



## **AWE's FY17 results: focused on Waitsia**

**AWE Limited (ASX: AWE)** today released its full year results for the financial year ending 30 June 2017 (FY17).

The company reported a statutory net loss after tax of \$217.5 million for FY17, a 40% improvement over the FY16 result, and includes impairments and write downs of \$209.8 million. After adjusting for non-recurring items, AWE's underlying net loss after tax for FY17 was \$29.8 million, a 56% improvement over FY16.

Production assets performed as expected, with net production totaling 2.8 MMboe for the full year in line with market guidance. The production ratio, including contributions from discontinued operations, was 73:27 gas to liquids.

Sales revenue of \$103.6 million for the year was down 49%, as expected, primarily due to the reduced revenue base following the sale of the company's late life and non-core oil producing assets over the past two financial years.

**CEO and Managing Director, Mr David Biggs, said** that AWE's full year operating results were in line with guidance and reflected the company's current weighting towards domestic gas supply.

"AWE's FY17 results matched guidance for production and sales revenue. Development expenditure and exploration expenditure were lower than forecast due to a combination of project timing and a continued emphasis on cost reduction. A subdued oil price overshadowed the second half of the financial year and contributed to further delay of the Ande Ande Lumut oil project FID, triggering an impairment to its carrying value and a write down of the associated US\$88 million Carry. Although written down to nil, the Carry has not been relinquished and remains payable on an FID decision. The project remains a valuable option for AWE should oil prices improve," Biggs said.

"With the sale of AWE's interest in the Tui oil project, completed in February 2017 for a book profit of \$36.3 million, the company's key assets are now primarily focused on producing gas for domestic Australian markets where there is potential for substantial price improvement. Additionally, AWE is no longer liable for an estimated \$69 million in decommissioning obligations," he said.

### **Waitsia – a year of milestones**

"The Waitsia gas project in Western Australia has consistently delivered on the upside throughout the year. Stage 1A commenced production in August 2016 on time and under budget, and well performance has exceeded our expectations. We have extensively tested both the Kingia Formation and High Cliff Sandstones in both production wells, which has confirmed excellent conventional reservoir quality and connectivity.



“Stage 2 is making very good progress and has met every development milestone. Certified 2P Reserves are in place to deliver 100 TJ/d for 10 years and beyond, and preliminary results from recent appraisal drilling (Waitsia-3 and Waitsia-4) have indicated that total reserves are likely to be significantly higher than currently booked,” Biggs said.

“Gas marketing is off to a good start with the first term sheet, for 15 TJ/d, agreed in February 2017. We are targeting approximately 60TJ/d to 65 TJ/d contracted volume to move forward to FID, and we are in discussions with potential buyers interested in securing significant volumes from 2020.

“The production facility itself is anticipated to be relatively straightforward. Average raw gas inerts are less than 6% which indicates minimal gas processing is required. Pre-FEED work was completed on schedule in March and the project entered FEED with the commencement of the facilities design competition in June. The design competition will allow us to establish a high degree of certainty around capex and opex requirements and will also develop and compare different contract delivery models. FEED is expected to be completed by the end of November 2017.

“Subject to concluding gas sale negotiations, Stage 2 of the Waitsia Gas Project is on track for the joint venture partners to consider a FID at the end of CY 2017,” Biggs said.

### **Leveraged to strengthening domestic east coast gas markets**

“AWE also has exposure to Australia’s east coast gas markets where strengthening prices are well documented.

“The Casino gas project remains important for AWE, particularly as gas sales contracts are set to expire in early CY 2018. Marketing of the uncontracted gas is underway and AWE is anticipating that realised prices will substantially exceed historic contract rates. We are also working with the Operator to assess further development potential within the field over coming years.

“The highlight for the BassGas project in FY17 was the successful start-up of compression on the Yolla-A platform and completion of the MLE project. Production subsequently increased to nameplate capacity (67 TJ/d), but is currently limited due to unscheduled maintenance at the Lang Lang Gas Plant. Once the plant returns to full capacity, BassGas is anticipated to produce in excess of 60 TJ/d until at least the end of CY 2017.

“On current projections, the BassGas sales contract is not expected to expire until early CY 2019. Marketing of uncontracted gas will commence in CY 2018 and we will also be working with the Operator to progress develop plans for the nearby Trefoil gas and condensate field, which could come into production as early as 2022,” Biggs said.

### **Near-term catalysts**

“FY18 will be particularly significant for AWE. A new gas sales agreement for uncontracted Casino gas will offer substantial revenue improvement from March 2018. However, the most important milestones relate to the de-risking of the Waitsia Stage 2 project. These include the potential to increase 2P Reserves following flow testing and field remapping, the completion of FEED, further gas sales agreements and FID,” Biggs said.

### **FY18 Guidance**

Production in FY18 is expected to be similar to FY17. Improved production from BassGas will likely be offset by a reduction in output from Casino due to the Casino-5 well being shut in until a workover can be performed in early CY 2018. Sales revenue will be lower than the previous year due to there being no oil revenues. Development expenditure is forecast to increase with Waitsia activity accelerating and the planned Casino workover. Exploration expenditure is also likely to increase due to seismic commitments on the highly prospective EP320 block, onshore northern Perth Basin.

Key Indicator	Unit	FY18 Guidance
Production	MMboe	2.5 – 2.7
Sales revenue	\$ million	77 – 85
Development expenditure	\$ million	40 – 45
Exploration expenditure	\$ million	7

## SUMMARY OF FULL YEAR RESULTS FOR FY17

- **Total production** of 2.8 MMboe was down 45%, as expected, primarily due to asset sales and was in line with guidance
- **Sales revenue** of \$103.6 million was down 49%, as expected, primarily due to the reduced revenue base after asset sales and was in line with guidance
- **Operating costs** reduced by 43% to \$62.4 million
- **General and Administration** expenses reduced by 37% to \$6.8 million
- **Field EBITDAX** of \$41.1 million was down 55%, as expected, primarily due to the reduced revenue base after asset sales
- **Statutory net loss after tax** of \$217.5 million represents a 40% improvement over the previous corresponding full year
- **Underlying net loss after tax** of \$29.8 million represents a 56% improvement
- **Development expenditure** reduced by 67% to \$39.7 million and was below guidance
- **Exploration expenditure** reduced by 84% to \$3.0 million and was below guidance; exploration expense reduced by 87% to \$2.4 million
- **Net debt** was \$54.3 million, comprising cash of \$12.8 million and drawn debt of \$67.1 million
- **Divestment program concluded** – Tui sale completed and Lengo sale approved by Indonesian government post year-end
- **2P Reserves** of 51.9 MMboe and 2C Contingent Resources of 109.5 MMboe

*Comparisons include discontinued operations for both FY17 and FY16. For a detailed review of AWE's full year FY17 operating and financial performance, investors should refer to AWE's Appendix 4E, Directors' Report, Year End Consolidated Financial Report, Reserves Report and Investor Presentation released to the Australian Securities Exchange today.*

## Appointment of Chairman

As advised at AWE's 2016 AGM, Mr Bruce Phillips, AWE's Chairman, intends to retire as Chairman and non-executive Director of AWE at the Company's 2017 AGM.

The Board is pleased to announce that Mr Kenneth Williams, AWE's Deputy Chairman, has been appointed as Chairman of AWE with effect from the conclusion of the 2017 AGM.

## Annual General Meeting

AWE will hold its Annual General Meeting at the Museum of Sydney, located at the corner of Phillip and Bridge Streets, Sydney, NSW, 2000, on Friday 24 November 2017 commencing at 10am.

## Summary of Abbreviations

2C	Contingent Resources
2P	Proved plus Probable Reserves
AAL	Ande Ande Lumut oil project
BOE	Barrels of Oil Equivalent
EBITDAX	Earnings Before Interest, Tax, Depreciation and Exploration expenses

FEED	Front End Engineering and Design
FID	Final Investment Decision
FY	Financial Year
G&A	General and Administrative Expenses
MLE	Mid Life Enhancement project (BassGas)
MMboe	Million barrels of oil equivalent
NPAT	Net Profit After Tax
TJ/d	Terajoules per day

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

#### Conversion Tables

Energy Value	Barrel of Oil Equivalents (BOE)
1,000 standard cubic feet of sales gas yields about:	<b>Oil</b> 1 barrel = 1 BOE
1.055 gigajoules (GJ) of heat	<b>Condensate</b> 1 barrel = 1 BOE
1 petajoule (PJ) = 1,000,000 gigajoules (GJ)	<b>LPG/NGLs</b> 1 tonne = 11.6 BOE
1 gigajoule = 947,817 British Thermal Units (BTU)	<b>Sales Gas</b> 6PJ = 1 million BOE

#### About AWE Limited

AWE Limited is an independent, Australian energy company focused on upstream oil and gas opportunities. Established in 1997 and listed on the Australian Securities Exchange (ASX: AWE), the company is based in Sydney with offices in both Sydney and Perth. AWE has a substantial portfolio of production, development and exploration assets in Australia, New Zealand, and Indonesia.

For more information please see our website [www.awexplore.com](http://www.awexplore.com) or contact:

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