

# QUARTERLY REPORT

## DECEMBER 2013



## HIGHLIGHTS

### FOR THE 3 MONTHS TO 31 DECEMBER 2013

#### PRODUCTION AND OPERATIONS

- Year to date production 3.0 MMBOE, up 28% on previous corresponding period
- Quarterly production of 1.45 MMBOE, down 6% on previous quarter
- No recordable safety incidents or reportable environmental incidents

#### FINANCIAL PERFORMANCE

- Net cash of \$78 million, undrawn facilities of \$300 million
- Year to date sales revenue of \$175 million, up 21% on the previous corresponding period
- Sales revenue of \$86 million, down 3% on previous quarter

#### CORPORATE

- Sale of 50% interest in AAL for USD188 million completed
- Executed new 4-year, \$300 million unsecured multicurrency syndicated bank loan facility
- Acquisition of additional 15% of Tui for USD6.4 million completed
- Sale of 11.25% of BassGas for \$85 million announced subsequent to end of quarter

#### DEVELOPMENT

- Accelerated drilling at Sugarloaf to deliver 100-110 gross wells in CY2014
- Development expenditure down 7% to \$23 million, quarter on quarter
- Pateke-4H development well (Tui permit) to spud in February 2014

#### EXPLORATION

- Final phase of testing at Arrowsmith-2 (EP413) scheduled for 1Q CY2014
- Perth Basin unconventional gas drilling program planned for 2Q CY2014
- La Bella seismic completed on time and within budget
- Oi exploration well (Tui permit) to follow Pateke-4H drilling in 1Q CY2014
- Onshore NZ permit PEP 55768 awarded to AWE/Mitsui joint venture
- FEED and gas commercialisation studies for Lengo field under way



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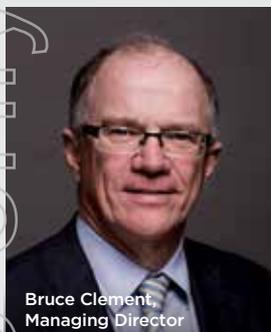
ISSUED BY AWE LIMITED  
30 JANUARY 2014

#### ABOUT AWE

AWE is an Australian energy company focused on upstream oil and gas and related energy opportunities. The company has built a substantial portfolio of exploration, development and production assets in Australia, New Zealand, the USA and Indonesia that is now providing strong production and cash flow, leading to a period of significant growth.

Established in 1997, the company employs around 100 people and has its head office in Sydney and regional offices in Perth, New Plymouth and Jakarta. Based on its strong technical and commercial foundations, AWE will continue to pursue exploration and development growth opportunities, primarily in Australasia and Asia.

## MANAGING DIRECTOR'S COMMENTS



Bruce Clement,  
Managing Director

AWE delivered another strong financial, operating and safety performance in the three months to December 2013 and a number of key strategic milestones were achieved. Production remained strong, good progress was made on major development projects, and our exploration program continued to gain momentum.

Production for the quarter was 1.45 MMBOE, resulting in 3.0 MMBOE for the half year to December 2013 – an increase of 28% over the previous corresponding half year. Similarly, sales revenue of \$86 million for the quarter resulted in \$175 million sales revenue for the half year – an increase of 21% versus the previous corresponding half year.

Corporate activity was prominent during the quarter, particularly in acquisition and divestment. We successfully completed the sale of a 50% interest in the Ande Ande Lumut oil project to Santos in November 2013, followed by the purchase of additional equity in the Tui area oil project and the Oi exploration well from Mitsui in December.

At the end of December 2013, the company received an unsolicited, non-binding and conditional scrip-based takeover proposal. After careful consideration, the Board determined the proposal was not in the best interests of shareholders and rejected the offer.

Subsequent to the end of the period, we announced the sale of an 11.25% interest in T/L1 (BassGas) and a 9.75% interest in T/18P (Trefoil) to Prize Petroleum in January 2014 for \$85 million. This is an excellent strategic outcome for AWE, further strengthening our financial position and reducing our exposure to future capital commitments. Following the sale, which is subject to various approvals, AWE will maintain a 35% interest in both permits. This transaction again

demonstrates AWE's disciplined approach to balance sheet management.

AWE successfully executed a new four year, \$300 million unsecured multicurrency syndicated facility with a number of leading Australian banks in December. With \$78 million net cash and no drawn debt, AWE's financial position is the strongest it has been for some time and will further improve following receipt of the proceeds from the recently announced BassGas transaction.

We are continuing to focus on our major development projects with the aim of doubling production within three to five years. Accelerated drilling at Sugarloaf in calendar year 2014 will deliver increased production and further upside potential to booked reserves and resources. BassGas is performing well and the Operator is in negotiations to secure a suitable rig to drill two additional development wells. In Indonesia, the smooth transition of Operatorship to Santos has been completed and we are working closely with Santos to progress the FPSO contracting process.

I am excited by the exploration program for the coming calendar year. We are planning to drill 2-4 wells in the onshore Perth Basin, a well at Tui, and potentially a well in Indonesia. Appraisal and testing will continue at Arrowsmith-2 in the Perth Basin, and we are acquiring or evaluating seismic over permits in the Otway Basin, Perth Basin and in Indonesia.

Looking ahead, the company is in a strong financial position with a valuable portfolio of production, exploration and development assets. Our outlook is excellent and we are well placed to deliver on our significant planned growth activity and consider new investment opportunities.

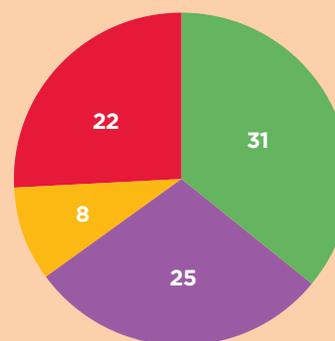
**Bruce Clement**  
Managing Director

PRODUCTION BY PRODUCT MMBOE



TOTAL: 1.45 million BOE

SALES REVENUE BY PRODUCT \$ MILLION



TOTAL: \$86 million

# FINANCIAL & CORPORATE

## FOR THE 3 MONTHS TO 31 DECEMBER 2013

### FINANCIAL

Production for the December 2013 quarter was down 6% on the previous quarter to 1.45 million BOE largely due to scheduled maintenance at Tui and reduced output from BassGas. Liquids increased to 43% of production with gas providing 57%. On a year to date basis, total production to 31 December 2013 was up 28% on the previous corresponding period.

Sales revenue was \$86 million, down 3% over the previous quarter. The average realised oil and condensate price for the quarter (in Australian dollars) was steady at \$121 per barrel.

Field EBITDAX for the period was \$57 million, down 3% compared to the September quarter. Field operating costs, including royalties of \$6 million, were \$29 million, down 3% on the previous quarter.

Development expenditure during the period was \$23 million, down 7%, with notable items including the installation of crude burning facilities onboard the Tui FPSO, pre-drilling operations for Pateke-4H, costs associated with upcoming stages of the BassGas Mid-Life Enhancement program, and ongoing development activity at Sugarloaf and Ande Ande Lumut.

### FINANCIAL HIGHLIGHTS (UNAUDITED)

	3 months to Dec 2013	3 months to Sep 2013	6 months to Dec 2013
<b>Exploration Expenditure</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
South East Australia	11,066	277	11,343
Western Australia	1,275	994	2,269
New Zealand	401	1,153	1,554
Indonesia	1,169	711	1,880
Yemen	309	205	514
Other	797	1,227	2,024
<b>Total</b>	<b>15,017</b>	<b>4,567</b>	<b>19,584</b>

### Development Expenditure

South East Australia	6,332	3,759	10,091
Western Australia	37	6	43
New Zealand	5,169	6,878	12,047
USA	7,997	9,587	17,584
Indonesia (AAL)	3,623	4,795	8,418
<b>Total</b>	<b>23,158</b>	<b>25,025</b>	<b>48,183</b>

	\$ million	\$ million	\$ million
Sales Revenue	86	89	175
Field Opex	29	30	59
<b>Field EBITDAX</b>	<b>57</b>	<b>59</b>	<b>116</b>

Financial highlights are preliminary and unaudited. Numbers may not add due to rounding.

Exploration expenditure for the quarter was \$15 million, up 229%, reflecting AWE's share of costs for the La Bella 3D marine seismic survey and ongoing activity in Western Australia and Indonesia.

At the end of December 2013, AWE had net cash of \$78 million and no drawn debt. Undrawn facilities at the end of the period totalled \$300 million.

### CORPORATE

The sale of a 50% interest in the Northwest Natuna PSC, offshore Indonesia, for USD188 million to Santos Limited was successfully completed in November 2013. Cash consideration after tax of USD93 million was received along with an interim working capital adjustment of USD2.9 million. The funds were used to retire debt. Under the terms of the sale agreement, Operatorship of the Ande Ande Lumut oil project transferred to Santos Limited.

The Annual General Meeting of AWE Limited was held in Sydney on 27 November 2013. All resolutions were carried.

In December 2013, the acquisition of an additional 15% interest in the Tui area oil project (including the Pateke-4H development well) and an additional 6.25% interest in the Oi exploration well, located offshore New Zealand in PMP38158, from Mitsui E&P Australia Pty Limited for USD6.4 million was successfully completed.

In the same month, AWE successfully executed a \$300 million unsecured multicurrency syndicated bank loan facility which replaced the company's bilateral loan facility. The new debt facility comprises a syndicate of leading Australian banks and has a tenor of four years.

Also in December, AWE received an unsolicited non-binding and conditional scrip-based takeover proposal from Senex Energy Limited. After careful consideration, the Board of AWE determined the proposal was not in the best interests of AWE shareholders and rejected the offer.

Subsequent to the end of the quarter, on 28 January 2014 AWE announced the sale of 11.25% of T/L1 (BassGas infrastructure and Yolla field) and 9.75% of T/18P (Trefoil field) to Prize Petroleum Company Limited, a wholly owned subsidiary of Hindustan Petroleum Corporation Limited, for a total cash consideration of \$85 million. The sale is subject to joint venture and government approvals including the Australian Foreign Investment Review Board and the Reserve Bank of India. On completion, AWE will hold a 35% interest in both T/L1 and T/18P which maintains AWE's voting rights at a level that provides control over major investment decisions.

# PRODUCTION & DEVELOPMENT

## SOUTH EAST AUSTRALIA

### BassGas (46.25%)

Gross production over the December quarter was approximately 4.5 PJ of gas, 173,300 barrels of condensate and 14,100 tonnes of LPG. AWE's share was 2.1 PJ of gas, 80,100 barrels of condensate and 6,500 tonnes of LPG. The average gross daily gas production rate for the quarter was approximately 49 TJ/d.

During the quarter, production reduced by approximately 12%. Improved production from Yolla-4 was offset by increasing water production from Yolla-3. A wireline workover in Yolla-3 was undertaken in December with limited success. Yolla-3 was shut-in in January 2014 and the potential for further remediation work is being evaluated.

Operating parameters at the Lang Lang Gas Plant were further optimised to maximise LPG extraction, reflecting the higher liquids content of the gas now being produced. Onshore and offshore facilities' availability was in excess of 95% for the quarter.

Construction work on the Yolla platform, in preparation for the planned development drilling, is progressing well. The Operator is currently in negotiations to secure a suitable drill rig for the next stage of the Mid Life Enhancement (MLE) project and a further update on rig contracting is expected in February 2014.

The joint venture has also commenced early stage engineering work on the final phase of the MLE project, the installation of gas compression and condensate pumping modules.

### Casino/Henry/Netherby (25%)

Gross quarterly production was 8.2 PJ of sales gas, averaging approximately 90 TJ/d, and 5,700 barrels of condensate. AWE's share of production for the December 2013 quarter was approximately 2.1 PJ of sales gas and 1,400 barrels of condensate.

Production was down 3% over the previous quarter as a result of unscheduled Iona plant downtimes and reduced load factor gas sales.

## WESTERN AUSTRALIA

### Cliff Head Oil Field (57.5%)

Production and sales from Cliff Head were down over the December quarter as a result of scheduled critical function testing of key equipment and pipeline intelligent pig operations. Reduced trucking operations in December led to lower sales and higher inventory. Gross sales for the quarter was 204,000 barrels of oil,

representing an average rate of approximately 2,217 bopd, and AWE's share was down 9% to 117,300 barrels.

### Onshore Perth Basin (33-100%, some Operated)

Production was down 35% in the December quarter due to flow line and facility repairs at Beharra Springs. The plant was restarted in January 2014 but production will remain at reduced rates for a further two months pending the completion of additional flow line repairs and valve replacements. AWE's share of production from the onshore Perth Basin assets was 480 TJ of gas and 959 barrels of oil/condensate.

In production licence L1/L2 (AWE 50%, Operator), good progress was made on the first stage of development for the Senecio field. The Environment Plan for the Senecio-3 appraisal well was lodged with the regulator in December.

## NEW ZEALAND

### Tui Oil Fields (57.5%, Operator)

On 1 January 2014, the Tui FPSO, Umuroa, completed 700 days without incurring a Lost Time Injury (LTI). A planned upgrade, involving the installation of onboard crude burning facilities, was successfully completed and will substantially reduce future operating costs by replacing diesel fuel with crude oil.

Production from the Tui oil fields was up 18% quarter on quarter as a result of AWE increasing its equity position from 42.5% to 57.5% during the period. Gross production for the quarter was down 13% to 303,200 barrels due to the planned FPSO upgrade, representing an average daily rate of 3,296 bopd, and AWE's share was 174,300 barrels. Tui oil sales for the period totalled 278,863 barrels of which 160,346 barrels were AWE's share. Inventory at 31 December was approximately 137,612 barrels (AWE share 79,126 barrels).

The Pateke-4H development well is scheduled to be drilled as part of a two well program (which includes the Oi exploration well) commencing in February 2014. Pateke-4H will target a mapped northern extension of the currently producing Pateke field.

## USA

### Sugarloaf AMI (10%, net -7.5% after royalties)

Quarterly performance from Sugarloaf, in Texas, USA, remained strong with production up 6% over the previous quarter. AWE's share of production was approximately 121,000 barrels of oil/condensate, 4,000 tonnes of LPG and 348 TJ of gas net after royalties.

At the end of December, 119 wells were producing, four wells were drilled and awaiting completion, and one well was being drilled.

The Operator has advised that it intends to accelerate drilling in calendar year 2014 with 100-110 gross wells planned. This represents in excess of a 100% increase over the 48 wells drilled in calendar year 2013. The additional capex requirements in calendar year 2014 are well within AWE's funding capacity, particularly given the rapid payback from Sugarloaf wells and the Operator's forecast reduction in cost per well to between USD6.5-7.5 million.

The Operator reported that 90% of the wells drilled in calendar year 2013 were at 60-acre spacing or less and were drilled from multi-well pads. Results from wells drilled at 40 and 60-acres were very positive with higher initial production than wells drilled at 80 to 160-acre spacing. In calendar year 2014, the Operator will develop select areas at 40-acre spacing as well as piloting 30-acre infill density.

The successful production test from the two Austin Chalk pilot wells achieved results in line with Eagle Ford wells. The co-development of the Austin Chalk in parallel with the Eagle Ford, plus increasing infill drilling density, will potentially increase and extend the oil production peak and may further enhance AWE's reported reserves and resources.

## INDONESIA

### North West Natuna PSC (50%)

The sale of a 50% interest in the Northwest Natuna PSC, including the AAL oil project, to Santos Limited was announced in August 2013 and completed in November. Handover of Operatorship to Santos and integration of the project team has been completed successfully.

Substantial progress has been made on FEED work for the well head platform and the joint venture is focused on contracting plans for the leased FPSO, which is a critical path activity to FID and first oil. Delays have been experienced in contractor pre-qualification and the joint venture is working closely with the regulator and potential contractors to progress this aspect of the project.



Sugarloaf AMI, Texas, USA



Cliff Head, Offshore WA



Loading of Pateke 4H subsea tree, New Zealand

## EXPLORATION & APPRAISAL

### AUSTRALIA

#### Bass Basin

The Year 3 work program for exploration permit T/18P (AWE 44.75%) has been approved by the joint venture comprising detailed prospect assessment and screening economics for the remaining exploration area. Development feasibility studies for the Trefoil, Rockhopper and White Ibis fields will commence in 2014.

#### Otway Basin

In exploration permit VIC/P67 (AWE 60%) a 3D marine seismic survey covering an area approximately 928 km<sup>2</sup>, including the La Bella gas field, was completed on schedule and within budget. Processed data is expected to be received towards the end of May 2014 and will provide the technical basis for AWE's decision in mid-2014 whether to proceed to the drilling phase.

In exploration permit VIC/RL12 (AWE 25%), the joint venture continues to engage with regulators and relevant parties to co-ordinate development of the Blackwatch gas field. The field is covered by State and Federal exploration permits and a co-ordinated approach is required to ensure that the recovery of resources from both permits is optimised.

In exploration permit VIC/P44 (AWE 25%), good progress was made on the 3D seismic merge and PSDM reprocessing. The area covered is 1,350 km<sup>2</sup>, and final data is expected to be delivered by the end of February 2014. Evaluation of the improved seismic image, which is expected to better define the exploration prospects and infill drilling opportunities, is expected to continue until mid-year.

#### Onshore Perth Basin

AWE continues to actively pursue unconventional gas opportunities in the Perth Basin and expects to drill 2-4 exploration and appraisal wells in the region in calendar year 2014.

In exploration permit EP413 (AWE 44.25%), the Operator has provided a plan for the final phase of testing at the Arrowsmith-2 well comprising a workover to remove a faulty gas lift mandrel, which is obstructing the well bore, followed by a 14-day well test. During the test period, production logging tool (PLT) runs will be conducted to evaluate the contribution of gas and fluid from each of the perforated intervals: the High Cliff Sandstone, the Irwin River Coal Measures, and the Carynginia Formation. Operations are scheduled to recommence in late January, subject to equipment availability. The Operator has also submitted an



Arrowsmith-2, Onshore WA

application to the regulator to undertake a 3D seismic survey planned for the second half of calendar year 2014.

In exploration permit EP455 (AWE 81.5%, Operator), the approval process for the Drover-1 Environmental Plan is ongoing. The well is designed to test the shale gas and tight gas potential in the southern area of AWE's Perth Basin acreage and drilling remains scheduled for the June quarter of the 2013-14 financial year.

In L1/L2 (AWE 50%, Operator), the Synaphea and Irwin prospects have been reviewed by the joint venture. A decision on which prospect will be pursued first is expected this quarter with drilling planned for the 2014-15 financial year.

The geothermal joint venture with Green Rock Energy (AWE 50%) continued to progress technical design work and the evaluation of suitable prospects.

#### NEW ZEALAND

In permit PMP38158 (AWE 57.5%, Operator) the Oi exploration well is planned to be drilled as part of the two well program commencing in February 2014. The Oi prospect is located 12 km to the northeast of the Tui field and represents a Prospective Resource of 11 million barrels of recoverable oil (gross, unrisks P50 estimate). AWE holds a 31.25% interest in the Oi exploration well with the option to increase participation to 57.5% in any development of Oi by paying a promote on drilling costs.

A new onshore permit PEP 55768 (AWE 51%, Operator) was awarded in December 2013 to a joint venture comprising AWE and Mitsui.

#### INDONESIA

The Bulu PSC (AWE 42.5%) joint venture has approved the Operator's proposed 2014 work program and budget that comprises FEED and gas commercialisation studies for the Lengo gas field. A one year extension of the PSC exploration period has been approved by the regulator.

The East Muriah PSC (AWE 50%) joint venture approved the acquisition of a 2D seismic survey over an area of 1,300 km<sup>2</sup> to better define several prospects and leads.

Farm-out of the North Madura PSC (AWE 50%, Operator) and the Terumbu PSC (AWE 100%, Operator) continues, with a number of local and international companies finalising their evaluations. The North Madura joint venture is

currently evaluating options to drill an exploration well or acquire 3D seismic data.

In the Titan PSC (AWE 40%, Operator), interpretation of 2D seismic data over 510 km<sup>2</sup> in the northern part of the PSC area is under way.

A market study to evaluate the possible commercialisation of the gas resource located in the Anambas PSC (AWE 100%, Operator) has been completed and development feasibility is being reviewed.

Following the submission of AWE's joint study of Central Sumatra shale gas opportunities in 2013, and subject to agreement with the regulator, AWE may formally apply for gazetting the proposed shale gas acreage in the next round of applications in the first half of the 2014 calendar year.

#### SUMMARY OF ABBREVIATIONS

AAL	Ande Ande Lumut
AMI	Area of Mutual Interest
BOE	Barrels of Oil Equivalent
Bbbs	Barrels
Bopd	Barrels of oil per day
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration expenses
FEED	Front End Engineering and Design
Field Opex	Field operating expenses including royalties
FID	Final Investment Decision
FPSO	Floating Production Storage and Offloading
LPG	Liquefied Petroleum Gas
MLE	Mid-Life Enhancement
MMBOE	Million Barrels of Oil Equivalent
PSDM	Pre Stack Depth Migration
PJ	Petajoules
PLT	Production logging tool
PSC	Production Sharing Contract
TJ/d	Terajoules per Day
2D	Two-dimensional
3D	Three-dimensional

Except where otherwise noted, all references to "\$" are to Australian dollars

# PRODUCTION SUMMARY

		3 months to Dec 2013	3 months to Sep 2013	% Change	6 months to Dec 2013	6 months to Dec 2012	% Change
<b>SOUTH EAST AUSTRALIA</b>							
<b>BassGas</b>	Condensate ('000 Bbls)	80	94	-15%	175	62	180%
	LPG (Tonnes)	6,526	7,745	-16%	14,270	3,149	353%
	Gas (TJ)	2,091	2,322	-10%	4,413	1,742	153%
<b>Casino/Henry</b>	Condensate ('000 Bbls)	1	1	4%	3	4	-21%
	Gas (TJ)	2,059	2,117	-3%	4,177	4,582	-9%
<b>WESTERN AUSTRALIA</b>							
<b>Cliff Head</b>	Oil ('000 Bbls)	117	129	-9%	247	306	-19%
<b>Onshore Perth Basin</b>	Oil ('000 Bbls)	1	2	-42%	3	16	-83%
	Gas (TJ)	480	741	-35%	1,221	1,257	-3%
<b>NEW ZEALAND</b>							
<b>Tui</b>	Oil ('000 Bbls)	174	148	18%	322	388	-17%
<b>USA</b>							
<b>Sugarloaf</b>	Condensate ('000 Bbls)	121	106	14%	227	161	41%
	LPG (Tonnes)	3,981	4,361	-9%	8,341	3,173	163%
	Gas (TJ)	348	338	3%	685	393	74%
<b>TOTAL</b>							
	Oil ('000 Bbls)	293	279	5%	571	709	-19%
	Condensate ('000 Bbls)	203	202	0%	405	227	78%
	LPG (Tonnes)	10,506	12,105	-13%	22,612	6,323	258%
	Gas (TJ)	4,978	5,518	-10%	10,496	7,973	32%
	<b>Total ('000 BOE)</b>	<b>1,447</b>	<b>1,541</b>	<b>-6%</b>	<b>2,988</b>	<b>2,338</b>	<b>28%</b>
<b>PRODUCTION BY PROJECT ('000 BOE)</b>							
	Tui	174	148	18%	322	388	-17%
	BassGas	504	571	-12%	1,076	389	176%
	Casino/Henry	345	354	-3%	699	767	-9%
	Cliff Head	117	129	-9%	247	306	-19%
	Onshore Perth Basin	81	125	-35%	206	225	-8%
	Sugarloaf	225	213	6%	438	263	67%
	<b>Total ('000 BOE)</b>	<b>1,447</b>	<b>1,541</b>	<b>-6%</b>	<b>2,988</b>	<b>2,338</b>	<b>28%</b>

Numbers may not add due to rounding.

## RESERVES AND RESOURCES

The Reserves and Resources information contained in this report is based on information compiled by Neil Tupper (General Manager, Exploration and Geoscience) and Ian Palmer (General Manager, Development). Mr Tupper is a Geologist with a Masters Degree in Sedimentology and has over 31 years' experience in petroleum exploration. Mr Palmer holds a Bachelor Degree in Engineering and has 33 years' experience in the practice of petroleum engineering. Both Mr Tupper and Mr Palmer have consented in writing to the inclusion of this information in the form and context in which it appears.

## PROSPECTIVE RESOURCES

AWE follows the Society of Petroleum Engineers - Petroleum Resources Management System (SPE-PRMS) guidelines with respect to the definition of different classes of reserves and resources. SPE-PRMS defines Prospective Resources as being the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.