cash flow projections include the following:

a. Oil and gas prices – forward market prices prevailing at 30 June
b. Exchange rates – current spot USD/AUD exchange rate prevailing at 30 June
c. Discount rates – the post-tax discount rate applied to cash flow projections is 10%

The impairment at 30 June 2009 is the result of the carrying value of onshore Perth basin oil fields (acquired as part of the merger with Arc Energy Limited – refer Note 35) being greater than the estimated discounted cash flow using a post-tax discount rate of 10% (this equates to a pre-tax discount rate of approximately 14.9%). The impairment loss amounts to $30,919,000 on a post-tax basis ($44,172,000 pre-tax, $13,253,000 tax effect). The impairment is primarily due to the lower prevailing oil price existing at 30 June 2009.

No impairment loss has arisen in relation to the other producing oil and gas assets held by the consolidated entity.

Asset valuations based on cash flow projections use a range of estimates and assumptions that are subject to change. Accordingly, impairment losses are sensitive to reasonable possible changes in the key assumptions. The additional impairment loss that would arise from a reasonable possible change in key assumptions (all other assumptions remaining the same) is shown below:

a. A 10% decrease in prevailing oil and gas prices would result in an additional impairment loss of $13,620,000 after tax.
b. A 10% increase in exchange rates would result in an additional impairment loss of $11,086,000 after tax.
c. A 1% increase in the post-tax discount rate applied to the cash flow projections would result in an additional impairment loss of $448,000 after tax.

17. Other plant and equipment

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Other plant and equipment (at cost)	4,336	1,042	–	–
Less: Accumulated depreciation	(2,330)	(581)	–	–
	2,006	461	–	–
Reconciliation of the carrying amount of other plant and equipment is set out below:				
Carrying amount at the beginning of the financial year	461	434	–	–
Acquired via Arc merger (refer Note 35)	1,289	–	–	–
Additions	707	145	–	–
Depreciation	(451)	(118)	–	–
Carrying amount at the end of the financial year	2,006	461	–	–

18. Intangible assets

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Intangible assets (at cost)	2,726	2,136	–	–
Less: Amortisation	(1,882)	(1,173)	–	–
	844	963	–	–
Reconciliation of movements:				
Computer software:				
Carrying amount at the beginning of the financial year	291	98	–	–
Additions	590	287	–	–
Amortisation	(255)	(94)	–	–
Carrying amount at the end of the financial year	626	291	–	–
Loan establishment fees:				
Carrying amount at the beginning of the financial year	672	–	–	–
Transfer from interest-bearing liabilities (net of amortisation)	–	1,124	–	–
Amortisation	(454)	(452)	–	–
Carrying amount at the end of the financial year	218	672	–	–

19. Trade and other payables

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Current				
Trade payables	637	–	118	–
Joint venture creditors	49,827	35,881	–	–
Other payables and accrued expenses	9,635	6,537	587	2,651
	60,099	42,418	705	2,651

20. Interest-bearing liabilities

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
The consolidated entity has access to the following lines of credit:				
Total facilities available:				
Bank loans	135,000	135,000	–	–
Facilities utilised at balance date:				
Bank loans	–	–	–	–
Facilities not utilised at balance date:				
Bank loans	135,000	135,000	–	–

Bank Loan – unsecured

A controlled entity of the Company has available to it an A$120 million equivalent unsecured corporate loan facility. In addition, a US$24.3 million (2008: US$42.5 million) letter of credit facility (relating to the Tui Area oil project) and a working capital facility of up to A$15 million have been provided. The Company and certain of its wholly owned controlled entities have provided a guarantee under the facilities. The facility expiry date is 20 December 2009.

When drawn, the Australian Dollar portion of the facility bears interest at the bank bill swap rate plus a margin while the United States Dollar portion of the facility bears interest at LIBOR plus a margin.

Following the completion of the merger with Arc (refer Note 35), AWE immediately repaid the Arc bank loan (approximately US$61.0 million). The bank loan was denominated in United States dollars. Interest charged on the facility was LIBOR plus a margin. Subsequent to the merger AWE closed out the Arc oil hedge book with a cash outlay of approximately $31.9 million. The repurchase of the oil hedge book resulted in a post-implementation $8.7 million pre-tax profit for AWE.

The Arc facility security arrangements were dissolved upon both the ARC Energy loan facility and oil hedge book being repaid and closed out. Subsequently, Arc Energy Limited and its wholly owned subsidiaries became guarantors to AWE's existing unsecured corporate loan facility.

21. Employee benefits

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Liability for annual leave	1,352	666	–	–
Non-current				
Liability for long service leave	429	349	–	–

a. Superannuation plans

The consolidated entity makes contributions to complying accumulation type superannuation plans nominated by individual employees. The consolidated entity contributes at least the amount required by law. The amount recognised as an expense was $1,933,000 for the financial year ended 30 June 2009 (2008: $1,083,000).

21. Employee benefits continued

b. Employee benefits expensed

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Salaries and wages	20,863	8,837	420	446
Share-based payments	1,464	2,029	1,464	2,029
Other associated personnel costs	3,769	1,911	–	–
	26,096	12,777	1,884	2,475

Salaries and wages and other associated personnel costs are allocated to various income statement categories based on the nature of the expenditure.

c. Share-based payments

Under the Company's Employee Share Option Plan, options to subscribe for ordinary shares in the Company are issued to employees at the discretion of the directors and the exercise price and exercise period are determined on the basis of rewarding employees if the Company's share price achieves significant long-term growth. Options are unlisted and are granted with exercise prices not less than the average market price of the Company's shares for the five days prior to grant.

The Plan was approved by shareholders at the time of the float of the Company. The sum of the number of shares issued on the exercise of options in the previous five years and the number of unexercised options cannot exceed 5% of the total number of shares on issue at any time.

The terms and conditions of share options granted after 1 January 2005 are set out below. Options issued prior to 1 January 2005 vested prior to that date.

All options are settled on exercise by physical delivery of shares. The contractual life of all options is five years from grant date.

Grant date	Number of options	Vesting conditions
26 September 2005	700,000	(a)
24 November 2005	300,000	(a)
24 November 2005	300,000	(b)
24 November 2005	300,000	(c)
20 March 2006	300,000	(a)
20 March 2006	2,100,000	(d)
20 March 2006	2,960,000	(e)
11 April 2006	100,000	(a)
16 June 2006	275,000	(a)
21 July 2006	80,000	(f)
21 July 2006	1,145,000	(g)
30 August 2006	50,000	(f)
10 November 2006	65,000	(f)
15 January 2007	50,000	(g)
15 January 2007	100,000	(h)
12 March 2007	555,000	(f)
13 July 2007	330,000	(g)
13 July 2007	260,000	(h)
13 July 2007	1,725,000	(i)
9 October 2007	15,000	(g)
9 October 2007	15,000	(h)

Grant date	Number of options	Vesting conditions
9 October 2007	15,000	(i)
26 November 2007	550,000	(g)
26 November 2007	550,000	(h)
26 November 2007	400,000	(i)
7 April 2008	22,500	(g)
7 April 2008	47,500	(h)
7 April 2008	55,000	(i)
16 May 2008	137,500	(h)
16 May 2008	137,500	(i)
12 June 2008	100,000	(j)
12 June 2008	100,000	(h)
12 June 2008	100,000	(i)
15 August 2008	1,566,000	(k)
16 January 2009	37,500	(h)
16 January 2009	37,500	(i)
16 June 2009	437,500	(k)

(a) Vested immediately at an exercise price not less than the weighted average sale price of ordinary shares during the five trading days prior to grant date.
(b) Vested after one year at an exercise price not less than 5% in excess of the weighted average sale price of ordinary shares during the five trading days prior to grant date.
(c) Vested after two years at an exercise price not less than 10% in excess of the weighted average sale price of ordinary shares during the five trading days prior to grant date.
(d) Vested after one year at an exercise price not less than 5% in excess of the weighted average sale price of ordinary shares during the five trading days prior to grant date and conditional upon satisfaction of performance conditions as determined by the Remuneration Committee.
(e) Vested after two years at an exercise price not less than 10% in excess of the weighted average sale price of ordinary shares during the five trading days prior to grant date and conditional upon satisfaction of performance conditions as determined by the Remuneration Committee.
(f) Vested on 31 July 2007 at an exercise price not less than the weighted average sale price of ordinary shares during the five trading days prior to grant date and conditional upon satisfaction of performance conditions as determined by the Remuneration Committee.
(g) Vested on 31 July 2008 at an exercise price not less than the weighted average sale price of ordinary shares during the five trading days prior to grant date and conditional upon satisfaction of performance conditions as determined by the Remuneration Committee.
(h) Vesting 31 July 2009 at an exercise price not less than the weighted average sale price of ordinary shares during the five trading days prior to grant date and conditional upon satisfaction of performance conditions as determined by the Remuneration Committee.
(i) Vesting 31 July 2010 at an exercise price not less than the weighted average sale price of ordinary shares during the five trading days prior to grant date and conditional upon satisfaction of performance conditions as determined by the Remuneration Committee.
(j) Vesting 31 July 2009 at an exercise price not less than the weighted average sale price of ordinary shares during the five trading days prior to grant date and conditional upon satisfaction of performance conditions as determined by the Remuneration Committee.
(k) Vesting 31 July 2011 at an exercise price not less than the weighted average sale price of ordinary shares during the five trading days prior to grant date and conditional upon satisfaction of performance conditions as determined by the Remuneration Committee.

21. Employee benefits continued

A summary of outstanding options to acquire ordinary shares in the Company is as follows:

Consolidated and the Company

Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Closing balance	Market value of shares at exercise date
2009							
22 July 2004	21 July 2009	$1.60	100,000	–	(50,000)	50,000	$2.43
24 December 2004	21 December 2009	$1.85	950,000	–	–	950,000	–
26 September 2005	25 September 2010	$2.10	700,000	–	–	700,000	–
24 November 2005	24 November 2010	$2.10	300,000	–	–	300,000	–
24 November 2005	24 November 2010	$2.21	300,000	–	–	300,000	–
24 November 2005	24 November 2010	$2.31	300,000	–	–	300,000	–
20 March 2006	19 March 2011	$2.46	300,000	–	–	300,000	–
20 March 2006	19 March 2011	$2.59	2,100,000	–	–	2,100,000	–
20 March 2006	19 March 2011	$2.71	2,960,000	–	–	2,960,000	–
11 April 2006	11 April 2011	$2.66	100,000	–	–	100,000	–
16 June 2006	15 June 2011	$3.00	275,000	–	–	275,000	–
21 July 2006	19 July 2011	$3.27	1,225,000	–	–	1,225,000	–
30 August 2006	19 July 2011	$3.27	50,000	–	–	50,000	–
10 November 2006	9 November 2011	$3.10	65,000	–	–	65,000	–
15 January 2007	14 January 2012	$2.86	150,000	–	–	150,000	–
12 March 2007	11 March 2012	$2.68	555,000	–	–	555,000	–
13 July 2007	14 July 2012	$3.56	2,315,000	–	–	2,315,000	–
9 October 2007	8 October 2012	$3.56	45,000	–	–	45,000	–
26 November 2007	10 April 2012	$2.77	500,000	–	–	500,000	–
26 November 2007	30 August 2012	$3.18	1,000,000	–	–	1,000,000	–
7 April 2008	6 April 2013	$3.65	125,000	–	–	125,000	–
16 May 2008	12 May 2013	$4.10	275,000	–	–	275,000	–
12 June 2008	11 June 2013	$4.08	300,000	–	–	300,000	–
15 August 2008	14 August 2013	$3.28	–	1,566,000	–	1,566,000	–
16 January 2009	15 January 2014	$2.60	–	75,000	–	75,000	–
16 June 2009	15 June 2014	$2.75	–	437,500	–	437,500	–
			14,990,000	2,078,500	(50,000)	17,018,500	

Grant date	Expiry date	Exercise price	Opening balance	Granted	Exercised	Closing balance	Market value of shares at exercise date
2008							
23 December 2002	22 December 2007	$0.92	500,000	–	(500,000)	–	$2.98
6 May 2003	2 May 2008	$0.81	125,000	–	(125,000)	–	$3.31
22 July 2004	21 July 2009	$1.60	300,000	–	(200,000)	100,000	$3.42
18 November 2004	22 November 2009	$1.91	1,000,000	–	(1,000,000)	–	$2.98
24 December 2004	21 December 2009	$1.85	1,650,000	–	(700,000)	950,000	$3.71
26 September 2005	25 September 2010	$2.10	860,000	–	(160,000)	700,000	$4.03
24 November 2005	24 November 2010	$2.10	300,000	–	–	300,000	–
24 November 2005	24 November 2010	$2.21	300,000	–	–	300,000	–
24 November 2005	24 November 2010	$2.31	300,000	–	–	300,000	–
20 March 2006	19 March 2011	$2.46	400,000	–	(100,000)	300,000	$4.07
20 March 2006	19 March 2011	$2.59	2,110,000	–	(10,000)	2,100,000	$4.17
20 March 2006	19 March 2011	$2.71	2,960,000	–	–	2,960,000	–
11 April 2006	11 April 2011	$2.66	100,000	–	–	100,000	–
16 June 2006	15 June 2011	$3.00	275,000	–	–	275,000	–
21 July 2006	19 July 2011	$3.27	1,225,000	–	–	1,225,000	–
30 August 2006	19 July 2011	$3.27	50,000	–	–	50,000	–
10 November 2006	9 November 2011	$3.10	80,000	–	(15,000)	65,000	$4.08
15 January 2007	14 January 2012	$2.86	150,000	–	–	150,000	–
12 March 2007	11 March 2012	$2.68	610,000	–	(55,000)	555,000	$3.94
13 July 2007	14 July 2012	$3.56	–	2,315,000	–	2,315,000	–
9 October 2007	8 October 2012	$3.56	–	45,000	–	45,000	–
26 November 2007	10 April 2012	$2.77	–	500,000	–	500,000	–
26 November 2007	30 August 2012	$3.18	–	1,000,000	–	1,000,000	–
7 April 2008	6 April 2013	$3.65	–	125,000	–	125,000	–
16 May 2008	12 May 2013	$4.10	–	275,000	–	275,000	–
12 June 2008	11 June 2013	$4.08	–	300,000	–	300,000	–
			13,295,000	4,560,000	(2,865,000)	14,990,000	

The options outstanding at 30 June 2009 have an exercise price in the range of $1.60 to $4.10, and a weighted average remaining contractual life of 2.5 years (2008: 3.1 years). During the financial year, 50,000 share options were exercised (2008: 2,865,000). The weighted average share price at the dates of exercise was $2.43 (2008: $3.33).

The fair value of services rendered in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a modified binomial option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binomial option-pricing model.

21. Employee benefits continued

The inputs into the model are shown in the following table:

Grant date	Fair value at measurement date	Weighted average share price	Exercise price	Expected volatility[(i)]	Option life	Expected dividends	Risk-free rate
2009							
15 August 2008	$0.56 to $0.59	$3.28	$3.28	25.0%	5 years	0% to 3%	5.76%
16 January 2009	$0.33 to $0.35	$2.60	$2.60	25.0%	5 years	0% to 3%	3.50%
16 June 2009	$0.41 to $0.43	$2.75	$2.75	25.0%	5 years	0% to 3%	5.01%
2008							
13 July 2007	$0.57 to $0.71	$3.56	$3.56	25.0%	5 years	0% to 3%	6.88%
9 October 2007	$0.54 to $0.67	$3.56	$3.56	25.0%	5 years	0% to 3%	6.45%
26 November 2007	$0.51 to $0.54	$2.77	$2.77	25.0%	5 years	0% to 3%	6.13%
26 November 2007	$0.62 to $0.68	$3.18	$3.18	25.0%	5 years	0% to 3%	7.29%
7 April 2008	$0.65 to $0.71	$3.65	$3.65	25.0%	5 years	0% to 3%	6.20%
16 May 2008	$0.75 to $0.82	$4.10	$4.10	25.0%	5 years	0% to 3%	6.21%
12 June 2008	$0.75 to $0.82	$4.08	$4.08	25.0%	5 years	0% to 3%	6.72%

(i) Expressed as the weighted average used in the modelling.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Certain share options granted during the year are subject to service conditions and non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

22. Provisions

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Gas trading	581	–	–	–
Restoration and abandonment	55,503	31,740	–	–
	56,084	31,740	–	–
Reconciliation of movements:				
Gas trading:				
Carrying amount at the beginning of the financial year	–	–	–	–
Acquired via Arc merger (refer Note 35)	4,231	–	–	–
Provisions reversed during the year	(3,650)	–	–	–
Carrying amount at the end of the financial year	581	–	–	–
Restoration and abandonment:				
Carrying amount at the beginning of the financial year	31,740	16,051	–	–
Acquired via Arc merger (refer Note 35)	10,923	–	–	–
Provisions made during the year	5,224	13,847	–	–
Foreign exchange translation difference	1,625	(496)	–	–
Unwind of discount	5,991	2,338	–	–
Carrying amount at the end of the financial year	55,503	31,740	–	–

Provisions made for environmental rehabilitation are recognised where there is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas. Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. In particular, the consolidated entity has assumed that restoration will use technology and materials that are available currently. The basis for accounting is set out in Note 1(s).

23. Taxation payable/(receivable)

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Income tax – Australia[(i)]	3,319	8,551	(1,757)	8,551
Income tax – New Zealand	25,721	4,378	–	–
Petroleum Resource Rent Tax – Australia	1,852	–	–	–
Accounting Profits Royalty – New Zealand	44,197	71,086	–	–
	75,089	84,015	(1,757)	8,551

(i) The Australian income tax provision of $3,319,000 represents the net balance of the tax provision acquired as part of the Arc merger and tax instalments paid by the Company on behalf of the AWE tax consolidated group.

In accordance with the tax consolidation legislation, the Company as the head entity of the Australian tax-consolidated group has assumed the current tax liability/(asset) initially recognised by the members in the Australian tax-consolidated group.

24. Deferred tax assets and liabilities

	Consolidated		The Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Recognised deferred tax assets and liabilities				
Deferred tax assets and liabilities are attributable to the following:				
Exploration and evaluation assets	(40,868)	(2,482)	–	–
Oil and gas assets	(16,044)	(19,487)	–	–
Inventories	(484)	(531)	–	–
Employee benefits	303	169	–	–
Provisions	16,825	9,475	–	–
Other	4,581	2,255	351	558
PRRT and royalty related taxation	(55,751)	(22,144)	–	–
Tax value of loss carry-forwards recognised	32,467	13,423	32,467	13,423
Net tax (liabilities)/assets	(58,971)	(19,322)	32,818	13,981
Deferred tax assets	–	–	32,818	13,981
Deferred tax liabilities	(58,971)	(19,322)	–	–
Carrying amount at the end of the financial year	(58,971)	(19,322)	32,818	13,981
Unrecognised deferred tax assets				
Deferred tax assets have not been recognised in respect of the following items:				
Tax losses	3,620	16,409	3,620	15,367

25. Cash flow hedge liabilities

Following the completion of the merger with Arc (refer Note 35), AWE closed out the Arc oil hedge book with a cash outlay of approximately $31.9 million. The repurchase of the oil hedge book resulted in a post-implementation $8.7 million pre-tax profit for AWE.

26. Capital and reserves

a. Share capital

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
520,871,941 (2008: 451,097,675) ordinary shares, fully paid	770,345	533,386	770,345	533,386

	Consolidated	
	2009 Number of shares	2008 Number of shares
Movements in ordinary shares:		
Balance at the beginning of the financial year	451,097,675	448,232,675
Ordinary shares issued – acquisition of Arc Energy Limited	69,724,266	–
Shares issued for cash from the exercise of options	50,000	2,865,000
Balance at the end of the financial year	520,871,941	451,097,675

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

b. Equity compensation reserve

The equity compensation reserve represents the fair value of options expensed by the Company to 30 June 2009.

c. Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where the functional currency is different to the presentation currency of the reporting entity.

d. Dividends

Dividends recognised in the current financial year are:

	Cents per Share	Total amount $'000	Franking	Date of payment
Declared and paid during the 2009 financial year:				
Special dividend	10.0	52,082	Franked	30 January 2009

Franked dividends declared as paid during the year were franked at the rate of 30%.

e. Dividend franking account

	The Company	
	2009 $'000	2008 $'000
30% franking credits available at 30 June 2009	8,216	–
Franking credits that will arise from the payment of the current tax liabilities	3,319	–
30% franking credits available to shareholders for subsequent financial years	11,535	–

The ability to utilise franking credits is dependant upon there being sufficient available profits to declare dividends.

27. Interests in joint ventures

a. At the end of the financial year the consolidated entity held the following interests in oil and gas production, exploration and appraisal joint ventures:

		Beneficial interest			
Joint venture	**Country**	**Consolidated 2009 %**	Consolidated 2008 %	**The Company 2009 %**	The Company 2008 %
T/L1 BassGas	Australia	42.50	30.00	–	–
T/RL1	Australia	42.50	30.00	–	–
T/18P	Australia	42.50	30.00	–	–
T/44P	Australia	40.00	–	–	–
VIC/L 24 Casino	Australia	25.00	25.00	–	–
VIC/L 30 Henry	Australia	25.00	–	–	–
VIC/P 44	Australia	25.00	25.00	–	–
WA 31 L Cliff Head	Australia	57.50	27.50	–	–
WA 286 P	Australia	57.50	27.50	–	–
WA 368 P	Australia	50.00	–	–	–
TP/15	Australia	–	25.00	–	–
L1/L2 Dongara	Australia	100.00	–	–	–
L1/L2 Hovea and Eremia	Australia	50.00	–	–	–
L4/L5/PL 6 Woodada	Australia	100.00	–	–	–
L7 Mt Horner	Australia	100.00	–	–	–
L11 Beharra Springs	Australia	33.00	–	–	–
L14 Jingemia	Australia	44.14	–	–	–
EP 320	Australia	33.00	–	–	–
EP 413	Australia	44.14	–	–	–
EP 437	Australia	50.00	–	–	–
PMP 38158 Tui	New Zealand	42.50	42.50	–	–
PEP 38259	New Zealand	25.00	25.00	–	–
PEP 38401	New Zealand	50.00	50.00	–	–
PEP 38481	New Zealand	53.75	40.00	–	–
PEP 38482	New Zealand	50.00	40.00	–	–
PEP 38483	New Zealand	44.32	44.32	–	–
Hector South Sub-block	New Zealand	42.50	42.50	–	–
PEP 38499	New Zealand	–	42.50	–	–
PEP 381202	New Zealand	100.00	100.00	–	–
PEP 38451	New Zealand	10.00	–	–	–
PEP 38524	New Zealand	100.00	–	–	–
PEP 51321	New Zealand	44.32	–	–	–
Bulu PSC	Indonesia	42.50	42.50	–	–
East Muriah PSC	Indonesia	50.00	–	–	–
Terumbu PSC	Indonesia	100.00	–	–	–
Vietnam Block 06/94	Vietnam	23.33	–	–	–
Las Bases Exploitation Concession	Argentina	15.00	15.00	–	–
Yemen Block no. 7	Yemen	19.25	–	–	–
Yemen Block no. 35	Yemen	15.00	–	–	–
Yemen Block no. 74	Yemen	19.25	–	–	–

27. Interests in joint ventures continued

b. Included in the assets and liabilities of the Company and the consolidated entity are the following items which represent the Company's and the consolidated entity's interest in the assets and liabilities employed in the joint ventures.

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current assets				
Cash and cash equivalents	15,142	13,843	–	–
Trade and other receivables	10,539	13,534	–	–
Inventory	8,280	3,302	–	–
	33,961	30,679	–	–
Non-current assets				
Exploration and evaluation assets	160,368	22,363	–	–
Oil and gas assets	761,837	489,659	–	–
	922,205	512,022	–	–
Total assets	956,166	542,701	–	–
Current liabilities				
Trade and other payables	49,827	35,881	–	–
Total liabilities	49,827	35,881	–	–

Refer to Notes 28 and 29 for details of commitments and contingent liabilities.

28. Capital and other commitments

a. Capital expenditure commitments

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Contracted but not provided for or payable:				
Not later than one year	54,850	77,823	–	–

b. Exploration and evaluation expenditure commitments

Total exploration and evaluation expenditure contracted for but not provided for in the financial statements, payable:				
Not later than one year	162,900	93,887	–	–
Later than one year but not later than five years	44,170	107,090	–	–
	207,070	200,977	–	–

In order to meet contractual obligations and to maintain the various licences, in which the consolidated entity and its respective joint venture partners are involved, the consolidated entity has ongoing commitments as part of its normal operations. The above exploration, evaluation and capital expenditure commitments represent commitments made to the appropriate government authorities, to the respective joint venture partners and to third party contractors. However, these commitments are subject to continual review within the joint ventures in which the consolidated entity is a participant and the extent of future commitments is subject to continual renegotiation.

The consolidated entity has entered into a drilling rig contract with third parties operating joint ventures where the consolidated entity is not a joint venture participant whereby it shares joint and several liability in the event that the third party joint venture operator defaults and fails to contribute its share of its joint venture obligations.

c. Time charter commitments

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Floating Production and Storage Offtake vessel ("FPSO") time charter contracted for but not provided for in the financial statements, payable:				
Not later than one year	22,740	27,048	–	–
Later than one year but not later than five years	70,789	65,171	–	–
Later than five years	25,985	29,192	–	–
	119,514	121,411	–	–

The Operator of the Tui Area oil project (PMP 38158, offshore Taranaki Basin, New Zealand) has entered into a USD denominated charter contract for the provision of an FPSO for the Tui Field development. The Charter Contractor built and operates the FPSO as part of the charter arrangement. The contract is for a fixed initial term to 31 December 2015 with options exercisable by the joint venture for seven one-year extensions. The commitment would increase by $127,463,000 if the full seven-year option is exercised.

d. Non-cancellable operating lease rental commitments

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Future operating lease rentals, not provided for in the financial statements, payable:				
Not later than one year	2,403	1,018	–	–
Later than one year but not later than five years	2,834	1,879	–	–
	5,237	2,897	–	–

Office premises – the consolidated entity leases a number of premises all of which expire no later than October 2013. During the financial year $1,267,000 was recognised as an expense in the income statement (2008: $672,000).

BassGas operations – the consolidated entity has entered into a lease contract relating to the provision of generators and compressors for one of its producing oil and gas assets.

e. Remuneration commitments

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Commitment for the payment of salaries and other compensation to key management personnel under long-term contracts in existence at the reporting date but not provided for in the financial statements, payable:				
Not later than one year	750	750	–	–
Later than one year but not later than five years	125	875	–	–
	875	1,625	–	–

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29. Contingencies

a. The Operator of the Tui Area oil project (PMP 38158, offshore Taranaki Basin, New Zealand) has entered into a charter contract for the provision of an FPSO for the Tui Field development. The Charter Contractor built and operates the FPSO as part of the charter arrangement. The contract is for a fixed initial term to 31 December 2015 with options exercisable by the joint venture for seven one-year extensions. The consolidated entity has provided a letter of credit for the benefit of the Charter Contractor amounting to US$24.3 million (2008: $US42.5 million).

b. The consolidated entity has entered into agreements whereby it will be required to pay a Net Cash Interest to the previous owners of a wholly-owned controlled entity of the Company, AWE Taranaki Limited (previously New Zealand Overseas Petroleum Limited), if returns from the Tui Area oil project in PMP 38158 exceed certain benchmark levels. In addition, the consolidated entity will also pay an overriding royalty interest ("ORRI") on any revenue resulting from the development of any future discoveries made within the Hector South Sub-Block.

c. The Company has guaranteed to the Argentine Secretariat of Energy its technical and financial support with respect to obligations of its controlled entity, AWE Argentina Pty Limited to a maximum amount of 3 million Argentine Pesos (A$978,409) (2008: 3 million Argentine Pesos (A$1,038,422)).

d. A wholly owned controlled entity of the Company has provided letters of credit of US$7.1 million (A$8.7 million) in favour of the Yemen Government authorities representing the consolidated entity's minimum work obligations for Blocks 7 and 74. A wholly owned controlled entity of the Company has entered into a contractual arrangement with Adelphi Energy Ltd whereby a security line of credit totalling US$2.8 million (A$3.5 million) has been provided to Adelphi to secure Adelphi's minimum exploration commitments in Block 7 and 74.

e. The Company has guaranteed to the Indonesian government fulfilment of its obligation to perform minimum work commitments with respect to the Terumbu PSC in Indonesia to a maximum amount of US$1.5 million (A$1.8 million).

f. Under the terms of various joint venture operating and product sales agreements the Company has provided performance guarantees to wholly-owned controlled entities.

g. The Company has entered into Indemnity Deeds to indemnify 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.

h. The consolidated entity provides for all known environmental liabilities. There can be no assurance that material new provisions will not be required as a result of new information or regulatory requirements with respect to the consolidated entity's assets.

i. The Native Title Act ("NTA") may impact on the consolidated entity's ability to gain access to new prospective exploration areas or obtain production titles. Some of the consolidated entity's onshore petroleum tenements now include land that is the subject of a Native Title claim under the NTA. Under the NTA all claims for Native Title are subject to the rights derived from the grant to the consolidated entity of its existing petroleum tenements for the term of that grant and any routine renewals. The consolidated entity is not liable to pay any compensation to Native Title parties by exercising its rights existing to petroleum tenements.

j. The Company has service agreements with three managers (including two key management personnel) that provide for contingency payments under certain circumstances amounting to one year's remuneration for less than 10 years of service and two years' remuneration for greater than 10 years of service in addition to accrued statutory entitlements including long service leave, annual leave and superannuation benefits. These payments represented market practice at the time the terms were agreed. Each of the four managers has no entitlement to termination payment in the event of removal for misconduct.

30. Reconciliation of cash flows from operating activities

	Consolidated 2009 $'000	Consolidated 2008 $'000	The Company 2009 $'000	The Company 2008 $'000
Cash flows from operating activities				
Profit for the period	88,578	264,355	147,325	60,708
Adjustments for:				
Amortisation of oil and gas assets	128,578	133,556	–	–
Amortisation of intangible assets	255	94	–	–
Depreciation	451	118	–	–
Non-cash hedge liability movement	(8,722)	(7,137)	–	–
Merger costs expensed	13,716	–	–	–
Impairment of oil and gas assets	44,172	–	–	–
Impairment of investment in equity accounted investment	9,913	–	–	–
Impairment of available for sale investments	8,196	–	–	–
Share of loss of associates	2,401	–	–	–
Loan establishment fees written off/amortised	454	452	–	–
Exploration, evaluation, development and other capitalised costs written off	66,321	81,139	–	–
Unwinding of discount – restoration provisions	5,991	2,338	–	–
Share-based payments	1,464	2,029	1,464	2,029
Net foreign currency losses/(gains)	(1,336)	12,796	(8)	107
Net impairment reversal of receivables due from controlled entities	–	–	–	(12,481)
Net impairment reversal of investments in controlled entities	–	–	–	(12,194)
Non-cash taxation expense	(39,529)	111,314	(29,145)	13,392
Operating profit before changes in working capital and provisions	320,903	601,054	119,636	51,561
Change in assets and liabilities during the financial year:				
Increase/(decrease) in trade and other receivables	56,297	(86,064)	29	(10)
Increase in inventories	(1,056)	(3,302)	–	–
(Decrease)/increase in provisions and employee benefits	(2,884)	156	–	–
Increase/(decrease) in accounts payable	18,817	(2,365)	561	380
Net cash from operating activities	392,077	509,479	120,226	51,931

31. Controlled entities

Name	Note	Country of incorporation	2009 %	2008 %
Parent entity				
Australian Worldwide Exploration Limited				
Controlled entities				
AWE Administration Pty Limited	(a)	Australia	100	100
AWE Finance Pty Limited	(a)	Australia	100	100
AWE Overseas Pty Limited	(a)	Australia	100	100
AWE Offshore Pty Limited	(a)	Australia	100	100
AWE Argentina Pty Limited	(a),(b)	Australia	100	100
AWE New Zealand Pty Limited	(a),(b)	Australia	100	100
AWE UK Pty Limited	(a)	Australia	100	–
AWE Australia Pty Limited	(a)	Australia	100	100
Omega Oil Pty Ltd	(a)	Australia	100	100
Wells Fargo Resources Pty Ltd		Australia	100	100
AWE Petroleum Pty Ltd	(a)	Australia	100	100
Peedamullah Petroleum Pty Ltd	(a)	Australia	100	100
AWE Pty Ltd	(a),(c)	Australia	100	100
AWE Resources (Western Australia) Pty Ltd	(a)	Australia	100	100
AWE Oil (Western Australia) Pty Ltd	(a)	Australia	100	100
Perthshire Petroleum Pty Ltd	(a)	Australia	100	100
Tepstew Pty Ltd	(a)	Australia	100	100
Western Petroleum Management Pty Ltd	(a)	Australia	100	100
AWE (NSW) Pty Ltd	(a)	Australia	100	100
AWE (Australia) Energy Pty Ltd	(a)	Australia	100	100
AWE Energy (Australasia) Pty Ltd	(a)	Australia	100	100
Arc Energy Limited	(a)	Australia	100	–
Arc (Beharra Springs) Pty Ltd	(a)	Australia	100	–
Arc Energy Holdings Ltd	(a)	Australia	100	–
Arc Energy Trading Pty Ltd	(a)	Australia	100	–
Arc Investment Company Pty Ltd	(a)	Australia	100	–
Arc (Wandoo) Pty Ltd	(a)	Australia	100	–
Arc (BassGas) Pty Ltd	(a)	Australia	100	–
Arc (Offshore PB) Ltd	(a)	Australia	100	–
AWE Holdings NZ Limited	(b)	New Zealand	100	100
AWE Taranaki Limited	(b),(d)	New Zealand	100	100
AWE (Satria) NZ Ltd	(b)	New Zealand	100	100
AWE (East Muriah) NZ Ltd	(b)	New Zealand	100	–
AWE (Terumbu) NZ Ltd	(b)	New Zealand	100	–
AWE Singapore Pte. Ltd	(b)	Singapore	100	100
AWE Holdings Singapore Pte. Ltd	(b)	Singapore	100	–
AWE Vietnam Pte. Ltd	(b)	Singapore	100	–
Greenslopes Limited	(b)	Papua New Guinea	100	100

(a) 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 reports and directors' reports (refer Note 36). The Company and those group entities are the "Closed Group".

(b) These controlled entities are required to lodge audited individual entity financial statements with the appropriate overseas authority. AWE New Zealand Pty Limited and AWE Argentina Pty Limited are Australian companies with branches in New Zealand and Argentina respectively.

(c) AWE Pty Ltd changed its name from AWE Timor Sea Pty Ltd on 29 May 2009.

(d) AWE Taranaki Limited changed its name from New Zealand Overseas Petroleum Limited on 1 July 2008.

32. Financial risk management

The consolidated entity has exposure to market, credit and liquidity risks from its use of financial instruments in the normal course of its business. This note presents information about the consolidated entity's exposure to each of the above risks.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework of the consolidated entity. The Board has established an Audit Committee and an Operations Risk Committee, which are responsible for developing and monitoring risk management policies.

The Operations Risk Committee's primary role is to advise and assist the Board of Directors in assessing risk factors associated with the execution of projects in which the consolidated entity has equity or participatory interests. The Audit Committee assesses the internal processes for determining and managing key financial risk areas. In addition, the Audit Committee ensures that the consolidated entity has an effective financial risk management system and that macro risks to the Company are reported to the Board. The consolidated entity's financial risk management policies and systems are reviewed annually by the Audit Committee to reflect changes in market conditions and the consolidated entity's activities.

The consolidated entity, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The consolidated entity's management of financial risk aims to ensure that net cash flows are available to fund its business plans. Identification and analysis of relevant financial risks to the achievement of the organisation's objectives forms the basis for determining how risks should be managed. The forecast financial position of the consolidated entity is continually monitored and derivative financial instruments can be used to hedge exposure to fluctuations in interest rates, exchange rates and commodity prices.

Hedging activities are conducted in accordance with the hedging policy endorsed by the Board. The following guidelines have been set by the Board in reviewing proposals to hedge:

- No speculative hedging is to be entered into;
- Only specific commitments and exposures are to be hedged;
- No hedging program is to be entered into without the prior approval of the Board;
- Hedging transactions must take into account any bank loan covenants that the company has in place; and
- Any hedging program is to give due consideration to the ability of the company to absorb reasonable downside risk.

a. Market risk

i. Commodity price risk

The consolidated entity has revenue from the sale of hydrocarbons – gas, crude oil, condensate and LPG. Australian gas sales are not subject to commodity price risk as the product is sold in Australian Dollars under long-term contracts with CPI escalators in place. However, crude oil, condensate and LPG are priced against world benchmark commodity prices and the consolidated entity is therefore subject to significant commodity price risk for these products. The consolidated entity may enter into certain derivative instruments to manage its commodity price risk. As at the end of the financial year the consolidated entity has no commodity price hedging or derivatives in place.

The following table summarises the sensitivity of the fair value of financial instruments held at balance date to a 10% movement in commodity prices with all other variables held constant.

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Impact on post-tax profit and equity:				
Commodity price +10%	2,246	5,925	–	–
Commodity price -10%	(2,246)	(5,925)	–	–

ii. Interest rate risk

A controlled entity of the Company has available an unsecured corporate loan facility of up to A$135 million equivalent. This facility was undrawn as at the end of the financial year (refer Note 20). When drawn, the Australian Dollar portion of the facility bears interest at the bank bill swap rate plus a margin while the United States Dollar portion of the facility bears interest at LIBOR plus a margin. Borrowings under the facility are floating rate borrowings and if the facility is drawn the consolidated entity would be subject to interest rate risk from movements in the Australian dollar bank bill swap rate and United States dollar LIBOR.

Similarly, the consolidated entity is subject to interest rate risk from movements in the Australian and United States cash rates on cash held.

32. Financial risk management continued

The consolidated entity may enter into certain derivative instruments to manage its interest rate risk. As at the end of the financial year the consolidated entity has no interest rate hedging or derivatives in place.

The following table summarises the sensitivity of the fair value of financial instruments held at balance date, following a 1% movement in interest rates, with all other variables held constant.

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Impact on post-tax profit and equity:				
Interest rate +1%	204	195	2	10
Interest rate -1%	(204)	(195)	(2)	(10)

iii. Foreign exchange risk

The consolidated entity operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States and New Zealand dollars.

The consolidated entity is subject to the following significant foreign exchange risks:

- the sale of crude oil, condensate and LPG which are priced against world benchmark United States Dollar commodity prices;
- domestic and international operating, development and exploration expenditures which can be incurred in a number of different currencies, especially United States and New Zealand Dollars; and
- consolidation of entities with a functional currency different to the entity's functional currency of Australian dollars.

The following measures are taken to reduce the consolidated entity's foreign currency exposure:

- surplus funds are held in a mixture of both United States, New Zealand and Australian Dollars;
- where possible specific commitments and exposures are hedged naturally by using United States Dollar revenues to fund United States Dollar denominated expenditures;
- to meet other foreign currency obligations the consolidated entity purchases foreign currency as the obligations accrue; and
- debt facilities have been arranged such that, if required, borrowings can be denominated in both United States and Australian Dollars.

The consolidated entity may enter into certain derivative instruments to manage its foreign exchange risk. As at the end of the financial year the consolidated entity has no foreign exchange hedging or derivatives in place.

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
	2009	2008	**2009**	2008
AUD/USD	0.7471	0.8960	0.8114	0.9621
AUD/NZD	1.2288	1.1669	1.2428	1.2618

The following table summarises the sensitivity of the fair value of financial instruments held at balance date, following a 10% movement in exchange rates, with all other variables held constant.

	Average Rate		Reporting Date Spot Rate	
	2009	2008	**2009**	2008
Impact on post-tax profit and equity:				
AUD/USD +10%	(10,688)	(8,216)	–	–
AUD/USD – 10%	13,068	10,070	–	–
Impact on post-tax profit and equity:				
AUD/NZD +10%	(539)	(144)	–	–
AUD/NZD – 10%	658	175	–	–

The financial instruments denominated in United States dollars and New Zealand dollars are as follows:

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
United States dollars:				
Financial assets				
Cash	104,237	52,548	–	–
Trade and other receivables	35,750	91,636	–	–
Financial liabilities				
Trade and other payables	(22,347)	(14,692)	–	–
New Zealand dollars:				
Financial assets				
Cash	75,485	77,725	–	–
Financial liabilities				
Taxation payable	(69,918)	(75,464)	–	–

b. Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts.

Exposure to credit risk

Credit risk arises from the financial performance of:

- Customers receiving supplies of hydrocarbons from the consolidated entity. Trade receivable balances are monitored on an ongoing basis and further, the nature of upstream oil and gas operations is that hydrocarbons are generally sold to large creditworthy companies, with the result being that the consolidated entity's exposure to bad debts is not significant.
- The financial institutions holding the cash and short-term deposits of the consolidated entity. In accordance with Board policy, funds are invested with up to a maximum of eight financial institutions with short-term security ratings of A1 or better and subject to working capital considerations, not more than $50 million is to be invested with any one financial institution.
- The joint venture participants with which the consolidated entity is involved. If a participant to a joint venture defaults and fails to contribute its share of joint venture obligations, the remaining joint venture participants are liable to meet the obligations of the defaulting participant. In this event the interest in the tenement of the defaulting participant may be redistributed to the remaining participants.

Receivables and cash and cash equivalents represent the Company's and the consolidated entity's maximum exposure to credit risk:

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Cash	356,066	339,190	3,273	18,097
Trade and other receivables	52,985	112,277	389,437	71,035

The consolidated entity does not hold any credit derivatives to offset its credit exposure. There is no particular concentration of credit risk.

32. Financial risk management continued

The ageing of trade receivables at the reporting date was as follows:

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Less than 1 month	38,920	93,776	–	–

There are no trade receivables past due at the reporting date (2008: Nil).

c. Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due.

Responsibility for liquidity risk management rests with the Board of Directors who have built an appropriate framework for the management of the consolidated entity's short, medium and long term funding and liquidity management requirements.

The consolidated entity 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.

Contractual cash flows

	Note	Total $'000	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2009						
Consolidated						
Trade and other payables	19	60,099	60,099	–	–	–
Company						
Trade and other payables	19	705	705	–	–	–
2008						
Consolidated						
Trade and other payables	19	42,418	42,418	–	–	–
Company						
Trade and other payables	19	2,651	2,651	–	–	–

d. Net fair values of financial assets and liabilities

The carrying values of financial assets and liabilities of the consolidated entity and the Company approximate their fair value.

The fair values are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on an active liquid market is determined with reference to the quoted price; and
- the fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analyses.

e. Capital management

The consolidated entity maintains an ongoing review of its capital management program to ensure appropriate allocation of its capital resources.

The first order of priority for capital management initiatives is to ensure payment of its financial obligations.

The second order of priority for capital management is to fund new growth initiatives to ensure that AWE shareholders are provided with exposure to high rate of return projects on an ongoing basis. In the current market conditions access to immediate funding can be a distinct corporate advantage.

The overriding objective is to provide strong total shareholder returns. Whilst over the year AWE's return was negative, over the last ten years an average shareholder return of 21% has been achieved. In addition, AWE declared and paid a special dividend of ten cents per share fully franked during this financial year.

The future payment of dividends is regularly reviewed by the Board which has determined that dividends would only be paid to shareholders if continual payment of a dividend could be reasonably sustained over a longer period and paid in a tax effective manner.

33. Related party disclosures

Key management personnel disclosures

a. Key management personnel compensation

The key management personnel compensation included in Note 21 are as follows:

	Consolidated		The Company	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Salaries and wages	4,803	3,585	620	446
Share-based payments	754	1,001	754	1,001
Other associated personnel costs	107	168	–	–
	5,664	4,754	1,374	1,447

b. Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Corporations Regulation 2M.3.03 is provided in the remuneration reports section of the directors' report.

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

c. Options over equity instruments

The movement during the financial year in the number of options in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Opening balance	Granted as remuneration	Exercised	Net change other	Closing balance
2009					
Directors					
B. J. W. Wood	1,500,000	–	–	–	1,500,000
Executives					
L. J. Brooks	1,650,000	100,000	–	–	1,750,000
R. D. Frith	1,150,000	100,000	–	–	1,250,000
N. F. Kelly	1,330,000	100,000	–	–	1,430,000
I. D. Palmer	800,000	100,000	–	–	900,000
D. Washer	475,000	100,000	–	–	575,000
B. W. Wray[i]	–	100,000	–	300,000	400,000
G. J. Jeffery[i]	–	–	–	–	–
2008					
Directors					
B. J. W. Wood	–	1,500,000	–	–	1,500,000
B. J. Phillips	1,900,000	–	–	(1,900,000)	–
Executives					
L. J. Brooks	1,500,000	150,000	–	–	1,650,000
R. D. Frith	2,000,000	150,000	(1,000,000)	–	1,150,000
N. F. Kelly	1,280,000	150,000	(100,000)	–	1,330,000
I. D. Palmer	800,000	100,000	(100,000)	–	800,000
D. Washer	325,000	150,000	–	–	475,000

(i) Mr B. W. Wray has been included as a Key Management Person effective 1 July 2008. Mr G. J. Jeffery has been included as a Key Management Person effective 25 August 2008.

33. Related party disclosures continued

d. Movements in shares

The movement during the financial year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

	Opening balance	Granted as remuneration	Received on exercise of options	Net change other	Closing balance
2009					
Directors					
B. G. McKay	265,610	–	–	–	265,610
B. J. W. Wood	138,050	–	–	–	138,050
C. C. Green	43,293	–	–	–	43,293
E. S. Smith(i)	11,857,838	–	–	(11,857,838)	–
D. I. McEvoy	30,000	–	–	(30,000)	–
A. J. Hogendijk	–	–	–	–	–
Executives					
L. J. Brooks	861,910	–	–	(60,000)	801,910
R. D. Frith	500,000	–	–	–	500,000
N. F. Kelly	25,476	–	–	–	25,476
I. D. Palmer	100,000	–	–	(100,000)	–
D. Washer	20,000	–	–	–	20,000
B. W. Wray(ii)	–	–	–	–	–
G. J. Jeffery(ii)	–	–	–	75,000	75,000
2008					
Directors					
B. G. McKay	321,213	–	–	(55,603)	265,610
B. J. W. Wood	50,050	–	–	88,000	138,050
B. J. Phillips	3,743,913	–	–	(3,743,913)	–
C. C. Green	43,293	–	–	–	43,293
E. S. Smith	12,019,239	–	–	(161,401)	11,857,838
D. I. McEvoy	30,000	–	–	–	30,000
A. J. Hogendijk	–	–	–	–	–
Executives					
L. J. Brooks	976,910	–	–	(115,000)	861,910
R. D. Frith	–	–	1,000,000	(500,000)	500,000
N. F. Kelly	25,476	–	100,000	(100,000)	25,476
I. D. Palmer	–	–	100,000	–	100,000
D. Washer	–	–	–	20,000	20,000

No shares were granted to key management personnel during the financial year as remuneration.

(i) Mr E. S. Smith resigned as a director on 16 June 2009.
(ii) Mr B. W. Wray has been included as a Key Management Person effective 1 July 2008. Mr G. J. Jeffery has been included as a Key Management Person effective 25 August 2008.

The disclosures above may not be consistent with the disclosure in the Directors' Report as the basis of calculation differs due to the differing requirements of the Corporations Act 2001 and the Accounting Standards.

e. 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.

Non-key management personnel disclosures

The consolidated entity has a related party relationship with its controlled entities (Note 31), joint ventures (Note 27) and with its key management personnel. The Company and its controlled entities engage in a variety of related party transactions in the ordinary course of business. These transactions are generally conducted on normal terms and conditions.

Details of related party transactions and amounts with controlled entities are set out in:

Note 6 – Interest income from controlled entities.
Note 12 – Amounts receivable from controlled entities.
Note 19 – Amounts owing to controlled entities.

34. Equity accounted investment

The consolidated entity's share of the loss of its equity accounted investee, Adelphi Energy Limited ("Adelphi") for the period was $2,401,000 (2008: Nil). The investment was acquired via the Arc merger (refer to Note 35).

	Revenues (100%) $'000	Expenses (100%) $'000	Loss (100%) $'000	Share of Loss (32.5%) $'000
Adelphi	264	(7,771)	(7,507)	(2,401)

	Current assets (100%) $'000	Non-current assets (100%) $'000	Total assets (100%) $'000	Current liabilities (100%) $'000	Total liabilities (100%) $'000	Net assets (100%) $'000	Share of net assets (100%) $'000
Adelphi	2,100	9,305	11,405	(2,037)	(2,037)	9,368	3,045

35. Business combination – acquisition

Arc Energy Limited and Australian Worldwide Exploration Limited announced during the preceding financial year that their respective Boards had unanimously agreed to merge the two companies. The transaction was effected by way of a scheme of arrangement and involved the merger of Arc and AWE and the demerger of Buru Energy. The implementation of the merger and demerger and the transfer of consideration to Arc shareholders occurred 25 August 2008.

The fair values of identifiable assets and liabilities of Arc as at the date of acquisition were:

	Acquiree carrying amount $'000	Provisional fair value $'000
Cash and cash equivalents*	63,222	63,222
Trade and other receivables	17,459	17,459
Inventory	1,672	1,672
Available for sale financial assets	12,553	12,553
Equity accounted investments	5,917	15,425
Exploration and evaluation assets	39,663	131,875
Oil and gas assets	232,457	363,599
Other property, plant and equipment	1,289	1,289
Interest-bearing liabilities	(70,869)	(70,869)
Cash flow hedge liability	(40,630)	(40,630)
Trade and other payables	(18,611)	(18,611)
Employee benefits	(440)	(440)
Taxation payable	(9,817)	(9,817)
Provisions	(15,153)	(15,153)
Deferred tax assets/(liabilities)	12,077	(52,906)
Net assets	230,789	398,668
Cash consideration		161,605
Ordinary shares issued		237,063
Consideration		398,668

* Included in the cash and cash equivalents is A$10.3 million (US$8.9 million) representing cash security for a letter of credit in relation to Arc's exploration permits in Yemen.

From the date of acquisition and included in the AWE result of the group is a loss of $60.0 million (after tax) incurred by Arc primarily due to the impairment attributable to investments (refer Note 14) and oil and gas assets (refer Note 16).

It is not practicable to determine the revenues and profit of the group had the combination taken place at 1 July 2008 due to differences in accounting policy and the complexity of the transaction (the demerger of Buru Energy in particular).

36. Deed of cross guarantee

During the financial year the Company and certain of the Company's wholly-owned subsidiaries entered into a Deed of Cross Guarantee. Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, certain of the Company's wholly-owned subsidiaries (refer Note 31) are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' report.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

A consolidated balance sheet and consolidated income statement, comprising the Company and controlled entities which are a party to the Deed of Cross Guarantee, at 30 June 2009 is set out as follows:

	Consolidated 2009 $'000
Balance sheet	
Current assets	
Cash and cash equivalents	291,635
Trade and other receivables	39,615
Inventory	5,777
Total current assets	337,027
Non-current assets	
Investments	127,288
Exploration and evaluation assets	109,763
Oil and gas assets	717,898
Other property, plant and equipment	2,006
Intangible assets	844
Total non-current assets	957,799
Total assets	1,294,826
Current liabilities	
Trade and other payables	51,003
Employee benefits	1,352
Taxation payable	31,316
Total current liabilities	83,671
Non-current liabilities	
Employee benefits	429
Provisions	44,986
Deferred tax liabilities	55,662
Total non-current liabilities	101,077
Total liabilities	184,748
Net assets	1,110,078
Equity	
Issued capital	770,345
Reserves	7,999
Retained earnings	331,734
Total equity	1,110,078
Summarised income statement	
Profit before tax	159,836
Income tax expense	(54,960)
Profit after tax	104,876

37. Additional company information

Australian Worldwide Exploration Limited is a public company listed in Australia on the ASX and incorporated in Australia and operating in Australia and overseas.

The registered office and principal place of business is:
Level 9, 60 Miller Street
North Sydney NSW 2060 Australia

38. Events subsequent to balance date

Subsequent to the end of the financial year, AWE acquired a further 5% interest in exploration permit T18/P in the offshore Bass Basin from CalEnergy Gas Australia Limited increasing its equity in the block from 42.5% to 47.5%. The purchase, at a net cost of approximately $9 million (including drilling costs), will be funded from existing cash reserves. The transaction remains subject to the completion of joint venture and governmental approvals.

DIRECTORS' DECLARATION
30 June 2009

1. In the opinion of the directors of Australian Worldwide Exploration Limited:
   a. the financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 59 to 99 and 39 to 50, are in accordance with the Corporations Act 2001, including:
      i. giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2009 and of their performance, for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
   b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a); and
   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 the group entities identified in Note 36 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 Class Order 98/1418.
3. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2009.

Signed in accordance with a resolution of the directors:

B. G. McKay
Chairman

B. J. W. Wood
Managing Director

Dated at Sydney this twenty fifth day of August 2009.

INDEPENDENT AUDIT REPORT

to the members of Australian Worldwide Exploration Limited

Report on the financial report

We have audited the accompanying financial report of Australian Worldwide Exploration Limited (the Company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory Notes 1 to 38 and the directors' declaration set out on pages 59 to 100 of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the Group, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is also to express an opinion on the remuneration report contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration report contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration report contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration report contained in the directors' report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration report contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their performance and whether the remuneration report is in accordance with section 300A of the Corporations Act 2001.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

INDEPENDENT AUDIT REPORT
to the members of Australian Worldwide Exploration Limited continued

Auditor's opinion

In our opinion:

a. the financial report of Australian Worldwide Exploration Limited is in accordance with the Corporations Act 2001, including:
   i. giving a true and fair view of the Company's and Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 39 to 50 of the directors' report for the year ended 30 June 2009. 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Australian Worldwide Exploration Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

KPMG

KPMG

David Rogers

David Rogers
Partner

Dated at Sydney this twenty fifth day of August, 2009

SECURITIES EXCHANGE AND SHAREHOLDER INFORMATION
as at 10 September 2009

1. Issued Capital

The Company had 521,171,941 fully paid ordinary shares on issue. In addition, the Company had on issue 16,718,500 Employee Share Options.

2. Voting Rights

Article 14 of the Company's Constitution details the voting rights of members. This Article provides that, on a show of hands, every member present in person or by proxy shall have one vote and, upon a poll, shall have one vote for each share held.

3. Distribution of Equity Security Holders

	Number of Ordinary Shareholders	Number of Employee Share Optionholders
1 – 1,000	6,921	–
1,001 – 5,000	12,738	–
5,001 – 10,000	4,274	1
10,001 – 100,000	3,202	24
100,000 – Over	137	28
	27,272	53

There were 1,149 shareholders with less than a marketable parcel of 205 shares.

4. On-market Buy-back

There is no current on-market buy-back.

5. Other Information

Australian Worldwide Exploration Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

6. Substantial Shareholders

AMP Limited had a relevant interest in 38,029,515 shares in AWE as at 4 May 2009.

7. Twenty Largest Quoted Equity Security Holders

The twenty largest shareholders were:

Shareholder	Number Held	Percentage of Issued Capital
National Nominees Limited	81,254,020	15.59
HSBC Custody Nominees (Australia) Limited	80,960,532	15.53
J P Morgan Nominees Australia Limited	62,862,601	12.06
Citicorp Nominees Pty Limited	17,227,744	3.31
AMP Life Limited	16,681,581	3.20
Cogent Nominees Pty Limited	15,595,550	2.99
UBS Nominees Pty Ltd	11,769,344	2.26
Cogent Nominees Pty Limited	8,872,406	1.70
ANZ Nominees Limited	7,076,996	1.36
Burnal Pty Ltd	6,128,380	1.18
Mr Kevin Glen Douglas & Mrs Michelle McKenney Douglas	5,885,500	1.13
Queensland Investment Corporation	5,643,816	1.08
RBC Dexia Investor Services Australia Nominees Pty Limited	3,733,716	0.72
Forbar Custodians Limited	3,308,011	0.63
Mr James Douglas Jr & Mrs Jean Ann Douglas	2,933,000	0.56
Mr Kevin Douglas & Mrs Michelle Douglas	2,926,000	0.56
Key Resources Analysts Ltd	2,812,042	0.54
Citicorp Nominees Pty Limited	2,023,524	0.39
Citicorp Nominees Pty Limited	1,383,387	0.27
HSBC Custody Nominees (Australia) Limited	1,211,695	0.23
	340,289,845	65.29

GLOSSARY

Abbreviations

$	Australian dollars
2D	two-dimensional
2P	proved and probable
3D	three-dimensional
APPEA	Australian Petroleum Production and Exploration Association
APR	means the New Zealand Accounting Profits Royalty
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
bbl	barrel
bcf	billion cubic feet
boe	barrels of oil equivalent
bopd	barrels of oil per day
CDP	Carbon Disclosure Project
cps	cents per share
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax and depreciation/amortisation
E & P	Exploration and Production
EUR	Estimated Ultimate Recovery
FEED	Front End Engineering and Design
FID	Final Investment Decision
FPSO	Floating Production Storage and Offloading vessel
GST	Goods and Services Tax
HS & E	Health, Safety and Environment
IPO	Initial Public Offering
km	kilometre
KPI	Key Performance Indicator
ktonnes	thousand tonnes
LBEC	Las Bases Exploitation Concession
LPG	liquefied petroleum gas
LTI	lost time injury
LTIFR	lost time injury frequency rate
mmb	million barrels
mmboe	million barrels of oil equivalent
mmcfgd	million cubic feet of gas per day
PESA	Petroleum Exploration Society of Australia
PJ	petajoule
PSC	Production Sharing Contract
probable reserves	means reserves additional to proved reserves which can be estimated with a degree of certainty (greater than 50% probability) sufficient to indicate they are more likely to be recovered than not
proved reserves	means reserves which can be estimated with reasonable certainty (greater than 90% probability) to be recoverable under current economic conditions
PRRT	means the petroleum resource rent tax imposed with respect to petroleum products pursuant to the Petroleum Resource Rent Tax Act 1987 (Cth) and the Petroleum Resource Rent Tax Assessment Act 1987 (Cth)
reserves	means the volume of economically recoverable oil or gas contained in a geological formation from a given date forward
reservoir	means a rock that is both porous and permeable
scf	standard cubic feet
SPE	Society of Petroleum Engineers
sq km	square kilometres
TJ	terajoule
TSR	total shareholder returns
TRIFR	total recordable injury frequency rate
WTI	West Texas Intermediate

Conversion Table

Volume

1 cubic metre = 1 kilolitre = 35.3 cubic feet = 6.29 barrels

1 megalitre = 1,000 cubic metres

Energy Value

1,000 standard cubic feet of sales gas yields about 1.1 gigajoules of heat

1 petajoule (PJ) = 1,000,000 gigajoules (GJ)

1 gigajoule = 947,817 British Thermal Units (BTU)

Barrel of Oil Equivalents (BOE)

Sales Gas – 6,000 standard cubic feet is approx. = 1 BOE

LPG – 1 tonne of LPG is approx. = 11.6 BOE

Condensate – 1 barrel of condensate = 1 BOE

Oil – 1 barrel of oil = 1 BOE

Decimal Number Prefixes

kilo = thousand = 10^3

mega = million = 10^6

giga = 1,000 million = 10^9

tera = million million = 10^{12}

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

Reserves

The estimates of reserves in AWE's tenements are based on information compiled by AWE's General Manager Development, Mr Ian Palmer, and AWE's General Manager Exploration, Mr Leigh Brooks, and accurately reflects the information compiled by Mr Palmer and Mr Brooks. As required by ASX Listing Rule 5.11, Mr Palmer is engaged in the practice of petroleum engineering, holds a Bachelor Degree in Engineering, and has had more than five years (28 years) experience in the practice of petroleum engineering. Mr Brooks is a petroleum geologist, holds a Bachelor Degree in Science, and has had more than five years (33 years) experience as a petroleum geologist. Both Mr Palmer and Mr Brooks consent to the inclusion in this report of reserves information in the form and content which it appears.

The reserves in this report are estimated according to the SPE/WPC/AAPG/SPEE Petroleum Resources Management System of March 2007.

CORPORATE DIRECTORY

Australian Worldwide Exploration Limited

ABN 70 077 897 440
PO Box 733, North Sydney NSW 2059

Place of Incorporation

New South Wales, Australia

Board of Directors

B. G. McKay (Chairman)
B. J. Wood (Managing Director)
C. C. Green
D. I. McEvoy
A. J. Hogendijk
K. G. Williams

Company Secretary

N. F. Kelly

Registered Office and Principal Business Office

Level 9, 60 Miller Street
North Sydney NSW 2060
Australia

Telephone: +61-2-9460 0165
Facsimile: +61-2-9460 0176
Email: awe@awexplore.com
Website: www.awexplore.com

Share Register

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000 Australia

Telephone: +61-2-8234 5000
Facsimile: +61-2-8234 5050

Auditor

KPMG
10 Shelley Street
Sydney NSW 2000

Legal Advisers

Piper Alderman Lawyers
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Bankers

Commonwealth Bank of Australia
48 Martin Place
Sydney NSW 2000

Stock Exchange

Australian Securities Exchange (Sydney)
ASX Code: AWE

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