SUSTAINABILITY REPORT 2012

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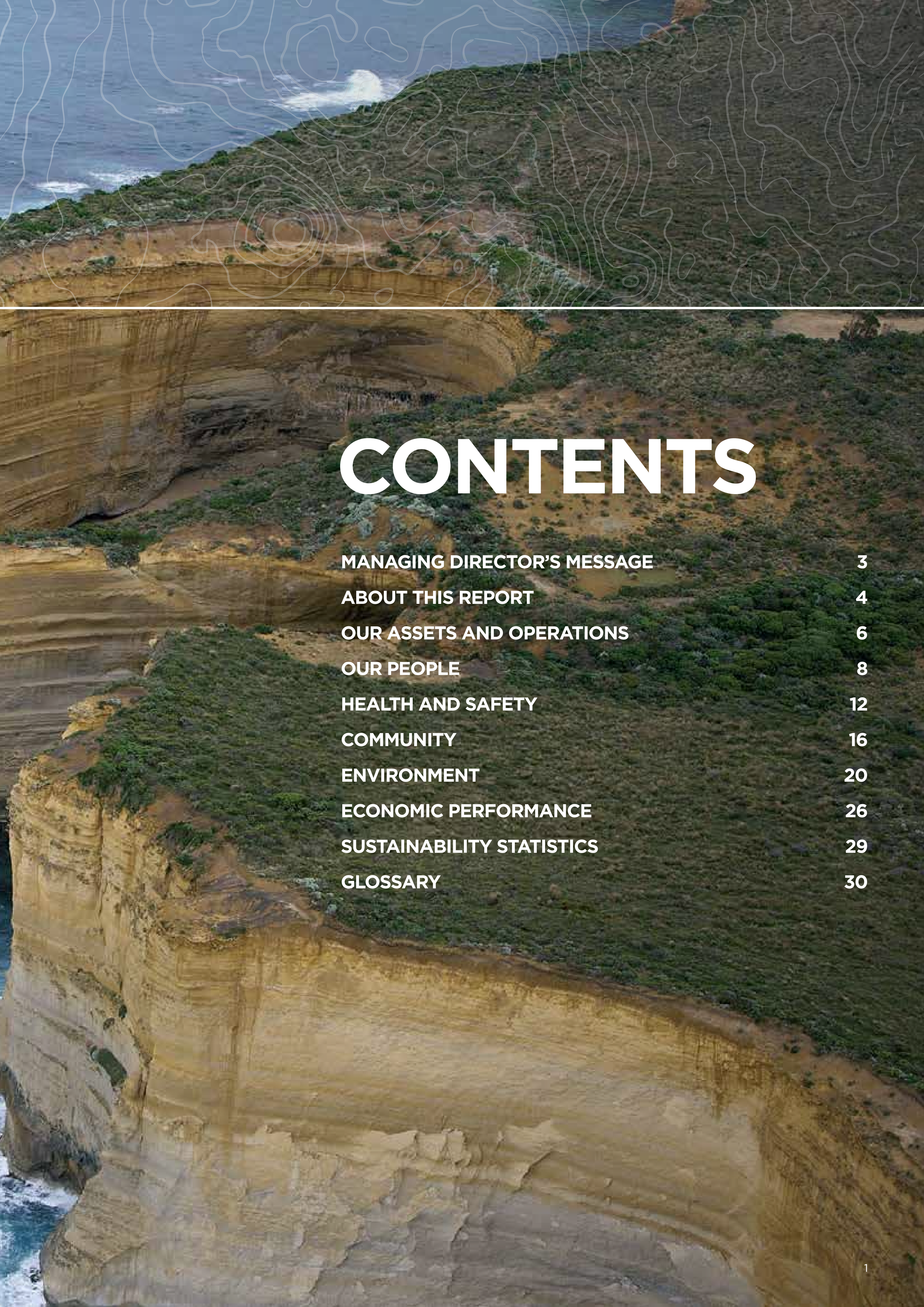


CONTENTS

AWE'S SUSTAINABILITY PRINCIPLES ARE SIMPLE AND CLEAR

- Operate a healthy and safe workplace with a goal to achieve zero harm to people
- Minimise the impact of our business activities on the environments in which we operate
- Benefit the local communities in which we operate
- Build a team which is engaged, motivated and rewarded by working with AWE
- Deliver superior, sustainable returns for shareholders

MANAGING DIRECTOR'S MESSAGE

Welcome to AWE's 2012 Sustainability Report. This report provides a review of the Company's activities and results for the 2011-12 financial year as well as initiatives being undertaken to further improve our future performance. AWE's Board and management are committed to developing and building a sustainable business, ensuring that the Company is an active and responsible member of the communities in which we operate.

Our employees and contractors are encouraged to personally support and implement the sustainability initiatives being pursued by AWE and to contribute to identifying opportunities to further improve our performance.

The past year saw a significant increase in AWE's operating activities, with drilling programs undertaken in Australia and Indonesia in addition to existing production operations in New Zealand, Australia and the USA. The acquisition and operatorship of the Ande Ande Lumut oil field development, located in the Natuna Sea off the coast of Indonesia, and the implementation of the shale gas and tight gas testing program in the North Perth Basin, Western Australia, will further increase AWE's operating business in coming years. In anticipation of increased operating responsibility, the Company has expanded its workforce, strengthened its management of health, safety and environment and increased its engagement with stakeholders.

Against a backdrop of significant positive progress on sustainability initiatives during the year, we did, however, deliver a disappointing result in the area of safety. Within AWE operated activities we recorded several lost time incidents. Whilst the incidents resulted in minor injuries, our goal of zero harm to people was not achieved. In our review of these results, we have identified a number of key initiatives which are being implemented to improve our safety performance. These initiatives are described on page 13. AWE remains committed to achieving our goal of zero harm to people and we will continue to strive to achieve that goal.

Although not occurring in the 2011-12 financial year, I feel it is important to provide an update on the shale gas and tight gas hydraulic fracture stimulation program in the North Perth Basin that commenced in late July 2012. In preparation for this program, AWE established safety and environment management plans and engaged openly with government regulators, local communities and landowners to ensure the planned activities were understood by all stakeholders. Stakeholder engagement has included extensive meetings with regulators and local communities in the North Perth Basin, with additional detailed information on the hydraulic fracture stimulation program made available on the AWE website.

This approach has helped us address community and landowner concerns and to date the results of our program have been encouraging. We continue to openly engage with the community and remain focused on meeting all regulatory and environmental guidelines.

I now invite you to read the attached report which details our annual performance for 2011-12 financial year and I direct you to our website **www.awexplore.com** where additional information on AWE and our operations may be found.

Bruce Clement
Managing Director

ABOUT THIS REPORT

AWE'S SUSTAINABILITY REPORT FOR YEAR ENDED 30 JUNE 2012

This report describes the progress made by AWE over the course of the 2011-12 financial year in the key performance areas of Our People (page 8), Health and Safety (page 12), Community (page 16) and Environment (page 20). In addition, we have introduced information regarding the Material Issues facing the Company in 2012, a description of the Key Assets owned by the Company (page 6) and a new Economic Performance section (page 26). AWE has again retained Ernst & Young for the provision of independent assurance over selected aspects of our sustainability processes and performance.

WHY REPORT ON SUSTAINABILITY?

Sustainability is a key driver of business performance with longer term financial implications. Many stakeholders, including investors, are increasingly interested in sustainability performance and are seeking further clarity on the approach of businesses to sustainability issues. At AWE we are committed to continually assessing and developing our sustainability management framework to ensure it remains relevant to our stakeholders and continues to address the material areas of our business.

AWE launched its first sustainability report in 2008 and we are now in our fifth year of reporting on sustainability performance. We have published this report as a supplemental document to our annual report with a focus on our people, health and safety, community, environment and our economic performance.

ADDRESSING MATERIALITY

As AWE, and the society in which we operate, changes and evolves it is important to assess and review sustainability issues that have the potential to impact the Company's performance. To identify which issues are most material to AWE, we have reviewed and evaluated internal and external information from a variety of sources including:

- Consultation with community stakeholders
- Feedback from our stakeholders regarding the 2011 Sustainability Report
- Benchmarking of key metrics reported by our competitors
- Media coverage of key issues and risks for AWE and the oil and gas industry

MATERIAL ISSUES IN 2012

The materiality assessment process has identified four key issues that have the potential to negatively impact our business if not addressed in a timely and responsible manner:

- Ensuring that business practices remain ethical and comply with local and international laws
- Engaging with local communities, particularly with regard to managing issues related to hydraulic fracture stimulation activities in the North Perth Basin and the associated relationships with land owners and local communities
- Managing relationships with joint venture partners to ensure project delivery and the joint management of risks
- Maintaining high standards of regulatory and environmental management and reporting

AWE is addressing these issues through the implementation of various initiatives including the development of procedures to (a) improve the quality and clarity of stakeholder engagement and (b) enhance the accuracy and quantity of data collected to assist with the monitoring of key environmental and health and safety metrics.

LOOKING FORWARD

To underpin future sustainability reporting we will undertake a formal review of our sustainability policies and practices and develop strategies which will include additional measurement criteria and the creation of long term sustainability targets.

Further improvements to our sustainability reporting process will also include:

- Alignment of reporting with the Global Reporting Initiative (GRI)* guidelines
- Moving towards an integrated reporting approach
- Expanding the reporting of information in an increasingly carbon emission conscious world

REPORT SCOPE

This sustainability report covers both AWE's operated sites and non-operated sites. Sustainability performance data for AWE's operated sites is collected and collated by AWE personnel. Data from the non-operated sites is prepared by the specific asset or project operator, as outlined under the joint operating agreements, and subsequently reviewed by AWE management on a regular basis. All data reported, from all AWE assets, relates to the 12 month period ended 30 June 2012.

INDEPENDENT ASSURANCE

We have obtained independent assurance from Ernst & Young over selected datasets within this report. Their assurance statement is included on pages 31 to 32.

* The Global Reporting Initiative (GRI) is a non-profit organisation that promotes economic, environmental and social sustainability. GRI provides all companies and organisations with a comprehensive sustainability reporting framework that is widely used around the world. In 2002 GRI was formally inaugurated as a UNEP collaborating organisation in the presence of then UN Secretary General Kofi Annan, and relocated to Amsterdam as an independent non-profit organisation.

OUR ASSETS AND OPERATIONS

TUI OIL PROJECT

AWE has 42.5% interest in, and is the operator of, the Tui Oil Project in the Taranaki Basin offshore the west coast of the North Island of New Zealand. Oil is produced from the Tui, Amokura and Pateke oil fields, via subsea wells connected to the Floating Production Storage and Offloading (FPSO) vessel, the 'Umuroa'. AWE also holds a 25% interest in a NZOG operated Canterbury basin exploration permit, offshore of the south east coast of the South Island of New Zealand.

BASSGAS PROJECT

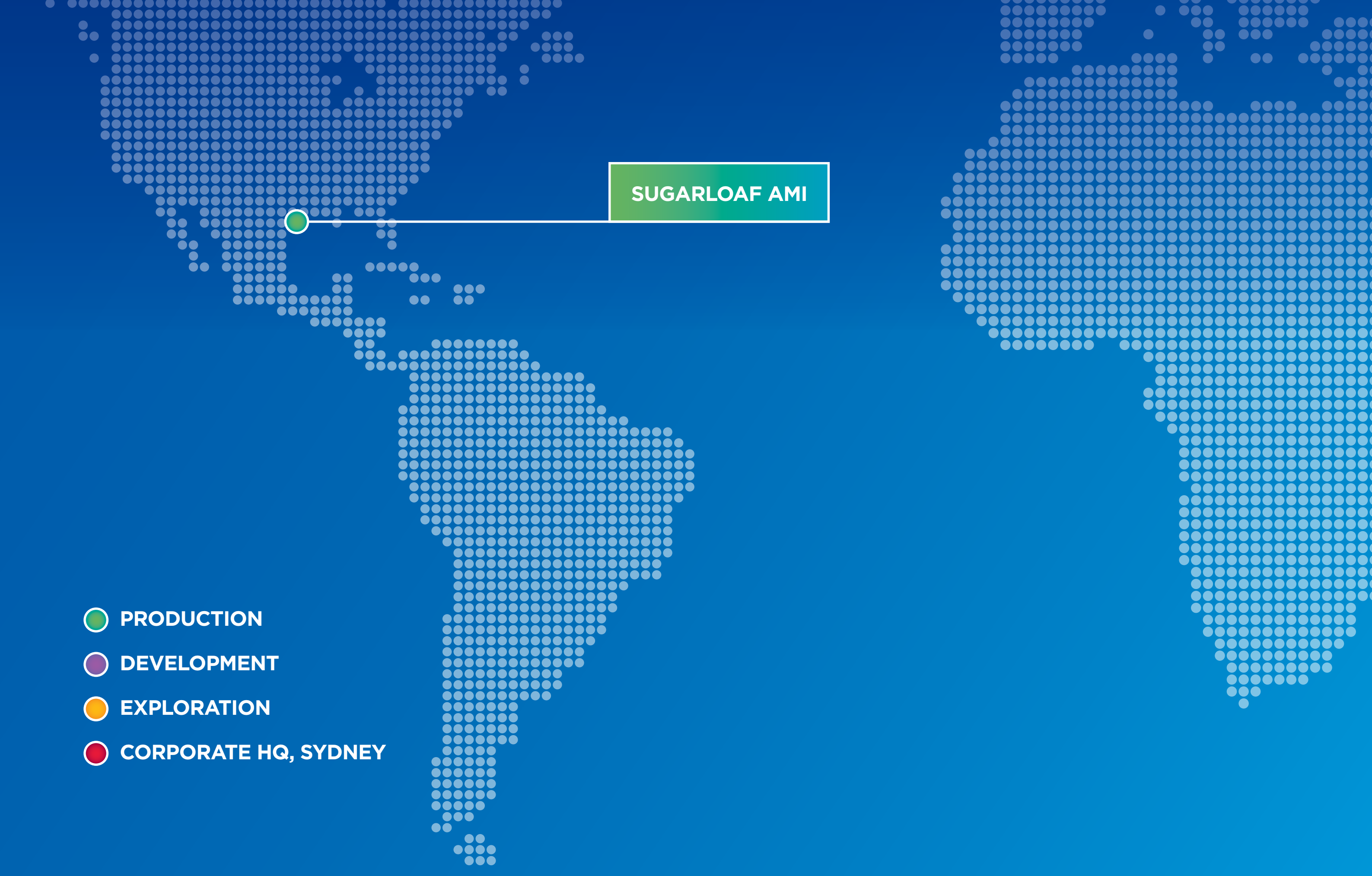
AWE has a 46.25% interest in the Origin Energy operated BassGas Project that produces from the Yolla field located near the centre of Bass Strait in the Bass Basin in Tasmania waters. Gas and associated liquid production from the Yolla field is conveyed from a wellhead platform via a pipeline to a gas processing facility at Lang Lang in Victoria. AWE also holds a 44.75% interest in the Origin Energy operated T/18P Bass Basin permit that contains the Trefoil gas discovery and other contingent and prospective resources.

CASINO GAS PROJECT

AWE holds 25% interest in the Santos operated Casino Gas Project in the Otway Basin in Victorian waters. Gas production from the Casino, Henry and Netherby gas fields is produced via subsea wells connected by pipeline to the Tru Energy operated gas processing facility at Iona in Victoria. The Otway Basin permits also contain several exploration targets.

CLIFF HEAD OIL PROJECT

AWE has a 57.5% interest in the Roc Oil operated Cliff Head Oil Project in the Perth Basin offshore of Western Australia. Oil production from the Cliff Head Field is produced via an offshore wellhead platform connected by pipeline to an onshore processing plant in the Arrowsmith locality. Crude oil is trucked from Arrowsmith for sale to BP at their Kwinana refinery.



ONSHORE PERTH BASIN

AWE's onshore Perth Basin assets, near the town of Dongara approximately 360km north of Perth in Western Australia, include varying AWE and Origin Energy operated fields and associated facilities with AWE interests ranging from 33% to 100%. Produced gas is primarily processed at either the AWE operated Dongara or Beharra Springs gas plants, and oil is primarily processed at the Origin Energy operated Jingemia facility. Gas is sold via the APA operated Parmelia Pipeline and oil and condensate is trucked to the BP Kwinana refinery. The Perth Basin acreage includes multiple unconventional (shale and tight gas) opportunities that AWE is currently appraising with the view to commercialisation.

SUGARLOAF AMI

AWE has a 10% working interest (~7.5% net revenue interest) in the Marathon Oil operated Sugarloaf AMI (Area of Mutual Interest), an area within the Sugarkane field in Southwest Texas where the Eagleford Shale is productive as an unconventional gas and oil resource. The AMI covers a number of leases totalling approximately 24,000 acres. The AMI is in an area where the Eagle Ford produces liquids-rich gas via long horizontal wells that are stimulated by multiple hydraulic fracture treatments.

INDONESIAN OIL AND GAS PROJECTS (INCLUDING ANDE ANDE LUMUT)

AWE has 100% interest and is the owner and operator of the Production Sharing Contract (PSC) that contains the AAL (Ande Ande Lumut) heavy oil field in the North West Natuna Sea offshore of the west coast of Kalimantan, Indonesia. This PSC, together with the Anambas PSC in the same area that contains a small gas discovery, were acquired by AWE in early 2012. AWE is progressing engineering design work aimed at developing the AAL field via a number of horizontal wells drilled from a wellhead platform producing to an adjacent spread-moored FPSO. AWE also holds interests in various other Indonesian exploration PSC's including, Bulu, East Muriah, Terumbu, Titan and North Madura PSC's, located in the East Java Sea. The Bulu PSC contains the Lengo gas field discovery.

YEMEN EXPLORATION PROJECT

AWE has 19.25% and 29.25% non-operated interests in two exploration blocks in Yemen. AWE experienced some drilling success in early 2011 but all activity has been postponed due to the political situation in Yemen.

OUR PEOPLE

42%

Percentage of females across the AWE workforce

32%

Percentage of workforce aged above 50 with significant industry experience

30%

Percentage of workforce of Indonesian or Malaysian nationality

AWE is committed to attracting and retaining highly skilled and motivated people across the organisation. We recognise that employee engagement is the key to building a unified team that delivers sustainable returns for our shareholders and provides challenging, satisfying and rewarding careers for our people. At 30 June 2012, AWE’s workforce[1] comprised approximately 70 AWE employees and 20 independent contractors in operations spread across Australia, New Zealand, Indonesia and Malaysia.

OUR PEOPLE PERFORMANCE HIGHLIGHTS

- AWE formally adopted a Diversity Policy in June 2011
- The Company increased the proportion of women across the organisation with female representation at all levels
- A program was developed to increase employee engagement, including monthly MD updates and performance and development policies

DIVERSITY

AWE is committed to providing a safe and inclusive workplace and culture which actively supports and promotes diversity across the organisation. We believe that having a diverse, motivated and talented team across each of our operations provides AWE with a competitive advantage. To assist in achieving this goal AWE formally adopted a Diversity Policy in June 2011 which is available on the AWE website. The Policy reinforces AWE’s commitment to recruit and retain people on the basis of their ability and performance regardless of age, gender, nationality, cultural or religious background.

AWE intends to meet its ongoing diversity commitment by supporting professional development, life balance, promotion and remuneration equity at every stage of a person’s career in AWE.

In addition, the following measurable objectives have been adopted by the Board to achieve gender diversity:

OBJECTIVE	PROGRESS / INITIATIVES
Continue to increase the percentage of female directorship on the Board over the next three years.	A female director was appointed to the AWE Board in the 2010-11 financial year and female candidates will continue to be actively considered for any director vacancies that may arise.
A medium term goal (3-5 years) is for AWE to be equal to, or better than, it’s peer group with respect to its gender diversity mix across the organisation.	The Board has assigned a contact director to be the board member responsible for liaising with management with respect to diversity matters. Due to recent ASX requirements with respect to disclosure of gender diversity data, peer group data will now be readily available for comparative purposes and will be reported against in the 2012-13 financial year.
Continue to increase the number of female senior managers through appropriate succession planning and recruitment.	Female staff are now represented at all levels within the Company. A female Chief Financial Officer was appointed in the current period, becoming the first female member of the Company’s Senior Executive Committee.
Increase the number of female graduates joining the Company in engineering and exploration disciplines.	To position the Company as an employer of choice in the oil and gas industry, AWE is a premier sponsor of UNSW Engineering Society and a silver sponsor of the UNSW Geoscience Faculty. 50% of undergraduate students that have worked at AWE on a casual basis in the past year have been female.
Maintain commitment to further education opportunities for employees, including women, in support of their career progression to more senior positions.	With a limited percentage of women practicing earth sciences and engineering, a key focus for AWE is to seek and support, where possible, greater gender diversification in our operations and management. AWE has sponsored a female employee who first joined the Company as an office co-ordinator and after being promoted to Technical Assistant in the exploration group, is now undertaking a Masters Degree in Geoscience at Macquarie University.

1 AWE defines “workforce” as all full-time, part-time, casual and temporary employees and independent contractors.

AWE is committed to achieving these objectives, by consistently and proactively pursuing the following initiatives: succession planning, active recruitment campaigns, engagement with Universities to increase awareness of AWE and encourage female graduates to apply for employment, implementing mentoring programs, and targeted management training programs.

EMPLOYEE TRAINING AND DEVELOPMENT

AWE provides a comprehensive range of internal and external learning and development programs to support employees meet their career and personal development aspirations whilst also assisting the Company achieve its goals. In line with AWE's training and development policy, the Company is sponsoring two employees from the Sydney office to undertake post-graduate university degrees. It is in AWE's and the employee's interest that we support these graduates at the early and developing stages of their careers. The Company also recruits undergraduate students on casual work programs. This has provided financial support for the students and has enabled AWE to recruit superior graduate candidates on a full time basis.

CASE STUDY

RECRUITMENT DRIVE POST ACQUISITION OF INDONESIAN PRODUCTION SHARING CONTRACTS

AWE's Indonesian operations will recruit staff and contractors to fill between 80 and 116 positions over the next three years. AWE has developed a recruitment strategy that is aimed at accelerating the supply of trained Indonesian nationals to the upstream oil and gas industry.

Our emphasis is on the retention and development of Indonesian employees and we are developing plans to provide further training and development to each of our new recruits in Indonesia.

The aim of the training and development plan will be to help AWE achieve its business strategies through the effective utilisation of the skills and talents of our people. Initiatives will include in-house training programs, public training programs, further academic study for approved staff, and the general formal and informal sharing of knowledge between team members.

CASE STUDY

NEW CAREER OPPORTUNITIES WITH THE HELP AND SUPPORT OF AWE

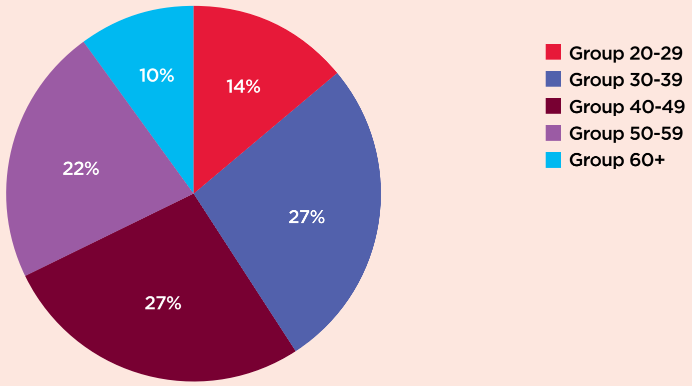
After two decades as a building contractor in Taranaki, New Zealand, 38-year-old Roy Laird decided that he needed new career challenges – and where better to find them than in the oil and gas industry. Recently married, and with a young child, Roy realised it was a big move as he needed to leave the work force to gain new qualifications to get a foot in the door.

After researching into his options, Roy enrolled at the Western Institute of Technology in Taranaki (WITT) for a Process Operations Oil and Gas Certificate.

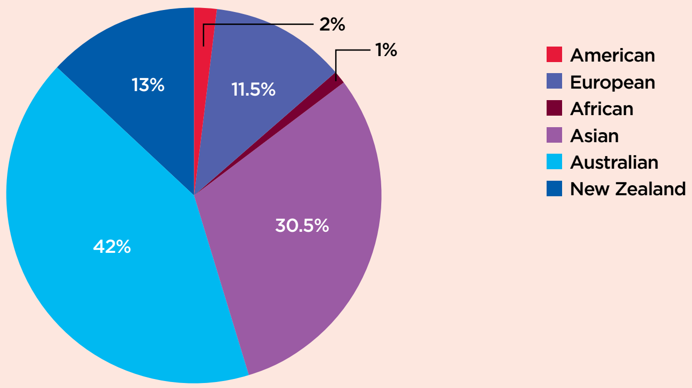
With a scholarship from AWE, Roy successfully completed the WITT course which consisted of 9-months training based around the 'ENCHEM' Level 2 standards as well as work experience with upstream and downstream petrochemical users. During his study, AWE also assisted Roy with extra training from its own personnel.

At the completion of the course, AWE offered Roy a 12-month training contract as a trainee process operator on the FPSO Umuroa which subsequently turned into a full-time position. With AWE's support, Roy has also now completed his ENCHEM Level 3 certificate and is studying for his ENCHEM Level 4 qualification.

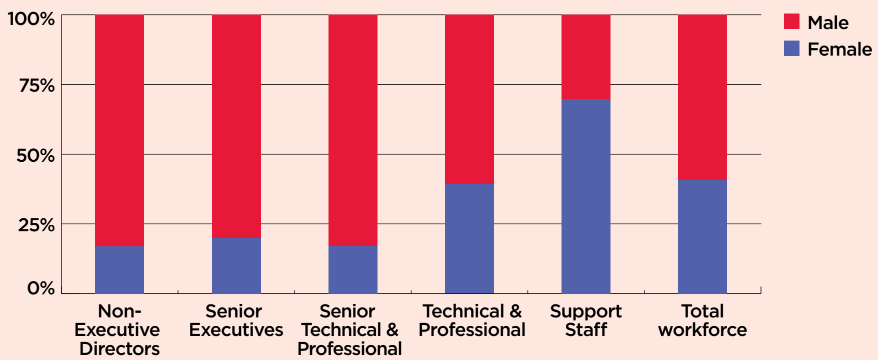
PERSONNEL BY AGE GROUP 30/06/2012



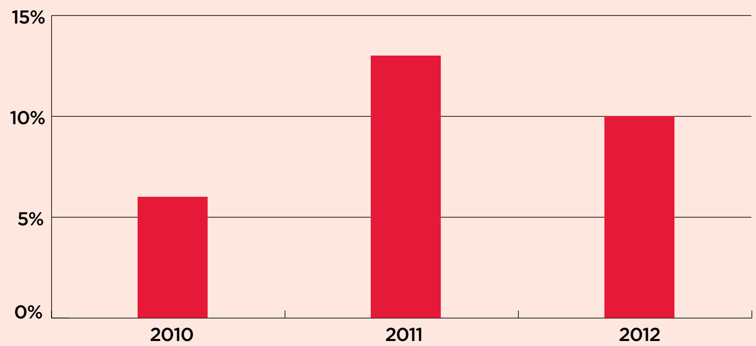
PERSONNEL BY NATIONALITY 30/06/2012



WORKFORCE GENDER REPRESENTATION 30/06/2012



TURNOVER



KEY DIVERSITY STATISTICS

As at 30 June 2012, women represented 42% of our workforce with 14% Board and 20% executive management level representation.

Close to 54% of our workforce is aged between 30-49, and 32% are aged above 50. This reflects our intention to retain employees with significant industry experience.

The remaining 14% of our workforce is aged between 20-29. AWE is actively recruiting new graduates to increase the proportion of employees in this age bracket.

During the 2011-12 financial year, AWE employee turnover rate was 10%. The higher turnover rate has been largely attributed to the increased competition for technical, qualified personnel in a tight employment market in Australia.

Consistent with our objectives of having a workforce representative of the geographies in which we operate, about 30% of our staff are of Indonesian or Malaysian nationality.

More generally, we endeavour to support diversity of nationality and cultural backgrounds across all our operations.

HEALTH AND SAFETY

0

Fatalities

11.4

Total reportable incident frequency rate (per million man hours)

> "Our aim is to operate a safe and healthy workplace, with no harm to our people."

The health and safety of our employees and contractors remains our highest priority. The AWE Board and senior leadership team are committed to continually improving safety performance and sustainable workplace practices to achieve our goal of zero harm to our employees, contractors and the communities in which we operate.

OUR SAFETY PERFORMANCE

During 2011-12 financial year, AWE recorded 6 lost time injuries across our operations and a total reportable incident frequency rate (TRIFR) of 11.4 per million man hours. Management considers this outcome unacceptable and is actively working to address this issue through improving our safety processes. AWE takes all safety incidents very seriously, be it an actual or potential harm event, no matter how small and wherever it may occur within our business activities. A key feature of our health and safe work practices is that a thorough investigation is undertaken for all reported incidents and all improvement and remedial actions are identified and implemented. All lost time injuries and high potential incidents are reported to the Board.

INCREASING SAFETY AWARENESS IS OUR PRIORITY

AWE's operations expanded during 2011-12, with a number of projects across the organisation expected to commence in the coming year. AWE is implementing measures to ensure a high level of safety awareness is maintained, and is increasing the level of reporting during this period of expansion. We have been monitoring, on a monthly basis, a number of leading and lagging safety indicators that will be used to assess the safety performance of AWE's operations going forward.

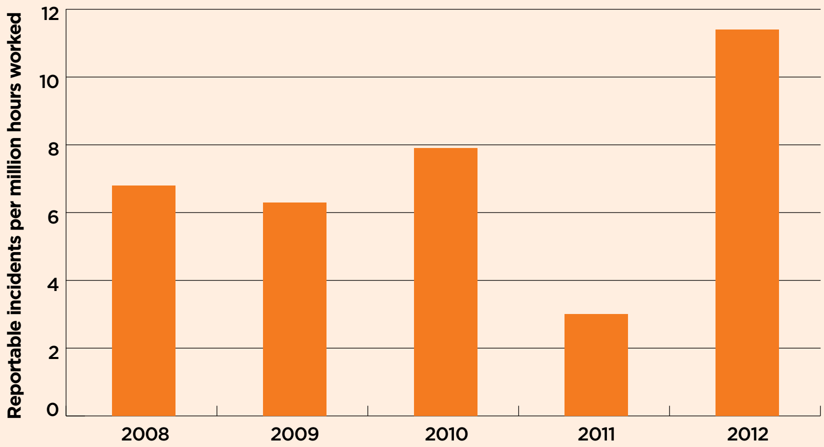
An international consultancy firm was engaged in early 2012 to conduct an independent audit as part of our efforts to further improve Health Safety and Environmental performance. The audit was conducted company-wide to assess our current HSE systems to develop a gap analysis against best industry practice. The results of this comprehensive work are now assisting us in forming the basis of developing a corporate HSE Management System to co-ordinate all the Company's activities. The next steps will be to integrate the HSE systems and policies we have in place and to ensure we maintain consistency across all our operated assets in New Zealand, Australia and Indonesia.

In response to the audit, AWE has established key HSE objectives for 2012-13 which include:

- Recruiting a corporate HSE Manager
- Developing an integrated corporate HSE Management System
- Implementing a recognition program for business units delivering the best safety performance
- Establishing systems for sharing best practices and lessons learnt

In the financial year 2012-13 AWE will continue to target zero lost time injuries. In addition, the Board has set an objective of a TRIFR of equal to or less than our peer performance (with the peer performance defined as the most recent five year average TRIFR reported by the Australian Petroleum Production and Exploration Association). At the time of this report, AWE has employed an experienced Health, Safety, Environment Manager and work has already commenced on the development of an integrated corporate HSE Management System.

TOTAL REPORTABLE INCIDENT FREQUENCY RATE (TRIFR)



WORKING WITH OUR EXTERNAL SERVICE PROVIDER CONTRACTORS

AWE considers our service contractors and equipment suppliers as key partners in our business. To ensure we engage contractors that meet and maintain our own high safety standards, we invest in contractor management training for our own people and work closely with our contractors to ensure our operational and safety standards are maintained.

AWE expects service and equipment providers and contractors to comply with legal requirements and operate within the principles of our code of conduct when they work on our behalf.

The objective of this contractor management approach is to provide assurance that goods, equipment and services provided by third parties meet contractual as well as AWE requirements and that there is a consistent, shared understanding of responsibilities. For example, in our marine subsea inspection operations in New Zealand, where we have evaluated differences between our own standards and those of contractors, we require bridging documents to be put in place. These define how two or more safety management systems can co-exist and assist with the co-operation and co-ordination between AWE and the contractor.

COMMUNITY

USD$1,500,000

Total donated to community projects and sponsorships, including education and environmental projects in New Zealand, over the last 5 years

2,400

Students participated in AWE sponsored water safety program

8 years

AWE's commitment to the youth mentoring Big Brothers Big Sisters program

"AWE recognises that actively engaging with communities and governments in the areas that we operate is fundamental to sustainable operations."

AWE is committed to developing long-term and meaningful relationships with the communities in which we operate. AWE endeavours to be a good neighbour, sharing the concerns of our communities and working with them to create a better future for the local population as well as the environment. We have embedded our community commitment within our HSE Statement of Principles which states that "AWE's fundamental aim is to leave any local community in better shape after we have conducted our exploration development and/or production operations". All of our operations refer to this principle in day to day management decisions and it is the key principle behind the development of our community relations strategy. Our community relations strategy is focused around two key elements: our community investment program, and our stakeholder engagement process.

COMMUNITY INVESTMENT PROGRAMS

Our community investment programs in New Zealand, Australia and Indonesia allow us to support communities through funded initiatives and sponsorship activities that bring positive, sustainable benefits to people living near our operations. This year our community projects focused on health, education, sustainability and community development.

AWE allocates sponsorship funds to local communities according to the following requirements:

- Community need; designed in consultation with the community
- Measurable positive impact: social, economic and environmental
- Sustainable; where the long-term benefits will continue to be seen.

STAKEHOLDER ENGAGEMENT

AWE recognises that engaging with our community stakeholders is crucial to our long term success. We engage with the communities in which we operate in a number of ways, including presentations, information sessions and face-to-face discussions. AWE's community engagement process offers stakeholders an insight into our current and planned operations as well as providing an opportunity for communities and landowners to voice their concerns and offer input to planned or upcoming business activities.

Over the past 12 months, AWE has held a number of community engagement sessions on hydraulic fracture stimulation in the Perth Basin that were attended by members of the Dongara and Eneabba communities. In addition, regular meetings were held with our various stakeholder groups and local residents to keep them informed of our current and planned operations. Our website has been enhanced to serve as a community education tool on the subject of 'fraccing' or hydraulic fracture stimulation. We subscribe to a way of working with the communities in which we operate with full transparency and openness which are essential elements for long term business sustainability.

CASE STUDY

ENGAGEMENT WITH LOCAL INDONESIAN FISHERMAN NEAR THE ATLAS-1 DRILLING LOCATION

In May and June of 2012, AWE drilled the Atlas-1 exploration well in the offshore East Java Basin of Indonesia. The well-site was located approximately 100km from the North East coastline of the main Indonesian Island of Java.

To fully understand and address Community concerns AWE carried out a series of "socialisation" meetings with Indonesian regulators, local government groups and local fishing groups, whose waters would be potentially impacted during the month long drilling project.

Senior executives from the AWE Jakarta office met with representatives from the Bawean Island, Lamongan and Tuban fishing communities. The purpose of the meetings was to outline the details of the drilling campaign and the security and safety systems used by AWE to prevent any impact to the local marine environment.

AWE also requested the support of these communities and engaged some of the local fishermen to monitor the area and ensure no other fishermen came to harm.

CASE STUDY

BIG BROTHERS BIG SISTERS – TRANSFORMING THE LIVES OF NEW ZEALAND'S YOUTH

The initial five-year sponsorship of the youth mentoring program Big Brothers Big Sisters (BBBS) in Taranaki has been so significant and successful, that AWE recently agreed to provide another three years of financial support. In addition, AWE has also been the major sponsor of BBBS nationally in New Zealand for the past three years.

With this support, BBBS has grown to a total of 15 branches in a national network around the country including opening the first branch in Auckland, the largest city in New Zealand. Around Taranaki, home to the Tui oil fields, there are now branches in New Plymouth, Stratford and Hawera. The number of branches reflects the growing number of young people aged between 6 and 18 who have been matched with an adult mentor in professionally supported one-to-one relationships.

There are now more than 600 young people served by the BBBS program – "Youth who are among New Zealand's most vulnerable" says David Marshall, the national co-ordinator for the program. "Research shows that our mentoring works. Young people with a Big Brother or Big Sister show real differences in their personal and academic lives," says David, "The financial support from AWE and its joint venture partners is helping change lives".

BBBS started in the United States at the turn of last century and there are now more than 280,000 children worldwide being supported by a BBBS mentor. Where there is an established BBBS branch, young people are referred to the program by their teachers or their parents as being children who need a positive adult friend in their life.

MATERIAL ISSUES FACING OUR COMMUNITY

Through our community stakeholder engagement process the following issues have been identified as being material to the communities in which we operate:

- Stability in funding for sponsorship arrangements
- Consultation and communication
- Transparency and disclosure
- Community investment and sponsorship
- Access to job opportunities for the local community
- The potential for environmental impact in the event of loss of hydrocarbon containment
- The perceived risk to groundwater quality as a result of hydraulic fracture stimulation activities
- The concerns that some indigenous communities may have with regard to reduced access to culturally significant sites

AWE has responded to these material concerns by tailoring our community investment programs and through community consultation.

OUR PLAN FOR THE FUTURE

AWE recognises the importance of building stronger relationships with the communities in which we operate. We believe that regularly engaging with our stakeholders is critical to our long term success and we are committed to continuing to develop stakeholder engagement. The frequency and format of stakeholder engagement is designed to meet business and community needs, and what we learn from our local communities helps guide our business approach.

WORKING IN PARTNERSHIPS

AWE understands that by working collaboratively with other offshore oil and gas companies and our suppliers and contractors, we are able to leverage experience and knowledge to improve our procurement and logistics practices.

SUPPLY CHAIN PARTNERSHIPS

Operating an offshore oil and gas project in a remote and harsh environment requires an experienced and well-resourced supply chain covering everything from boats, to helicopters, to subsea 'ROV' (remotely operated inspection vehicles).

AWE actively works in partnership with other offshore oil and gas companies to streamline and leverage supply chain and procurement arrangements to reduce the number of logistical movements with the dual goal of reducing cost and making the transportation of goods and people as safe as possible.

These partnerships allow AWE to develop strong relationships with local oil and gas companies, working together to leverage their knowledge and experience in areas such as supply chain efficiency and best practice. In addition, by increasing the efficiency of our logistics services AWE not only reduces HSE risks presented by working in such a dynamic environment but creates cost savings and reduces environmental impacts (e.g. sharing helicopter services allows a more cost effective offshore flight scheduling).

WORKING WITH OUR NON-OPERATED JOINT VENTURE PARTNERS

AWE recognises that the selection of joint venture partners, particularly where AWE is not the operator, is a critical part of the success of our participation in oil and gas projects. AWE's exposure to adverse outcomes in relation to operational and HSE performance is materially reduced by ensuring that we partner with experienced and capable operators. The joint venture operator contractually takes full operational control over the activities of the joint venture and has responsibility for the management of the joint venture facilities and sites. However, it is vital to AWE's interests that AWE remains actively involved with the oversight of the management of operations of such ventures.

Before we decide to acquire an equity interest in a joint venture, AWE undertakes a full risk assessment of the joint venture operator addressing all key risk areas, including HSE management systems, environmental management systems, emergency response systems and hazard identification processes. This is to ensure that the systems in place will meet our own standards as well as local legal and regulatory requirements. This philosophy applies regardless of the location and type of project in which AWE participates.

We meet regularly with our joint venture operators to discuss operational risks and performance in relation to HSE, environmental and high hazard risks.

CASE STUDY

SUPPLY CHAIN COLLABORATION BENEFITS ALL

When AWE first developed the Tui Oil Field, Chief Operating Officer/ General Manager New Zealand, Dennis Washer, used his extensive regional contacts to initiate a sharing agreement for procurement services with the other major operators working offshore.

From day one, this initiative has created a common sharing philosophy which has subsequently expanded into other logistic areas including supply vessels, pilotage, warehousing and transportation.

The benefits extend past the financial to include the leveraging of marine information, development of skills and the use of international best practice safety standards.

By sharing helicopter resources for example, the supply company has been able to offer two of the latest generation twin-engined Augusta Westland AW139 for the safe and efficient transport of personnel to and from a number of offshore Taranaki installations.

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.

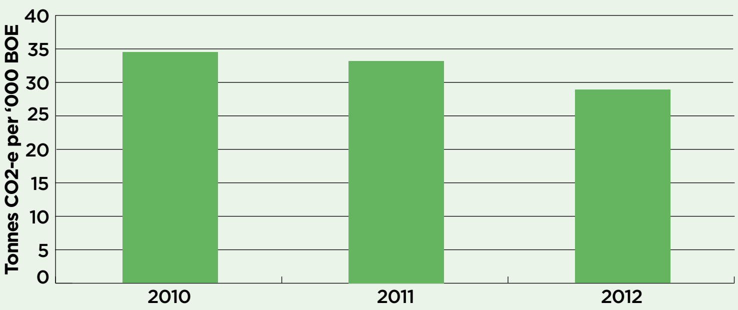
CLIMATE CHANGE

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.

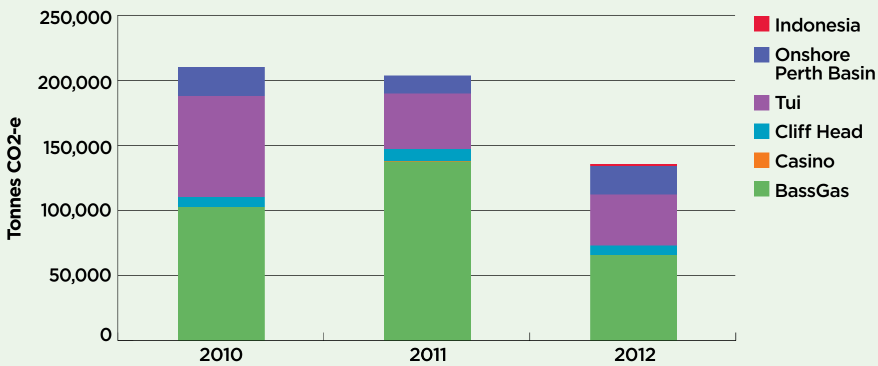
The Australian Government's Clean Energy Act (CEA) was enacted during the 2012 financial year, which provides for the levy of a 'carbon' charge on GHG emissions from Australian operations that exceed the emission threshold set under the legislation. Two of AWE's assets are expected to incur a CEA 'carbon' 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.

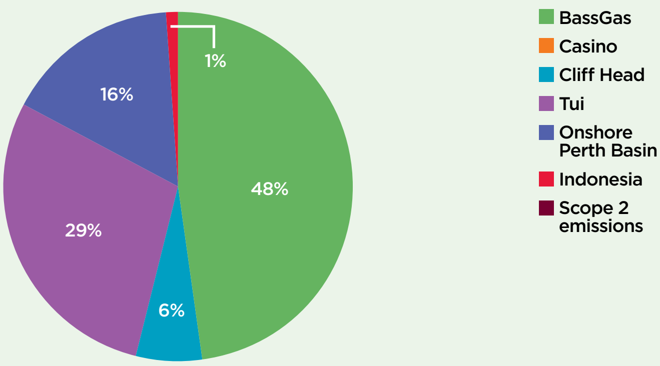
GREENHOUSE GAS INTENSITY (EQUITY SHARE)



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 CO2 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.

CASE STUDY

HYDRAULIC FRACTURE STIMULATION IN THE NORTH PERTH BASIN

'Hydraulic fracturing' or 'fracture stimulation' is a proven technology that allows oil and gas producers to safely and effectively recover oil and natural gas trapped in deep shale and other underground formations thousands of meters below ground. A 'fracture fluid', which primarily consists of water and sand, is pumped into the well under pressure to make micro-fissures in underground formations that allow any oil or natural gas to flow into the wellbore. Shale rock and tight sand formations are so dense and tightly compacted that fracturing is required to release the trapped hydrocarbons.

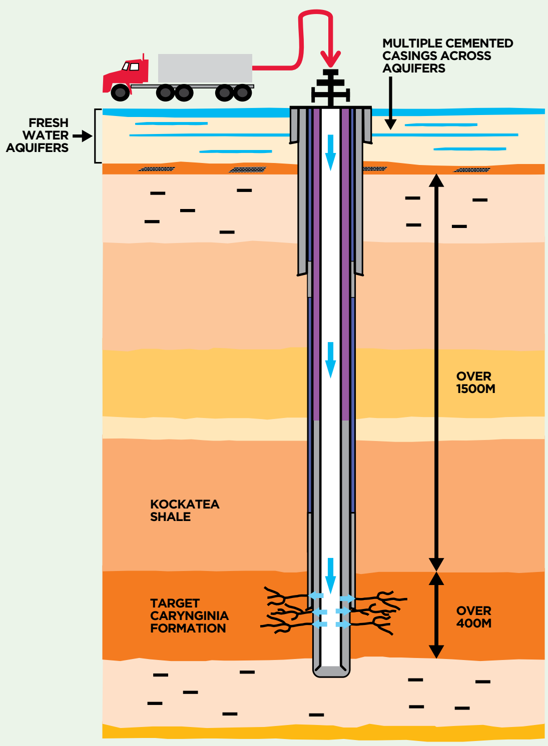
Fracture stimulation has been used in the North Perth Basin area since the early 1970's. AWE and its joint venture partners are currently conducting a 'proof of concept' test of the shale gas and tight gas potential by fracture stimulating and flow testing three wells in the North Perth Basin (Woodada Deep-1, Senecio-2 and Arrowsmith-2).

AWE is committed to minimising the environmental impact from its operations; both above and below the ground. Recent commentary and community concern has centred on the potential to impact on the local fresh water aquifers. It is important to note that there are significant natural barriers – in the form of low permeability rock formations – between the shales targeted by AWE and the local aquifers. Additional measures have also been taken in the design and operation of the test program to ensure the water aquifers are protected. All well designs incorporate multiple steel casing barriers that are cemented in place at the depth of the fresh water aquifers and then pressure tested to ensure competency. Furthermore, special pressure measurement equipment is utilised to actively monitor the internal well pressure during fracture stimulation operations.

AWE has carefully selected the fluid to be used during the fracture stimulation process. The fracture fluids consist of ~99.2% water and sand, while the remaining additives are often found in common household products. For more information on additives used please refer to the Material Safety Data Sheets in the Environmental Management Plans posted on AWE's website **www.awexplore.com**.

AWE has also conducted environmental impact assessments that take into account the impact that operations may have on local flora, fauna, surface water and land formations. AWE has put in place a number of surface environment protection measures including specially designed retention ponds constructed with heavy duty polymer liners to ensure complete containment of fluids flowed back from the wellbore. These ponds are also fenced to prevent any inadvertent intrusion into the ponds by wildlife.

WOODADA DEEP-1 PROTECTING AQUIFERS THROUGH MULTIPLE CASINGS



REPORTING OF INCIDENTS AND SPILLS

In 2012, AWE strengthened its reporting of hydrocarbon spills by applying the International Petroleum Industry Environmental Conservation Associations and American Petroleum Institute (IPIECA/API) guidelines to deliver a consistent methodology across all operated projects.

AWE's goal is to improve our environmental performance by prevention of spills and releases. During the reporting period we recorded two hydrocarbon spills of greater than 1 barrel. These two low volume spills occurred in our North Perth Basin operations and were investigated in detail and reported to the government regulator. All spill material was recovered and the sites were fully restored.

ECONOMIC PERFORMANCE

4.7 million BOE
Production Volume

$298 million
Sales Revenue

56 million BOE
2P Reserves

133 million BOE
2C Resources

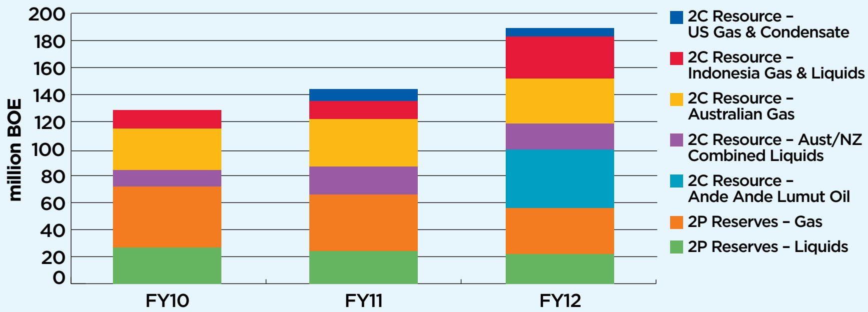
“We have a strong financial position with a diverse portfolio of assets and capacity to fund our growth initiatives”

One of the core principles of AWE’s sustainability policy is the delivery of superior, sustainable returns for shareholders. AWE has delivered strong operating cash flows year on year and has maintained a strong balance sheet position despite challenging global financial conditions.

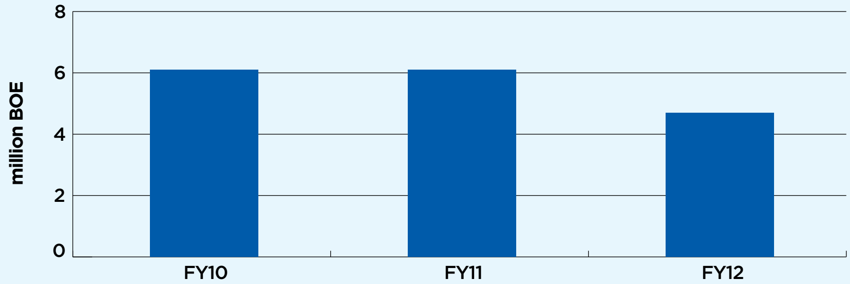
The key highlights of AWE’s economic performance for 2012 include:

- Production of 4.7 million BOE generating sales revenue of $298 million
- Net field contribution (Field EBITDAX) of $188 million achieved from a diverse and stable asset portfolio
- Strong cash flows of $123 million from our core producing assets
- Reinvestment in development and exploration of $211 million to secure future sustainable cash flows
- Cash position of $43 million plus undrawn facilities of $284 million providing significant capacity in AWE’s balance sheet to fund future growth opportunities
- At 30 June 2012, the Company held 2P reserves of 56 million BOE and 2C resources of 133 million BOE, an increase in total reserves and resources of 45 million BOE during the 2012 financial year

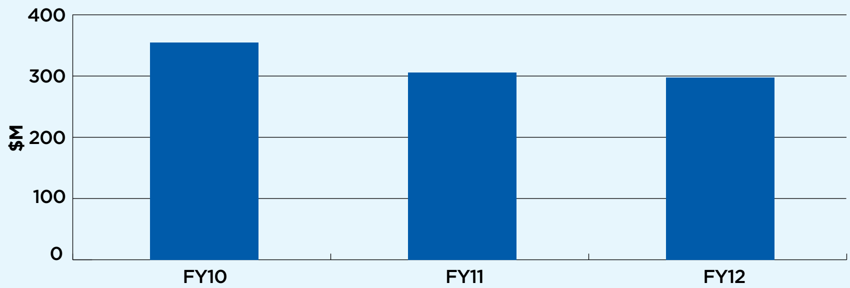
AWE 2P RESERVES AND 2C RESOURCES



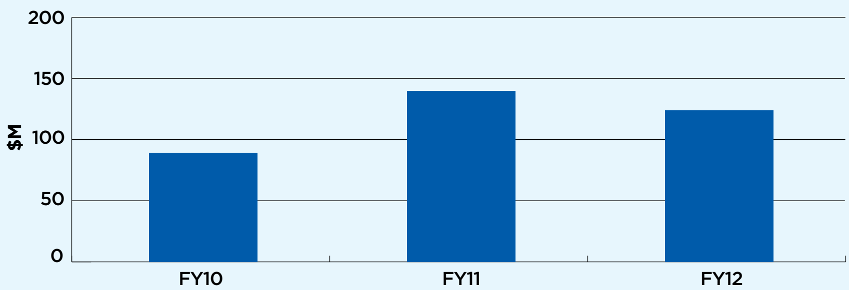
PRODUCTION



SALES REVENUE



OPERATING CASH FLOW

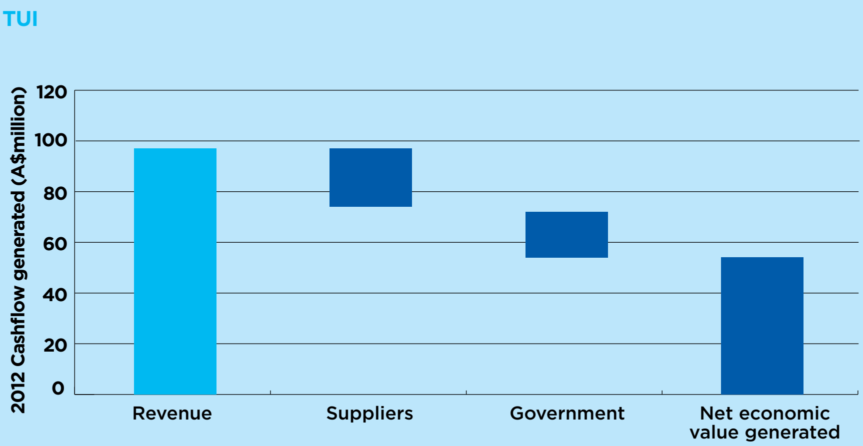


CASE STUDY

ECONOMIC VALUE GENERATED FROM TUI PROJECT, NEW ZEALAND

AWE's Tui operations in the Taranaki Basin have produced strong economic results for a number of years and generated economic value for suppliers, our employees, the New Zealand Government and our shareholders.

As illustrated, during the financial year ended 30 June 2012, AWE received $97 million of revenue from its Tui operations and contributed a total of $18 million in taxes and royalties. After operating costs, total economic value of $54 million was generated for shareholders.



SUSTAINABILITY STATISTICS

YEAR TO JUNE	2010	2011	2012	% CHANGE
PRODUCTION (Equity Share)				
Oil Production ('000 Bbls)	3,059	1,968	1,700	-14%
Gas Production (TJ)	15,806	20,562	15,503	-25%
LPG (tonnes)	14,315	25,888	11,921	-54%
Condensate ('000 Bbls)	229	429	271	-37%
Total Production ('000 BOE)	**6,089**	**6,124**	**4,692**	**-23%**
GREENHOUSE GAS EMISSIONS (Operational Control)[1]				
Direct Greenhouse Gas emissions (tCO2-e)	204,134	117,628	105,801	-10%
Indirect Greenhouse Gas emissions (tCO2-e)	194	279	562	101%
GREENHOUSE GAS EMISSIONS (Equity Share)[2]				
Direct Greenhouse Gas emissions (tCO2-e)	210,134	203,286	135,541	-33%
Greenhouse gas intensity (tCO2-e/'000 BOE)	34.5	33.2	28.9	-13%
ENVIRONMENT				
Hydrocarbon Spills	0	0	2	
SAFETY (Operations)				
Hours Worked	885,218	994,807	792,125	
Fatalities	–	–	–	
Lost Time Injury (LTI)	4	1	6	
Lost Time Injury Frequency Rate (LTIFR)	4.5	1.0	7.6	
Total Reportable Incidents (TRI)	7	3	9	
Total Reportable Incident Frequency Rate (TRIFR)	7.9	3.0	11.4	

NOTES

1 Included in this amount are the greenhouse gas emissions associated with fully or partly owned assets over which AWE has operational control. Operated sites include, all offices, the Hovea, Eremia, Apium and Xyris, Dongara and Corybas facilities in the onshore Perth Basin operations, the Tui oil project in New Zealand and the Atlas well drilling operations.

2 The equity inventory is calculated by applying AWE's equity interest to each venture's total emissions. It includes all sites in which AWE has an equity share, excluding Sugarloaf in the US. Emissions from non-operated joint venture sites are indicative as they rely on data from joint venture partners.

GLOSSARY

ABBREVIATIONS

$	Australian Dollars
2C	Mid estimate in relation to recoverable contingent resource volumes
2P	Proved and probable (reserves)
AMI	Area of Mutual Interest
APPEA	Australian Petroleum Production and Exploration Association
API	American Petroleum Institute
AW139	Augusta Westland helicopter
bbl	Barrel
BBBS	Big Brothers Big Sisters
BOE	Barrels of Oil Equivalent
CDP	Carbon Disclosure Project
Co2	Carbon dioxide
Co2e	Carbon dioxide greenhouse gas equivalent
ENCHEM	Energy chemical plant qualification
FPSO	Floating Production Storage and Offloading Vessel
FY	Financial Year (shown)
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
Hours Worked	Number of man hours attributable to AWE operated projects and offices (including employees, contractors and external service providers) as at 30th June
HSE	Health, Safety and Environment
Hydrocarbon Spills (litres)	A Hydrocarbon Spill is defined as a hydrocarbon liquid spill greater than 1 barrel (159 litres) that reaches the environment (with reference to the International Petroleum Industry Environmental Conservation Associations and American Petroleum Institute (IPIECA/API) guidelines)
IPIECA	International Petroleum Industry Environmental Conservation Association
Km	Kilometre
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injury. Lost time injuries are defined as those occurrences that result in a fatality, permanent disability, or time lost exceeding part of one normal shift for the 12 months to 30th June. (with reference to APPEA Safety Incident Reporting Guidelines)
LTIFR	Lost Time Injury Frequency Rate. As at 30th June, LTIFR is defined as Total LTI's per (million) manhours
MD	Managing Director
million BOE	Million barrels of oil equivalent
OSCAR	Online System for Comprehensive Activity Reporting
Proved and Probable (2P) Reserves	Means the reserves volume for which there is an equal probability that actual recovery will exceed or be less than the stated quantity
Reserves	Means the volumes of economically recoverable hydrocarbons contained in a geological formation from a given date forward
Resources (or Contingent Resources)	Means the volumes of hydrocarbons that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles
ROV	Remote Operated Vehicle
tCo2e	Tonnes of carbon dioxide equivalent
TRIFR	Total Reportable Incident Frequency Rate. TRIFR is defined as TRI per (million) man hours as at 30th June
TRI	Total Reportable Incidents. Total reportable incidents includes all lost time and medical treatment injuries but excludes minor first aid cases for the 12 months to 30th June (with reference to APPEA Safety Incident Reporting Guidelines)
UN	United Nations
UNEP	United Nations Environmental Programme
UNSW	University of New South Wales
WITT	Western Institute of Technology in Taranaki

CONVERSION TABLE

Volume
1 cubic metre = 1 kilolitre = 35.3 cubic feet = 6.29 barrels
1 megalitre = 1,000 cubic metres

Energy Value
1,000 standard cubic feet of sales gas yields about 1.1 gigajoules of heat
1 petajoule (PJ) = 1,000,000 gigajoules (GJ)
1 gigajoule = 947,817 British Thermal Units (BTU)

Barrel of Oil Equivalents (BOE)
Sales Gas – 6 PJ of Gas = 1 million BOE
LPG – 1 tonne of LPG = 11.6 BOE
Condensate – 1 barrel of condensate = 1 BOE
Oil – 1 barrel of oil = 1 BOE

Decimal Number Prefixes
kilo = thousand = 10^3
mega = million = 10^6
giga = 1,000 million = 10^9
tera = million million = 10^{12}
peta = 1,000 million million = 10^{15}

RESERVES

The reserve and resource information contained in this report is based on information compiled by David Gaudoin (General Manager, Exploration and Geoscience) and Ian Palmer (General Manager Development). Mr Gaudoin is a petroleum geologist, holds a Masters Degree in Petroleum Geology, and has 22 years experience in petroleum exploration. Mr Palmer holds a Bachelor Degree in Engineering and has 31 years experience in the practice of petroleum engineering. Both have consented in writing to the inclusion of this information in the form and context in which it appears.

The reserves in this report are estimated according to the SPE/WPC/AAPG/SPEE Petroleum Resources Management System of March 2007.

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Limited Assurance Report to the Management and Directors of AWE Limited

Scope

We have performed a Limited Assurance engagement, as defined by ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Information* ("ASAE 3000"), in relation to selected sustainability performance data included in AWE Limited's ('AWE') 2012 Sustainability Report (the 'Report') in order to state whether anything has come to our attention that would cause us to believe that the subject matter detailed below has not been presented and calculated in accordance with the criteria described below.

Subject Matter

The subject matter is limited to reviewing selected sustainability performance data disclosed within the Report for the year ended 30 June 2012:

- Total direct greenhouse gas emissions (GHG) under operational control in tonnes of carbon dioxide equivalent (tCO2e)
- Total indirect GHG emissions under operational control (tCO2e)
- Total direct GHG emissions on an equity share basis (tCO2e)
- Community spend (in USD)
- Number of reportable hydrocarbon spills
- Total Reportable Incident Frequency Rate (TRIFR) for all operated sites
- Total Lost Time Injury Frequency Rate (LTIFR) for all operated sites
- Number of fatalities
- Economic performance data (production, revenue and operational cash flow)
- People diversity statistics (age, job position, nationality and gender)

Criteria

Management of AWE have described its approach to sustainability performance within its Report and has determined methods considered appropriate for reporting greenhouse gas emissions, environmental and safety data. There are no prescribed methods within Australia for determining the total greenhouse gas emissions, environmental and safety data for public reporting and the use of different methods can result in materially different amounts. AWE Management have reported the total greenhouse gas emissions on both an equity share and operational control basis. The operational control approach has been delivered by reference to the Australian Government's National Greenhouse and Energy Reporting System (NGERS). Sources for emissions factors were drawn from the Australian Government's National Greenhouse and Energy Reporting (Measurement) Determination 2008; New Zealand Government's Climate Change (Stationary Energy and Industrial Processes) Regulations 2009 and the World Resources Institute and the World Business Council for Sustainable Development's Greenhouse Gas Protocol Initiative – GHG emissions from purchased electricity (Version 4.2) in relation to AWE's Indonesian operations. AWE management has set out its approach for the non-financial data metrics related to environment and safety outlined within the subject matter presented in the 2012 Sustainability Report.

Management Responsibility

The management of AWE ('Management') are responsible for the collation, preparation and presentation of the subject matter in accordance with the criteria and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process.

Assurance Practitioner's Responsibility

Our responsibility is to express a Limited Assurance conclusion as to whether the subject matter is presented in accordance with the criteria. Our Limited Assurance engagement has been planned and performed in accordance with the Australian Standard for Assurance Engagements: ASAE 3000.

Level of Assurance

A Limited Assurance engagement consists of making enquiries and applying analytical and other limited assurance procedures. Our procedures were designed to provide a limited level of assurance and as such do not provide all the evidence that would be required to provide a reasonable level of assurance. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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Our Approach

Our procedures included but were not limited to the following:

- Conducting interviews to understand sustainability governance and reporting structures;
- Reviewing underlying sustainability governance documentation and evidence;
- Gaining an understanding of the greenhouse gas, community, occupational health and safety incidents, people and environmental spills data reporting processes supporting the business activities;
- Conducting interviews and collation of evidence to understand the process and controls supporting the data;
- Reviewing incident reports on a sample basis to assess whether the classification of reported incidents were appropriately recorded;
- Undertaking analytical review procedures to support the reasonableness of the data;
- Reviewing assumptions supporting the calculations of incidental emissions for reasonableness;
- Reviewing the Sustainability Report to assess the appropriateness of disclosure.

Inherent Limitations

There are inherent limitations of any assurance engagement arising from the evidence on which the assurance practitioner draws conclusions upon being persuasive, as it relies on selected data to be representative, rather than conclusive. There are additional inherent risks associated with assurance over non-financial information including reporting against standards which require information to be assured against source data compiled using definitions that are developed by the reporting entity.

Use of Report

Our responsibility in performing our Limited Assurance activities is to the Management and Directors of AWE only and in accordance with the terms of reference for this engagement as agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk. No statement is made as to whether the criteria is appropriate for the purposes described above.

Our Independence and Assurance Team

The firm and all professional personnel involved in this engagement have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants. Ernst & Young has provided a range of services to AWE including but not limited to the provision of certain statutory financial audit services. We believe the provision of these services has not impaired our impartiality with respect to this work. Our team has the required competencies and experience for this assurance engagement.

Matters Relating to Electronic Presentation of the Sustainability Report

Our review was conducted on the AWE Sustainability Report that will be published on AWE's website. We provide no assurance over changes to the content of AWE's report after the date of this assurance statement.

Assurance Conclusions

On the basis of our procedures for this Limited Assurance engagement, nothing has come to our attention that causes us to believe that the subject matter, as presented in AWE's Sustainability Report for the year ended 30 June 2012, was not presented fairly in all material respects, and calculated in accordance with the criteria detailed above.

Ernst & Young

Ernst & Young

Trent van Veen

Partner

Sydney

12th October 2012

AWE

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