

Corporate Governance Statement

The ASX Corporate Governance Council released its “Principles of Good Corporate Governance and Best Practice Recommendations” in 2003. Ten principles of corporate governance were developed, supported by best practice and implementation recommendations.

Further, in August 2007 the ASX Corporate Governance Council released the second edition of the Corporate Governance Principles and Recommendations (“Revised Principles”). Listed entities will be required to report against these Revised Principles in the first financial year commencing on or after 1 January 2008. In the case of the Company, disclosure is therefore initially required in relation to the 30 June 2009 financial year, however early adoption of the Revised Principles has been encouraged. AWE has therefore reviewed the Revised Principles and where applicable has amended its corporate governance practices during the financial year and has reported against these Revised Principles in this report. Accordingly, not all these recommendations have been complied with for the whole of the financial year.

The Council has recognised that these principles and recommendations do not contain a “one size fits all” solution and that it will be necessary for companies to adopt a “fit for purpose” solution in the adoption of these practices.

The ASX Listing Rules require listed entities to disclose the extent to which they have followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period. This corporate governance statement summarises the corporate governance practices that have been formally reviewed and adopted by the AWE Board with a view to ensuring continued investor confidence in the operations of the Company and endorsing the corporate governance principles relevant to a company of AWE's nature and size. A table has been included at the end of this statement detailing the Company's compliance with the recommendations.

The Company's website at www.awexp.com.au contains a corporate governance section that includes copies of the Company's corporate governance policies mentioned in this statement.

Board of Directors

Role of the Board

The responsibilities of the Board are to:

- set the strategic direction for the Company and monitor progress of those strategies;
- establish policies appropriate for the Company;
- monitor the performance of the Company, the Board and management;
- approve the business plan and annual work programmes and budgets;
- authorise and monitor major investment and strategic commitments;
- review and ratify systems for health, safety and environmental management; risk management and internal control; codes of conduct and regulatory compliance;
- appoint and monitor performance of the Managing Director;
- report to shareholders, including but not limited to, the financial statements of the Company;
- evaluate the performance of the Board and identify and appoint new directors to the Board; and
- take responsibility for corporate governance.

Composition of the Board

The names of the directors of the Company in office at the date of this statement and information regarding directors' experience and responsibilities are set out in the Directors' Report.

The number of directors is specified in the Constitution of the Company as a minimum of three up to a maximum of 10. The Board has resolved that it will at all times have a majority of non-executive directors, with at least 50% of directors considered to be independent, including the Chairman, who shall be non-executive.



The preferred skills and experience for a director of AWE include:

- exploration and development;
- production operations;
- finance;
- business development; and
- public company administration.

Chairman of the Board

The Chairman of the Board will be a non-executive director and the Chairman will be elected by the directors. The Board considers that the Chairman, Mr Bruce McKay, is independent.

Independent Directors

The Board considers that a director is independent if that director complies with the following criteria:

- apart from director's fees and shareholdings, independent directors should not have any business dealings which could materially affect their independent judgement;
- must not have been in an executive capacity in the Company in the last three years;
- must not have been in an advisory capacity to the Company in the last three years;
- must not be a significant customer or supplier for the Company;
- must not be appointed through a special relationship with another Board member;
- must not owe allegiance to a particular group of shareholders which gives rise to a potential conflict of interest;
- must not hold conflicting cross directorships; and
- must not be a substantial shareholder or a nominee of a substantial shareholder (as defined under section 9 of the Corporations Act).

The Board considers that, of a total of six current directors, five are considered to be independent (Mr Bruce McKay, Mr Colin Green, Mr Edward Smith, Mr David McEvoy and Mr Andy Hogendijk) and one is considered not to be independent (Mr Bruce Wood).

Retirement and Rotation of Directors

Retirement and rotation of directors are governed by the Corporations Act 2001 and the Constitution of the Company. Each year, one third of directors must retire and offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company.

Independent Professional Advice

Each director has the right to seek independent professional advice at the Company's expense after consultation with the Chairman. Once received, the advice is to be made immediately available to all Board members.

Access to Employees

Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or Company policies to the Managing Director who shall remedy the breach. If the breach is not rectified to the satisfaction of the employee, they shall have the right to report any breach to an independent director without further reference to senior executives of the Company.

Directors' and Officers' Liability Insurance

Directors' and officers' insurance for directors will be arranged by the Company at Company expense.

Share Ownership

Directors are encouraged to own Company shares.

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Board Meetings

The following points identify the frequency of Board meetings and the extent of reporting from management at the meetings:

- a minimum of six meetings are to be held per year;
- other meetings will be held as required, meetings can be held by telephone link; and
- information provided to the Board includes all material information on: operations, budgets, cash flows, funding requirements, shareholder movements, broker activity in the Company's securities, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessments, new venture proposals, and health, safety and environmental reports.

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are set out in the Directors' Report.

Board Performance Review

A review of the Board's own performance and effectiveness is conducted annually. The review is prepared by the Chairman and evaluated by the Board. Each director completes a questionnaire and the collective responses are discussed by the Board to identify strengths and areas for improvement.

The Audit Committee undertakes an annual self-assessment and the Audit Committee charter stipulates that a comprehensive review of the Audit Committee is to be undertaken every three years by the Board of Directors. This comprehensive review was undertaken in the June 2007 financial year. There is no separate review undertaken for the Remuneration Committee or the Operations Risk Committee as it is considered that the Company's manner of operation does not warrant this individual review. No performance evaluation is undertaken for individual directors, while the performance evaluation of management and staff is undertaken annually.

Other Areas for Board Review

- Reporting to shareholders and the market to ensure trade in the Company's securities takes place in an efficient, competitive and informed market;
- succession planning for senior executives and the Board;
- insurance, both corporate and joint venture related insurances; and
- approval of external directorships for the Managing Director and senior executives and disclosure of external directorships by other directors.

Board Committees

Audit Committee

The role of the Audit Committee is documented in a formal charter approved by the Board. A formal charter has been in place since 1997 and the charter is reviewed on an annual basis.

The Audit Committee's primary corporate governance role is to assist the Board of Directors in discharging its responsibilities in respect of the financial affairs and related matters of the Company and to advise and make appropriate recommendations to the Board in respect of such financial responsibilities.

The objectives of the Audit Committee are to:

- assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to the Company's:
 - reporting of financial information to users of financial reports;
 - application of accounting policies;
 - financial management;
 - internal control system;
 - risk management system;
 - business policies and practices;
 - protection of the entity's assets; and
 - compliance with applicable laws, regulations, standards and best practice guidelines.

- improve the credibility and objectivity of the accountability process (including financial reporting), especially where the role of the Audit Committee and its membership by independent non-executive directors is disclosed to shareholders and the public;
- provide a forum for communication between the Board and senior financial management;
- improve the efficiency of the Board by delegating tasks to the committee and thus allowing more time for issues to be discussed in sufficient depth;
- improve the effectiveness of the external audit functions and to be a forum for improving communication between the Board and the external auditor;
- satisfy itself as to the independence of the external auditor (each reporting period the external auditor provides an independence declaration in relation to the audit or review); and
- improve the quality of internal and external reporting of financial information.

Under its charter, the Audit Committee must be comprised of at least three independent non-executive Board members appointed by the Board. Any director who is not a member of the Audit Committee, may attend Audit Committee meetings but will have no voting powers at such meetings. Members will have the appropriate skills (including financial literacy) and time to fill their role on the Audit Committee. The majority of members will have significant experience with financial and business matters. The Managing Director should not be a member of the Audit Committee. The Chairperson of the Board of Directors should not be the Chairperson of the Audit Committee.

At the discretion of the Audit Committee, the external auditor and the Managing Director and other executives are invited to attend meetings. At least once a year, the Audit Committee meets with the external auditor without executives present. Further, at least once a year the Audit Committee meets with the Company's tax advisers.

The Audit Committee comprises Mr Colin Green (Chairman), Mr David McEvoy and Mr Andy Hogendijk. During the financial year, Mr Andy Hogenijk replaced Mr Bruce McKay as a member of the Audit Committee. The charter stipulates that meetings are to be held at least twice a year. The number of Audit Committee meetings and number of meetings attended by each of the members of the Audit Committee during the financial year and information regarding committee member experience and responsibilities are set out in the Directors' Report.

The Managing Director and the Chief Financial Officer declared in writing to the Board that the Company and consolidated entity's financial reports for the year ended 30 June 2008 present a true and fair view, in all material respects, of the Company and consolidated entity's financial condition and operational results and are in accordance with relevant accounting standards. This representation is made by the Managing Director and Chief Financial Officer prior to the directors' approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

Remuneration Committee

The role, responsibilities and objectives of the Remuneration Committee are included in the Remuneration Report. For details in relation to the Company's Share Option Plan, refer to note 21 to the financial statements and to the Remuneration Report. For details of remuneration paid to directors and officers for the financial year and the process for evaluating the performance of senior executives, please refer to the Remuneration Report. The Remuneration Report is included in the Directors' Report on pages 37 to 47.

Operations Risk Committee

The role of the Operations Risk Committee is documented in a formal set of guidelines approved by the Board.

The Operations Risk Committee's primary corporate governance role is to advise and assist the Board of Directors in assessing risk factors associated with the execution of projects in which the consolidated entity has equity or participatory interests.

The responsibilities of the Operations Risk Committee are:

- to evaluate with senior executives the probability of achieving the objectives of the consolidated entity's participatory projects;
- to identify the greatest risk factors of the projects, and to review any planned actions to mitigate such risks; and
- to develop an understanding with management whereby the Operations Risk Committee is notified promptly if any adverse changes to project risks occur.

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The Operations Risk Committee will be comprised of not less than three non-executive directors, and whenever possible, the majority of members will have significant experience in oil and gas projects. The members of the Operations Risk Committee are Mr Edward Smith (Chairman), Mr Bruce McKay and Mr David McEvoy. Meetings are to be scheduled prior to the commencement of each calendar year. The number of Operations Risk Committee meetings and the number of meetings attended by each of the members of the Operations Risk committee during the financial year and information regarding Committee member experience and responsibilities are set out in the Directors' Report.

Risk Management

The risks involved in an oil and gas exploration, development and production company and the specific uncertainties for the Company continue to be regularly monitored and the full Board of the Company meets on an annual basis to formally review such risks. Additionally, and as a consequence of the increasing size and complexity of the Company's operations, during the June 2008 financial year the Company conducted a thorough review of the material business risks facing both the Company and the industry and is now implementing a detailed structure around ongoing risk management and reporting. The results of this review are now being incorporated into the Company's business practices and policies.

Further, all investment proposals reviewed by the Board include a conscious consideration of the issues and risks of the proposal. In addition, the Board of the Company has established an Operations Risk Committee.

The potential exposures with running the Company have been managed by the appointment of senior staff who have significant broad-ranging industry experience, work together as a team and regularly share information on current activities.

Additionally, it is the responsibility of the Audit Committee to assess the adequacy of the Company's internal control systems and to ensure that its financial affairs comply with applicable laws and regulations and professional practices. The Managing Director and the Chief Financial Officer have declared in writing to the Board that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. This representation is made by the Managing Director and Chief Financial Officer prior to the directors' approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

Promotion of Ethical and Responsible Decision-Making

Code of Conduct

The goal of establishing AWE as a significant Australian-based petroleum exploration and production company is underpinned by its core values of honesty, integrity, common sense and respect for people. AWE desires to remain a good corporate citizen and appropriately balance, protect and preserve all stakeholders' interests.

The Board has adopted a Code of Conduct for directors and employees of the Company. The Company's goal of achieving above average wealth creation for our shareholders should be enhanced by complying with this Code of Conduct, which provides principles with which directors, key executives and employees should be familiar and with which they are expected to adhere and advocate.

Further, due to the Company's expanding international operations a separate Code of Conduct – Foreign Jurisdictions Policy was adopted in the June 2008 financial year.

It is the responsibility of the Board to monitor the Company's performance under these Codes and for their regular review.

Trading in Company Securities by Directors, Officers and Employees

Trading of AWE's shares is covered by, amongst other things, the Corporations Act and the ASX Listing Rules. The Board has established a Securities Trading Policy that establishes strict guidelines as to when a director, officer or an employee can deal in Company shares. The policy prohibits trading in the Company's securities during designated blackout periods and whilst the director, officer or employee is in the possession of price-sensitive information. The policy also describes the Company's policy in respect of equity based remuneration "hedge contracts".

This policy was reviewed and updated in the June 2008 financial year.

For details of shares held by directors and officers, please refer to the Directors' Report and note 33 to the financial statements.



Shareholder Communications

The Board aims to ensure that shareholders and investors have equal access to the Company's information.

The Company has policies and procedures that are designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance. This disclosure policy includes processes for the identification of matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and posting them on the Company's website.

The Company also has a strategy to promote effective communication with shareholders and encourage effective participation at general meetings through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

- conflicts of interest and related party transactions;
- executive remuneration;
- grant of options and details of Share Option Plans;
- external directorships;
- process for performance evaluation of the Board, its committees, individual directors and key executives;
- the link between remuneration paid to directors and key executives and corporate performance; and
- shorter, more comprehensible notices of meetings.

The following information is communicated to shareholders:

- the Annual Report and notices of meetings of shareholders;
- for those shareholders electing not to be mailed a copy of the Annual Report, a copy can be viewed on the Company's website;
- quarterly reports reviewing the operations, activities and financial position of the Company;
- all documents that are released to the ASX are made available on the Company's website and via the website, shareholders may elect to receive notification of all ASX releases;
- all other information on the Company's website is updated on a quarterly basis; and
- it is the intention of the Company to commence webcasting key events such as profit results and Annual General Meetings.

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ASX Best Practice Recommendations

The table below identifies the ASX Best Practice Recommendations (Revised Principles) and whether or not the Company has complied with the recommendations during the reporting period:

	Complied	Note	
1.1	Establish the functions reserved to the board and those delegated to senior management and disclose those functions	✓	
1.2	Disclose the process for evaluating the performance of senior executives	✓	
1.3	Provide the information indicated in Guide to Reporting on Principle 1	✓	
2.1	A majority of the board should be independent directors	✓	
2.2	The chair should be an independent director	✓	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	✓	
2.4	The board should establish a nomination committee		1
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors		2
2.6	Provide the information indicated in Guide to Reporting on Principle 2		1
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: : <ul style="list-style-type: none"> • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	✓	
3.2	Disclose the policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	✓	
3.3	Provide the information indicated in Guide to Reporting on Principle 3	✓	
4.1	The board should establish an audit committee	✓	
4.2	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> • only non-executive directors • a majority of independent directors • an independent chair, who is not chair of the board • at least three members 	✓	
4.3	The audit committee should have a formal charter	✓	
4.4	Provide the information indicated in Guide to Reporting on Principle 4	✓	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	✓	
5.2	Provide the information indicated in Guide to Reporting on Principle 5	✓	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	✓	
6.2	Provide the information indicated in Guide to Reporting on Principle 6	✓	

		Complied	Note
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies		3
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	✓	
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks	✓	
7.4	Provide the information indicated in Guide to Reporting on Principle 7	✓	
8.1	The board should establish a remuneration committee	✓	
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	
8.3	Provide the information indicated in Guide to Reporting on Principle 8	✓	

Note 1

The Board of Directors of the Company does not have a nomination committee. The Board is of the opinion that due to the nature of the Company, the functions performed by a nomination committee can be adequately handled by the full Board.

Note 2

The Corporate Governance Statement summarises the process the Board undertakes in reviewing its performance. The Audit Committee undertakes an annual self-assessment and the Audit Committee charter stipulates that a comprehensive review of the Audit Committee is to be undertaken every three years by the Board of Directors. There is no separate review undertaken for the Remuneration Committee or the Operations Risk Committee, as it is considered that due to the nature of the Company this individual review is not warranted. No performance evaluation is undertaken for individual directors, while the performance evaluation of management and staff is undertaken annually.

Note 3

As a consequence of the increasing size and complexity of the Company's operations, during the June 2008 financial year the Company conducted a thorough review of the material business risks facing both the Company and the industry and is now implementing a detailed structure around ongoing risk management and reporting. The results of this review are now being incorporated into the Company's business practices and policies.