

Quarterly Report

For the 3 months to 31 March 2018



HIGHLIGHTS

- Mitsui & Co., Ltd. (“Mitsui”) announced on 24 April that, on achieving greater than 90% ownership of AWE, it has given notice of moving to compulsorily acquire the remaining AWE shares it does not own.
- AWE announced on 18 April the appointment to the Board of Mr Kensuke Togawa and Mr Hiroyuki Matsuyama representing AWE’s major shareholder Mitsui. Independent non-executive directors Mr David McEvoy and Ms Karen Penrose will retire from the Board as of 30 April 2018.
- March quarter production decreased by 9% over the previous quarter due to a wireline campaign at BassGas and the workover of the Casino-5 well. This also resulted in lower sales revenue, down 8% over the previous quarter to \$20 million.
- The BassGas wireline intervention campaign was successfully completed during the March quarter, shutting off water production in some wells and improving gas and condensate production.
- The Casino-5 workover was successfully completed and gas production resumed on 25 April at flow rates in line with the Operator’s expectations.
- The Native Title phase of the renewal process for production licences L1/L2 (Waitsia), has commenced.
- The farmout of New Zealand onshore permit PEP 55768, including the planned Kohatukai-1 exploration well, to New Zealand Oil & Gas Ltd and O. G. Oil & Gas Limited was agreed in April with completion expected in May, subject to regulatory approval. AWE will retain Operatorship and a 12.5% interest.

PRODUCTION & RESERVES

PRODUCTION

Total production for the March quarter was 585 MMboe, 9% lower than the prior quarter. BassGas production was down 15% over the previous quarter due to the planned wireline campaign and scheduled maintenance. Production from Casino decreased by 15% mainly due to natural field decline and the continued shut-in of Casino-5 pending a workover. Production from Waitsia was up 41% as nominations returned to the contracted rate in the new calendar year.

Production by Product	3 months to Mar 2018	3 months to Dec 2017	Qtr on Qtr Change	9 months to Mar 2018	9 months to Mar 2017 ¹	YTD Change
Condensate ('000 Bbls) ²	49	58	-14%	159	134	19%
LPG (Tonnes)	4,476	5,210	-14%	14,481	11,403	27%
Gas (TJ)	2,901	3,151	-8%	9,280	9,276	0%
Total ('000 BOE)	585	643	-9%	1,873	1,812	3%

Production by Asset ('000 BOE)	3 months to Mar 2018	3 months to Dec 2017	Qtr on Qtr Change	9 months to Mar 2018	9 months to Mar 2017 ¹	YTD Change
BassGas	348	408	-15%	1,119	928	21%
Casino/Henry	101	118	-15%	363	520	-30%
Waitsia Stage 1A ³	70	49	41%	185	159	16%
Onshore Perth Basin	66	68	-2%	207	205	1%
TOTAL ('000 BOE)	585	643	-9%	1,873	1,812	3%

Numbers may not add due to rounding. Notes: (1) Production data for prior periods has been adjusted to exclude operations discontinued or divested in FY17, specifically Tui (sold 28 February 2017). For reported historic data, please refer to AWE’s 2017 Annual Report, and FY17 Quarterly and Financial Reports. (2) Condensate production rounded to the nearest 1,000 barrels. (3) Waitsia Stage 1A commenced production in August 2016.



The ratio of gas to gas liquids production was 83:17 for the March quarter, which was the same as the previous quarter. Production for the first nine months of FY18 was 1,873 MMboe.

RESERVES AND RESOURCES

On 20 February 2018 AWE released an update of the company's total 2P Reserves and 2C Contingent Resources as at 31 December 2017, which comprised 2P Reserves of 82.0 MMboe and 2C Contingent Resources of 94.3 MMboe. There has been no material change to this information since its release.

FINANCIAL & CORPORATE

MARCH QUARTER

Key Financial Indicators	3 months to Mar 2018	3 months to Dec 2017	Qtr on Qtr Change	9 months to Mar 2018	9 months to Mar 2017 ¹	YTD Change
Net Sales Volume (MMboe)	0.6	0.6	-9%	1.9	1.8	3%
Sales Revenue (\$m)	20.0	21.8	-8%	61.0	53.8	13%
Field Opex (\$m)	7.4	8.4	-11%	26.6	29.4	-9%
Field EBITDAX (\$m)	12.6	13.4	-6%	34.4	24.4	41%
Average Realised Gas Price (A\$/GJ)	4.58	4.39	4%	4.46	4.34	3%
Sales Revenue (\$ million)	3 months to Mar 2018	3 months to Dec 2017	Qtr on Qtr Change	9 months to Mar 2018	9 months to Mar 2017 ¹	YTD Change
Condensate	3.5	3.8	-8%	10.1	7.1	42%
Gas	13.3	13.8	-4%	41.4	40.3	3%
LPG	3.2	4.1	-22%	9.5	6.4	50%
Total Sales Revenue	20.0	21.8	-8%	61.0	53.8	13%

Numbers are preliminary and unaudited and may not add due to rounding. Notes: (1) Production and financial data for prior periods has been adjusted to exclude operations discontinued or divested in FY17, specifically Tui (sold 28 February 2017). For reported historic data, please refer to AWE's 2017 Annual Report, and FY17 Quarterly and Financial Reports

Net sales volume for the March quarter was 0.6 MMboe. Sales revenue for the quarter decreased by 8%, compared to the previous quarter, to \$20.0 million largely due to lower gas and condensate production and a drop in LPG pricing. The average blended gas price for the quarter was \$4.58/GJ (up 4% on the previous quarter). Sales revenue for the first nine months of FY18 was \$61 million.

Field Opex for the March quarter was \$7.4 million, 11% lower than the December quarter due largely to a reclassification by the Operator of Beharra Springs of operating expenditure to capital expenditure. Field EBITDAX for the period was lower at \$12.6 million, down 6% from the previous quarter.

INVESTMENT EXPENDITURE

Investment Expenditure (\$'000)	3 months to Mar 2018	3 months to Dec 2017	Qtr on Qtr Change	9 months to Mar 2018	9 months to Mar 2017 ¹	YTD Change
Exploration	767	1,168	-34%	2,814	1,974	43%
Evaluation ²	402	1,462	-72%	3,465	336	931%
Development ³	9,177	6,949	32%	24,033	27,553	-13%
Total	10,346	9,579	8%	30,312	29,863	2%

Notes: (1) Financial data for prior periods has been adjusted to exclude operations discontinued or divested in FY17, specifically Tui (sold 28 February 2017). For reported historic data, please refer to AWE's 2017 Annual Report, and FY17 Quarterly and Financial Reports. Numbers are preliminary and unaudited and may not add due to rounding. (2) Evaluation includes AAL and Trefoil. (3) Development includes Waitsia, BassGas and Casino.

Exploration expenditure continued at low levels with \$0.8 million spent over the March quarter (\$1.2 million in the December quarter). This spend was primarily focused on planning costs associated with the Kohatukai-1 exploration well in New Zealand which is expected to be drilled in the first half of FY19. Evaluation expenditure of \$0.4 million reflected continued activity on the AAL project and Trefoil feasibility studies.

Development expenditure for the March quarter increased 32% over the prior period with the majority of activity focused on work undertaken at BassGas and Casino. Total investment expenditure for the March quarter was \$10.3 million, an increase of 8% on the December quarter.

LIQUIDITY

At 31 March 2018, AWE was in a net debt position of \$41.8 million, with cash of \$16.2 million and drawn debt of \$58.0 million. Undrawn facilities stood at \$67 million. The reduction in cash was due primarily to the payment of a \$5.2 million break fee to Mineral Resources Limited, following the superior takeover offer from Mitsui that was recommended by the AWE Board, and costs associated with evaluation and response to the three competing takeover bids for the company. A progress payment of US\$1 million was made in March relating to the relinquishment of the Terumbu PSC in Indonesia.

CORPORATE ACTIVITY

On 5 February, the AWE Board recommended a takeover bid from Mitsui to acquire all of the shares in AWE for cash consideration of \$0.95 per share. This resulted in the termination of the Mineral Resources scheme of arrangement (valuing AWE at \$0.83 per share) and triggered a break fee of \$5.2 million. Shortly thereafter, on 27 February 2018, the takeover bid by CERCG Aus Gas Pty Ltd (valuing AWE at \$0.73 per share) was withdrawn.

In April, Mitsui achieved a 50.1% interest and declared its offer unconditional. Subsequent to the quarter end, on 24 April 2018, Mitsui held in excess of 90% of AWE shares and announced its intention to dispatch compulsory acquisition notices to all AWE shareholders who had not at the time accepted Mitsui's offer. At 24 April 2018, Mitsui held a 93.5% interest in AWE. The Mitsui bid will close at 7pm on 2 May 2018.

AWE remains in discussions with HyOil Pte Ltd regarding payment of the full amount owed to AWE for the purchase of the Bulu PSC, which includes the Lengo Gas Project.

On 18 April 2018, AWE announced the appointment to the Board of Mr Kensuke Togawa and Mr Hiroyuki Matsuyama representing AWE's major shareholder Mitsui & Co., Ltd. Subsequently, AWE also announced the retirement from the Board of two independent non-executive directors, Mr David McEvoy and Ms Karen Penrose, effective 30 April 2018.

OPERATIONS, EXPLORATION & DEVELOPMENT

SOUTH EAST AUSTRALIA

Bass Basin - BassGas Project (35%)

Production for the March quarter was down 15% over the previous quarter, largely due to a successful wireline intervention campaign and planned downtime for maintenance. AWE's share of production was approximately 1.5 PJ of gas, 49,000 barrels of condensate and 4,476 tonnes of LPG. The average gross daily production rate for the quarter, excluding planned downtime, was 47 TJ/d.

During the quarter, BassGas was producing from four wells: Yolla-3, 4, 5 and 6. A wireline intervention campaign was completed during the quarter and successfully shut-off water production in some wells and improved gas and condensate production.

Evaluation

In T/RL2 (40%), post the completion of the Shearwater 3D seismic reprocessing in October 2017, the Operator continues to progress development concept studies for the Trefoil field.

Otway Basin - Casino Gas Project (25%)

Production to the end of the March quarter decreased by 15% compared to the December quarter due to natural field decline and the shut-in of the Casino-5 well pending a workover. AWE's share of production was 0.6 PJ of sales gas and 300 barrels of condensate. The average gross daily production rate for the quarter, excluding planned downtime, was 27 TJ/d.

During the quarter, Casino was producing from three wells: Casino-4, Netherby-1 and Henry-2. Casino-5 was shut-in during the quarter and a workover commenced in March 2018. In April the workover was completed and gas production recommenced on 25 April at rates in line with the Operator's expectations.

Exploration

In permit VIC/P44 (25%), the Joint Venture received approval from the regulator to remove an exploration well from the current permit year and replace it with seismic inversion studies. Applications to renew retention leases over VIC/RL11 (Martha) and VIC/RL12 (Blackwatch) have been made.

WESTERN AUSTRALIA

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

Production from the Xyris Production Facility for the March quarter increased by 41% over the previous quarter due to increased nominations levels. AWE's share was 0.4 PJ of gas and 165 barrels of condensate. The average daily production rate for the quarter was 9.3 TJ/d (AWE share).

Evaluation of the tender submissions for the Front End Engineering and Design (FEED) of the gas plant facilities continued during the quarter. Activities related to the planned award of FEED contracts and entering into gas marketing commitments have been temporarily suspended by AWE due to obligations under the Bid Implementation Deed entered into with Mitsui in respect of its takeover bid.

The Native Title phase of the renewal process for onshore production licences L1/L2 (Waitsia), commenced in March. The majority of the land within the area of L1/L2 is subject to the prior grants of freehold title and is therefore not subject to, or available for, claim under the Native Title Act. The licences will remain in place and continue to be valid during the renewal process. The renewal process could be finalised within 12 months, subject to government and regulatory approvals.

Onshore Perth Basin - Beharra Springs (33%)

AWE's share of production from other Onshore Perth Basin assets, including Beharra Springs, was down 2%, with 0.4 PJ of gas and 268 barrels of condensate produced during the March quarter. AWE's program to decommission non-producing wells and rehabilitate well sites is continuing as planned.

Exploration

In EP320 (33%), the Joint Venture has applied for a permit suspension to allow a delay in the planned 3D seismic program to minimise disruption to local landowners. The 3D survey will mature significant Waitsia-like prospects in the Kingia and High Cliff Sandstones in the east of the permit.

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

In EP413 (44.25%) the Joint Venture has applied for a 12-month suspension of the current permit year due to the Western Australia moratorium on hydraulic fracture stimulation and is pending approval by the regulator.

INDONESIA

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

The Joint Venture has commenced discussions with the regulator to jointly develop the G-sand and K-sand reservoirs from field start-up. The first step in this process has begun with an application to move the G-sand resource from exploration status to development. Final approval may require an amendment to the approved Plan of Development prior to a FID. Stage 2 commercial tenders remain on hold until this work is completed.

NEW ZEALAND

Taranaki Basin, onshore permit PEP55768 (51%, Operator), Exploration

The Joint Venture is progressing plans to drill the Kohatukai-1 exploration well in the first half of FY19. In April, Joint Venture partners AWE and Mitsui entered into a farmout agreement for the permit. At completion of the farmout, expected in May subject to regulatory approvals, AWE will remain as Operator with a 12.5% interest,

Mitsui will retain a 37.5% interest, New Zealand Oil & Gas and its majority shareholder O.G. Oil & Gas (Singapore) will each hold a 25% interest.

For more information please see our website www.awexplore.com or contact:

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CONVERSION TABLES

<p>Volume 1 cubic metre = 1 kilolitre = 35.3 cubic feet = 6.29 barrels 1 megalitre = 1,000 cubic metres</p>	<p>Barrel of Oil Equivalents (BOE) Sales Gas: 6PJ = 1 MMBOE LPG: 1 tonne = 11.6 BOE Condensate: 1 barrel = 1 BOE Oil: 1 barrel = 1 BOE</p>
<p>Energy Value 1,000 standard cubic feet of sales gas yields about 1.055 gigajoules (GJ) of heat 1 petajoule (PJ) = 1,000,000 gigajoules (GJ) 1 gigajoule = 947,817 British Thermal Units (BTU)</p>	<p>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}</p>

GLOSSARY OF ABBREVIATIONS

2C	Contingent Resources	FEED	Front End Engineering & Design
2P	Proved and Probable Reserves	FID	Final Investment Decision
3D	Three-dimensional	FY	Financial Year
AAL	Ande Ande Lumut oil project	GJ	Gigajoules
BOE	Barrels of Oil Equivalent	JV	Joint Venture
Bbls	Barrels	LPG	Liquefied Petroleum Gas
Bopd	Barrels of oil per day	m	metres
CEO	Chief Executive Officer	MMboe	Million Barrels of Oil Equivalent
CY	Calendar Year	PJ	Petajoules
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration expenses	PSC	Production Sharing Contract
		TJ	Terajoules

Except where otherwise noted, all references to "\$" are to Australian dollars. All FY18 numbers and data stated in the report are preliminary and unaudited.

ENDS