ENVIRONMENT

28.9

2012 Greenhouse gas (GHG) intensity (tCO2-e/'000 BOE) a decrease from 33.2 in 2011

'Greenhouse gas intensity' means the ratio of greenhouse gas emissions (measured in tonnes of CO2-e) to economic output (barrels of oil equivalent)

25,000

Number of native plants to be planted during the four-year Waikirikiri Lagoon rejuvenation project

“AWE is committed to minimising the impact of our business activities on the environment”

One of the world’s greatest challenges is the requirement to meet growing energy needs, while at the same time reducing carbon dioxide emissions and minimising environmental impacts. AWE is committed to good environmental management and stewardship. AWE acknowledges that oil and gas operations can impact biodiversity, air, water and people. Which is why we understand the importance of informing our stakeholders of our environmental performance.

AWE’s core business is the exploration for and production of oil and gas in Australia, New Zealand, USA and Indonesia. Our operated and non-operated activities are based in environments ranging from the pristine waters offshore New Zealand, Western Australia and Indonesia, to onshore locations in farmland and semi-arid areas in the North Perth Basin and in Texas, USA. Our environmental management approach takes into account this diversity of locations and the associated range of environmental risks.

Our key environmental focus areas for the 2011-12 reporting period were:

- Ensuring minimal environmental impact during the exploration drilling at Atlas-1 offshore in Indonesia
- Ensuring ongoing planning and preparation was focused on minimising any impacts from our hydraulic fracture stimulation activities in the North Perth Basin
- Improving the environmental management of our assets
- Putting in place processes to reduce our Greenhouse Gas (“GHG”) emissions
- Reducing the occurrence of environmental spills and incidents

ENVIRONMENTAL MANAGEMENT

At AWE, environmental management is integrated with the operational safety, energy efficiency and health management of the organisation. In 2012-13 AWE will review its environmental management systems and reporting framework to identify opportunities for improvement.

AWE currently reports on hydrocarbon spills and GHG emissions from our operated activities as well as on an equity share basis from both operated and non-operated assets. In doing so, we believe that we provide our stakeholders with a complete view of the environmental performance across all of AWE’s assets.

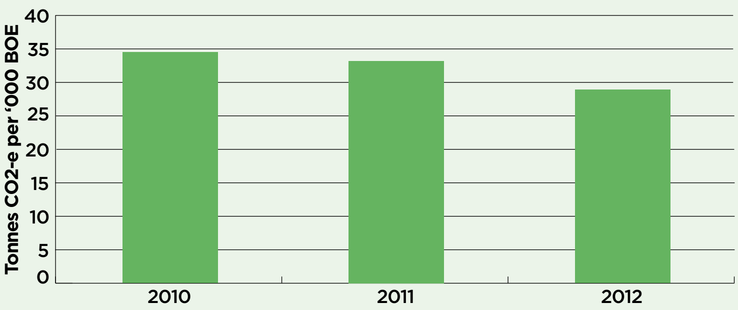
CLIMATE CHANGE

AWE is committed to the accurate and transparent reporting of its greenhouse gas measurements to both the government and the market. We provide the market with this information through participation in the Carbon Disclosure Project (CDP) and to the Australian government through its Online System for Comprehensive Activity Reporting (OSCAR) tool.

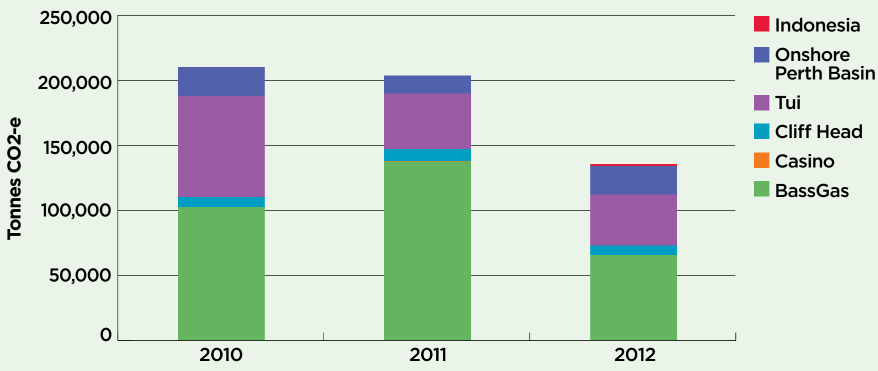
The Australian Government’s Clean Energy Act (CEA) was enacted during the 2012 financial year, which provides for the levy of a ‘carbon’ charge on GHG emissions from Australian operations that exceed the emission threshold set under the legislation. Two of AWE’s assets are expected to incur a CEA ‘carbon’ charge in 2012-13. In New Zealand, our Tui project is already subject to similar legislation and has been a participant in an emissions trading scheme since 2011.

AWE will continue its commitment to identifying, evaluating and implementing further opportunities to reduce our GHG footprint.

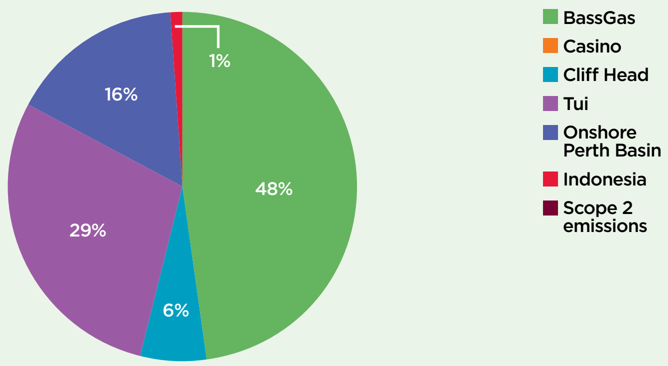
GREENHOUSE GAS INTENSITY (EQUITY SHARE)



ANNUAL TOTAL DIRECT EMISSIONS BY PROJECT (EQUITY SHARE)



2012 EMISSIONS SHARE BY PROJECT (EQUITY SHARE)



The Company is pleased to report that GHG emissions intensity from our controlled operations continued to decline. This decline is largely the result of a reduction in the volume of gas able to be flared from the Company's Tui operations in New Zealand.

AWE is involved in a number of emission reduction initiatives including opportunities identified to reduce the carbon intensity of our production from assets in Western Australia. At the onshore BassGas facility, located at Lang Lang in Victoria, we have also identified opportunities to use a portion of the CO_2 emitted by selling it to a nearby manufacturing company, rather than directly venting to the atmosphere.

CASE STUDY

WAIKIRIKIRI LAGOON REJUVENATION PROJECT

Within a wetland area located on the Taranaki coastline of New Zealand, the Waikirikiri Lagoon and dune restoration project was started following consultation with the local community and "iwi" – the local Maori tribes. It was seen by AWE as an opportunity to invest in the local community.

As an important feeding and nesting ground for a large number of indigenous bird species, the coastal habitat created by the lagoon and adjacent beach was recognized as being rare at a national level.

Working in partnership with the Taranaki Regional Council, as well as Prosafe Productions, one of the first priorities of the project was to fence off the lagoon and beach from neighbouring farmland, as unrestricted stock access was threatening the habitat.

An extensive planting program then commenced which will ultimately see nearly 25,000 native plants planted during the four-year project. Finally, pest eradication and weed control will ensure the coastal area returns to a natural and abundant environment for native bird life to thrive.