REMUNERATION REPORT

Key points

- AWE Total Shareholder Return ("TSR") performance in the financial year better than both the ASX200 and ASX200 Energy Index;
- Fixed remuneration of Managing Director increased by 4%;
- Short-term incentive (STI) payment to the senior executives averaged 38% of maximum allowable;
- STI payment to the Managing Director set at 40% of maximum allowable;
- Long-term incentives (LTI) – implementation of changes to the Share Rights Plan (Plan) to decrease the maximum number of share rights (rights) to be granted and to increase the hurdle rates for future vesting of rights;
- No vesting of Relative and Absolute TSR rights and vesting of only the retention component of rights for the initial three year cycle of the Plan(1); and
- No increase in non-executive director fees in the financial year.

1 Retention rights are not granted to the Managing Director.

1. Introduction

This report is prepared in accordance with section 300A of the Corporations Act 2001 (the Act) and has been audited as required by section 308 (3C) of the Act. Where appropriate, information which is included in other parts of the Annual Financial Report is included in this report by reference.

This report sets out remuneration information pertaining to directors and senior executives who are the 'Key Management Personnel' of the consolidated entity. Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly.

1.1 Objectives

The key objectives of AWE's remuneration practices are to:

- Align the interests of senior executives, staff and shareholders;
- Attract and retain suitably qualified senior executives and staff; and
- Motivate senior executives and staff to achieve superior performance.

1.2 Mix of Remuneration

To achieve these objectives remuneration packages consist of:

- Fixed remuneration (refer section 4);
- Short-term performance benefits (refer section 5); and
- Long-term performance benefits (refer section 6).

The remuneration structures take into account:

- The performance of the consolidated entity including:
  - the growth in total returns to shareholders;
  - the consolidated entity's financial results;
  - delivery of base business (that is, "business as usual");
  - the results of exploration, development and production activities;
  - business growth;
  - adherence to health, safety and environment policies; and
  - compliance with regulatory regimes;
- The capability and experience of senior executives;
- The ability of senior executives to control the performance of their relevant area of responsibility; and
- Current economic and industry circumstances.

1.3 Market Comparatives

In order to attract and retain suitably qualified senior executives and technical professionals and to ensure that salary packages are reasonable and competitive but not excessive, fixed remuneration levels and at risk remuneration structures in the form of short-term incentive benefits and long-term incentive benefits are benchmarked against independently provided data on Australian upstream oil and gas companies. The current market for such senior executives and technical professionals in the upstream oil and gas industry is very tight and competitive and the Company's remuneration framework needs to be structured accordingly.

To ensure that long-term incentive structures are appropriately aligned to the long-term interests of shareholders, the vesting of share rights are conditional on performance conditions which are tied to the three year total shareholder return of the Company and to the three year total shareholder returns of comparator ASX listed energy companies.

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1.4 Changes to Remuneration Structures

As foreshadowed in the Company's 2011 Remuneration Report and as part of the continual review of remuneration structures, the Company has reviewed these remuneration structures and has implemented a number of refinements to apply for future issues of rights.

In particular, changes have been made to the Share Rights Plan to reduce the amount of rights that can be issued (more fully described in section 6.1) by:

- Establishing a maximum number of rights that can be granted rather than an absolute number;
- Basing the number of rights that can be granted by taking into account Company and individual performance in the previous financial year; and
- Reducing the participation scales for the Managing Director and senior executives.

Further, the vesting criteria applying to rights has been tightened, once again as more fully described in section 6.1, by;

- Increasing the hurdle rates applying to absolute performance measures;
- Increasing the hurdle rates applying to relative performance measures; and
- Decreasing the retention component for senior executives.

Also, the Company has determined that a more appropriate comparator group for relative performance measurement is peer companies in the ASX300 Energy Index.

2. Key management personnel

For the purposes of this report, the senior executives who represent key management personnel of the consolidated entity at any time during the June 2012 financial year were:

Senior Executive	Position
Bruce F W Clement	Managing Director
Dennis Washer	Chief Operating Officer/General Manager, New Zealand
Neville F Kelly	Company Secretary (also Chief Financial Officer up to 31 October 2011)
Brod W Wray	General Manager, Commercial and Business Development (ceased employment on 31 January 2012)
David R N Gaudoin	General Manager, Exploration and Geoscience
Ayten Saridas	Chief Financial Officer (appointed 31 October 2011)

Mr Ian Palmer was previously defined as a member of key management personnel by virtue of being one of the five highest paid executives of the consolidated entity but is no longer defined as a member of key management personnel.

3. People committee (formerly the remuneration committee)

The People Committee is responsible for making recommendations to the Board on remuneration policies and employment practices applicable to directors, senior executives and other employees.

The role and responsibilities of the People Committee are documented in a charter approved by the Board and is reviewed at least annually. A copy of this charter is available on the Company's website.

The People Committee is to be comprised of not less than two non-executive directors, the majority of whom shall be independent. No executive can be a member of the Committee. The People Committee currently comprises Ken Williams (Chairman), Bruce Phillips, Andy Hogendijk and Vijoleta Braach-Maksvytis, all of whom are non-executive directors of AWE and are considered to be independent.

3.1 Role

The role of the People Committee as defined in the charter is to ensure that the remuneration policies and employment practices of AWE:

- are consistent with the Company's goals and objectives;
- deliver outcomes in line with strategic business goals;
- recognise the scale and complexity of the Company's business activities;
- encourage directors and senior executives to deliver short-term objectives and to pursue the long-term growth and success of the Company within an appropriate control framework;
- deliver a level and composition of remuneration that is appropriate and fair to a broad range of stakeholders;
- define the relationship of remuneration to corporate and individual performance; and
- attract and retain talented and effective directors and staff so as to encourage enhanced performance of the Company.

The People Committee also evaluates the appropriateness of remuneration packages given trends in comparable companies, the need to drive a performance-based culture and the objectives of the Company's remuneration strategy.

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3.2 Responsibilities

The responsibilities of the People Committee as defined in the charter are to review and make recommendations to the Board on:

- policies for employment and remuneration of all AWE staff;
- recruitment, retention and termination policies and procedures for senior executives;
- the remuneration package of the Managing Director;
- the remuneration packages of senior executives in consultation with the Managing Director;
- performance schemes including short-term and long-term incentives;
- superannuation arrangements;
- the remuneration framework for non-executive directors, within the limit approved by shareholders;
- management succession planning;
- procedures necessary to ensure compliance with industrial relations law;
- the appointment of external remuneration consultants and evaluation of advice from remuneration consultants in accordance with the Act;
- the diversity disclosure plan and the Company's progress in achieving measurable diversity objectives;
- the annual Statutory Remuneration Report; and
- other matters as requested by the Board.

4. Fixed remuneration

Fixed remuneration consists of base salary calculated on a total cost basis, including fringe benefits tax and employer contributions to superannuation (if applicable).

Remuneration levels are reviewed at least annually by the People Committee through a process that considers independent externally provided remuneration data and also taking into account the overall performance of the consolidated entity to ensure that remuneration is appropriate and competitive in the market place.

For details of fixed remuneration paid to directors and senior executives please refer to section 10.

5. Short-term performance benefits

Short-term performance benefits are awarded in the form of cash bonuses. These benefits are "at risk" and are paid for performance during the financial year and are designed to reward senior executives for meeting or exceeding Company and individual Key Performance Indicators ("KPIs").

Managing Director KPI's

Each year, the Board sets corporate KPIs for the Managing Director which are based on overall corporate performance targets.

June 2012 Financial Year

For the June 2012 financial year the corporate KPI's for the Managing Director were based on a balanced scorecard approach with the Board believing that the attainment of these measures will result in meaningful shareholder returns both in the short-term and long-term. These performance measures were:

- Delivery of base budget (30%) – includes delivery of production, operating expenditure and capital expenditure budgets.
- Optimisation of the business (30%) – includes implementation of cost control measures, achievement of oil and gas reserves replacement targets, maintaining and improving HSE performance and community and regulatory relationships and overall team performance goals.
- Business growth (30%) – includes specific targets aimed at expanding the business and positioning the Company for long-term growth.
- In addition, a 10% allowance is determined at the discretion of the Board to cover potential changed circumstances during the financial year.

On an assessment of actual performance under these measures for the financial year the Board has determined that a total of 40% of maximum KPI will be awarded to the Managing Director. For further details refer to section 11.1.

June 2013 Financial Year

For the June 2013 financial year the corporate KPI's for the Managing Director will again be based on a balanced scorecard approach and include corporate performance measures as follows:

- Delivery of work program and budget (45%) – includes specific targets with respect to delivery of capital expenditure and exploration programs, operating expenditure targets, administration costs targets, reserves replacement, team performance, HSE performance, community, regulatory and environment.
- Portfolio balancing and regeneration (35%) – includes specific targets with respect to individual assets and also includes targets with respect to expanding the asset base of the Company.
- Board discretion (20%) – includes an allowance to cover the potential and inevitable changing circumstances during the financial year.

Given the continuing changing circumstances of both the Company and the upstream oil and gas industry in general the Board is of the view that these KPI performance measures will inevitably be required to respond to such circumstances and accordingly will vary from year to year.

The Board believes that the attainment of these measures will result in meaningful shareholder returns both in the short-term and long-term.

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Senior Executives KPI's

Corporate KPIs for senior executives are based on the same corporate KPI's as the Managing Director. In addition, the Managing Director sets individual KPIs for the senior executives. These KPI's take into account individual and departmental performance over which the senior executive has responsibility. The Board believes that the attainment of these individual and departmental KPIs is essential in delivering overall corporate objectives.

The structure of these short-term performance benefits as a percentage of fixed remuneration are as follows:

	MANAGING DIRECTOR[(a)]	SENIOR EXECUTIVES[(b)]
Target – meets performance objectives	25%	20%
Stretch – exceeds performance objectives	25%	20%
Total potential short-term performance benefit	50%	40%

(a) 100% of Managing Director KPIs are based on achieving corporate performance measures.
(b) 50% of senior executive KPIs are based on the same corporate KPI's as the Managing Director and 50% are subject to individual and departmental KPIs over which the individual senior executive has responsibility.

In the special circumstance of outstanding individual performance, the Board may award up to 100% of that individual's short-term performance benefit even though some KPIs have not been achieved. This special circumstance is designed to reward and retain outstanding employees in times where some KPI targets have not been achieved due to circumstances beyond the control of the individual senior executive.

The Company is aware of proposed legislative changes with respect to the ability to clawback bonuses paid to the Managing Director and senior executives in the case of a subsequent misstatement in the Company's financial statements and the Company intends to implement appropriate changes to executive service contracts once the legislation is finalised.

For details of short-term performance benefits paid in the June 2012 financial year, refer to section 11.

6. Long-term performance benefits

LTI "at risk" performance benefits are awarded in the form of rights with vesting conditions tied to retention, absolute TSR and relative TSR.

The rationale for the choice of this criteria include:

- to align employees with commonly shared goals related to producing high returns for shareholders over the medium to long-term;
- to encourage and assist employees to become shareholders of AWE themselves;
- to provide a long-term component of remuneration to enable AWE to compete effectively for the calibre of talent required for the Company to be successful; and
- to help retain talented personnel, minimise employee turnover and stabilise the workforce.

The Company no longer issues employee share options as a method of rewarding long-term performance and no employee share options have been issued since June 2009. There are however residual unexercised employee share options on issue, all of which will be exercised or will lapse by no later than June 2014.

6.1 Share Rights Plan

In the June 2010 financial year the Company introduced a Share Rights Plan for the award of long-term performance benefits.

The Plan is designed to generate performance-based awards that may be converted, at the Board's discretion, into AWE shares, cash or other employee benefits.

The key elements of the Plan include:

- Rights are granted each year and the number of rights granted will be determined by the employee's level in the Company, fixed remuneration at the time of grant and taking into account both the Company and employee's performance in the previous financial year.
- There are three tranches of rights with separate vesting criteria:
  - Retention[(1)];
  - Absolute TSR; and
  - Relative TSR.
- The vesting period is for three years, the rights will lapse after three years and there will be no retesting.

(1) Retention rights are not granted to the Managing Director.

The Plan defines TSR as "The percentage change over a period in shareholder value due to share price movement and dividends assuming dividends are reinvested into AWE shares".

Early vesting of rights is not permitted other than at the time of change in control of the Company where the extent of any vesting is to be determined at the discretion of the Board. On termination of employment, rights are forfeited unless and to the extent determined by the Board. The Board has discretion whether or not to make a determination and reserves the right to exercise that discretion having regard to the circumstances that might arise from time to time.

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The number of rights that can be granted as a percentage of fixed remuneration at the time of grant and converted to a number of rights using the 30 day volume weighted average price ("VWAP") of the AWE share price in June of the grant year, and reflecting changes referred to in section 1.4, are as follows:

	RIGHTS GRANTED FROM JUNE 2013 FINANCIAL YEAR (MAXIMUM NUMBER AS A PERCENTAGE OF FIXED REMUNERATION)				RIGHTS GRANTED UP TO JUNE 2012 FINANCIAL YEAR (ABSOLUTE NUMBER AS A PERCENTAGE OF FIXED REMUNERATION)			
	Retention vesting condition	Absolute TSR vesting condition	Relative TSR vesting condition	**Total**	Retention vesting condition	Absolute TSR vesting condition	Relative TSR vesting condition	**Total**
Managing Director	–	50%	50%	**100%**	–	75%	75%	**150%**
Senior Executives	15%	30%	30%	**75%**	20%	30%	30%	**80%**

The above tables also represent the maximum number of rights that can vest three years subsequent to grant, but only if all vesting conditions are satisfied to 100% (and then only if the maximum number of initial rights were granted based on past Company and individual performance).

Vested rights will entitle the senior executive to an amount which will vary with the AWE share price at the time of vesting. The Board may decide in its absolute discretion the form of payment (eg: cash or issue of shares) to satisfy these vested rights.

Retention Grants

- Number of rights calculated using the 30-day VWAP of the AWE share price in June of grant year.
- Vest after three years if the employee remains employed by AWE.

Absolute TSR Grants

- Number of rights calculated using the 30-day VWAP of the AWE share price in June of grant year.
- Vest after three years according to the Company's Absolute TSR for that three year period.
- The vesting scales to apply for Absolute TSR grants, and reflecting changes referred to in section 1.4 are as follows:

ABSOLUTE TSR RIGHTS GRANTED FROM JUNE 2013 FINANCIAL YEAR		ABSOLUTE RIGHTS GRANTED UP TO JUNE 2012 FINANCIAL YEAR	
AWE TSR	**% OF RIGHTS TO VEST**	**AWE TSR**	**% OF RIGHTS TO VEST**
< 8% pa compound	–	< 6% pa compound	–
8% pa compound	25%	6% pa compound	25%
>8% and <10% pa compound	Pro rata	>6% and <9% pa compound	Pro rata
10% pa compound	50%	9% pa compound	50%
>10% and <12% pa compound	Pro rata	>9% and <12% pa compound	Pro rata
12% pa compound	100%	12% pa compound	100%

Relative TSR Grants

- Number of rights calculated using the 30-day VWAP of AWE share price in June of grant year.
- Vest after three years according to the Company's TSR relative to companies in ASX 300 Energy Index in grant year as per the table below (companies no longer in the index are excluded).
- The vesting scales to apply for Relative TSR grants, and reflecting changes referred to in section 1.4 are as follows:

RELATIVE TSR RIGHTS GRANTED FROM JUNE 2013 FINANCIAL YEAR		RELATIVE TSR RIGHTS GRANTED UP TO JUNE 2012 FINANCIAL YEAR	
AWE TSR RELATIVE TO TSR OF COMPANIES IN S&P/ASX ENERGY INDEX AT DATE OF GRANT	**% OF RIGHTS TO VEST**	**AWE TSR RELATIVE TO TSR OF COMPANIES IN S&P/ASX ENERGY INDEX AT DATE OF GRANT**	**% OF RIGHTS TO VEST**
< 50%	–	< 50%	–
50%	25%	50%	50%
>50% and <90%	Pro rata	>50% and <75%	Pro rata
90% and above	100%	75% and above	100%

No rights vested in prior years due to the initial three year vesting period not having been reached.

For details of rights vesting at 30 June 2012, refer to section 11.2.

For details of unvested rights, refer to section 12.2 and for details of movements in rights, refer to section 13.2.

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6.2 Employee Share Options

Employee share options were previously granted to senior executives and the number granted was based on the relative level of the individual senior executive in the consolidated entity and generally had a vesting period of three years and a total term of five years.

No employee share options have been granted since June 2009 and no further employee share options will be issued. No employee share options vested or were exercised in respect of the June 2012 financial year and certain employee options lapsed (refer section 13.1).

The vesting of all employee share options is subject to the satisfaction of relative performance conditions. Relative performance criteria used to determine the ability of senior executives to exercise employee share options is measured by comparing the consolidated entity's TSR over a rolling three-year period against both the ASX Energy Index and the ASX 200 Index. Accordingly, senior executives will only be rewarded in circumstances where the Company's share price exceeds the relative performance criteria. Retesting of this relative performance measure is allowed every 12 months until expiry of the employee share option (which is generally a period of a further two years from initial testing).

Refer to section 11.2 for relative performance criteria applying to the June 2012 financial year.

Any options granted in prior years were issued under the Employee Share Option Plan ("ESOP"). Key terms of the ESOP include:

- The exercise price must not be less than the higher of the market price or the minimum price specified in the ASX Listing Rules. The market price is determined by the five-day volume weighted average price prior to grant;
- The sum of the number of shares issued on the exercise of options in the previous five years and the number of unexercised options cannot exceed 5% of the total number of shares on issue at any time; and
- Options are issued for a term of not more than five years, may have various vesting periods and can only be exercised after the conditions of exercise are met.

For details of unvested options, please refer to section 12.1 and for details of movements in options, please refer to section 13.1.

6.3 Employee Share Trading

The ability of senior executives to trade in the Company's securities is governed by the Company's Securities Trading Policy which in particular provides for the prohibition in dealing in the Company's securities while in possession of price sensitive information and during defined blackout periods and further prohibits speculative trading. A copy of this policy is available on the Company's website.

7. Other benefits

The personal needs of directors and senior executives may be taken into account when determining the appropriate remuneration mix and the Company allows salary sacrifice arrangements to the extent that it complies with all applicable laws, and there is no net cost to the Company doing so.

8. Service agreements

8.1 Managing Director – Bruce Clement

On 1 February 2011, Mr Bruce Clement commenced as Managing Director and at the time of his formal appointment, the details of the service agreement entered into with Mr Clement were disclosed and are summarised as follows:

Terms of Contract

A commencement date of 1 February 2011 with a minimum term of three years but can be terminated earlier under the terms of the service agreement.

Remuneration

Remuneration is made up of the following components:

- Current Fixed Remuneration in the form of base salary of $832,000 per annum inclusive of salary, superannuation and fringe benefits tax which is reviewed annually effective 1 July;
- At risk short-term performance benefits which are summarised in section 5 and can represent up to 50% of base salary for the year; and
- At risk long-term performance benefits which are granted on a rolling three year basis. The benefits are in the form of employee rights under the Share Rights Plan. On the commencement of his employment, Mr Clement was granted 920,245 rights vesting on 30 June 2013. In addition, and to align the timing of award and vesting conditions to other senior executives, from 1 July 2011 Mr Clement was awarded 916,030 rights vesting on 30 June 2014. The award of these rights was approved by shareholders at the Company's 2011 Annual General Meeting.

In addition, and based on the changes to the Share Rights Plan as detailed in section 1.4 and 6.1, a total of 331,474 rights will be granted to Mr Clement for the three year period vesting 30 June 2015 with this grant being subject to shareholder approval at the Company's 2012 Annual General Meeting. Further details will be provided with the 2012 Notice of Meeting.

Termination

The service agreement contract may be terminated in the following circumstances:

- Voluntary termination by the Company or Mr Bruce Clement on six months' notice. On termination by the Company, a termination payment of 6 months of then base salary is payable in addition to any payment in lieu of notice. On termination by Mr Clement, no such termination payment will be made. Pro-rated short-term benefits will be paid according to the achievement of KPIs to the date on which notice is given. Any granted but unvested rights at the date on which notice is given will be forfeited;
- Termination by the Company on three months' notice in the event of illness or injury. Pro-rated short-term benefits will be paid according to the achievement of KPIs to the date on which notice is given. Any granted but unvested rights at the date on which notice is given will be forfeited; or
- Termination by the Company for cause and without notice. Any short-term benefits or rights that have not vested at the date on which notice is given will be forfeited.

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8.2 Senior Executives

Brod Wray

Mr Brod Wray was General Manager, Commercial and Business Development to 31 January 2012. He received normal base salary and superannuation until the date he ceased employment on this date. On cessation of employment he received:

- Unpaid accrued annual and long service leave;
- A pro rata bonus up to cessation of employment; and
- An amount equal to one year's average base salary calculated in accordance with the Corporations Act 2001.

In respect of long-term performance benefits held by Mr Wray:

- Employee share options were forfeited; and
- Rights were forfeited to the extent of the retention component but otherwise retained for testing in July 2012, July 2013 and July 2014 on a pro rata basis. Subsequent to the end of the financial year it was determined that no rights which were retained for testing in July 2012 passed vesting conditions and accordingly will lapse.

Other Senior Executives

The key terms and conditions of service agreements for all other senior executives (excluding the Managing Director) are summarised as follows:

Remuneration

Service contracts standardise the executive's entitlement to:

- Fixed remuneration;
- Short-term performance benefits;
- Long-term performance benefits; and
- Any other benefits that may be provided by the Company.

Termination

Service agreements may be terminated under the following circumstances:

- Resignation on three months' notice by the executive;
- Termination on three months' notice by the Company; or
- Termination without notice by the Company for cause.

In the event of a redundancy or defined change in circumstances the senior executive is entitled to a 12 month termination payment (in the case of Neville Kelly this entitlement is two years under certain defined circumstances) unless not otherwise permitted by law.

The service contracts have no fixed term.

9. Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2009 Annual General Meeting of the Company, is not to exceed $900,000 per annum, inclusive of superannuation. Total remuneration paid to non-executive directors in the financial year amounted to $776,000. Fees are set based on review of externally provided remuneration data with reference to fees paid to other non-executive directors of comparable companies.

Directors' base fees (including superannuation) for the 2012 financial year were as follows:

	BOARD	AUDIT COMMITTEE	PEOPLE COMMITTEE	SUSTAINABILITY COMMITTEE
Chair	$210,000	$22,000	$16,000	$16,000
Member	$90,000	$11,000	$8,000	$8,000

Non-executive directors do not receive incentive-based remuneration and do not receive any retirement benefits other than statutory entitlements.

There was no increase in non-executive director fees for the financial year ending 30 June 2012.

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10. Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the named senior executives are as follows:

		SHORT–TERM				POST EMPLOY-MENT	OTHER LONG TERM[c]			SHARE BASED PAYMENTS			
		SALARY PACKAGE AND FEES[a] $	CASH BONUS $	NON-MONETARY BENEFITS $	TOTAL $	SUPER-ANNUATION BENEFITS[b] $	$	TERMIN-ATION BENEFITS[d] $	TOTAL CASH RELATED $	VALUE OF OPTIONS/ RIGHTS[e] $	TOTAL $	PERFOR-MANCE RELATED %	VALUE OF OPTIONS/ RIGHTS %
Executive Directors													
B. F. W. Clement[2]	**2012**	**786,412**	**166,400**	**8,172**	**960,984**	**45,589**	**20,766**	**–**	**1,027,339**	**327,359**	**1,354,698**	**36%**	**24%**
	2011	322,958	58,000	3,359	384,317	10,375	3,271	–	397,963	67,033	464,996	27%	14%
B. J. W. Wood[3]	**2012**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2011	440,740	43,750	4,806	489,296	48,150	(28,567)	377,777	886,656	97,155	983,811	14%	10%
Sub-total	**2012**	**786,412**	**166,400**	**8,172**	**960,984**	**45,589**	**20,766**	**–**	**1,027,339**	**327,359**	**1,354,698**	**36%**	**24%**
	2011	763,698	101,750	8,165	873,613	58,525	(25,296)	377,777	1,284,619	164,188	1,448,807	18%	11%
Non-Executive Directors													
B. J. Phillips[1]	**2012**	**200,000**	**–**	**–**	**200,000**	**18,000**	**–**	**–**	**218,000**	**–**	**218,000**	**–**	**–**
	2011	157,798	–	–	157,798	14,201	–	–	171,999	–	171,999	–	–
D. I. McEvoy	**2012**	**107,339**	**–**	**–**	**107,339**	**9,661**	**–**	**–**	**117,000**	**–**	**117,000**	**–**	**–**
	2011	107,339	–	–	107,339	9,661	–	–	117,000	–	117,000	–	–
A. J. Hogendijk	**2012**	**110,092**	**–**	**–**	**110,092**	**9,908**	**–**	**–**	**120,000**	**–**	**120,000**	**–**	**–**
	2011	109,312	–	–	109,312	9,838	–	–	119,150	–	119,150	–	–
K. G. Williams	**2012**	**107,339**	**–**	**–**	**107,339**	**9,661**	**–**	**–**	**117,000**	**–**	**117,000**	**–**	**–**
	2011	105,367	–	–	105,367	9,483	–	–	114,850	–	114,850	–	–
N. N. Jukes[4]	**2012**	**89,908**	**–**	**–**	**89,908**	**8,092**	**–**	**–**	**98,000**	**–**	**98,000**	**–**	**–**
	2011	75,950	–	–	75,950	6,835	–	–	82,785	–	82,785	–	–
V. Braach-Maksvytis[4]	**2012**	**97,248**	**–**	**–**	**97,248**	**8,752**	**–**	**–**	**106,000**	**–**	**106,000**	**–**	**–**
	2011	71,105	–	–	71,105	6,400	–	–	77,505	–	77,505	–	–
B. G. McKay[1]	**2012**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2011	112,112	–	–	112,112	7,179	–	–	119,291	–	119,291	–	–
Sub-total	**2012**	**711,926**	**–**	**–**	**711,926**	**64,074**	**–**	**–**	**776,000**	**–**	**776,000**	**–**	**–**
	2011	738,983	–	–	738,983	63,597	–	–	802,580	–	802,580	–	–
Total	**2012**	**1,498,338**	**166,400**	**8,172**	**1,672,910**	**109,663**	**20,766**	**–**	**1,803,339**	**327,359**	**2,130,698**	**23%**	**15%**
	2011	1,502,681	101,750	8,165	1,612,596	122,122	(25,296)	377,777	2,087,199	164,188	2,251,387	12%	7%

(1) Bruce McKay retired as director and Chairman of the Company on 18 November 2010. Bruce Phillips assumed the role of Chairman on 18 November 2010.

(2) Bruce Clement was appointed Managing Director of the Company on 1 February 2011.

(3) Bruce Wood ceased to be a director of the Company on 31 January 2011.

(4) Nick Jukes was appointed a director of the Company on 24 August 2010. Vijoleta Braach-Maksvytis was appointed a director of the Company on 7 October 2010.

REMUNERATION REPORT

		SHORT–TERM				POST EMPLOY-MENT	OTHER LONG TERM[c]			SHARE BASED PAYMENTS			
		SALARY PACKAGE AND FEES[a] $	CASH BONUS $	NON-MONETARY BENEFITS $	TOTAL $	SUPER-ANNUATION BENEFITS[b] $	$	TERMIN-ATION BENEFITS[d] $	TOTAL CASH RELATED $	VALUE OF OPTIONS/ RIGHTS[e] $	TOTAL $	PERFOR-MANCE RELATED %	VALUE OF OPTIONS/ RIGHTS %
Executives													
D. Gaudoin[1]	**2012**	**450,667**	**72,000**	**10,265**	**532,932**	**20,833**	**10,397**	**–**	**564,162**	**161,348**	**725,510**	**32%**	**22%**
	2011	550,958	27,222	58,802	636,982	46,656	15,597	–	699,235	134,550	833,785	19%	16%
N. F. Kelly	**2012**	**362,432**	**65,000**	**8,172**	**435,604**	**28,503**	**9,969**	**–**	**474,076**	**150,109**	**624,185**	**34%**	**24%**
	2011	347,448	45,108	8,144	400,700	28,451	10,044	–	439,195	121,107	560,302	30%	22%
D. Washer	**2012**	**488,335**	**78,302**	**–**	**566,637**	**32,835**	**–**	**–**	**599,472**	**194,345**	**793,817**	**34%**	**24%**
	2011	459,688	48,618	–	508,306	29,776	–	–	538,082	151,050	689,132	29%	22%
A. Saridas[2]	**2012**	**257,628**	**43,000**	**–**	**300,628**	**11,831**	**6,550**	**–**	**319,009**	**32,459**	**351,468**	**21%**	**9%**
	2011	–	–	–	–	–	–	–	–	–	–	–	–
B. Wray[3]	**2012**	**261,953**	**19,939**	**–**	**281,892**	**19,542**	**(17,895)**	**383,724**	**667,263**	**(8,318)**	**658,945**	**2%**	**(1%)**
	2011	360,873	31,360	–	392,233	31,125	7,527	–	430,885	125,815	556,700	29%	23%
I. D. Palmer[4]	**2012**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2011	361,401	129,360	8,144	498,905	30,597	11,601	–	541,103	120,317	661,420	38%	18%
L. J. Brooks[5]	**2012**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2011	451,031	27,245	5,051	483,327	38,062	8,292	406,897	936,578	65,984	1,002,562	9%	7%
Total	**2012**	**1,821,015**	**278,241**	**18,437**	**2,117,693**	**113,544**	**9,021**	**383,724**	**2,623,982**	**529,943**	**3,153,925**	**26%**	**17%**
	2011	2,531,399	308,913	80,141	2,920,453	204,667	53,061	406,897	3,585,078	718,823	4,303,901	24%	17%

(1) David Gaudoin was General Manager, Europe to 6 February 2011. He was appointed General Manager, Exploration and Geoscience for the AWE Group on 7 February 2011.

(2) Ayten Saridas commenced employment as Chief Financial Officer on 31 October 2011.

(3) Brod Wray ceased employment on 31 January 2012. For details of entitlements received on ceasing employment refer to section 8.2. Certain share based payment previously expensed in respect to the rights have been reversed.

(4) Up to 30 June 2011 Mr Ian Palmer was defined as a member of key management personnel by virtue of being one of the five highest paid executives of the consolidated entity but is no longer defined as a member of key management personnel.

(5) Leigh Brooks was General Manager, Exploration to 6 February 2011 but continued to be employed by the AWE group until 19 August 2011.

Notes in relation to table of directors' and executives' remuneration:

a) Salary package and fees include amounts salary sacrificed.

b) Superannuation benefits include the amount required to be contributed by the consolidated entity and does not include amounts salary sacrificed.

c) Other long-term benefits comprise the amount of long service leave accrued in the period.

d) Amounts classified as termination benefits include salaries paid to senior executives after they ceased to be classified as key management personnel but continued to be employed by the consolidated entity.

e) The Company no longer grants employee share options as a method of rewarding long-term performance and accordingly no employee share options have been issued during the June 2011 and 2012 financial years. For past grants of employee share options the fair value of options had been calculated at the grant date using a modified binomial option-pricing model. In valuing the options, market conditions were taken into account.

Non-market performance conditions (including continuous employment requirements) are not taken into account in the fair value measurement of the share rights on grant date.

For grants of rights the fair value have been calculated at the grant date using a Black-Scholes Pricing Model and assuming an expected share price volatility of 25% and vesting probability of 43.5% for performance related awards.

The fair value of options and rights has been calculated at the grant date and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options and rights allocated to this reporting period. The value disclosed does not therefore represent cash received.

f) Amounts disclosed for remuneration exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance contracts. The premium paid has not been allocated to the individuals covered by the insurance policy as, based on all available information; the directors believe that no reasonable basis for such allocation exists.

REMUNERATION REPORT

11. Analysis of performance benefits included in remuneration

The value of options and rights are allocated to each reporting period over the period from grant date to vesting date. Accordingly, amounts included as remuneration for the financial year represent that amount allocated to the financial year from the grant of options and rights both in the current financial year and previous financial years.

11.1 Award of Short-term Performance Benefits

Short-term performance benefits in the form of cash bonuses are awarded to the Managing Director and senior executives on the achievement of consolidated entity and individual performance KPIs (refer to section 5) for the current financial year.

The award of bonuses in August 2012 was in recognition of this performance and details of the vesting profile of these bonuses are as follows:

	INCLUDED IN REMUNERATION (A$)[a]	% VESTED IN YEAR	% FORFEITED IN YEAR[b]
Directors			
B. F. W. Clement	166,400	40%	60%
Executives			
N. F. Kelly	65,000	42%	58%
D. Washer	78,302	38%	62%
B. W. Wray[c]	19,939	18%	82%
D. R. N. Gaudoin	72,000	38%	62%
A. Saridas[d]	43,000	40%	60%

(a) Amounts included in remuneration for the financial year represent the amount that vested in the financial year and include any superannuation payments applicable. No amounts vest in future financial years.

(b) The percentages forfeited are due to that component of base and stretch performance criteria not being met in the financial year.

(c) B. W. Wray ceased employment on 31 January 2012.

(d) A. Saridas commenced employment on 31 October 2011.

11.2 Grant and Vesting of Long-term Performance Benefits

Sections 6.1 and 6.2 of this report detail the consolidated entity's approach to the granting and vesting of long-term performance benefits.

Share Rights

- For details of rights granted and lapsed in the current financial year, refer to section 13.2.
- For details of the vesting profile of rights, refer to section 12.2.
- For details of the vesting of rights subsequent to the end of the financial year:

Analysis of actual Vesting Criteria for the three Years to 30 June 2012

Retention Rights

Retention rights vested due to senior executive being employed by the consolidated entity three years subsequent to initial grant.

Absolute TSR Rights

Forfeited as vesting conditions not satisfied as follows:

- AWE annual compound TSR for the three year period to 30 June 2012. (18.5%)
- Minimum annual compound rate required for vesting – refer section 6.1. 6.0%

Relative TSR Rights

Forfeited as vesting conditions not satisfied as follows:

- AWE relative performance against comparator group for the three year period to 30 June 2012. 47th percentile
- Minimum relative performance required for vesting – refer section 6.1. 50th percentile

For further detail, refer to section 13.2.

Employee Share Options

Granting – no employee share options were granted in the financial year and no further options will be issued. For details of the vesting profile of employee share options, refer to section 12.1.

Vesting – as the consolidated entity's absolute TSR for the rolling three-year period to 30 June 2012 of – 46% was below the performance of both the ASX 200 Energy Index of – 19% and the ASX 200 Index of 3% it has been determined that options granted in previous financial years and vesting in July 2012 are not capable of exercise. These options will be retested in July 2013.

REMUNERATION REPORT

The following table identifies the consolidated entity's performance in respect of the current financial year and the previous eight financial years:

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Profit/(loss) ($ millions)	**(66.50)**	(117.6)	(28.93)	88.58	264.36	35.38	(1.4)	(11.48)	5.96
30 June share price ($)	**1.34**	1.28	1.78	2.57	4.16	3.64	3.42	2.02	1.52
Change in share price ($)	**0.06**	(0.50)	(0.79)	(1.59)	0.52	0.22	1.40	0.50	0.70
Total shareholder return (%)	**9%**	(28%)	(31%)	(35%)	14%	6%	69%	33%	85%
AWE performance relative to ASX 200 Energy Index	**30%**	(35%)	(27%)	(11%)	(21%)	(12%)	38%	(31%)	45%
AWE performance relative to ASX 200 Index	**21%**	(35%)	(40%)	(15%)	31%	(17%)	50%	12%	69%

12. Analysis of share-based payments granted as remuneration

12.1 Employee Share Options

Details of vesting profiles of unvested employee share options granted as remuneration to each director of the Company and each of the named senior executives are detailed below:

	NUMBER	GRANT DATE	VESTED %	FINANCIAL YEARS IN WHICH OPTIONS VEST	FAIR VALUE PER OPTION GRANTED $
Directors					
Nil					
Executives					
D. R. N. Gaudoin	200,000	16 June 2009	–	30 June 2013 [b]	0.43
N. F. Kelly	150,000	13 July 2007	–	30 June 2013 [a]	0.71
	100,000	15 August 2008	–	30 June 2013 [b]	0.59
D. Washer	100,000	13 July 2007	–	30 June 2013 [a]	0.71
	100,000	15 August 2008	–	30 June 2013 [b]	0.59

The exercise of options is conditional upon satisfaction of relative performance conditions.

The fair value per option granted represents the modified binomial option-pricing model valuation for options granted and calculated at grant date.

a) These options lapsed unexercised subsequent to the end of the financial year.

b) Based on the Company's relative TSR performance for the 3 year period to 30 June 2012 these options have not vested and will be retested in July 2013 (refer section 11.2).

12.2 Employee Share Rights

Details of vesting profiles of unvested employee rights granted as remuneration to each director of the Company and each of the named senior executives are detailed below:

	NUMBER[a]	GRANT DATE	VESTED %	FINANCIAL YEARS IN WHICH RIGHTS VEST	FAIR VALUE PER RIGHT GRANTED $[b]
Directors					
B. F. W. Clement*	920,245	24 November 2011	–	30 June 2013	0.42
	916,030	24 November 2011	–	30 June 2014	0.54
Executives					
D. R. N. Gaudoin	116,310	22 January 2010	–	30 June 2012 [c]	1.42
	159,952	25 June 2011	–	30 June 2013	0.62
	280,917	16 September 2011	–	30 June 2014	0.60
N. F. Kelly	103,611	22 January 2010	–	30 June 2012 [c]	1.42
	142,488	3 December 2010	–	30 June 2013	0.87
	229,557	16 September 2011	–	30 June 2014	0.60
D. Washer	133,018	22 January 2010	–	30 June 2012 [c]	1.42
	188,406	3 December 2010	–	30 June 2013	0.87
	296,904	16 September 2011	–	30 June 2014	0.60
A. Saridas	162,850	31 October 2011	–	30 June 2014	0.80

* The grant of rights to Mr Clement was approved by shareholders at the 2011 Annual General Meeting of the Company. As this was the actual grant date the fair value of the grant and amount expensed in the financial year has been based on the Company's share price at that date.

a) The vesting of rights is conditional upon satisfaction of vesting conditions as described in section 6.1.

b) The fair value per right granted represents the valuation for rights granted and calculated at grant date.

c) Tested for satisfaction of vesting conditions subsequent to the end of the financial year. Refer section 13.2.

REMUNERATION REPORT

13. Analysis of movements in long-term performance benefits

13.1 Employee Share Options

There were no employee options granted over ordinary shares in AWE during the financial year. In addition, there were no shares issued on the exercise of options previously granted as remuneration.

Details of employee options lapsing during the financial year are detailed below:

	GRANT DATE	NUMBER
Directors		
Nil		
Executives		
N. F. Kelly	21 July 2006	130,000
D. Washer	21 July 2006	50,000
B. W. Wray	12 June 2008	300,000
	15 August 2008	100,000

No value was attributable to options that lapsed during the financial year.

13.2 Share Rights

The movement during the financial year, by value, of rights granted to directors and senior executives is detailed below:

	GRANT DATE	NUMBER	GRANTED DURING THE YEAR AND VESTING POST 30 JUNE 2012 VALUE ($)
Directors			
B. F. W. Clement*	24 November 2011	916,030	498,092
Executives			
D. R. N. Gaudoin	16 September 2011	280,917	167,544
N. F. Kelly	16 September 2011	229,557	136,912
D. Washer	16 September 2011	296,904	177,079
B. W. Wray	16 September 2011	239,389	142,776
A. Saridas	31 October 2011	162,850	129,971
Total		2,125,647	1,252,374

* This grant of rights was approved by shareholders at the 2011 Annual General Meeting of the Company. As this was the actual grant date the fair value of the grant and amount expensed in the financial year has been determined as at this date.

Details of rights forfeited during the financial year are detailed below:

	GRANT DATE	NUMBER
Directors		
Nil		
Executives		
B. W. Wray	22 January 2010	27,029
	3 December 2010	37,171
	16 September 2011	59,847

No value was attributable to rights that were forfeited during the financial year.

REMUNERATION REPORT

Details of rights which were tested for vesting conditions subsequent to the end of the financial year and as more fully described in section 11.2 are as follows:

	RETENTION RIGHTS	ABSOLUTE TSR RIGHTS	RELATIVE TSR RIGHTS	TOTAL RIGHTS
Directors				
Nil				
Executives				
D. R. N. Gaudoin				
On Issue	29,076	43,617	43,617	116,310
Forfeited	–	(43,617)	(43,617)	(87,234)
Vested	29,076	–	–	29,077
N. F. Kelly				
On Issue	25,903	38,854	38,854	103,611
Forfeited	–	(38,854)	(38,854)	(77,708)
Vested	25,903	–	–	25,903
D. Washer				
On Issue	33,254	49,882	49,882	133,018
Forfeited	–	(49,882)	(49,882)	(99,764)
Vested	33,254	–	–	33,254
B. W. Wray				
On Issue	–	40,543	40,543	81,086
Forfeited	–	(40,543)	(40,543)	(81,086)
Vested	–	–	–	–
Total				
On Issue	**88,233**	**172,896**	**172,896**	**434,025**
Forfeited	**–**	**(172,896)**	**(172,896)**	**(345,792)**
Vested	**88,233**	**–**	**–**	**88,233**

All the above rights had a grant date of 22 January 2010 in respect of the 2009 financial year.