



AWE's Al Meashar-2 drilling update

AWE Limited reports that as at 0600 hours Yemen time on October 20, 2010 (-8 hours EDST) the Al Meashar-2 appraisal well in Block 7, Yemen, was drilling ahead in 17-1/2" hole within the Harshiyat Formation at a measured depth of 1,111 metres. Progress for the week was 854 metres.

Al Meashar-2 is the first appraisal well of the Al Meashar-1 oil discovery, which was drilled in early 2010. The discovery encountered oil in the fracture basement; however oil flow rates were limited due to potential reservoir damage which was incurred while drilling.

The appraisal well will be drilled from the existing Al Meashar-1 well pad and deviated parallel to the discovery well. The well is planned to be drilled using Managed Pressure Drilling, which is designed to minimise damage from drilling fluids in the reservoir. The well will be drilled to a planned total measured depth of 3,740 metres.

The participants in Block 7 are:

ARC Energy Holdings Ltd*	21.25%
Oil Search (ROY) Ltd (Operator)	34.00%
Kuwait Foreign Petroleum Exploration Co. (Aden) Ltd	21.25%
Yemen General Corporation for Oil and Gas	15.00%
Mitsui E & P Middle East B.V	8.50%

* A wholly owned subsidiary of AWE Limited

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