

SUSTAINABILITY REPORT

“AWE is pleased to report that no injuries were reported by the business in the financial year”

Continuing our sustainability journey

AWE recognises that our operations have long-time horizons and managing them sustainably is vitally important. For a number of years sustainability has been part of our overall business strategy, focusing primarily on the health and safety of our employees. In recent years we have extended our view of sustainability more broadly – including aspects such as the environment, our reputation, corporate governance and the teaming of our people. We have also sought to formalise the concept of sustainability further into our business.

In our inaugural Sustainability Report 2008, we laid out our sustainability reporting commitments for future years, and began to implement processes for measuring and reporting our sustainability performance with a strong focus on developing a system to measure and monitor our greenhouse gas emissions. This is AWE's second sustainability report which confirms our commitment to alignment of our sustainability objectives with our core business objectives as well as highlighting our sustainability performance during 2009.

Formalising AWE's sustainability vision

For AWE, sustainability is about integrating the economic, social and environmental considerations into our core business, meeting stakeholder expectations and delivering superior business outcomes. We believe this can be achieved through our sustainability vision, which entails:

- valuing and maintaining the health and safety of our people;
- building a unified team which delivers valuable returns for our shareholders and provides challenging, satisfying and rewarding careers to our people;
- being a good corporate citizen applying best practice corporate governance to create value;
- respecting and contributing positively to the communities in which we operate and upholding our reputation; and
- conserving the diversity and sensitivity of the natural environments in which we operate.

These objectives recognise the stakeholders most valuable to us: our employees, communities and investors, to whom we rely on to provide a productive workforce, give us access to land and reserves, and to finance the growth of our business.

Sustainability at AWE begins at the board level, which is pivotal to embedding corporate responsibility within the organisation. This is achieved through our AWE vision and is linked directly to management incentives, of which one-third is now comprised of aspirations and targets around sustainability. From 2010, our employees will be rewarded for both individual and company success, by delivering a new company wide long term incentive



Lagoon rehabilitation near New Plymouth



plan that rewards all employees for company success linked equally to three key performance areas of “Base Business Delivery”, “Growth” and “Sustainability”.

The board has assigned accountability to me, the Managing Director of AWE, for integrating sustainability into our core business practice. For 2009, senior management has been responsible for determining the key areas for public reporting. This has been selected on a materiality basis, using reporting frameworks such as the Global Reporting Index G3, API/IECA Oil and Gas Guidance on Voluntary Sustainability Reporting so that we report the information that we believe relevant to our stakeholders. We found these to be health and safety and climate change for which we have collected and reported data over the 2009 period. In selecting our reporting boundary, we have reported greenhouse gas emissions and safety data associated with the operated facilities as well as our net share of non-operated production operation. We believe that this approach best reflects the overall impacts of our operations.

For collecting and reporting data, we have given ownership for the measurement frameworks at the site level as we believe this enables further integration of sustainability objectives into the business.

Sustainability is also embedded in our investment decision making process. As we continue to pursue growth opportunities which create shareholder value, we understand that growth must be sustainable, whilst our clear objective is to replace reserves, sustain production and grow the company to the benefit of our shareholders.

Sustainability performance highlights 2009

Our sustainability performance in 2009 was pleasing. We made significant progress in developing our reporting frameworks, collecting data and reporting of our performance in the aspects that we believe to be the most important to our business: climate change and

safety. We saw sustainability integrated more strongly into our business – now representing one-third of our overall business vision and key performance indicators against which our employees’ performance is measured.

In 2009, we have seen a strong focus in Australia on the complex issues surrounding climate change and greenhouse gas emissions reductions. In response to this, AWE responded for the first time to the Carbon Disclosure Project, which was a valuable process in understanding our exposure to climate change and communicating this information to our investors. In responding to the CDP, AWE is also committed to minimising our impact on the environment. We hope to achieve this through initiatives such as our agreement with Air Liquide, which will reduce our carbon dioxide venting emissions from our BassGas joint venture by 25% from 2010.

Another highlight was the progress we made on employee and contractor safety over the past 12 months, reducing lost time injury frequency rate (“LTIFR”) from 2.34 to 0 across all of our operated and non-operated sites. This is a strong achievement for AWE as we believe a safe working environment is fundamental to a sustainable business.

In all of the communities that we work in, we continue to aim to leave them in “better shape” after we leave. Our community engagement programs continued in 2009, including AWE along with joint venture partner Mitsui becoming the national champion of the highly successful youth mentoring program, Big Brothers Big Sisters (“BBBS”) in New Zealand.

Looking forward

Over the next year, we wish to continue formalising and embedding sustainability into the core of the business. In the years ahead, our focus will again be on safety and the environment and we will also be seeking to understand how AWE is perceived by stakeholders, and how we can maintain and improve our reputation

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for integrity, transparency and sensitivity in all areas of our operations. We understand that our social license to operate is contingent on government and community confidence that our operations are properly conducted and provide benefit to the community. We aim to engage with our internal (employees) and external (communities and investors) stakeholders, using two-way consultation we will create open discussions to understand and address material stakeholder issues and commit to improving on and reporting on these issues in subsequent sustainability reports.

Continuing our sustainability journey....

In 2008, we incorporated an overview of our sustainability performance into our Annual Report for the first time. In recognition that communicating sustainability information to our stakeholders is essential, we committed to developing a sustainability measurement and reporting framework, to establishing a data collection methodology, and to reporting a set of measures and performance indicators covering the environmental and social performance. For 2009, we are proud to present our achievements against those commitments.

Safety

Our aim is to operate a safe and healthy workplace, with no fatalities or injuries. In the reporting year we achieved this target.

AWE maintains a strong focus on the safety of our employees, contractors and the communities in which we operate. We believe that all workplace accidents and injuries are preventable and continue to aspire to be injury free. Regardless of the severity of the injury, we maintain our belief that our safety performance can be improved, and that no task is so important that we risk an injury to our people. Our business relies on contractors to provide labour and for specialist skills and services. We value our contractors and their safety in exactly the same way we do our employees, and continue to work with contracting companies to improve our health and safety management systems.

We are pleased to report that over the period from 1 July 2008 to 30 June 2009, our lost time injury frequency rate ("LTIFR") rate was zero across all of our sites. LTIFR is where an employee or contractor is absent from work for a full shift as a result of a work related injury. At our operated sites, Tui Field and the Western Region – our LTIFR reduced from 3.5 in 2008 to 0 in 2009. Our total recordable injury frequency rate at our operated sites remained fairly consistent in 2008 and 2009. TRIFR includes lost time injuries, medical treatment injuries and restricted work injuries to employees and contractors.

We have refined our measurement of safety and note that our 2008 safety statistics now include our working hours from our offices in addition to sites to give a more complete picture of the safety across our operations. We have updated our 2008 and 2009 statistics to reflect this.

Looking forward

In 2010, we aim to achieve zero injuries at all sites, and to roll out further safety initiatives including improved application of risk assessment and increased training of employees and contractors.

Our team

Our aim is to build a unified team which delivers valuable returns for our shareholder and provides challenging, satisfying and rewarding careers to our people.

The success of our business strategy and our long-term sustainability as a company depends largely on the people who work for AWE. Sustainability requires constant attention to our people, the human capital of the company who are responsible for delivering the results to shareholders. Central to this is the alignment of the board, management and all other team members to deliver shareholder value and achieve high performance.

The combination of good people with the appropriate leadership and the ongoing commitment to operational excellence generates outstanding financial results. AWE ensures that we attract, retain and reward staff who demonstrates capacity to deliver the required operational excellence. By investing in ongoing training and development of our employees, we are ensuring our workforce is capable of taking on new challenges and contributing to the business improvements.

Looking forward

In 2010, we look to ensure all employees are rewarded for both individual and company success, through implementation of our long-term incentive plan that rewards all employees for company success linked equally to the three key performance areas of Base Business Delivery, Growth and Sustainability.

We look to build a unified team with a cooperative and communicative culture committed to the ongoing delivery of company objectives. We have a vision of zero regretted professional resignations, with a target of less than 5%.

We also look to develop a training plan including a training needs analysis to identify skills gaps and support the high performance culture.

Governance

AWE is committed to being a good corporate citizen applying best practice corporate governance to create value.

AWE seeks to meet or exceed statutory obligations and relevant codes of conduct governing corporate and financial integrity, safety and environmental performance. Corporate Governance also enables stakeholders outside of the decision making process to place more reliance and confidence in the business and its on-going viability including independence of directors and senior management, transparency of processes for risk management, audit and assurance. To achieve high standards of corporate governance, the Board has established policies including:

- Corporate Governance Statement
- Code of Conduct
- Charters of Board Sub-Committees
- Disclosure Policy
- Security Trading Policy
- Health, Safety and Environmental Policy
- Business Conduct Policies

These policies are available at www.awexplore.com

Looking forward

In 2010, we look to comply with all applicable regulation, laws and other obligation governing corporate and financial integrity, safety and environmental operations and performance.

Community and Reputation

Respecting and contributing positively to the communities in which we operate and upholding our reputation.

At AWE we will always seek to “do the right thing”. AWE has formed strong relationships with many of the communities in which we operate – recognising its responsibility to contribute in a positive way. This is the key principle behind our decision for allocation of sponsorship funds. In addition to this key principle, AWE sponsorship opportunities should be:

- based on community needs, and designed in consultation with the community;
- measurable positive impact: socially, economically and environmentally;
- sustainable – delivering long term benefits; and
- self-support once AWE participation ends

In 2009, AWE in conjunction with Taranaki oil venture partner Mitsui became the national champion of the highly successful youth mentoring program, Big Brothers Big Sisters (“BBBS”). A three-year sponsorship deal (worth \$NZ450,000) has guaranteed the program’s national future, giving countless young people the chance to improve their lives and make the most of opportunities for the future.

The national sponsorship deal compliments the existing local sponsorship arrangement with Big Brothers Big Sisters of Taranaki. AWE and its partners in the Tui oil project have successfully sponsored Big Brothers Big Sisters of Taranaki for two years, and have just confirmed an additional \$NZ100,000 per year for a further three years for the program. Big Brothers Big Sisters is a youth program, managed in some regions including Taranaki, by NZ Police’s Youth Development section, which enjoys overwhelming positive community recognition.

In addition to supporting the BBBS program, AWE sponsors a variety of other youth focused programs including supporting the local high school Science and Math fairs, local Youth Summer Soccer league, and contributions towards assisting local schools with art and cultural programs. Support of these youth based programs is complimented by AWE’s involvement as a sponsor of the Young Enterprise Scheme, where AWE staff provide business mentorship to local schools.

AWE’s support extends into the community through contributions towards the purchase of new safety equipment for the Taranaki Surf Lifesaving Clubs, Waikiriki Lagoon and Beach Restoration project which was developed with the local iwi and community to protect and enhance the biodiversity of the lagoon and beach areas through planting of native vegetation and ongoing maintenance of the area. A summary of the 2009 community activities is available on the AWE website.

As AWE expands new challenges will arise in interacting with diversity of locations, languages and cultures that will frame our interactions with communities.

Looking forward

In 2010 we look to continue to engage with our communities through stakeholder engagement processes and to continue to respond to community concerns – including the impact of our development activities on local communities, and responding to broader community needs.

Environment

AWE is committed to conserving the diversity and sensitivity of the natural environments in which we operate.

We understand that our operations – the extraction and production of oil and gas – have the potential to seriously impact on the environments in which we operate. We continually strive to reduce our environmental impact and conserve biodiversity by implementing environmental management systems and technological improvements and innovation. We are committed to minimising our impacts through the life of our operations and via rehabilitation of the land once the operations have ceased.



AWE sponsorship of BBBS

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AWE's Code of Conduct shows our clear commitment to complying with all applicable rules and regulations within and outside Australia with regard to the impact of our operations on the environment. When operating outside Australia, we continue to hold ourselves accountable to environmental leading practice. We will maintain an open and transparent disclosure with the investment community and regulatory authorities. We also seek to raise environmental awareness to all employees and contractors. We aim to be open with our stakeholders in the event of non-compliance with environmental laws and regulations.

Addressing climate change

Climate change is one of the most important business and environmental issues facing the world today. AWE acknowledges that climate change is a critical issue, accepting the need for a coordinated, global response. As a company operating in the oil and gas industry, AWE recognises its own environmental responsibility to participate in this effort and to address issues associated with our greenhouse gas emissions. This year the focus of our environmental reporting was developing our understanding of our greenhouse gas emissions profile across our operated and non-operated sites, and aggregating this at a corporate level.

In 2009, AWE reported under the CDP for the first time, addressing the regulatory and physical risks and opportunities associated with climate change, as well as disclosing our greenhouse gas emissions. Together with our joint venture partners, AWE is also required to report our greenhouse gas emissions from Australian operations under the National Greenhouse and Energy Reporting System. This reporting act requires robust, auditable data, which has assisted us to further our development of a more accurate data and measurement and reporting framework. It has facilitated our understanding of the emissions profile of our operations and joint venture partners in order to prepare us for the forthcoming Australian Carbon Pollution Reduction Scheme and

New Zealand Emissions Trading Scheme. In recognising the need to cut global greenhouse gas emissions, we are supporting such regulatory frameworks.

As a producer of natural gas, we will help play a pivotal role in assisting Australia's transition to a low carbon economy. Climate change therefore presents an opportunity for AWE to explore new markets and develop its gas production. According to APPEA, natural gas uses between 17 and 50 percent less water than coal in the generation of electricity in Australia, and gas used for domestic power generation is estimated to emit as little as 30-50 percent of the carbon dioxide emitted by coal.

Greenhouse gas emissions and intensity

The summary table on page 23 shows the total annual emissions for our operations. We have reported our greenhouse gas emissions associated with our operated and non-operated assets on an equity share basis. We have also worked hard with the respective operators of our non-operated assets to ensure the accuracy of the data.

In 2008-09, our greenhouse gas emissions across operated sites totalled 316,565 tonnes of Carbon Dioxide equivalent (tCO₂-e). During the reporting period, the CO₂-e intensity of our sites remained flat 0.03 tCO₂-e/BOE. Emissions data from non-operated joint venture sites are indicative as they rely on data from joint venture partners. Flaring of methane at Tui in New Zealand (an operated site) reduced sharply through the year reflecting the lower output rates and increased recycling of gas. We will continue to look for ways to reduce flaring from our New Zealand operations and expect to see this reduced further in future years.

We undertook a number of initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation, such as our joint venture with Air Liquide at BassGas and Cool Energy's CyroCell® Technology in the Perth Basin.

Looking forward, AWE has a goal to continue this trend to reduce the greenhouse gas intensity across our operations. We believe this can be achieved through

Case Study: Bass Gas emissions to be reduced by 25%

Carbon emissions from the BassGas gas plant at Lang Lang in Gippsland, Victoria will be reduced from the year 2010, following an agreement signed in May this year between the BassGas joint venture and Air Liquide, the leader in the CO₂ business in Australia.

The joint venture will capture approximately 25% of the carbon dioxide (CO₂) output of the gas plant which will be supplied to a new recovery unit to be constructed at the plant by Air Liquide at a cost of nearly \$20 million.

The CO₂ recovered will be purified, liquefied and can then be re-used for various purposes including fire fighting, wine making, soft drink carbonation, food preservation and freezing. From 2010, the Air Liquide CO₂ recovery unit will reduce emissions from Lang Lang by 25 per cent.

investing in initiatives that reduce our greenhouse gas emissions, improving our operations and measuring and disclosing greenhouse gas emissions to stakeholders. AWE is already planning to use more fuel efficient generators in some of the existing gas plants, which will have the combined benefit of decreasing fuel usage and increasing gas sales into the network.

Incidents and spills

We are pleased to report that during 2009, no oil spill incidents occurred at AWE operated sites. We continue to implement a range of measures so as to prevent any incidents.

Looking forward

In 2010, we aim to define and commence data collection for a number of indicators, including, energy usage, water consumption, waste management and biodiversity.

We will also develop performance targets, and report our performance against targets in the next financial year in the Annual Report and as part our CDP submission. We also plan to improve our energy efficiency and implement initiatives to reduce greenhouse gas intensity (tCO₂-e/BOE), with particular focus on reducing our flaring of gas at the Tui oil field.

Our Vision

To achieve our vision to be a successful oil and gas exploration and production company, AWE will need to continue to achieve superior exploration, development and operations performance. In achieving this, AWE is committed to continually improving its framework for managing and reporting sustainability. As we look to

grow our business exploration activities into Australia, New Zealand, Indonesia and Yemen and continue to create value for our shareholders, sustainability will be one of the key driving factors underpinning our business.

Over the next year, AWE’s ongoing effort to build a successful and sustainable business will be guided by the commitments and targets laid out in this report. Our focus will be on better understanding our reputation, to improving our understanding of how AWE is viewed by our most valued stakeholders, and responding to the economic, social and environmental issues most material to them.

We will continue to understand our performance through the measurements and reporting framework, enabling us to reduce the impact of our operations and joint ventures on the environment and the communities in which we operate. To keep our stakeholders informed, we will continue to provide an overview of all sustainability issues and our performance related to our core business within our Annual Reports.

Our progress

The following table identifies our progress against actions and objectives we set in our Annual Report 2008, as well as actions and objectives for 2010.

AWE’s priorities for 2010 will be to improve areas of the company’s performance and to expand our reporting commitments and meet our objectives.

Focus Area	2009 Actions and Objectives	Progress	2010 Actions and Objectives
Sustainability reporting	<p>Develop a sustainability measurement and reporting framework.</p> <p>Establish a data collection methodology and a set of measures and performance indicators covering the environmental and social performance coupled with economic performance.</p>	<p>Established data collection framework for key performance as determined by Senior Management.</p>	<p>Improve the quality of our data and meet reporting commitment for the environmental, social and management areas.</p>
Safety	<p>Zero injuries at all sites.</p> <p>Continue to improve safe operating procedures at our operations and joint ventures for all employees and contractors.</p>	<p>Achieved a zero lost time injuries at all sites.</p> <p>Aggregation of data at corporate level.</p> <p>Reported lost time injury frequency rates and total recordable injury frequency rates across all sites.</p>	<p>Zero injuries at all sites.</p> <p>Roll out further safety initiatives including improved application of risk assessment.</p>

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Focus Area	2009 Actions and Objectives	Progress	2010 Actions and Objectives
Our team	New for 2010.	New for 2010.	Ensure all employees are rewarded for both individual and company success, through implementation of our long term incentive plan that rewards all employees for company success linked equally to the three key performance areas of Base Business Delivery, Growth and Sustainability. We look to build a unified team with a cooperative and communicative culture.
Community	<p>Support communities where we operate including ongoing monitoring the Taranaki coastal areas.</p> <p>Maximise the benefits to communities during our operations so that we can leave a positive legacy on communities after closure.</p>	Collected data and information around investments made in the communities we operate.	<p>Continue to engage with our communities through stakeholder engagement process.</p> <p>Respond to community concerns – including the impact of our development activities on local communities, and responding to broader community needs.</p>
Engagement with stakeholders	Communicate with stakeholders by providing an overview of sustainability issues and performance against our commitments that relate to our core business within our annual report and on our website.	Provided an overview of sustainability issues we believed to be material to our business in our Annual Report 2009.	<p>Develop a formal internal and external stakeholder engagement plan and use these forums to understand and address material stakeholder issues and to understand how AWE is perceived to identify areas for improvement.</p> <p>Report on our stakeholder engagement process and findings.</p>
Environment	<p>Develop an understanding of our greatest areas of environmental impact.</p> <p>Develop environmental performance targets for future reporting.</p>	<p>Reported on:</p> <ul style="list-style-type: none"> – Greenhouse gas emissions – Greenhouse gas intensity – Gas Flaring at operated sites – Incidents and spills 	<p>Define and commence data collection for the following indicators:</p> <ul style="list-style-type: none"> – Energy consumption – Fresh water consumption – Impacts of our operations on biodiversity – Air quality (SOx and NOx) – Waste Management <p>Develop performance targets, and report our performance against targets in the next financial year in the company Annual Report and as part our Carbon Disclosure Project submission.</p>
Climate change	<p>Understand our exposure to climate change and associated regulation and to find ways to respond and adapt to the risks and opportunities associated with climate change</p> <p>Measure greenhouse gas emissions across sites, and reduce emissions.</p>	<p>Greenhouse gas inventory capturing data from all operated and non-operated sites prepared.</p> <p>Reduced greenhouse gas intensity (tCO₂-e/BOE) by 5%.</p> <p>During 2009, AWE responded to the Carbon Disclosure Project for the first time.</p>	<p>Improve energy efficiency and implement initiatives to reduce greenhouse gas intensity (tCO₂-e/BOE).</p> <p>Improve the data quality our response to CDP and make this publicly available.</p> <p>Reduce our flaring of hydrocarbon gases at the Tui oil field site.</p>

Our performance data

Performance Measure	2008	2009	% Change
PRODUCTION (Equity Share)			
Oil Production ('000 BBIs)	6,876	5,149	-25%
Gas Production (TJ)	15,641	18,418	+18%
LPG (tonnes)	13,197	19,802	+50%
Condensate ('000 BBIs)	238	298	+25%
Total Production ('000 BOE)	9,875	8,746	-11%
GREENHOUSE GAS EMISSIONS (Operational Control)			
Direct Greenhouse Gas emissions (tCO ₂ -e)	301,585	316,565	+5%
Indirect Greenhouse Gas emissions (tCO ₂ -e)	126	132	
GREENHOUSE GAS EMISSIONS (Equity Share)			
Direct Greenhouse Gas emissions (tCO ₂ -e)	318,083	294,757	-7%
Greenhouse gas intensity (tCO ₂ -e/BOE)	0.032	0.033	
ENVIRONMENT			
Hydrocarbon Spills	1	0	n/a
SAFETY (All sites)			
Hours worked	1,283,000	1,265,000	+1%
Fatalities	0	0	
Lost time Injury	3	0	
Lost time injury frequency rate	2.34	0	
Total recordable injury frequency rate	4.67	5.53	
SAFETY (Operations)			
Hours worked	847,193	792,413	-6%
Fatalities	0	0	
Lost time Injury	3	0	
Lost time injury frequency rate	3.5	0	
Total recordable incidents	6	5	
Total recordable injury frequency rate	6.8	6.3	