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AWE Limited

Macquarie Conference Presentation, May 2011



- AWE listed on Australian Securities Exchange (ASX) in July 1997 at 20 cents per share

▪ AWE Limited is an Australian based oil and gas exploration and production company with assets in Australia, New Zealand, Indonesia, Yemen and the US.

▪ Current shares on issue 521.8 million

▪ Current market price

(as at May, 2011)

\$1.55

▪ Current market capitalisation

\$810 million

▪ Cash at hand

(end March 2011)

\$75 million

▪ Debt

(end March 2011)

nil

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‘Grow shareholder returns as an Energy Company’

1. Deliver base business

Focus on core assets and optimize production performance

2. Maximise existing asset values

Focus on delivery of opportunities near to existing infrastructure

3. Grow through exploration and selective acquisition

Identify and pursue selective growth assets

4. Develop further opportunities in unconventional, particularly shale gas

Utilise skills from Sugarloaf and Perth Basin



Implementing strategy

- **Exploiting operating capability**
 - shale gas and tight gas experience
- **Strengthening balance sheet**
 - increasing cash assets/ establishing funding capacity
- **Targeting growth opportunities**
 - exploration in onshore Australia and offshore Indonesia
 - acquisitions
- **Reducing exploration expenditure in 2011 (and beyond)**
 - \$50 million annual budget targeted
- **Rebalancing of asset portfolio**
 - exploration farmouts/ sale of non core assets/review of portfolio

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March quarter results

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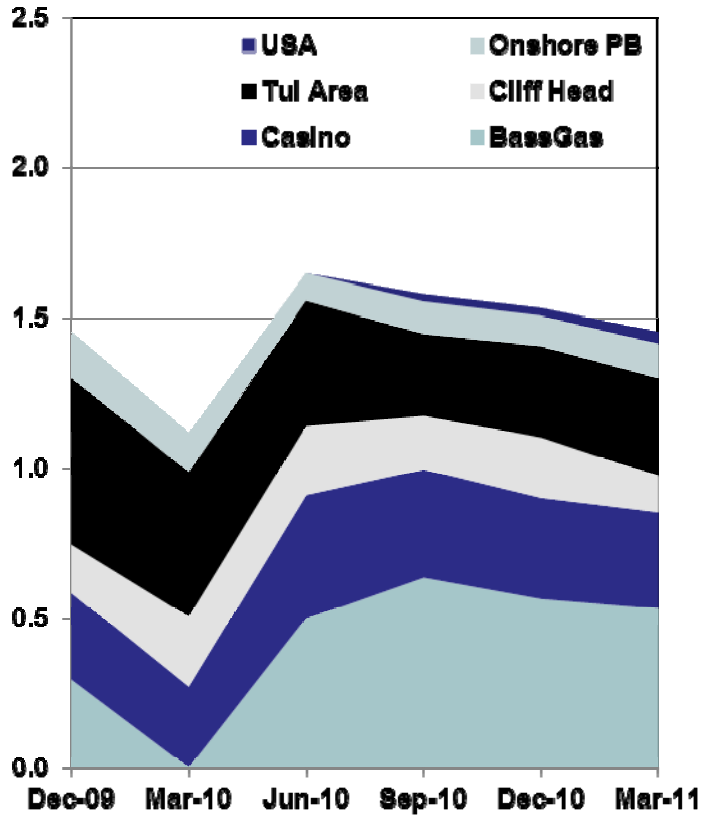
- Good production performance despite downtime in non-operated assets
- 2P reserve upgrade for Sugarloaf gas/condensate project
- Indonesian gas prospects upgraded to 1 Tcf for Lengo and Atlas
- Production guidance for the year to June 2011 is 6.2 million BOE
- Sales Revenue target of \$300 million for 2010-11 year
- EBITDAX target of \$170 million for 2010-11 year
- Perth basin shale gas and tight gas program to start in mid 2011



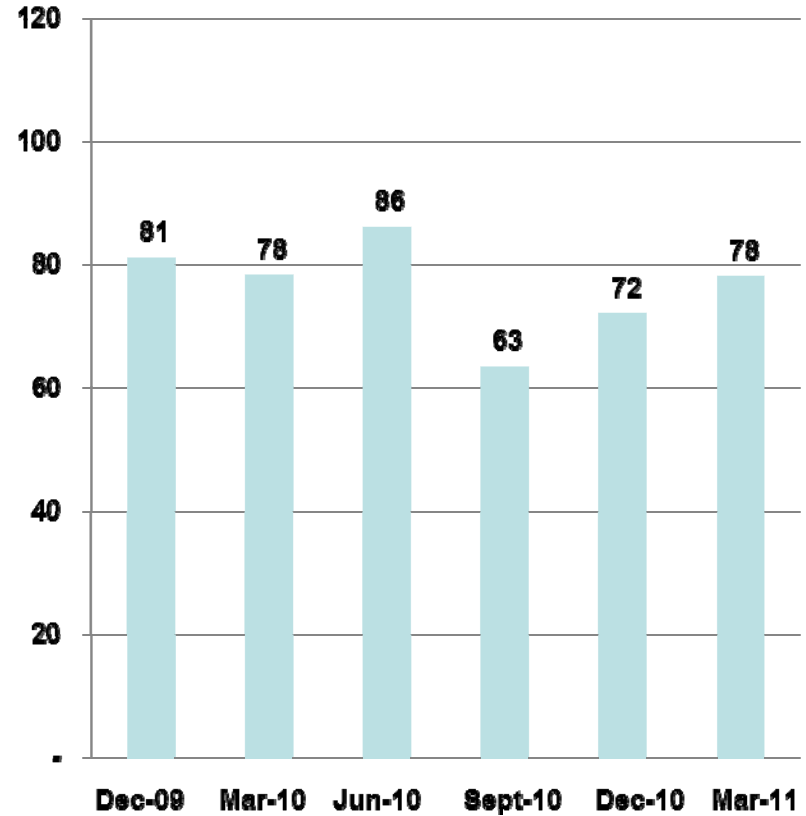
March quarter update

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Quarterly production by field



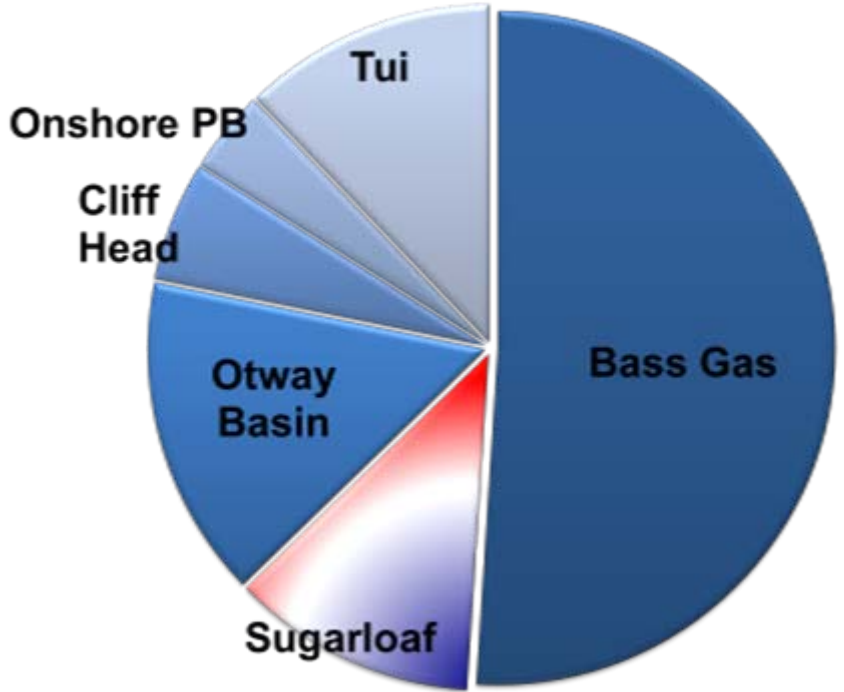
Quarterly revenue



Long term reserves ensure continued strong production

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<u>Project</u>	<u>Equity</u>	<u>2P Reserves (million boe)</u>
Bass Gas	57.5%	37.4
Otway Basin	25.0%	11.3
Cliff Head	57.5%	4.2
Onshore PB	33%-100%	2.9
Tui	42.5%	8.9
Sugarloaf	10.0%	8.6
Total		73.3



As at Dec 2010

Strong cash flow from existing 2P reserves



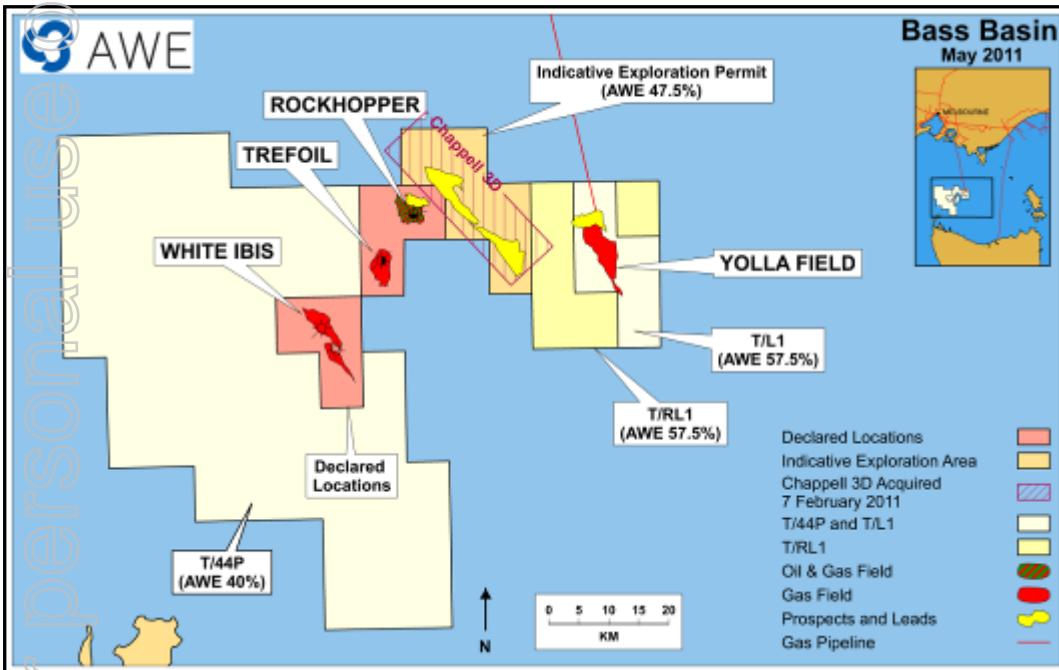
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- Excellent safety record, zero lost time injuries in 2010/2011, covering approx. 1 million man hours
- Continued strong environmental performance
- BassGas CO₂ sales reducing greenhouse footprint
- Reputation strong
 - Within our communities
 - With governments
 - With partners



BassGas project (AWE 57.5%)

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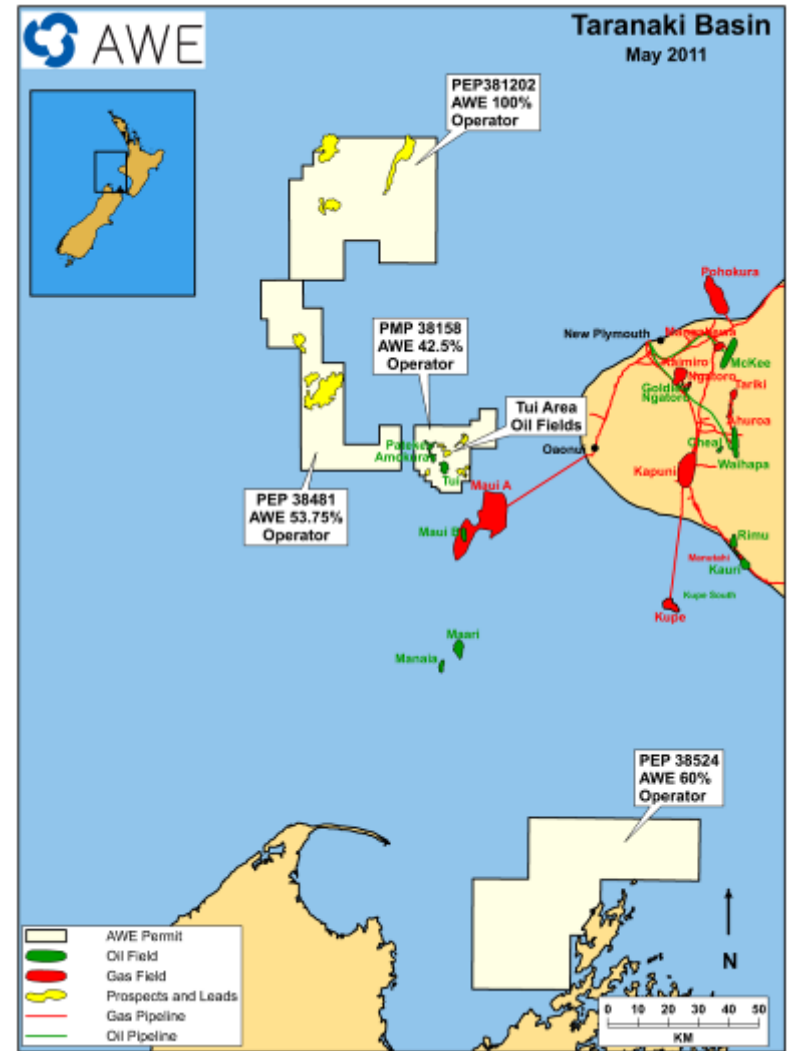


- Current production of 55TJ per day
- Phase 1 MLE (compression and accommodation) with gross capex of \$346 million to be funded from cash/cashflow
- Phase 2, (development drilling) planned for end 2012
- Yolla MLE to deliver improved production capacity and facility performance
- Trefoil (AWE 47.5%) development opportunity
- Chappell 3D seismic acquired in Q1 and now being processed. Oil target focus



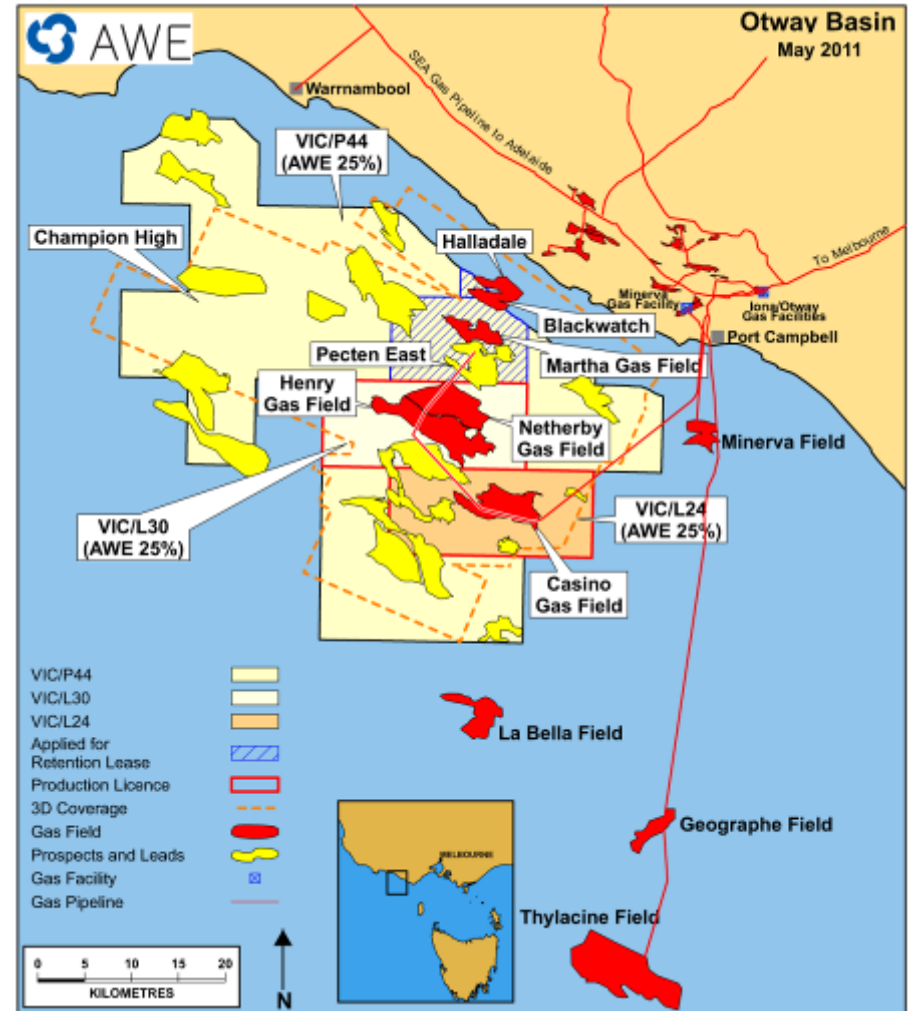
Tui Area oil project (42.5%)

- Tui gross production currently in excess of 8,000 bopd
- Tui project reached 30 millionth barrel milestone in February, 2011
- Recent drilling results and reprocessed 3D seismic under review for field infill and near field opportunities
- Tui crude pricing moved to premium over Brent benchmark
- Review of Taranaki permits and portfolio rationalisation continues
- Deep water block withdrawal



Otway Basin (AWE 25%)

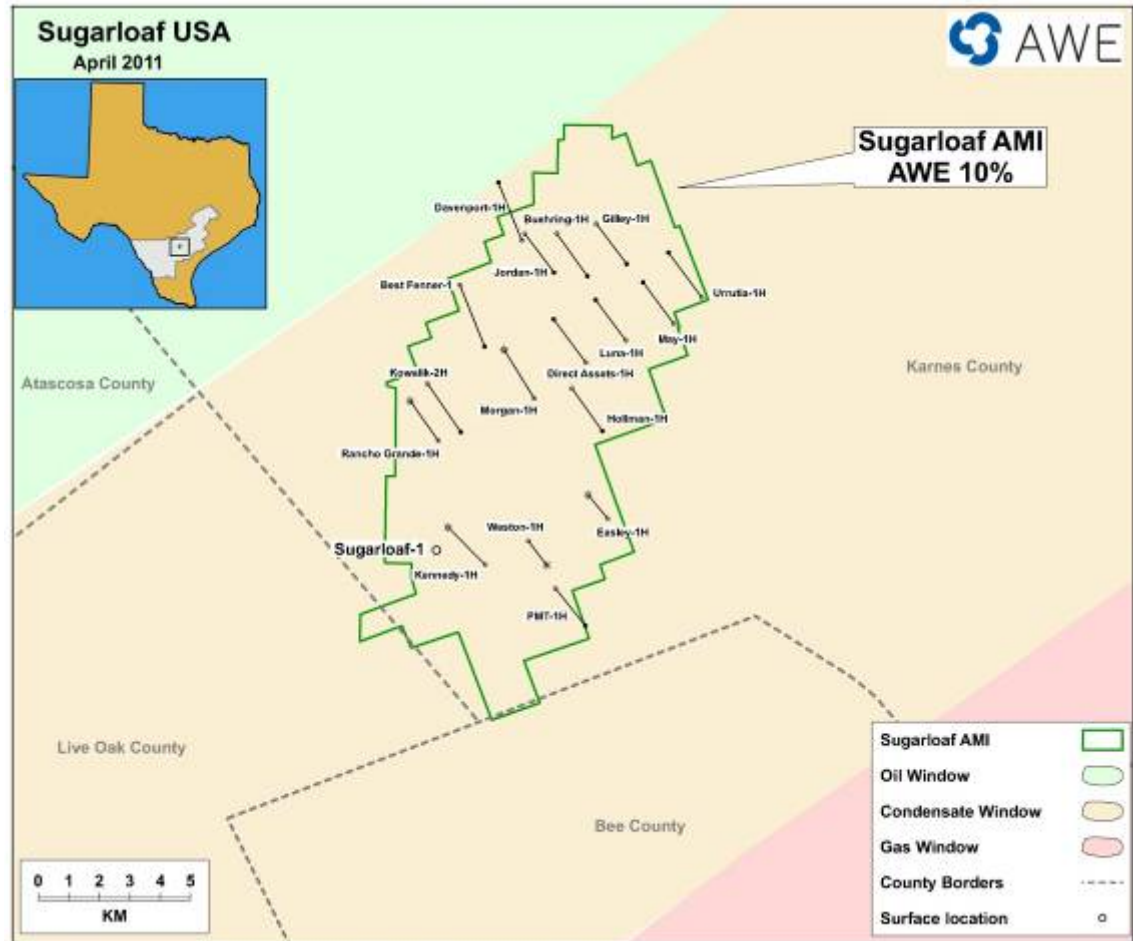
- Casino project continues strong production performance
- Active review of opportunities for development of existing gas discoveries nearby to infrastructure



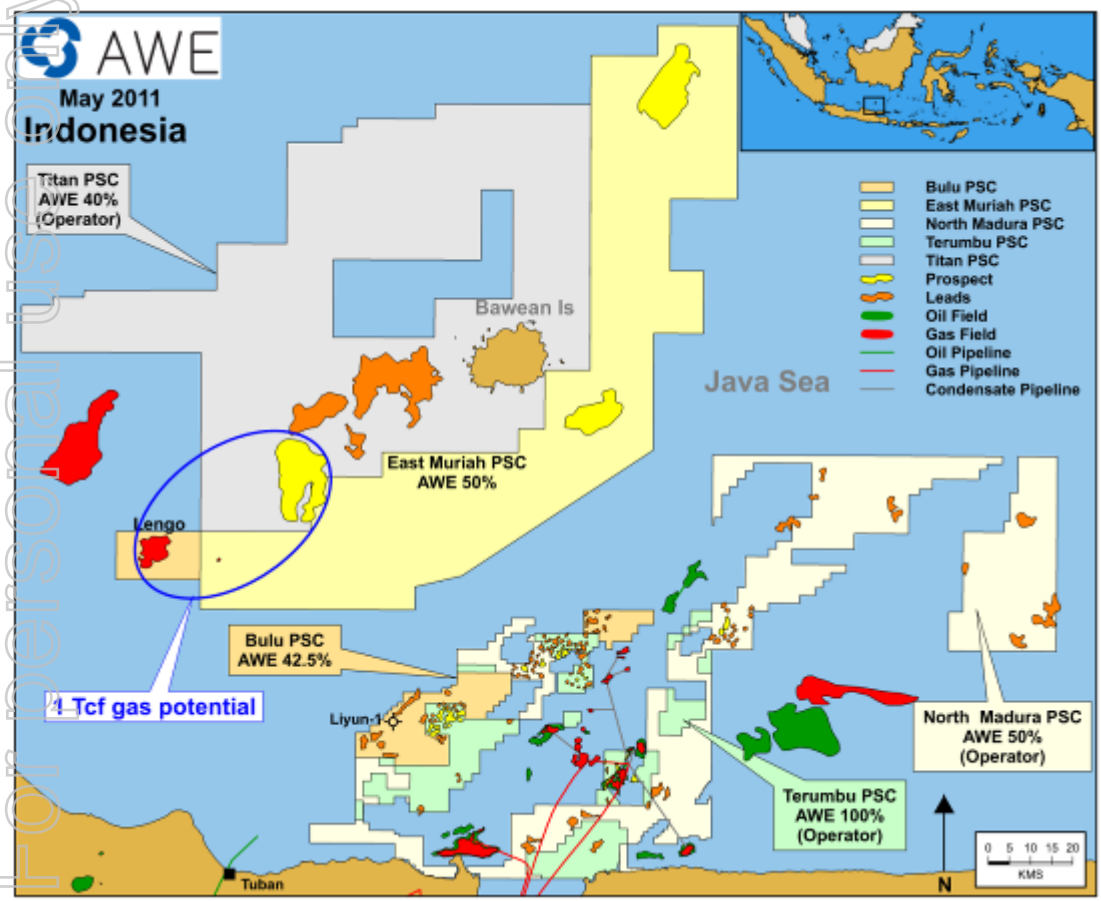
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Sugarloaf AMI (AWE 10% pre royalty)

- Initial NSA reserves report updated in March 2011
 - 8.6 million BOE (2P) net
 - 17.3 million BOE (3P) net
- Current production from 12 wells, with further 4 wells awaiting completion and tie-in
- Average gas production currently 12 mmcf/d, with average liquid ratio of 220 barrels per mmcf
- Approx. 80% of revenue derived from liquids
- Strong value comparison with industry peer



East Java Basin, Indonesia (AWE 40-100%)

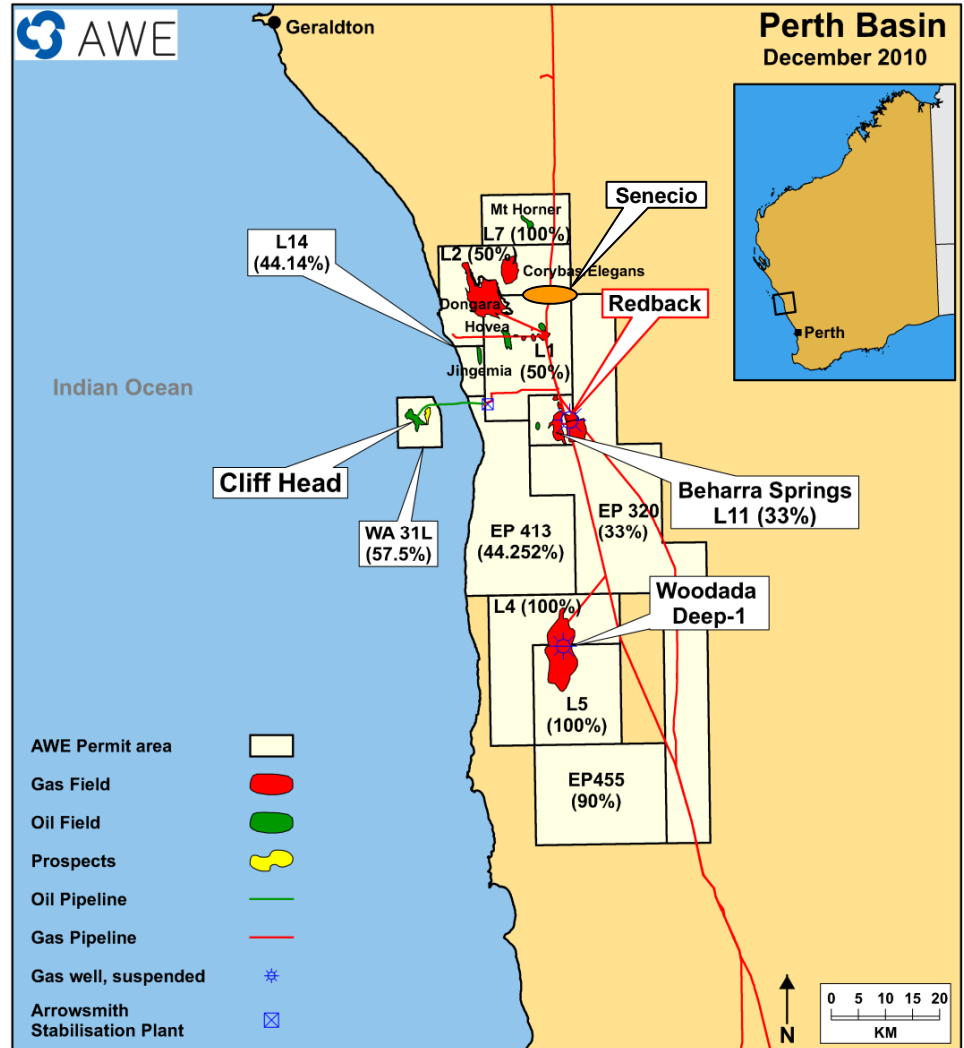


- Further acreage added to portfolio through successful bid on Titan block
- Lengo field and Atlas prospect upgraded with 1Tcf recoverable potential and additional prospectivity identified
- Lengo approx. 65 km from gas markets onshore
- Oil prospectivity to be tested, subject to farmout
- Potential for further exploration drilling in 2012



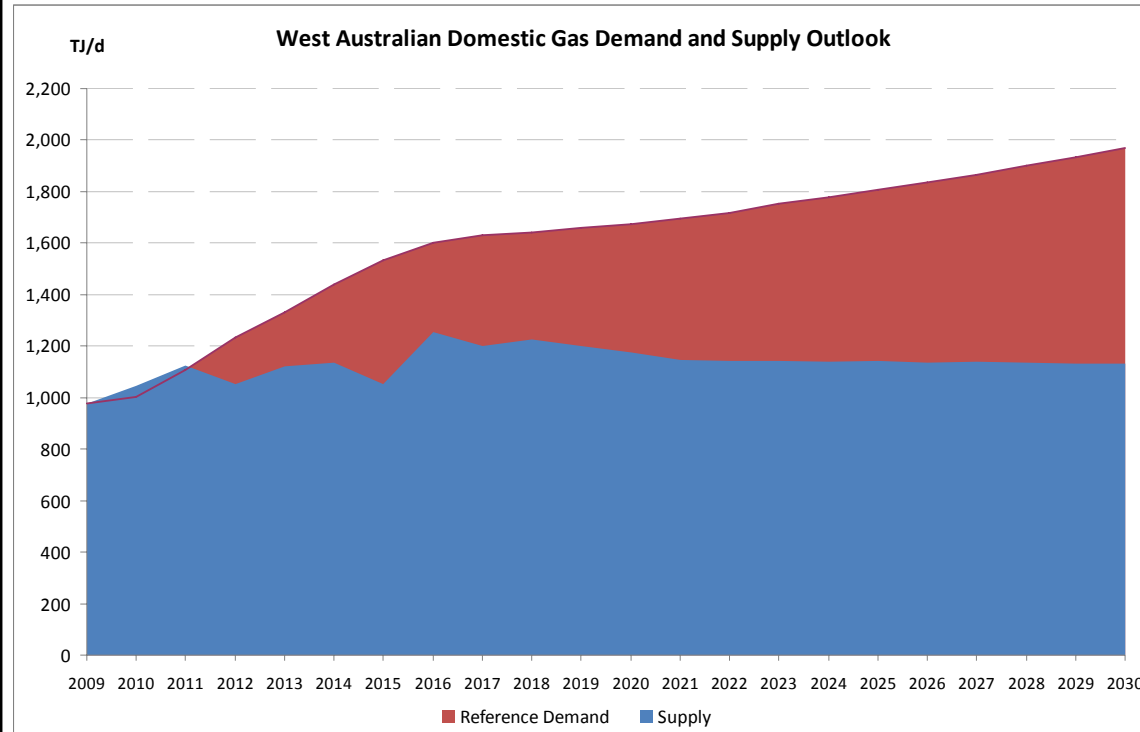
Cliff Head (57.5%)

- Cliff Head production still strong at approximately 3,000 bopd with Cliff Head-12 offline
- Cliff Head-12 workover in progress to install larger ESP and improve production rates

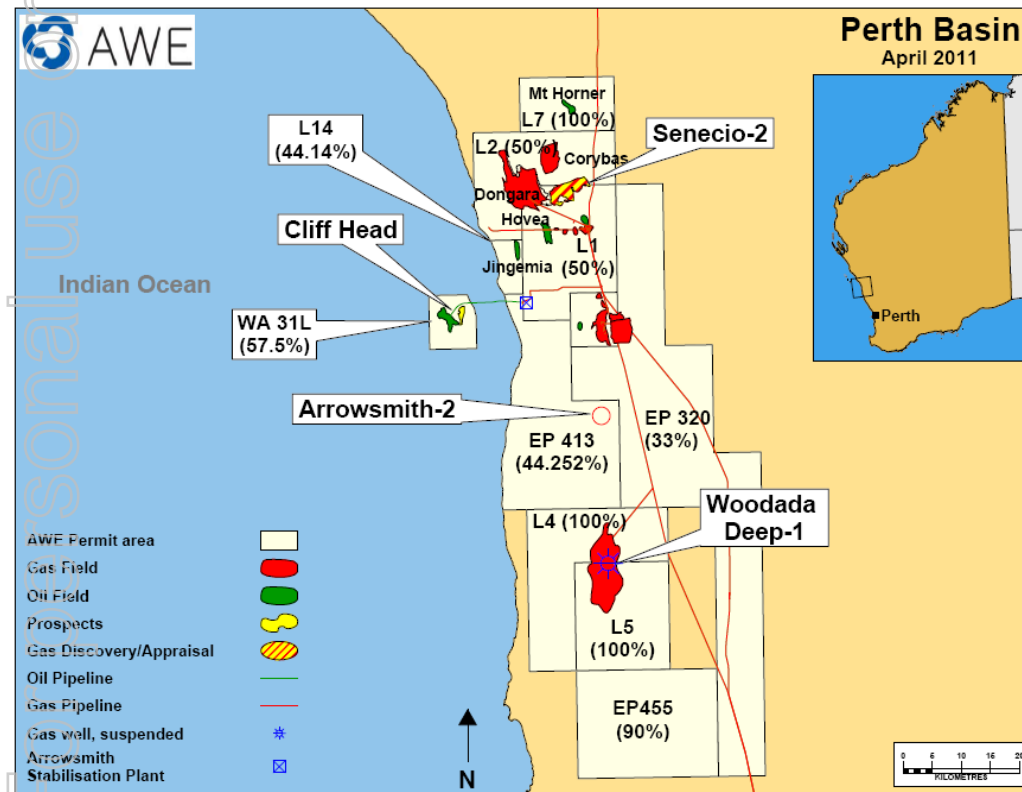


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- 1 million acres (gross) position
- AWE operates the southern acreage
- 3 shale plays identified
- 13-20 Tcf gas in place identified in middle Carynginia
- Activity accelerates from mid 2011
- Infrastructure availability through acreage
- Premium gas pricing in WA market, with strong and growing demand profile for gas

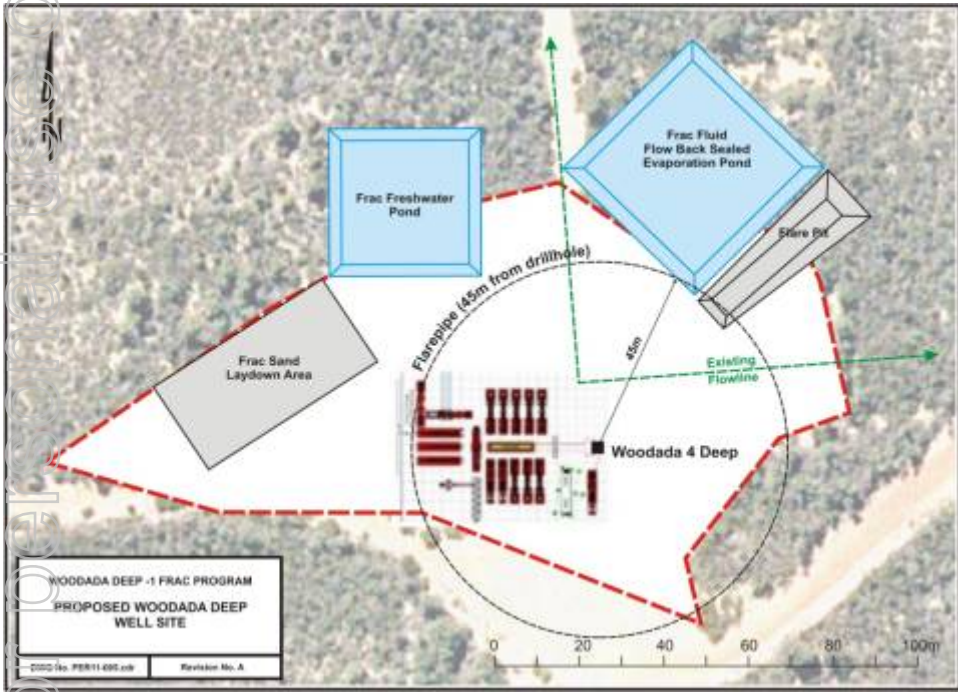


Source: WA Legislative Assembly - Inquiry into domestic gas prices, 2011



- Shale gas activity to commence in June, 2011, with drilling of Arrowsmith-2 well
- Drilling rig under contract
- Extensive coring program planned at Arrowsmith-2
- Fracture stimulation planned for September quarter at Woodada Deep and Arrowsmith
- Fracture stimulation contract (Halliburton) and timetables being finalised

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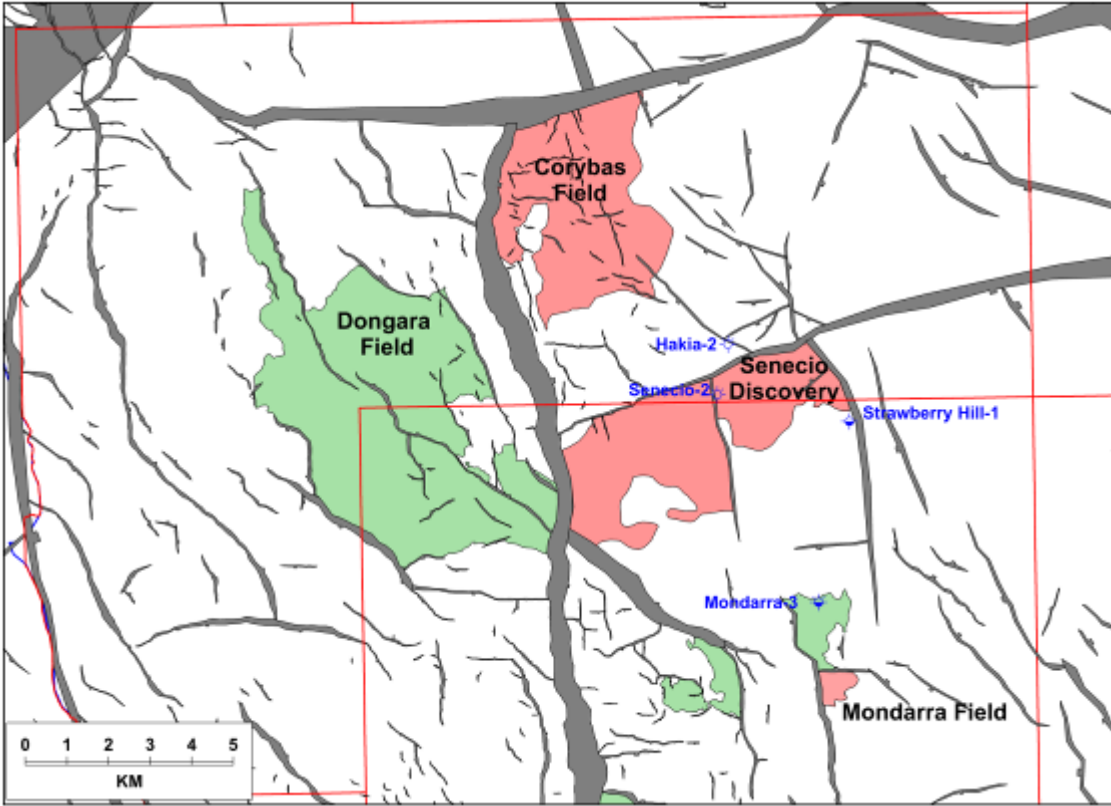


- Woodada Deep (AWE 100%) planning progressed
- 3 zone stimulation planned with microseismic program to assist in mapping fracture density
- Arrowsmith-2 well (AWE 44.25%) anticipated to start drilling in June, with stimulation and flow testing in September quarter
- 5 zone stimulation being designed



Tight gas opportunity - near term impact

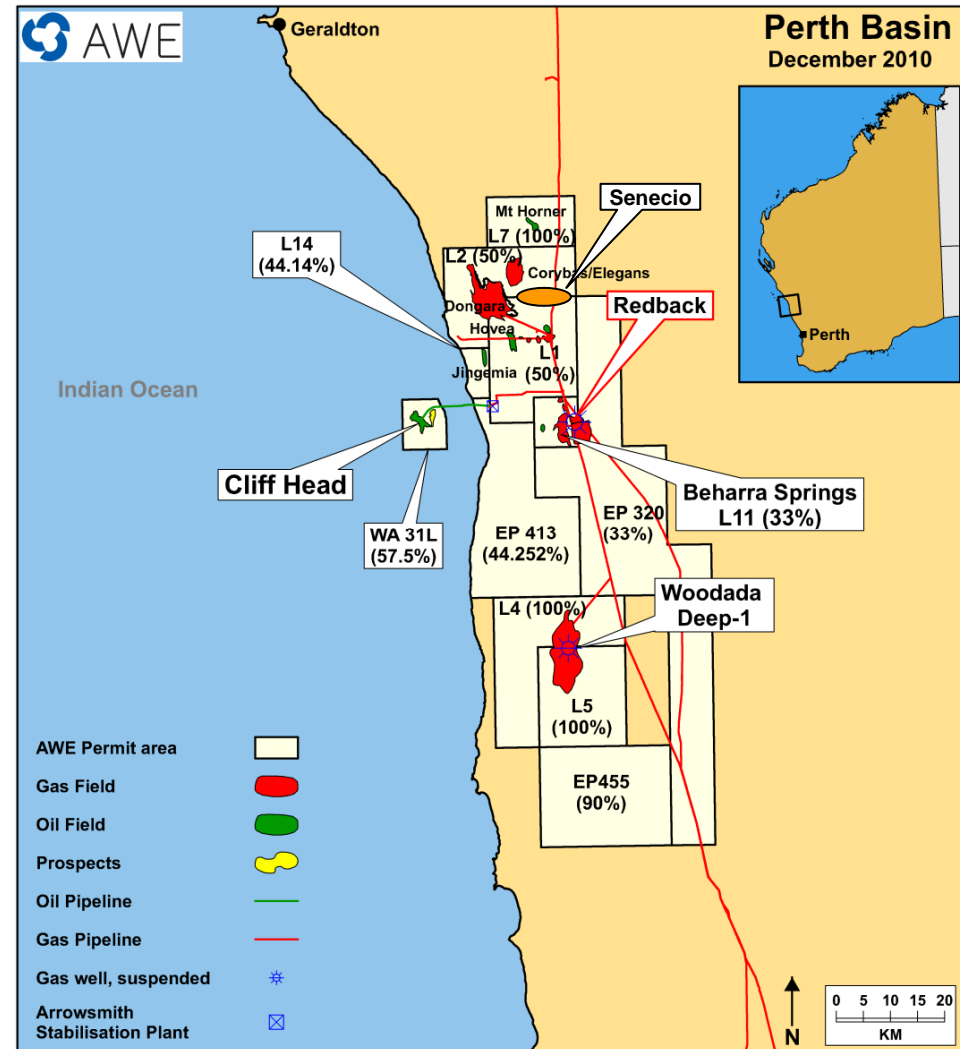
- Corybas-1 currently flowing 1.3 mmcfd, from vertical well following frac in 2009
- Senecio-2 located 6km SE from Corybas and 8km East of Dongara gas plant
- Senecio-1 and -2 tested gas from Dongara/Wagina reservoir at rates of over 2.5 mmcfd, but proved tight
- Activity planned includes re-entry and fracture stimulation, expected in Sept. quarter
- If successful, Senecio could add up to 100 Bcf gross recoverable gas
- Corybas development of up to 40 Bcf recoverable gas in planning



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- Growth in gas production from Redback-2, currently producing over 8 mmcfgd
- Redback South-1 to be brought on line in June quarter
- Gas delivery into Synergy gas contract
- Further exploration drilling planned in Redback area in early 2012.



- Strengthened balance sheet
 - Reduced expenditure
 - Increased cash position
- Developing Shale Gas position
 - Operating capability
 - Exploration, appraisal and development assets
- Creating near term value
 - Senecio and Corybas discoveries (up to 140 Bcf gross recoverable gas)
- Pursuing exploration opportunities
 - Lengo and Atlas (up to 1 Tcf gross recoverable gas)
- Company undervalued compared to Analyst NAV's



Disclaimer

This presentation may contain forward looking statements that are subject to risk factors associated with the oil and gas businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

All references to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.

The reserve and resource information contained in this report is based on information compiled by David Gaudoin (General Manager, Exploration and Geoscience) and Ian Palmer (General Manager Development). Mr. Gaudoin is a petroleum geologist, holds a Masters Degree in Petroleum Geology, and has 21 years experience in petroleum exploration. Mr. Palmer holds a Bachelor Degree in Engineering and has 30 years experience in the practice of petroleum engineering. Both Mr. Gaudoin and Mr. Palmer have consented in writing to the inclusion of this information in the form and context in which it appears.