

Remuneration Report



This report is prepared in accordance with section 300A of the Corporations Act 2001. Where appropriate, information which is included in other parts of the Annual Financial Report is included in this report by reference.

AWE strives to achieve best practice in all aspects of corporate governance and as such, has adhered to Best Practice principles in the Remuneration Report as outlined herein. AWE has also obtained guidance from the Australian Institute of Company Directors ("AICD"), the ASX, the International Corporate Governance Network ("ICGN"), industry professionals and has relied on market comparative data in the creation of this document and subsequent implementation of remuneration policies.

In the June 2006 financial year the Company undertook an independent review of remuneration policies and practices with a view to providing greater transparency regarding the Company's approach to remuneration. The June 2007 Remuneration Report detailed these policies and practices and the Remuneration Report was approved by shareholders at the 2007 Annual General Meeting (although this vote was advisory only).

The Company has continued to review these practices and during the current financial year undertook an independent review to ensure that remuneration packages and policies were competitive and appropriate in today's environment of high demand for scarce human resources which is currently facing the oil and gas industry both in Australia and internationally. With the merger of AWE and ARC Energy, further review will be undertaken to establish a consistent approach to remuneration across the expanded Company.

1. Remuneration Policies

1.1 Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to directors and employees.

The role of the Remuneration Committee is documented in a formal charter approved by the Board. A formal charter has been in place since 1997 and is reviewed periodically.

The responsibilities of the Remuneration Committee are to review and make recommendations to the Board on:

- policies for employment and remuneration of all AWE staff;
- arrangements for executive employment, remuneration and incentives;
- the remuneration package of the Managing Director;
- the remuneration package of senior executives in consultation with the Managing Director;
- recruitment, retention and termination policies and procedures for senior executives;
- performance schemes including bonuses and share options based upon measurable milestones;
- superannuation arrangements;
- the remuneration framework for non-executive directors, within the limit approved by shareholders; and
- other matters as requested by the Board.

The Remuneration Committee is to be comprised of not less than two non-executive directors, the majority of whom shall be independent. The Remuneration Committee comprises Mr Bruce McKay (Chairman), Mr Colin Green and Mr Edward Smith. Meetings are to be held at least once a year. The number of Remuneration Committee meetings and the number of meetings attended by each of the members of the Remuneration Committee during the financial year and information regarding Committee member experience and responsibilities are set out in the Directors' Report.

The remuneration policy of AWE is to establish remuneration practices that:

- are consistent with the Company's goals and objectives;
- encourage directors and management to pursue the long-term growth and success of the Company within an appropriate control framework;
- deliver a level and composition of remuneration that is sufficient and reasonable and compares favourably with other employers in the industry;
- define the relationship of remuneration to corporate and individual performance; and
- attract and retain talented and effective directors and employees so as to encourage enhanced performance of the Company.

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1.2 Remuneration Structures

The Company sets remuneration levels for directors and senior executives at competitive levels to attract, retain and motivate appropriately qualified and experienced directors and senior executives. The Remuneration Committee evaluates the appropriateness of remuneration packages, given trends in comparable companies, the need to drive a performance-based culture and the objectives of the Company's remuneration strategy.

The Company acknowledges that in the current resources industry there is a scarcity of good quality oil and gas professionals available for recruitment and the ability to attract and retain a highly skilled work force is becoming increasingly challenging. The Company's remuneration structures accordingly have responded to these challenges by offering meaningful yet responsible remuneration packages and policies.

The remuneration structures explained below are designed to attract and retain suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of sufficiently motivating directors and senior executives to create value for shareholders. The remuneration structures take into account:

- the capability and experience of directors and senior executives;
- the ability of directors and senior executives to control the performance of their relevant area of responsibility;
- the performance of the consolidated entity including:
 - the success of exploration and production activities;
 - compliance with regulatory regimes;
 - adherence to health, environment and safety policies;
 - the consolidated entity's earnings;
 - the growth in share price and returns to shareholders;
- the level of performance benefits within each executive's remuneration package; and
- the relative value of each component of the remuneration package.

The Company has determined that for the purposes of this report the senior executives of the consolidated entity are:

Senior Executive	Position
Mr L. J. Brooks	Manager, Australia and International Exploration
Mr R. D. Frith	Manager, Australia and International Development and Production
Mr N. F. Kelly	Chief Financial Officer/Company Secretary
Mr I. D. Palmer	New Zealand Development Manager (from 1 July 2007)
Mr D. Washer	Country Manager, New Zealand (from 1 July 2007)

2. Managing Director and Senior Executives

2.1 Mix of Remuneration

Remuneration packages consist of fixed remuneration in the form of base salary and superannuation, short-term performance benefits in the form of cash bonuses and long-term performance benefits in the form of employee share options.

Managing Director – fixed remuneration is to comprise 40-100% of the total remuneration package, short-term performance benefits up to 50% of the fixed remuneration and long-term performance benefits up to 50% of total remuneration.

Senior executives – fixed remuneration is to comprise 50-100% of the total remuneration package, short-term performance benefits up to 40% of the fixed remuneration and long-term performance benefits up to 50% of total remuneration. The relative weighting of each component in the package is dependent on the respective level of the senior executive in the Company, the impact the executive has on the outcomes of their areas of responsibility, as well as on the performance of the overall Company.



Packages are tailored to individual employees in order to provide maximum encouragement to perform for the benefit of shareholders and are designed to reflect labour market demands. The aim of individual remuneration packages is to provide a balance between the immediate and the long-term goals of AWE.

Remuneration levels are reviewed at least annually by the Remuneration Committee through a process that considers independent externally provided remuneration data and overall performance of the consolidated entity to ensure that the remuneration of the Managing Director and senior executives is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

2.2 Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any Fringe Benefits Tax charges related to employee benefits), as well as employer contributions to superannuation.

2.3 Variable Remuneration

Variable remuneration, which includes both short-term and long-term components, is designed to reward the Managing Director and senior executives for meeting or exceeding their respective financial, operational and individual objectives. Those benefits are an "at risk" bonus provided in the form of cash and/or employee share options.

Each year, the Board sets the Key Performance Indicators ("KPIs") for the Managing Director and the Managing Director sets the KPIs for the senior executives. The KPIs take into consideration measures relating to the consolidated entity, the relevant part of the business and the individual, and include but are not limited to total shareholder returns, exploration and production activities, financial performance, and risk strategy measures. The measures are chosen to align the individual's reward to the KPIs of the consolidated entity and to its strategy and performance.

2.3.1 Short-term Performance Benefits

Short-term performance benefits are awarded in the form of cash bonuses paid on an annual basis for performance during a given financial year. The award of short-term bonuses is based on a mixture of both consolidated entity and individual performance.

Managing Director

A short-term performance benefit of up to 50% of fixed remuneration can be awarded subject to satisfaction of KPIs as approved by the Board. For the June 2008 financial year these KPIs were based on a balanced scorecard approach and included measures which reflected:

- Safety and environmental performance;
- Financial results;
- Team leadership; and
- Company growth.

Senior executives

The criteria for the award of short-term performance benefits to senior executives are:

Consolidated Entity Performance – the performance of the consolidated entity against overall corporate KPIs which include whether the consolidated entity has substantially met its objectives and achieved normalised earnings targets (adjusted for oil and gas price movements).

Individual Performance – a combination of individual KPIs and departmental KPIs over which the individual senior executive has responsibility.

KPIs are determined in advance each year and the Remuneration Committee and the Managing Director annually review and determine the performance of each senior executive against these KPIs.

There are two reward bands – target (meets performance objectives) and stretch (exceeds performance objectives).

Achievement of target entitles the senior executive to a short-term performance benefit of 20% of fixed remuneration and achievement of stretch targets entitles the senior executive to a short-term performance benefit of up to an additional 20% of fixed remuneration.

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

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2.3.2 Long-term Performance Benefits

Long-term performance benefits are in the form of employee share options granted annually on a three-year rolling basis and the number granted is based on the relative level of the individual senior executive in the consolidated entity.

Long-term performance benefits are granted to senior executives if the consolidated entity achieves an absolute total shareholder return ("TSR") average of at least 10% per annum over the previous rolling three year period. These measures allow long-standing shareholders to receive reasonable investment returns before senior executives are granted any options and this also aligns the long-term interests of shareholders with the long term performance incentives of the senior executive.

The rolling three-year period causes a smoothing effect in the grant of options and encourages senior executives to adopt a longer-term view of consolidated entity performance. This also has a positive impact on employee retention during periods of slow growth, as share options would still be issued as a result of good performances in previous years.

In circumstances of superior performance the board may grant options to senior executives in excess of their relative level.

Further all options granted are subject to the satisfaction of conditions for vesting and exercise.

Relative performance criteria used to determine the ability of senior executives to exercise employee share options is measured by comparing the consolidated entity's TSR over a rolling three-year period against a comparator group comprised of any combination of the ASX All Ordinaries, ASX 200, ASX Energy Index and comparable international energy companies and indices. Depending on the market circumstances, the Board may nominate any one of the above indices or a combination to apply as the benchmark in any given year (refer to Section 5.2 for the Relative Performance criteria applying to the June 2008 financial year).

Under the relative performance measure, the consolidated entity must outperform the nominated index or indices over the previous rolling three-year period for employee share options to vest. If this relative performance measure is not satisfied, then only a proportion of employee share options will vest. Further, retesting of this relative performance measure is allowed every six months until expiry of the employee share option (which is generally a period of two years).

In a similar manner to the award of short-term performance benefits, in the special circumstance of outstanding individual performance, the board may allow employee share options to be exercised even though the relative performance criteria has not been achieved. Again, this is designed to retain outstanding employees in the special circumstance where these targets have not been achieved due to circumstances beyond the control of the individual senior executive.

In addition, employee share options are granted to attract and provide incentive for suitably qualified new employees. The normal practice is that such options are also granted with an exercise condition that the relative performance criteria must be achieved over the vesting period.

Share options are generally granted with a three year vesting period and can only be exercised by senior executives at the end of that three year period on the satisfaction of the relative performance criteria. Accordingly, senior executives will only be rewarded in circumstances where both the Company's share price achieves long-term growth and the relative performance criteria has been achieved.

Any options granted are issued under the Employee Share Option Plan (made in accordance with the plan approved by shareholders at the time of the float of the Company).

Key terms of the Employee Share Option Plan include:

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

Without approval from the Chairman, the Managing Director or the Remuneration Committee, senior executives are not permitted to enter into 'hedge contracts' or other forms of arrangements which may have the effect of fixing the value of, or return on, securities which form part of the incentive component of their remuneration or salary package (whether the securities are fully vested or not). As a general rule, approval is only likely to be given in exceptional circumstances (which will be determined at the discretion of the Chairman, Managing Director or Remuneration Committee as the case may be).

On implementation of the merger with ARC Energy, the Company intends to move towards the issue of Performance Rights rather than Employee Share Options as a means to deliver long-term incentive benefits.



2.3.3 Rationale for Choice of Criteria for Determining Variable Remuneration

The TSR performance criterion was chosen as it is widely accepted as one of the best indicators of shareholder wealth creation, as it includes share price growth, dividends and other capital adjustments. The comparator group used to measure relative TSR performance is determined annually so that remuneration levels are not purely formula driven and a degree of flexibility is retained. This will allow the Remuneration Committee to take into account any abnormal factors that may affect the measure of relative TSR performance.

By considering individual, departmental and corporate KPIs the Company rewards the performance of individuals and their contribution to achieving the corporate objectives.

The Remuneration Committee considers that the current remuneration structure is generating the desired outcome. The evidence for this is that there has been considerable growth in the Company over the last five years and in addition, the Company has been successful in attracting and retaining a highly skilled and motivated workforce.

2.4 Other Benefits

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

2.5 Service Agreements

Managing Director

On 20 November 2006 the Company announced that Mr Bruce Phillips would not be renewing his employment contract as Managing Director but had agreed to stay as Managing Director until the second half of 2007 to oversee the start of commercial oil production from the Tui Area oil project.

Accordingly, Mr Phillips resigned as a director at the close of business on 31 August 2007. Other than accrued statutory long service and annual leave and rights in respect of participation in the Company's Employee Share Option Plan no other outstanding entitlements have accrued to Mr Phillips under his service agreement dated 12 September 2001.

Mr Phillips was replaced as Managing Director by Mr Bruce Wood, effective 1 September 2007 and at the time of his formal appointment details of the service agreement entered into with Mr Wood was disclosed and a summary of these terms are as follows:

Term:

Commencement date of 1 September 2007 under a rolling twelve month contract with a minimum term of three years.

Remuneration:

- Fixed base component of \$600,000 per annum plus 9% superannuation reviewed annually on 1 July.
- Short-term performance benefits as summarised in section 2.3.1 of this report.
- Long-term performance benefits in the form of employee share options of up to 50% of total remuneration granted annually on a rolling three year basis. These options vest if the consolidated entity achieves relative and absolute targeted shareholder returns as described in section 5.2 and upon the satisfactory performance of individual KPIs as summarised in section 2.3.1.

Details of employee share options granted to Mr Wood pursuant to the approval of shareholders at the 2007 Annual General Meeting of the Company are described in section 6 of this report.

Termination:

- The service contract may be terminated under the following circumstances:
 - Resignation by Mr Wood on twelve months notice;
 - Termination on twelve months notice by the Company. However, if notice is given in the first three years of employment, the longer of the balance of the term or twelve months; or
 - Termination without notice by the Company for cause.

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Senior Executives

It is the Company's policy that service agreements for senior executives, excluding the Managing Director and four other managers, are unlimited in term but capable of termination on one month's notice and that the Company retains the right to terminate the contract immediately, by making payment equal to one month's pay in lieu of notice. The Company has entered into a service agreement with each senior executive, excluding the Managing Director and four other managers, that provides for the payment of benefits where the contract is terminated by the Company or the individual. The agreements stipulate that senior executives, excluding the Managing Director and four other managers, are entitled, where applicable, to receive long service leave after 10 years service and are also entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

The service agreement outlines the components of remuneration paid to the senior executive but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the remuneration policy.

The Company also has service agreements with four other managers that provide for contingency payments under certain circumstances amounting to one year's remuneration for less than 10 years of service and two years' remuneration for greater than ten years of service in addition to accrued statutory entitlements including long service leave, annual leave and superannuation benefits. These payments represented market practice at the time the terms were agreed. Each of the four managers has no entitlement to termination payment in the event of removal for misconduct.

On implementation of the merger with ARC Energy the Company will review all employment contracts with senior executives (excluding the Managing Director) with a view to aligning and updating terms and conditions across the expanded Company.

3. Non-Executive Directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2006 Annual General Meeting of the Company, is not to exceed \$700,000 per annum. Total remuneration paid to non-executive directors in the financial year amounted to \$446,463. Fees are set based on review of externally provided remuneration data with reference to fees paid to other non-executive directors of comparable companies. Directors' base fees for the 2008 financial year were as follows:

	Board	Audit Committee	Remuneration Committee	Operations Risk Committee
Chair	\$115,000	\$20,000	\$7,500	\$7,500
Member	\$55,000	\$7,500	\$5,000	\$5,000

In addition to the above an amount of 9% superannuation is paid.

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



4. Directors' and Executive Officers' Remuneration

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

		Short-term			Total	Post employment	Other	Share-based	Total	Performance related	Value of options
		Salary package and fees (a)	Cash bonus (b)	Non-monetary benefits		Super-annuation benefits (c)	long-term	payments			
		\$	\$	\$	\$	\$	\$	\$	\$	%	%
Directors											
Company and Consolidated entity											
B. G. McKay	2008	149,375	–	–	149,375	11,644	–	–	161,019	–	–
	2007	117,023	–	–	117,023	10,532	–	–	127,555	–	–
B. J. Phillips	2008	275,000	–	4,237	279,237	24,750	19,582	23,017	346,586	7%	7%
	2007	550,000	200,000	8,003	758,003	49,500	4,270	106,566	918,339	33%	12%
B. J. W. Wood	2008	531,250	250,000	–	781,250	47,813	7,790	416,433	1,253,286	53%	33%
	2007	93,750	–	–	93,750	8,438	2,913	–	105,101	–	–
C. C. Green	2008	80,000	–	–	80,000	7,200	–	–	87,200	–	–
	2007	73,015	–	–	73,015	6,571	–	–	79,586	–	–
E. S. Smith	2008	67,500	–	–	67,500	6,075	–	–	73,575	–	–
	2007	61,793	–	–	61,793	5,561	–	–	67,354	–	–
D. McEvoy	2008	67,500	–	–	67,500	6,075	–	–	73,575	–	–
	2007	58,966	–	–	58,966	5,308	–	–	64,274	–	–
A. J. Hogendijk	2008	46,875	–	–	46,875	4,219	–	–	51,094	–	–
	2007	–	–	–	–	–	–	–	–	–	–
R. Dumbrell	2008	–	–	–	–	–	–	–	–	–	–
	2007	27,798	–	24,772	52,570	–	–	–	52,570	–	–
R. M. Griffin	2008	–	–	–	–	–	–	–	–	–	–
	2007	27,028	–	13,210	40,238	–	–	–	40,238	–	–
Total*	2008	1,217,500	250,000	4,237	1,471,737	107,776	27,372	439,450	2,046,335	34%	21%
	2007	1,009,373	200,000	45,985	1,255,358	85,910	7,183	106,566	1,455,017	21%	7%

* Mr R. Dumbrell and Mr R. M. Griffin AM retired as directors on 23 November 2006.

Mr B. J. W. Wood was appointed a director of the Company on 11 April 2007.

Mr B. J. Phillips retired as a director of the Company on 31 August 2007 and remained as an employee until 31 December 2007.

Mr A. J. Hogendijk was appointed a director of the Company on 4 October 2007.

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		Short-term			Total	Post employment	Other	Share-based	Total	Performance related	Value of options
		Salary package and fees (a)	Cash bonus (b)	Non-monetary benefits		Super-annuation benefits (c)	long-term	payments			
		\$	\$	\$	\$	\$	\$	\$	\$	%	%
Executives											
Consolidated entity											
L. J. Brooks	2008	298,605	69,760	8,474	376,839	26,874	29,776	136,250	569,739	36%	24%
	2007	230,000	40,000	8,003	278,003	20,700	10,714	155,038	464,455	42%	33%
R. D. Frith	2008	298,605	69,760	8,474	376,839	26,874	31,484	136,250	571,447	36%	24%
	2007	230,000	50,000	8,003	288,003	20,700	10,714	155,038	474,455	43%	33%
N. F. Kelly	2008	254,373	106,820	8,474	369,667	22,894	32,070	132,830	557,461	43%	24%
	2007	200,000	40,000	8,003	248,003	18,000	7,764	151,823	425,590	45%	36%
I. D. Palmer	2008	262,982	106,820	8,474	378,276	23,668	8,501	100,493	510,938	41%	20%
	2007	–	–	–	–	–	–	–	–	–	–
D. Washer	2008	309,367	132,316	–	441,683	–	–	56,492	498,175	38%	11%
	2007	–	–	–	–	–	–	–	–	–	–
Total	2008	1,423,932	485,476	33,896	1,943,304	100,310	101,831	562,315	2,707,760	39%	21%
	2007	660,000	130,000	24,009	814,009	59,400	29,192	461,899	1,364,500	43%	34%

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

- Salary package and fees includes amounts salary sacrificed and for Mr McKay includes per diem payments of \$20,000 paid in recognition of additional duties undertaken.
- The 2008 cash bonus is for performance during the 30 June 2008 financial year. The amount was finally determined and paid in July 2008 after performance reviews were completed and approved by the remuneration committee.
- Superannuation benefits include the amount required to be contributed by the consolidated entity by law and does not include amounts salary sacrificed.
- Other long-term benefits comprise the amount of long service leave accrued in the period.
- The fair value of the options is calculated at the grant date using a modified binomial option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to this reporting period. In valuing the options, market conditions have been taken into account.

The fair value of options can only be converted to cash by the employee if on exercise of these options the Company's share price exceeds the exercise price by the amount shown as "Fair value per option granted" in the table in Section 6 of the Remuneration Report and the employee sells the shares. Option-pricing models for valuing options are an accounting guideline only. The reported fair values do not reflect the taxable benefit to the executive.

The following factors and assumptions were used in determining the fair value of options granted to the Managing Director and senior executives in the June 2008 financial year:

Grant Date	Weighted average share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free rate
11 April 2007*	\$2.77	\$2.77	25.0%	5 years	0% to 3%	6.125%
13 July 2007	\$3.56	\$3.56	25.0%	5 years	0% to 3%	6.880%
26 November 2007	\$3.18	\$3.18	25.0%	5 years	0% to 3%	7.290%

* Options granted to Mr Wood in the previous financial year on his appointment to the board of the Company but which were subject to the approval of shareholders at the 2007 Annual General Meeting.

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

5. Analysis of Performance Benefits included in Remuneration

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

5.1 Award of short-term performance benefits

Short term performance benefits in the form of cash bonuses are awarded to the Managing Director and senior executives on the achievement of consolidated entity and individual performance KPIs (refer to section 2.3.1 of this report).

The award of bonuses in July 2008 (as detailed in section 4 of this report) was in recognition of these achievements.

Details of the vesting profile of these short-term cash bonuses are as follows:

	Included in remuneration (\$) (a)	% vested in year	% forfeited in year (b)
Directors			
B. J. W. Wood	250,000	76.4%	23.6%
Executives			
L. J. Brooks	69,760	50.0%	50.0%
R. D. Frith	69,760	50.0%	50.0%
N. F. Kelly	106,820	87.5%	12.5%
I. D. Palmer	106,820	87.5%	12.5%
D. Washer	132,316	100.0%	0.0%

(a) Amounts included in remuneration for the financial year represents the amount that vested in the financial year based on satisfaction of specified criteria. No amounts vest in future financial years.

(b) The amounts forfeited are due to the stretch performance criteria not being met in the financial year.

5.2 Grant of long-term performance benefits

The consolidated entity has adopted a rolling three year TSR performance criteria in determining the ability of the consolidated entity to grant long-term performance benefits in the form of employee share options to senior executives (refer to section 2.3.2 of this report). As the consolidated entity's absolute TSR for the rolling three year period to 30 June 2008 of 27% was in excess of the minimum rate required of 10%, employee share options were granted in August 2008 to senior executives. These employee share options will vest, subject to the satisfaction of performance conditions, in July 2011.

Employee share options have been granted in previous financial years, the exercise of which is subject to the satisfaction of KPIs in the June 2008 financial year. Certain of these employee share options vest from 31 July 2008 subject to the satisfaction of these KPIs in the June 2008 financial year, as more fully described in section 2.3.2 of this report.

As the consolidated entity's absolute TSR for the rolling three year period to 30 June 2008 of 27% out-performed the ASX 200 Index of 7% and was essentially in line with the ASX 200 Energy Index of 28% it was determined that employee share options vesting in July 2008 are now capable of exercise by the Managing Director and senior executives.

For details of these options refer to section 6.

No employee share options have been forfeited in the current financial year as a consequence of the performance criteria not being met.

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6. Analysis of Share-Based Payments granted as Remuneration

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

	Number ^(a)	Grant date	Vested %	Financial years in which options vest	Fair value per option granted \$ ^(b)
Directors					
B. J. W. Wood*	250,000	26 November 2007	100%	30 June 2009	0.51
	300,000	26 November 2007	100%	30 June 2009	0.62
	250,000	26 November 2007	–	30 June 2010	0.54
	300,000	26 November 2007	–	30 June 2010	0.66
	400,000	26 November 2007	–	30 June 2011	0.68
Executives					
L. J. Brooks	450,000	20 March 2006	100%	30 June 2009	0.32
	150,000	21 July 2006	–	30 June 2010	0.65
	150,000	13 July 2007	–	30 June 2011	0.71
	100,000	14 August 2008	–	30 June 2012	0.59
R. D. Frith	450,000	20 March 2006	100%	30 June 2009	0.32
	150,000	21 July 2006	–	30 June 2010	0.65
	150,000	13 July 2007	–	30 June 2011	0.71
	100,000	14 August 2008	–	30 June 2012	0.59
N. F. Kelly	450,000	20 March 2006	100%	30 June 2009	0.32
	130,000	21 July 2006	–	30 June 2010	0.65
	150,000	13 July 2007	–	30 June 2011	0.71
	100,000	14 August 2008	–	30 June 2012	0.59
I. D. Palmer	350,000	20 March 2006	100%	30 June 2009	0.32
	100,000	21 July 2006	–	30 June 2010	0.65
	100,000	13 July 2007	–	30 June 2011	0.71
	100,000	14 August 2008	–	30 June 2012	0.59
D. Washer	50,000	13 July 2007	100%	30 June 2009	0.65
	50,000	21 July 2006	–	30 June 2010	0.65
	100,000	13 July 2007	–	30 June 2011	0.71
	100,000	14 August 2008	–	30 June 2012	0.59

* This grant of options was approved by shareholders at the 2007 Annual General Meeting of the Company.

(a) The number of options issued are a consequence of the implementation of a rolling three-year vesting period (refer Section 2.3.2) and the exercise of these options are conditional upon satisfaction of key performance indicators as determined by the Remuneration Committee for the financial year prior to the financial year in which the option vests.

(b) The fair value per option granted represents the modified binomial option-pricing model valuation for options granted during the year, and calculated at grant date.

(c) No terms of options granted as remuneration have been altered or modified during the reporting period or the prior period.



7. Analysis of Movements in Options

The movement during the reporting period, by value, of options granted over ordinary shares in AWE held by each Company Director and each of the named senior executives is detailed below:

	Grant Date	Number	Granted during year ended 30 June 2008, vesting post 30 June 2008 (\$)
Directors			
B. J. W. Wood	26 November 2007	1,500,000	797,040
Executives			
L. J. Brooks	13 July 2007	150,000	85,080
R. D. Frith	13 July 2007	150,000	85,080
N. F. Kelly	13 July 2007	150,000	85,080
I. D. Palmer	13 July 2007	100,000	56,720
D. Washer	13 July 2007	150,000	89,320
Total		2,200,000	1,198,320

* The minimum value of options yet to vest is \$Nil as the performance criteria may not be met and consequently the option may not vest. The maximum value of options yet to vest is not determinable as it depends on the market price of shares of the Company on the Australian Stock Exchange at the date the option vests.

The value of options granted in the year is the fair value of the options calculated at grant date using a modified binomial option-pricing model. The value of options issued is a consequence of the implementation of a rolling three-year vesting period (refer Section 2.3.2). This value does not represent the amount expensed as this amount is allocated over applicable financial periods to the date of vesting. No options lapsed or were forfeited during the year.

During the financial year, the following shares were issued on the exercise of options previously granted as remuneration:

	Number of shares No.	Amount paid per share \$/share	Average market value of shares at exercise date \$/share
Directors			
B. J. Phillips	1,000,000	1.91	2.98
Executives			
L. J. Brooks	—	—	—
R. D. Frith	500,000	0.92	2.98
	500,000	1.85	3.74
N. F. Kelly	100,000	1.85	3.35
I. D. Palmer	100,000	1.60	3.49