



ASX Announcement

May 21, 2008

AWE extends Tui FPSO charter

AWE Ltd, operator of the Tui offshore oil project in New Zealand, has negotiated an extension of the term of the charter for the Floating Production Storage and Offloading (FPSO) vessel, "Umuroa" through to December 31st 2022.

AWE estimates that this extension will allow at least five million barrels of additional oil to be recovered from the known Tui field reservoirs, bringing the current proven and probable (2P) reserve to at least 47 million barrels.

Under the contract with Prosafe Production, the owner and operator of the vessel, the fixed term of the charter has been extended by 3.4 years to December 31st 2015.

After that date the Tui joint venture now has seven, one-year options to extend, giving a maximum term of 15.4 years from the date of first production.

Previously the charter fixed term was for five years, with five one-year options to extend.

The gross value of the contract for the period from June 1, 2008 to 2022 is approximately US\$545 million. (Net Present cost US\$265 million discounted at 10%). The full operating cost of the charter for the financial year ending 30 June, 2009, is forecast to be approximately US\$61 million. This rate reduces annually, approximately in accordance with the expected Tui fields' production profile.

The charter extension will allow the Tui joint venture to produce substantial additional oil from the fields and will also maximise the value of any further oil discoveries in the area.

The four existing Tui field production wells continue to perform strongly. Oil production on the Umuroa has remained at close to 45,000 barrels a day despite rising water production.

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Studies into modifications to the Umuroa to increase water handling capacity to 150,000 barrels a day and to accommodate the planned Tui 4H production well, are underway.

AWE is also presently reviewing the Tui fields reserves. This study, which will include the additional oil recovery allowed by the Umuroa charter extension, is expected to be completed in June 2008.

Since the start of production on July 30, 2007, the Tui project has produced approximately 12.6 million barrels of oil from previously reported proven and probable (2P) reserves of 41.7 million barrels announced in November 2007.

When the Tui project was sanctioned 2P reserves stood at 26.8 million barrels.

AWE's managing director Mr Bruce Wood said:

"The extension of the Umuroa charter now aligns the AWE view of the economic life of the project with the realities of the heightened oil price environment. We are very pleased with the extension of the FPSO charter and the commensurate increase in reserves for the project."

"The negotiation of the extension with Prosafe adds substantial reserves to the Tui project and has resulted in a mutually beneficial arrangement."

"The Tui project continues to perform well, with strong oil output levels and we look forward to reporting the upcoming reserve review in the middle of next month."

Participants in PMP 38158 and the Tui Area Oil Project are:

AWE (Operator)	42.5%
Mitsui E & P Australia Pty Ltd	35.0%
Stewart Petroleum Company Ltd ("New Zealand Oil & Gas")	12.5%
WM Petroleum Ltd ("Pan Pacific Petroleum NL")	10.0%

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