ANNUAL REPORT

INCORPORATING
APPENDIX 4E

2017

Woodside

About this report

This Annual Report 2017 is a summary of Woodside's operations and activities for the 12-month period ended 31 December 2017 and financial position as at 31 December 2017. Woodside Petroleum Ltd (ABN 55 004 898 962) is the ultimate holding company of the Woodside group of companies. In this report, unless otherwise stated, references to 'Woodside' and the 'Group', the 'company', 'we', 'us' and 'our' refer to Woodside Petroleum Ltd and its controlled entities, as a whole. The text does not distinguish between the activities of the ultimate holding company and those of its controlled entities. In this report, references to a year are to the calendar and financial year ended 31 December 2017 unless otherwise stated.

All dollar figures are expressed in US currency, Woodside share, unless otherwise stated.

Additional information

We have indicated where additional information is available online and in other sections of this report like this:

Refer to the Glossary section on pages 143–144 for key terms, units of measurement and conversion factors.

Refer to Woodside's website for more information (www.woodside.com.au).

Forward-looking statements

This report contains forward-looking statements. Please refer to page 142, which contains a notice in respect of these statements.

greenreports

We are working with Green Reports™ on an initiative ensuring that communications minimise environmental impact and create a more sustainable future for the community.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C113956

Sustainable Development Report 2017

A summary of Woodside's sustainability approach, actions and performance for the 12-month period ended 31 December 2017 is included in our Sustainable Development Report 2017. This report will be available on 8 March 2018.

On the cover

An aerial image of Murujuga (the Burrup Peninsula), home to our landmark North West Shelf Project and Pluto LNG facility.

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Appendix 4E

Results for announcement to the market

Revenue from ordinary activities	decreased 4.1% to US$3,908m
Profit from ordinary activities after tax attributable to members	increased 18.0% to US$1,024m
Net profit from the period attributable to members	increased 18.0% to US$1,024m

	Amount per security	Franked amount per security
Dividends		
Final dividend (US cents per share)	Ordinary 49¢	Ordinary 49¢
Interim dividend (US cents per share)	Ordinary 49¢	Ordinary 49¢
None of the dividends are foreign sourced.		
Previous corresponding period:		
Final dividend (US cents per share)	Ordinary 49¢	Ordinary 49¢
Interim dividend (US cents per share)	Ordinary 34¢	Ordinary 34¢
Ex-dividend date	22 February 2018	
Record date for determining entitlements to the final dividend	23 February 2018	
Payment date for the final dividend	22 March 2018	

	31 December 2017	31 December 2016
Net tangible asset per security	US$17.86	US$17.61

ABOUT WOODSIDE

Woodside is Australia's largest independent oil and gas company with a global portfolio, recognised for our world-class capabilities – as an explorer, a developer, a producer and a supplier of energy.

We have a clear strategy to deliver superior shareholder returns across three distinct time horizons. These horizons are characterised by cash generation from 2017, unlocking value from 2022, and repeating our successes from 2027.

Our global exploration portfolio is balanced across established, emerging and frontier provinces covering Australia and the Asia-Pacific region, the Atlantic margins and sub-Saharan Africa. Currently, we are focused on drilling to grow our resource volumes.

We have significant equity interests in high-quality development opportunities in Australia (Wheatstone, Scarborough and Browse), Senegal (SNE), Myanmar and North America (Kitimat), and are pursuing new concepts and technology to enable cost-effective commercialisation of these resources.

Our producing assets include the landmark North West Shelf (NWS) Project, Pluto LNG and non-operated Wheatstone LNG. Our operated assets are renowned for their safety, reliability and efficiency. As Australia's leading LNG operator, we produced 7% of global LNG supply, and operate a fleet of floating production storage and offloading (FPSO) facilities.

We continue to expand our capabilities in marketing, trading and shipping and have enduring relationships that span more than 25 years with foundation customers throughout the Asia-Pacific region.

Woodside continues to promote the use of LNG as a low-emissions and economically viable alternative fuel.

Technology and innovation are essential to our long-term sustainability. We are working to bring down costs and find solutions to our business challenges. Today we are pioneering remote support and the application of artificial intelligence, embedding advanced analytics across our operations and making improvements in additive manufacturing.

Woodside demonstrates strong safety and environmental performance in all its operations. We are committed to upholding our values of integrity, respect, working sustainably, discipline, excellence and working together. Our success is driven by our people, and we aim to attract, develop and retain a diverse, high-performing workforce.

We recognise that long-term, meaningful relationships with communities are fundamental to maintaining our licence to operate. We help create stronger communities through programs that improve knowledge, build resilience and create shared opportunities.

Our proven track record and distinctive capabilities are underpinned by more than 60 years of experience, making us a partner of choice.

Karratha Gas Plant LNG loading jetty.

We are an Australian company,

OPERATING 7% OF GLOBAL LNG SUPPLY,

with more than 60 years of experience.

Over the past five years we have

DISTRIBUTED
$8.10
PER SHARE TO SHAREHOLDERS

DELIVERED
1,570
LNG CARGOES[1]

PAID
~$4.8 BILLION
IN TAXES AND ROYALTIES IN AUSTRALIA[2]

1. Includes partial cargoes (100% project).
2. Paid in Australian currency (A$5.6 billion) to the Federal and State Governments of Australia.

PERFORMANCE HIGHLIGHTS

Increased net profit after tax by **18%**

Generated free cash flow of **$832 million**

Maintained low unit production cost of **$5.2/boe**

Decreased total recordable injury rate by **21%**

In 2017, we progressed five major priorities

HORIZON I 2017–2021

CASH GENERATION

Image courtesy of Chevron Australia

WHEATSTONE

Delivered first LNG

PLUTO LNG

Developed expansion options

SENEGAL

Achieved concept select for SNE

HORIZON II 2022–2026

VALUE UNLOCKED

MYANMAR

Made third gas discovery

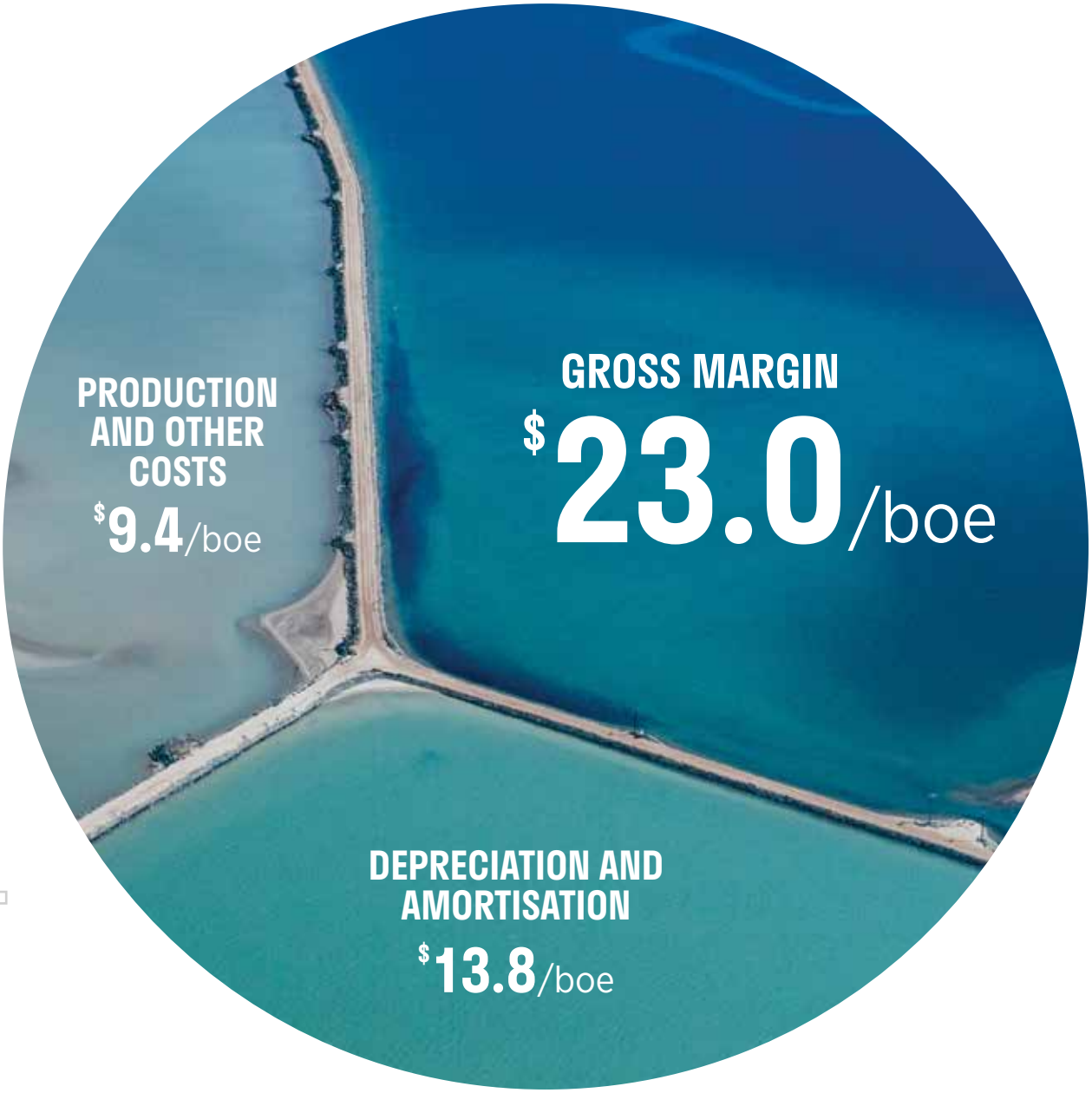
BROWSE

Progressed Browse to NWS concept

HORIZON III 2027+

SUCCESS REPEATED

Extracted value from our outstanding base business



Leading to $1,024 million net profit after tax

Delivered strong shareholder returns

122
US CENTS
EARNINGS PER SHARE

98
US CENTS
FULL-YEAR DIVIDEND

5.4%
DIVIDEND YIELD

Our business priorities in 2018 are to

Deliver **near-term production growth** from committed projects

Commence Greater Enfield drilling campaign

Commission Greater Western Flank-2 infrastructure

FIRST PRODUCTION IN 2019

Wheatstone LNG

Image courtesy of Chevron Australia

Progress major developments

SNE-Phase 1 FID	Scarborough FID Ready	Browse FID Ready
2019	**2020**	**2021**

Advance our **Myanmar** growth opportunity

Unlock **the Burrup Hub** and maximise the value of existing infrastructure

And maintain **base business** excellence

RELIABILITY **UNIT PRODUCTION COST**

Pluto and NWS 2016–2017 average

1. As at 31 December 2017.

CHAIRMAN'S REPORT

Michael Chaney, AO
Chairman

HIGHLIGHTS AS CHAIRMAN

- Development of the Pluto Project
- Expansion of the NWS
- Commencement of exploration in Senegal and Myanmar

MILESTONES IN 2017

- Increased profit by 18% to $1,024 million
- Full-year dividend of 98 cents per share, up from 83 cents in 2016
- Shell departure from register of shareholders

It is a great privilege for me to report once more on an excellent performance by your company as I move on from a role that has capped off my 46-year association with Woodside.

When I joined the company as a geologist in 1972, it was a junior explorer with a market capitalisation of A$12 million. Since then, Woodside has grown into Australia's largest independent oil and gas producer, with a market value of A$28 billion, and the pioneering spirit that enabled the development of the North West Shelf and our other projects is still strong. The 2017 results show the company is well-positioned for growth, achieving an 18% increase in profit, to $1,024 million, while maintaining low unit production costs and lifting gross margins to $23 per barrel of oil equivalent.

In reflecting on Woodside's success, it is clear to me that it has been achieved through a combination of discipline and vision.

We have maintained high shareholder distributions, paying a full-year dividend of 98 cents per share, up from 83 cents last year.

Your company has continued to demonstrate discipline on spending and balance sheet management while looking for opportunities to grow.

We have identified one such opportunity in the acquisition of an increased interest in the Scarborough resource and its cost-effective development through an existing facility. In conjunction with this, we have announced a A$2.5 billion rights issue, which maintains our prudent financial position and ensures we are well-placed to develop not only Scarborough but also other planned projects that will help meet rising global demand for LNG and deliver significant returns to shareholders.

Predicting oil prices with any reliability is impossible, but Woodside has shown over the years that a low cost producer can survive and indeed prosper in any conditions. Against the backdrop of oil price volatility and, at times in the past decade, global financial stress, your company was able to maintain profits and pay dividends. We were also in a position to consider new opportunities as they arose and grow our portfolio when this presented value for shareholders.

In 2017, oil prices stabilised and then firmed, supporting higher average realised prices. LNG spot prices fluctuated, increasing significantly in the second half of the year, primarily due to increased Asian demand and seasonal variations.

Investment in new LNG globally has not kept up with growth in demand: in 2017, global LNG demand increased by around 30 mtpa but only one new LNG project, for 3.4 mtpa, was approved. It is clear that new projects will be needed. Against this backdrop your company is ready to deliver and we have outlined to investors our plans for future projects that are timed to take advantage of this opportunity.

We are progressing towards a sensible outcome for the development of the plentiful gas resources off Western Australia.

As operator of the Browse, North West Shelf and Pluto Joint Ventures, Woodside is in a unique position to deliver on plans for the Burrup Hub in northern Western Australia, ensuring Australia's resources are developed in the most efficient way. This builds on developments that have progressed during the decade when I have been privileged to serve as Chairman. Highlights from this time include the development of the Pluto Project, expansion of the North West Shelf and commencement of ongoing exploration and appraisal programs in Senegal and Myanmar.

A further sign of your company's evolution came in 2017, as we farewelled Shell from our register of shareholders, reinforcing Woodside's independence. We have appreciated the support provided by Shell over the years, as a long-term shareholder and Joint Venture participant, participant in our Board and, in earlier days, through the secondment of staff.

Amid increasing global competition for capital, it is vital that governments are mindful that their decisions shape business conditions.

We have had to confront a number of concerning issues in Australia in this regard over the last year. The first has been the refusal of the Federal Opposition and minor parties to support the Commonwealth Government's proposal to reduce the corporate tax rate for all companies. It is obvious to anyone involved in corporate life that if Australia has a company tax rate which is out of kilter with that in other countries, investment dollars and jobs will leave our shores.

Additionally, over the course of 2017, the Australian Government gave consideration to imposing increased taxes on our industry. It is encouraging that on this matter the Government seems to have taken a rational approach thus far. Any changes, particularly retrospective changes, which jeopardised future exploration and development would be very short-sighted.

Thirdly, we have seen changes to immigration rules, particularly with respect to 457 visas, which have made it harder to bring experienced professionals to Australia. At a time when skill shortages are occurring in many fields, this has been very counter-productive.

Finally, we are hearing promises by the Federal Opposition to increase regulation and costs in the employment market – moves which would run directly counter to the need for increased flexibility in this disruptive world.

In reflecting on Woodside's success, it is clear to me that it has been achieved through a combination of discipline and vision.

I know that the commitment to delivering value for shareholders will continue under the chairmanship of Richard Goyder. In the interests of a smooth transition, Richard joined the Board in August 2017 as a non-executive Director and Chairman-elect.

I take this opportunity to thank the outstanding directors I have been privileged to work with over the last twelve years. Each has given generously of his or her time and in every case has put the interests of the company and its shareholders first.

Finally, I thank Peter Coleman and his executive team for their astute management and hard work. Woodside is positioned well under their stewardship to continue delivering value to shareholders and energy to customers around the world.

Michael Chaney, AO
Chairman
14 February 2018

CHIEF EXECUTIVE OFFICER'S REPORT

Peter Coleman
Chief Executive Officer and Managing Director

2017 HIGHLIGHTS

- Supported start-up of Wheatstone
- Browse and NWS Joint Ventures in negotiations on tariff structure for processing third-party gas
- Total recordable injury rate at record low
- Outlined to investors growth plans for the next decade and beyond

2018 ACTIVITIES

- Maintain base business excellence from operations to committed projects
- Deliver and optimise Wheatstone
- Unlock the Burrup Hub through the Pluto-NWS Interconnector, Browse to NWS and Scarborough to Burrup
- Enter SNE-Phase 1 FEED in Senegal
- Progress drilling in Myanmar

Woodside delivered strong financial results in 2017, increasing both profit and free cash flow, while continuing to invest in growth.

Our discipline on costs and capital spending has strengthened our balance sheet and allowed us to deliver strong returns to shareholders. Looking to 2018, our budget is set to break-even at an oil price of $35 per barrel,[1] well below recent pricing.

Oil prices firmed from the second half of 2017. There are now signs that a global LNG supply gap is looming in the early 2020s amid robust demand from Asian markets.

We have forecast for some time that rising global demand for LNG will require investment in new supply and have spent the past three years rebuilding and diversifying our portfolio.

We are taking steps to ensure we can make the most of the market shift, increasing our interest in the world-class Scarborough resource to provide greater certainty, alignment and control, and preparing our finances to support the next stage of growth.

We expect 2018 to offer substantial opportunity for Woodside.

Those opportunities are within grasp, in part because of external conditions, but also because we have identified the changing circumstances and prepared for them.

We have made commitments and delivered on them. At the start of the year, we laid out our priorities for our assets in Australia, Africa and Asia, and we have made excellent progress on all of them.

The commissioning of Wheatstone is a significant step. The delays in achieving this were disappointing, but we are working with the operator to ensure that relevant lessons are learned so that the start-up of Train 2 progresses smoothly.

Wheatstone will be an important part of our portfolio for years to come, but there are also other promising developments on the horizon. In 2017, we outlined to investors how our portfolio of projects would align with market movements over the next decade and beyond.

This includes our vision for developing the Burrup Hub, to ensure efficient use of the facilities of the Pluto and North West Shelf Projects and the timely and cost-effective development of resources. On the Burrup Hub, Woodside is in the valuable position of having equity in both the gas and the world-class infrastructure to develop it.

The Browse and NWS Joint Ventures have made good headway in discussions on the tariff structure for bringing Browse gas through the Karratha Gas Plant. We expect to conclude these negotiations in 2018 with a view to Browse being final investment decision-ready in 2021.

At Pluto, we have done thorough groundwork on options for expanding production, which we are now able to use in our development planning for Scarborough, taking account of our increased equity and the certainty this delivers.

In Senegal, for the SNE field, we anticipate a development plan going to FID in 2019.

We have progressed our drilling program in Myanmar and are actively working with governments, Myanmarese partners, community groups and non-government organisations to ensure our activities in no way compromise our values, including our commitment to upholding human rights.

Even when gas seemed so plentiful globally in recent years, we were confident demand was growing and the world would need more LNG.

Overall, it is fair to say that the year presented some challenges for operations.

Our production performance was affected by significant rains early in the year together with disruptions from cyclones and unplanned power outages at the Karratha Gas Plant and at Pluto.

Nevertheless, our commitment to operational excellence has been evident in the fact we maintained low unit production costs while setting new safety records. The delivery of the Persephone Project under budget and ahead of schedule is just one example of our robust and disciplined approach.

We are developing new markets for our product and new uses, including providing LNG as a low emissions alternative fuel to diesel for land and marine transport and remote power generation in northern Western Australia. As the world responds to the challenge of climate change, our product can contribute to emissions reductions by providing a cleaner burning energy source, particularly in growing Asian markets. Within Woodside's operations, we continue to invest in technologies to reduce emissions and promote energy efficiency.

Our commitment to sustainability was recognised by the Dow Jones Sustainability Index ranking us in the top 3% of companies in the sector. We were recognised by APPEA for our Safety and Environmental performance, and the World Petroleum Council for our innovative STEM program in schools.

Even when gas seemed so plentiful globally in recent years, we were confident demand was growing and the world would need more LNG.

We have been working diligently to prepare for this, using the strength of our balance sheet to make strategic acquisitions.

I thank Woodside staff for their hard work and would also like to thank Michael Chaney for the support, guidance and mentorship he has shown during his years as Chairman and express a warm welcome to his successor, Richard Goyder.

Peter Coleman
Chief Executive Officer and Managing Director
14 February 2018

1. Dated Brent price at which cash flow from operating activities equals cash flow from investing activities (pre-dividend and excluding the acquisition of ExxonMobil's interest in the Scarborough gas field).

EXECUTIVE MANAGEMENT

Peter Coleman
BEng, MBA, FTSE
Chief Executive Officer and Managing Director

Phil Loader
BSc (Geology), MBA, MSc, DIC
Executive Vice President Global Exploration

- Exploration
- Geoscience
- International Exploration Offices

Phil Loader will cease being a member of the Key Management Personnel in February 2018. Shaun Gregory will be appointed Executive Vice President Exploration and Technology, effective 1 March 2018.

Robert Edwardes
BSc (Engineering), PhD
Executive Vice President Development

- Engineering
- Projects
- Developments
- International Development Offices

Michael Utsler
BSc (Petroleum Engineering)
Executive Vice President and Chief Operations Officer

- Production
- Drilling and Completions
- Logistics
- Health, Safety, Environment and Quality
- Global Operations Planning and Performance
- Reservoir Management
- Subsea and Pipelines

Reinhardt Matisons
BEng, MBA, MIE Aust, CPEng, CPA
Executive Vice President Marketing, Trading and Shipping

- Marketing
- Power and New Markets
- Shipping
- Trading
- International Marketing Offices

Sherry Duhe
BS (Accounting), MBA
Executive Vice President and Chief Financial Officer

- Finance, Tax, Treasury and Insurance
- Commercial
- Business Development and Growth
- Contracting and Procurement
- Investor Relations
- Strategy Planning and Analysis
- Performance Excellence

Shaun Gregory
BSc (Hons), MBT
Senior Vice President and Chief Technology Officer

- Development Planning
- Information Solutions and Services
- Science
- Subsurface
- Technology

Michael Abbott
BJuris, LLB, BA, MBA
Senior Vice President Corporate and Legal

- Audit
- Business Climate and Energy Outlook
- Corporate Affairs
- Legal and Secretariat
- Risk and Compliance
- Security and Emergency Management
- Global Property and Workplace

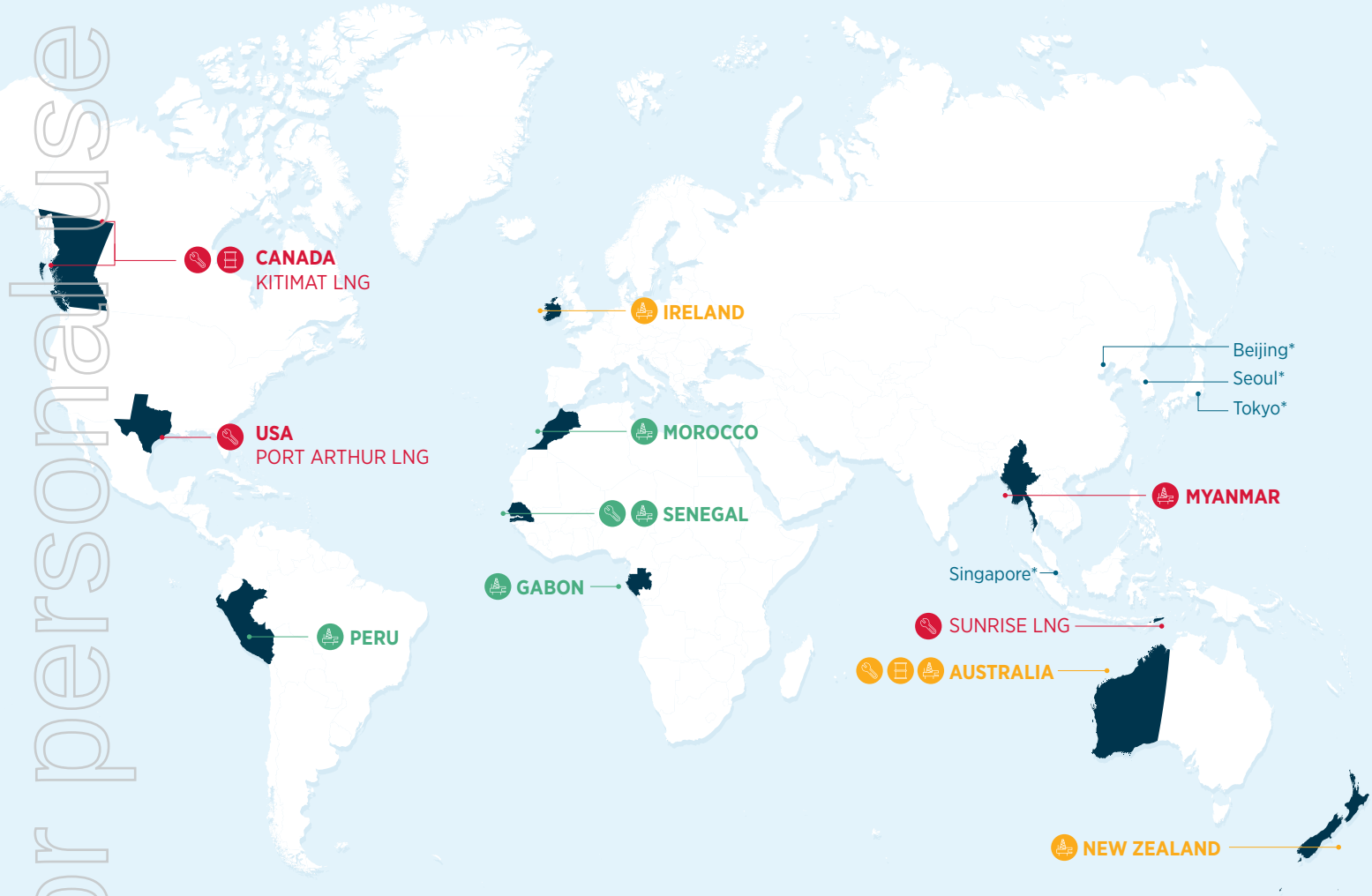
Jacky Connolly
BCom, MOHS
Vice President People and Global Capability

- People and Capability
- Employee Engagement

The Siem Thiima LNG-powered marine support vessel arriving at the King Bay Supply Facility.

OUR AREAS OF ACTIVITY

GLOBAL



Product type

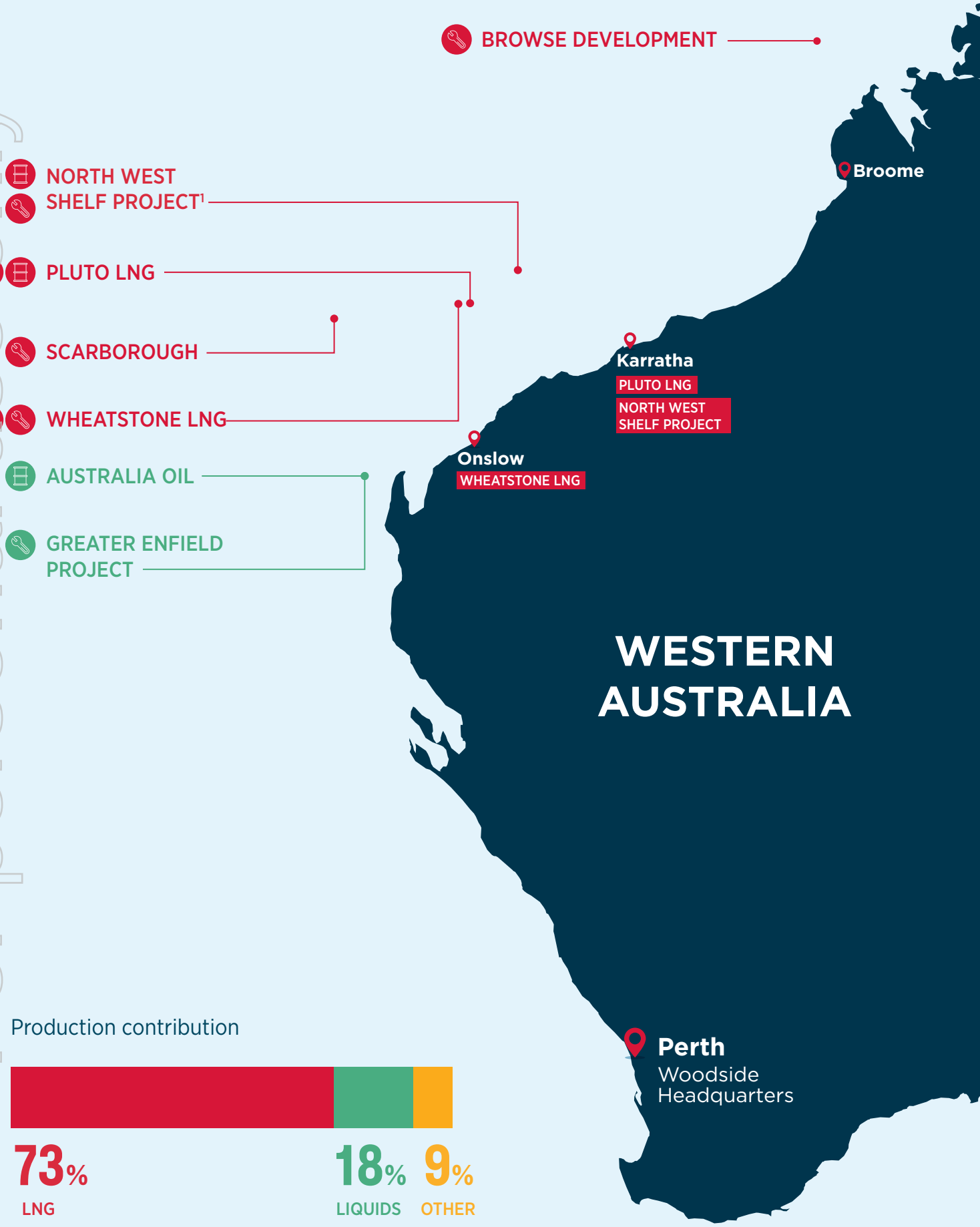
- Gas
- Oil
- Gas or oil

Phase

- Producing assets
- Projects and developments
- Appraisal and exploration

*Denotes marketing office

WESTERN AUSTRALIA



Production contribution

73% LNG

18% LIQUIDS

9% OTHER

1. Production from the Okha FPSO is now reported as part of our Australia Oil operations.

Fin fan deck at the Karratha Gas Plant.

OPERATING AND FINANCIAL REVIEW

FINANCIAL SUMMARY

Strong performance by our base business and improved market conditions have generated strong cash flows and contributed to increased profit. We continue to fund growth from cash generated by our operations, while maintaining strong returns to shareholders.

Key metrics

$ million		2017	2016
Operating revenue		**3,908**	4,075
EBITDA		**2,854**	2,734
EBIT		**1,650**	1,388
NPAT		**1,024**	868
Underlying NPAT[1]		**1,024**	868
Net cash from operating activities		**2,400**	2,587
Investment expenditure		**1,563**	2,459
Capital investment expenditure[2]		**1,268**	2,153
Exploration expenditure[3]		**295**	306
Free cash flow		**832**	114
Dividends paid		**826**	640
Key ratios			
Return on equity	%	**6.8**	5.8
ROACE	%	**7.1**	6.2
Earnings	(US cps)	**122**	104
Gearing	%	**24**	24
Effective income tax rate	%	**34**	36
Sales volumes			
Gas	(MMboe)	**68.3**	78.8
Liquids	(MMboe)	**14.5**	16.2

NPAT reconciliation

Key NPAT differences

Sales revenue: price

Price variances positively impacted sales revenue by $258 million as our average realised price increased by approximately 10% to $44/boe.

Average realised price	2017 $/boe	2016 $/boe	Variance %	Impact $m
NWS LNG	**38**	33	15	117
Pluto LNG	**47**	48	(2)	(23)
Wheatstone LNG	**48**	-	-	-
Pipeline gas	**20**	21	(5)	(1)
Condensate	**54**	45	20	76
LPG	**57**	45	27	7
Oil	**56**	44	27	82
Volume weighted average realised prices	**44**	**40**	**10**	**258**
Brent average price	**54**	45	20	
JCC (lagged 3 months)	**51**	42	21	

Sales revenue: volume

Lower sales volume negatively impacted sales revenue by $392 million. This was predominantly due to lower NWS pipeline gas volumes following a change in venture equity share[4], lower LNG production due to turnaround activity and unplanned outages, combined with 2017 LNG inventory build.

Production costs

A reduction in total production costs of $29 million was predominantly due to a change in venture equity share in the NWS pipeline gas venture and some oil operations that were discontinued in 2016, partially offset by Wheatstone production commencement and higher Pluto maintenance and studies costs.

Depreciation

A reduction of $132 million was predominantly due to positive reserves movements, causing a reduction in depreciation per unit of production, and lower production volume. This was partially offset by commencement of Wheatstone depreciation following start-up in 2017.

Provision release

A $120 million provision related to the Balnaves FPSO lease, terminated in 2016, was released.

Exploration and evaluation

A decrease of $103 million in exploration and evaluation expense was predominantly due to reduced seismic activity, a reduction in general permit costs and a higher proportion of exploration expenditure capitalised relative to 2016.

Other

Other NPAT differences include the impact of a positive 2016 NWS price review payment, lower Petroleum Resource Rent Tax benefit, higher income tax expense, higher finance costs, higher shipping and direct sales costs and lower gains on disposals. These are partially offset by favourable movement in net trading margin, lower general, administrative and other costs, favourable inventory movement and favourable foreign exchange movements.

1. No adjustments were made to the calculation of underlying NPAT for 2017.
2. Excluding exploration capitalised, includes restoration and rehabilitation spend and evaluation expense.
3. Item excludes prior period expenditure written off and permit amortisation.
4. Woodside equity share of NWS domestic gas and associated condensate was 50% in the DGJV. The DGJV applied to the first 414 TJ/d, with contractual flexibilities allowing up to 517.5 TJ/d. The DGJV production entitlement was fulfilled on 8 May 2017. Woodside's share of domestic gas and associated condensate following fulfilment of the DGJV production entitlement is 16.67%.

Capital allocation

In 2017 we generated $832 million free cash flow, a $718 million increase from 2016. Strong operating cash flow of $2,400 million contributed to this result.

We continue to fund investment in line with our strategy, with $1,563 million invested in capital and exploration expenditure. Our capital expenditure of $1,268 million decreased by $885 million relative to 2016, predominantly due to the Senegal oil and Scarborough gas interests acquisitions in 2016. Approximately 70% of our 2017 capital expenditure was invested in the Wheatstone LNG project, the Greater Enfield oil project and the NWS subsea tieback projects, which are underpinning targeted production of approximately 100 MMboe in 2020.[1] Wheatstone Train 1 commenced LNG production in Q4 2017, with Train 2 expected to commence in Q2 2018.

We continue to invest in exploration, with $295 million invested and wells drilled in Myanmar, Senegal, Gabon and Australia during 2017.

In 2017, we declared $826 million of dividends, equivalent to 98 cents per share (cps). This represents a dividend payout ratio of 80% of underlying NPAT. Our dividends are fully franked for Australian taxation purposes, and our gross dividend yield for 2017 was 5.4%.

Unit production cost, cash costs and margins

Total unit production costs increased by 4% to $5.2 per boe.

Gas unit production costs increased by 14% to $4.0 per boe due to the impact of a Pluto minor turnaround on production volumes and higher associated costs, higher than average unit production costs for Wheatstone as production commenced in Q4 and the impact of NWS pipeline gas venture equity reduction.

Oil unit production costs improved by 21% to $18.4 per boe. This was predominantly due to the increase in Okha FPSO production volume, combined with lower maintenance costs, following the completion of the 2016 dry dock. Operations discontinued in 2016 also contributed to the reduction.

Gross margin increased by 19% from $19.4 to $23.0 per boe, and our break-even cash cost of sales remains very competitive at $10.0 per boe. Our high margin, low cost operations continue to support both strong cash flows and increased profit.

Balance sheet, liquidity and debt service

During 2017, we maintained our strong balance sheet and ended the year with gearing of 24%, well within our target range of 10% to 30%.

Our strong investment grade credit ratings of Baa1 and BBB+ were re-affirmed in 2017 by both Moody's and S&P Global respectively.

We continue to actively manage our debt portfolio, minimising near-term maturities and maintaining a low cost of debt. The average term to maturity of our debt is 4.7 years, and our portfolio cost of debt remains competitive at 3.7%.

We are well supported by both bank and debt capital markets. During 2017, the following new and refinanced facilities were executed:

- $800 million US 144A 10.5-year 3.70% corporate bond;
- $800 million revolving bilateral debt facility agreement extensions; and
- $800 million unsecured syndicated debt facility, with extended maturities following the amendment and extension of the existing $1.2 billion syndicated facility.

We ended 2017 with net debt of $4,747 million and with strong liquidity of $2,942 million, comprising $318 million in cash and $2,624 million in available undrawn debt facilities.

2018 outlook

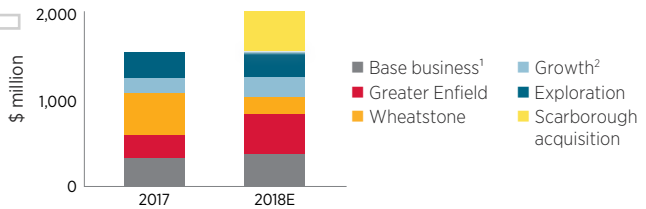
Total 2018 investment expenditure, including the acquisition of ExxonMobil's interest in the Scarborough gas field, is expected to be between $2,000 million to $2,050 million. Relative to 2017, our Wheatstone LNG investment will reduce due to the completion of Train 1. Investment will continue on Train 2 and domestic gas processing. Greater Enfield investment will increase as subsea installation and drilling activities commence.

Our break-even oil price, excluding the Scarborough acquisition, is $35 per barrel.[2]

For 2018, the expected impact on NPAT of a $1 movement in the Brent oil price is $26 million, and the expected impact of a $0.01 movement in the AUD/USD exchange rate on NPAT is $5 million.

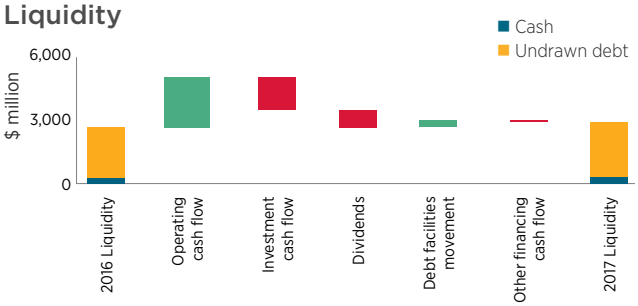
1. Based on current project schedules of Wheatstone LNG, the Greater Enfield Project and Greater Western Flank Phase-2.
2. Dated Brent price at which cash flow from operating activities equals cash flow from investing activities (pre-dividend and excluding the acquisition of ExxonMobil's interest in the Scarborough gas field).

Investment expenditure

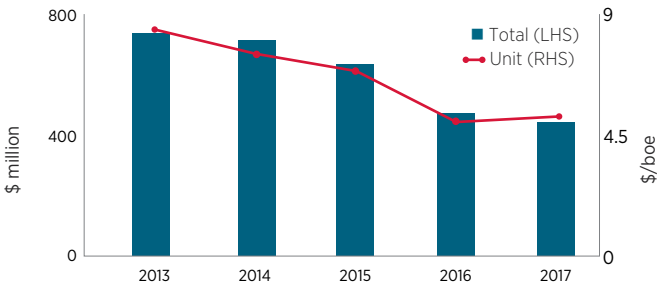


1. Base business includes Pluto, NWS, Australia Oil and Corporate.
2. Growth includes Scarborough, Pluto LNG expansion, Browse, Senegal, Myanmar, Kitimat and other spend.

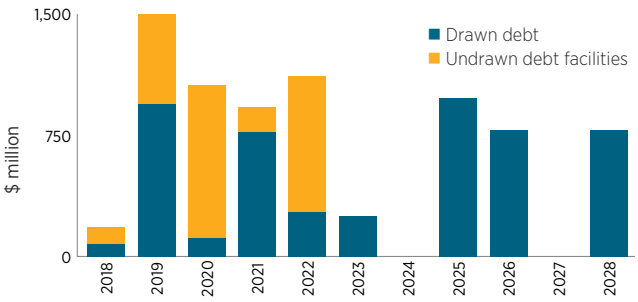
Liquidity



Production costs



Debt maturity



LNG MARKET

The LNG market is in a period of rapid expansion of supply. Strong global economic growth and demand for cleaner fuels have also driven very rapid growth in LNG demand. Earlier expectations of an extended period of oversupply are giving way to a recognition that an LNG supply shortfall could emerge by the early 2020s. Meeting this shortfall requires near-term commitment from both LNG suppliers and buyers to develop new resources.

China, India, Pakistan, South Korea and South-East Asia have all shown recent signs of LNG demand upside, supported by GDP growth and strong policy support.

In China, policy moves to increase gas use in the recent Five Year Plan are starting to take effect. New Chinese energy policies targeting urban air pollution, coal power retirements and reliability for renewables are expected to create additional natural gas and LNG demand upside. LNG imports have filled over 50% of gas demand growth in China over the last two years, and this is expected to continue until the pipeline from Russia and domestic supply comes online in the early 2020s.

The Chinese Government targets gas having a 15% share of the energy mix by 2030, up from 6% in 2017. Much of this growth is likely to come from LNG imports, with new contracting expected to begin imminently.

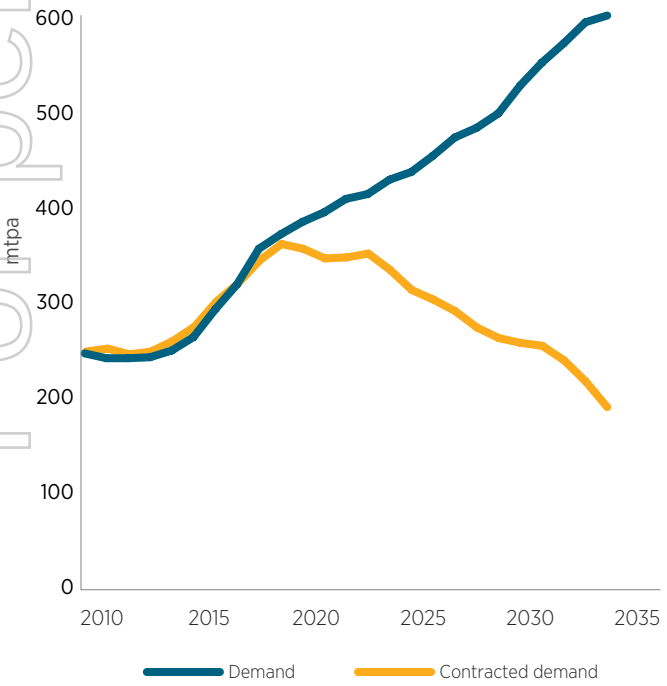
In South Korea, policy shifts away from coal and nuclear power have caused a surge in LNG demand. In India, LNG import capacity is expected to increase rapidly through to 2021, removing potential logistical constraints on demand growth.

Seasonal price spikes, particularly in the northern hemisphere winter, continue to expose buyers to significant price risk. Recent spot prices of over $11/MMBtu in north-east Asia may further incentivise buyers to add duration to portfolios.

New technologies and operating models such as floating storage regasification units (FSRUs) are also continuing to open new markets and shortening time to first LNG imports, particularly in emerging markets such as Pakistan and South-East Asia.

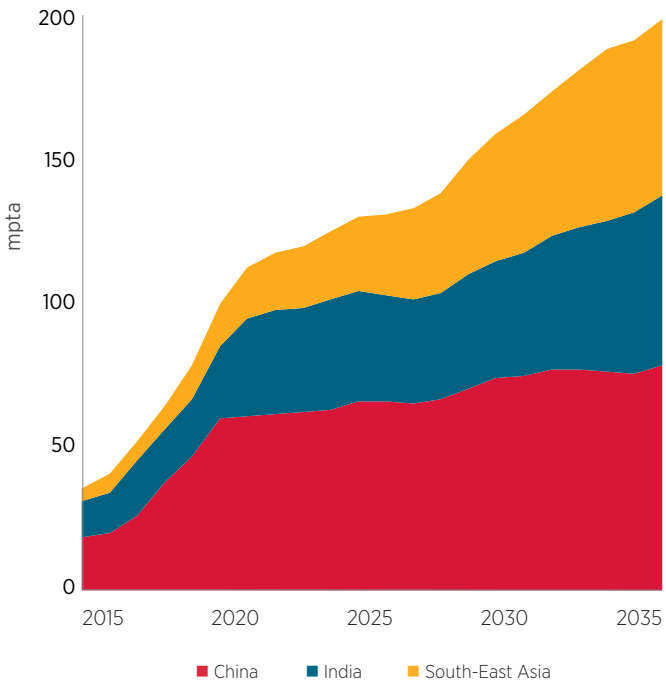
With emergent demand upside and potential delays for new projects under construction, the market could tighten earlier than some forecasters anticipate. New FIDs will need to be taken by 2020 to ensure that the market remains adequately supplied from 2023. Woodside is well positioned to respond, with a significant portfolio of gas resources that can be delivered at globally competitive prices.

Global LNG demand



Source: Wood Mackenzie LTD; Q4 2017.

Emerging market demand



South-East Asia includes Indonesia, Malaysia, Philippines, Thailand and Vietnam.
Source: Wood Mackenzie LTD, Q4 2017.

TRENDS SUPPORTING DEMAND GROWTH

Gas displaces coal
As demand for clean and lower-carbon energy increases, gas for power generation is expected to grow.

Gas provides reliable power that supports renewables
The anticipated growth of renewable sources of energy creates a growing intermittency gap, which gas can fill.

Increasing electrification
Supports growth in lower emissions fuels.

Gas and LNG play an important role in lowering the carbon intensity of economic growth
As demand for energy grows, gas plays an increasingly important role in lowering carbon intensity.

Asia needs gas to meet growing energy needs
Demand growth is strongest in Asia. By the late 2020s, China is expected to be the world's second largest gas market.

Gas demand grows; LNG demand grows faster
Demand for LNG is forecast to more than double by 2040. LNG as a share of global gas demand is similarly expected to increase. Inadequate domestic resources in importing countries, geopolitics and the desire for diversification of supply further support this.

Gas fuels ships and trucks
Competitive costs and lower emissions make gas increasingly attractive in heavy duty trucking and as a maritime fuel. International maritime regulations have set sulphur limits to control airborne ship emissions from 1 January 2020, which makes LNG well positioned to grow maritime fuel market share.

LNG demand in Asia will continue to remain high.

STRATEGY AND CAPITAL ALLOCATION

We have a clear strategy to deliver superior shareholder returns across three distinct time horizons.

These horizons are characterised by cash generation (2017–2021), unlocking value (2022–2026) and repeating our successes (2027+).

As a low-cost and high-margin producer, Woodside is uniquely positioned as the global LNG market rebalances and grows in the future.

HORIZON I 2017–2021 — CASH GENERATION

- Lower capital intensity developments
- New revenue streams
- Preparing for Horizon II growth
- New growth platforms through exploration and acquisitions
- Expanding the LNG market

Horizon I is focused on delivering committed growth projects and being investment ready for significant LNG projects.

We have committed growth from Wheatstone LNG, Greater Enfield and the NWS subsea tiebacks which are underpinning targeted production of approximately 100 MMboe in 2020.[1]

We are targeting additional production from the expansion of Pluto LNG and being decision ready for developing our resources in Senegal and the Carnarvon Basin.

HORIZON II 2022–2026 — VALUE UNLOCKED

- Developments leveraging existing infrastructure
- Growth funded by base business and Horizon I growth
- Monetise exploration and acquisition success
- Increase supply to new and traditional markets

The cash generated from Horizon I growth underpins the development of capital-efficient LNG developments required to meet the projected LNG supply shortfall in Horizon II.

The establishment of a hub on the Burrup Peninsula is a key feature of Horizon II.

HORIZON III 2027+ — SUCCESS REPEATED

- Capital-efficient developments
- Unlock new major hubs

Horizon III will target repeating the success of previous horizons. Development of the high quality Kitimat and Sunrise resources and new exploration opportunities are targeted for development within this horizon.

OUTSTANDING BASE BUSINESS
SUSTAINABLE ENERGY

1. Based on current project schedules of Wheatstone LNG, the Greater Enfield Project and Greater Western Flank Phase-2.

Growth across the horizons will continue to be underpinned by our outstanding base business, a focus on creating sustainable energy solutions and a disciplined capital allocation framework.

Outstanding base business

Our outstanding base business is underpinned by world-class LNG and FPSO reliability, cost discipline and strong safety and environmental performance. We will continue to secure value by developing and deploying industry-leading technology across our portfolio of assets.

Sustainable energy

Woodside is focused on providing sustainable energy solutions that deliver enduring value to shareholders, partners, communities and governments. We continue to promote LNG as a lower emissions fuel and have committed to developing LNG as a transport fuel. As global demand grows, we will be ready to meet it, building our growth across the next decade and beyond.

Capital allocation

Woodside's capital allocation framework provides management choice to optimise returns and risk in a range of macroeconomic scenarios. Our priorities are:

+ **Debt service,** to ensure that we continue to have access to premium debt markets at a competitive cost to support our growth activities. We continue to seek to manage average debt to maturity on our debt portfolio. Our gearing target is between 10% and 30%. We continue to target maintaining an investment-grade credit rating.
+ **Investment expenditure,** to sustain and grow our business. Woodside seeks to build its portfolio through the disciplined allocation of capital to exploration, acquisition and development opportunities that complement existing positions and capabilities. Our developments will seek to prioritise lower capital intensity, faster to market, capital-efficient opportunities that utilise existing infrastructure where possible. Through Horizon I, we plan to invest in LNG projects that will be required to meet a projected LNG supply shortfall in Horizon II.
+ **Shareholder distributions,** governed by our Dividend Policy, which specifies that we will pay a minimum of 50% of underlying net profit after tax in dividends. We currently pay an 80% dividend payout ratio and target maintaining this subject to market conditions. Our strong shareholder distributions will be funded from our high margin base business and committed growth.
+ **Returning surplus cash to shareholders,** by either special dividends or stock buy-backs, is an option retained and considered by Woodside.

INVESTMENT CRITERIA

Our investment criteria target investment decisions which deliver returns on capital that exceed our cost of capital.

+ The economic criteria we use are set independently of project decisions
+ We apply a suite of target metrics that are aimed at delivering superior shareholder returns from our investment decisions
+ We test the robustness of our investments against a range of low-outcome scenarios
+ We set higher target metrics for investments with increased complexity and risk, and seek to preserve any upside potential
+ A typical metric required for investment is a target ungeared internal rate of return of 12%–15%

OUR BUSINESS MODEL

Woodside's business model seeks to maximise the value of its portfolio across the value chain. This is achieved by prioritising competitive development opportunities; by leveraging the value of Woodside's operational, development and drilling capabilities; and by deepening relationships in LNG markets with strong demand growth. We do this with the objective of generating superior shareholder returns across the horizons.

ACQUIRE AND EXPLORE

We grow our portfolio through exploration and acquisitions, based on a disciplined approach to increasing shareholder value and appropriately managing risk. We look for material positions in world-class assets and basins that are aligned with our capabilities and complement our existing portfolio.

Our Exploration division conducts high-impact exploration activities in our three regional focus areas to deliver material oil and gas discoveries that support sustained growth.

We apply a disciplined approach to assessing acquisition opportunities that complement our discovered and undiscovered resource base and routinely review our process to learn from our experiences. We draw on our organisation's extensive experience in screening and high-grading opportunities.

DEVELOP

Image courtesy of Chevron Australia

Our North West Shelf, Pluto and oil assets in remote Western Australia showcase more than 30 years of our company's development expertise. We are building on this experience by investing in development opportunities in Australia, Senegal and North America.

We are in the business of creating value-adding development solutions and only approve investments in opportunities that, after prudent assessment, meet our investment criteria.

During the development phase, we maximise value by selecting the most competitive concept for extracting, processing and delivering hydrocarbon products to market. Once the value of the development is confirmed, and approvals are received, the development is approved and project delivery and construction commence.

2017 HIGHLIGHTS

THIRD GAS DISCOVERY OFFSHORE MYANMAR

DELIVERED THE $1 BILLION PERSEPHONE PROJECT 30% UNDER BUDGET AND SIX MONTHS AHEAD OF SCHEDULE

OPERATE

We are Australia's leading LNG operator and operate a fleet of FPSO facilities.

Our dedication to operational excellence – sustaining safe, reliable and low-cost operations – is demonstrated by our record in operating some of the world's premier oil and gas facilities.

By adopting a continuous improvement mindset and an efficient, well-planned, cost-competitive operating model, we have been able to reduce operating costs, increase production rates and improve safety performance to maximise the value of our assets.

With a focus on applying leading-edge technology, data analytics and cognitive computing, we are able to take advantage of opportunities that are at the forefront of the industry and gain valuable productivity benefits.

MARKET

Our marketing, shipping and trading capabilities have long been central to our role as a leading supplier of energy. Our shipping and trading capabilities are utilised to maximise the value of our operational activities.

Our relationships with customers in major energy markets have been maintained through a track record of reliable delivery and expertise across contracting, marketing and trading.

In addition to existing long-term LNG sales, we are pursuing near-term value accretive arrangements through LNG spot and mid-term sales and LNG shipping transactions. Our marketing and trading strategy is to continue to build a diverse supply portfolio and pursue additional sales agreements, underpinned by reliable Australian LNG and supplemented by globally sourced volumes.

DECOMMISSION AND DIVEST

Individual assets within our portfolio have a finite life. Decommissioning is integrated into project planning, from the earliest stages of development through to the end of field life, to reflect this reality. At appropriate intervals, we consider opportunities to divest ourselves of assets to maximise the value of our portfolio. Otherwise, our decommissioning planning is implemented at the appropriate time.

Through working together with our partners, shareholders and technical experts, we are able to identify the most sustainable and beneficial post-closure options that minimise financial, social and environmental impact.

Our approach helps to maintain a positive reputation and uphold our licence to operate.

ACHIEVED RECORD DAILY PRODUCTION RATES AT PLUTO LNG

EXECUTED LONG-TERM LNG SUPPLY AGREEMENT WITH PERTAMINA

CONTRIBUTED TO NEW STATE GOVERNMENT DECOMMISSIONING GUIDELINES

EXPLORATION

Drilling rig and support vessel side-by-side during Woodside's Myanmar drilling campaign.

EXPLORATION

2017 HIGHLIGHTS

- Completed the drilling campaign in Myanmar ahead of schedule and under budget
- Made a third gas discovery in Myanmar
- Completed the five well exploration and appraisal drilling campaign in Senegal ahead of schedule and under budget
- Added acreage in Myanmar, Gabon and Australia
- Farmed-in to the Likuale (F14) Block[1] in Gabon and spudded the Boudji-1 exploration well

2018 ACTIVITIES

- Drill the Ferrand exploration well in Australia to target prospectivity, close to existing Woodside discoveries
- Drill three exploration wells in Myanmar to inform development planning
- Drill two exploration wells in Gabon (Ivela-1 and Boudji-1) plus wells in Morocco (Rabat Deep) and Peru (Boca Satipo East)

We continue to build a portfolio of high-quality prospects and are executing high-impact drilling to deliver value in our key exploration hubs.

Woodside progressed its exploration strategy by targeting growth in three focus areas - Australia and Asia-Pacific, Atlantic Margins and Sub-Saharan Africa.

In 2017, we focused on drilling prospects across a re-balanced portfolio that has increased exposure to emerging basins and improved risk profiles. We also acquired seismic data across a range of locations either through participation in multi-client surveys or by obtaining existing survey data to support a pipeline of exploration opportunities.

Since 2013 we have acquired 43 permits and relinquished 115. Over this period, our gross acreage has increased by 10%, but our net risked prospect portfolio volume[2] has increased 800%.

Exploration success is key to Woodside's future growth. In 2018, we will actively pursue exploration opportunities to support value delivery in Horizons II and III.

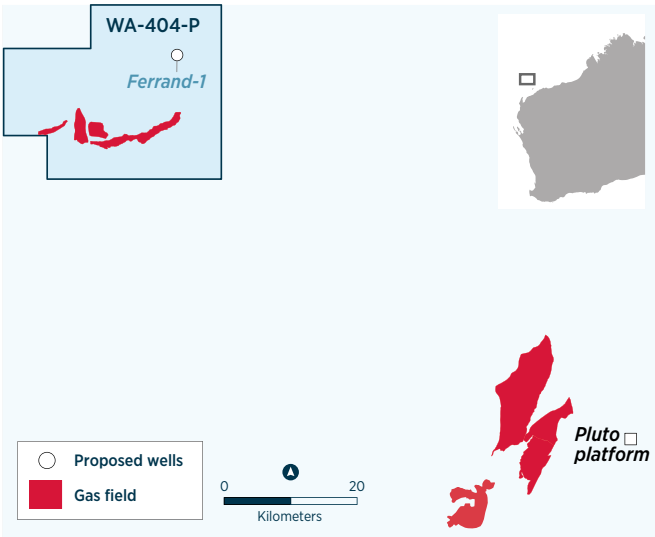
Australia and Asia-Pacific

Australia

The Swell-1A exploration well in WA-483-P spudded in August and intersected a gross gas column of approximately 450 m. Wireline logging confirmed low gas mobility and poor reservoir quality such that it is considered not commercially recoverable.

The Ferrand exploration well in WA-404-P is scheduled to commence drilling in early Q2 2018. Ferrand is targeting a large Triassic structure, which is in the same permit as existing Woodside discoveries at Martin-1, Martell-1, Noblige-1, Larsen-1, Larsen Deep-1 and Remy-1. A Ferrand discovery could be developed with existing discovered WA-404-P gas by a tieback to Pluto LNG.

Woodside acquired interests in five exploration permits in the Carnarvon Basin, adding significant inventory to our Carnarvon Basin portfolio.



Location of the Ferrand-1 exploration well and its proximity to the Pluto production platform.

1. Completion of acquisition remains subject to satisfaction of conditions precedent.
2. Net risked portfolio volume is the sum of the mean recoverable estimates in the case of exploration success from all identified prospects in the exploration portfolio.

Australia and Asia-Pacific (continued)

Myanmar

The 2017 exploration and appraisal drilling campaign was successfully completed ahead of schedule and under budget. The campaign tested multiple play types, helping to refine portfolio understanding and inform future drilling priorities.

Woodside's farm-in to Blocks AD-1, AD-6 and AD-8 expands our position in Myanmar and provides further exploration prospects to support our northern gas hub development concept close to existing infrastructure and major growing gas markets.

During 2017, Woodside re-entered Thalin-1A and drilled an additional appraisal well, Thalin-2, in Block AD-7 to better understand the 2016 Thalin discovery.

The Thalin-1A re-entry was spudded as Thalin-1B. Core and wireline logs were successfully acquired over the objective reservoir interval. Drill stem testing demonstrated strong flow rates and high reservoir deliverability.

The Thalin-2 appraisal well was drilled to test the north-eastern end of the Thalin Field and encountered similar quality reservoir to Thalin-1B, although with a shallower gas/water contact indicating the existence of intra-field complexity.

Information acquired from the two appraisal wells is being analysed and will be used to inform future activities.

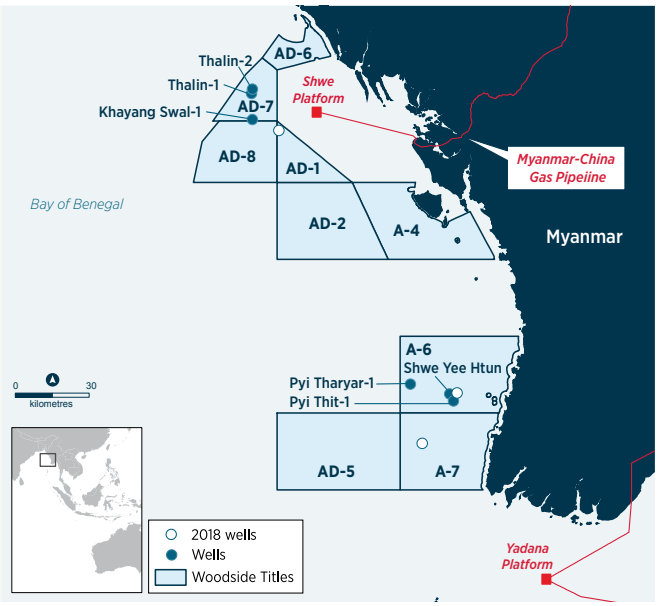
In August, Woodside made the Pyi Thit gas discovery in Block A-6, adding to the Thalin and Shwe Yee Htun discoveries announced in 2016. The discovery builds our understanding of the potential resources in the region and further informs our consideration of development options.

The Pyi Thit-1 well intersected a gross gas column of approximately 65 m. A net gas pay of approximately 36 m is interpreted within the primary target sandstone reservoirs. Core and wireline logs were acquired over the target zone. A drill stem test confirmed strong flow rates with strong reservoir pressure support.

Two other exploration wells were drilled in Myanmar. The Pyi Tharyar-1 well in Block A-6 intersected a thin gas column which is unlikely to be commercially recoverable. The Khayang Swal-1 well in Block AD-7 intersected water-wet sands in the target interval.

Our 2018 Myanmar exploration drilling campaign is scheduled to commence in Q2 2018 with the drilling of a well in Block AD-1. This will be followed by the drilling of a prospect in Block A-7. Both are large volume prospects and are similar play types as previous discoveries. The drilling of a further exploration/appraisal well in Block A-6 remains subject to necessary joint venture and government approvals.

Woodside continues to evaluate development concepts for existing discoveries including potential aggregation opportunities or development as a tieback to existing infrastructure. We remain on track for consideration of concept selection in the southern Rakhine Basin hub by the end of 2018.



Overview of Woodside's acreage in Myanmar.

Atlantic Margins

Senegal

The 2017 drilling campaign was successfully completed with five exploration and appraisal wells drilled ahead of schedule and under budget. Data from the campaign is currently being analysed to inform future activities.

The SNE-5 well completed two drill stem tests in the upper reservoir (S400 series) units over gross intervals of 18 m and 8.5 m, providing further understanding of the more complex upper reservoir. The SNE-6 well provided insight into the level of connectivity in the upper reservoir by an interference test with SNE-5.

The Vega Regulus-1 (VR-1) exploration well was drilled in March 2017 following the SNE-5 appraisal well. VR-1 appraised the western extent of the SNE field and encountered the lower (S500 series) reservoirs in the SNE field within the oil column as anticipated. The well was deepened to test a carbonate exploration target. There were indications of hydrocarbons at the base of the well in tight formation that are not currently viewed as commercially recoverable.

The FAN South-1 exploration well was drilled to test a Cretaceous prospect with multiple reservoir targets in the basin oil play in the Sangomar Deep Block. The well encountered oil-bearing reservoirs, and an oil sample was obtained. Although not meeting pre-drill estimates, the well results are being evaluated and integrated with the FAN-1 results to assess the impact on the greater FAN-1 complex and to further the understanding of the basin oil play.

The SNE North-1 exploration well was drilled in August. Gas and condensate were encountered at the primary target and oil in a separate and deeper reservoir than the SNE field.

Further work is being undertaken to establish the potential commerciality of this discovery and to integrate the results with the block-wide information.

The well result has positive implications for further hydrocarbon potential to the north of the structural trend containing the SNE field and the SNE North-1 well, as well as for broader exploration potential within the permits.

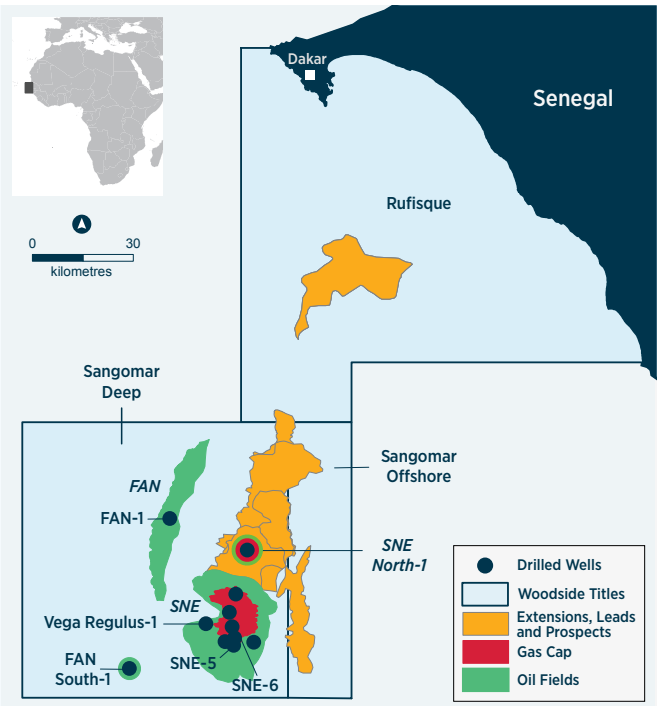
The joint venture is reviewing potential 2018 drilling opportunities, including a prospect in the shallow water Rufisque offshore block.

Morocco

Drilling of the Rabat Deep-1 well in Q1 2018 is planned to test the JP1 prospect; a large, four-way dip closed structure in an area considered to have oil potential. ENI Maroc B.V. has assumed operatorship of the acreage, acquiring a 40% equity interest.

Peru

Drilling of the Boca Satipo East well in Q3 2018 is planned and is targeting a large prospect with oil potential in Cretaceous reservoirs.



Overview of Woodside's acreage in Senegal.

Sub-Saharan Africa

Gabon

Processing of the second azimuth of multi-client 3D seismic data for the Doukou Dak (F15) Block has been completed.

Woodside has completed its farm-in to acquire a 40% interest in the Luna Muetse (E13) Block. Activities to support drilling the Ivela-1 prospect in the Luna Muetse Block are underway. Drilling is expected in Q1 2018.

Woodside's farm-in to acquire a 21.25% interest in the Diaba Block has completed.

Woodside has also acquired a 30% non-operated participating interest in the Likuale (F14) Block.[1]

The Boudji-1 exploration well in the Likuale (F14) Block, the first well in the permit, was spudded in October 2017 and reached target depth in January 2018. Well results continue to be evaluated.

1. Completion of acquisition remains subject to satisfaction of conditions precedent.

2018–2019 drilling activities[1]

		2018				2019				Target Size[2]
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Myanmar Northern Hub	Block AD-1		●							Large
	Block AD-1 appraisal								○	Appraisal
	Blocks AD-8						○			Large
Myanmar Southern Hub	Block A-6 exploration/appraisal[3]			○			○			Large
	Block A-7			●				○		Large
	Block A-7 appraisal							○		Appraisal
Australia	WA-404-P: Ferrand-1		●							Large
	WA-404-P						○			Large
	WA-28-P: Achernar-1						○			Large
	WA-49-L						○			Medium
Senegal	Rufisque Offshore				○					Medium
Morocco	Rabat Deep Offshore: Rabat Deep-1	●								Large
Gabon	Likuale (F14) Block: Boudji-1[4]	●								Large
	Luna Muetse (E13) Block: Ivela-1	●								Large
Peru	Block 108: Boca Satipo East			●						Large
	Block 108							○		Large

Firm ● Gas ● Oil

Contingent ○ Gas ○ Oil

1. This is a forecast activity plan subject to change due to final approvals, weather conditions and other external circumstances.
2. Target size: unrisked gross mean success volume 100%. Medium >20 MMboe and <100 MMboe and large >100 MMboe.
3. Subject to Government and joint venture approval.
4. Completion of acquisition remains subject to satisfaction of conditions precedent. The well spudded in October 2017.

PROJECTS AND DEVELOPMENTS

Employees onsite at Pluto LNG.

WHEATSTONE LNG

2017 HIGHLIGHTS

- Start-up of the Brunello field
- First LNG production from Train 1
- First LNG cargo delivered
- Safe commissioning shutdown completed

2018 ACTIVITIES

- LNG production from Train 2
- Start-up of the domestic gas plant
- Enter front-end engineering and design phase for the Julimar Project

Wheatstone LNG, comprising the Wheatstone and Julimar-Brunello Projects, is a world-class asset, which will make a significant contribution to Woodside's annual production.

Production commenced from LNG Train 1, with the first LNG cargo delivered to Japan on 12 November 2017.

As part of the commissioning process for Train 1, a shutdown to replace the start-up strainers was carried out in December 2017. Prior to the scheduled shutdown, the plant achieved rates of approximately 13 kt/d (100% project).

Construction of LNG Train 2 is progressing to schedule, with completion expected in early 2018. The commissioning and start-up phase will follow and is targeting start-up for LNG Train 2 production in Q2 2018.

The domestic gas plant, with capacity to produce 200 TJ per day, is scheduled for start-up in Q3 2018. Domestic gas sales will be transported by pipeline to the Dampier to Bunbury Natural Gas Pipeline.

Woodside is the operator of the Julimar-Brunello Project, with a 65% interest in the Julimar and Brunello fields. These fields supply 20% of Wheatstone LNG's foundation capacity of natural gas.

The Julimar-Brunello Project Phase I began with the tie-in of the Brunello field in 2016. Phase II of the development will tie-back the Julimar field to the existing Brunello subsea infrastructure. The development is currently in concept definition phase and is targeting entry to front-end engineering and design (FEED) phase in 2018. A final investment decision (FID) is targeted for 2019.

Wheatstone LNG Woodside interest: 13%

Julimar-Brunello Project Woodside interest: 65%

Wheatstone LNG Train 1 commenced production in October 2017.

Image courtesy of Chevron Australia

SUBSEA TIEBACKS

Greater Enfield Project

The Greater Enfield Project is a subsea tieback to the existing Ngujima-Yin FPSO, which is currently producing from the Vincent oil field. The project is estimated to initially produce more than 40,000 bbl/d (100% project).

At the end of 2017, the project was 43% complete, and it remains on budget and on schedule for expected first oil in mid-2019.

The progress of FPSO design and equipment manufacture in 2017 has ensured that the shipyard activities remain on schedule for commencement in Q2 2018.

The first two of 12 subsea Xmas trees were delivered on schedule into Australia, in Q4 2017. Throughout the year, focus continued on preparations for in-field drilling, subsea installation, and securing relevant regulatory approvals.

The Greater Enfield drilling campaign is expected to commence in Q1 2018 and take two years to complete. The subsea installation will also commence in Q1 2018, starting with pipelay activities.

Woodside interest: 60%

The ENSCO DPS-1 (formerly Atwood Condor) mobile offshore drilling unit preparing to leave Singapore for the Greater Enfield Project drilling campaign.

Persephone Project

The Persephone Project was a two-well subsea tieback to the North Rankin Complex, extending the NWS Project's LNG production plateau.

Building on our proven capabilities and significant experience in delivering major subsea tiebacks, the project achieved start-up in July 2017, six months ahead of schedule and more than $300 million under budget (100% project).

The two wells are performing to expectation, achieving a total combined flow rate of 475 mmscf/d in support of production requirements.

Woodside interest: 16.67%

Greater Western Flank Phase 2 (GWF-2) Project

The GWF-2 Project involves eight production wells tied back to the existing Goodwyn A platform by a 35 km subsea pipeline. Significant progress was made in 2017 and, at the end of the year, the project was 74% complete. The project is on schedule for start-up in the first half of 2019.

Drilling and completion activities were successfully completed in 2017 at the Lady Nora, Pemberton, Sculptor and Rankin fields and continue at Keast and Dockrell. Excellent overall performance has enabled the project to consolidate from a two-phase well completion campaign to a single campaign, and target a single RFSU (ready for start-up), reducing estimated project cost and schedule.

The manufacture of subsea production equipment remains on schedule, and offshore construction activities are planned to commence in the first half of 2018.

Subsea installation and commissioning of infrastructure is expected to commence in the second half of 2018 and will take approximately five months to complete.

Woodside interest: 16.67%

AUSTRALIAN DEVELOPMENTS

2017 HIGHLIGHTS

- High-rate production trials confirmed extra plant capacity
- Studies completed on 0.7–3.3 mtpa LNG train plant expansion

2018 ACTIVITIES

- Enter FEED for the Pluto to NWS pipeline interconnector
- Progress discussions with third-party resource owners for processing gas
- Commence domestic gas supply in H2 2018
- Start-up an LNG truck-loading facility in H2 2018

Schematic (not to scale) of the LNG truck-loading facility at Pluto LNG.

Pluto LNG

Planning continues for the expansion of Pluto LNG based on the acceleration of Pluto gas and the potential development of unallocated gas resources in the Carnarvon Basin.

High-rate production trials were completed in 2017, confirming that the plant has additional pre-treatment capacity. Results from the trial are informing future decisions on Pluto LNG expansion options.

Feasibility studies on a 0.7 to 3.3 mtpa LNG train were concluded in 2017, broadening the options available for Pluto expansion.

The Pluto Joint Venture is engaging with third-party resource owners about the potential to process gas through Pluto infrastructure.

Studies have commenced on a potential Pluto–NWS Interconnector, intended to unlock incremental value for both Pluto LNG and the North West Shelf Project.

Subject to joint venture, regulatory and other approvals, developing a pipeline connection between the two plants could accelerate Pluto area gas reserves, and leverage existing Pluto offshore capacity and emerging NWS LNG ullage. Additional synergies between the two plants are also being considered.

A pipeline interconnector may also support future commercial options to develop regional gas resources by facilitating the development of unallocated resources by utilising existing infrastructure.

Development planning regarding the Pyxis resource continues. Pyxis provides supply diversity to meet plant capacity and offers potential acceleration for any Pluto expansion.

We are progressing the supply of gas to the Dampier to Bunbury Natural Gas Pipeline (DBNGP). Subject to all required approvals, a compressor will be installed capable of delivering gas into the DBNGP at rates of 10–25 TJ/day. It is anticipated that gas will be supplied to customers in Western Australia from H2 2018.

Preparations are underway for the first delivery of trucked LNG to customers in Western Australia by construction of a truck-loading facility at Pluto LNG. Primary approvals are progressing for construction, with start-up targeted in H2 2018. The facility will provide LNG for distribution in the Pilbara region of Western Australia.

Woodside interest: 90%

2017 HIGHLIGHTS

- Executed an agreement with the NWS Project to commence technical studies
- Commenced evaluation of third-party processing options
- Supported operator to complete FLNG concept optimisation studies

2018 ACTIVITIES

- Complete the acquisition of an additional 50% interest in WA-1-R
- Concept select in 2018
- Position for FEED entry in 2019 to support FID in 2020

Scarborough Development

Woodside's Scarborough area interests include the Scarborough, Thebe and Jupiter gas fields, which are estimated to contain gross (100%) contingent resources (2C) of 9.2 Tcf of dry gas. The estimate is based on a revised development scenario utilising existing Woodside-operated infrastructure on the Burrup Hub.

On 14 February 2018, Woodside announced it had entered into a binding Sale and Purchase Agreement to acquire ExxonMobil's 50% interest in WA-1-R, which contains the Scarborough gas field. Upon completion of the transaction, which is targeted by end Q1 2018, Woodside will have a 75% interest in WA-1-R and a 50% interest in WA-61-R, WA-62-R and WA-63-R.[1]

Completion of the transaction will increase Woodside's net share of the contingent resources (2C) in the Scarborough area assets from 2.8 Tcf of dry gas to 6.4 Tcf of dry gas.

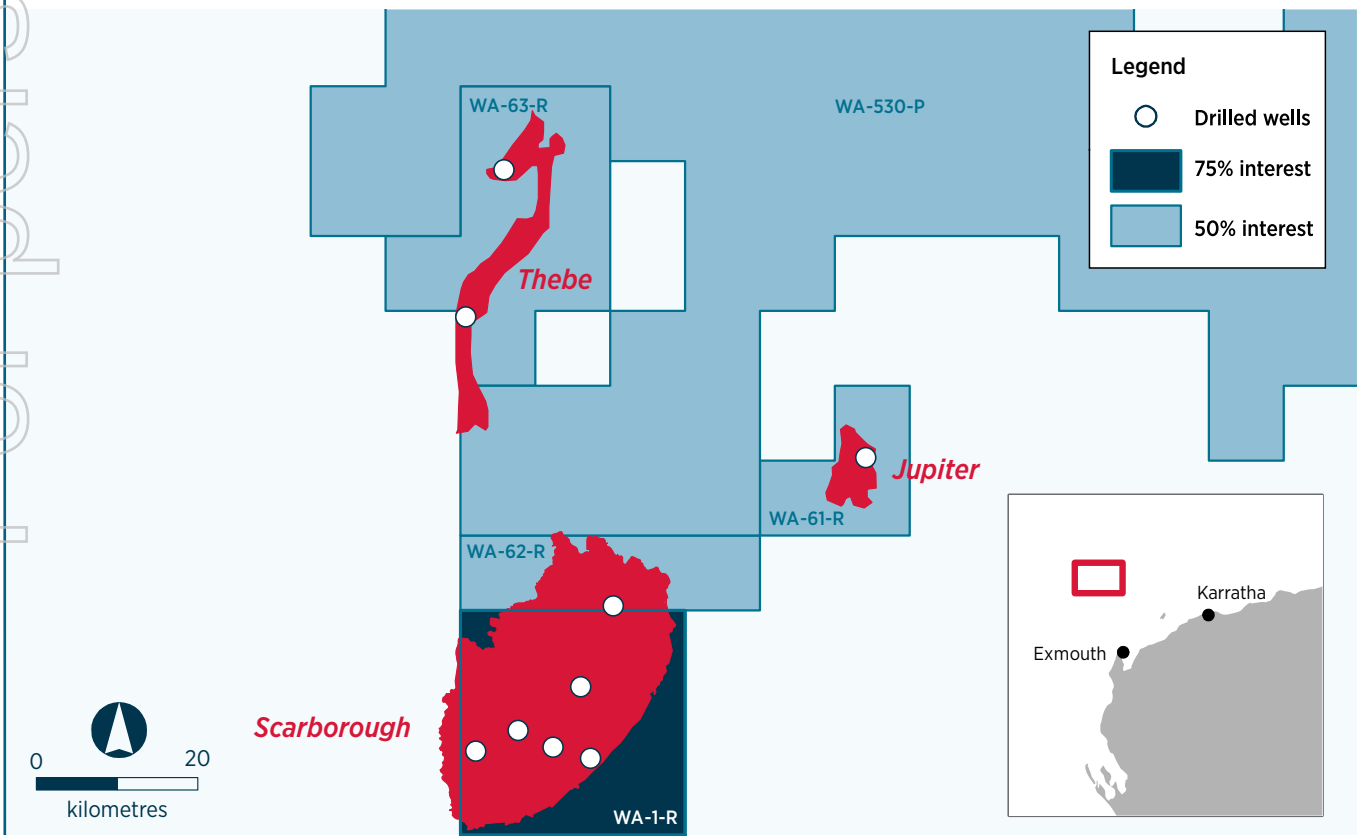
By providing greater alignment between Woodside's upstream resources and downstream infrastructure and greater control over and certainty of development, this acquisition supports Woodside's strategy of unlocking shareholder value. This is expected to create a pathway to development of the material, unallocated Scarborough gas field through a lower-cost brownfield expansion of our high-reliability Pluto LNG facility.

In 2017, the Scarborough Joint Venture commenced engagement with third-party infrastructure owners in Western Australia to explore options to process Scarborough gas and in December executed a Joint Technical Study Agreement with the NWS Project to determine the technical viability of processing gas through the NWS infrastructure.

Woodside is targeting a Scarborough concept select decision in 2018, with FEED targeted in 2019 and FID in 2020. First production from the development is expected in 2025 to meet the expected global LNG supply gap.

1. Completion is subject to pre-emption rights and customary regulatory approvals, and is targeted by end Q1 2018.

Woodside's equity interest in the Scarborough area assets following completion of the acquisition announced on 14 February 2018.



2017 HIGHLIGHTS

- Joint venture alignment on Browse to NWS as the reference development concept
- Received a non-binding tolling proposal from the NWS Project
- Significant progress made on optimising Browse to NWS development concept

2018 ACTIVITIES

- Finalise key commercial terms with the NWS Project to process Browse gas
- Commence concept definition phase in H2 2018

Browse Development

The Brecknock, Calliance and Torosa fields (collectively known as the Browse resources) are located offshore, 425 km north of Broome in Australia's North West. The Browse resources are estimated to contain gross (100%) contingent resources (2C) of 16.0 Tcf of dry gas and 466 MMbbl of condensate.

In 2017, the Browse Joint Venture made significant progress in narrowing alternative concepts for the development of the Browse resources and is aligned on Browse to NWS as the reference case.

The Browse Joint Venture received a non-binding tolling proposal from the NWS Project to process Browse gas through existing infrastructure. Commercial discussions and joint technical studies are progressing between the two parties.

A potential offshore development would be based on predominantly proven technologies and involve two gas floating production storage and offloading (gFPSO) facilities delivering around 10 mtpa of gas to NWS infrastructure by an approximately 900 km pipeline.

The Browse Joint Venture is targeting commencement of the concept definition phase in the second half of 2018, enabled by alignment on commercial requirements with the NWS Project.

Developing Browse through existing Woodside-operated infrastructure has the potential to deliver a globally competitive project to the benefit of titleholders, infrastructure owners, governments and the local community.

Woodside interest: 30.6%

Indicative gFPSO facilities for the Browse development (schematic not to scale).

INTERNATIONAL DEVELOPMENTS

SNE Field Development-Phase 1

2017 HIGHLIGHTS

- Transitioned to Development Lead
- Achieved concept select

2018 ACTIVITIES

- Invitations to tender for FPSO and subsea infrastructure to be issued in Q1 2018
- Operatorship transition
- Submission of Exploitation Plan to the Government of Senegal for approval and enter FEED

Woodside has been active in the offshore region of Senegal since 2016 when it acquired a material position in the SNE field.

In 2017, Woodside became Development Lead for the SNE Field Development-Phase 1 and plans to transition to operator of the Rufisque, Sangomar, Sangomar Deep Offshore (RSSD) blocks in 2018.

Appraisal drilling continued in 2017, improving our understanding of the reservoir and the optimal development plan.

Refer to Exploration on page 30 for more information.

For early commercialisation and ongoing optimisation of the development plan, a phased development is proposed, focusing first on the less complex lower reservoir units. Subsequent phases will target more complex reservoir units.

Woodside achieved a concept select decision at the end of 2017 and entered concept definition. The Phase 1 development concept for the SNE field is a stand-alone FPSO facility with subsea infrastructure. It will be designed to allow subsequent SNE development phases, including options for potential gas export to shore and for future subsea tiebacks from other reservoirs and fields.

Phase 1 will include oil production as well as gas and water injection wells. The expected FPSO oil production capacity is approximately 100,000 bbl/day. Gas sales opportunities are being explored to support incremental gas export to shore.

Expressions of interest have been sought and subsequent engagement held with contractors and operators for subsea and FPSO facilities prior to a formal tendering process, expected in Q1 2018. The joint venture is considering a redeployed FPSO facility as the preferred development opportunity.

In August 2017, the environmental baseline survey was completed and the Environment and Social Impact Assessment (ESIA) process commenced. The joint venture is targeting submission of the ESIA in Q2 2018.

Work is progressing on detailed concept definition work which will lead to front-end engineering and design beginning in Q4 2018, in parallel with anticipated approval of the Exploitation Plan. First oil from SNE is expected in 2022.

Woodside is committed to working with our fellow joint venture participants and the Government of Senegal to achieve the earliest commercialisation of the discovered resources in Senegal.

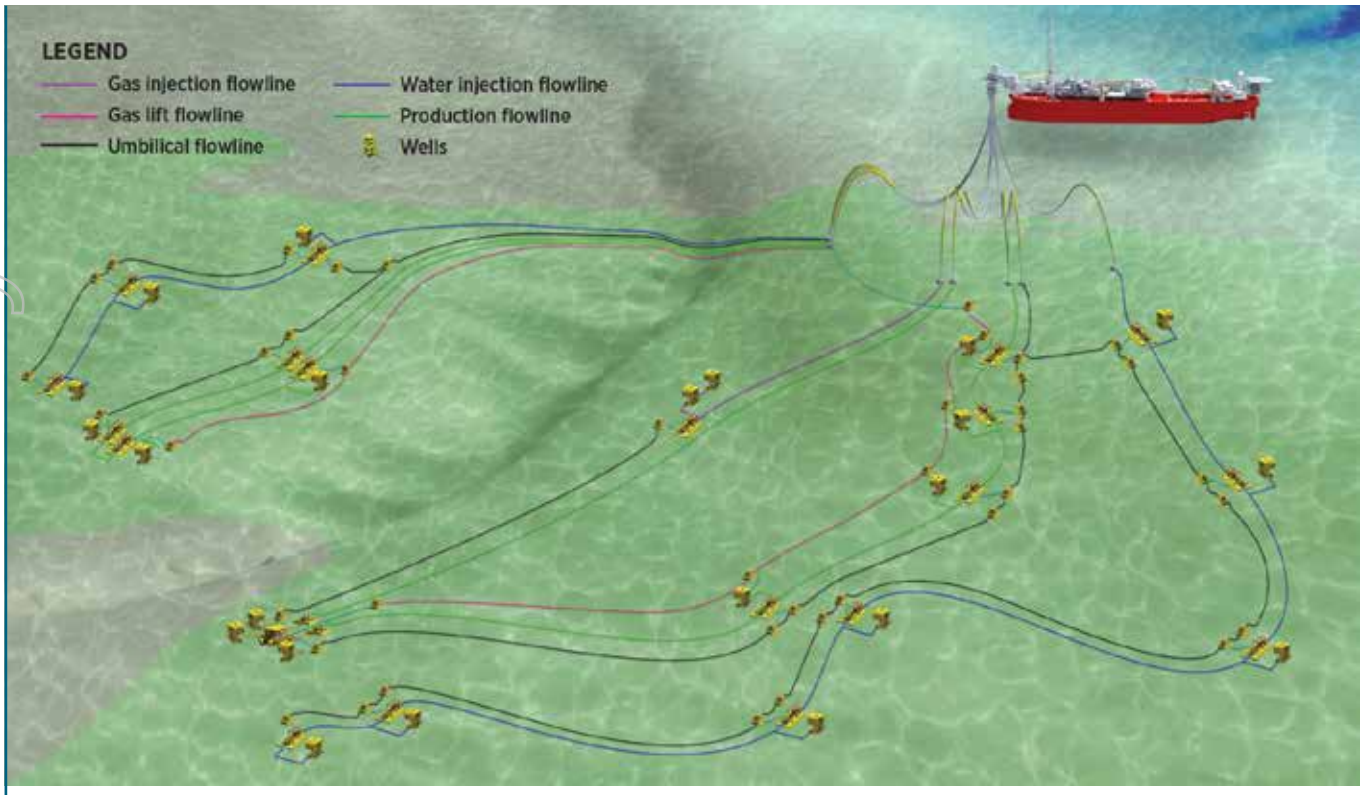
Woodside continues to build its presence in Senegal with a local team of six personnel, including three Senegalese staff, now based in Dakar.

As part of the joint venture, Woodside contributed to capacity building through English language training and a mobilisation project with seven fishing communities in Yenne. This mobilisation project was undertaken through a partnership with The Hunger Project to address health, nutrition, education, hygiene, environment issues and micro-finance opportunities.

Woodside also commenced its first social investment in Senegal through the Woodside Development Fund.

Refer to Creating Shared Value on page 52 for more information.

Woodside interest: 35%



Indicative FPSO facility and subsea layout for the SNE Field Development-Phase 1 (schematic not to scale).

Kitimat LNG

The Kitimat LNG Project proposes to develop world-class natural gas resources found in shale and tight rock formations in the Liard and Horn River Basins, in north-eastern British Columbia. Gas will be transported by the proposed 480 km Pacific Trail Pipeline to a liquefaction facility at Bish Cove near Kitimat.

Kitimat LNG remains one of the most advanced LNG opportunities in Canada. It is well positioned to supply gas to Asian markets given the shorter shipping distances.

Production from new and existing wells in 2017 continued to demonstrate the Liard Basin as one of the best unconventional hydrocarbon resources in the world.

In 2017, the joint venture continued to focus efforts on activities to drive down costs across the full value chain, targeting top-decile cost of supply to support a future LNG development.

We are engaging governments to establish a clear, stable and competitive fiscal framework.

Woodside interest: 50%

Port Arthur LNG

The proposed Port Arthur LNG Project is located about 140 km east of Houston, Texas. The potential project includes two natural gas liquefaction trains with a total LNG export capability of approximately 10 mtpa.

In June 2017, Woodside and Sempra Energy signed a memorandum of understanding (MOU) with the Korea Gas Corporation (KOGAS). The MOU provides a framework for cooperation and joint discussion by the parties regarding key aspects of the Port Arthur LNG Project.

Grassy Point LNG

In January 2018, Woodside elected not to renew its Sole Proponent Agreement for the Grassy Point LNG site, on the north-west coast of British Columbia.

Sunrise LNG

The Greater Sunrise fields contain gross (100%) contingent resources (2C) of 5.1 Tcf of dry gas and 226 MMbbl of condensate. The fields are located approximately 150 km south-east of Timor-Leste and 450 km north-west of Darwin, Australia.

Woodside is committed to developing the Greater Sunrise fields. In 2017, we maintained compliance with our title obligations and continued our social investment activities in Timor-Leste.

Woodside welcomes the news that Australia and Timor-Leste reached agreement on a draft treaty regarding maritime boundaries between Australia and Timor-Leste and continues to engage with both Governments and its joint venture in discussions on a pathway to the development of the resource.

Woodside interest: 33.44%

An aerial view of Pluto LNG at dusk.

OPERATIONS

PLUTO LNG

2017 HIGHLIGHTS

- Record LNG production rates
- Delivered 350th LNG cargo
- 5th anniversary of LNG production

2018 ACTIVITIES

- Targeting domgas supply to Western Australia
- Progress Pluto LNG expansion options based on high-rate production trials

A focus on operational excellence has driven an improvement in plant capacity, resulting in record daily, weekly and monthly production rates for Pluto LNG.

In 2017, annual production of 41.1 MMboe was achieved at a globally competitive unit production cost of $3.9/boe. Higher production rates are being achieved following the completion of high-rate production trials in Q2. In 2018, the facility will target maintaining higher rates through process improvements made during the year. The facility achieved 100% reliability during Q4 2017 and averaged 94% reliability throughout 2017.

Pluto shipped its 350th cargo and celebrated its fifth anniversary of exports in April. In 2017, Pluto LNG delivered 66 LNG cargoes (100% project), of which 44 were sold under foundation contracts, 14 under mid-term contracts and eight on the spot market.

In 2017, Pluto 4D seismic data was used to inform decision making on reservoir development. As a result, the PLA07 infill well is targeting ready for start-up in Q4 2019. In 2018, the seismic data will be used to consider the optimal offshore gas supply sequence for Pluto LNG through to end of field life.

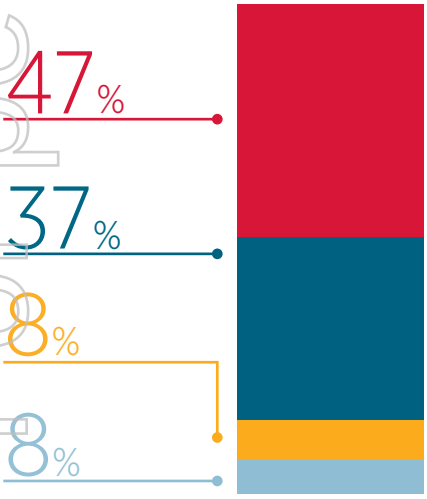
No major maintenance or turnaround campaigns are scheduled for Pluto LNG in 2018, but preparations are underway for a scheduled major turnaround in 2019.

In 2018 we will continue to maintain a disciplined approach to optimising operating costs and maximising plant efficiency to drive value.

Refer to Australian Developments on page 35 for more information on Pluto LNG's expansion activities.

Woodside interest: 90%

Profitability



	$/boe	%
Gross margin	24.8	47
Depreciation and amortisation	19.5	37
Other	4.2	8
Production cost	3.9	8

NWS PROJECT

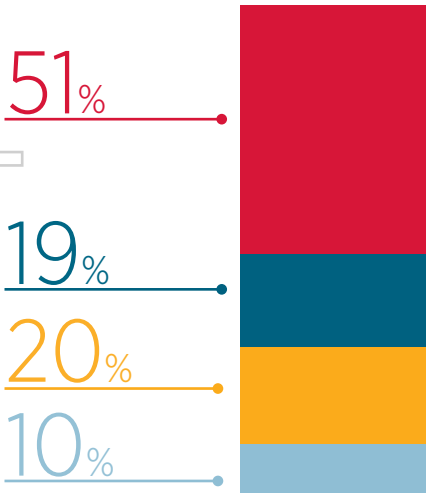
2017 HIGHLIGHTS

- Issued non-binding tolling proposal to third-party resource owners for processing gas through the KGP
- GWF-2 Project drilling and completion activities were completed

2018 ACTIVITIES

- Execute a preliminary tolling agreement with a third-party resource owner
- Finalise technical feasibility studies for processing third-party gas at KGP
- Progress subsea and commissioning of GWF-2 Project infrastructure

Profitability



	$/boe	%
Gross margin	19.0	51
Depreciation and amortisation	7.0	19
Other	7.5	20
Production cost	3.8	10

After pioneering Australian LNG production in the 1980s, the North West Shelf Project is now leading the development of new gas processing arrangements to ensure that this facility continues to deliver value for decades to come.

In 2017, annual production of 34.8 MMboe (201.5 MMboe, 100% project) was achieved at a globally competitive unit production cost of $3.8/boe, as the NWS Project delivered 257 LNG cargoes (100% project). During the year, Woodside's equity share of domestic gas reduced due to the fulfilment of joint venture entitlements. Woodside's equity share of pipeline gas is now 16.67%.

The NWS Project is committed to continuous improvement of production and cost performance, growing investment in Western Australia and expanding opportunities in the Carnarvon and Browse Basins.

In 2017, the NWS Project participants issued a non-binding tolling proposal to third-party resource owners for processing gas through the Karratha Gas Plant (KGP). Discussions and technical studies continue to be progressed with interested parties to confirm commercial viability before entering into binding commitments. The feasibility studies are expected to continue during 2018.

In 2018, we will continue to develop arrangements for processing new gas while optimising production costs.

The Karratha Life Extension (KLE) program is focused on extending the life of the KGP for a further 30 years. It is approximately 30% complete. The program is matched to KGP's current production profile, and further investment at the plant will be required to underpin future opportunities to process gas from third-party resource owners.

Woodside continues to pursue the efficient and effective commercialisation of existing NWS reserves. The Persephone Project achieved start-up ahead of schedule in July 2017, and the GWF-2 Project is on schedule for start-up in the first half of 2019.

The NWS Project is focused on improving environmental performance by reducing the need for spare power generation at our facilities. An example of this is the planned battery installation on Goodwyn-A which is expected to reduce fuel gas consumption and decrease emissions.

ⓘ Refer to Building a Resilient Business on pages 56–57 for more information.

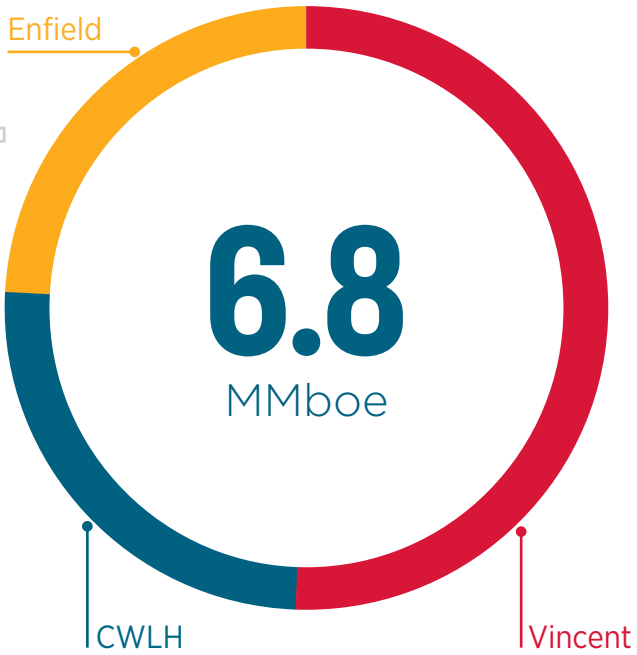
Two integrated NWS turnarounds are planned for Q2 and Q3 2018. These turnarounds involve onshore and offshore facilities.

Woodside interest: 16.67%

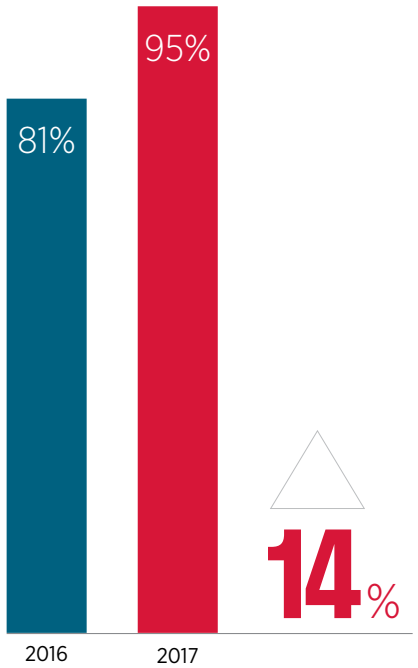
AUSTRALIA OIL

Field and facility	Update
Vincent (Ngujima-Yin FPSO) Woodside interest: 60%	Woodside's share of annual production was 4.0 MMbbl, down from 4.1 MMbbl in 2016 primarily due to natural reservoir decline. During the year, work was focused on maintaining the facility ahead of shipyard modifications in Singapore from Q2 2018. Production from Vincent will be suspended for approximately 12 months from Q2 2018 to undertake FPSO modifications, which will enable additional production as part of the Greater Enfield Project. In mid-2019, production from Vincent will resume following FPSO modifications, and the Greater Enfield Project drilling campaign will continue.
Cossack, Wanaea, Lambert and Hermes (CWLH) (Okha FPSO) Woodside interest: 33.33%	Woodside's share of production in 2017 was 1.9 MMbbl, up from 1.0 MMbbl in 2016 due to increased reliability and the absence of any major maintenance or turnaround. Subsea life extension studies required to support the continued operations of the CWLH infrastructure were finalised in 2017. There is no major maintenance planned in 2018.
Enfield (Nganhurra FPSO) Woodside interest: 60%	Woodside's share of annual production was 0.9 MMbbl, down from 1.1 MMbbl in 2016 primarily due to natural reservoir decline. The cessation of production and permanent departure of the Nganhurra FPSO was deferred from Q4 2017 to Q4 2018. A planned maintenance turnaround was executed in October 2017 to ensure the integrity of the facility and support the extended production timeframe. During 2018, work will continue to support cessation of production activities. No further turnaround activities are planned.

Oil production



FPSO reliability



Wheatstone LNG

Wheatstone LNG safely commenced production from Train 1. The first LNG cargo was shipped on 31 October 2017 and delivered to Japan on 12 November 2017.

The plant achieved full rates of approximately 13 kt/d (100% project) prior to a planned shutdown to remove start-up strainers.

Drawing on Woodside's extensive experience in LNG commissioning, we seconded 26 employees to support the operator with the successful start-up. The secondment of 15 employees will continue in 2018 to support start-up of Train 2.

In 2018, our focus will be on supporting the operator to achieve first LNG production from Train 2, progress the development of the domestic gas plant, optimise lifting costs and maximise production rates.

Once fully operational, Wheatstone is expected to deliver more than 13 MMboe to Woodside's annual production.

Woodside interest: 13%

The first Wheatstone LNG cargo was delivered to JERA on 12 November 2017.

Image courtesy of Chevron Australia

International gas production

Annual production from the Liard Basin in north-eastern British Columbia was 1.3 MMboe, down from 1.6 MMboe in 2016 due to natural reservoir decline and a four-month shut-in of a well for mechanical repairs. The natural gas produced goes into the Canadian domestic grid and is a result of the appraisal program being undertaken to support the proposed Kitimat LNG project.

2018 production guidance

Woodside's production guidance for 2018 is 85–90 MMboe, comprising as follows:

	2017 actual (MMboe)	2018 guidance (MMboe)
LNG	61.7	69–71
Liquids[1]	14.8	10–12
NWS pipeline gas	6.0	4–5
Other[2]	1.9	2
Total	**84.4**	**85–90**

A production increase is forecast for the LNG business due to a significant increase in the contribution from Wheatstone LNG.

Lower liquids production is largely due to the Ngujima-Yin FPSO (Vincent oil) leaving station from May 2018 for modifications ahead of forecast Greater Enfield production from mid-2019. NWS pipeline gas is lower following fulfilment of the Domestic Gas Joint Venture (DGJV) production entitlement in May 2017.[3] Woodside's share of NWS LNG was not impacted by the fulfilment of this production entitlement.

1. Liquids includes oil and condensate.
2. Other includes LPG and other pipeline gas.
3. Woodside equity share of NWS domestic gas and associated condensate was 50% in the DGJV. The DGJV applied to the first 414 TJ/d, with contractual flexibilities allowing up to 517.5 TJ/d. The DGJV production entitlement was fulfilled on 8 May 2017. Woodside's share of domestic gas and associated condensate following fulfilment of the DGJV production entitlement is 16.67%.

LNG vessel arriving at Karratha Gas Plant.

MARKETING AND SHIPPING

MARKETING AND SHIPPING

2017 HIGHLIGHTS

- Equity-lifted LNG up from 3% in 2016 to 25% in 2017
- Delivered the first Wheatstone LNG cargo
- Executed new mid-term portfolio LNG sales and purchase agreements (SPA)
- Executed a long-term LNG SPA with Pertamina

2018 ACTIVITIES

- Pursue new LNG SPAs with customers in traditional and Asian growth markets
- Pursue opportunities to serve new markets for LNG by participating further down the value chain

In 2017, Woodside achieved favourable outcomes for LNG sales and matured opportunities to supply LNG as a fuel for heavy transport and remote power generation.

Efficient and reliable delivery

We continue to use our integrated business model and access to shipping to ensure reliable delivery of LNG and create value through portfolio optimisation.

In 2017, LNG cargoes were supplied to customers in the established markets of Japan, Korea and China, as well as emerging markets such as Thailand.

Our oil, condensate and LPG sales delivered positive results, relative to price benchmarks, for the 38 cargoes delivered in 2017.

We have increased sales of Woodside's independently marketed pipeline gas under short-term contracts. This partially offsets Woodside's reduced share of North West Shelf Project pipeline gas sales following fulfilment of the Domestic Gas Joint Venture production entitlement in May 2017.

Woodside maintains a fleet of five LNG ships under long-term contracts which enables us to take advantage of trading and optimisation opportunities. In 2017, our ships were employed to lift our own cargoes as well as third-party cargoes in Australia, Asia, Europe and the United States.

The Woodside Chaney preparing to load an LNG cargo.

Revenue stability

We balance revenue stability with operational flexibility through our portfolio of sales contracts.

We currently commit 80% to 90% of expected LNG production under long-term and mid-term contracts. The balance of production is used to preserve operational flexibility and access to optimisation opportunities, and is typically sold on the spot market. The proportion of LNG production that we commit to long-term contracts is likely to reduce over the next few years as the market becomes more liquid.

LNG sales achieved in 2017 reduced our future uncommitted volumes and delivered long-term flexibility at favourable prices.

We established Woodside's position as a significant future supplier of LNG to Indonesia through the execution of a long-term LNG SPA by Woodside Singapore and PT Pertamina (Persero) (Pertamina). LNG will be supplied from Woodside's global portfolio commencing in 2019, with initial ramp-up quantities building to approximately 0.6 mtpa from 2022 to 2034. Woodside Singapore has the option to increase supply to Pertamina to approximately 1.1 mtpa from 2024 to 2038.

In addition, we increased our mid-term contracted volumes by executing portfolio LNG SPAs for delivery of up to two million tonnes (28 cargoes) over the period 2017 to 2020.

At the end of 2017, over 90% of Woodside's expected 2018 LNG production has been committed to sales contracts.

Increasing portfolio scale and flexibility

Woodside is well positioned to meet expected future Asian energy demand.

The commencement of production from Wheatstone LNG in the second half of 2017 provided additional portfolio LNG supply. Offtake from Corpus Christi, which is expected to commence in mid-2020, will further increase the scale and diversity of Woodside's LNG portfolio.

We continue to increase the equity-lifted proportion of Woodside's LNG production, from 3% in 2016 to 25% in 2017. This provides additional flexibility to meet customer needs.

Condensate and equity pipeline gas is expected to be available for sale from Wheatstone LNG in 2018.

Expanding the LNG market

We are promoting the use of LNG as a low-emissions and cost-effective alternative fuel for heavy transport and remote power generation.

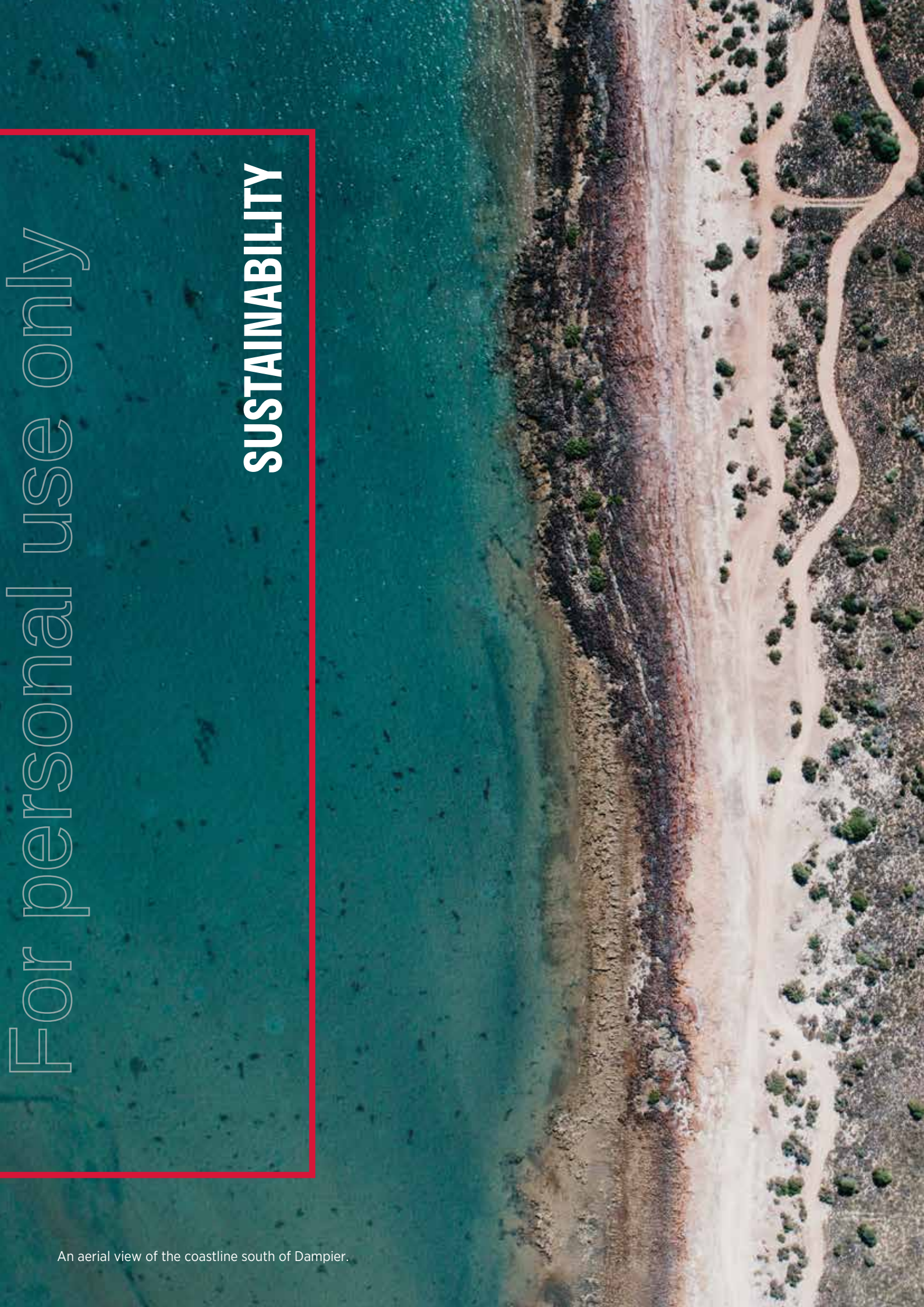
At Pluto LNG, we are constructing an LNG truck-loading facility. The facility will provide LNG for distribution by truck to the Pilbara region of Western Australia.

ⓘ Refer to Australian Developments on page 35 for more information.

We are also working with mining companies and equipment manufacturers on the use of LNG for mining operations. We are participating in two joint industry projects to assess the feasibility for LNG to be used as a fuel for bulk carriers transporting iron ore from the Pilbara.

We are evaluating opportunities to be involved further along the value chain to facilitate additional demand for our gas in the international market. This may include LNG regasification and power generation.

SUSTAINABILITY



An aerial view of the coastline south of Dampier.

SUSTAINABILITY

As a core value, working sustainably is embedded throughout every level at Woodside and is fundamental to realising our vision to be a global leader in upstream oil and gas.

In this year's annual report we have restructured what was formerly our Corporate section to reflect and align to the company's sustainability principles. In doing so, the Sustainability section of the report is more closely aligned to our Sustainable Development Report and demonstrates how the principles are linked to our everyday activities.

Our sustainability principles

Our approach to sustainability is underpinned by five principles described in this report:

+ **Creating shared value** – summarises our social investment program and the stakeholder engagement undertaken as part of contributing to the communities in which we operate.
+ **Operating with transparency and integrity** – describes the policies and programs that address anti-bribery and corruption, human rights risks and regulatory compliance.
+ **Fostering our organisation and culture** – details the programs that promote inclusion and diversity. It also covers our training, education and technical programs.
+ **Building a resilient business** – demonstrates our business model is capable of responding to challenges and creating new business opportunities.
+ **Operating responsibly** – provides an overview of our health, safety and environment (HSE) activities undertaken to ensure our operations are sustainable.

Our principles provide the foundations for ensuring we operate in a manner that is sustainable.

Sustainable Development Report

Our Sustainable Development Report provides a complete overview of our company performance against our sustainability principles and outlines our approach to addressing our material sustainability issues.

Woodside considers sustainability issues to be material if they have the potential to impact our ability to achieve our business strategy, affect our reputation, or are of material concern to our key stakeholders due to economic, environmental or social impacts. An integral part of ascertaining our material issues is consulting with our key stakeholders about their concerns.

For more information on how we engage with our stakeholders, as well as details on our approach to our material issues and our overall sustainability performance, refer to our Sustainable Development Report 2017.

Sustainability performance

Woodside's corporate scorecard includes metrics reflecting our material sustainability issues. Woodside's sustainability performance is also linked to remuneration for employees and executives.

We respond to a range of environmental, social and governance specific indices, including the Dow Jones Sustainability Index (DJSI). Woodside received a Silver Class distinction from RobecoSAM[1] for its DJSI sustainability performance, placing us in the top 3% when ranked against our peers in the oil and gas upstream and integrated sector.

United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (UNSDG) aim to address some of the world's most pressing economic, environmental and social challenges. While the response to the UNSDG is led by national governments, business must understand where opportunities exist to contribute to UNSDG targets.

SD Refer to the Sustainable Development Report 2017 for more details on the work we are completing to address the UNSDG.

In 2017, we reviewed the impacts across our value chain, conducted benchmarking analysis, and considered how each UNSDG applied to our operations and how we can meaningfully contribute.

Following this review, we have identified the following five UNSDGs to focus on in 2018: affordable and clean energy; industry, innovation and infrastructure; climate action; life below water; and partnerships for the goals.

1. An investment specialist focused exclusively on sustainability investing. It publishes the globally recognised DJSI.

CREATING SHARED VALUE

2017 HIGHLIGHTS

- Announced the Woodside Development Fund's first early childhood program in Senegal with long-term partner Save the Children
- Provided financial support for Scitech's new collaborative experiential learning gallery, Karrtadjin Kooliny
- Extended our Plan International partnership in Myanmar and commenced training programs with Yangon Technological University
- Commenced implementation of the Karratha and Roebourne Social Impact Management Plans

2018 ACTIVITIES

- Develop a social investment outcomes management framework and pilot it on the Woodside Development Fund
- Review the social investment approach to support Woodside's five Sustainable Development Goal focus areas

Social contribution

Our social investment strategy is to create capacity and capability in the communities in which we operate. Our strategy has three objectives: to improve knowledge; create opportunities; and build resilience. The objectives provide flexibility to cater for varying community and stakeholder needs and expectations and are applied throughout all phases of our business value chain.

To achieve our objectives, our 2017 social investment portfolio focused on innovation and technology, early childhood development, Indigenous outcomes and our employee volunteering and participation programs.

In 2017, we contributed A$17.9 million worth of social investment, up from A$15.7 million in 2016, demonstrating Woodside's ongoing commitment and support of host communities.

The Woodside Development Fund (WDF) invested in a range of community-based collaboration initiatives and programs to build capacity within the early childhood sector. This included the launch of the fund's first program in Senegal, the Education and Empowerment of Children Program with long-term partner Save the Children.

Our employees also contributed more than 10,400+ hours of volunteering in 2017, equating to A$2.3 million worth of assistance to communities.

We understand that providing financial support is just one way we support communities. By building shared value with community, government and industry, we're helping to build stronger communities.

SD Refer to the Sustainable Development Report 2017 for more information on our social investment.

Woodside launching a WDF program in Dakar, Senegal.

Indigenous peoples engagement

In 2017, our Indigenous engagement focused on three areas: embedding our Reconciliation Action Plan (RAP) outcomes framework; delivering on our commitments to our Indigenous host communities; and undertaking an independent benchmarking study of our Indigenous peoples engagement practice and management.

Woodside's 2016–2020 RAP reflects a key step in our journey to creating tangible Indigenous outcomes in Australia. In shifting our focus from activities to outcomes, we set a new vision for our reconciliation work in Australia, which emphasises mutual exchange. The focus of our effort in 2017 has been to embed our outcomes framework across the whole business with indicators that can usefully assist us to measure improvements in our key areas of interest: respect; relationships; and opportunity. Embedding the outcomes framework takes time and presents challenges, but we are reporting good progress.

Our RAP details commitments to increase Indigenous employment, increase contracts with Indigenous business and improve workforce understanding of Indigenous cultures. In 2017, Woodside made substantial progress against its RAP commitments. Our RAP performance is reported annually and will be released on our website in Q2 2018.

Refer to the Sustainable Development Report 2017 for more information about our RAP.

Refer to Woodside's website for the full RAP report (www.woodside.com.au).

Our global Indigenous peoples engagement benchmarking work was initiated in 2017 and is scheduled to be completed in the first half of 2018. The work builds on previous years' efforts to strengthen, streamline and integrate Indigenous engagement into our whole-of-business processes and procedures.

Outcomes from the benchmarking study will inform scheduled reviews of our management system and aid our considerations about continuous improvement opportunities in delivering mutually beneficial outcomes with Indigenous people in places where we are active.

Woodside employees participating in a cultural learning walk led by the Murujuga Rangers.

OPERATING WITH TRANSPARENCY AND INTEGRITY

Tax transparency

Woodside recognises the importance of stability, sustainability and competitiveness in tax and fiscal regimes. We have an established tax governance framework. Our Tax Policy, which is available on our website, is clear – we will comply with all tax laws and regulations applicable to our business.

Furthering our commitment to transparency, Woodside participates in the Australian Board of Taxation's voluntary Tax Transparency Code.

Regulatory compliance

Woodside has adopted a global regulatory compliance management process and system in order to increase transparency and drive regulatory compliance behaviours and performance.

Anti-bribery and corruption

Bribery and corruption present a threat to commercial organisations and communities worldwide. They undermine fair competition, erode public trust in governments and business, and disadvantage economies.

Woodside has a zero-tolerance approach to fraud, bribery and corruption, and complies with all relevant Australian and international anti-bribery and corruption laws.

A number of improvements were implemented during 2017, including the integration of cyber security capability and updated and extended anti-bribery and corruption training programs. In 2018, the focus will be on operator and high-risk contractor audits and using data to prevent and detect fraud.

Human rights

Woodside is committed to conducting business in a way that respects the human rights of all people.

To formalise this commitment, Woodside introduced a Human Rights Policy in October 2017 that details the principles by which we operate.

The development of the Human Rights Policy was informed by benchmarking analysis of Woodside's policies and systems against industry leaders.

The policy guides Woodside's global activities as we take steps to identify, prevent and manage potential human rights impacts in all phases of our value chain.

FOSTERING THE ORGANISATION AND CULTURE

2017 HIGHLIGHTS

- Increased employee engagement and sustained enablement as measured by employee engagement survey
- Applied leading-edge technology to improve workforce analytics and the management of talent and capability
- Increased executive and senior female representation
- Increased retention of Indigenous employees

2018 ACTIVITIES

- Drive an inclusive high-performing culture
- Increase activities to grow outstanding leaders
- Optimise workforce performance
- Build diverse capability

We continue to grow outstanding leaders, build diverse capability, drive an inclusive high-performing culture and optimise workforce performance.

Productivity progress

In 2017, we focused on optimising workforce productivity. We maintained a consistent overall workforce size and global voluntary turnover remained at 3.2% year on year.

Our 2017 employee engagement survey results showed we have an engaged and enabled workforce. Since 2013, our engagement levels have continued to climb above the oil and gas industry average and now sit just below global top-performing companies.

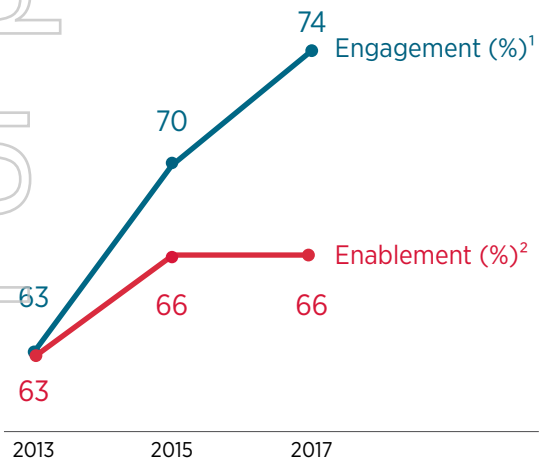
The results reveal that our staff are confident in Woodside's direction and goals, and are committed to values-led growth. In 2018, we will commence activities to increase enablement levels.

In 2017, we continued the roll-out of our talent management software that improves our workforce analytics and the management of talent and capability.

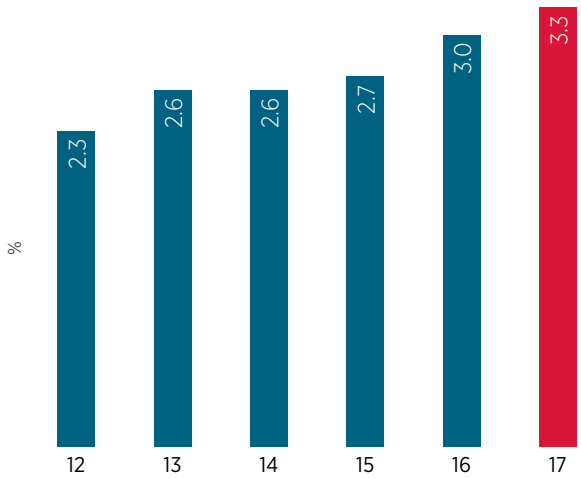
Building culture and capability

Woodside continues to drive an inclusive values-led high-performing culture. One way in which we do this is by growing outstanding leaders and building the capability of our workforce. In 2017, we established the Leaders as Coaches

Engagement and enablement



Indigenous employment rate



1. Engagement measures commitment, loyalty and willingness to put in discretionary effort under Korn Ferry | Hay Group's Engagement Performance Framework.
2. Enablement measures our workforce's perception about the right people being in the right roles in a work environment conducive to productivity, under Korn Ferry | Hay Group's Engagement Performance Framework.

program to enhance our leaders' coaching skills and support them to build the technical, leadership and safety capability of their respective teams. This program was designed and developed internally to cater for Woodside's needs and has delivered cost savings for the business.

We continued to provide our employees with experience-based opportunities to mature our global leadership capability and readiness for growth.

Woodside provides employees with opportunities to temporarily join other companies and Woodside entities overseas to gain exposure to international operations, global strategies, country-specific regulations and increase cultural awareness.

Our Development Centres objectively assess and develop leadership capability against global benchmarks. There are currently 100 employees on internal cross-functional rotations, which aim to broaden their experience across our value chain.

Our Graduate Development Program provides structured learning opportunities to accelerate time to autonomy. Our ability to grow outstanding leaders remains evident with 68% of senior leader appointments in 2017 coming from internal candidates. The percentage of graduate hires over mid-career external hires is steady at 69%, comparable to 67% in 2016.

We remain committed to extending our employees' tertiary education qualifications and, through our Production Training Academy, we support the ongoing development of the core skills competencies for our operator and maintenance technician workforce.

We continue to embrace our values-led culture through our Woodside Compass, which outlines our approach to growing a successful and sustainable business. In 2017, we refreshed the Compass to reflect our evolved strategic direction and reinforce our drive to innovate, collaborate and accelerate. Our values remain the same and we are committed to doing what is right so we can perform to our very best.

Inclusion and diversity

Woodside recognises that an inclusive culture that promotes diversity, respect and a sense of belonging is a key contributor to our success. Our Inclusion and Diversity Policy outlines our commitment. In 2017, we progressed our employment-related 2016–2020 Reconciliation Action Plan (RAP) activities and continued to implement our Gender Diversity Strategy. Our employee community groups, including Spectrum (for lesbian, gay, bisexual, transgender and intersex staff and allies), Gender Equality Matters (for staff interested in gender equality) and Woodside Reconciliation Community (for Indigenous and interested staff) are assisting the promotion and implementation of inclusive behaviours and initiatives.

We increased our directly employed Indigenous workforce from 103 employees in 2016 (3.0% of the total workforce) to 117 employees (3.3% of the total workforce and a 10% increase on 2016). This has been supported by our strong retention, with the turnover rate declining from 2.9% in 2016 to 1.7% in 2017, and the continuation of our pathways programs that increase our talent pool. This year we made offers to eight Indigenous candidates to join the graduate program. There are 27 Karratha-based Indigenous apprentices and trainees and 10 cadets undergoing tertiary study and work placement at Woodside. There were 22 Indigenous tertiary scholarships active in 2017.

In 2017, we advanced our strategy to drive sustainable improvements in gender diversity across all levels of the workforce. Female representation increased to 29%, which is a favourable comparison to the industry average of 22%.[1] Voluntary turnover is 4.5% and the return rate from parental leave is 95%. This is supported by gender-balanced graduate, apprentice and trainee development programs. Executive female representation increased from 19.6% in 2016 to 23.9%. Similarly, senior female representation increased from 15.9% in 2016 to 17.6% in 2017.

1. The World Petroleum Council and The Boston Consulting Group, 2017.

Woodside employees discussing staff survey results.

BUILDING A RESILIENT BUSINESS

2017 HIGHLIGHTS

- Commenced robotics site trials
- Completed the installation of WiFi across all Karratha Gas Plant (KGP) LNG trains
- Signed WorldBank Zero Routine Flaring initiative

2018 ACTIVITIES

- Install a lithium-ion battery on the Goodwyn A (GWA) production platform

Technology and innovation

We aim to enhance Woodside's competitiveness through innovation and applying technology that enables resource development, reduces unit costs and increases production.

In mid-2017, we took delivery of one of NASA's Anthropomorphic Robonauts, which will be on loan to Woodside for a five-year deployment in Perth. At present, the Robonaut is testing tasks that have been suggested by our Operations workforce. The Robonaut complements Woodside's own robotics program that includes machines capable of conducting tele-operated and semi-autonomous patrols and inspections. The first site trial of our patrol and inspection machines took place in November at the Pluto LNG facility and further trials will be conducted in 2018.

Woodside has advanced artificial intelligence and data analytics capabilities with the introduction of Willow, our cognitive adviser. Willow digests vast amounts of information using complex algorithms and is designed to interact with staff using natural language. Willow enables our people to unlock the collective intelligence of the organisation both past and present, allowing

Woodside's robotics team successfully conducting site trials at Pluto LNG.

all employees to access cognitive and advanced analytics applications that are built using a range of data science tools updated with live streaming data from our assets.

In December 2017, Woodside announced an agreement with ABB Australia Pty Ltd to install a lithium-ion battery energy storage system on the GWA platform. The installation of the 1 megawatt hour battery will reduce the need for back-up capacity (known as spinning reserve) in GWA platform's power generation system and is expected to reduce fuel gas consumption by more than 2,000 tonnes per year. This is estimated to decrease the platform's fuel gas emissions by 5% and positions Woodside as an early adopter of battery storage technology in oil and gas operations.

During 2017, we completed the installation of WiFi across all KGP LNG trains. In 2018, we will connect the remainder of the plant to WiFi, providing site-wide availability. WiFi provides employees with greater access to services and support in the field, improving productivity and plant availability. The KGP WiFi technology provides a fast and cost-effective way of acquiring additional data to support operations and business decision making.

Woodside also continues to invest in FutureLab, our collaboration hubs based at Monash and Curtin Universities and the University of Western Australia, that supports the delivery of our Intelligent Enterprise, Plant of the Future and Offshore Transformation work programs.

CYBER-SECURITY

A cyber incident presents a risk to the integrity and availability of Woodside's operations and the confidentiality of corporate information. Globally, cyber-security threats remain persistent and adversarial with an ever-increasing level of frequency, sophistication and severity. Woodside manages a range of risk controls to ensure adequate protection from, detection of and response to cyber-attacks.

Climate change

Woodside has a Climate Change Policy and a defined climate change approach focused on:

+ Ensuring the resilience of our portfolio
+ Improving the carbon performance of our facilities and developments
+ Communicating the future role of gas.

Resilience of our portfolio

As part of Woodside's business planning, we have modelled long-term energy outlook scenarios.

We use our standard business processes to manage the risks and opportunities associated with climate change. Our latest Climate Disclosure Project (CDP) response also details how these processes apply to our approach to climate change.

Refer to Woodside's website for our CDP response (www.woodside.com.au).

Improving carbon performance

Woodside continues to invest in and promote technologies that reduce emissions and promote energy efficiency in our current and future facilities. Woodside is evolving to meet the challenges of a low carbon economy, in which LNG will be a key resource.

As the lowest emissions fossil fuel, LNG can reduce emissions by replacing oil or coal. In the long term, LNG has an important role in the energy mix, including providing low-emissions, reliable power as the rise of renewables increases intermittency in power generation.

Communicating the future role of gas

We acknowledge that our investors, regulators and other stakeholders want us to be transparent about the impact of climate change on our business.

We continue to deliver natural gas as a key part of the long-term energy mix. About 90% of the emissions from Woodside's value chain comes from our customers using our products. This means that the greatest opportunities to impact global emissions come from how and where our customers use our products.

Refer to the Sustainable Development Report 2017 for further information on our approach to climate change.

Refer to Risk on page 62 for more information.

LNG FUELS

We are building a truck-loading facility at our Pluto LNG facility to support the switch to LNG from higher-emitting fuels such as diesel in heavy transport and in remote power generation throughout the resource-rich Pilbara region. If even a third of the Pilbara's diesel is replaced by LNG, it could reduce Australia's emissions by up to 2 million tCO_2e, or more than 50% of Woodside's direct emissions.

OPERATING RESPONSIBLY

2017 HIGHLIGHTS

- TRIR score of 1.29, a 21% improvement on 2016
- Awarded the 2017 APPEA Environment and Health and Safety awards
- No Tier 1 or 2 process safety events
- Delivered 61 kt CO_2e savings of the 389 kt CO_2e 2020 target in 2017

2018 ACTIVITIES

- Execute planned energy efficiency and greenhouse gas improvement projects
- Refresh our Golden Safety Rules, improving industry alignment and enabling global application
- Monitor the effectiveness of the Process Safety Management framework across the value chain to manage risk
- Build on our data analytics capability to learn from incidents and prevent reoccurrence, and continue to use industry partnerships to share incident lessons

Process safety

Maintaining facility integrity is essential to prevent a loss of integrity of structures, equipment, piping or wells with the potential to cause a loss of containment. Process Safety Management (PSM) provides a disciplined framework for ensuring integrity across the value chain.

In October 2017, asset integrity management was further improved through an online tool that helps manage integrity envelopes, or the boundaries in which asset systems should operate. The tool provides automated and real-time integrity envelope monitoring. This supports operations to provide timely response to manage process safety risk.

This year, we extended our process safety curriculum and competency assessment program to brownfields contractors at the Karratha Gas Plant. This is part of a broader focus to make process safety real and relevant to all employees and contractors. To date, over 350 contractors have completed the training.

Perfect HSE Day

Woodside's safety performance has continued to improve with a 69% reduction in Total Recordable Injury Rate (TRIR) since 2012. To support ongoing improvement and to increase personal ownership of Health, Safety, Environment (HSE) performance, the Perfect HSE Day concept was launched across the organisation in 2017. The concept makes a positive change by creating a common language which consolidates existing HSE processes and tools under a global HSE banner. The concept was the focus of Woodside's annual Stand Together for Safety week. Since the launch of the Perfect HSE Day and in conjunction with other HSE activities, Woodside's health and personal safety performance has improved, achieving the best TRIR performance to date.

Peer recognition

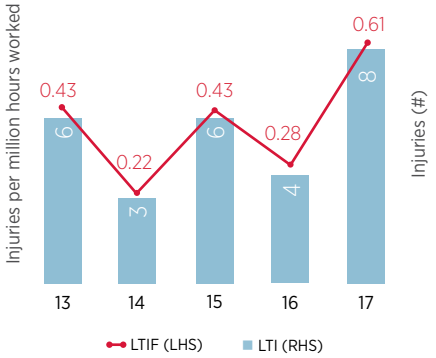
In May 2017, Woodside was awarded both the Australian Petroleum Production & Exploration Association (APPEA) Safety Excellence Award and the APPEA Environment Excellence Award for our performance, leadership and collaboration in safety and environmental management.

Advanced data analytics

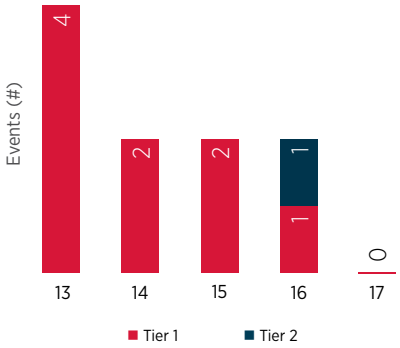
Data analytics and cognitive computing provide an opportunity to generate better insights into Woodside's health, safety, environment and quality (HSEQ) performance to support

Total recordable injury rate (TRIR) performance

Lost time injuries (LTI) and Lost time injury frequency (LTIF)



Tier 1 and 2 process safety events (PSEs)



continuous improvement. In March 2017, the Watson for HSEQ data analytics and cognitive computing tool was created to analyse large amounts of information and present it in an accessible manner. The tool has already digested more than 30 years of incident and operational data to help analyse information to better manage risks. Watson for HSEQ is also valuable in supporting incident investigations, improving the quality of our learning from incidents and supporting risk assessments and hazard studies.

Workplace health

To support Woodside's global growth, an integrated travel risk management solution was implemented to manage health exposure for business travellers and employees based in our international offices. The new travel risk management solution consolidated three systems, streamlined processes and aligns with leading practice in travel risk management.

Woodside is a supporter of mental health awareness, actively participating in World Mental Health Day and the R U OK? initiative as well as contributing to committees promoting mental health across the community.

HSE Representatives Network

Our HSE Representatives Network includes 140+ frontline Woodside employees and contractors from across our production assets who have committed to promoting health, safety and environment in the workplace. Our representatives are important HSE leaders and change agents and have a critical role in continuing to lift our HSE performance and culture. The 2017 HSE Representatives improvement project has delivered greater structure, role clarity, fit-for-purpose resources and improved support for this network. More than 70 representatives attended two HSE forums held in late 2017 to share success stories, create stronger networks and engage in HSE professional development activities.

Environment performance

Woodside HSEQ policy underpins our aim to minimise the impact of our operations on the environment in which we work. To support our goal of achieving 5% energy efficiency improvement by end 2020, fuel intensity metrics for Woodside-operated production assets continued to be monitored in 2017. Whilst fuel intensity performance slightly exceeded target, a pathway to achieving our goal has been established with a number of additional energy efficiency projects scheduled to be implemented in 2018 and 2019.

In 2017, Woodside implemented emissions savings projects totalling approximately 61 kt CO_2e. While 2017 performance was slightly above target, Woodside has renewed our commitment to achieving 5% energy efficiency improvement by implementing 389 kt CO_2e of sustained emissions savings by end 2020.

Annual flare performance was affected by unplanned outages at our onshore gas plants. Maintenance activities involving the flare system at the KGP are expected to improve performance in the first half of 2018.

Biodiversity

Robust science is core to Woodside's environmental management approach and processes. We rely on having the best knowledge to support our understanding of the local environment and our potential impacts upon it. In 2017, we continued our collaboration with our partners such as BirdLife, Fauna and Flora International (FFI), Wildlife Conservation Society (WCS), Australian Institute of Marine Science (AIMS) and the Western Australian Museum.

The overall goal of our partnership with WCS in Myanmar is to develop a deeper understanding of the fishing community and marine environment along some of Myanmar's western coastline. In parallel, a collaboration with FFI and Myanmar's Pathein University aims to build the capacity of marine science staff and students to understand and assess Myanmar's coastal and marine habitats. Our current work with BirdLife is focused on the East Asian Australian Flyway (EAAF).

Woodside continues to coinvest in marine environmental science with research-based organisations and universities in Australia and overseas.

SD Refer to the Sustainable Development Report 2017 for further information on Operating Responsibly.

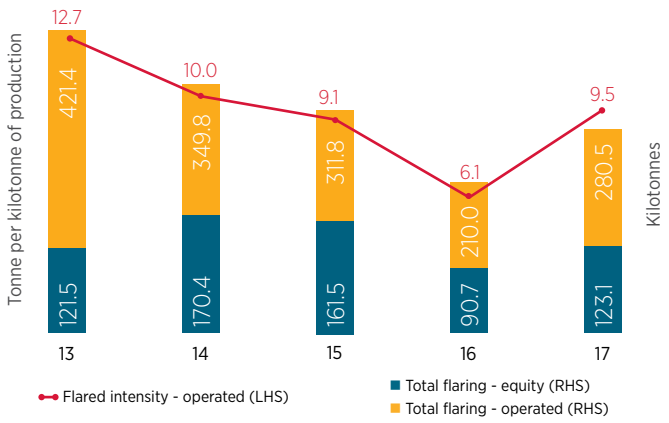
Outlook

Supported by the Perfect HSE Day, our focus is to continue to improve our health, safety and environmental performance.

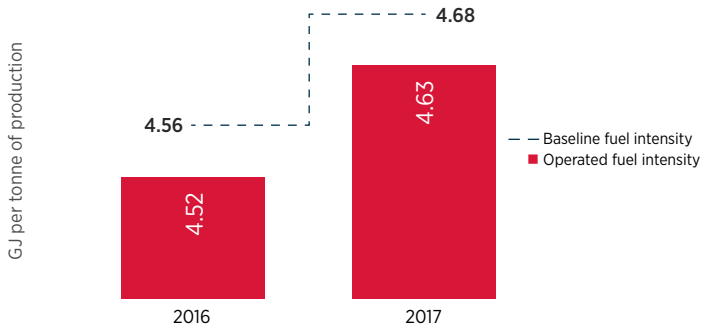
We will continue to drive the development of energy-efficiency initiatives to support our commitment to sustained emissions savings by the end of 2020.

We will strive for excellence in identifying and mitigating HSE risks and impacts to protect our people, communities and environment.

Flared gas



Fuel intensity



Baseline fuel intensity is calculated using actual production.

Looking out to sea from the Pluto LNG dolphin wharf.

CORPORATE

RISK

Woodside maintains a robust and disciplined focus on operational excellence and effective risk management. We do this so that we understand and manage risk to help achieve our objectives.

Our risk management process is designed to recognise and manage risks that have the potential to materially impact Woodside's business objectives. The process is aligned to International Standard ISO31000 for risk management and assesses potential risks in areas such as health and safety, environment, finance, reputation and brand, legal and compliance, and social and cultural impacts.

Refer to the Sustainable Development Report 2017 for more information on sustainability issues of importance to our stakeholders and our business.

Refer to Woodside's Corporate Governance Statement for more information (www.woodside.com.au/Working-Sustainably/governance-and-compliance).

An overview of our material risks is summarised below.

CONTEXT	RISK	MITIGATION
Our future growth depends on our ability to identify, acquire, explore and develop reserves.	Unsuccessful exploration and renewal of upstream resources may impede delivery of our strategy.	Exposure to reserve depletion is addressed by our comprehensive exploration strategy together with our capability in geosciences and deep-water exploration. Our disciplined management of opportunities and acquisitions, together with the application of new technologies and recovery processes, further addresses this risk.
The commercially recoverable quantity of gas, oil and condensate within reserves is estimated with reasonable certainty based on anticipated conditions.	Estimates of economically recoverable reserves are based upon a number of factors and assumptions, such as geological and engineering estimates and judgements, the assumed effects of government regulation and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results. Variation in reserve quantities may result in lower future production volumes, impairment of assets or decreased earnings, cash flows and financial performance.	Our framework of petroleum resources and reservoir management processes provide assurance for reserves estimation and reporting. These incorporate the Woodside Reserves Policy, the Petroleum Resources Management Procedure and competency and training minimum requirements. Our reserves are also reviewed through external audits.
Efficient and cost-competitive commercialisation of hydrocarbons is a contributor to our success.	A failure to successfully commercialise our hydrocarbons by selecting sub-optimal development options or failing to execute projects that achieve cost, quality and schedule expectations may reduce the value we can secure from future developments and negatively impact our financial performance.	Central to the management of this risk is our focus on creating effective commercial arrangements with a range of participants, stakeholders and contractors. In addition, we continue to invest in robust and high-quality opportunity development and project management systems.
Safety, reliability and integrity in production and delivery of hydrocarbon products influence our licence to operate and our ability to achieve superior shareholder returns.	Sustained, unplanned interruption to production may impact our licence to operate and financial performance. Our facilities are subject to operating hazards, inclement weather and disruption to supply chain, which can result in a loss of hydrocarbon containment, diminished production, additional costs, environmental damage or harm to our people, reputation or brand.	Our extensive framework of controls enables the management of these risks. This includes production processes, drilling and completions and well-integrity management processes, inspection and maintenance procedures and performance standards. This framework is supported by the ongoing engagement we have with regulators.
Our business relies on a variety of information technology systems.	The integrity, availability and reliability of data within Woodside's information and operations technology systems may be subject to intentional or unintentional disruption (e.g. cyber security attack).	Our exposure to cyber security risk is managed by a robust control framework and the continuing focus on system control improvements, supported by an established and embedded security strategy across the organisation.

CONTEXT	RISK	MITIGATION
External market conditions, including volatility in commodity prices and demand for our products, impact our financial performance.	Commodity prices are variable and are impacted by global economic factors beyond Woodside's control. Demand for and pricing of our products remain sensitive to external economic and political factors, weather, natural disasters, introduction of new and competing supply, and change within buyer preferences for differing products and price regimes.	Woodside mitigates the uncertainty associated with product demand by selling LNG in a portfolio manner and under long-term 'take or pay' sale agreements, in addition to the spot market. Our low cost of production and disciplined approach to balance sheet risk management further mitigate this exposure.
Woodside's technology strategy is focused on maintaining competitive advantage through innovation to generate value for our business.	Unsuccessful development and delivery of new technology and new products through innovation may impact competitive advantage.	We are reducing unit costs for developments and deploying technology solutions in new business opportunities to deliver our strategic objectives. We aim to respond nimbly to emerging trends, disruptive innovations and complementary technologies.
Access to capital, capital allocation and management of financial risks underpin our business performance.	We are exposed to treasury and financial risks, including liquidity, changes in interest rates, fluctuation in foreign exchange and credit risk. Insufficient liquidity to meet financial commitments and fund growth opportunities could have a material adverse effect on our operations and financial performance. Our financing costs could be affected by interest rate fluctuations or deterioration to our long-term investment-grade credit rating. We are exposed to credit risk. Our counterparties could fail or could be unable to meet their payment and/or performance obligations under contractual arrangements.	Woodside maintains a flexible approach to capital management. The overall level of investment in the different areas of our business and the investment mix are adjusted to reflect the external environment. Our capital management strategy focuses on capital allocation, capital discipline and capital efficiency. Our extensive framework of financial controls, including monitoring of counterparties, enables the management of these risks. The US dollar reflects the majority of Woodside's underlying cash flows and is used in our financial performance reporting, reducing our exposure to currency fluctuations.
Commercial transactions, obligations or liabilities may impact Woodside's portfolio.	Commercial transactions undertaken with the objective of growing Woodside's portfolio incur a number of risks that may impact the ability to deliver anticipated value. These include sub-optimal commercial outcomes; the imposition of unfavourable or a change in fiscal conditions, obligations or liabilities; and operational performance of acquired assets not meeting expectations.	Our commercial processes are designed to reduce the likelihood of these risks materialising as a result of a commercial transaction. We focus on maintaining a disciplined approach to ensure that we continue to increase shareholder value and appropriately manage risk.
Our business activities are subject to extensive regulation and government policy.	In each of the countries where we do business, Woodside is subject to various national and local laws, regulations and approvals. These relate to the exploration, development, production, marketing, pricing, transport and storage of our products, and changes or failure to comply with these may impact our licence to operate.	As we increase our global footprint, we continue to strengthen our regulatory compliance framework and supporting tools. We also proactively maintain relationships with governments and regulators within countries in which we operate and those of interest.
Woodside faces climate-change risks including changes in product demand, carbon pricing, uncertainty surrounding future regulatory frameworks and increased stakeholder expectations.	Demand for oil and gas may subside as lower carbon substitutes take market share. Global climate-change policy remains uncertain and has the potential to constrain Woodside's ability to create and deliver stakeholder value.	We are focusing on ensuring our portfolio is robust in a carbon-constrained market, improving our energy efficiency and maintaining engagement with key industry and government stakeholders. We are implementing strategies to diversify our product mix, diversify use of our products, broaden our customer base and increase our portfolio resilience.
Bribery and corruption present a significant threat to commercial organisations and communities worldwide.	Violation of anti-bribery and corruption laws may expose Woodside to fines, criminal sanctions and civil suits, and negatively impact our reputation.	Our Fraud and Corruption Control Program provides a clear framework to help prevent, detect and respond to dishonest or unethical behaviour. The framework incorporates policies, programs, training, standards and guidelines that help ensure that all activities are conducted ethically, honestly and to a high standard.

ⓘ Refer to Unreasonable Prejudice and Forward-looking Statements on page 142 for more information.

RESERVES AND RESOURCES

Start-up of Persephone and Wheatstone adds 29 MMboe to Proved (1P) Developed reserves while progression of development planning for Pyxis contributes 39 MMboe to Greater Pluto Proved plus Probable (2P) reserves.

Woodside's[1,2,3,4] reserves and contingent resources[5] overview* (Woodside share, as at 31 December 2017)

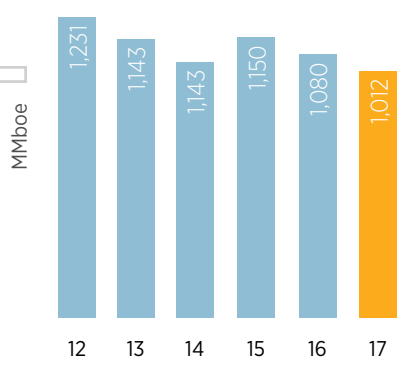
	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Proved[11] Developed[13] and Undeveloped[14]	4,983.0	88.8	48.5	1,011.5
Proved Developed	2,623.9	46.4	17.5	524.2
Proved Undeveloped	2,359.1	42.4	31.0	487.3
Proved plus Probable[12] Developed and Undeveloped	6,538.5	117.0	69.9	1,333.9
Proved plus Probable Developed	3,532.1	62.1	27.9	709.7
Proved plus Probable Undeveloped	3,006.4	54.8	42.0	624.3
Contingent resources	26,043.8	236.9	206.0	5,012.0

*Small differences are due to rounding.

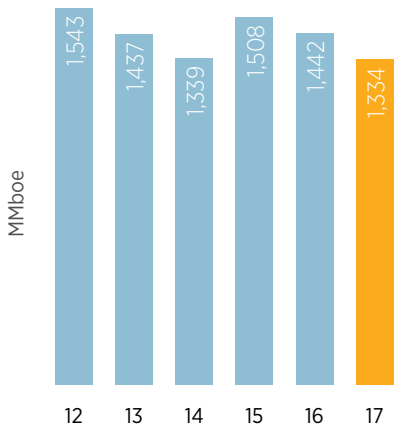
Key metrics

		Proved	Proved plus Probable
2017 reserves replacement ratio[15]	%	23	-23
Organic 2017 reserves replacement ratio[16]	%	23	-23
Three-year reserves replacement ratio	%	87	98
Organic three-year reserves replacement ratio	%	19	5
Reserves life[17]	Years	11	15
Annual production[18]	MMboe	88.5	88.5
Net acquisitions and divestments	MMboe	0.0	0.0

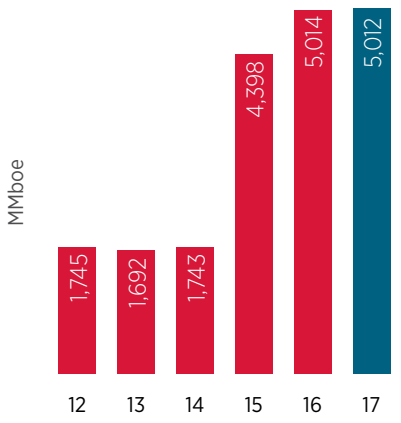
1P Reserves



2P Reserves



2C Contingent resources



Developed and Undeveloped reserves annual reconciliation by product* (Woodside share, as at 31 December 2017)

	Dry gas[6] Bcf[8]		Condensate[7] MMbbl[9]		Oil MMbbl		Total MMboe[10]	
	Proved (1P)	Proved plus Probable (2P)	Proved (1P)	Proved plus Probable (2P)	Proved (1P)	Proved plus Probable (2P)	Proved (1P)	Proved plus Probable (2P)
Reserves at 31 December 2016	5,326.1	7,089.5	94.9	124.2	50.5	74.4	1,079.8	1,442.4
Revision of previous estimates[19]	-68.4	-308.0	-0.1	-1.2	4.4	1.6	-7.7	-53.6
Transfer to/from reserves	147.5	179.2	1.6	1.6	0.4	0.6	27.9	33.6
Extensions and discoveries[20]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Acquisitions and divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Annual production	-422.2	-422.2	-7.6	-7.6	-6.8	-6.8	-88.5	-88.5
Reserves at 31 December 2017	**4,983.0**	**6,538.5**	**88.8**	**117.0**	**48.5**	**69.9**	**1,011.5**	**1,333.9**

*Small differences are due to rounding.

Best Estimate Contingent resource annual reconciliation by product* (Woodside share, as at 31 December 2017)

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Contingent resources at 31 December 2016	26,053.7	236.6	206.9	5,014.2
Transfer to/from reserves	-178.3	-1.6	-0.6	-33.4
Revision of previous estimates	168.4	1.9	-0.3	31.2
Extensions and discoveries	0.0	0.0	0.0	0.0
Acquisitions and divestments	0.0	0.0	0.0	0.0
Contingent resources at 31 December 2017	**26,043.8**	**236.9**	**206.0**	**5,012.0**

*Small differences are due to rounding.

Best Estimate Contingent resource summary by region* (Woodside share, as at 31 December 2017)

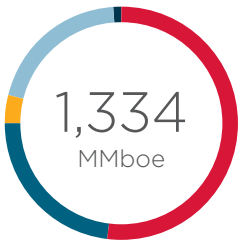
Project	Dry gas[6] Bcf[8]	Condensate[7] MMbbl[9]	Oil MMbbl	Total MMboe[10]
Greater Browse[26]	4,881.0	142.6	0.0	998.9
Greater Sunrise[28]	1,716.8	75.6	0.0	376.7
Greater Pluto[21]	619.9	8.2	0.0	117.0
Greater Exmouth[23]	307.4	2.1	39.3	95.2
North West Shelf[22]	289.8	8.1	16.8	75.8
Wheatstone[24]	20.3	0.3	0.0	3.9
Canada[25]	14,976.0	0.0	0.0	2,627.4
Senegal[30]	0.0	0.0	150.0	150.0
Greater Scarborough[27]	2,765.1	0.0	0.0	485.1
Myanmar[29]	467.5	0.0	0.0	82.0
Total	**26,043.8**	**236.9**	**206.0**	**5,012.0**

*Small differences are due to rounding.

1P Reserves by region (Developed and Undeveloped)

	%		%
Greater Pluto	50	Wheatstone	19
North West Shelf	27	Canada	<1
Greater Exmouth	4		

2P Reserves by region (Developed and Undeveloped)



	%		%
Greater Pluto	52	Wheatstone	20
North West Shelf	23	Canada	1
Greater Exmouth	4		

2C Contingent resource by region

	%		%
Greater Browse	20	Wheatstone	<1
Greater Sunrise	8	Canada	52
Greater Pluto	2	Senegal	3
Greater Exmouth	2	Greater Scarborough	10
North West Shelf	1	Myanmar	2

Proved (1P) Developed and Undeveloped reserves by region*

	Dry gas Bcf			Condensate MMbbl			Oil MMbbl			Total MMboe		
	Developed	Undeveloped	Total	Developed	Undeveloped	Total	Developed	Undeveloped	Total	Developed	Undeveloped	Total
Greater Pluto[21,31]	1,089.3	1,551.2	2,640.5	14.8	25.4	40.1	0.0	0.0	0.0	205.9	297.5	503.4
North West Shelf[22,31]	1,014.8	303.9	1,318.7	19.8	8.8	28.6	10.6	0.0	10.6	208.5	62.1	270.6
Greater Exmouth[23]	0.0	0.0	0.0	0.0	0.0	0.0	6.9	31.0	37.9	6.9	31.0	37.9
Wheatstone[24]	486.8	504.0	990.8	11.8	8.3	20.0	0.0	0.0	0.0	97.1	96.7	193.8
Canada[25]	33.0	0.0	33.0	0.0	0.0	0.0	0.0	0.0	0.0	5.8	0.0	5.8
Reserves	**2,623.9**	**2,359.1**	**4,983.0**	**46.4**	**42.4**	**88.8**	**17.5**	**31.0**	**48.5**	**524.2**	**487.3**	**1,011.5**

*Small differences are due to rounding.

Proved plus Probable (2P) Developed and Undeveloped reserves by region*

	Dry gas Bcf			Condensate MMbbl			Oil MMbbl			Total MMboe		
	Developed	Undeveloped	Total	Developed	Undeveloped	Total	Developed	Undeveloped	Total	Developed	Undeveloped	Total
Greater Pluto	1,688.2	1,920.2	3,608.4	22.5	32.3	54.8	0.0	0.0	0.0	318.7	369.2	687.9
North West Shelf	1,159.4	332.5	1,492.0	24.4	9.9	34.3	13.7	0.0	13.7	241.5	68.3	309.8
Greater Exmouth	0.0	0.0	0.0	0.0	0.0	0.0	14.2	42.0	56.2	14.2	42.0	56.2
Wheatstone	631.5	753.6	1,385.1	15.2	12.6	27.8	0.0	0.0	0.0	126.0	144.8	270.8
Canada	53.0	0.0	53.0	0.0	0.0	0.0	0.0	0.0	0.0	9.3	0.0	9.3
Reserves	**3,532.1**	**3,006.4**	**6,538.5**	**62.1**	**54.8**	**117.0**	**27.9**	**42.0**	**69.9**	**709.7**	**624.3**	**1,333.9**

*Small differences are due to rounding.

Governance and assurance

Woodside, as an Australian company listed on the Australian Securities Exchange, reports its petroleum resource estimates using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/American Association of Petroleum Geologists (AAPG)/ Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS).

Woodside has several processes to provide assurance for reserves reporting, including the Woodside Reserves Policy, the Petroleum Resources Management Procedure, staff training and minimum competency levels and external reserves audits. On average, 97% of Woodside's Proved Reserves have been externally verified by independent review over the past four years.

Unless otherwise stated, all petroleum resource estimates are quoted as net Woodside share at standard oilfield conditions of 14.696 pounds per square inch (psi) (101.325 kPa) and 60 degrees Fahrenheit (15.56 degrees Celsius).

Qualified petroleum reserves and resources evaluator statement

The Reserves and Resources Statement is based on and fairly represents information and supporting documentation prepared by qualified petroleum reserves and resources evaluators. The Reserves and Resources Statement has been approved by Mr Ian F. Sylvester, Woodside's Vice President of Reservoir Management, who is a full-time employee of the company and a member of the Society of Petroleum Engineers. Mr Sylvester's qualifications include a Master of Engineering (Petroleum Engineering) from Imperial College, University of London, England, and more than 20 years of relevant experience. Mr Sylvester has consented in writing to the inclusion of this information in this report.

Notes to the reserves and resources statement

1. 'Reserves' are estimated quantities of petroleum that have been demonstrated to be producible from known accumulations in which the company has a material interest from a given date forward, at commercial rates, under presently anticipated production methods, operating conditions, prices and costs.
2. Assessment of the economic value of a project, in support of a reserves booking, uses Woodside Portfolio Economic Assumptions (PEAs). The PEAs are reviewed on an annual basis or more often if required. The review is based on historical data and forecast estimates for economic variables such as product prices and exchange rates. The PEAs are approved by the Woodside Board. Specific contractual arrangements for individual projects are also taken into account.
3. Woodside uses both deterministic and probabilistic methods for estimation of petroleum resources at the field and project levels. Unless otherwise stated, all petroleum estimates reported at the company or region level are aggregated by arithmetic summation by category. Note that the aggregated Proved level may be a very conservative estimate due to the portfolio effects of arithmetic summation.
4. Woodside reports reserves net of the fuel and flare required for production, processing and transportation up to a reference point. For offshore oil projects, the reference point is defined as the outlet of the floating production storage and offloading facility (FPSO). For onshore LNG projects, the reference point is defined as the inlet to the downstream (onshore) processing facility. For offshore LNG projects (floating liquefied natural gas (FLNG)), the reference point is defined as the outlet of the FLNG facility. Downstream fuel and flare represents 9.5% of Woodside's Proved (Developed and Undeveloped) reserves, and 9.9% of Proved plus Probable (Developed and Undeveloped) reserves.
5. 'Contingent resources' are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Woodside reports contingent resources net of the fuel and flare required for production, processing and transportation up to a reference point and non-hydrocarbons not present in sales products. Contingent resources estimates may not always mature to reserves and do not necessarily represent future reserves bookings. All contingent resource volumes are reported at the 'Best Estimate' (P50) confidence level.
6. 'Dry gas' is defined as 'C4 minus' petroleum components including non-hydrocarbons. These volumes include LPG (propane and butane) resources. Dry gas reserves and contingent resources include 'C4 minus' hydrocarbon components and non-hydrocarbon volumes that are present in sales product.
7. 'Condensate' is defined as 'C5 plus' petroleum components.
8. 'Bcf' means billions (10^9) of cubic feet of gas at standard oilfield conditions of 14.696 psi (101.325 kPa) and 60 degrees Fahrenheit (15.56 degrees Celsius).
9. 'MMbbl' means millions (10^6) of barrels of oil and condensate at standard oilfield conditions of 14.696 psi (101.325 kPa) and 60 degrees Fahrenheit (15.56 degrees Celsius).
10. 'MMboe' means millions (10^6) of barrels of oil equivalent. Consistent with international practice, dry gas volumes are converted to oil equivalent volumes via a constant conversion factor, which for Woodside is 5.7 Bcf of dry gas per 1 MMboe. Volumes of oil and condensate are converted from MMbbl to MMboe on a 1:1 ratio.
11. 'Proved reserves' are those reserves which analysis of geological and engineering data suggests, to a high degree of certainty (90% confidence), are recoverable. There is relatively little risk associated with these reserves.
12. 'Probable reserves' are those reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. Proved plus Probable reserves represent the best estimate of recoverable quantities. Where probabilistic methods are used, there is at least a 50% probability that the quantities actually recovered will exceed the sum of estimated Proved plus Probable reserves.
13. 'Developed reserves' are those reserves that are producible through currently existing completions and installed facilities for treatment, compression, transportation and delivery, using existing operating methods and standards.
14. 'Undeveloped reserves' are those reserves for which wells and facilities have not been installed or executed but are expected to be recovered through future investments.
15. The 'reserves replacement ratio' is the reserves (Developed and Undeveloped) change during the year, before the deduction of production, divided by production during the year. The 'three-year reserves replacement ratio' is the reserves (Developed and Undeveloped) change over three years, before the deduction of production for that period, divided by production during the same period.
16. The 'organic annual reserves replacement ratio' is the reserves (Developed and Undeveloped) change during the year, before the deduction of production and adjustment for acquisition and divestments, divided by production during the year.
17. The 'reserves life' is the reserves (Developed and Undeveloped) divided by production during the year.
18. 'Annual production' is the volume of dry gas, condensate and oil produced during the year and converted to 'MMboe' for the specific purpose of reserves reconciliation and the calculation of reserves replacement ratios. The 'Reserves and resources statement' annual production differs from production volumes reported in the company's annual and quarterly reports due to differences between the sales and reserves product definitions, reserves reported gross of downstream fuel and flare and the 'MMboe' conversion factors applied.
19. 'Revision of previous estimates' are changes in previous estimates of reserves or contingent resources, either up or down, resulting from new information normally obtained from development drilling and production history or resulting from a change in economic factors or reservoir modelling to estimate volumes reasonably expected to be recovered from wells in the relevant project.
20. 'Extensions and discoveries' represent additions to reserves or contingent resources that result from increased areal extensions of previously discovered fields, discovery of reserves or contingent resources in new fields, or new reservoirs in old fields.
21. The 'Greater Pluto' region comprises the Pluto-Xena, Larsen, Martell, Martin, Noblige, Pyxis and Remy fields.
22. The 'North West Shelf' (NWS) includes all oil and gas fields within the North West Shelf Project Area. As the NWS consists of a portfolio of fields, probabilistic aggregation is more appropriate than arithmetic summation as inter-field dependencies reflecting different reservoir characteristics between fields are incorporated. Probabilistic aggregation of individual fields in the NWS accounts for 17.5% of NWS Proved (Developed and Undeveloped) dry gas reserves and 22.7% of NWS Proved (Developed and Undeveloped) condensate reserves.
23. The 'Greater Exmouth' region comprises the Vincent, Enfield, Greater Enfield, Greater Laverda, Ragnar and Toro fields.
24. The 'Wheatstone' region comprises the Julimar and Brunello fields.
25. The 'Canada' region comprises unconventional resources in the Liard Basin.
26. The 'Greater Browse' region comprises the Brecknock, Calliance and Torosa fields.
27. The 'Greater Scarborough' region comprises the Jupiter, Scarborough and Thebe fields.
28. The 'Greater Sunrise' region comprises the Sunrise and Troubadour fields.
29. 'The Myanmar' region comprises the Shwe Yee Htun and Thalin fields.
30. The 'Senegal' region comprises the SNE field.
31. Material concentrations of undeveloped reserves in Greater Pluto and North West Shelf have remained undeveloped for longer than five years from the dates they were initially reported, as the incremental reserves are expected to be recovered through future developments to meet long-term contractual commitments. The incremental projects are included in the company business plan, demonstrating the intent to proceed with the developments.

Woodside's outgoing Chairman, Michael Chaney, AO, with incoming Chairman-elect, Richard Goyder, AO.

GOVERNANCE

WOODSIDE BOARD


MICHAEL CHANEY, AO


PETER COLEMAN


LARRY ARCHIBALD


MELINDA CILENTO


FRANK COOPER, AO


RICHARD GOYDER, AO


CHRISTOPHER HAYNES, OBE


IAN MACFARLANE


ANN PICKARD


SARAH RYAN


GENE TILBROOK

Michael Chaney, AO

BSc, MBA, Hon LLD (UWA), FAICD

Chairman: Appointed July 2007

Term of office: Director since November 2005

Independent: Yes

Experience: Spent 22 years at Wesfarmers Limited, including Managing Director and CEO from 1992 to 2005. Three years with investment bank Australian Industry Development Corporation (1980 to 1983), and prior to that eight years as a petroleum geologist working on the North West Shelf and in the USA and Indonesia. Previously Chairman of National Australia Bank Limited (2004 to 2015) and non-executive director of BHP Billiton Limited (1995 to 2005) and BHP Billiton Plc (2001 to 2005).

Committee membership: Chair of the Nominations Committee. Attends other Board committee meetings.

Current directorships/other interests:

Chair: Wesfarmers Limited (director since 2015).

Director: The Centre for Independent Studies Ltd (since 2000).

Member: Commonwealth Science Council (since 2014) and Australia-Germany Advisory Group.

Directorships of other listed entities within the past three years: National Australia Bank Limited (2004 to 2015).

Peter Coleman

BEng, MBA, FTSE

CEO and Managing Director

Term of office: Director since 2011

Independent: No

Experience: More than 30 years in the global oil and gas business, including 27 years' experience with the ExxonMobil group, culminating as Vice President Development Company, with responsibility for the development and project work in the Asia-Pacific region. Appointed an Adjunct Professor in Corporate Strategy by the University of Western Australia in 2012.

Committee membership: Attends Board committee meetings.

Current directorships/other interests:

Chair: Australia–Korea Foundation (since 2014).

Director: Business Council of Australia (since 2017).

Member: The Commonwealth Government's Advisory Group on Australia–Africa Relations (since 2015) and Executive Committee of the Australia Japan Business Co-operation Council (since 2011).

Adviser: Monash Industry Council.

Directorships of other listed entities within the past three years: Nil

Larry Archibald

BSc (Geosciences), BA (Geology), MBA

Term of office: Director since February 2017

Independent: Yes

Experience: Former ConocoPhillips company executive (2008 to 2015), spending eight years in senior positions including Senior Vice President, Business Development and Exploration, and Senior Vice President, Exploration. Prior to this, spent 29 years at Amoco (1980 to 1998) and BP (1998 to 2008) in various positions including leadership of exploration programs covering many world regions.

Committee membership: Audit & Risk, Sustainability and Nominations Committees.

Current directorships/other interests:

Non-executive director: MainSail Energy Plc (since 2016).

Adviser: Warburg Pincus (since 2016) and Cairn Energy Oil and Gas/Vedanta Limited (since 2017).

Member: Geosciences Advisory Board of the University of Arizona.

Directorships of other listed entities within the past three years: Nil

Melinda Cilento

BA, BEc (Hons), MEc

Term of office: Director since December 2008

Independent: Yes

Experience: Significant public and private sector experience in economic policy development and analysis. Deputy Chief Executive (2006 to 2010) and Chief Economist (2002 to 2010) of the Business Council of Australia. Previously worked with County Investment Management (now Invesco) as Head of Economics, the Department of Treasury and the International Monetary Fund.

Committee membership: Chair of the Human Resources & Compensation Committee. Member of the Sustainability and Nominations Committees.

Current directorships/other interests:

Chief Executive Officer: Committee for Economic Development of Australia (since 2017).

Director: Australian Unity Limited (since 2014).

Co-Chair: Reconciliation Australia (director since 2010) and NAB Advisory Council on Corporate Responsibility (member since 2013).

Member: Chief Executive Women.

Directorships of other listed entities within the past three years: Nil

Frank Cooper, AO

BCom, FCA, FAICD

Term of office: Director since February 2013

Independent: Yes

Experience: More than 35 years' experience in corporate tax, specialising in the mining, energy and utilities sector, including senior leadership roles at three of the largest accounting firms and director of a leading Australian utility company.

Committee membership: Chair of the Audit & Risk Committee. Member of the Human Resources & Compensation and Nominations Committees.

Current directorships/other interests:

Chair: Insurance Commission of Western Australia and the University of Western Australia Strategic Resources Committee.

Director: St John of God Australia Limited (since 2015) and South32 Limited (since 2015).

Member: Senate of the University of Western Australia.

President: Western Australia division of the Australian Institute of Company Directors.

Trustee: St John of God Health Care (since 2015).

Directorships of other listed entities within the past three years: Nil

Richard Goyder, AO

BCom, FAICD

Term of office: Director (Chairman-elect) since August 2017

Independent: Yes

Experience: 24 years with Wesfarmers Limited, including Managing Director and CEO from 2005 to late 2017. Chairman of the Australian B20 (the key business advisory body to the international economic forum which includes business leaders from all G20 economies) from February 2013 to December 2014.

Committee membership: Member of the Nominations Committee. Attends other Board committee meetings.

Current directorships/other interests:

Chairman: Australian Football League Commission and JDRF Australia.

Director: Qantas Airways Limited (since 2017).

Member: Evans and Partners Investment Committee.

Directorships of other listed entities within the past three years: Wesfarmers Limited (2002 to 2017).

Christopher Haynes, OBE

BSc, DPhil, FREng, CEng, FIMechE

Term of office: Director since June 2011

Independent: Yes

Experience: A 38-year career with Shell including as Executive Vice President, Upstream Major Projects within Shell's Projects and Technology business, General Manager of Shell's operations in Syria and a secondment as Managing Director of Nigeria LNG Ltd. From 1999 to 2002, seconded to Woodside as General Manager of the North West Shelf Venture. Retired from Shell in 2011.

Committee membership: Member of the Audit & Risk, Sustainability and Nominations Committees.

Current directorships/other interests:

Director: WorleyParsons Limited (since 2012).

President: Energy Industries Council (since 2015).

Directorships of other listed entities within the past three years: Nil

Ian Macfarlane

Former Australian Federal Minister (Resources; Energy; Industry and Innovation), FAICD

Term of office: Director since 2016

Independent: Yes

Experience: Australia's longest-serving Federal Resources and Energy Minister and the Coalition's longest-serving Federal Industry and Innovation Minister with over 14 years of experience in both Cabinet and shadow ministerial positions. Before entering politics, Mr Macfarlane's experience included agriculture, and being President of the Queensland Graingrowers Association (1991 to 1998) and the Grains Council of Australia (1994 to 1996).

Committee membership: Member of the Human Resources & Compensation, Sustainability and Nominations Committees.

Current directorships/other interests:

Chief Executive: Queensland Resources Council (since 2016).

Chair: Innovative Manufacturing Co-operative Research Centre.

Member: Toowoomba Community Advisory Committee of the University of Queensland Rural Clinical School.

Directorships of other listed entities within the past three years: Nil

Ann Pickard

BA, MA

Term of office: Director since February 2016

Independent: Yes

Experience: Retired from Shell in 2016 after a 15-year tenure holding numerous positions, including Executive Vice President Arctic, Executive Vice President Exploration and Production, Country Chair of Shell in Australia, and Executive Vice President Africa. Previously had an 11-year tenure with Mobil prior to its merger with Exxon.

Committee membership: Chair of the Sustainability Committee. Member of the Human Resources & Compensation and Nominations Committees.

Current directorships/other interests:

Director: KBR Inc. (since 2015).

Member: Chief Executive Women, Advisory Council of the Eurasia Foundation and Board of University of Wyoming.

Directorships of other listed entities within the past three years: Nil

Sarah Ryan

BSc (Geophysics) (Hons 1), BSc (Geology), PhD (Petroleum and Geophysics), FTSE

Term of office: Director since 2012

Independent: Yes

Experience: More than 20 years' experience in the oil and gas industry in various technical, operational and senior management positions, including 15 years with Schlumberger Limited. Currently an energy adviser for institutional investment firm Earnest Partners, having previously been responsible for research and portfolio management from 2007 until 2014.

Committee membership: Member of the Audit & Risk, Sustainability and Nominations Committees.

Current directorships/other interests:

Director: Akastor ASA (since 2014), Central Petroleum Limited (since 2017) and Kinetic Consolidated Pty Ltd (previously Vautron Holdings Pty Ltd) (since 2016).

Member: Advisory Board of Unearthed Solutions (since 2017) and Chief Executive Women (since 2016).

Advisor to the Chairman: Saxo Bank, Denmark

Directorships of other listed entities within the past three years: Nil

Gene Tilbrook

BSc, MBA, FAICD

Term of office: Director since 2014

Independent: Yes

Experience: Broad experience in corporate strategy, investment and finance. Senior executive of Wesfarmers Limited between 1985 and 2009, including roles as Executive Director Finance and Executive Director Business Development.

Committee membership: Member of the Audit & Risk, Human Resources & Compensation and Nominations Committees.

Current directorships/other interests:

Deputy Chair: National Board of the Australian Institute of Company Directors (since 2016).

Director: Orica Limited (since 2013), GPT Group Limited (since 2010) and the Bell Shakespeare Company.

Councillor: Curtin University and Western Australia division of the Australian Institute of Company Directors (since 2013).

Directorships of other listed entities within the past three years: Fletcher Building Limited (2009 to 2015) and Aurizon Holdings Limited (2010 to 2016).

David McEvoy

BSc (Physics), Grad Dip (Geophysics)

Mr David McEvoy retired effective on 5 May 2017 after 11 years of service on Woodside's Board of Directors. Mr McEvoy served on a number of Woodside Board committees including as Chair of the Sustainability Committee and as a member of the Audit & Risk and Nominations Committees.

CORPORATE GOVERNANCE STATEMENT

We believe high standards of governance and transparency are essential.

Corporate governance at Woodside

Woodside is committed to a high level of corporate governance and fostering a culture that values ethical behaviour, integrity and respect. We believe that adopting, and operating in accordance with high standards of corporate governance is essential for sustainable long-term performance and value creation.

Woodside's Compass is core to our governance framework. It sets out our mission, vision and strategic direction and core values of integrity, respect, working sustainably, working together, discipline and excellence. It is the overarching guide for everyone who works for Woodside.

Refer to Woodside's website for more information (www.woodside.com.au/About-Us/Pages/The-Woodside-Compass.aspx#.WnkZm5P1XOQ).

Our corporate governance model is illustrated below. The Woodside Management System (WMS) describes the Woodside way of working, enabling Woodside to understand and manage its business to achieve its objectives. It defines the boundaries within which our employees and contractors are expected to work. The WMS establishes a common approach to how we operate, wherever the location.

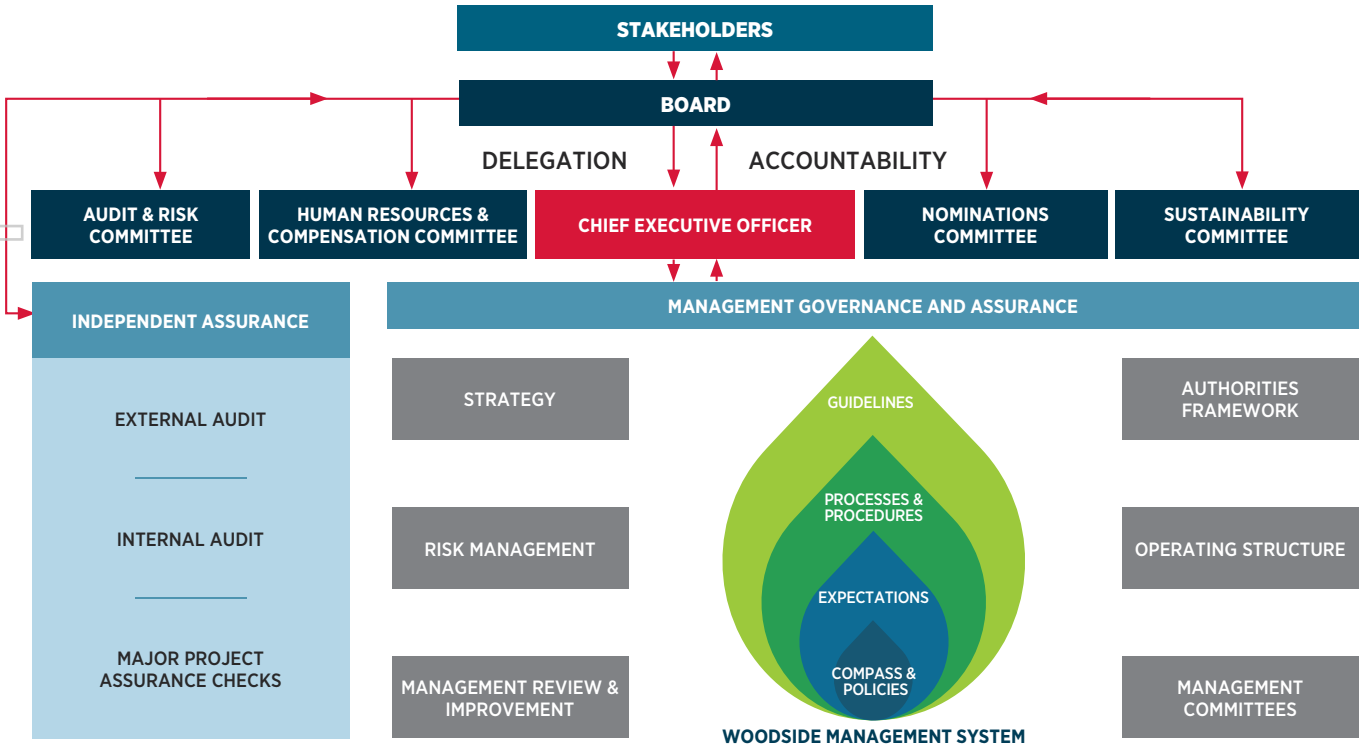
Throughout 2017, our governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (third edition).

Our Corporate Governance Statement reports on Woodside's key governance principles and practices. These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and developments in corporate governance.

The Corporate Governance Statement discusses arrangements in relation to our Board of Directors, committees of the Board, shareholders, risk management and internal control, the external auditor relationship, and inclusion and diversity.

Our website contains copies of Board and committee charters and copies of many of the policies and documents mentioned in the Corporate Governance Statement. The website is updated regularly to ensure that it reflects Woodside's most current corporate governance information.

Refer to Woodside's Corporate Governance Statement for more information (www.woodside.com.au/Working-Sustainably/governance-and-compliance).



DIRECTORS' REPORT

The directors of Woodside Petroleum Ltd present their report (including the Remuneration Report) together with the Financial Statements of the consolidated entity, being Woodside Petroleum Ltd and its controlled entities, for the year ended 31 December 2017.

Directors

The directors of Woodside Petroleum Ltd in office at any time during or since the end of the 2017 financial year and information on the directors (including qualifications and experience and directorships of listed companies held by the directors at any time in the last three years) are set out on pages 70–72.

The number of directors' meetings held (including meetings of committees of the Board) and the number of meetings attended by each of the directors of Woodside Petroleum Ltd during the financial year are shown in Table 3 on page 9 of the Corporate Governance Statement. Directors attended all relevant Board and committee meetings during the year.

Details of director and senior executive remuneration are set out in the Remuneration Report.

The particulars of directors' interests in shares of the company as at the date of this report are set out on page 75.

Principal activities

The principal activities and operations of the Group during the financial year were hydrocarbon exploration, evaluation, development, production and marketing.

Other than as previously referred to in the annual report, there were no other significant changes in the nature of the activities of the consolidated entity during the year.

Consolidated results

The consolidated operating profit attributable to the company's shareholders after provision for income tax was $1,024 million ($868 million in 2016).

Review of operations

A review of the operations of the Woodside Group during the financial year and the results of those operations are set out on pages 1–67.

Significant changes in the state of affairs

The review of operations (pages 1–67) sets out a number of matters that have had a significant effect on the state of affairs of the consolidated entity.

Other than those matters, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

Events subsequent to end of financial year

Since the reporting date, the directors have declared a fully franked dividend. More information is available in the 'Dividend' section below. No provision has been made for this dividend in the financial report as the dividend was not declared or determined by the directors on or before the end of the financial year.

Dividend

The directors have declared a final dividend out of profits of the company in respect of the year ended 31 December 2017 of 49 cents per ordinary share (fully franked) payable on 22 March 2018.

Type	2017 final	2017 interim	2016 final
Payment date	22 March 2018	21 September 2017	29 March 2017
Period ended	31 December 2017	30 June 2017	31 December 2016
Cents per share	49	49	49
Value $ million	413	413	413
Fully franked	✓	✓	✓

The full-year 2017 dividend is 98 cents per share.

Likely developments and expected results

In general terms, the review of operations of the Group gives an indication of likely developments and the expected results of the operations. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

Environmental compliance

Woodside is subject to a range of environmental legislation in Australia and other countries in which it operates.

Details of Woodside's environmental performance are provided on pages 58–59.

Through its Health, Safety, Environment and Quality Policy, Woodside plans and performs activities so that adverse effects on the environment are avoided or kept as low as reasonably practicable.

Company Secretaries

The following individuals have acted as Company Secretary during 2017:

Andrew Cox
BA (Hons), LLB, MA
Vice President Legal and General Counsel and Joint Company Secretary

Mr Cox joined Woodside in 2004 and was appointed to the role of Vice President Legal in January 2015. He was appointed Vice President Legal and General Counsel and Joint Company Secretary on 1 June 2017.

Warren Baillie
LLB, BCom, Grad. Dip. CSP
Company Secretary

Mr Baillie joined Woodside in 2005 and was appointed Company Secretary effective 1 February 2012. Mr Baillie is a solicitor and chartered secretary. He is a member of the National Board and President of the Governance Institute of Australia.

Michael Abbott
BJuris, LLB, BA, MBA
Senior Vice President Corporate and Legal

Mr Abbott joined Woodside in 2005 and was appointed to the role of Senior Vice President Corporate and Legal in December 2014. He retired as Joint Company Secretary on 1 June 2017.

Indemnification and insurance of directors and officers

The company's constitution requires the company to indemnify each director, secretary, executive officer or employee of the company or its wholly owned subsidiaries against liabilities (to the extent the company is not precluded by law from doing so) incurred in or arising out of the conduct of the business of the company or the discharge of the duties of any such person. The company has entered into deeds of indemnity with each of its directors, secretaries, certain senior executives, and employees serving as officers on wholly owned or partly owned companies of Woodside in terms of the indemnity provided under the company's constitution.

From time to time, Woodside engages its external auditor, Ernst & Young, to conduct non-statutory audit work and provide other services in accordance with Woodside's External Auditor Guidance Policy. The terms of engagement include an indemnity in favour of Ernst & Young:

- against all losses, claims, costs, expenses, actions, demands, damages, liabilities or any proceedings (liabilities) incurred by Ernst & Young in respect of third-party claims arising from a breach by the Group under the engagement terms; and
- for all liabilities Ernst & Young has to the Group or any third-party as a result of reliance on information provided by the Group that is false, misleading or incomplete.

The company has paid a premium under a contract insuring each director, officer, secretary and employee who is concerned with the management of the company or its subsidiaries against liability incurred in that capacity. Disclosure of the nature of the liability covered by and the amount of the premium payable for such insurance is subject to a confidentiality clause under the contract of insurance. The company has not provided any insurance for the external auditor of the company or a body corporate related to the external auditor.

Non-audit services and auditor independence declaration

Details of the amounts paid or payable to the external auditor of the company, Ernst & Young, for audit and non-audit services provided during the year are disclosed in note E.5 to the Financial Statements.

Based on advice provided by the Audit & Risk Committee, the directors are satisfied that the provision of non-audit services by the external auditor during the financial year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth) for the following reasons:

- all non-audit services were provided in accordance with Woodside's External Auditor Policy and External Auditor Guidance Policy; and
- all non-audit services were subject to the corporate governance processes adopted by the company and have been reviewed by the Audit & Risk Committee to ensure that they do not affect the integrity or objectivity of the auditor.

Further information on Woodside's policy in relation to the provision of non-audit services by the auditor is set out in section 7 of the Corporate Governance Statement.

The auditor independence declaration, as required under section 307C of the *Corporations Act 2001* (Cth) is set out on this page and forms part of this report.

Proceedings on behalf of the company

No proceedings have been brought on behalf of the company, nor has any application been made in respect of the company, under section 237 of the *Corporations Act 2001* (Cth).

Rounding of amounts

The amounts contained in this report have been rounded to the nearest million dollars under the option available to the company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016.

Directors' relevant interests in Woodside shares as at the date of this report

Director	Relevant interest in shares
L Archibald	1,088
M Chaney	20,000
M Cilento	3,559
P Coleman[1]	349,443
F Cooper	6,396
R Goyder	12,500
C Haynes	7,565
I Macfarlane	873
A Pickard	2,376
S Ryan	5,748
G Tilbrook	7,153

1. Mr Coleman holds Variable Pay Rights under his CEO incentive arrangements, details of which are set out in the Remuneration Report in Table 11 on page 90.

Signed in accordance with a resolution of the directors.

M A Chaney, AO
Chairman
Perth, Western Australia
14 February 2018

P J Coleman
Chief Executive Officer and Managing Director
Perth, Western Australia
14 February 2018

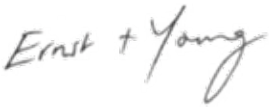
Auditor's independence declaration to the Directors of Woodside Petroleum Ltd

As lead auditor for the audit of Woodside Petroleum Ltd for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Woodside Petroleum Ltd and the entities it controlled during the financial year.



Ernst & Young

T S Hammond
Partner
Perth, Western Australia
14 February 2018

Liability limited by a scheme approved under Professional Standards Legislation

REMUNERATION REPORT

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14 February 2018

Dear Shareholder

On behalf of the Board, I am pleased to present Woodside's Remuneration Report for the year ended 31 December 2017.

This report demonstrates our ongoing commitment to shareholders to present a simple and transparent summary of how executive remuneration outcomes are linked to the Company's performance.

The changes made in 2016 to the remuneration arrangements for KMP continue to be reflected in the 2017 remuneration outcomes, as we continue to address shareholder feedback on our remuneration policy and practice.

In addition, for the third consecutive year, the Board has resolved that Non-executive Directors (NEDs) would not receive an increase in their fees for the 2017 year.

As foreshadowed in last year's report, the Board has commenced a review of our Executive Incentive Plan. The review has progressed well throughout the year and is expected to conclude early in 2018. A key focus of the review is strengthening the alignment between our executives' variable remuneration outcomes, the company's strategy and performance, alongside our shareholders' experience. We have also sought to ensure we can continue to attract and retain talent in a globally competitive environment. We are confident that the review will deliver these objectives and look forward to communicating the outcomes in the near future.

Yours sincerely,

Melinda Cilento
Chair - Human Resources & Compensation Committee

KMP and summary of Woodside's five-year performance

Woodside's key management personnel (KMP)

This Remuneration Report outlines the remuneration arrangements in place and outcomes achieved for Woodside's KMP during 2017.

Woodside's KMP are those people who have a meaningful capacity to shape and influence the Group's strategic direction and performance through their actions, either collectively (in the case of the Board) or as individuals acting under delegated authorities (in the case of the CEO and senior executives).

The names and positions of the individuals who were KMP during 2017 are set out in Table 1.

Table 1 – KMP

Executive	Non-executive Directors
Executive Director	M Chaney (Chairman)
P Coleman (Managing Director and Chief Executive Officer) (CEO)	L Archibald[5]
	M Cilento
Senior Executives	F Cooper
M Abbott (Senior Vice President Corporate and Legal)	R Goyder[6]
S Duhe (Executive Vice President and Chief Financial Officer)[1]	C Haynes
R Edwardes (Executive Vice President Development)	I Macfarlane
S Gregory (Senior Vice President and Chief Technology Officer)	D McEvoy[7]
P Loader (Executive Vice President Global Exploration)[2]	A Pickard
R Matisons (Executive Vice President Marketing, Trading and Shipping)	S Ryan
D McLoughlin (Senior Vice President People and Global Capability)[3]	G Tilbrook
L Tremaine (Executive Vice President and Chief Financial Officer)[4]	
M Utsler (Executive Vice President and Chief Operations Officer)	

1. Ms Sherry Duhe commenced as KMP on 1 December 2017.
2. Mr Phil Loader will cease being KMP on 28 February 2018.
3. Mr David McLoughlin ceased employment with Woodside on 3 March 2017.
4. Mr Lawrie Tremaine ceased employment with Woodside on 2 June 2017.
5. Mr Larry Archibald was appointed to the Woodside Board on 1 February 2017.
6. Mr Richard Goyder was appointed to the Woodside Board on 1 August 2017.
7. Mr David McEvoy ceased being a director of Woodside on 5 May 2017.

Table 2 – Five year performance

The table below outlines Woodside's performance over the last five years against key metrics.

		2017	2016	2015	2014	2013
Net Profit After Tax (NPAT)[1]	(US$ million)	**1,024**	868	26	2,414	1,749
Earnings per Share[2]	(US cents)	**122**	104	3	293	213
Dividends per Share	(US cents)	**98**	83	109	255	249
Share closing price (last trading day of the year)	(A$)	**33.08**	31.16	28.72	38.01	38.90
Production	(MMboe)	**84.4**	94.9	92.2	95.1	87.0

1. NPAT detail is contained in the Financial Statements on pages 97–136.
2. Basic and diluted earnings per share from total operations.

Remuneration Policy

Woodside aims to be a leading global performer in upstream oil and gas. To do so the company must be able to attract and retain talented executives in a globally competitive market. The Board structures remuneration so that it rewards those who perform, is valued by executives, and is strongly aligned with the company's strategic direction and the creation of returns to shareholders.

Fixed Annual Reward (FAR) is determined by the scope of the executive's role and their level of knowledge, skills and experience.

Variable Annual Reward (VAR) at target is structured to reward the CEO and executive KMP for achieving challenging yet realistic targets set by the Board. VAR aligns shareholder and executive remuneration outcomes by ensuring a significant portion of executive remuneration is at risk, while rewarding performance.

Executive remuneration is reviewed annually having regard to individual and business performance and relevant comparative information. FAR and VAR is benchmarked against domestic and international competitors at target, to maintain competitive advantage.

Scorecard measures and outcomes

The Board assesses executive management performance on an annual basis against a balanced scorecard of measures that aim to drive business performance and the creation of shareholder value.

The 2017 scorecard for executive KMP is based on four equally weighted measures that have been chosen because they impact long and short-term shareholder value, with a score of one for an outcome at target and a maximum score of two on each measure. The Board sets challenging yet realistic targets for each measure with sufficient stretch to promote continuous improvement and superior performance.

In 2017, Woodside continued to deliver across operational assets with strong safety performance. A solid NPAT result was delivered despite a lower than expected production outcome. Woodside further capitalised on its strong balance sheet to create and build near-term value and growth opportunities. The majority of business plan priorities were met and we are well positioned to deliver across all three growth horizons. Accordingly, the Board determined a scorecard outcome of 1.2 out of a maximum of two for executive KMP for the 2017 performance year.[1]

NPAT

Profit after tax performance is closely aligned with short-term shareholder value creation. NPAT is underpinned by operational performance, oil price and foreign exchange rates. This measure focuses management on driving exceptional operational performance, with the Board ensuring that short-term results are not achieved at the expense of longer term performance. NPAT outcomes, and therefore the short- term awards, are exposed to the upside and downside of oil price and foreign exchange fluctuations, as are returns to shareholders.

2016 NPAT Outcome:	2017 NPAT Outcome:	Scorecard Outcome:
$868 million	**$1,024 million**	**1.5**

+ In 2017, Woodside delivered NPAT of $1,024 million, an 18% increase on 2016. This was due to higher realised prices; lower depreciation expense primarily driven by an increase in developed reserves; release of Balnaves termination provision; and lower exploration and evaluation expense. This was offset by lower revenue primarily from lower sales volumes and Pluto LNG sale prices. The Balnaves provision release and lower depreciation expense were not included in the scorecard.

SAFETY

Strong safety performance creates and protects value four ways; it reduces the likelihood of major accident events and catastrophic losses; it maintains Woodside's licence to operate which enables the development and sanction of its growth portfolio; it reflects efficient, optimised and controlled business processes that generate value; and it retains the company's position as a partner of choice providing us access to the best capabilities and talent. The Total Recordable Injury Rate (TRIR) target is set with reference to the company's aim to achieve global top-quartile health and safety performance.

2016 TRIR Outcome:	2017 TRIR Outcome:	Scorecard Outcome:
1.64	**1.26**	**1.4**

+ Woodside's safety performance continues to improve toward our goal of global top quartile performance with a total recordable injury rate of 1.26, a 21% improvement on 2016. There were zero Tier 1 or Tier 2 loss of primary containment process safety events in 2017. Emissions from fuel gas and vented reservoir carbon dioxide increased in 2017, mainly due to increased flaring and fuel consumption related to production interruptions. Woodside has announced its world-first large-scale offshore application of lithium-ion battery use to reduce emissions from fuel gas.

Total scorecard
1.2
outcome

DELIVERY AGAINST BUSINESS PLAN

Woodside's annual business plan commitments aim to deliver long-term shareholder value. The commitments are structured under four categories; grow the portfolio (e.g. resource replacement, concept select decisions, commercialisation of international assets, tie-back opportunities); grow the market (e.g. capture new markets, mature gas to power opportunities); operational excellence (e.g. operating expenditure, unit production costs, reliability); and capability (e.g. diversity, social licence to operate, disciplined opportunity financing).

Scorecard Outcome:
1.3

The majority of our 2017 business plan commitments were met or exceeded, with highlights including;

+ Achieved concept select for the SNE Development-Phase 1, offshore Senegal, Joint Venture aligned on Browse to NWS as reference development concept; announced a third gas discovery offshore Myanmar; full year operational cost and gas unit production cost maintained 10% and 7% below budget, respectively, Approved development of an LNG truck-loading facility at Pluto LNG; Persephone development delivered 30% under budget and six months ahead of schedule; Reduced and extended the existing unsecured syndicated debt facility, while maintaining competitive pricing; Woodside achieved its highest percentile rating in the 2017 Dow Jones Sustainability Index to date of 97 (up from 95 last year), which is top 3% of upstream integrated oil and gas companies worldwide.

PRODUCTION

Woodside maximises revenue and generates value from its assets when they are fully utilised in production. Production is carefully managed throughout the year to optimise the production value from the reservoir. The production target is set relative to the company's annual budget and is not revised through the year.

2016 Production Outcome:	2017 Production Outcome:	Scorecard Outcome:
94.9 MMboe	**84.4 MMboe**	**0.6**

+ Full year production was 84.4 MMboe, impacted primarily by delays to Wheatstone RFSU. Wheatstone LNG commenced production and delivery of its first LNG cargo.

1. Scorecard outcomes, including the total scorecard outcome, have been rounded for reporting purposes.

CEO and executive KMP remuneration structure

Woodside's remuneration structure for the CEO and executive KMP is comprised of one component that is fixed being FAR, and two components that are variable being short-term award (STA) and long-term award (LTA).

Challenging yet realistic annual targets are set by the Board and set out in the corporate scorecard. These targets are designed to promote short-term and long-term shareholder value. Meeting these targets means the CEO and executive KMP are eligible for their target STA allocation, subject to individual performance. Exceeding targets may result in an increase to STA, whereas under performance will result in a reduction in STA.

Target LTA is a set percentage of FAR, converted to Variable Pay Rights (VPRs) with vesting subject to a relative total shareholder return test. LTA vesting is subject to share performance with the overall value exposed to the upside or downside of the share price movement, therefore closely aligning with shareholder interests.

The remuneration structure for executive KMP for 2017 is explained below:

Summary of executive KMP remuneration structure for 2017

Fixed Annual Reward (FAR)

How is it determined?

FAR is based on the scope of the executive's role and their individual level of knowledge, skill and experience.

FAR makes up 30% of the CEO's total target remuneration and 45-50% for other executive KMP.

When is it paid?

Monthly.

Link to Woodside strategy

FAR is benchmarked for competitiveness against domestic and international competitors, to enable the company to attract and retain high quality executives.

Variable Annual Reward (VAR)

Short-term Award (STA)

How is it determined?

STA payments are based on the annual corporate scorecard result and individual performance against KPIs during 2017.

The corporate scorecard for 2017 is based on NPAT, production, safety and delivery against business plan commitments.

Individual KPIs vary but can include measures relating to health and safety, environment, human resources, financial and operational measures. See page 82 for details of the CEO's individual KPIs and page 83 for other executive KMP.

The Board assesses performance against the corporate scorecard. Performance against individual KPIs is assessed by the Board in the case of the CEO, or by the CEO in the case of other executive KMP (subject to approval by the HR&C Committee).

Eligible executives may only receive an STA award if their individual performance for 2017 is assessed as acceptable. Participants other than the CEO are then divided into "Pool Groups", with the size of the pool determined by each participant's target STA, and then adjusted based on the corporate scorecard result.

Each participant is then allocated a portion of the relevant pool based on individual performance relative to other executives in the same pool.

STA makes up 30% of the CEO's total target remuneration and 30–33% for other executive KMP.

The CEO's maximum STA award is two times FAR. Other executive KMP do not have an individual maximum STA opportunity because the size of the STA pool varies from year to year depending on performance and other factors. However, the total size of the STA pool is capped as noted above.

The minimum STA award that an executive can receive is zero if their individual performance is assessed as unacceptable, or the corporate scorecard result is zero.

When is it paid?

For the CEO and executive KMP, two-thirds will be paid in cash in March 2018. The remaining third will be delivered as a deferred equity award of Restricted Shares, subject to a three-year deferral period. Dividends are payable on the Restricted Shares.

The number of Restricted Shares is calculated by dividing the deferred STA value by the Volume Weighted Average Price (VWAP) for December 2017.

Generally, vesting of the deferred STA is subject to the executive's employment not being terminated with cause, or by resignation, for the deferral period after allocation. The deferred STA may vest prior to the expiry of the deferral period upon a change of control event, or on the death or total and permanent disablement of the executive. Deferred STA will also generally vest upon redundancy, termination without cause, retirement or the cessation of a fixed term employment contract, as determined by the Board.

The Board has discretion to claw back unvested shares held by or on behalf of the executive. This discretion arises if, after cessation of employment, new information has come to light about a material breach of an executive's obligations or other inappropriate conduct during their employment, or their circumstances change after they cease employment (e.g. they commence working with a competitor), and in each case the Board considers that it is no longer appropriate for them to retain the benefit.

A summary of unvested deferred STA awarded to KMP is provided in Table 11 on pages 90–92.

Link to Woodside strategy

The corporate scorecard consists of balanced measures that reflect the values and annual goals of the organisation. The measures and annual targets are reviewed and approved by the Board each year. The scorecard provides a common purpose for all executives each year.

Individual KPIs are calibrated to the role of each executive. This recognises that Woodside's success depends upon all executives achieving and exceeding targets within their areas of influence and responsibility.

STA deferral ensures that awards remain subject to fluctuations in share price over a three year period, which is intended to reflect the sustainability of performance over the medium-term and support increased alignment between executives and shareholders.

Long-term Award (LTA)

How is it determined?

LTA is granted in the form of VPRs.

The VPRs are divided into two portions with each portion subject to a separate RTSR performance hurdle tested over a four year period.

One-third of the LTA will be tested against a comparator group that comprises of the entities within the ASX 50 index at 1 December 2017. The remaining two-thirds of the VPRs will be tested against an international group of oil and gas companies, set out in Table 10 on page 90.

TSR outcomes are calculated by an external adviser on the fourth anniversary of the allocation of the VPRs. The outcome of the test is measured against the schedule below. For 2017 LTA awards, any VPRs that do not vest will lapse and are not retested.

Woodside RTSR percentile position within peer group	Vesting of VPRs
Less than 50th percentile	no vesting
Equal to 50th percentile	50% vest
Equal to or greater than 75th percentile	100% vest

Vesting between these percentile points is on a pro rata basis.

The CEO's annual LTA entitlement is set at 133% of his fixed remuneration and makes up 40% of his total target remuneration. LTA makes up 20–22% of total target remuneration for other executive KMP.

When is it paid?

LTA may vest after four years, subject to performance against the relevant peer group.

The number of VPRs allocated at the start of the performance period is calculated on a face value basis by dividing the LTA value by the Volume Weighted Average Price (VWAP) for December 2017.

VPRs lapse if the executive's employment is terminated with cause, or by resignation, prior to vesting.

VPRs may vest prior to the satisfaction of the vesting conditions upon a change of control event, or on the death or total and permanent disablement of the executive. In the event of redundancy, termination without cause, retirement or the cessation of a fixed term employment contract of a participant, VPRs continue in the plan and remain subject to the normal performance measures.

The Board has discretion to claw back the unvested VPRs of former employees in certain circumstances, as outlined above in relation to deferred STA.

A summary of unvested VPRs awarded to executive KMP is provided in Table 11 on pages 90–92.

Link to Woodside strategy

LTA is directly linked to shareholder returns over the longer term. For LTA to vest, Woodside must deliver better shareholder outcomes than at least half of the companies in the relevant comparator group. In this way, shareholder interests are embedded directly into the remuneration structure.

The LTA has been designed to align with company strategy through peer groups that include both competitors for shareholder funds, and domestic and overseas oil and gas players (recognising that Woodside competes globally for resources, investment, and people). The relative weightings reflect our vision of becoming a global leader in upstream oil and gas.

The LTA performance period is tested after four years as Woodside operates in a capital intensive industry with long investment timelines. It is imperative that executives take decisions in the long-term interest of shareholders, focused on value creation across the commodity price cycles of the oil and gas industry.

CEO and executive KMP remuneration for 2017

CEO Short-term Award (STA)

The CEO's remuneration is governed by his contract of employment.

The CEO's STA award is determined by multiplying the CEO's FAR by the corporate scorecard result and the CEO's individual performance factor as determined by the Board. The award is subject to an overall cap of two times FAR.

Each year the Board determines and documents the metrics that will be used to assess the annual individual performance of the CEO for the year.

For 2017, the individual performance of the CEO was reviewed by the Board against five equally weighted measures:

+ **Growth agenda:** Assesses the alignment of growth opportunities to shareholder return; portfolio balance; the achievement of challenging business objectives.
+ **Effective execution:** Assesses the maintenance, operation and profitability of existing assets; project delivery to achieve budget, schedule and stated performance; cost reduction; achievement of health, safety and community expectations.
+ **Enterprise capability:** Assesses leadership development; workforce planning; executive succession; Indigenous participation and diversity; effective risk identification and management.
+ **Culture and reputation:** Assesses performance culture and emphasis on values; engagement and enablement; improved employee climate; Woodside's brand as a partner of choice.
+ **Shareholder focus:** Assesses whether decisions are made with a long-term shareholder return focus; effective and timely communication to shareholders, market analysts and fund managers; the focus on shareholder return throughout the organisation.

These metrics were chosen because successful performance in each area is a key driver of superior shareholder returns.

At the completion of the year, each NED independently contributes to the review of the CEO's performance for that year. The CEO is given an overall individual performance factor of between 0.8 and 1.4.

CEO Long-term Award (LTA)

Under his contract, the CEO's annual LTA opportunity is set at 133% of his FAR.

The LTA entitlement for the 2017 performance year was allocated in February 2018 at face value and will be subject to RTSR testing in February 2022. There will be no retest.

The vesting conditions for the LTA allocation reflect those outlined on page 81.

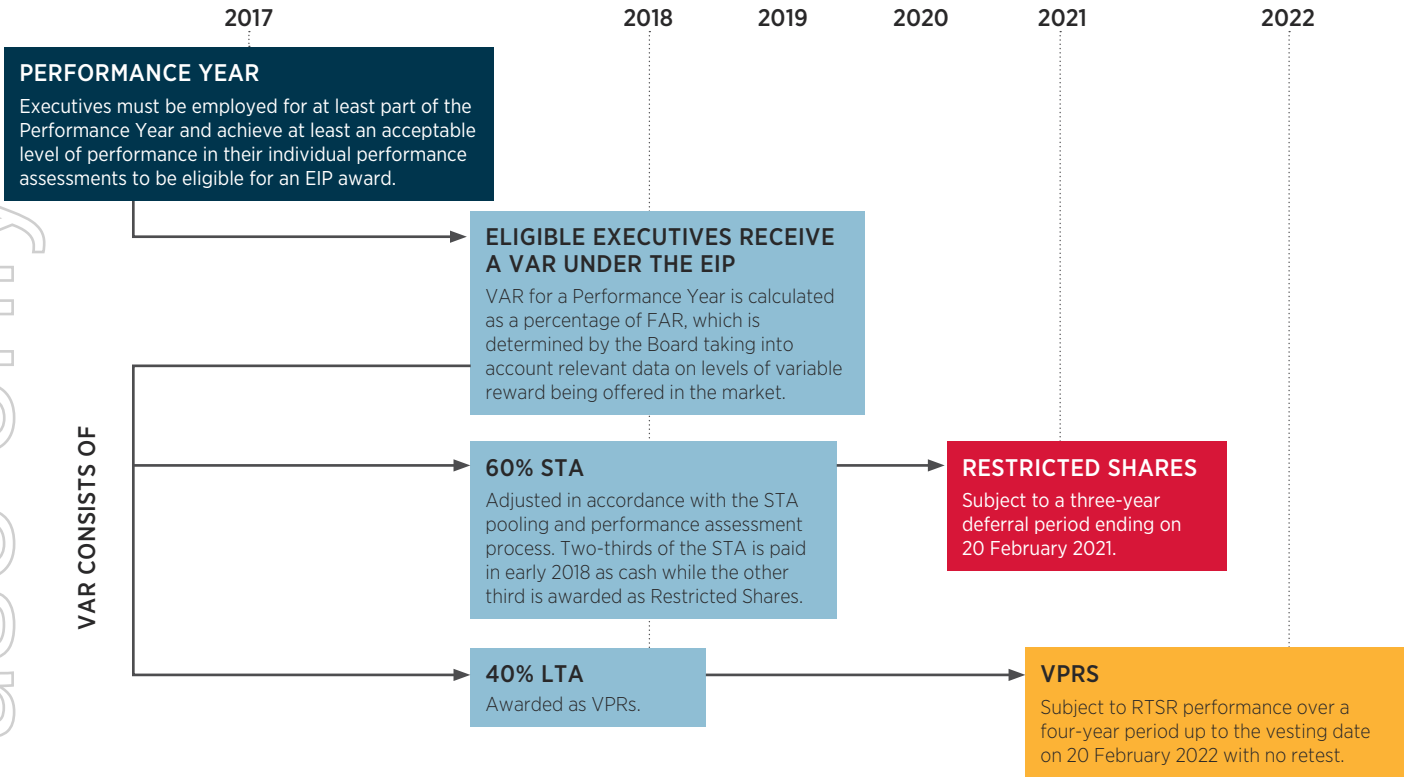
KMP Executive Incentive Plan (EIP)

The EIP is used to deliver STA and LTA to executive KMP, other than the CEO.

The EIP aims to reward executives for meeting or exceeding their individual performance targets, while at the same time linking their reward to the creation of long-term sustainable wealth for shareholders.

Table 3 illustrates how EIP awards for executive KMP will be determined for the 2017 performance year, as well as their lifecycle in future years.

Table 3 – Overview of the EIP for executive KMP (excluding the CEO)



Individual KPIs for 2017 STA

KPIs are tailored to reflect the individual responsibilities of executives who participate in the STA, and are chosen to align individual performance with the achievement of Woodside's business plan and objectives.

Examples of the individual KPIs for each of the executive KMP are shown in Table 4.

Table 4 – Individual KPIs for 2017 STA

KMP	Key Performance Indicator
Executive Vice President and Chief Operating Officer	Production
	Operating expense
	Unit production costs
	Total recordable injury rate
	Process safety events
	Energy efficiency
Executive Vice President Development	Capital expense
	Portfolio cost competitiveness
	Portfolio maturation
	Portfolio development imperatives
Executive Vice President Global Exploration	Exploration expense
	Discovered resource volumes
	Commercial finding costs
	Exploration prospects

KMP	Key Performance Indicator
Executive Vice President and Chief Financial Officer	NPAT
	Corporate development
	Return on capital employed
	Corporate operating expense
	Productivity benefits
Senior Vice President and Chief Technology Officer	Unit technical cost reduction
	Innovation capability
	Data science value
	IS&S service and cost
Senior Vice President Corporate and Legal	Regulatory compliance
	Corporate affairs management
	Management system deployment
Executive Vice President Marketing, Trading and Shipping	Sales
	Trading/performance

Remuneration outcomes for 2017

A summary of the remuneration outcomes for executive KMP in 2017 is set out below.

Fixed Annual Reward

CEO and Managing Director

In December 2016, Woodside conducted a review of the CEO's remuneration based on benchmarking data against a defined peer group. This data confirmed the CEO's remuneration was below market median. This supported the Board's decision to award the CEO an increase of 2% to FAR in April 2017.

Executive KMP

In January 2017, Woodside conducted a review of executive KMP's remuneration based on benchmarking data against a defined peer group. This data confirmed that the executive KMP's remuneration was below market median. This supported the CEO's decision to award an on average increase of 2.5% to their FAR in April 2017.

Short-term awards

STA pool

The STA pool for 2017 was $20,613,243 for 103 participants including the executive KMP and the CEO.

CEO and Managing Director

The CEO's performance outcomes against his individual performance indicators are as follows:

+ **Growth agenda:** Highlighted by a third gas discovery in Myanmar and added acreage in Myanmar, Gabon and Australia; disciplined drilling campaigns in Myanmar and Senegal ahead of schedule and under budget; Browse, Scarborough and broader Carnarvon aggregation opportunities matured in support of our Horizon II strategic plan; execution of a long-term SPA with Pertamina.
+ **Effective execution:** Delivered first LNG production from Wheatstone; achieved record LNG production rates at Pluto; Persephone project delivered A$355M under budget and six months ahead of schedule; achieved a significant improvement on TRIR with a 1.26 score in 2017.
+ **Enterprise capability:** highlighted by an increase to our Indigenous participation from 3% in 2016 to 3.3% in 2017 with continued declined in Indigenous turnover from 2.9% in 2017 to 1.7%; increasing our female participation to 29%, which compares favourably to the industry average of 22%, with executive female representation increased from 19.6% in 2016 to 23.9% in 2017; continuing to attract high-quality graduates; achieving gender balance in graduate recruitment; industry leading practices in technology and innovation, in particular in cognitive robotics research to improve risk management.
+ **Culture and reputation:** highlighted by our A$17.97 million worth of social investment to our host communities and establishing the first early childhood program in Senegal through the Woodside Development Fund; Creation of significant economic value through A$1 billion in remuneration and associated taxes through employing people in the communities in which we operate; employee volunteer contribution was 10,450 hours reflecting A$2.2 million towards community assistance; the introduction of a Board approved Human Rights policy.
+ **Shareholder focus:** highlighted by outstanding operational performance in our base business and domestic and international growth opportunities; strong focus on productivity, continued focus on driving down costs to maintain profitability in a low price environment; disciplined approach to acquisitions and capital management.

The CEO's overall individual performance factor for 2017 was 1.2, resulting in an STA award of 72% of maximum.

The CEO's 2013 deferred STA vested on 21 February 2017, resulting in him receiving 19,924 shares.

Executive KMP

The Board approved STA to executive KMP based on the scorecard result and their individual performance assessment. Two-thirds of STA was delivered in cash, and one-third in Restricted Shares subject to a three-year deferral period.

Executive KMPs 2013 deferred STA vested on 21 February 2017, which resulted in the following:

+ 1,390 restricted shares vested to Mr Abbott.
+ 5,075 restricted shares vested to Mr Edwardes.
+ 2,566 restricted shares vested to Mr Gregory.
+ 1,450 restricted shares vested to Mr Loader.
+ 2,660 restricted shares vested to Mr Matisons.
+ 4,249 restricted shares vested to Mr Tremaine.
+ 322 restricted shares vested to Mr Utsler.

Long-term awards

CEO and Managing Director

The CEO's 2012 LTA had a partial vesting of 33.84% on 22 February 2017 which resulted in him receiving 50,985 shares.

Executive KMP

The KMP's 2012 LTA had a partial vesting of 33.84% on 22 February 2017 which resulted in the following:

- 2,221 rights vested to Mr Abbott.
- 4,034 rights vested to Mr Edwardes.
- 1,572 rights vested to Mr Gregory.
- 3,438 rights vested to Mr Matisons.
- 4,951 rights vested to Mr Tremaine.

Other

Woodside Equity Plan (WEP)

Executive KMPs 2014 WEP equity rights vested on 1 October 2017, which resulted in the following:

- 1,150 rights vested to Mr Abbott.
- 2,300 rights vested to Mr Gregory.
- 1,720 rights vested to Mr Matisons.

Supplementary Woodside Equity Plan (SWEP)

Executive KMPs 2014 SWEP equity rights vested on 1 October 2017, which resulted in the following:

- 11,960 rights vested to Mr Loader.
- 14,350 rights vested to Mr Utsler.

Table 5 on page 85 provides a valuation summary of the VAR for the CEO and executive KMP for the 2017 and 2016 performance years.

Table 5 – Valuation Summary of CEO and executive KMP EIP for 2017 and 2016

Name	Year	STA Cash[1] $	STA Deferred[2] $	LTA[3] $	Total EIP $
P Coleman	2017	1,875,061	850,617	1,263,852	3,989,530
	2016	1,085,317	2,103,092	1,265,214	4,453,623
M Abbott	2017	234,046	106,175	84,263	424,484
	2016	240,312	111,478	83,711	435,501
S Duhe[4]	2017	21,809	9,873	10,468	42,150
	2016	-	-	-	-
R Edwardes	2017	333,532	151,290	160,109	644,931
	2016	434,721	201,659	159,385	795,765
S Gregory	2017	239,529	108,649	86,229	434,407
	2016	316,815	146,953	85,266	549,034
P Loader[5]	2017	256,787	116,476	123,265	496,528
	2016	395,538	183,473	122,127	701,138
R Matisons	2017	184,074	83,483	88,364	355,921
	2016	251,333	116,573	87,893	455,799
D McLoughlin[6]	2017	-	-	-	-
	2016	98,688	45,769	83,711	228,168
L Tremaine[7]	2017	-	-	-	-
	2016	380,224	176,373	144,407	701,004
M Utsler	2017	475,262	215,589	171,107	861,958
	2016	615,447	285,492	169,375	1,070,314

1. Represents the short-term incentive earned in the respective year, which is actually paid in the following year. Amounts were translated to US dollars using closing spot rate on 31 December 2017. Under his contract, the CEO is entitled to receive two-thirds of his STA in cash and one-third in restricted shares which have a three-year deferral period. For the 2016 performance year, the CEO agreed to take one-third as cash, one-third as shares with a two-year deferral period and one-third in restricted shares which have a three-year deferral period. For the 2017 award, the CEO originally agreed to a similar arrangement but with the subsequent decision to raise new equity through a retail entitlement offer, the Board elected to pay the CEO two-thirds of the STA in cash on the basis that he will use the after-tax proceeds to exercise his rights under the offer. The CEO has undertaken to retain those shares for at least a year.
2. The number of shares allocated under the STA was calculated by dividing the amount of the executive's entitlement by the face value of Woodside shares. The USD fair value of Restricted Shares as at their date of grant has been determined by reference to the share price at acquisition. The fair value is not related to or indicative of the benefit (if any) that individual executive may ultimately realise should these equity instruments vest.
3. The number of shares allocated under the LTA for 2017 was calculated by dividing the amount of the executive's entitlement by the face value of Woodside shares. The USD fair value shown above has been determined at the date of grant by applying the binomial valuation method combined with a Monte Carlo simulation. The amount listed above is not related to or indicative of the benefit (if any) that individual executives may ultimately receive should these equity instruments vest.
4. Ms Duhe commenced employment with Woodside on 1 December 2017.
5. Mr Loader will cease being KMP on 28 February 2018.
6. Mr McLoughlin ceased employment with Woodside on 3 March 2017, resulting in the forfeiture of 100% of his 2017 VAR.
7. Mr Tremaine ceased employment with Woodside on 2 June 2017, resulting in the forfeiture of 100% of his 2017 VAR.

Other equity plans

Woodside has a history of providing employees with the opportunity to participate in ownership of shares in the company and using equity to support a competitive base remuneration position.

Details of prior year allocations are provided in Table 11 on pages 90–92.

Woodside Equity Plan (WEP)

The WEP is available to all Australian based permanent employees including executives, other than the CEO. Woodside's intention is to enable eligible employees to build up a holding of equity in the company as they progress through their career at Woodside.

The number of Equity Rights (ERs) offered to each eligible employee is determined by the Board, and based on individual performance as assessed under the performance review process as described for STA on page 80. There are no further ongoing performance conditions. The linking of performance to an allocation allows Woodside to recognise and reward eligible employees for high performance.

Each ER entitles the participant to receive a Woodside share on the vesting date three years after the effective grant date.

Supplementary Woodside Equity Plan (SWEP)

In October 2011, the Board approved a remuneration strategy which includes the use of equity to support a competitive base remuneration position. To this end, the Board approved the establishment of the SWEP to enable the offering of targeted retention awards of ERs for key capability. The SWEP was designed to be offered to a small number of employees identified as being retention critical. The SWEP awards have service conditions and no performance conditions. Each ER entitles the participant to receive a Woodside share on the vesting date three years after the effective grant date.

An award of 15,000 Equity Rights under SWEP was made to Ms Sherry Duhe upon commencement of employment with Woodside to recognise certain rights that were forfeited with her prior employer.

ERs under both the WEP and the SWEP may vest prior to the vesting date on a change of control or on a pro rata basis, at the discretion of the CEO, limited to the following circumstances; redundancy, retirement (after six months' participation), death, termination due to illness or incapacity or total and permanent disablement of a participating employee. An employee whose employment is terminated by resignation or for cause prior to the vesting date will forfeit all of their ERs.

Table 11 on pages 90–92 includes a summary of executive KMP's interests in ERs.

Contracts for executive KMP

All KMP have a contract of employment. Table 6 below contains a summary of the key contractual provisions of the contracts of employment for the executive KMP.

Table 6 – Summary of contractual provisions for executive KMP

	Employing company	Contract Duration	Termination notice period company[1, 2]	Termination notice period executive
P Coleman	Woodside Petroleum Ltd	Unlimited	12 months	6 months
M Abbott	Woodside Energy Ltd	Unlimited	6 months	3 months
S Duhe	Woodside Energy Ltd	Unlimited	6 months	6 months
R Edwardes	Woodside Energy Ltd	Fixed Term Contract until 31 December 2018	6 months	6 months
S Gregory	Woodside Energy Ltd	Unlimited	12 months	6 months
R Matisons	Woodside Energy Ltd	Unlimited	12 months	6 months
P Loader	Woodside Energy Ltd	Fixed Term Contract until 1 July 2018	6 months	6 months
M Utsler	Woodside Energy Ltd	Fixed Term Contract until 2 December 2018	6 months	3 months

1. Termination provisions – Woodside may choose to terminate the contract immediately by making a payment in lieu of notice equal to the fixed remuneration the executive would have received during the 'Company Notice Period'. In the event of termination for serious misconduct or other nominated circumstances, executives are not entitled to this termination payment. Any payments made in the event of a termination of an executive contract will be consistent with the *Corporations Act 2001 (Cth)*.
2. On termination of employment, executives will be entitled to the payment of any fixed remuneration calculated up to the termination date, any leave entitlement accrued at the termination date and any payment or award permitted under the EIP Rules. Executives are restrained from certain activities for specified periods after termination of their employment in order to protect Woodside's interests.

Non-executive Directors (NEDs)

Remuneration Policy

Woodside's Remuneration Policy for NEDs aims to attract, retain, motivate and to remunerate fairly and responsibly having regard to:

+ the level of fees paid to NEDs relative to other major Australian companies
+ the size and complexity of Woodside's operations
+ the responsibilities and work requirements of Board members

Fees paid to NEDs are recommended by the HR&C Committee based on benchmarking from external remuneration consultants, and determined by the Board, subject to an aggregate limit of A$3.75 million per financial year, which was approved by shareholders at the 2014 AGM.

The Woodside minimum shareholding requirement for NEDs increased in 2016, with NEDs now required to have acquired shares for a total purchase price of at least 50% of their pre-tax annual fee after four years on the Board. The NEDs may utilise the Non-Executive Directors' Share Plan (NEDSP) to acquire the shares on market at market value. As the shares are acquired with net fees the shares in the NEDSP are not subject to any forfeiture conditions.

NEDs remuneration structure

NEDs remuneration consists of base Board fees and committee fees, plus statutory superannuation contributions or payments in lieu (currently 9.5%). Other payments may be made for additional services outside the scope of Board and committee duties. NEDs do not earn retirement benefits other than superannuation and are not entitled to any form of performance-linked remuneration.

For the third consecutive year, NEDs received no increase in their fees. Table 7 below shows the annual base Board and committee fees for NEDs.

In addition to these fees, NEDs are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred attending meetings of the Board, committees or shareholders, or while engaged on Woodside business. NEDs are not entitled to compensation on termination of their directorships.

Board fees are not paid to the CEO, as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of the normal employment conditions.

The total remuneration paid to, or in respect of, each NED in 2017 is set out in Table 12 on page 93.

Table 7 – Annual base Board and Committee fees for NEDs

Position	Board	Audit & Risk Committee	Human Resources & Compensation Committee	Sustainability Committee	Nominations Committee
	A$[1]	A$[1]	A$[1]	A$[1]	A$[1]
Chairman of the Board[2]	723,300[4]				
Non-executive Directors[3]	212,700[4]				
Committee Chair		56,000[4]	47,400[4]	47,400[4]	Nil
Committee Member		27,900[4]	23,700[4]	23,700[4]	Nil

1. NEDs receive Board and committee fees plus statutory superannuation (or payments in lieu for overseas based NEDs).
2. Inclusive of committee work.
3. Board fees paid to NEDs, other than the Chairman.
4. Annual fee from 1 July 2014.

Human Resources & Compensation (HR&C) Committee

The HR&C Committee assists the Board to determine appropriate remuneration policies and structures for NEDs and executives. Further information on the role of the Committee is described in section 3.4 of the Corporate Governance Statement, available on Woodside's website.

Use of remuneration consultants

The Committee directly engages independent external advisers to provide input to the process of reviewing NEDs and executive remuneration. The Committee receives executive remuneration advice directly from external independent remuneration consultants. Table 8 below shows the fees payable to independent external remuneration consultants during 2017.

Under communications and engagement protocols adopted by the company, the market data reports were provided directly to the Committee Chair, and the consultants provided a statement to the Committee that the reports had been prepared free of undue influence from KMP. The Committee had full oversight of the review process and therefore it, and the Board, were satisfied that the work undertaken by PricewaterhouseCoopers were free from undue influence by KMP.

Table 8 – Fees paid to remuneration consultants

Remuneration consultant	Services provided	Fees
PricewaterhouseCoopers	Remuneration benchmarking for the 2017 NED fee review	A$15,000 (ex GST)
	Remuneration benchmarking for the 2017 CEO remuneration review	A$25,500 (ex GST)

PricewaterhouseCoopers provided other services to Woodside including provision of taxation advice and general financial and business consulting which resulted in a total of A$3,039,713 fees being paid by Woodside.

Reporting notes

Reporting in United States dollars

In this report, the remuneration and benefits reported have been presented in US dollars, unless otherwise stated. This is consistent with the functional and presentation currency of the company.

Compensation for Australian-based employees and all KMP is paid in Australian dollars and, for reporting purposes, converted to US dollars based on the applicable exchange rate at the date of payment. Valuation of equity awards is converted at the spot rate applying when the equity award is granted.

Statutory tables

Table 9 - Compensation of executive KMP for the year ended 31 December 2017 and 2016

		Fixed Annual Reward			Variable Annual Reward						
		Short-term		Post	Short-term	Share based payments					
		Salaries, fees and allowances	Benefits and allowances (including non-monetary)[1]	Company contributions to superannuation	Short-term award (Cash)[2]	Share plans[3]	Long service leave	Termination benefits	Total remuneration[4]		Performance related[5]
		$	$	$	$	$	$	$	$	A$	%
P Coleman, Chief Executive Officer	2017	1,893,748	51,310	15,197	1,875,061	3,994,496	84,293	-	7,914,105	10,266,600	74
	2016	1,809,295	25,158	14,461	1,085,317	3,673,472	98,772	-	6,706,475	8,949,491	71
M Abbott, Senior Vice President Corporate and Legal	2017	349,823	17,049	92,801	234,046	270,277	19,760	-	983,756	1,281,013	51
	2016	340,806	15,320	63,205	240,312	271,499	29,379	-	960,521	1,292,954	53
S Duhe, Executive Vice President and Chief Financial Officer[6]	2017	197,922	78,528	-	21,809	9,186	1,238	-	308,683	402,986	10
	2016	-	-	-	-	-	-	-	-	-	-
R Edwardes, Executive Vice President Development[7]	2017	807,124	17,532	15,197	333,532	688,578	28,686	-	1,890,649	2,456,444	54
	2016	769,232	13,254	14,461	434,721	607,645	34,846	-	1,874,159	2,518,405	56
S Gregory, Senior Vice President and Chief Technology Officer	2017	444,512	17,003	15,197	239,529	339,217	23,788	-	1,079,246	1,409,030	54
	2016	414,999	19,282	14,461	316,815	357,328	(17,489)	-	1,105,396	1,488,227	61
P Loader, Executive Vice President Global Exploration[8, 9, 10]	2017	681,242	41,783	-	256,787	681,840	21,031	-	1,682,683	2,186,728	56
	2016	642,876	27,487	-	395,538	563,058	24,145	-	1,653,104	2,220,352	58
R Matisons, Executive Vice President Marketing, Trading and Shipping	2017	385,171	23,336	79,248	184,074	323,310	20,692	-	1,015,831	1,325,726	50
	2016	348,924	18,253	90,494	251,333	351,166	18,269	-	1,078,439	1,449,595	56
D McLoughlin, Senior Vice President People and Global Capability[11]	2017	67,741	2,933	2,727	-	144,478	(23,842)	225,557	419,594	542,337	34
	2016	399,768	17,744	14,461	98,688	99,405	15,502	-	645,568	869,059	31
G Roder, Executive Vice President Business Development and Growth[12]	2017	-	-	-	-	-	-	-	-	-	-
	2016	219,107	10,406	14,291	151,403	661,126	(10,606)	425,219	1,470,946	1,983,499	55
L Tremaine, Executive Vice President and Chief Financial Officer[13]	2017	286,355	8,242	7,419	-	(1,616,311)	(108,997)	51,065	(1,372,227)	(1,779,498)	-
	2016	606,228	13,053	16,942	380,224	692,987	39,820	-	1,749,254	2,364,527	61
M Utsler, Executive Vice President and Chief Operations Officer[8, 14]	2017	1,026,372	22,006	-	475,262	828,789	30,656	-	2,383,085	3,094,964	55
	2016	946,540	23,643	-	615,447	666,580	35,982	-	2,288,192	3,079,492	56

1. Reflects the value of allowances and non-monetary benefits (including travel, health insurance, car parking and any associated fringe benefit tax).
2. Represents the short-term incentive earned in the respective year, which is actually paid in the following year. Amounts were translated to US dollars using closing spot rate on 31 December 2017. Under his contract, the CEO is entitled to receive two-thirds of his STA in cash and one-third in restricted shares which have a three-year deferral period. For the 2016 performance year, the CEO agreed to take one-third as cash, one-third as shares with a two-year deferral period and one-third in restricted shares which have a three-year deferral period. For the 2017 award, the CEO originally agreed to a similar arrangement but with the subsequent decision to raise new equity through a retail entitlement offer, the Board elected to pay the CEO two-thirds of the STA in cash on the basis that he will use the after-tax proceeds to exercise his rights under the offer. The CEO has undertaken to retain those shares for at least a year.
3. 'Share plan' incorporates all equity based plans. In accordance with the requirements of AASB 2 Share-based Payment, the fair value of rights as at their date of grant has been determined by applying the Black-Scholes option pricing technique or binomial valuation method combined with a Monte Carlo simulation. The fair value of rights is amortised over the vesting period, such that 'total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.
4. The total remuneration in AUD is converted from USD using exchange rates on the date of each transaction. This non-IFRS information is included for the purposes of showing the total annual cost of benefits to the company in Australian dollars for the service period.
5. Performance related outcomes are calculated using the USD total remuneration figure.
6. Ms Duhe commenced with Woodside on 1 December 2017.
7. Mr Edwardes' 2014, 2015, 2016 and 2017 share based payment amortisation expenses have been accelerated based on his contract end date of 31 December 2018.
8. As nonresidents for Australian tax purposes Mr Loader and Mr Utsler have elected to receive a cash payment in lieu of all superannuation contributions, in accordance with the Superannuation Guarantee (Administration) Act 1992. The cash payment is subject to (PAYG) income tax and paid as part of their normal monthly salary. The amount is included in salaries, fees and allowances.
9. Mr Loader's 2014, 2015, 2016 and 2017 share based payment amortisation expenses have been accelerated based on his contract end date of 1 July 2018.
10. Mr Loader will cease being KMP on 28 February 2018.
11. Mr McLoughlin ceased employment with Woodside on 3 March 2017.
12. Mr Roder ceased being KMP on 29 April 2016 and left employment with Woodside on 31 October 2016.
13. Mr Tremaine ceased employment with Woodside on 2 June 2017.
14. Mr Utsler's 2014, 2015, 2016 and 2017 share based payment amortisation expenses have been accelerated based on his contract end date of 2 December 2018.

Table 10 - LTA peer group, international oil and gas companies

Anadarko Petroleum Corporation
Apache Corporation
ConocoPhillips
ENI S.p.A
Hess Corporation
Inpex Corporation
Marathon Oil Company
Murphy Oil Corporation
Oil Search Limited
Origin Energy Limited
Pioneer Natural Resources Company
Repsol YPF, S.A
Santos Ltd
Statoil ASA
Tullow Oil PLC

Table 11 – Summary of CEO and executive KMP's allocated, vested or lapsed equity

	Type of equity[1]	Grant date	Allocation date	Vesting date[2,3]	Awarded but not vested	Vested in 2017	% of total vested	Lapsed in 2017	Fair Value of Equity[4,5]
P Coleman	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	-	19,924	100	-	35.18
	Restricted Shares	1 January 2014	20 February 2015	20 February 2018	45,334	-	-	-	34.80
	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	47,905	-	-	-	31.15
	Restricted Shares	16 December 2016	27 February 2017	27 February 2019	48,225	-	-	-	22.73
	Restricted Shares	1 January 2016	27 February 2017	27 February 2020	48,225	-	-	-	20.88
	Restricted Shares	1 January 2017	20 February 2018	20 February 2021	37,822	-	-	-	22.49
	RTSR Tested VPRs	1 January 2012	22 February 2013	22 February 2017	150,665	50,985	33.84	-	15.90
	RTSR Tested VPRs	1 January 2013	21 February 2014	21 February 2018	156,940	-	-	-	20.77
	RTSR Tested VPRs	1 January 2014	20 February 2015	20 February 2019	167,316	-	-	-	17.45
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	153,833	-	-	-	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	104,997	-	-	-	12.05
	RTSR Tested VPRs	1 January 2017	20 February 2018	20 February 2022	104,797	-	-	-	12.06
M Abbott[6]	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	-	1,390	100	-	35.18
	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	4,788	-	-	-	31.15
	Restricted Shares	1 January 2016	27 February 2017	27 February 2020	5,339	-	-	-	20.88
	Restricted Shares	1 January 2017	20 February 2018	20 February 2021	4,721	-	-	-	22.49
	RTSR Tested VPRs	1 January 2012	22 February 2013	22 February 2017	6,564	2,221	33.84	-	15.90
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	9,425	-	-	-	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	6,947	-	-	-	12.05
	RTSR Tested VPRs	1 January 2017	20 February 2018	20 February 2022	6,987	-	-	-	12.06
	WEP Equity Rights	1 October 2014	-	1 October 2017	-	1,150	100	-	31.26
	WEP Equity Rights	1 October 2015	-	1 October 2018	2,300	-	-	-	18.07
	WEP Equity Rights	1 October 2017	-	1 October 2020	1,150	-	-	-	20.33
S Duhe[7]	Restricted Shares	1 January 2017	20 February 2018	20 February 2021	439	-	-	-	22.49
	RTSR Tested VPRs	1 January 2017	20 February 2018	20 February 2022	868	-	-	-	12.06
	SWEP Equity Rights	1 December 2017	-	1 December 2020	15,000	-	-	-	21.26

Table 11 – Summary of CEO and Executive KMP's allocated, vested or lapsed equity (cont.)

	Type of equity[1]	Grant date	Allocation date	Vesting date[2,3]	Awarded but not vested	Vested in 2017	% of total vested	Lapsed in 2017	Fair Value of Equity[4,5]
R Edwardes	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	-	5,075	100	-	35.18
	Restricted Shares	1 January 2014	20 February 2015	20 February 2018	9,717	-	-	-	34.80
	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	10,507	-	-	-	31.15
	Restricted Shares	1 January 2016	27 February 2017	27 February 2020	9,658	-	-	-	20.88
	Restricted Shares	1 January 2017	20 February 2018	20 February 2021	6,727	-	-	-	22.49
	RTSR Tested VPRs	1 January 2012	22 February 2013	22 February 2017	11,923	4,034	33.84	-	15.90
	RTSR Tested VPRs	1 January 2013	21 February 2014	21 February 2018	19,780	-	-	-	20.77
	RTSR Tested VPRs	1 January 2014	20 February 2015	20 February 2019	21,078	-	-	-	17.45
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	19,379	-	-	-	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	13,227	-	-	-	12.05
	RTSR Tested VPRs	1 January 2017	20 February 2018	20 February 2022	13,276	-	-	-	12.06
S Gregory	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	-	2,566	100	-	35.18
	Restricted Shares	1 January 2014	20 February 2015	20 February 2018	5,198	-	-	-	34.80
	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	6,218	-	-	-	31.15
	Restricted Shares	1 January 2016	27 February 2017	27 February 2020	7,038	-	-	-	20.88
	Restricted Shares	1 January 2017	20 February 2018	20 February 2021	4,831	-	-	-	22.49
	RTSR Tested VPRs	1 January 2012	22 February 2013	22 February 2017	4,647	1,572	33.84	-	15.90
	RTSR Tested VPRs	1 January 2013	21 February 2014	21 February 2018	10,000	-	-	-	20.77
	RTSR Tested VPRs	1 January 2014	20 February 2015	20 February 2019	11,276	-	-	-	17.45
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	10,367	-	-	-	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	7,076	-	-	-	12.05
	RTSR Tested VPRs	1 January 2017	20 February 2018	20 February 2022	7,150	-	-	-	12.06
	WEP Equity Rights	1 October 2014	-	1 October 2017	-	2,300	100	-	31.26
	WEP Equity Rights	1 October 2015	-	1 October 2018	2,300	-	-	-	18.07
	WEP Equity Rights	1 October 2017	-	1 October 2020	1,730	-	-	-	20.33
P Loader[8]	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	-	1,450	100	-	35.18
	Restricted Shares	1 January 2014	20 February 2015	20 February 2018	7,445	-	-	-	34.80
	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	8,051	-	-	-	31.15
	Restricted Shares	1 January 2016	27 February 2017	27 February 2020	8,787	-	-	-	20.88
	Restricted Shares	1 January 2017	20 February 2018	20 February 2021	5,179	-	-	-	22.49
	RTSR Tested VPRs	1 January 2013	21 February 2014	21 February 2018	7,536	-	-	-	20.77
	RTSR Tested VPRs	1 January 2014	20 February 2015	20 February 2019	16,150	-	-	-	17.45
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	14,849	-	-	-	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	10,135	-	-	-	12.05
	RTSR Tested VPRs	1 January 2017	20 February 2018	20 February 2022	10,221	-	-	-	12.06
	SWEP Equity Rights	1 October 2014	-	1 October 2017	-	11,960	100	-	31.26
R Matisons[9]	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	-	2,660	100	-	35.18
	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	5,541	-	-	-	31.15
	Restricted Shares	1 January 2016	27 February 2017	27 February 2020	5,583	-	-	-	20.88
	Restricted Shares	1 January 2017	20 February 2018	20 February 2021	3,712	-	-	-	22.49
	RTSR Tested VPRs	1 January 2012	22 February 2013	22 February 2017	10,161	3,438	33.84	-	15.90
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	10,688	-	-	-	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	7,294	-	-	-	12.05
	RTSR Tested VPRs	1 January 2017	20 February 2018	20 February 2022	7,327	-	-	-	12.06
	WEP Equity Rights	1 October 2014	-	1 October 2017	-	1,720	100		31.26
	WEP Equity Rights	1 October 2015	-	1 October 2018	2,300	-	-	-	18.07
	WEP Equity Rights	1 October 2017	-	1 October 2020	1,150	-	-	-	20.33

Table 11 – Summary of CEO and Executive KMP's allocated, vested or lapsed equity (cont.)

	Type of equity[1]	Grant date	Allocation date	Vesting date[2,3]	Awarded but not vested	Vested in 2017	% of total vested	Lapsed in 2017	Fair Value of Equity[4,5]
D McLoughlin[10]	Restricted Shares	1 January 2014	20 February 2015	20 October 2017	-	158	100	-	17.45
	Restricted Shares	1 January 2015	19 February 2016	20 October 2017	-	4,239	100	-	31.15
	Restricted Shares	1 January 2016	27 February 2017	27 February 2020	-	-	-	2,192	20.88
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	7,068	-	-	-	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	-	-	-	6,947	12.05
	WEP Equity Rights	1 October 2015	-	20 March 2017	-	1,090	47.4	-	18.07
L Tremaine[11]	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	-	4,249	100	-	35.18
	Restricted Shares	1 January 2014	20 February 2015	20 February 2018	-	-	-	10,393	34.80
	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	-	-	-	9,887	31.15
	Restricted Shares	1 January 2016	27 February 2017	27 February 2020	-	-	-	8,447	20.88
	RTSR Tested VPRs	1 January 2012	22 February 2013	22 February 2017	-	4,951	33.84	9,680	15.90
	RTSR Tested VPRs	1 January 2013	21 February 2014	21 February 2018	-	-	-	16,560	20.77
	RTSR Tested VPRs	1 January 2014	20 February 2015	20 February 2019	-	-	-	18,036	17.45
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	-	-	-	16,583	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	-	-	-	11,984	12.05
	WEP Equity Rights	1 October 2014	-	1 October 2017	-	-	-	2,300	31.26
	WEP Equity Rights	1 October 2015	-	1 October 2018	-	-	-	2,300	18.07
	SWEP Equity Rights	1 October 2014	-	1 October 2017	-	-	-	11,960	31.26
M Utsler	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	-	322	100	-	35.18
	Restricted Shares	1 January 2014	20 February 2015	20 February 2018	12,228	-	-	-	34.80
	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	10,876	-	-	-	31.15
	Restricted Shares	1 January 2016	27 February 2017	27 February 2020	13,673	-	-	-	20.88
	Restricted Shares	1 January 2017	20 February 2018	20 February 2021	9,586	-	-	-	22.49
	RTSR Tested VPRs	1 January 2013	21 February 2014	21 February 2018	1,676	-	-	-	20.77
	RTSR Tested VPRs	1 January 2014	20 February 2015	20 February 2019	21,219	-	-	-	17.45
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	19,509	-	-	-	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	14,056	-	-	-	12.05
	RTSR Tested VPRs	1 January 2017	20 February 2018	20 February 2022	14,188	-	-	-	12.06
	SWEP Equity Rights	1 October 2014	-	1 October 2017	-	14,350	100	-	31.26

1. For valuation purposes all VPRs and equity rights are treated as if they will be equity settled.
2. Vesting date and exercise date are the same. Vesting is subject to satisfaction of vesting conditions. Full details of the vesting conditions for all prior year equity grants to KMP are included in the remuneration report for the relevant year. The minimum total value of the grants for future financial years is nil if relevant vesting conditions are not satisfied. An estimate of the maximum possible total value in future financial years is the fair value at grant date multiplied by the number of equity instruments awarded.
3. Any RTSR-tested VPRs allocated prior to 2016 that do not vest as a result of the first test will be retested over a five year performance period. RTSR-tested VPRs allocated in 2016 and future years will not be retested. The second test date for earlier VPR allocations is one year after the vesting date listed in the table.
4. In accordance with the requirements of AASB 2 Share-based Payment, the fair value of variable pay rights as at their date of grant has been determined by applying the Black-Scholes option pricing technique or binomial valuation method combined with a Monte Carlo simulation. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.
5. The fair value of Equity Rights and Restricted Shares as at their date of grant has been determined by reference to the share price at acquisition. The fair value is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.
6. Mr Abbott did not meet the definition of KMP under AASB 124 for years prior to 2015. Previous years comparative figures are not shown.
7. Ms Duhe commenced employment with Woodside on 1 December 2017.
8. Mr Loader will cease being KMP on 28 February 2018.
9. Mr Matisons did not meet the definition of KMP under AASB 124 for years prior to 2015. Previous years comparative figures are not shown.
10. Mr McLoughlin ceased employment with Woodside on 3 March 2017.
11. Mr Tremaine ceased employment with Woodside on 2 June 2017.

Table 12 - Total remuneration paid to NEDs in 2017 and 2016

The following table provides a detailed breakdown of the components of remuneration for each of the company's NEDs.

		Cash salary and fees	Pension super	
Non-executive director		**Salaries, fees and allowances $**	**Company contributions to superannuation $**	**Total $**
M Chaney	2017	554,241	52,653	606,894
	2016	537,452	51,058	588,510
L Archibald[1]	2017	203,850	-	203,850
	2016	-	-	-
M Cilento	2017	217,467	20,659	238,126
	2016	205,449	19,518	224,967
F Cooper	2017	224,057	21,285	245,342
	2016	217,270	20,641	237,911
R Goyder[2]	2017	69,080	6,507	75,587
	2016	-	-	-
C Haynes	2017	221,765	-	221,765
	2016	215,047	-	215,047
A Jamieson[3]	2017	-	-	-
	2016	69,634	-	69,634
I Macfarlane[4]	2017	203,043	14,852	217,895
	2016	25,233	1,206	26,439
D McEvoy[5]	2017	75,562	7,179	82,741
	2016	214,000	20,330	234,330
A Pickard[6]	2017	234,168	-	234,168
	2016	163,184	12,677	175,861
S Ryan	2017	202,524	19,240	221,764
	2016	196,390	18,657	215,047
G Tilbrook	2017	211,265	18,301	229,566
	2016	196,390	15,015	211,405

1. Mr Archibald was appointed as a director on 1 February 2017.
2. Mr Goyder was appointed as a director on 1 August 2017.
3. Dr Jamieson ceased being a director on 21 April 2016.
4. Mr MacFarlane was appointed as a director on 14 November 2016.
5. Mr David McEvoy ceased being a director of Woodside on 5 May 2017.
6. Ms Pickard was appointed as a director on 29 February 2016.

Table 13 - KMP share and equity holdings

Details of shares held by KMP including their personally related entities[1] for the 2017 financial year are as follows:

	Type of equity[1]	Opening holding at 1 January 2017[2]	NEDSP[3]	Rights allocated in 2017	Rights vested in 2017	Restricted shares granted	Net changes other	Closing holding at 31 December 2017[4]
Non-executive Directors								
M Chaney	Shares	20,000	-	-	-	-	-	20,000
L Archibald	Shares	-	1,088	-	-	-	-	1,088
M Cilento	Shares	2,311	1,248	-	-	-	-	3,559
F Cooper	Shares	4,928	1,468	-	-	-	-	6,396
R Goyder[5]	Shares	-	-	-	-	-	12,500	12,500
C Haynes	Shares	6,119	1,446	-	-	-	-	7,565
I MacFarlane	Shares	-	873	-	-	-	-	873
D McEvoy[6]	Shares	8,040	-	-	-	-	(8,040)	-
A Pickard	Shares	940	1,436	-	-	-	-	2,376
S Ryan	Shares	4,458	1,290	-	-	-	-	5,748
G Tilbrook	Shares	7,153	-	-	-	-	-	7,153
Executives								
P Coleman	Equity Rights	628,754	-	104,997	(50,985)	-	-	682,766
	Shares	238,758	-	-	50,985	96,450	(36,750)	349,443
M Abbott	Equity Rights	33,385	-	8,097	(3,371)	-	-	38,111
	Shares	17,286	-	-	3,371	5,339	(10,000)	15,996
S Duhe	Equity Rights	-	-	15,000	-	-	-	15,000
	Shares	-	-	-	-	-	-	-
R Edwardes	Equity Rights	72,160	-	13,227	(4,034)	-	-	81,353
	Shares	30,552	-	-	4,034	9,658	(2,000)	42,244
S Gregory	Equity Rights	40,890	-	8,806	(3,872)	-	-	45,824
	Shares	13,982	-	-	3,872	7,038	(4,138)	20,754
P Loader[7]	Equity Rights	50,495	-	10,135	(11,960)	-	-	48,670
	Shares	16,946	-	-	11,960	8,787	-	37,693
R Matisons	Equity Rights	46,786	-	8,444	(5,158)	-	-	50,072
	Shares	40,038	-	-	5,158	5,583	(12,375)	38,404
D McLoughlin[8]	Equity Rights	9,726	-	-	(1,090)	-	(8,636)	-
	Shares	4,397	-	-	1,090	-	(5,487)	-
L Tremaine[9]	Equity Rights	82,370	-	-	(4,951)	-	(77,419)	-
	Shares	60,627	-	-	4,951	-	(65,578)	-
M Utsler	Equity Rights	56,754	-	14,056	(14,350)	-	-	56,460
	Shares	23,426	-	-	14,350	13,673	-	51,449

1. Personally related entities include a KMP's spouse, dependents or entities over which they have direct control or significant influence.
2. Opening holding represents amounts carried forward in respect of KMP.
3. Related to participation in the non-executive Directors' Share Plan (NEDSP).
4. Closing equity rights holdings represent unvested options and rights held at the end of the reporting period. There are no options and rights vested but unexercised as at 31 December 2017.
5. Mr Goyder was appointed as a director on 1 August 2017.
6. Mr McEvoy ceased being a diretor on 5 May 2017.
7. Mr Loader will cease being KMP on 28 February 2018.
8. Mr McLoughlin ceased employment with Woodside on 3 March 2017.
9. Mr Tremaine ceased employment with Woodside on 2 June 2017.

Glossary

Key terms used in the Remuneration Report

Term	Meaning
Committee	The Human Resources & Compensation Committee
EIP	The Executive Incentive Plan
ER	Equity right. ERs are awarded under the WEP and SWEP and each one entitles participants to receive a fully paid share in Woodside on the vesting date (or a cash equivalent in the case of international assignees). No amount is payable by the Executive on the grant or vesting of an ER
Executive	A senior employee whom the Board has determined to be eligible to participate in the EIP
Executive Director	Peter Coleman
Executive KMP	The Executive Director and senior executives listed in Table 1 on page 78
KMP	Key management personnel
KPI	Key performance indicator
LTA	Long-term award
NED	Non-executive director
NEDSP	The Non-executive Director Share Plan
Performance Year	The year to which an EIP award relates
Restricted Shares	Woodside ordinary shares that are awarded to Executives as the deferred component of their STA. No amount is payable by the Executive on the grant or vesting of a Restricted Share
RTSR	Relative total shareholder return
Scorecard	A corporate scorecard of key measures that aligns with Woodside's overall business performance
STA	Short-term award
SWEP	The Supplementary Woodside Equity Plan
VAR	Variable Annual Reward
VPR	Variable Pay Right. Each VPR is a right to receive a fully paid ordinary share in Woodside (or, at the Board's discretion, as cash equivalent). No amount is payable by the Executive on the grant or vesting of a VPR
WEP	The Woodside Equity Plan

FINANCIAL STATEMENTS

Main cryogenic heat exchanger at the Karratha Gas Plant.

CONTENTS

Significant changes in the current reporting period

The financial performance and position of the Group was particularly affected by the following events and transactions during the reporting period:

- Wheatstone LNG commenced production from its onshore facility near Onslow, Western Australia. Refer to Note A.1 for the asset's results for the period.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

	Notes	**2017 US$m**	2016 US$m
Operating revenue	A.1	**3,908**	4,075
Cost of sales	A.1	**(1,963)**	(2,234)
Gross profit		**1,945**	1,841
Other income	A.1	**31**	56
Other expenses	A.1	**(326)**	(509)
Profit before tax and net finance costs		**1,650**	1,388
Finance income		**10**	8
Finance costs	A.2	**(94)**	(56)
Profit before tax		**1,566**	1,340
Petroleum resource rent tax (PRRT) benefit	A.5	**136**	177
Income tax expense	A.5	**(582)**	(544)
Profit after tax		**1,120**	973
Profit attributable to:			
Equity holders of the parent		**1,024**	868
Non-controlling interest	E.9	**96**	105
Profit for the year		**1,120**	973
Basic and diluted earnings per share attributable to equity holders of the parent (US cents)	A.4	**121.8**	104.0

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017 US$m	2016 US$m
Profit for the year	**1,120**	973
Other comprehensive income		
Items that may be reclassified to the income statement in subsequent periods:		
Exchange differences reclassified to profit or loss	**-**	17
Losses on hedges	**(2)**	(12)
Tax effect on employee share plans	**8**	-
Items that will not be reclassified to the income statement in subsequent periods:		
Remeasurement gains/(losses) on defined benefit plan	**4**	(2)
Other comprehensive income for the year, net of tax	**10**	3
Total comprehensive income for the year	**1,130**	976
Total comprehensive income attributable to:		
Equity holders of the parent	**1,034**	871
Non-controlling interest	**96**	105
Total comprehensive income for the year	**1,130**	976

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 US$m	2016 US$m
Current assets			
Cash and cash equivalents	C.1	**318**	285
Receivables	D.1	**482**	446
Inventories	D.2	**186**	149
Tax receivable	A.5	**-**	2
Other assets		**27**	18
Total current assets		**1,013**	900
Non-current assets			
Receivables	D.1	**155**	172
Inventories	D.2	**-**	5
Other financial assets		**31**	30
Other assets		**8**	8
Exploration and evaluation assets	B.2	**3,530**	3,228
Oil and gas properties	B.3	**19,398**	19,376
Other plant and equipment		**141**	69
Deferred tax assets	A.5	**1,125**	965
Total non-current assets		**24,388**	23,853
Total assets		**25,401**	24,753
Current liabilities			
Payables	D.3	**691**	546
Interest-bearing liabilities	C.2	**76**	76
Other financial liabilities		**11**	17
Other liabilities		**29**	31
Provisions	D.4	**220**	202
Tax payable	A.5	**61**	91
Total current liabilities		**1,088**	963
Non-current liabilities			
Interest-bearing liabilities	C.2	**4,989**	4,897
Deferred tax liabilities	A.5	**1,798**	1,578
Other financial liabilities		**22**	20
Other liabilities		**77**	72
Provisions	D.4	**1,547**	1,561
Total non-current liabilities		**8,433**	8,128
Total liabilities		**9,521**	9,091
Net assets		**15,880**	15,662
Equity			
Issued and fully paid shares	C.3	**6,919**	6,919
Shares reserved for employee share plans	C.3	**(35)**	(30)
Other reserves	C.4	**997**	979
Retained earnings		**7,169**	6,971
Equity attributable to equity holders of the parent		**15,050**	14,839
Non-controlling interest	E.9	**830**	823
Total equity		**15,880**	15,662

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	2017 US$m	2016 US$m
Cash flows from operating activities			
Profit after tax for the year		**1,120**	973
Adjustments for:			
Non-cash items			
Depreciation and amortisation		**1,204**	1,346
Gain on disposal of oil and gas properties		**-**	(23)
Change in fair value of derivative financial instruments		**(1)**	5
Net finance costs		**84**	48
Tax expense		**446**	367
Exploration and evaluation written off		**58**	54
Other		**28**	45
Changes in assets and liabilities			
Decrease in trade and other receivables		**7**	21
(Increase)/decrease in inventories		**(25)**	45
(Decrease)/increase in provisions		**(75)**	16
Increase in other assets and liabilities		**(4)**	(7)
Increase/(decrease) in trade and other payables		**37**	(81)
Cash generated from operations		**2,879**	2,809
Purchases of shares and payments relating to employee share plans		**(47)**	(54)
Interest received		**10**	8
Dividends received		**6**	7
Borrowing costs relating to operating activities		**(21)**	-
Income tax paid		**(411)**	(172)
PRRT received		**6**	14
Payments for restoration		**(22)**	(25)
Net cash from operating activities		**2,400**	2,587
Cash flows used in investing activities			
Payments for capital and exploration expenditure		**(1,390)**	(1,608)
Borrowing costs relating to investing activities		**(178)**	(153)
Payments for disposal of oil and gas properties		**-**	(14)
Payments for acquisition of joint arrangements net of cash acquired	B.5	**-**	(698)
Net cash used in investing activities		**(1,568)**	(2,473)
Cash flows (used in)/from financing activities			
Proceeds from borrowings	C.2	**2,220**	2,673
Repayments of borrowings	C.2	**(2,133)**	(2,128)
Borrowing costs relating to financing activities		**(15)**	(18)
Contributions to non-controlling interests		**(51)**	(193)
Proceeds from underwriters of Dividend Reinvestment Plan (DRP)		**-**	277
Dividends paid (net of DRP)		**-**	(274)
Dividends paid outside of DRP		**(826)**	(286)
Net cash (used in)/from financing activities		**(805)**	51
Net increase in cash held		**27**	165
Cash and cash equivalents at the beginning of the period		**285**	122
Effects of exchange rate changes		**6**	(2)
Cash and cash equivalents at the end of the period	C.1	**318**	285

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

Notes	Issued and fully paid shares C.3 US$m	Shares reserved for employee share plans C.3 US$m	Employee benefits reserve C.4 US$m	Foreign currency translation reserve C.4 US$m	Hedging reserve C.4 US$m	Retained earnings US$m	Equity holders of the parent US$m	Non-controlling interest E.9 US$m	Total equity US$m
At 1 January 2017	**6,919**	**(30)**	**198**	**793**	**(12)**	**6,971**	**14,839**	**823**	**15,662**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**1,024**	**1,024**	**96**	**1,120**
Other comprehensive income/(loss)	**-**	**-**	**12**	**-**	**(2)**	**-**	**10**	**-**	**10**
Total comprehensive income/(loss) for the year	**-**	**-**	**12**	**-**	**(2)**	**1,024**	**1,034**	**96**	**1,130**
Employee share plan purchases	**-**	**(47)**	**-**	**-**	**-**	**-**	**(47)**	**-**	**(47)**
Employee share plan redemptions	**-**	**42**	**(42)**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based payments	**-**	**-**	**50**	**-**	**-**	**-**	**50**	**-**	**50**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(826)**	**(826)**	**(89)**	**(915)**
At 31 December 2017	**6,919**	**(35)**	**218**	**793**	**(14)**	**7,169**	**15,050**	**830**	**15,880**
At 1 January 2016	6,547	(27)	187	776	-	6,743	14,226	799	15,025
Profit for the year	-	-	-	-	-	868	868	105	973
Other comprehensive income/(loss)	-	-	(2)	17	(12)	-	3	-	3
Total comprehensive income/(loss) for the year	-	-	(2)	17	(12)	868	871	105	976
Dividend Reinvestment Plan	372	-	-	-	-	-	372	-	372
Employee share plan purchases	-	(54)	-	-	-	-	(54)	-	(54)
Employee share plan redemptions	-	51	(51)	-	-	-	-	-	-
Share-based payments	-	-	64	-	-	-	64	-	64
Dividends paid	-	-	-	-	-	(640)	(640)	(81)	(721)
At 31 December 2016	6,919	(30)	198	793	(12)	6,971	14,839	823	15,662

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

About these statements

Woodside Petroleum Ltd (Woodside or the Group) is a for-profit entity limited by shares, incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report and in the segment information in Note A.1.

The financial statements were authorised for issue in accordance with a resolution of the directors on 14 February 2018.

Statement of compliance

The financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the *Corporations Act 2001 (Cth)*, Australian Accounting Standards (AASBs) and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The accounting policies are consistent with those disclosed in the Financial Report 2016, except for the impact of all new or amended standards and interpretations. With the exception of AASB 9 (refer to Note E.10(c)), the adoption of these standards and interpretations did not result in any significant changes to the Group's accounting policies.

Currency

The functional and presentation currency of Woodside Petroleum Ltd and all its subsidiaries is US dollars.

Transactions in foreign currencies are initially recorded in the functional currency of the transacting entity at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling at that date. Exchange differences in the consolidated financial statements are taken to the income statement.

Rounding of amounts

The amounts contained in these financial statements have been rounded to the nearest million dollars under the option available to the Group under Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and certain other financial assets and financial liabilities, which have been measured at fair value or amortised cost adjusted for changes in fair value attributable to the risks that are being hedged in effective hedge relationships.

The financial statements comprise the financial results of the Group and its subsidiaries as at 31 December each year (refer to Section E). Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which the Group ceases to have control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

The consolidated financial statements provide comparative information in respect of the previous period. A reclassification of items in the financial statements of the previous period have been made in accordance with the classification of items in the financial statements of the current period.

Non-controlling interests are allocated their share of the net profit after tax in the consolidated income statement, their share of other comprehensive income, net of tax in the consolidated statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Financial and capital risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, including review and the approval of the Group's risk management strategy, policy and key risk parameters. The Board of Directors and the Audit and Risk Committee have oversight of the Group's internal control system and risk management process, including the oversight of the internal audit function.

The Group's management of financial and capital risks is aimed at ensuring that available capital, funding and cash flows are sufficient to:

- meet the Group's financial commitments as and when they fall due;
- maintain the capacity to fund its committed project developments;
- pay a reasonable dividend; and
- maintain a long-term credit rating of not less than 'investment grade'.

The Group monitors and tests its forecast financial position against these criteria and, in general, will undertake hedging activity only when necessary to ensure that these objectives are achieved.

Other circumstances that may lead to hedging activities include the management of exposures relating to trading activities, the purchase of reserves and the underpinning of the economics of a new project. It is, and has been throughout the period, the Group Treasury policy that no speculative trading in financial instruments shall be undertaken. Refer to the risk section of the Operating and Financial Review on pages 62–63 for more information on the Group's objectives, policies and processes for managing financial risk.

The below risks arise in the normal course of the Group's business. Risk information can be found in the following sections:

Section A	Commodity price risk	Page 105
Section A	Foreign exchange risk	Page 105
Section C	Capital risk	Page 116
Section C	Liquidity risk	Page 116
Section C	Interest rate risk	Page 116
Section D	Credit risk	Page 120

Key estimates and judgements

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances known to management. Actual results may differ from those judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are found in the following notes:

NOTES TO THE FINANCIAL STATEMENTS A. EARNINGS FOR THE YEAR

for the year ended 31 December 2017

In this section

This section addresses financial performance of the Group for the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made. The section also includes the tax position of the Group for and at the end of the reporting period.

Key financial and capital risks in this section

Commodity price risk management

The Group's revenue is exposed to commodity price fluctuations. Oil and gas prices are measured by monitoring and stress testing the Group's forecast financial position to sustained periods of low oil and gas prices. This analysis is regularly performed on the Group's portfolio and, as required, for discrete projects and acquisitions.

As at the reporting date, the Group had no financial instruments with material exposure to commodity price risk.

Foreign exchange risk management

Foreign exchange risk arises from future commitments, financial assets and financial liabilities that are not denominated in US dollars. The majority of the Group's revenue is denominated in US dollars. The Group is exposed to foreign currency risk arising from operating and capital expenditure incurred in currencies other than US dollars, particularly Australian dollars.

Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Group's financial position.

A reasonably possible change in the exchange rate of the US dollar to the Australian dollar (+12%/-12% (2016:+10%/-10%)), with all other variables held constant, would not have a material impact on the Group's equity or the profit or loss in the current period. Refer to Notes C.1, C.2, D.1 and D.3 for detail of the denomination of cash and cash equivalents, interest-bearing liabilities, receivables and payables held at 31 December 2017.

In order to hedge the foreign exchange risk and interest rate risk (refer to Section C) of a Swiss Franc (CHF) denominated medium term note, Woodside holds a number of cross-currency interest rate swaps (refer to Note C.2). The aim of this hedge is to convert the fixed interest CHF bond into variable interest US dollar debt.

A.1 Segment revenue and expenses

Operating segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources. During the period North West Shelf oil revenue and expenses were transferred to the Australia Oil segment. Comparatives have been restated to reflect the change.

Management monitors the operating results of the segments separately for the purpose of making decisions about resource allocation and performance assessment. The performance of operating segments is evaluated based on profit before tax and net finance costs and is measured in accordance with the Group's accounting policies.

Financing requirements, including cash and debt balances, finance income, finance costs and taxes are managed at a Group level.

Operating segments outlined below are identified by management based on the nature and geographical location of the business or venture.

Producing

North West Shelf Project – Exploration, evaluation, development, production and sale of liquefied natural gas, pipeline natural gas, condensate and liquefied petroleum gas from the North West Shelf ventures.

Pluto LNG – Exploration, evaluation, development, production and sale of liquefied natural gas and condensate in assigned permit areas.

Australia Oil – Exploration, evaluation, development, production and sale of crude oil in assigned permit areas (North West Shelf, Enfield, Vincent, Stybarrow and Balnaves).

Wheatstone LNG – Exploration, evaluation, development, production and sale of liquefied natural gas and condensate in assigned permit areas.

Development

Browse – Exploration, evaluation and development of liquefied natural gas and condensate in the Browse area. The segment is not disclosed in Note A.1 as there were no revenues or expenses recorded for 2017 or 2016.

Other

Other segments – This segment comprises trading and shipping activities and activities undertaken in the United States, Canada, Senegal, Myanmar and other international locations.

Unallocated items – Unallocated items comprise primarily corporate non-segmental items of revenue and expenses and associated assets and liabilities not allocated to operating segments as they are not considered part of the core operations of any segment.

Major customer information

The Group has two major customers which account for 20% and 15% of the Group's external revenue. The sales are generated by the Pluto and North West Shelf operating segments (2016: two customers; 21% and 17%).

	Revenue from external customers[1]		Non-current assets[2]	
	2017 US$m	2016 US$m	**2017 US$m**	2016 US$m
Oceania	**329**	501	**21,178**	21,048
Asia	**3,377**	3,513	**133**	64
Canada	**11**	11	**1,349**	1,285
Africa	**-**	-	**598**	486
Other	**191**	50	**5**	5
Consolidated	**3,908**	4,075	**23,263**	22,888

1. Revenue is attributable to geographic location based on the location of the customers.
2. Non-current assets exclude deferred tax of US$1,125m (2016: US$965m).

Recognition and measurement

Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

- Revenue from sale of produced hydrocarbons
  Revenue from the sale of produced hydrocarbons is recognised when the significant risks and rewards of ownership have passed to the customer, which is typically at the point that title passes. This policy is applied to the Group's different operating arrangements.

  Revenue is recognised on the basis of the Group's working interest in a producing field (the entitlement method).

  Revenue from take or pay contracts is recognised in earnings when the product has been drawn by the customer and recorded as unearned revenue when not drawn by the customer.

- Other operating revenue
  Revenue earned from LNG processing, ship chartering and other services is recognised as the services are rendered.

  Trading and other hydrocarbon revenue earned from sales of third party products is recognised when the risks and rewards of ownership of the products are transferred to the customer.

Expenses

- Royalties and excise duty
  Royalties and excise duty under existing regimes are considered to be production-based taxes and are therefore accrued on the basis of the Group's entitlement to physical production.

- Depreciation and amortisation
  Refer to Note B.3 for details on depreciation and amortisation.

- Impairment
  Refer to Note B.4 for details on impairment.

- Leases
  Refer to Note E.2 for details on leases.

- Employee benefits
  Refer to Note E.3 for details on employee benefits.

A.1 Segment revenue and expenses (cont.)

	Producing								Other					
	North West Shelf		Pluto		Australia Oil		Wheatstone		Other segments		Unallocated items		Consolidated	
	2017 US$m	2016 US$m	**2017 US$m**	2016 US$m	**2017 US$m**	2016 US$m	**2017 US$m**	2016 US$m	**2017 US$m**	2016 US$m	**2017 US$m**	2016 US$m	**2017 US$m**	2016 US$m
Liquefied natural gas	**860**	801	**1,763**	1,950	**-**	-	**8**	-	**-**	-	**-**	-	**2,631**	2,751
Pipeline natural gas	**137**	292	**-**	-	**-**	-	**-**	-	**11**	11	**-**	-	**148**	303
Condensate	**268**	279	**145**	134	**-**	-	**-**	-	**-**	-	**-**	-	**413**	413
Oil	**-**	-	**-**	-	**390**	302	**-**	-	**-**	-	**-**	-	**390**	302
Liquefied petroleum gas	**34**	34	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**34**	34
Revenue from sale of produced hydrocarbons	**1,299**	1,406	**1,908**	2,084	**390**	302	**8**	-	**11**	11	**-**	-	**3,616**	3,803
Processing and services revenue	**-**	-	**192**	202	**-**	-	**-**	-	**-**	-	**-**	-	**192**	202
Trading revenue	**-**	-	**36**	-	**-**	-	**-**	-	**17**	70	**-**	-	**53**	70
Other hydrocarbon revenue	**-**	-	**19**	-	**-**	-	**28**	-	**-**	-	**-**	-	**47**	-
Other revenue	**-**	-	**247**	202	**-**	-	**28**	-	**17**	70	**-**	-	**292**	272
Operating revenue	**1,299**	1,406	**2,155**	2,286	**390**	302	**36**	-	**28**	81	**-**	-	**3,908**	4,075
Production costs	**(132)**	(157)	**(159)**	(145)	**(125)**	(157)	**(15)**	-	**(11)**	(11)	**(1)**	(2)	**(443)**	(472)
Royalties and excise	**(180)**	(177)	**-**	-	**(7)**	(2)	**-**	-	**-**	-	**-**	-	**(187)**	(179)
Insurance	**(2)**	(5)	**(12)**	(11)	**(7)**	(4)	**-**	-	**(1)**	-	**(1)**	2	**(23)**	(18)
Inventory movement	**(1)**	4	**13**	(16)	**(8)**	(4)	**11**	-	**-**	-	**-**	-	**15**	(16)
Provision adjustment	**-**	-	**-**	-	**120**	-	**-**	-	**-**	-	**-**	-	**120**	-
Costs of production	**(315)**	(335)	**(158)**	(172)	**(27)**	(167)	**(4)**	-	**(12)**	(11)	**(2)**	-	**(518)**	(685)
Land and buildings	**(4)**	(7)	**(24)**	(46)	**-**	-	**(6)**	-	**-**	-	**-**	-	**(34)**	(53)
Transferred exploration and evaluation	**(7)**	(4)	**(35)**	(49)	**(3)**	(2)	**(1)**	-	**-**	-	**-**	-	**(46)**	(55)
Plant and equipment	**(226)**	(243)	**(744)**	(820)	**(94)**	(121)	**(17)**	-	**-**	-	**-**	-	**(1,081)**	(1,184)
Marine vessels and carriers	**(7)**	(7)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(7)**	(7)
Oil and gas properties depreciation and amortisation	**(244)**	(261)	**(803)**	(915)	**(97)**	(123)	**(24)**	-	**-**	-	**-**	-	**(1,168)**	(1,299)
Shipping and direct sales costs	**(61)**	(34)	**(104)**	(93)	**-**	-	**-**	-	**-**	-	**(10)**	(14)	**(175)**	(141)
Trading costs	**-**	-	**(34)**	-	**-**	-	**-**	-	**(21)**	(109)	**-**	-	**(55)**	(109)
Other hydrocarbon costs	**-**	-	**(20)**	-	**-**	-	**(27)**	-	**-**	-	**-**	-	**(47)**	-
Other cost of sales	**(61)**	(34)	**(158)**	(93)	**-**	-	**(27)**	-	**(21)**	(109)	**(10)**	(14)	**(277)**	(250)
Cost of sales	**(620)**	(630)	**(1,119)**	(1,180)	**(124)**	(290)	**(55)**	-	**(33)**	(120)	**(12)**	(14)	**(1,963)**	(2,234)
Trading intersegment adjustments	**(18)**	-	**(18)**	(65)	**-**	-	**-**	-	**36**	65	**-**	-	**-**	-
Gross profit	**661**	776	**1,018**	1,041	**266**	12	**(19)**	-	**31**	26	**(12)**	(14)	**1,945**	1,841
Other income	**12**	11	**7**	2	**8**	40	**-**	-	**-**	-	**4**	3	**31**	56
Exploration and evaluation expenditure	**(4)**	(4)	**(8)**	(3)	**(1)**	(1)	**(2)**	-	**(104)**	(208)	**-**	-	**(119)**	(216)
Amortisation	**-**	-	**-**	-	**-**	-	**-**	-	**(16)**	(26)	**-**	-	**(16)**	(26)
Write-offs	**-**	-	**-**	-	**-**	-	**-**	-	**(58)**	(54)	**-**	-	**(58)**	(54)
Exploration and evaluation	**(4)**	(4)	**(8)**	(3)	**(1)**	(1)	**(2)**	-	**(178)**	(288)	**-**	-	**(193)**	(296)
General, administrative and other costs	**(3)**	(11)	**(1)**	-	**-**	(9)	**-**	-	**(8)**	(23)	**(87)**	(90)	**(99)**	(133)
Depreciation of other plant and equipment	**-**	(1)	**-**	-	**-**	-	**-**	-	**(1)**	(1)	**(19)**	(19)	**(20)**	(21)
Other[1]	**-**	4	**(6)**	(30)	**1**	-	**1**	-	**4**	(5)	**(14)**	(28)	**(14)**	(59)
Other costs	**(3)**	(8)	**(7)**	(30)	**1**	(9)	**1**	-	**(5)**	(29)	**(120)**	(137)	**(133)**	(213)
Other expenses	**(7)**	(12)	**(15)**	(33)	**-**	(10)	**(1)**	-	**(183)**	(317)	**(120)**	(137)	**(326)**	(509)
Profit/(loss) before tax and net finance costs	**666**	775	**1,010**	1,010	**274**	42	**(20)**	-	**(152)**	(291)	**(128)**	(148)	**1,650**	1,388

1. Other comprises foreign exchange gains and losses, losses on disposals of investments, restructuring costs as well as other expenses not associated with the ongoing operations of the business.

A.2 Finance costs

	2017 US$m	2016 US$m
Interest on interest-bearing liabilities	**202**	163
Accretion charge	**39**	40
Other finance costs	**20**	16
Less: Finance costs capitalised against qualifying assets	**(167)**	(163)
	94	56

A.3 Dividends paid and proposed

Woodside Petroleum Ltd, the parent entity, paid and proposed dividends set out below:

	2017 US$m	2016 US$m
(a) Dividends paid during the financial year		
Prior year fully franked final dividend US$0.49, paid on 29 March 2017 (2016: US$0.43, paid on 8 April 2016)	**413**	354
Current year fully franked interim dividend US$0.49 paid on 21 September 2017 (2016: US$0.34, paid on 30 September 2016)	**413**	286
	826	640
(b) Dividend declared subsequent to the reporting period (not recorded as a liability)		
Final dividend US$0.49 (2016: US$0.49)	**413**	413
(c) Other information		
Franking credits available for the subsequent periods	**2,032**	1,887
Current year dividends per share (US cents)	**98**	83

A.4 Earnings per share

	2017	2016
Profit attributable to equity holders of the parent (US$m)	**1,024**	868
Weighted average number of shares on issue	**840,928,530**	835,011,896
Basic and diluted earnings per share (US cents)	**121.8**	104.0

Earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares on issue during the year. The weighted average number of shares makes allowance for shares reserved for employee share plans.

Performance rights of 10,006,241 (2016: 9,384,302) are considered to be contingently issuable and have not been allowed for in the diluted earnings per share calculation.

There have been no transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

A.5 Taxes

	2017 US$m	2016 US$m
(a) Tax expense comprises		
PRRT		
Current tax benefit	**(3)**	(5)
Deferred tax benefit	**(133)**	(172)
PRRT benefit	**(136)**	(177)
Income tax		
Current year		
Current tax expense	**384**	368
Deferred tax expense	**170**	176
Adjustment to prior years		
Current tax benefit	**(3)**	(10)
Deferred tax expense	**31**	10
Income tax expense	**582**	544
Tax expense	**446**	367
(b) Reconciliation of income tax expense		
Profit before tax	**1,566**	1,340
PRRT benefit	**136**	177
Profit before income tax	**1,702**	1,517
Income tax expense calculated at 30%	**511**	456
Non-deductible items	**2**	15
Foreign expenditure not brought to account	**35**	84
Adjustment to prior years	**28**	(2)
Foreign exchange impact on tax expense	**6**	(9)
Income tax expense	**582**	544
(c) Reconciliation of PRRT benefit		
Profit before tax	**1,566**	1,340
Non-PRRT assessable profits	**(1,513)**	(1,452)
PRRT projects profit/(loss) before tax	**53**	(112)
PRRT expense/(benefit) calculated at 40%	**21**	(45)
Augmentation	**(183)**	(170)
Other	**26**	38
PRRT benefit	**(136)**	(177)
(d) Deferred tax income statement reconciliation		
PRRT		
Production and growth assets	**(49)**	(36)
Augmentation for current year	**(183)**	(170)
Provisions	**105**	13
Other	**(6)**	21
PRRT deferred tax benefit	**(133)**	(172)
Income tax		
Oil and gas properties	**198**	200
Exploration and evaluation assets	**9**	(49)
Provisions	**39**	36
PRRT liabilities	**39**	56
Unused tax losses and tax credits	**(50)**	(119)
Other	**(42)**	62
Income tax deferred tax expense	**193**	186
Deferred tax expense	**60**	14
(e) Deferred tax balance sheet reconciliation		
Deferred tax assets		
PRRT		
Production and growth assets	**933**	685
Augmentation for current year	**178**	170
Provisions	**24**	125
Other	**(10)**	(15)
	1,125	965

A.5 Taxes (cont.)

	2017 US$m	2016 US$m
(e) Deferred tax balance sheet reconciliation (cont.)		
Deferred tax liabilities		
PRRT		
Production and growth assets	**463**	434
Augmentation for current year	**(5)**	-
Provisions	**(129)**	(133)
Other	**11**	12
Income tax		
Oil and gas properties	**1,636**	1,438
Exploration and evaluation assets	**308**	299
Provisions	**(485)**	(524)
PRRT liabilities	**236**	197
Unused tax losses and tax credits	**(169)**	(119)
Other[1]	**(68)**	(26)
	1,798	1,578
(f) Tax (payable)/receivable reconciliation		
PRRT receivable	**-**	2
Income tax payable	**(61)**	(91)
	(61)	(89)
(g) Effective income tax rate: Australian and global operations		
Effective income tax rate[2]		
Australia	**31.5%**	30.5%
Global	**34.2%**	35.9%
(h) Current year income tax payable reconciliation		
Profit before income tax	**1,702**	1,517
Income tax at the statutory tax rate of 30%	**511**	456
Non-temporary differences[3,4]	**37**	99
Temporary differences: deferred tax[4]	**(170)**	(176)
Current year income tax payable	**378**	379

1. US$8.0 million (2016: US$0.2 million) movement recognised in other comprehensive income.
2. The global operations effective income tax rate (ETR) is calculated as the Group's income tax expense divided by profit before income tax. The Australian operations ETR is calculated with reference to all Australian companies and excludes foreign exchange impact on tax expense.
3. Primarily expenditure in respect of foreign operations. Excludes foreign exchange impact on tax expense.
4. Excludes adjustment to prior years.

Tax transparency code

Woodside participates in the Australian Board of Taxation's voluntary Tax Transparency Code (TTC). To increase public confidence in the contributions and compliance of corporate taxpayers, the TTC recommends public disclosure of tax information. Woodside has addressed the recommended disclosures in two parts. The Part A disclosures are addressed within this Taxes note; the Part B disclosures are addressed in our Sustainable Development Report.

Recognition and measurement

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised. The tax rates and laws used to determine the amount are based on those that have been enacted or substantially enacted by the end of the reporting period. Income taxes relating to items recognised directly in equity are recognised in equity.

Current taxes

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Deferred taxes

Deferred tax expense is the movements in the temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

With the exception of those noted below, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, unused tax losses and tax credits only if it is probable that sufficient future taxable income will be available to utilise those temporary differences and losses.

Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither accounting profit nor the taxable profit.

In relation to PRRT, the impact of future augmentation on expenditure is included in the determination of future taxable profits when assessing the extent to which a deferred tax asset can be recognised in the statement of financial position.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and liabilities and when they relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that the Group intends to settle its current tax assets and liabilities on a net basis. Refer to Notes E.9 and E.10 for detail on the tax consolidated group.

Key estimates and judgements

(a) Income tax classification

Judgement is required when determining whether a particular tax is an income tax or another type of tax. Accounting for deferred tax is applied to income taxes as described above, but is not applied to other types of taxes, e.g. North West Shelf royalties and excise. Such taxes are recognised in the income statement on an appropriate basis. PRRT is considered, for accounting purposes, to be an income tax.

(b) Deferred tax asset recognition

Australian tax losses: A deferred tax asset of US$169 million (2016: US$119 million) has been recognised from carry forward unused tax losses and credits. The Group has determined that it is probable that sufficient future taxable income will be available to utilise those losses and credits.

Foreign tax losses: Deferred tax assets of US$403 million (2016: US$407 million) relating to unused foreign tax losses where it is not probable that the assets will be utilised based on current planned activities in those regions.

PRRT: Deferred tax assets on deductible temporary differences have not been recognised on the basis that deductions from future augmentation of the deductible temporary difference will be sufficient to offset future taxable profit. US$3,722 million (2016: US$3,592 million) relates to the North West Shelf Project, US$501 million (2016: US$425 million) relates to the quarantined exploration spend of the Pluto Project and US$680 million (2016: US$605 million) relates to the Wheatstone Project. Future taxable profits were determined using the same assumptions disclosed in Note B.4 and a long-term bond rate of 2.5% (2016: 2.2%) for the purposes of augmentation.

Had an alternative approach been used to assess recovery of the deferred tax assets, whereby future augmentation was not included in the assessment, the estimated deferred tax assets would be recognised, with a corresponding benefit to income tax expense. It was determined that the approach adopted provides the most meaningful information on the implications of the PRRT regime, whilst ensuring compliance with AASB 112 *Income Taxes*.

In this section

This section addresses the strategic growth (exploration and evaluation) and core producing (oil and gas properties) assets' position of the Group at the end of the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made. The section also includes the impairment position of the Group at the end of the reporting period.

B.1 Segment production and growth assets

	Producing								Development		Other			
	North West Shelf		Pluto		Australia Oil		Wheatstone		Browse		Other segments		Consolidated	
	2017 US$m	2016 US$m	2017 US$m	2016 US$m	2017 US$m	2016 US$m	2017 US$m	2016 US$m	2017 US$m	2016 US$m	2017 US$m	2016 US$m	2017 US$m	2016 US$m
Balance as at 31 December														
Oceania	**16**	16	**402**	396	**21**	21	**7**	-	**407**	397	**594**	562	**1,447**	1,392
Asia	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**133**	61	**133**	61
Canada	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,348**	1,284	**1,348**	1,284
Africa	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**598**	486	**598**	486
Other	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**4**	5	**4**	5
Total exploration and evaluation	**16**	16	**402**	396	**21**	21	**7**	-	**407**	397	**2,677**	2,398	**3,530**	3,228
Balance as at 31 December														
Land and buildings	**24**	28	**436**	460	**-**	-	**661**	-	**-**	-	**1**	1	**1,122**	489
Transferred exploration and evaluation	**69**	42	**333**	368	**12**	15	**235**	-	**-**	-	**-**	-	**649**	425
Plant and equipment	**2,263**	2,293	**10,222**	10,932	**409**	482	**3,190**	271	**-**	-	**3**	3	**16,087**	13,981
Marine vessels and carriers	**115**	122	**-**	-	**-**	-	**7**	-	**-**	-	**-**	-	**122**	122
Projects in development	**268**	283	**62**	56	**568**	293	**520**	3,727	**-**	-	**-**	-	**1,418**	4,359
Total oil and gas properties	**2,739**	2,768	**11,053**	11,816	**989**	790	**4,613**	3,998	**-**	-	**4**	4	**19,398**	19,376
Additions to exploration and evaluation:														
Exploration	**-**	-	**1**	-	**-**	-	**-**	-	**-**	-	**179**	94	**180**	94
Evaluation	**-**	1	**10**	-	**-**	15	**7**	-	**14**	30	**168**	862	**199**	908
Restoration	**-**	-	**(5)**	(6)	**-**	-	**-**	-	**(4)**	(6)	**6**	(13)	**(3)**	(25)
	-	1	**6**	(6)	**-**	15	**7**	-	**10**	24	**353**	943	**376**	977
Additions to oil and gas properties:														
Oil and gas properties additions	**171**	218	**22**	111	**286**	116	**480**	763	**-**	-	**-**	-	**959**	1,208
Capitalised borrowing costs additions[1]	**8**	5	**-**	-	**9**	1	**150**	157	**-**	-	**-**	-	**167**	163
Restoration	**36**	(47)	**18**	(35)	**1**	(2)	**21**	(13)	**-**	-	**-**	-	**76**	(97)
	215	176	**40**	76	**296**	115	**651**	907	**-**	-	**-**	-	**1,202**	1,274

1. Borrowing costs capitalised were at a weighted average interest rate of 4.0% (2016: 3.5%).

Refer to Note A.1 for descriptions of the Group's segments and geographical regions.

B.2 Exploration and evaluation

	Oceania US$m	Asia US$m	Canada US$m	Africa US$m	Other US$m	Total US$m
Year ended 31 December 2017						
Carrying amount at 1 January 2017	**1,392**	**61**	**1,284**	**486**	**5**	**3,228**
Additions	**90**	**89**	**64**	**132**	**1**	**376**
Amortisation of licence acquisition costs	**(2)**	**(1)**	**-**	**(11)**	**(2)**	**(16)**
Expensed	**(33)**	**(16)**	**-**	**(9)**	**-**	**(58)**
Carrying amount at 31 December 2017	**1,447**	**133**	**1,348**	**598**	**4**	**3,530**
Year ended 31 December 2016						
Carrying amount at 1 January 2016	1,302	30	1,170	19	7	2,528
Additions	325	35	139	478	-	977
Amortisation of licence acquisition costs	-	(4)	(9)	(11)	(2)	(26)
Expensed	(38)	-	(16)	-	-	(54)
Transferred exploration and evaluation	(197)	-	-	-	-	(197)
Carrying amount at 31 December 2016	1,392	61	1,284	486	5	3,228
Exploration commitments						
Year ended 31 December 2017	**82**	**63**	**21**	**93**	**16**	**275**
Year ended 31 December 2016	43	81	26	183	17	350

Recognition and measurement

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. The Group's application of the accounting policy for the cost of exploring and of evaluating discoveries is closely aligned to the US GAAP-based successful efforts method.

Areas of interest are based on a geographical area. All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs and new venture activity costs, is expensed as incurred except for the following:

- where the expenditure relates to an exploration discovery that, at the reporting date, has not been recognised as an area of interest, because an assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or
- where the expenditure relates to a recognised area of interest and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of acquiring interests in new exploration and evaluation licences are capitalised. The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons and the recognition of an area of interest.

Subsequent to the recognition of an area of interest, all further evaluation costs relating to that area of interest are capitalised.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil and gas properties.

In the statement of cash flows, those cash flows associated with capitalised exploration and evaluation expenditure, including unsuccessful wells, are classified as cash flows used in investing activities.

Exploration commitments

The Group has exploration expenditure obligations which are contracted for, but not provided for in the financial statements. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

Key estimates and judgements

(a) Area of interest

An area of interest (AOI) is defined by the Group as an individual geographical area whereby the presence of hydrocarbons is considered favourable or proved to exist. The Group has established criteria to recognise and maintain an AOI. There is separate guidance for conventional and unconventional AOIs.

(b) Impairment of exploration and evaluation assets

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective AOI.

Each potential or recognised AOI is reviewed half-yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support continued carry forward of capitalised costs. Where a potential impairment is indicated, assessment is performed using a fair value less costs to dispose method to determine the recoverable amount for each AOI to which the exploration and evaluation expenditure is attributed.

This assessment requires management to make certain estimates and apply judgement in determining assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

B.3 Oil and gas properties

	Land and buildings	Transferred exploration and evaluation	Plant and equipment	Marine vessels and carriers	Projects in development	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Year ended 31 December 2017						
Carrying amount at 1 January 2017	**489**	**425**	**13,981**	**122**	**4,359**	**19,376**
Additions	**-**	**-**	**39**	**-**	**1,163**	**1,202**
Depreciation and amortisation	**(34)**	**(46)**	**(1,093)**	**(7)**	**-**	**(1,180)**
Completions and transfers	**667**	**270**	**3,160**	**7**	**(4,104)**	**-**
Carrying amount at 31 December 2017	**1,122**	**649**	**16,087**	**122**	**1,418**	**19,398**
At 31 December 2017						
Historical cost	**1,903**	**1,093**	**28,450**	**316**	**1,530**	**33,292**
Accumulated depreciation and impairment	**(781)**	**(444)**	**(12,363)**	**(194)**	**(112)**	**(13,894)**
Net carrying amount	**1,122**	**649**	**16,087**	**122**	**1,418**	**19,398**
Year ended 31 December 2016						
Carrying amount at 1 January 2016	575	465	14,767	129	3,300	19,236
Additions	-	-	(90)	-	1,364	1,274
Disposals at written down value	-	-	(3)	-	-	(3)
Depreciation and amortisation	(86)	(55)	(1,192)	(7)	-	(1,340)
Completions and transfers	-	15	499	-	(305)	209
Carrying amount at 31 December 2016	489	425	13,981	122	4,359	19,376
At 31 December 2016						
Historical cost	1,092	823	24,566	401	5,282	32,164
Accumulated depreciation and impairment	(603)	(398)	(10,585)	(279)	(923)	(12,788)
Net carrying amount	489	425	13,981	122	4,359	19,376

Recognition and measurement

Oil and gas properties are stated at cost less accumulated depreciation and impairment charges. Oil and gas properties include initial cost to acquire, construct, install or complete production and infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation assets, development wells and the estimated cost of dismantling and restoration.

Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation and amortisation

Oil and gas properties and other plant and equipment are depreciated to their estimated residual values at rates based on their expected useful lives.

Transferred exploration and evaluation and offshore plant and equipment are depreciated using the unit of production basis over proved plus probable reserves or proved reserves for late life assets. Onshore plant and equipment is depreciated using a straight-line basis over the lesser of useful life and the life of proved plus probable reserves. On a straight-line basis the assets have an estimated useful life of 5-50 years.

All other items of oil and gas properties are depreciated using the straight-line method over their useful life. They are depreciated as follows:

- Buildings – 24-40 years;
- Marine vessels and carriers – 10-40 years;
- Other plant and equipment – 5-15 years; and
- Land is not depreciated.

Impairment

Refer to Note B.4 for details on impairment.

Capital commitments

The Group has capital expenditure commitments contracted for, but not provided for in the financial statements of US$535 million (2016: US$553 million).

Key estimates and judgements

Reserves

The estimations of reserves require significant management judgement and interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries.

Estimates of oil and natural gas reserves are used to calculate depreciation, depletion and amortisation charges for the Group's oil and gas properties. Judgement is used in determining the reserve base applied to each asset. Typically, late life oil assets use proved reserves.

Estimates are reviewed at least annually or when there are changes in the economic circumstances impacting specific assets or asset groups. These changes may impact depreciation, asset carrying values, restoration provisions and deferred tax balances. If proved reserves estimates are revised downwards, earnings could be affected by higher depreciation expense or an immediate write-down of the asset's carrying value.

For more information regarding reserve assumptions, refer to the reserves and resources statement on pages 64–67 of the Annual Report.

B.4 Impairment of oil and gas properties

Recognition and measurement

Impairment testing

The carrying amounts of oil and gas properties are assessed half-yearly to determine whether there is an indication of impairment or impairment reversal for those assets which have previously been impaired. Indicators of impairment and impairment reversals include changes in future selling prices, future costs and reserves. When assessing potential indicators of impairment or reversals the Group models scenarios and a range of possible future commodity prices is considered. If any such indication exists, the asset's recoverable amount is estimated.

Oil and gas properties are assessed for impairment indicators and impairments on a cash generating unit (CGU) basis. CGUs are determined as a floating production, storage and off-take vessel for an oil asset and a LNG Plant for a gas asset.

Impairment calculations

The recoverable amount of an asset or CGU is determined as the higher of its value in use and fair value less costs of disposal. Value in use is determined by estimating future cash flows after taking into account the risks specific to the asset and discounting it to its present value using an appropriate discount rate.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is written down and an impairment loss is recognised in the income statement.

For assets previously impaired, if the recoverable amount exceeds the carrying amount, the impairment loss is reversed. The carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Recognised impairment and impairment reversal

The Group assessed each CGU to determine whether an indicator of impairment or impairment reversal existed. No indicators of impairment or impairment reversal were identified in 2016 or 2017.

Inputs to impairment indicator modelling

Future cash flow information used for the value in use calculation is based on the Group's latest reserves, budget, five-year plan and project economic plans. Key estimates are disclosed in the 'Key estimates and judgements' section.

Key estimates and judgements

Impairment and impairment reversal indicator modelling key assumptions

In determining whether there is an indicator of impairment or impairment reversal, in the absence of quoted market prices, estimates are made regarding the present value of future cash flows for each CGU. These estimates require significant management judgement and are subject to risk and uncertainty, and hence changes in economic conditions can also affect the assumptions used and the rates used to discount future cash flow estimates. The present value of future cash flows for each CGU were estimated using the assumptions set out below:

- Inflation rate – an inflation rate of 2.0% has been applied (2016: 2.0%).
- Foreign exchange rates – rate of $0.78 AUD:USD (2016: $0.76) based on management's assumptions of short and long-term views of global rates.
- Discount rate – a range of pre-tax discount rates have been applied between 9% and 11% (2016: 9% and 11%).
- LNG price – based on the terms set out in the relevant contracts between the Group and its customers. The majority of LNG sales contracts are linked to an oil price marker, accordingly the LNG prices used are consistent with oil price assumptions.
- Natural gas price – based on the terms set out in the relevant contracts between the Group and its customers.
- Oil price – oil prices were derived from long-term views of global supply and demand, building upon past experience of the industry and consistent with external sources. Prices are adjusted based on premiums and discounts applied to the oil price marker based on the nature and quality of the product produced at the field. The unadjusted Brent oil prices (US$/bbl) used were:

	2018	2019	2020	2021	2022	2023
2017	58	62	67	71	76	80
2016	58	58	71	78	84	84

Prices from 2023 onwards are escalated at 2%.

B.5 Significant production and growth asset acquisitions

(a) Senegal

On 28 October 2016, Woodside completed the acquisition of 100% of the shares in ConocoPhillips Senegal B.V. for a purchase price of US$350 million plus a closing adjustment of US$92 million. Under the terms of the Purchase and Sale Agreement, Woodside acquired a 35% interest in a Joint Operation holding three offshore exploration blocks containing the SNE and FAN oil discoveries in Senegal.

(b) Scarborough

On 14 November 2016, Woodside completed the acquisition of half of BHP Billiton's Scarborough area assets in the Carnarvon Basin for an aggregate purchase price of US$250 million plus a closing adjustment of US$1 million. In addition, a US$150 million payment is contingent on a positive final investment decision to develop the Scarborough field. Woodside acquired the following interest in Joint Operations:

- a 25% interest in WA-1-R and a 50% interest in WA-62-R, which together contain the Scarborough gas field;
- a 50% interest in WA-61-R which contains the Jupiter gas field; and
- a 50% interest in WA-63-R which contains the Thebe gas field.

Assets acquired and liabilities assumed

The identifiable assets and liabilities acquired as at the date of the acquisition inclusive of transaction costs were:

	Senegal US$m	Scarborough US$m
Exploration and evaluation assets	447	252
Net other assets and liabilities acquired	(1)	-
Total identifiable net assets at acquisition	446	252

Cash flows on acquisition

	Senegal US$m	Scarborough US$m
Purchase cash consideration	442	251
Transaction costs	4	1
Total purchase consideration	446	252
Net cash outflows on acquisition	446	252

Asset acquisitions after the end of the reporting period

On 14 February 2018, Woodside announced it had entered into a binding Sale and Purchase Agreement to acquire ExxonMobil's 50% interest in WA-1-R, which contains the Scarborough gas field for an aggregate purchase price of US$444 million. In addition, a US$300 million payment is contingent on a positive final investment decision to develop the Scarborough field.

In this section

This section addresses cash, debt and capital position of the Group at the end of the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made.

Key financial and capital risks in this section

Capital risk management

Capital management is undertaken to ensure that a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. A stable capital base is maintained from which the Group can pursue its growth aspirations, whilst maintaining a flexible capital structure that allows access to a range of debt and equity markets to both draw upon and repay capital.

The Dividend Reinvestment Plan (DRP) was approved by shareholders at the Annual General Meeting in 2003 for activation as required to fund future growth. The DRP has not been utilised since the fully underwritten 2015 final dividend.

A range of financial metrics is monitored, including gearing and cash flow leverage, and Treasury policy breaches and exceptions.

Liquidity risk management

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay financial liabilities as and when they fall due. The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost-effective manner.

The Group's liquidity position is continually reviewed including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. At 31 December 2017, the Group has a total of US$2,942 million (2016: US$2,679 million) of available undrawn facilities and cash at its disposal. The maturity profile of interest-bearing liabilities is disclosed in Note C.2, and trade and other payables are disclosed in Note D.3. Financing facilities available to the Group are disclosed in Note C.2.

Interest rate risk management

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to financial instruments with floating interest rates including long-term debt obligations and cash and short-term deposits. The Group manages its interest rate risk by maintaining an appropriate mix of fixed and floating rate debt. To manage the ratio of fixed rate debt to floating rate debt, the Group may enter into interest rate swaps. The Group holds cross-currency interest rate swaps to hedge the foreign exchange risk (refer to Section A) and interest rate risk of the CHF denominated medium term note.

At the reporting date, the Group was exposed to various benchmark interest rates that were not designated in cash flow hedges, US$84 million (2016: US$43 million) on cash and cash equivalents, US$1,020 million (2016: US$1,533 million) on interest-bearing liabilities (excluding transaction costs) and US$11 million (2016: US$3 million) on cross-currency interest rate swaps.

A reasonably possible change in the USD London Interbank Offered Rate (LIBOR) (+1.0%/-1.0% (2016: +1.0%/-1.0%)), with all variables held constant, would not have a material impact on the Group's equity or the income statement in the current period.

C.1 Cash and cash equivalents

	2017 US$m	2016 US$m
Cash and cash equivalents		
Cash at bank	318	285
Total cash and cash equivalents	318	285

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are stated at face value in the statement of financial position.

Foreign exchange risk

The Group held US$73 million of cash and cash equivalents at 31 December 2017 (2016: US$23 million) in currencies other than US dollars.

C.2 Interest-bearing liabilities and financing facilities

	Bilateral Facilities US$m	Syndicated Facilities US$m	JBIC Facility US$m	US Bonds US$m	Medium Term Notes US$m	Total US$m
Year ended 31 December 2017						
At 1 January 2017	244	696	583	3,084	366	4,973
Repayments	(1,350)	(700)	(83)	-	-	(2,133)
Drawdowns	1,420	-	-	800	-	2,220
Fair value adjustment and foreign exchange movement	-	-	-	-	7	7
Transaction costs capitalised and amortised	2	1	-	(4)	(1)	(2)
Carrying value at 31 December 2017	316	(3)	500	3,880	372	5,065
Current	(2)	(1)	83	(4)	-	76
Non-current	318	(2)	417	3,884	372	4,989
Carrying value at 31 December 2017	316	(3)	500	3,880	372	5,065
Undrawn balance at 31 December 2017	1,824	800	-	-	-	2,624
Year ended 31 December 2016						
At 1 January 2016	993	496	665	2,287	-	4,441
Repayments	(2,045)	-	(83)	-	-	(2,128)
Drawdowns	1,295	200	-	800	378	2,673
Fair value adjustment and foreign exchange movement	-	-	-	-	(12)	(12)
Transaction costs capitalised and amortised	1	-	1	(3)	-	(1)
Carrying value at 31 December 2016	244	696	583	3,084	366	4,973
Current	(3)	(1)	83	(3)	-	76
Non-current	247	697	500	3,087	366	4,897
Carrying value at 31 December 2016	244	696	583	3,084	366	4,973
Undrawn balance at 31 December 2016	1,894	500	-	-	-	2,394

Recognition and measurement

All borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds received and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings designated as a hedged item are measured at amortised cost adjusted to record changes in the fair value of risks that are being hedged in fair value hedges. The changes in the fair value risks of the hedged item resulted in a loss of US$7 million being recorded (2016: gain US$12 million), offset by a gain of US$6 million recorded on the hedging instrument (2016: loss US$15 million).

All bonds, notes and facilities are subject to various covenants and a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledges have been breached at any time during the reporting period.

Foreign exchange risk

All interest-bearing liabilities are denominated in US dollars, excluding the CHF175 million medium term note.

Fair value

The carrying amount of interest-bearing liabilities approximates their fair value, with the exception of the Group's unsecured bonds which have a carrying amount of US$3,880 million (2016: US$3,084 million) and a fair value of US$3,985 million (2016: US$3,151 million). The fair value of the bonds and notes was determined using quoted prices in an active market, classified as Level 1 on the fair value hierarchy. The Group's repayment obligations remain unchanged.

C.2 Interest-bearing liabilities and financing facilities (cont.)

Maturity profile of interest-bearing liabilities

The table below presents the contractual undiscounted cash flows associated with the Group's interest-bearing liabilities, representing principal and interest. The figures will not necessarily reconcile with the amounts disclosed in the consolidated statement of financial position.

	2017 US$m	2016 US$m
Due for payment in:		
1 year or less	**289**	264
1-2 years	**1,144**	962
2-3 years	**267**	1,078
3-4 years	**910**	197
4-5 years	**390**	880
More than 5 years	**3,237**	2,631
	6,237	6,012

Amounts exclude transaction costs.

Bilateral facilities

The Group has 17 bilateral loan facilities totalling US$2,144 million (2016: US$2,144 million). Details of bilateral loan facilities at the reporting date are as follows:

Number of facilities	Term (years)	Currency	Extension option
8	5	USD	Evergreen
2	4	USD	Evergreen
7	3	USD	Evergreen

Interest rates are based on USD LIBOR and margins are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. Evergreen facilities may be extended continually by a year subject to the bank's agreement.

Syndicated facility

On 3 July 2015, the Group executed an unsecured US$1,000 million syndicated loan facility, which was increased to US$1,200 million on 22 March 2016. On 15 November 2017, Woodside amended the existing facility to a US$800 million facility comprising two equal tranches, which now expire in July 2020 and July 2022. Interest rates are based on USD LIBOR plus 0.9% and USD LIBOR plus 1.15% respectively. Interest is paid at the end of each drawdown period.

Japan Bank for International Cooperation (JBIC) facility

On 24 June 2008, the Group entered into a two tranche committed loan facility of US$1,000 million and US$500 million respectively. The US$500 million tranche was repaid in 2013. There is a prepayment option for the remaining balance. Interest rates are based on LIBOR. Interest is payable semi-annually in arrears and the principal amortises on a straight-line basis, with equal instalments of principal due on each interest payment date (every six months).

Under this facility, 90% of the receivables from designated Pluto LNG Project Sale and Purchase Agreements are secured in favour of the lenders through a trust structure, with a required reserve amount of US$30 million. To the extent that this reserve amount remains fully funded and no default notice or acceleration notice has been given, the revenue from the Pluto LNG Project continues to flow directly to the Group from the trust account.

Medium term notes

On 28 August 2015, the Group established a US$3,000 million Global Medium Term Notes Programme listed on the Singapore Stock Exchange. Two notes have been issued under this program as set out below:

Maturity date	Currency	Carrying amount (million)	Nominal interest rate
15 July 2022	USD	200	Floating three month USD LIBOR
11 December 2023	CHF	175	1%

The unutilised program is not considered to be an unused facility.

US Bonds

The Group has five unsecured bonds issued in the United States of America as defined in Rule 144A of the *US Securities Act* as set out below:

Maturity date	Carrying amount US$m	Nominal interest rate
1 March 2019	600	8.75%
10 May 2021	700	4.60%
5 March 2025	1,000	3.65%
15 September 2026	800	3.70%
15 March 2028	800	3.70%

Interest on the bonds is payable semi-annually in arrears.

C.3 Contributed equity

Recognition and measurement

Issued capital

Ordinary shares are classified as equity and recorded at the value of consideration received. The cost of issuing shares is shown in share capital as a deduction, net of tax, from the proceeds.

Reserved shares

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements (reserved shares), are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(a) Issued and fully paid shares

	Number of shares	US$m
Year ended 31 December 2017		
Opening and closing balance	**842,444,903**	**6,919**
Year ended 31 December 2016		
Opening balance	823,910,657	6,547
DRP underwriting agreement		
Ordinary shares issued at A$26.70 (2015 final dividend)	13,631,075	277
DRP		
Ordinary shares issued at A$26.40 (2015 final dividend)	4,903,171	93
Share issue costs (net of tax)	-	2
Amounts at 31 December 2016	842,444,903	6,919

All shares are a single class with equal rights to dividends, capital, distributions and voting. The company does not have authorised capital nor par value in relation to its issued shares.

C.3 Contributed equity (cont.)

(b) Shares reserved for employee share plans

	Number of shares	US$m
Year ended 31 December 2017		
Opening balance	**1,151,175**	**(30)**
Purchases during the year	**1,962,899**	**(47)**
Vested during the year	**(1,865,564)**	**42**
Amounts at 31 December 2017	**1,248,510**	**(35)**
Year ended 31 December 2016		
Opening balance	985,802	(27)
Purchases during the year	2,515,145	(54)
Vested during the year	(2,349,772)	51
Amounts at 31 December 2016	1,151,175	(30)

C.4 Other reserves

	2017 US$m	2016 US$m
Other reserves		
Employee benefits reserve	**218**	198
Foreign currency translation reserve	**793**	793
Hedging reserves	**(14)**	(12)
	997	979

Reserve	Nature and purpose
Employee benefits reserve	Used to record share-based payments associated with the employee share plans and remeasurement adjustments relating to the defined benefit plan.
Foreign currency translation reserve	Used to record foreign exchange differences arising from the translation of the financial statements of foreign entities from their functional currency to the Group's presentation currency.
Hedging reserve	Used to record gains and losses on hedges designated as cash flow hedges and foreign currency basis spread arising from the designation of a financial instrument as a hedging instrument. Gains and losses accumulated in the cash flow hedge reserve are taken to the income statement in the same period during which the hedged expected cash flows affect the income statement.

In this section

This section addresses other assets and liabilities position at the end of the reporting period including, where applicable, the accounting policies applied and the key estimates and judgements made.

Key financial and capital risks in this section

Credit risk management

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss to the Group. Credit risk arises from the financial assets of the Group, which comprise trade and other receivables and deposits with banks and financial institutions.

The Group manages its credit risk on trade receivables and financial instruments by predominantly dealing with counterparties with an investment grade credit rating. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. As a result, the Group's exposure to bad debts is not significant. The Group's maximum credit risk is limited to the carrying amount of its financial assets.

D.1 Receivables

	2017 US$m	2016 US$m
(a) Receivables (current)		
Trade receivables[1]	**284**	198
Other receivables[1]	**109**	142
Loans receivable[2]	**87**	104
Dividend receivable	**2**	2
	482	446
(b) Receivables (non-current)		
Loans receivable[2]	**141**	162
Defined benefit plan asset	**14**	10
	155	172

1. Interest-free and settlement terms are usually between 14 and 30 days.
2. Loans receivable are due from non-controlling interests.

Recognition and measurement

Most trade and other receivables, including receivables from related parties, are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectable amounts. Certain receivables are recognised at fair value. Uncollectable amounts are determined using the expected loss impairment model. Collectability and impairment are assessed on a regular basis. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

The Group's customers are required to pay in accordance with agreed payment terms. Depending on the product, settlement terms are 14 to 30 days from the date of invoice or bill of lading and customers regularly pay on time. There are no significant overdue trade receivables as at the end of the reporting period (2016: nil).

Fair value

The carrying amount of trade and other receivables approximates their fair value.

Foreign exchange risk

The Group held US$113 million of receivables at 31 December 2017 (2016: US$101 million) in currencies other than US dollars (predominantly Australian dollars).

D.2 Inventories

	2017 US$m	2016 US$m
(a) Inventories (current)		
Petroleum products		
Goods in transit	**31**	20
Finished stocks	**51**	46
Warehouse stores and materials	**104**	83
	186	149
(b) Inventories (non-current)		
Warehouse stores and materials	**-**	5
	-	5

Recognition and measurement

Inventories include hydrocarbon stocks, consumable supplies and maintenance spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable.

Inventories determined to be obsolete or damaged are written down to net realisable value, being the estimated selling price less selling costs.

D.3 Payables

The following table shows the Group's payables balances and maturity analysis.

	< 30 days US$m	30-60 days US$m	> 60 days US$m	Total US$m
Year ended 31 December 2017				
Trade payables[1]	**139**	**28**	**70**	**237**
Other payables[1]	**368**	**1**	**26**	**395**
Interest payable[2]	**7**	**-**	**52**	**59**
Total payables	**514**	**29**	**148**	**691**
Year ended 31 December 2016				
Trade payables[1]	114	5	78	197
Other payables[1]	301	-	-	301
Interest payable[2]	3	-	45	48
Total payables	418	5	123	546

1. Interest-free and normally settled on 30 day terms.
2. Details regarding interest-bearing liabilities are contained in Note C.2.

Recognition and measurement

Trade and other payables are carried at amortised cost when goods and services are received, whether or not billed to the Group, prior to the end of the reporting period.

Fair value

The carrying amount of payables approximates their fair value.

Foreign exchange risk

The Group held US$380 million of payables at 31 December 2017 (2016: US$373 million) in currencies other than US dollars (predominantly Australian dollars).

D.4 Provisions

	Restoration of operating locations US$m	Employee benefits US$m	Other US$m	Total US$m
Year ended 31 December 2017				
At 1 January 2017	**1,442**	**155**	**166**	**1,763**
Change in provision	**45**	**22**	**(100)**	**(33)**
Unwinding of present value discount	**37**	**-**	**-**	**37**
Carrying amount at 31 December 2017	**1,524**	**177**	**66**	**1,767**
Current	**17**	**148**	**55**	**220**
Non-current	**1,507**	**29**	**11**	**1,547**
Net carrying amount	**1,524**	**177**	**66**	**1,767**
Year ended 31 December 2016				
At 1 January 2016	1,574	141	153	1,868
Change in provision	(170)	14	13	(143)
Unwinding of present value discount	38	-	-	38
Carrying amount at 31 December 2016	1,442	155	166	1,763
Current	35	126	41	202
Non-current	1,407	29	125	1,561
Net carrying amount	1,442	155	166	1,763

D.4 Provisions (cont.)

Recognition and measurement

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restoration of operating locations

Provision is made for the obligation to restore operating locations. The provision is first recognised in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Restoration provisions are updated annually, with the corresponding movement recognised against the related exploration and evaluation assets or oil and gas properties.

Over time, the liability is increased for the change in the present value based on a pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer to Note B.3).

Costs incurred that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages, salaries, annual leave and long service leave.

Liabilities in respect of employees' services rendered that are not expected to be wholly settled within one year after the end of the period in which the employees render the related services are recognised as long-term employee benefits.

These liabilities are measured at the present value of the estimated future cash outflow to be made to the employees using the projected unit credit method. Liabilities expected to be wholly settled within one year after the end of the period in which the employees render the related services are classified as short-term benefits and are measured at the amount due to be paid.

Key estimates and judgements

(a) Restoration obligations

The Group estimates the future removal costs of offshore oil and gas platforms, production facilities, wells and pipelines at different stages of the development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and liability specific discount rates to determine the present value of these cash flows. The proportion of the non-current balance not expected to be settled within 15 years is 63% (2016: 61%).

(b) Long service leave

Long service leave is measured at the present value of benefits accumulated up to the end of the reporting period. The liability is discounted using an appropriate discount rate. Management requires judgement to determine key assumptions used in the calculation including future increases in salaries and wages, future on-cost rates and future settlement dates of employees' departures.

(c) Legal case outcomes

Provisions for legal cases are measured at the present value of the amount expected to settle the claim. Management is required to use judgement when assessing the likely outcome of legal cases, estimating the risked amount and whether a provision or contingent liability should be recognised.

D.5 Segment assets and liabilities

	2017 US$m	2016 US$m
(a) Segment assets		
NWS	**2,988**	2,952
Pluto	**11,858**	12,680
Australia Oil	**1,086**	838
Browse	**405**	393
Wheatstone	**4,663**	4,018
Other segments	**2,767**	2,490
Unallocated items	**1,634**	1,382
	25,401	24,753

	2017 US$m	2016 US$m
(b) Segment liabilities		
NWS	**648**	573
Pluto	**432**	378
Australia Oil	**646**	704
Browse	**7**	11
Wheatstone	**186**	188
Other segments	**189**	171
Unallocated items	**7,413**	7,066
	9,521	9,091

Refer to Note A.1 for descriptions of the Group's segments. Unallocated assets mainly comprise cash and cash equivalents and the Group's deferred tax assets. Unallocated liabilities mainly comprise interest-bearing liabilities and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS E. OTHER ITEMS

for the year ended 31 December 2017

In this section

This section addresses information on items which require disclosure to comply with Australian Accounting Standards and the Australian *Corporations Act 2001 (Cth),* however, are not considered critical in understanding the financial performance or position of the Group. This section includes group structure information and other disclosures.

E.1 Contingent liabilities and assets

	2017 US$m	2016 US$m
Contingent liabilities at reporting date		
Not otherwise provided for or disclosed in the financial statements		
Contingent liabilities	**66**	44
Guarantees	**8**	6
	74	50

Contingent liabilities relate predominantly to actual or potential claims on the Group for which amounts are reasonably estimated but the liability is not probable and therefore the Group has not provided for such amounts in these financial statements. Additionally, there are a number of other claims and possible claims that have arisen in the course of business against entities in the Group, the outcome of which cannot be foreseen at present and for which no amounts have been included in the table above.

The Group has issued guarantees relating to workers' compensation liabilities.

E.2 Leases

	2017 US$m	2016 US$m
Operating lease commitments		
Rents payable on non-cancellable operating leases, due:		
Within one year	**207**	194
After one year but not more than five years	**518**	660
Later than five years	**953**	1,299
	1,678	2,153

Subject to the joint operation that utilises the lease, the Group's share of actual payments made under operating leases may be lower than the value of commitments disclosed.

The Group leases assets for operations including vessels, helicopters, cranes, land, mobile offshore drilling units, office premises and computers.

There are no restrictions placed upon the lessee by entering into these leases. Renewals are at the option of the Group. Certain leases contain a clause enabling upward revision of the rental charge on an annual basis based on the consumer price index. The Group made payments under operating leases of US$227 million during the year (2016: US$332 million). A portion of this amount relates to arrangements containing non-lease elements, which are not practicable to separate.

Recognition and measurement

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives received are recognised in the income statement as a part of total lease expense.

E.3 Employee benefits

(a) Employee benefits

Employee benefits for the reporting period are as follows:

	2017 US$m	2016 US$m
Employee benefits	**285**	239
Share-based payments	**21**	27
Defined contribution plan costs	**33**	31
Defined benefit plan expense	**2**	2
	341	299

Recognition and measurement

The Group's accounting policy for employee benefits other than superannuation are set out in Note D.4. The policy relating to share-based payments is set out in Note E.3(c).

All employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plan. The majority of employees are party to a defined contribution scheme and receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. The Group also operates a defined benefit superannuation scheme, the membership of which is now closed. The asset for the defined benefit plan at 31 December 2017 was US$14 million (2016: US$10 million).

(b) Compensation of key management personnel

Key management personnel (KMP) compensation for the financial year is as follows:

	2017 US$	2016 US$
Short-term employee benefits	**10,039,832**	10,651,173
Post employment benefits	**227,786**	242,776
Share-based payments	**5,663,860**	7,944,266
Long-term employee benefits	**97,305**	268,620
Termination benefits	**276,622**	425,219
	16,305,405	19,532,054

(c) Share plans

The Group provides benefits to its employees (including KMP) in the form of share-based payments whereby employees render services for shares (equity-settled transactions).

Woodside equity plan (WEP) and supplementary Woodside equity plan (SWEP)

WEP is available to all Australian-based employees including executives, other than the CEO and any executive directors. The number of Equity Rights (ERs) offered to each eligible employee will be calculated with reference to salary and performance. The linking of performance to an allocation allows the Group to recognise and reward eligible employees for high performance. The ERs have no further ongoing performance conditions after allocation, and do not require participants to make any payment in respect of the ERs at grant or at vesting. SWEP is available to a number of employees identified as being retention critical. Participants do not make any payment in respect of the ERs at grant or at vesting. Each ER entitles the participant to receive a Woodside share on the vesting date three years after the grant date.

E.3 Employee benefits (cont.)

Executive incentive plans (EIP)

Short term awards (STA)

The STA are delivered in the form of restricted shares to executives, including all executive KMP. Restricted shares entitle their holder to receive dividends. There are no further performance conditions for vesting of deferred STA. Participants are not required to make any payments in respect of STA awards at grant or at vesting.

Long term awards (LTA)

LTA is granted in the form of Variable Pay Rights (VPRs) to executives, including all executive KMP. Vesting of LTA is subject to achievement of relative total shareholder return (RTSR) targets, with 33% measured against the ASX 50 and the remaining 67% tested against an international group of oil and gas companies.

Participants are not required to make any payments in respect of LTA awards at grant or at vesting.

Recognition and measurement

All compensation under WEP, SWEP and executive share plans is accounted for as share-based payments to employees for services provided. The cost of equity-settled transactions with employees is measured by reference to the fair values of the equity instruments at the date at which they are granted. The fair value of share-based payments is recognised, together with the corresponding increase in equity, over the period in which the vesting conditions are fulfilled, ending on the date on which the relevant employee becomes fully entitled to the shares. At each balance sheet date, the Group reassesses the number of awards that are expected to vest based on service conditions. The expense recognised each year takes into account the most recent estimate.

The fair value of the benefit provided for the WEP and SWEP are estimated using the Black-Scholes option pricing technique. The fair value of the restricted shares is estimated as the closing share price at grant date. The fair value of the benefit provided for the RTSR VPRs was estimated using the Binomial or Black-Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant, using historical volatility to estimate the volatility of the share price in the future.

The number of performance rights and movements for all share plans are summarised as follows:

	Number of performance rights			
	Employee plans		Executive plans	
	WEP	SWEP	STA	LTA
Year ended 31 December 2017				
Opening balance	**5,512,903**	**38,270**	**881,921**	**2,951,208**
Granted during the year[1,2]	**2,090,371**	**17,500**	**210,210**	**568,234**
Vested during the year	**(1,595,207)**	**(26,310)**	**(129,641)**	**(114,406)**
Forfeited during the year	**(219,059)**	**(11,960)**	**(28,342)**	**(139,451)**
Performance rights at 31 December 2017	**5,789,008**	**17,500**	**934,148**	**3,265,585**
	US$m	**US$m**	**US$m**	**US$m**
Fair value of rights granted during the year	**43**	**-**	**5**	**8**

	Number of performance rights			
	Employee plans		Executive plans	
	WEP	SWEP	STA	LTA
Year ended 31 December 2016				
Opening balance	6,116,840	38,270	784,270	2,366,280
Granted during the year[1,2]	1,925,944	-	303,699	587,156
Vested during the year	(2,190,958)	-	(198,818)	(2,228)
Forfeited during the year	(338,923)	-	(7,230)	-
Performance rights at 31 December 2016	5,512,903	38,270	881,921	2,951,208
	US$m	US$m	US$m	US$m
Fair value of rights granted during the year	38	-	6	7

1. For the purpose of valuation, the share price on grant date for the 2017 WEP allocations was US$22.77 (2016: US$22.13) and the average SWEP was US$23.38.
2. For the purpose of valuation, the share price on grant date for the 2017 STA and LTA allocations was US$22.49 (2016: US$20.88).

For more detail on these share plans and performance rights issued to KMPs, refer to the Remuneration Report on pages 80-83 and pages 90-92.

E.4 Related party transactions

Transactions with directors

There were no transactions with directors during the year other than those disclosed in Note E.3(b).

E.5 Auditor remuneration

The auditor of Woodside Petroleum Ltd is Ernst & Young (EY).

	2017 US$'000	2016 US$'000
(a) Amounts received or due and receivable for an audit or review of the financial statements of the entity and any other entity in the Group by:		
EY Australia	**1,734**	1,526
Other EY firms	**182**	144
	1,916	1,670
(b) Amounts received or due and receivable for non-audit services in relation to the entity or any other entity in the Group by:		
EY Australia for other assurance services	**439**	437
EY Australia for other advisory services	**326**	151
EY Australia for taxation services	**164**	149
Other EY firms for other assurance services	**51**	25
	980	762

E.6 Events after the end of the reporting period

Woodside entered into a binding Sale and Purchase Agreement to acquire a 50% interest in permit WA-1-R. Refer to Note B.5 for further details of the transaction.

On 14 February 2018, Woodside launched a A$2.5 billion rights issue. Refer to the announcement for further details on the offer.

Woodside Energy (Korea II) Pte. Ltd. was incorporated in Singapore on 23 January 2018. It is a wholly-owned subsidiary of Woodside Energy Holdings Pty Ltd.

E.7 Joint arrangements

(a) Interest percentage in joint ventures

Entity	Principal activity	Group Interest % 2017	2016
North West Shelf Gas Pty Ltd	Marketing services for ventures in the sale of gas to the domestic market.	**16.67**	16.67
North West Shelf Liaison Company Pty Ltd	Liaison for ventures in the sale of LNG to the Japanese market.	**16.67**	16.67
China Administration Company Pty Ltd	Marketing services for ventures in the sale of LNG to international markets.	**16.67**	16.67
North West Shelf Shipping Service Company Pty Ltd	LNG vessel fleet advisor.	**16.67**	16.67
North West Shelf Lifting Coordinator Pty Ltd	Coordinator for venturers for all equity liftings.	**16.67**	16.67

(b) Interest percentage in joint operations

	Group Interest % 2017	2016
Producing and developing assets		
Oceania		
North West Shelf	**12.5 - 50.0**	12.5 - 50.0
Enfield and Vincent	**60.0**	60.0
Stybarrow	**50.0**	50.0
Balnaves	**65.0**	65.0
Pluto	**90.0**	90.0
Wheatstone	**13.0 - 65.0**	13.0 - 65.0
Exploration & evaluation assets		
Oceania		
Browse Basin[1]	**30.6**	30.6 - 60
Carnarvon Basin	**15.8 - 90.0**	15.8 - 75.0
Bonaparte Basin	**26.7 - 35.0**	26.7 - 35.0
Outer Canning Basin	**-**	55.0
New Zealand	**70.0**	70.0
Africa		
Morocco	**25.0**	25.0
Gabon[2]	**21.3 - 40.0**	40.0
Senegal	**35.0**	35.0
The Americas		
Peru	**35.0**	35.0
Kitimat	**50.0**	50.0
Nova Scotia	**-**	20.0
Asia		
Republic of Korea	**-**	50.0
Myanmar	**40.0 - 55.0**	40.0 - 55.0
Europe		
Ireland	**60.0 - 90.0**	60.0 - 90.0
Canary Islands	**-**	30.0

1. One permit within the Browse Basin was surrendered in 2017.
2. As at 31 December 2017 the Likuale block farm-in is pending final government approval and subsequent execution of the documents. Diaba was successful in obtaining government approval from the prior year. Post 31 December 2017 full government approval was obtained.

The principal activities of the joint operations above are exploration, development and production of hydrocarbons.

Key estimates and judgements

Accounting for interests in other entities

Judgement is required in assessing the level of control obtained in a transaction to acquire an interest in another entity; depending upon the facts and circumstances in each case, Woodside may obtain control, joint control or significant influence over the entity or arrangement. Judgement is applied when determining the relevant activities of a project and if joint control is held over them. Relevant activities include, but are not limited to, work program and budget approval, investment decision approval, voting rights in joint operating committees, amendments to permits and changes to joint arrangement participant holdings. Transactions which give Woodside control of a business are business combinations. If Woodside obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If Woodside has neither control nor joint control, it may be in a position to exercise significant influence over the entity, which is then accounted for as an associate.

E.7 Joint arrangements (cont.)

Recognition and measurement

Joint arrangements are arrangements in which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation, and as such the Group recognises its:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method.

Joint arrangements acquired which are deemed to be carrying on a business are treated as business combinations and are accounted for under AASB 3 *Business Combinations*. Joint arrangements which are not deemed to be carrying on a business are treated as asset acquisitions.

E.8 Parent entity information

	2017 US$m	2016 US$m
Woodside Petroleum Ltd:		
Current assets	**345**	278
Non-current assets	**7,812**	7,732
Non-current liabilities	**(700)**	(571)
Net assets	**7,457**	7,439
Issued and fully paid shares	**6,919**	6,919
Shares reserved for employee share plans	**(35)**	(30)
Employee benefits reserve	**123**	127
Foreign currency translation reserve	**296**	296
Retained earnings	**154**	127
Total shareholders' equity	**7,457**	7,439
Profit of parent entity	**853**	635
Total comprehensive income of parent entity	**857**	635

Guarantees

Woodside Petroleum Ltd and Woodside Energy Ltd (a subsidiary company) are parties to a Deed of Cross Guarantee as disclosed in Note E.9. The effect of the Deed is that Woodside Petroleum Ltd has guaranteed to pay any deficiency in the event of winding up of the subsidiary company under certain provisions of the *Corporations Act 2001 (Cth)*. The subsidiary company has also given a similar guarantee in the event that Woodside Petroleum Ltd is wound up.

Woodside Petroleum Ltd has guaranteed the discharge by a subsidiary company of its financial obligations under debt facilities disclosed in Note C.2. Woodside Petroleum Ltd has guaranteed certain obligations of subsidiaries to unrelated parties on behalf of their performance in contracts. No liabilities are expected to arise from these guarantees.

E.9 Subsidiaries

(a) Subsidiaries

Name of entity	Notes
Ultimate Parent Entity	
Woodside Petroleum Ltd	(1,2,3)
Subsidiaries	
Company name	
Woodside Energy Ltd	(2,3,4)
Woodside Browse Pty Ltd	(2,4)
Woodside Burrup Pty Ltd	(2,4)
Burrup Facilities Company Pty Ltd	(5)
Pluto LNG Pty Ltd	(5)
Burrup Train 1 Pty Ltd	(5)
Woodside Energy (Algeria) Pty Ltd	(2,4)
Woodside Energy Australia Asia Holdings Pte Ltd ◢	(4)
Woodside Energy (Carbon Capture) Pty Ltd	(2,4)
Woodside Energy Holdings International Pty Ltd	(2,4)
Woodside Energy Mediterranean Pty Ltd	(2,4)
Woodside Energy International (Canada) Limited ♦	(4)
Woodside Energy (Canada LNG) Limited ♦	(4)
Woodside Energy (Canada PTP) Limited ♦	(4)
KM LNG Operating General Partnership ♦	(4,8)
KM LNG Operating Ltd ♦	(4)
Woodside Energy Holdings Pty Ltd	(2,4)
Woodside Energy Holdings (USA) Inc ▼	(4)
Woodside Energy (USA) Inc ▼	(4)
Gryphon Exploration Company ▼	(4)
Woodside Energy (Cameroon) SARL ■	(4)
Woodside Energy (Gabon) Pty Ltd	(2,4)
Woodside Energy (Indonesia) Pty Ltd	(2,4,9)
Woodside Energy (Indonesia II) Pty Ltd	(2,4,9)
Woodside Energy (Indonesia III) Pty Ltd	(2,4,9)
Woodside Energy (Ireland) Pty Ltd	(2,4)
Woodside Energy (Korea) Pte Ltd ◢	(4)
Woodside Energy (Myanmar) Pte Ltd ◢	(4)
Woodside Energy (Morocco) Pty Ltd	(2,4)
Woodside Energy (New Zealand) Limited ◤	(4)
Woodside Energy (New Zealand 55794) Limited ◤	(4)
Woodside Energy (Peru) Pty Ltd	(2,4)
Woodside Energy (Senegal) Pty Ltd	(2,4)
Woodside Energy (Tanzania) Limited ◘	(6)
Woodside Energy Holdings (South America) Pty Ltd	(2,4)
Woodside Energia (Brasil) Investimento em Exploracao de Petroleo Ltda ●	(7)
Woodside Energy Holdings (UK) Pty Ltd	(2,4)
Woodside Energy (UK) Limited ▲	(4)
Woodside Energy Holdings (Senegal) Limited ▲	(4)
Woodside Energy (Senegal) B.V. ⬢	(4)
Woodside Energy (France) SAS ◘	(4)
Woodside Energy Iberia S.A. ◖	(4)
Woodside Energy (N.A.) Ltd ▲	(4)
Woodside Energy (Julimar) Pty Ltd	(2,4)
Woodside Energy (Kenya) Pty Ltd	(2,4)
Woodside Energy (M.E.) Pty Ltd	(2,4)
Woodside Energy Middle East and Africa Pty Ltd	(2,4)
Woodside Energy (Norway) Pty Ltd	(2,4)
Woodside Energy (SL) Pty Ltd	(2,4)
Woodside Energy Technologies Pty Ltd	(2,4)
Woodside Energy Trading Singapore Pte Ltd ◢	(4)
WelCap Insurance Pte Ltd ◢	(4)
Woodside Energy Shipping Singapore Pte Ltd ◢	(4)
Woodside Guangdong Shipping (One) Pty Ltd	(2,4)
Woodside Guangdong Shipping (Two) Pty Ltd	(2,4)
Woodside West Africa Pty Ltd	(2,4)
Metasource Pty Ltd	(2,4)
Woodside Finance Limited	(2,4)
Woodside Petroleum (Northern Operations) Pty Ltd	(10)
Woodside Petroleum (Timor Sea 19) Pty Ltd	(2,4)
Woodside Petroleum (Timor Sea 20) Pty Ltd	(2,4)
Woodside Petroleum (W.A. Oil) Pty Ltd	(10)
Woodside Petroleum Holdings Pty Ltd	(2,4)
Mermaid Sound Port and Marine Services Pty Ltd	(2,4)

1. Woodside Petroleum Ltd is the ultimate holding company and the head entity within the tax consolidated group.
2. These companies were members of the tax consolidated group at 31 December 2017.
3. Pursuant to ASIC Instrument 2016/785, relief has been granted to the controlled entity, Woodside Energy Ltd, from the *Corporations Act 2001 (Cth)* requirements for the preparation, audit and publication of accounts. As a condition of the Instrument, Woodside Petroleum Ltd and Woodside Energy Ltd are parties to a Deed of Cross Guarantee.
4. All subsidiaries are wholly owned except those referred to in Notes 5, 6, 7 and 8.
5. Kansai Electric Power Australia Pty Ltd and Tokyo Gas Pluto Pty Ltd each hold a 5% interest in the shares of these subsidiaries. These subsidiaries are controlled.
6. As at 31 December 2017, Woodside Energy Holdings Pty Ltd held a 99.99% interest in the shares of Woodside Energy (Tanzania) Limited and Woodside Energy Ltd held the remaining 0.01% interest.
7. As at 31 December 2017, Woodside Energy Holdings (South America) Pty Ltd held a 99.99% interest in the shares of Woodside Energia (Brasil) Investimento em Exploracao de Petroleo Ltda and Woodside Energy Ltd held the remaining 0.01% interest.
8. As at 31 December 2017, Woodside Energy International (Canada) Limited and Woodside Energy (Canada LNG) Limited were the general partners of the KM LNG Operating General Partnership holding a 99.99% and 0.01% partnership interest, respectively.
9. Woodside Energy (Indonesia) Pty Ltd was incorporated on 29 June 2017. Woodside Energy (Indonesia II) Pty Ltd and Woodside Energy (Indonesia III) Pty Ltd were incorporated on 4 September 2017.
10. These subsidiaries were deregistered on 18 November 2017.

All subsidiaries were incorporated in Australia unless identified with one of the following symbols:

● Brazil	⬢ The Netherlands	◘ Tanzania
■ Cameroon	◤ New Zealand	▲ England and Wales
♦ Canada	◢ Singapore	▼ USA
◘ France	◖ Spain	

Classification

Subsidiaries are all the entities over which the Group has the power over the investee such that the Group is able to direct the relevant activities, has exposure, or rights, to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

E.9 Subsidiaries (cont.)

(b) Subsidiaries with material non-controlling interests

The Group has two Australian subsidiaries with material non-controlling interests (NCI).

Name of entity	Principal place of business	% held by NCI
Burrup Facilities Company Pty Ltd	Australia	10%
Burrup Train 1 Pty Ltd	Australia	10%

The NCI in both subsidiaries is 10% held by the same parties (refer to Note E.9(a) footnote 5 for details).

The summarised financial information (including consolidation adjustments but before intercompany eliminations) of subsidiaries with material NCI is as follows:

	2017 US$m	2016 US$m
Burrup Facilities Company Pty Ltd		
Current assets	**617**	673
Non-current assets	**5,196**	5,609
Current liabilities	**(79)**	(647)
Non-current liabilities	**(515)**	(468)
Net assets	**5,219**	5,167
Accumulated balance of NCI	**522**	517
Revenue	**1,130**	1,187
Profit	**558**	607
Profit allocated to NCI	**56**	61
Dividends paid to NCI	**(51)**	(50)
Operating	**853**	920
Investing	**(15)**	(7)
Financing	**(838)**	(913)
Net increase/(decrease) in cash and cash equivalents	**-**	-
Burrup Train 1 Pty Ltd		
Current assets	**581**	698
Non-current assets	**3,021**	3,244
Current liabilities	**(158)**	(544)
Non-current liabilities	**(366)**	(334)
Net assets	**3,078**	3,064
Accumulated balance of NCI	**308**	306
Revenue	**1,921**	2,017
Profit	**398**	442
Profit allocated to NCI	**40**	44
Dividends paid to NCI	**(38)**	(31)
Operating	**572**	672
Investing	**(1)**	(9)
Financing	**(571)**	(663)
Net increase/(decrease) in cash and cash equivalents	**-**	-

(c) Deed of Cross Guarantee and Closed Group

Woodside Petroleum Ltd and Woodside Energy Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the other. By entering into the Deed, the entities have been granted relief from the *Corporations Act 2001 (Cth)* requirements for the preparation, audit and publication of accounts, pursuant to ASIC Instrument 2016/785. The two entities represent a Closed Group for the purposes of the Instrument.

The consolidated income statement and statement of financial position of the members of the Closed Group are set out below:

	2017 US$m	2016 US$m
Closed Group Consolidated Income Statement and Statement of Retained Earnings		
Profit/(loss) before tax	**220**	(578)
Taxes	**(108)**	(127)
Profit/(loss) after tax	**112**	(705)
Retained earnings at the beginning of the financial year	**2,716**	4,061
Dividends	**(826)**	(640)
Retained earnings at the end of the financial year	**2,002**	2,716
Closed Group Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	**94**	48
Receivables	**418**	1,288
Inventories	**63**	64
Tax receivable	**29**	20
Total current assets	**604**	1,420
Non-current assets		
Inventories	**-**	2
Other financial assets	**28,371**	25,920
Exploration and evaluation assets	**1,001**	945
Oil and gas properties	**3,750**	3,581
Other plant and equipment	**140**	66
Deferred tax assets	**25**	28
Total non-current assets	**33,287**	30,542
Total assets	**33,891**	31,962
Current liabilities		
Payables	**475**	302
Other financial liabilities	**17**	17
Other liabilities	**38**	45
Provisions	**139**	112
Total current liabilities	**669**	476
Non-current liabilities		
Payables	**22,068**	19,638
Deferred tax liabilities	**402**	422
Other financial liabilities	**15**	14
Other liabilities	**52**	72
Provisions	**921**	878
Total non-current liabilities	**23,458**	21,024
Total liabilities	**24,127**	21,500
Net assets	**9,764**	10,462
Equity		
Issued and fully paid shares	**6,919**	6,919
Shares held for employee share plan	**(35)**	(30)
Other reserves	**878**	857
Retained earnings	**2,002**	2,716
Total equity	**9,764**	10,462

E.10 Other accounting policies

(a) Summary of other significant accounting policies

Derivative financial instruments

Derivatives that are designated within qualifying hedge relationships are initially recognised at fair value on the date the contract is entered into. For relationships designated as fair value hedges, subsequent fair value movements of the derivative are recognised in the income statement. For relationships designated as cash flow hedges, subsequent fair value movements of the derivative for the effective portion of the hedge are recognised in other comprehensive income and accumulated in reserves in equity; fair value movements for the ineffective portion are recognised immediately in the income statement. Costs of hedging have been separated from the hedging arrangements and deferred to other comprehensive income and accumulated in reserves in equity. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

Tax consolidation

The parent and its wholly owned Australian controlled entities have elected to enter a tax consolidation, with Woodside Petroleum Ltd as the head entity of the tax consolidated group. The members of the tax consolidated group are identified in Note E.9.

The tax expense/(benefit), deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group, using the stand alone approach.

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the tax funding agreement, Woodside Petroleum Ltd and each of the entities in the tax consolidated group have agreed to pay or receive a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(b) New and amended standards and interpretations issued but not yet effective

A number of new standards, amendment of standards and interpretations have been issued but are not yet effective and have not been adopted by the Group as at the financial reporting date.

The Group has reviewed these standards and interpretations, and with the exception of the items listed below, none of the new or amended standards will significantly affect the Group's accounting policies, financial position or performance.

Title	Application date of the standard	Summary
AASB 15 *Revenue from Contracts with Customers*	Periods beginning on or after 1 January 2018	AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced. The Group plans to adopt the new standard on 1 January 2018 using the retrospective approach with practical expedients. The new standard will only be applied to contracts that remain in force at transition date. Based on assessments undertaken to date, the Group has noted potential impacts in respect of provisionally priced transactions and entitlement accounting. The Group has estimated that the transition to AASB 15 will not have a material impact to the financial statements of the Group.
AASB 16 *Leases*	Periods beginning on or after 1 January 2019	AASB 16 provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. AASB 16 contains disclosure requirements for lessees. The Group has completed an initial assessment of the impact of AASB 16 and determined that it will have a material impact on the Group's balance sheet. The Group is continuing its work on the final impact of this standard.

E10. Other accounting policies (cont.)

(c) New and amended Accounting Standards and Interpretations early adopted

The following Australian Accounting Standard was adopted early by the Group as of 1 January 2017:

Title	Application date by the Group	Summary
AASB 9 *Financial Instruments*	Period beginning on 1 January 2017	AASB 9 and the related amendments to other accounting standards introduced three significant areas of change from AASB 139 *Financial Instruments: Classification and Measurement*: • a new model for classification and measurement of financial assets and liabilities; • a new expected loss impairment model for determining impairment allowances; and • a redesigned approach to hedge accounting. Items previously classified as loans and receivables under AASB 139 are now classified as financial assets at amortised cost or financial assets at fair value. There has been no impact to the Group's financial statement presentation. Based on historical and expected losses, the expected loss impairment model had an immaterial impact on the Group. AASB hedging requirements were retrospectively applied to all qualifying hedge relationships in place as at 1 January 2017. Costs of hedging have been separated from the hedging arrangements and deferred to other comprehensive income. This had an immaterial impact on adoption. The accounting policies for financial instruments and hedging have been updated to align with AASB 9 and consequential adjustments to other standards.

DIRECTORS' DECLARATION

In accordance with a resolution of directors of Woodside Petroleum Ltd, we state that:

1. In the opinion of the directors:

   (a) the financial statements and notes thereto, and the disclosures included in the audited 2017 Remuneration Report, comply with Australian Accounting Standards and the *Corporations Act 2001 (Cth)*;

   (b) the financial statements and notes thereto give a true and fair view of the financial position of the Group as at 31 December 2017 and of the performance of the Group for the financial year ended 31 December 2017;

   (c) the financial statements and notes thereto also comply with International Financial Reporting Standards as disclosed in the 'About these statements' section within the notes to the 2017 Financial Statements;

   (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

   (e) there are reasonable grounds to believe that the members of the Closed Group identified in Note E.9 will be able to meet any obligations or liabilities which they are or may become subject to, by virtue of the Deed of Cross Guarantee.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001 (Cth)* for the year ended 31 December 2017.

For and on behalf of the Board

M A Chaney, AO
Chairman
Perth, Western Australia
14 February 2018

P J Coleman
Chief Executive Officer and Managing Director
Perth, Western Australia
14 February 2018

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ey.com/au

Independent Auditor's Report to the Shareholders of Woodside Petroleum Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Woodside Petroleum Ltd (the Company), including its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 31 December 2017 and of its financial performance for the year ended on that date.

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Impairment of non-current assets

Why significant	How our audit addressed the key audit matter
Australian Accounting Standards require the Group to assess throughout the reporting period whether there is any indication that an asset may be impaired. If any indication exists, the Group must estimate the recoverable amount of the asset. At year end, the Group has concluded, based on this assessment, that there were no indicators of impairment or reversal of previous impairments for any of its Cash Generating Units (CGUs). As a result no impairment or reversal of impairment was recognised during the year. The assessment of indicators of impairment and reversal of impairment is complex and highly judgmental, and includes modelling a range of assumptions and estimates that are affected by expected future performance and market conditions, Accordingly, this matter was considered to be a key audit matter. Key assumptions, judgements and estimates used in the Group's assessment of impairment and reversal of impairment of non-current assets are set out in the financial report in notes B.3 and B.4.	We evaluated the assumptions, methodologies and conclusions used by the Group in assessing for indicators of impairment, in particular, those relating to the determination of CGUs, forecast cash flows and inputs used to formulate them. This included assessing, in conjunction with our valuation specialists, the discount rates, foreign exchange rates and commodity prices with reference to market prices (where available), market research, market practice, market indices, broker consensus and historical performance. We used the work of the Group's internal experts with respect to the hydrocarbon reserve assumptions used in the cash flow forecasts. This included understanding the reserve estimation processes carried out, the Group's internal certification process for technical and commercial experts who are responsible for reserves, the design of the Group's Petroleum Resources Management procedures and its alignment with the guidelines prepared by the Society of Petroleum Engineers. We agreed the updated reserves and resources estimates to the assessment of impairment indicators, calculation of depreciation, depletion and amortisation and decommissioning provisions. We also examined the competence and objectivity of the Group's experts, the scope and appropriateness of their work. We assessed whether key reserves economics assumptions were consistent with other operational information. We agreed cost assumptions to the latest approved budgets and forecasts. We also focused on the adequacy of the financial report disclosures regarding the assumptions to which the Group's assessment of indicators of impairment and reversal of impairment of non-current assets are most sensitive. These have been disclosed in Note B.4.

2. Accounting for petroleum resources rent tax (PRRT) assets

Why significant	How our audit addressed the key audit matter
The consolidated financial statements of the Group include deferred tax assets arising from PRRT and associated PRRT tax benefits. The determination of the quantum, likelihood and timing of the realisation of deferred tax assets arising from PRRT is highly judgemental and assessed on a basis consistent with the impairment assumptions set out above as well as other factors such as the long term bond rate applied to the timing of deductible expenditure. As such, this matter was considered to be a key audit matter. The Group's disclosures about PRRT are included in the summary of significant accounting policies in Note A.5.	We considered the application of the judgements and methodologies used by the Group to calculate the deferred tax assets arising from PRRT and estimate their utilisation in the future. In particular we assessed those judgements and methodologies relating to the estimation of future PRRT assessable profits, the interpretation of PRRT legislation and the consistency in application of forecasted performance with other forecasts made, including modelling of impairment indicators.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 76 to 95 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Woodside Petroleum Ltd for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

T S Hammond
Partner
Perth
14 February 2018

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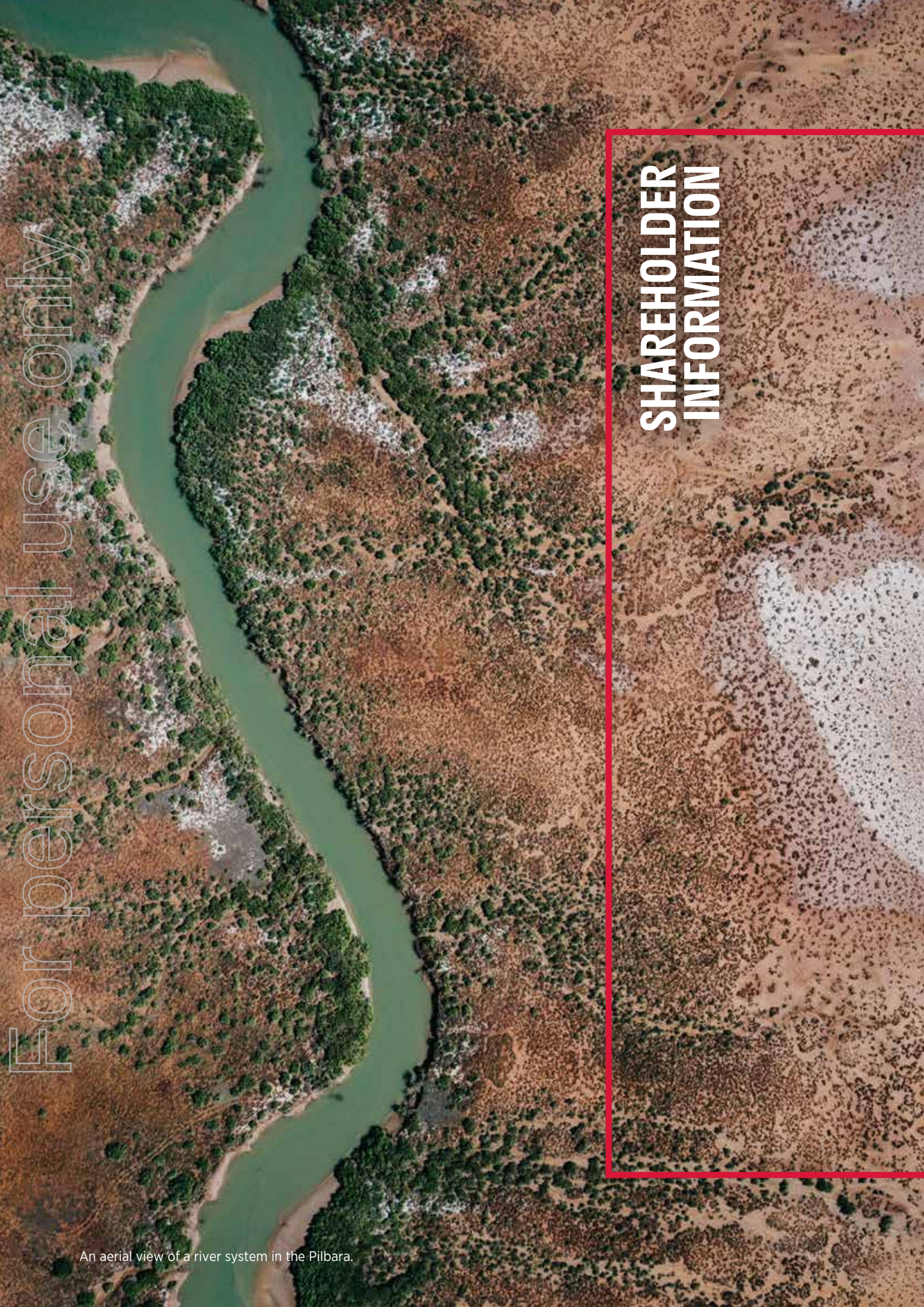
SHAREHOLDER INFORMATION



An aerial view of a river system in the Pilbara.

SHAREHOLDER STATISTICS

As at 7 February 2018

Number of shareholdings

There were 207,257 shareholders. All issued shares carry voting rights on a one-for-one basis..

Distribution of shareholdings

Size of shareholding	Number of holders	Number of shares	% of issued capital
1–1,000	149,385	58,684,124	6.97
1,001–5,000	51,262	105,593,372	12.53
5,001–10,000	4,558	31,788,297	3.77
10,001–100,000	1,940	37,863,582	4.50
100,001–9,999,999,999	112	608,515,528	72.23
Total	207,257	842,444,903	100.00

*Small differences are due to rounding.

Unmarketable parcels

There were 2,880 members holding less than a marketable parcel of shares in the company.

Twenty largest shareholders

	Shares held	% of issued capital
HSBC Custody Nominees (Australia) Limited	243,558,207	28.91
J P Morgan Nominees Australia Limited	124,687,636	14.80
Citicorp Nominees Pty Limited	89,643,526	10.64
Bnp Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	40,294,356	4.78
National Nominees Limited	32,329,788	3.84
BNP Paribas Noms Pty Ltd <DRP>	11,618,057	1.38
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	9,313,653	1.11
HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	5,294,330	0.63
Pacific Custodians Pty Limited <WPL Plans Ctrl A/C>	4,054,528	0.48
Citicorp Nominees Pty Limited <Citibank NY ADR DEP A/C>	3,463,313	0.41
Australian Foundation Investment Company Limited	3,282,886	0.39
AMP Life Limited	3,133,187	0.37
UBS Nominees Pty Ltd	2,039,468	0.24
Argo Investments Limited	1,700,873	0.20
Navigator Australia Ltd <MLC Investment Sett A/C>	1,421,973	0.17
UBS Nominees Pty Ltd	1,349,850	0.16
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,222,911	0.15
Milton Corporation Limited	1,213,723	0.14
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,077,347	0.13
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	1,075,684	0.13
Total	581,775,296	69.06

Substantial shareholders as disclosed in substantial shareholder notices given to the company are as follows:

Blackrock Group (Blackrock Inc. and subsidiaries)	42,571,644	5.05

Blackrock Group's substantial shareholder notice was given on 20 November 2017. There has been no notice of a change of interest of the substantial shareholder since that date.

Annual General Meeting

The 2018 Annual General Meeting (AGM) of Woodside Petroleum Ltd will be held at 10.00 am (AWST) on 19 April 2018, at the Perth Convention & Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia. Details of the business of the meeting will be provided in the AGM notice.

The AGM will be webcast live on the internet. An archive version of the webcast will be placed on the Woodside website to enable the proceedings to be viewed at a later time.

Refer to Woodside's website for copies of the Chairman's and CEO's speeches (www.woodside.com.au).

Share registry enquiries

Investors seeking information about their shareholdings should contact the company's share registry:

Computershare Investor Services Pty Limited

Level 11, 172 St Georges Terrace
Perth WA 6000

Postal address: GPO Box D182
Perth WA 6840

Telephone: 1300 558 507 (within Australia)
+61 3 9415 4632 (outside Australia)

Facsimile: +61 3 9473 2500

Email: web.queries@computershare.com.au
Website: investorcentre.com/wpl

The share registry can assist with queries on share transfers, dividend payments, the Dividend Reinvestment Plan, notification of tax file numbers and changes of name, address or bank account details.

Refer to the share registry website for details of shareholdings (www.investorcentre.com/wpl).

For security reasons, you will need your Security Reference Number (SRN) or Holder Identification Number (HIN) when communicating with the share registry.

The share registry website allows shareholders to make changes to address and banking details online.

Dividend payments

Woodside declares its dividends in US dollars as this is our functional and presentation currency. Woodside pays its dividends in Australian dollars, unless a shareholder's registered address is in the United Kingdom (UK), where they are paid in UK pounds sterling, or in the United States of America (USA), where they are paid in US dollars.

Shareholders may have their dividends paid directly into any bank or building society account in Australia, the USA or the UK. Payments are electronically credited on the dividend payment date and confirmed by payment advice. To request direct crediting of dividend payments, please contact the share registry or visit the share registry website (investorcentre.com/wpl).

Shareholders must make an election to alter their dividend currency by the business day after the record date for the dividend.

Shareholders who reside outside the USA, the UK and Australia may elect to receive their dividend electronically in their local currency using the share registry's Global Wire Payment Service. For a list of currencies offered and how to subscribe to the service, please contact the share registry.

Refer to Woodside's website for the history of dividends paid by the company (www.woodside.com.au).

Change of address or banking details

Shareholders should immediately notify the share registry of any change to their address or banking arrangements for dividends electronically credited to a bank account.

Refer to the share registry website to change details (www.investorcentre.com/wpl).

Australian Securities Exchange listing

Woodside Petroleum Ltd securities are listed on the ASX under the code WPL.

American Depositary Receipts

Citbank (Citi) sponsors a level-one American Depositary Receipts (ADR) program in the USA. One Woodside share equals one ADR and trades over the counter under the symbol 'WOPEY'.

ADR holders should deal directly with Citi on all matters related to their ADRs.

Enquiries should be directed to:
Citibank Shareholder Services
PO Box 43077
Providence
Rhode Island 02940-3077

Contact information
USA Toll Free Number: 1-877-CITI-ADR

Number for international callers:
+1 781 575 4555

Facsimile: +1 201 324 3284
Email: citibank@shareholders-online.com

Investor Relations enquiries

Requests for specific information on the company can be directed to Investor Relations:

Investor Relations
Woodside Petroleum Ltd
Woodside Plaza
240 St Georges Terrace
Perth WA 6000

Postal address:
GPO Box D188
Perth WA 6840

Telephone: +61 8 9348 4000

Email: investor@woodside.com.au
Website: woodside.com.au

Business directory

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Kamaryut Township
Yangon
MYANMAR (BURMA)

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F: +95 1 230 7461

In December 2017, Woodside's Karratha town office moved to a new location at The Quarter HQ – the City of Karratha's central business hub.

Key announcements 2017

February	Richard Goyder to succeed Michael Chaney as Chairman
	Full-year 2016 results and briefing
May	2017 Investor Briefing Day
	Change of Joint Company Secretary
June	Long-term LNG sale and purchase agreement with Pertamina
	Offshore Senegal development updated
	Senegal reaffirms completion of transaction
August	Half-Year 2017 Results and Briefing Pack
October	Wheatstone commences LNG production

Events calendar 2018

Key calendar dates for Woodside shareholders in 2018.

Please note dates are subject to review.

February	14	Full-year 2017 results
	14	Annual Report 2017 released
	22	Ex-dividend date for final dividend
	23	Record date for final dividend
March	8	Sustainable Development Report 2017 released
	22	Payment date for final dividend
April	17	Annual General Meeting Proxy returns close at 10.00 am (AWST)
	18	First quarter 2018 report
	19	Annual General Meeting
May	23	2018 Investor Briefing Day (Sydney)
June	30	Half-year end
July	19	Second quarter 2018 report
August	15	Half-year 2018 report
October	18	Third quarter 2018 report
December	31	Year-end 2018

Unreasonable prejudice

As permitted by sections 299(3) and 299A(3) of the *Corporations Act 2001* (Cth), we have omitted certain information from this operating and financial review in relation to our business strategy, future prospects and likely developments in our operations and the expected results of those operations in future financial years. We have done this on the basis that such information, if disclosed, would be likely to result in unreasonable prejudice to Woodside (for example, because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage). The omitted information relates to our internal budgets, forecasts and estimates, details of our business strategy, and LNG contractual pricing.

Forward-looking statements

This report contains forward-looking statements, including statements of current intention, statements of opinion and expectations regarding Woodside's present and future operations, possible future events and future financial prospects. Such statements are not statements of fact and may be affected by a variety of known and unknown risks, variables and changes in underlying assumptions or strategy that could cause Woodside's actual results or performance to differ materially from the results or performance expressed or implied by such statements. There can be no certainty of outcome in relation to the matters to which the statements relate, and the outcomes are not all within the control of Woodside.

Further information on some important factors that could cause actual results or performance to differ materially from those projected in such statements is contained in the 'Risk' section on pages 62–63. Woodside makes no representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward-looking statement or any outcomes expressed or implied in any forward-looking statement. The forward-looking statements in this report reflect expectations held at the date of this report. Except as required by applicable law or the Australian Securities Exchange (ASX) Listing Rules, Woodside disclaims any obligation or undertaking to publicly update any forward-looking statements, or discussion of future financial prospects, whether as a result of new information or of future events.

Glossary, units of measure and conversion factors

Glossary

$, $m	US dollars unless otherwise stated, millions of dollars
1P	Proved reserves
2C	Best Estimate of Contingent resources
2P	Proved plus Probable reserves
Acquisition costs	2017 acquisition expenditure divided by contingent resources (2C) added through 2017 acquisition activity
AGM	Annual General Meeting
APPEA	Australian Petroleum Production & Exploration Association
Appraisal well	A well drilled to follow up a discovery and evaluate its commercial potential
ASX	Australian Securities Exchange
AUD	Australian dollars
Average unit cash cost of sales	Average unit cash cost of sales includes production costs, royalty and excise, shipping and direct sales costs, carbon costs and insurance; excludes exploration and evaluation, general administrative and other costs, depletion, depreciation and amortisation, PRRT and income tax
Brent	Intercontinental Exchange (ICE) Brent Crude deliverable futures contract (oil price)
Cash-margin	Gross profit net of other revenue, oil and gas properties depreciation and amortisation, inventory movement and trading costs, divided by sales revenue
CDP	Climate Disclosure Project
Condensate	Hydrocarbons that are gaseous in a reservoir but that condense to form liquids as they rise to the surface
cps	Cents per share
CWLH	Cossack, Wanaea, Lambert and Hermes
DBNGP	Dampier to Bunbury Natural Gas Pipeline
DGJV	Domestic Gas Joint Venture
DRP	Dividend Reinvestment Plan
EBIT	EBIT is calculated as a profit before income tax, PRRT and net finance costs
EBITDA	EBITDA is calculated as a profit before income tax, PRRT, net finance costs and depreciation and amortisation
EEP	Employee equity plan
EPS	Earnings per share
Equity-lifted LNG	The proportion of LNG which Woodside is entitled to lift and sell, in its own right, as a result of its participating interest in the relevant project
Farm-in	Where one company acquires an interest in an exploration permit or production licence by paying some of the past or future costs of another company that is relinquishing its interest
FEED	Front-end engineering and design. Preliminary design and cost and schedule confirmation before a FID
FEL	Frontier Exploration Licence
FID	Final investment decision
First half, second half	Halves of the calendar year (i.e. H1 is 1 January to 30 June, H2 is 1 July to 31 December)
Flaring	The controlled burning of gas found in oil and gas reservoirs
FLNG	Floating liquefied natural gas
FPSO	Floating production storage and offloading
Free cash flow	Cash flow from operating activities less cash flow from investing activities
FSRU	Floating storage regasification unit
GDP	Gross domestic product
Gearing	Net debt divided by net debt and equity attributable to the equity holders of the parent
gFPSO	Gas floating production storage and offloading
Gross margin	Gross profit divided by operating revenue. Gross profit excludes income tax, PRRT, net finance costs, other income and other expenses (refer to section A.1 of the Financial Statements for data)
GWF	Greater Western Flank
H1, H2	Halves of the calendar year (H1 is 1 January to 30 June and H2 is 1 July to 31 December)
HSEQ	Health, safety, environment and quality
Infill well	Well drilled for the purpose of increasing production
IOGP	International Association of Oil and Gas Producers
ISO	International Organisation for Standardisation
JCC	The Japan Customs-cleared Crude is the average price of customs-cleared crude oil imports into Japan as reported in customs statistics (also known as 'Japanese Crude Cocktail') and is used as the reference price for long-term supply LNG contracts
JV	Joint venture
KGP	Karratha Gas Plant
KLE	Karratha life extension
LHS	Left hand side
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTIF	Lost time injury frequency
MOU	Memorandum of understanding
NASA	National Aeronautics and Space Administration
Net debt	Total debt less cash and cash equivalents
NPAT	Net profit after tax
NWS	North West Shelf
PEP	Petroleum exploration permit
PRRT	Petroleum Resources Rent Tax
PSE	Process safety event
Q1, Q2, Q3, Q4	Quarters of the calendar year (Q1 is 1 January to 31 March, Q2 is 1 April to 30 June, Q3 is 1 July to 30 September, Q4 is 1 October to 31 December)
RAP	Woodside's Reconciliation Action Plan
Return on equity	Return on shareholder funds is calculated as NPAT (excluding non-controlling interests) divided by equity attributable to the equity holders of the parent
RFSU	Ready for start-up
RHS	Right hand side
ROACE	Return on average capital employed is calculated as EBIT divided by average non-current liabilities and average equity attributable to equity holders of the parent
RSSD	Rufisque, Sangomar, Sangomar Deep Offshore
SNE	The oil field offshore Senegal in the Sangomar Deep Block
SPA	Sales and purchase agreement
Spudded	Commenced well-drilling process
Tier 1 PSE	A typical Tier 1 PSE is loss of containment of hydrocarbons greater than 500 kg (in any one-hour period)
Tier 2 PSE	A typical Tier 2 PSE is loss of containment of hydrocarbons greater than 50 kg but less than 500 kg (in any one-hour period)
TRIR	Total recordable injury rate. The number of recordable injuries (fatalities + lost workday cases + restricted workday cases + medical treatment cases) per 1,000,000 hours worked
TSR	Total shareholder return
Unit production costs	Production costs ($ million) divided by production volume (MMboe)
UNSDG	United Nations Sustainable Development Goals
USA	United States of America
USD	US dollars
WA	Western Australia

Units of measure

bbl	barrel
bbl/d	barrels per day
Bcf	billion cubic feet
BCM	billion cubic metres
boe	barrel of oil equivalent
bboe	billions barrel of oil equivalent
CO_2e	CO_2 equivalent
kPa	thousands of pascals
kt	thousands of tonnes
kt/d	thousands of tonnes per day
mmscf	million standard cubic feet
MMbbl	million barrels
MMboe	million barrels of oil equivalent
MMBtu	million British thermal units
mmscf/d	million standard cubic feet per day
MPa	millions of Pascals
mtpa	millions of tonnes per annum
psi	pounds per square inch
t	tonnes
Tcf	trillion cubic feet
tCO_2e	tonnes of CO_2 equivalent
TJ	terajoules

Conversion factors

Product	Factor	Conversion factors[1]
Pipeline Natural Gas	1 TJ	163.6 boe
Liquefied Natural Gas (LNG)	1 tonne	8.9055 boe
Condensate	1 bbl	1.000 boe
Oil	1 bbl	1.000 boe
Liquefied Petroleum Gas (LPG)	1 tonne	8.1876 boe
Natural Gas	1 MMBtu	0.1724 boe

1. Minor changes to some conversion factors can occur over time due to gradual changes in the process stream.

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Asset facts

PRODUCING FACILITIES

Australia

	North West Shelf			
	Karratha Gas Plant	North Rankin Complex	Goodwyn A Platform	Angel Platform
Role	Operator	Operator	Operator	Operator
Equity	16.67%	16.67%	16.67%	16.67%
Product	LNG, pipeline natural gas, condensate and LPG	LNG, pipeline natural gas, condensate and LPG	LNG, pipeline natural gas, condensate and LPG	LNG, pipeline natural gas, condensate and LPG

	Pluto LNG	
	Pluto LNG Platform	Pluto LNG Plant
Role	Operator	Operator
Equity	90%	90%
Product	LNG and condensate	LNG and condensate

	Australia Oil			
	Ngujima-Yin FPSO	Nganhurra FPSO	Okha FPSO	Wheatstone LNG
Role	Operator	Operator	Operator	Non-operator
Equity	60%	60%	33.33%	13%
Product	Oil	Oil	Condensate and oil	LNG, pipeline natural gas and condensate

International

	Canada	
	Kitimat LNG	
Role	Non-operator	
Equity	50%	
Product	Pipeline natural gas	

PROJECTS

Australia

	Greater Enfield Project	Wheatstone LNG	Julimar-Brunello Project – Phase 2	Greater Western Flank Phase 2
Role	Operator	Non-operator	Operator	Operator
Equity	60%	13%	65%	16.67%
Product	Oil	LNG, pipeline natural gas and condensate	LNG, pipeline natural gas and condensate	LNG, pipeline natural gas and condensate

DEVELOPMENTS

Australia

	Scarborough/ Thebe	Browse	Sunrise LNG
Role	Operator and non-operator	Operator	Operator
Equity	25%–50%	30.60%	33.44%

International

	USA	Canada	Senegal
	Port Arthur LNG	Kitimat LNG	SNE-Phase 1
Role	Non-operator	Non-operator	Development Lead
Equity	Project Development Agreement	50%	35%

EXPLORATION

Australia and Asia-Pacific

	Australia		New Zealand	Myanmar			
	Various titles[1]		PEP-55794	AD-5 and A-7	AD-7 and A-6	AD-2 and A-4	AD-1, AD-6 and AD-8
Role	Operator and non-operator	Role	Operator	Operator	Joint operator	Non-operator	Joint operator
Equity	Various equities	Equity	70%	55% and 45%	40%	45%	50%
Product	Oil or gas prone basin	Product	Oil or gas prone basin	Gas prone basin	Gas prone basin	Gas prone basin	Gas prone basin

Atlantic margins

	Senegal	Morocco	Ireland
	Rufisque, Sangomar and Sangomar Deep	Rabat Deep I-VI	FEL 3/14, 5/13, 5/14 and LO 16/14
Role	Non-operator	Non-operator	Operator
Equity	35%	25%	60%–90%
Product	Oil prone basin	Oil prone basin	Oil or gas prone basin

Sub-Saharan Africa

	Gabon
	Doukou Dak (F15), Luna Muetse (E13), Diaba Block and Likuale (F14)[2]
Role	Non-operator
Equity	21.25%–40%
Product	Oil prone basin

Latin America

	Peru
	Block 108
Role	Non-operator
Equity	35%
Product	Oil prone basin

1. For further information on Woodside's Australian titles, please refer to the titles register website (neats.nopta.gov.au).
2. The transaction remains subject to satisfaction of conditions precedent.

Summary charts

Product view

Investment

	2017	2016
Gas and condensate*	**52%**	63%
Oil*	**24%**	24%
Exploration and other	**24%**	13%

*Indicative only as some assets produce oil and gas.

Our investment expenditure was primarily directed at Wheatstone LNG, the Greater Enfield and NWS subsea tieback projects and exploration.

Production

	2017	2016
Natural gas*	**83%**	83%
Oil	**8%**	7%
Condensate	**9%**	10%

* Includes LNG, LPG and pipeline gas.

The majority of our production is from natural gas produced through the Pluto LNG and NWS facilities.

Sales revenue

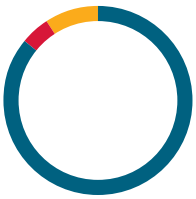
	2017	2016
Natural gas*	**78%**	81%
Oil	**11%**	8%
Condensate	**11%**	11%

* Includes LNG, LPG and pipeline gas.

Gas, largely sold as LNG, continues to provide the majority of our sales revenue.

Reserves (Proved plus Probable)

	2017	2016
Dry gas	**86%**	86%
Oil	**5%**	5%
Condensate	**9%**	9%



Gas represents the largest portion of Woodside's Proved plus Probable reserves.

Regional view

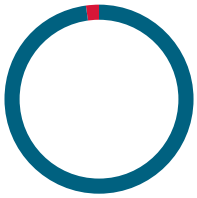
Investment

	2017	2016
Australia	**76%**	69%
Canada	**4%**	7%
Rest of world	**20%**	24%

The majority of our 2017 investment was in Australia.

Production

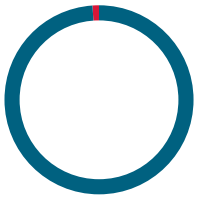
	2017	2016
Australia	**98%**	98%
Canada	**2%**	2%
Rest of world	**0%**	0%



Australian assets continue to provide the majority of Woodside's production volumes.

Sales revenue

	2017	2016
Australia	**99%**	99%
Canada	**<1%**	<1%
Rest of world	**0%**	0%

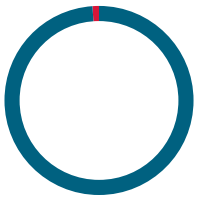


* Includes LNG, LPG and pipeline gas.

The majority of our revenue is currently derived from Australia.

Reserves (Proved plus Probable)

	2017	2016
Australia	**99%**	99%
Canada	**1%**	1%
Rest of world	**0%**	0%



The majority of Woodside's Proved plus Probable reserves are located in Australia.

Ten-year comparative data summary

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Profit and Loss (USDm)[1]	Operating Revenues										
	Australia Pipeline Gas	**137**	292	295	376	366	367	375	309	378	320
	Australia LNG	**2,631**	2,751	3,095	4,563	3,347	2,834	1,509	1,310	769	1,007
	Australia LPG	**34**	34	34	80	88	125	127	115	94	112
	Australia Condensate	**413**	413	421	901	1,000	903	860	708	571	669
	Australia Oil	**390**	302	650	1,133	896	1,918	1,795	1,579	1,496	2,685
	Australia LNG Processing Revenue	**192**	202	180	198	150	125	-	-	-	-
	Australia Trading Revenue	**53**	70	354	161	-	-	-	-	-	-
	Other Hydrocarbon Revenue	**47**	-	-	-	-	-	-	-	-	-
	Other International	**11**	11	1	23	79	76	136	172	179	252
	Total	**3,908**	**4,075**	**5,030**	**7,435**	**5,926**	**6,348**	**4,802**	**4,193**	**3,487**	**5,045**
	EBITDAX	**3,031**	3,004	3,443	5,853	4,460	5,528	3,423	3,431	3,427	4,017
	EBITDA[2]	**2,854**	2,734	3,063	5,568	4,188	5,162	2,864	3,126	3,209	3,765
	EBIT	**1,650**	1,388	441	3,672	2,538	3,795	2,212	2,256	2,303	2,852
	Exploration and Evaluation	**177**	270	380	285	272	366	559	305	218	252
	Depreciation and Amortisation	**1,188**	1,320	1,517	1,441	1,218	1,184	627	749	752	732
	Amortisation of Licence Acquisition Costs	**16**	26	22	21	45	26	28	24	35	49
	Impairment/(Impairment Reversal)	**-**	-	1,083	434	387	157	(3)	97	119	132
	Net Finance Costs	**84**	48	85	163	179	137	26	(18)	12	19
	Tax Expense	**446**	367	243	993	545	614	677	697	823	1,287
	Non-controlling Interest	**96**	105	87	102	65	61	2	2	(6)	-
	Reported NPAT	**1,024**	868	26	2,414	1,749	2,983	1,507	1,575	1,474	1,546
	Reported EPS (cents)[3]	**122**	104	3	293	213	366	190	204	210	225
	DPS (cents)	**98**	83	109	255	249	130	110	105	95	100
Balance Sheet (USDm)[1]	Total Assets	**25,401**	24,753	23,839	24,082	23,770	24,810	23,231	20,196	17,753	10,317
	Debt	**5,065**	4,973	4,441	2,586	3,764	4,340	5,102	4,915	4,939	2,044
	Net Debt	**4,747**	4,688	4,319	(682)	1,541	1,918	5,061	3,952	3,732	1,946
	Shareholder Equity	**15,050**	14,839	14,226	15,876	15,225	15,148	12,658	11,091	8,812	4,633
Cash Flow (USDm) and Capital Expenditure (USDm)[1]	Cash flow from Operations	**2,400**	2,587	2,475	4,785	3,330	3,475	2,242	2,104	1,483	3,224
	Cash flow from Investing	**(1,568)**	(2,473)	(5,555)	(617)	(1,059)	161	(3,533)	(2,941)	(4,708)	(3,892)
	Cash flow from Financing	**(805)**	51	(58)	(3,119)	(2,470)	(1,252)	362	608	4,207	684
	Capital Expenditure										
	Exploration and Evaluation	**328**	965	1,305	261	166	383	778	703	273	418
	Oil and Gas Properties and Property, Plant and Equipment	**1,039**	1,214	4,309	425	420	1,145	2,651	2,933	3,992	4,031
	ROACE[4] (%)	**7.1**	6.2	2.0	17.5	12.0	18.3	11.8	13.5	19.0	37.1
	Return on Equity (%)	**6.8**	5.8	0.2	15.2	11.5	19.7	11.9	14.2	16.7	33.4
	Gearing (%)	**24.0**	24.0	23.3	(4.5)	9.2	11.2	28.6	26.3	29.8	29.6
Volumes	Sales (million boe)										
	Australia Pipeline Gas	**6.0**	12.9	13.2	13.3	14.0	13.9	14.0	14.8	18.4	18.9
	Australia LNG	**60.4**	63.6	57.6	58.3	52.4	42.6	22.4	22.7	21.3	17.0
	Australia LPG	**0.6**	0.7	0.7	0.8	0.9	1.1	1.1	1.3	1.5	1.2
	Australia Condensate	**7.6**	9.3	8.5	9.4	9.5	8.6	7.8	9.1	9.7	7.9
	Australia Oil	**6.9**	6.9	12.5	11.2	8.0	16.8	15.7	19.8	24.3	29.8
	Other International	**1.3**	1.6	0.2	0.2	0.9	0.8	2.9	4.5	5.5	5.4
	Total (million boe)	**82.8**	**95.0**	**92.7**	**93.2**	**85.7**	**83.8**	**63.9**	**72.2**	**80.7**	**80.2**
	Production (million boe)										
	Australia Pipeline Gas	**6.0**	12.9	13.1	13.3	13.9	13.8	14.0	14.8	18.4	18.9
	Australia LNG	**61.7**	63.7	57.5	60.3	53.6	43.9	22.6	23.2	21.5	17.4
	Australia LPG	**0.6**	0.7	0.7	0.8	0.9	1.1	1.2	1.4	1.5	1.2
	Australia Condensate	**8.0**	9.3	8.4	9.1	9.5	9.3	7.9	9.1	9.5	7.9
	Australia Oil	**6.8**	6.7	12.3	11.4	8.2	16.0	16.0	19.7	24.5	30.5
	Other International	**1.3**	1.6	0.2	0.2	0.9	0.8	2.9	4.5	5.5	5.4
	Total (million boe)	**84.4**	**94.9**	**92.2**	**95.1**	**87.0**	**84.9**	**64.6**	**72.7**	**80.9**	**81.3**
Other ASX Data	Reserves (Proved plus Probable) Gas (Tcf)	**6.54**	7.09	7.59	6.65	7.09	7.51	7.80	8.02	7.79	7.90
	Reserves (Proved plus Probable) Condensate (MMbbl)	**117.0**	124.2	133.5	117.1	125.2	130.9	138.7	154.7	147.8	151.4
	Reserves (Proved plus Probable) Oil (MMbbl)	**69.9**	74.4	42.6	54.1	67.0	95.9	108.5	117.5	136.1	168.8
	Other										
	Employees	**3,597**	3,511	3,456	3,803	3,896	3,997	3,856	3,650	3,219	3,124
	Shares High (A$)	**33.97**	31.88	38.33	44.23	39.54	38.16	50.85	49.28	53.87	70.51
	Low (A$)	**28.16**	23.94	26.20	33.71	33.29	30.09	29.76	40.56	31.19	26.81
	Close (A$)	**33.08**	31.16	28.72	38.01	38.90	33.88	30.62	42.56	47.20	36.70
	Number (000's)	**842,445**	842,445	823,911	823,911	823,911	823,911	805,672	783,402	748,599	698,553
	Number of Shareholders	**209,383**	214,350	225,138	227,798	217,383	208,277	205,868	201,134	175,257	141,035
	Market Capitalisation (USD equivalent at reporting date)	**21,762**	18,922	17,250	25,664	28,579	28,983	25,287	33,745	31,567	17,717
	Market Capitalisation (AUD equivalent at reporting date)	**27,868**	26,251	23,663	31,317	32,050	27,914	24,670	33,342	35,334	25,637
	Finding Costs ($/boe) (3 year average)[5]	**26.21**	39.06	107.45	44.09	30.43	14.09	12.67	6.12	5.71	3.35
	Reported Effective Income Tax Rate (%)	**34.2**	35.9	49.8	30.1	29.8	27.2	30.5	25.2	33.7	32.6
	Net Debt/Total Market Capitalisation (%)	**21.8**	24.8	25.0	(2.7)	5.4	6.6	20.0	11.6	11.8	11.0

1. Comparative financial information prior to 2010 has been converted on a consistent basis in accordance with Note 1(o) to the 2010 Financial Report. Cash flow and capital expenditure have been converted using a consistent approach adopted on a conversion of expenses.
2. The calculation for EBITDA has been updated to include impairment and amortisation of licence acquisition costs. 2008 to 2013 EBITDA numbers have been restated to reflect this change in calculation. EBIT is calculated as a profit before income tax, PRRT and net finance costs.
3. Earnings per share has been calculated using the following weighted average number of shares: 2017: 840,928,530; 2016: 835,011,896; 2015: 822,943,960; 2014: 822,771,118; 2013: 822,983,715; 2012: 814,751,356; 2011: 791,668,973; 2010: 773,388,154; 2009: 703,310,697; 2008: 685,179,496.
4. The calculation for ROACE has been revised in 2014 to use EBIT as the numerator, in addition to a change in the composition of capital employed. ROACE for 2008 to 2013 has been restated to include this change.
5. Finding cost methodology is in accordance with the FAS69/SEC industry standard.

Annual Report 2017

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