

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;

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- 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).

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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	<ul style="list-style-type: none"> - Exploration and development - Mergers and acquisitions - Other major investment decisions - External commercial environment (e.g. competitor activity, changing stakeholder expectations etc.) 	<ul style="list-style-type: none"> - Financial - Reputational
Operational	Operational Risk Committee	<ul style="list-style-type: none"> - Operated assets - Non-operated assets - External operating environment (e.g. natural hazard events, failure of key supplier, regulatory change etc.) - HSE performance - Emissions 	<ul style="list-style-type: none"> - Safety - Environmental - Financial - Reputational
Corporate and Governance	Audit Committee	<ul style="list-style-type: none"> - Corporate support (office management, IT, HR, business continuity, fraud, adequacy of financial controls, etc) - Legal - Financial Reporting - Taxation - ASX/Corporations Act requirements 	<ul style="list-style-type: none"> - Financial - Reputational
External	Board oversight but generally assumed shareholders accept these risks	<ul style="list-style-type: none"> - Global economic conditions - Foreign exchange rates - Oil and gas price - Interest rates - Government policies 	<ul style="list-style-type: none"> - 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.

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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: <ul style="list-style-type: none"> - 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: <ul style="list-style-type: none"> - 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	✓	

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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.