ANNUAL REPORT 2016

DELIVERING VALUE GROWTH

woodside

On the cover

The Pluto LNG Plant underpinned Woodside's record LNG production in 2016, contributing 40.2 MMboe. For Woodside, Pluto LNG represents safe, highly reliable operations backed by new technology and innovation. This image was taken by a drone and looks across Pluto towards the North West Shelf Project. Drones are increasingly being used at our onshore and offshore facilities to conduct high-risk inspections more safely and efficiently.

Sustainable Development Report 2016

This report is a summary of Woodside's sustainability approach, actions and performance for the 12-month period ended 31 December 2016. This report will be available on 16 March 2017.

About this report

This Annual Report 2016 is a summary of Woodside's operations and activities for the 12-month period ended 31 December 2016 and financial position as at 31 December 2016. Woodside Petroleum Ltd (ABN 55 004 898 962) is the parent 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 parent company and those of its controlled entities.

In this report, references to a year are to the calendar and financial year ended 31 December 2016 unless otherwise stated.

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

Woodside is continuing efforts to reduce its environmental footprint associated with the production of the Annual Report. Printed copies of the Annual Report will only be posted to shareholders who have elected to receive a printed copy.

The Annual Report is printed on an environmentally responsible paper manufactured under ISO 14001 environmental management standards, using elemental chlorine-free pulps from sustainable, well-managed forests.

Report objectives

This report meets our compliance and governance requirements, and is designed to provide easy-to-read information on how Woodside performed in 2016 for our stakeholders, including shareholders, customers, the community and employees.

We aim to build awareness of our operations and demonstrate how we delivered on our mission and vision while maintaining our values and commitment to sustainable development.

Additional information

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

- A glossary of key terms, units of measure and conversion factors is on pages 133 and 134.
- More information can be found on our website at www.woodside.com.au.

Forward looking statements

This report contains forward looking statements. Please refer to page 59 which contains a notice in respect of these statements.

greenreports

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

FSC
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MIX
Paper from responsible sources
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Contents

Our Compass

Who we are

Integrity
We are open, honest and fair. We do what we say we will do. We have the courage to do the right thing.

Respect
We give everyone a fair go. We listen.

Working sustainably
We are here for the long term. We look after each other, our communities and the environment. We keep each other safe.

Working together
We are on the same team. We build long-term partnerships.

Discipline
We play by the rules. We set goals and we hold ourselves to account.

Excellence
We achieve great results. We learn. We get better.

Where we're going

Our mission
To deliver superior shareholder returns.

Our vision
Our aim is to be a global leader in upstream oil and gas.

Our strategic direction
Maintain our leading Australian position by optimising our producing assets and commercialising our growth projects and other premium opportunities.

Grow our portfolio by leveraging our core capabilities for global upstream growth.

How we'll get there

Partner of choice
We are the premium choice for partnerships based on our distinctive capabilities, culture and track record as a great partner.

Engaged people
We work for a highly regarded and successful company. We are part of a team working together for great results and have opportunities to contribute and grow.

Functional excellence
We leverage our core capabilities and the latest technology to create new opportunities and sharpen our competitive edge.

Decision effectiveness
We make and execute decisions in line with our business priorities and our values.

Since its launch in 2012, the Compass has enabled Woodside to evolve and respond to the external environment, creating an engaged and disciplined workforce focused on delivering superior shareholder returns.

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 supplier of energy.

Our mission is to deliver superior shareholder returns through realising our vision of becoming a global leader in upstream oil and gas.

Our assets are renowned for their safety, reliability and efficiency, and we are Australia's most experienced liquefied natural gas (LNG) operator. We operate 8% of global LNG supply.[1]

Our producing assets in Australia include the landmark North West Shelf (NWS) Project, which has been operating since 1984. In 2012, we commenced production from the Pluto LNG Plant and will add additional volumes from our non-operated Wheatstone LNG interests in mid-2017.

Today, we continue to be at the forefront of our industry by seeking to grow new markets for LNG. To achieve this we are planning for Australia's first LNG fuel hub to capture growing land and marine LNG fuel markets.

We also operate a fleet of floating production storage and offloading (FPSO) facilities. From mid-2019, we will add additional oil production from the Greater Enfield Project via our existing Ngujima-Yin FPSO facility.

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.

As a low-cost energy supplier with a sustainable business model, we are pursuing opportunities to deliver affordable energy to the world's growing markets.

Our global exploration portfolio includes emerging and frontier provinces in Australia and the Asia-Pacific region, the Atlantic Margins and Sub-Saharan Africa.

We have significant equity interests in high-quality development opportunities in Australia, Senegal, Myanmar and North America and are pursuing new concepts, technology and contracting strategies to enable the earliest commercialisation of these resources in line with global demand.

We believe that technology and innovation are essential to bringing down costs and unlocking future growth. Today, we are pioneering remote support and the application of artificial intelligence and advanced analytics across our operations.

We recognise that long-term meaningful relationships with communities are fundamental to maintaining our licence to operate, and we work to build mutually beneficial relationships.

Woodside is characterised by strong safety and environmental performance in all locations where we are active and 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. Our proven track record, distinctive capabilities and ability to manage risk and volatility are underpinned by more than 60 years of experience, making us a partner of choice.

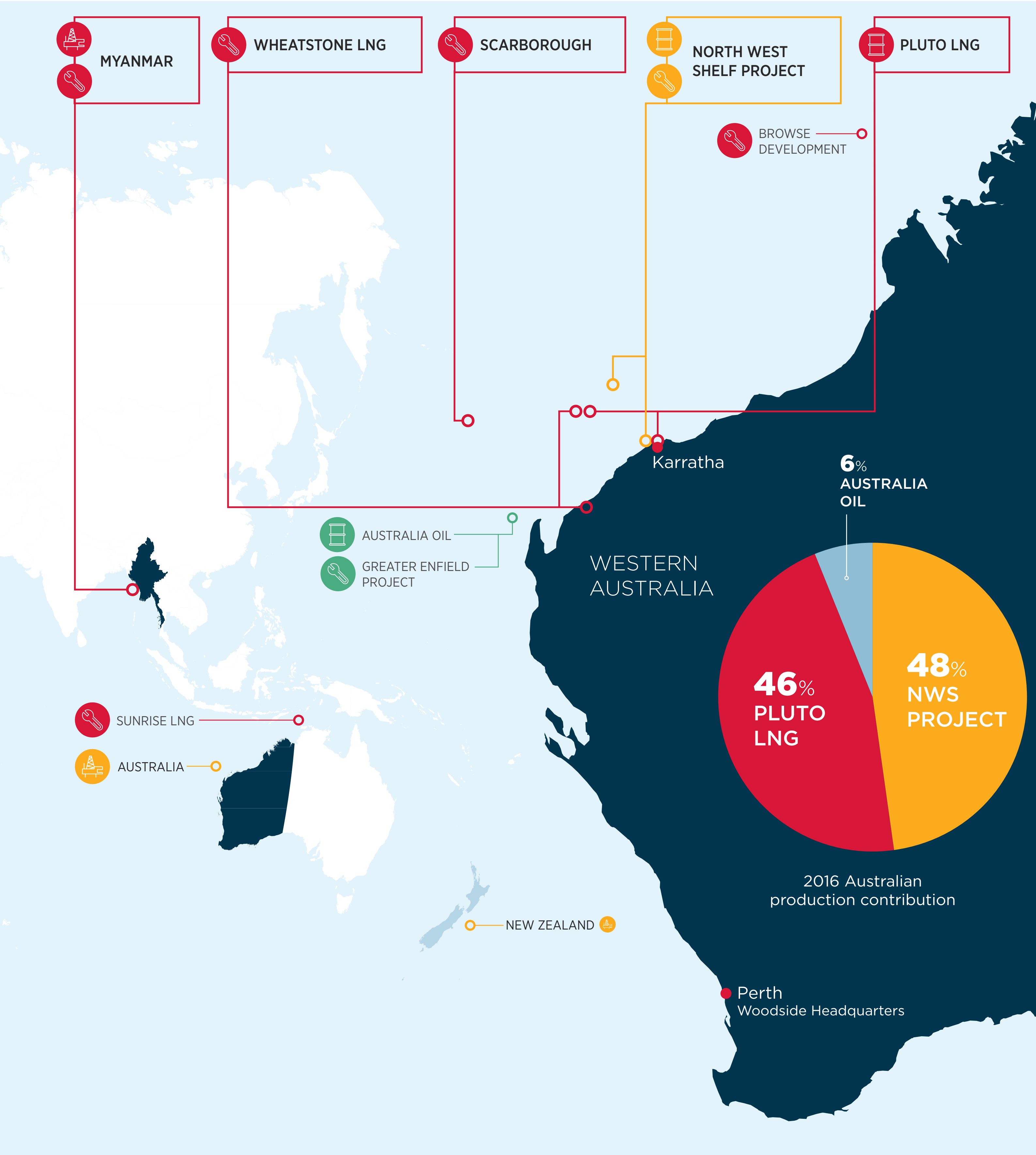
1. Source: Wood Mackenzie LNG Tool, Q4 2016

Our areas of activity

PRODUCING ASSET | PROJECTS AND DEVELOPMENTS | APPRAISAL AND EXPLORATION

Gas | Oil | Gas or oil

1. *Woodside farm-in to Luna Muetse block is awaiting final Government approval.*


MYANMAR
WHEATSTONE LNG
SCARBOROUGH
NORTH WEST SHELF PROJECT
PLUTO LNG
BROWSE DEVELOPMENT
Karratha
6% AUSTRALIA OIL
AUSTRALIA OIL
GREATER ENFIELD PROJECT
WESTERN AUSTRALIA
46% PLUTO LNG
48% NWS PROJECT
SUNRISE LNG
AUSTRALIA
2016 Australian production contribution
NEW ZEALAND
Perth
Woodside Headquarters

Our performance

In 2016, Woodside achieved **operational excellence** while maintaining a strong focus on health and safety.

94.9 MMboe

Production **up** by 2.7 MMboe compared to 2015, our second-highest annual production output.
This includes **record** LNG production of 63.7 MMboe.

Production was driven by increased system reliability and 353 days of uninterrupted production from the Pluto LNG facility.

See page 36 for more information.

We are delivering **world-class reliability.**

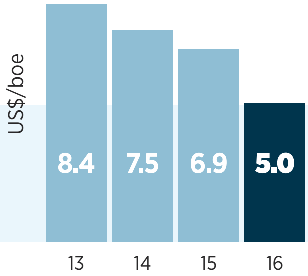
98.7%

LNG reliability

We **saved** **14** days on our schedule for major planned turnarounds across our assets.

This contributed to **record** sales volume of **95 MMboe,** and our revenue was $4.1 billion.

We continue to **drive down** our unit production costs.



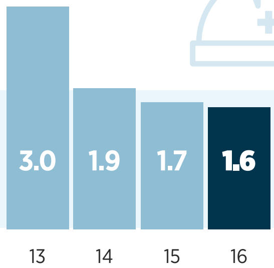
We achieved a 28% overall reduction in unit production costs. A key contributor to this was a 40% reduction in Pluto unit production costs.

See page 17 for more information.

In 2016, Pluto LNG **achieved** a unit production cost of **$3.3** per boe.

And our operations achieved break-even cash cost of sales **down 23%** to **~$8.5** per boe.

While **improving** safety performance across the business.



Total recordable injury rate (TRIR) performance

Our TRIR was 1.64, down from 1.71 in 2015.

See page 54 for more information.

This contributed to a net profit after tax (NPAT) of **$868** million.

All leading to creation of **value for our shareholders.**

83 US cents
Full-year dividend

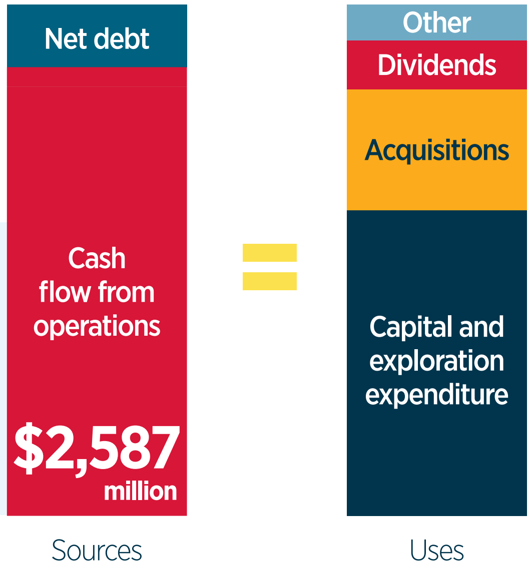
104 US cents
Earnings per share

6.2%
Return on average capital employed

Managing risk and volatility is key to responding to a challenging external environment.

We have long-life, **low-cost** assets that require **low** sustaining capex.

In 2016, we generated $114 million of free cash flow.



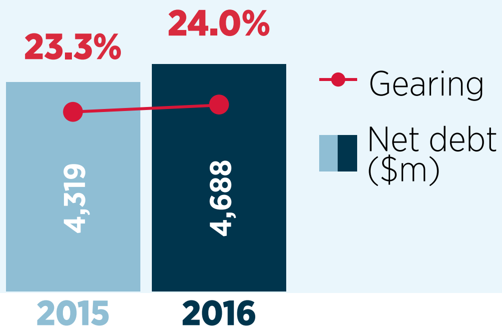
While undertaking 2 **significant acquisitions** in Australia and Senegal

Our acquisition of interests in Senegal and half of BHP Billiton's interests in the Scarborough area assets demonstrate Woodside's focus on value growth and leverage our deep-water capabilities.

See pages 27 and 33 for more information.

Moody's **Baa1** & S&P **BBB+** Investment grade credit rating

and **maintaining** our investment-grade credit rating and gearing.



As part of managing our debt obligations, Woodside secured $1.4 billion in funding at competitive rates. Woodside's liquidity is $2.7 billion; gearing remains within our target range of 10–30%. Our average term to maturity of our debt portfolio is 4.6 years.

See page 17 for more information.

As we move into 2017, **88%** of expected LNG production is sold under oil-linked contracts.

We are creating and building **near-term value growth.**

We discovered 2.4 Tcf
of recoverable gas (2C, 100%) offshore Myanmar.

We made back-to-back discoveries at Thalin and Shwe Yee Htun.

See pages 24 and 30 for more information.

In 2016, we had **low** finding and acquisition cost* of **~$1.50/boe.**

We are commencing a significant **appraisal program** in **Senegal** and **Myanmar** on the back of recent discoveries.

Woodside's appraisal program is complemented by exploration drilling in Australia, Myanmar and potentially Senegal.

See page 23 for more information.

And **adding ~15% production growth** from 2017 to 2020 from existing operations and currently sanctioned projects.

Mid-2017
Wheatstone LNG Train 1

H1 2018
Wheatstone LNG Train 2 and domestic gas

Mid-2019
Greater Enfield Project first oil

We are well positioned to provide affordable energy products to the world's growth markets.

**2016 exploration and acquisition investment expenditure divided by contingent resources (2C) added through 2016 exploration and acquisition activity.*

Chairman's report

Michael Chaney, AO
Chairman

It is a real pleasure to be able to report on a year of excellent performance by your company in what was a difficult external environment for the oil and gas industry.

Oil prices fell dramatically early in the year and, on average, were down about 20 percent on the previous year. Despite this we generated over $2.5 billion of cash flow from operations during 2016 through a combination of increased production, record sales volumes, continued reductions in our unit production costs and improved reliability.

Net profit after tax was $868 million, a strong result given the fall in the oil price, and one reflecting the company's success in increasing production and reducing costs. This compared with a profit of $26 million in 2015, which adjusts to $1,126 million after allowing for one-off non-cash items (primarily 2015 impairment charges of $1,083 million).

Earnings per share increased in 2016 to 104 US cents and the directors declared full-year dividends of 83 US cents.

Strategic acquisitions

Your company has been very active over recent years in pursuing potential acquisition opportunities. Our objective in this was to create shareholder wealth and, as a result, we walked away from numerous opportunities which we considered overpriced. That discipline paid off in 2016 when, with vendor expectations falling in line with the oil price, we acquired a major oil interest in Senegal and a significant interest in the Scarborough, Thebe and Jupiter gas fields on the Australian North West Shelf. The price paid for these quality resources was recognised as being well below most analysts' valuations.

Along with exploration success, these acquisitions added 694 MMboe (16 percent) to our contingent resources (2C) during the year; and they provide substantial production growth potential going forward.

Importantly, the company's balance sheet remains in very solid shape. Notwithstanding major capital, exploration and acquisition expenditure during 2016, gearing increased only marginally from 23.3 percent to 24.0 percent and we have retained our investment grade credit rating.

Our people

Our Chief Executive, Peter Coleman, has built an outstanding senior management team during his nearly six years with the company to date. Achieving that has required a remuneration system capable of attracting industry-leading people from around the world and, having done that, of motivating and retaining them. Our system has clearly achieved that purpose. We were disappointed that at the 2016 Annual General Meeting, 27 percent of votes were cast against the company's Remuneration Report. We do, however, appreciate the feedback provided subsequently by shareholders and, based on that, we have made changes to the remuneration arrangements applying to our senior executives. These are described in detail in the Remuneration Report.

Government policy

Governments play an important role in regulating industry and creating a positive economic environment for development.

The Australian Treasurer announced recently that the Government would be undertaking a review of Australia's petroleum tax regime in response to declining fiscal revenues. It is critical that any such review takes account of the long-term nature of investments, the risks that companies face and the need for regulatory stability.

In many cases, targeted rates of return are only achieved after decades of operation and during that time reported profits can be very volatile.

In recent years, we have seen in Australia examples where a cyclical increase in commodity prices and company profits results in government deciding to impose a new impost in order to increase its share of the riches. There seems to be little appreciation of whole-project economics, where, for example, large profits later in a project's life fail to make up for below-budget profits in the early years and the investment never achieves its hurdle rate of return. Imposing new taxes during profitable times only exacerbates this situation.

It has been a year of excellent performance for Woodside, with strong cash flow being achieved through a combination of increased production, record sales volume, continued reductions in our unit production costs and improved reliability.

One such example occurred in 2008, when the Rudd Commonwealth Government removed the condensate excise exemption, costing the North West Shelf participants hundreds of millions of dollars per annum. That unilateral action ignored the fact that the exemption was a material factor in the initial decisions of the participants to invest in the project.

A second example can be seen in Western Australia currently with a proposal by the National Party leader to increase iron ore lease fees for two major companies by a factor of 20 – a change that would put at risk the international competitiveness of the producers.

Such changes threaten to hurt Australia's reputation and render new investment projects less viable. These projects are risky enough without adding additional country risk.

Increasing taxes at a time of low prices is even more detrimental to investment.

Future outlook

Concerns have been raised by some commentators about some energy resources becoming "stranded" as a result of the transition to renewables in coming decades.

We are confident that this will not apply to Woodside's assets. Gas and LNG are likely to continue to be in strong demand for decades because of their relatively low emissions intensity; and our oil interests will be produced over relatively short time horizons.

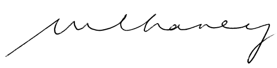
The international oil price will be the major determinant of petroleum asset values; and predicting it with any reliability has proved impossible. During the course of 2016, the major oil-producing nations took action successfully to stabilise oil prices and it appears that a return to the low prices of early 2016 is unlikely. In the meantime, the potential volatility of prices reinforces the need for prudent balance sheet management.

Board changes

The Board has an ongoing program of succession planning and renewal and a number of changes have taken place over the last 12 months. We were delighted to welcome three new directors: Ann Pickard, who joined the Board in February 2016 with a great breadth of experience in the international oil and gas industry; Ian Macfarlane, who joined us in November 2016 and who brings a wealth of experience in government and particularly in the resources portfolio; and Larry Archibald who has deep experience in international oil and gas exploration and who joined us in February 2017. Larry was selected to replace David McEvoy, who will retire at the Annual General Meeting in May. David has been an invaluable contributor to the Board during his 11-year tenure with his extensive exploration knowledge and as Chair of the Sustainability Committee. We thank him for that wonderful contribution.

The Board has announced that Richard Goyder, AO will join Woodside as an independent, non-executive director and Chairman-elect on 1 August 2017. In order to ensure a smooth transition, I will step down as Chairman at the close of next year's Annual General Meeting in April 2018 and be replaced by Richard. It has been my great pleasure to serve as Woodside's Chairman and to lead an exceptional Board. I am confident that Richard's demonstrated focus on delivering value for shareholders and commitment to excellence will provide outstanding leadership through our company's next exciting phase of growth.

On behalf of the Board, I convey my thanks and appreciation to our management team for their continued dedication to ensuring that Woodside remains an industry-leading oil and gas company. We are well-positioned in terms of people, petroleum resources and skills to provide attractive returns to shareholders in the years ahead.



Michael Chaney, AO
Chairman
1 March 2017

Chief Executive Officer's report

Peter Coleman
Chief Executive Officer and Managing Director

2016 Highlights

+ NPAT of $868 million.
+ Outstanding reliability: 94.9MMboe of annual production, our second highest on record.
+ A 28% reduction in unit production costs.
+ TRIR continues to improve.
+ Acquisition of Senegal oil and Scarborough gas interests at a cost of approximately $1.10 per boe.
+ Announced back-to-back discoveries in Myanmar.
+ FID on the Greater Enfield oil project.

2017 Activities

+ Expect first LNG from Wheatstone Train 1 in mid-2017.
+ Commence appraisal drilling in Myanmar and Senegal and progress exploration drilling in Australia, Myanmar and potentially Senegal.
+ Ongoing reliable production from existing facilities.
+ Continue commitment to global top-quartile health and safety performance.
+ Create a hub on the Burrup Peninsula to maximise value from Woodside and other assets in the region.
+ Expand access to LNG as a fuel source.
+ Work sustainably with our local communities.

Woodside's people and business model performed exceptionally well during 2016, delivering strong profits while increasing production, progressing new projects and acquiring world-class oil and gas resources in Australia and globally.

Our industry had a tough start to the year, with crude oil prices dropping to 14-year lows, and LNG from new projects flowing into an over-supplied market.

Despite the external challenges, the company's strategy was never compromised. Reported profit for the year was $868 million, reflecting outstanding reliability of our facilities, good investment decisions in Scarborough and Senegal and a 23 percent reduction in our break-even cash cost of sales. Woodside is now a global leader in both the management and cost of our facilities.

Strong cash flow, despite low prices

Our exemplary operating performance and low cost of production have generated solid operating cash flow.

Even though realised prices were down almost 20 percent on the previous year, we increased both operating cash flow and free cash flow (after deducting investment expenditure). Our net cash flow from operating activities increased to $2.6 billion, and free cash flow to $114 million. These results were achieved by revising our expenditure plans downwards as oil prices plunged in early 2016. We delivered on our productivity and cost reduction program. The positive free cash flow result was achieved despite completing two value accretive acquisitions during the year.

We maintained our gearing within our target range at 24 percent, and we remain one of the few of our peer organisations that was able to maintain its credit rating through the low point in the commodity cycle.

Our increased focus on cost efficiencies and reliability was reflected in a 28 percent reduction in our unit production costs. Woodside's overall production climbed to 94.9 MMboe in 2016, the second-highest level on record, and our Pluto LNG facility achieved record production.

Our dedication to operational excellence was evident in the fact that the largest-ever North West Shelf Project integrated turnaround was executed safely and our total recordable injury rate remained at the low level achieved in 2015. There were no major interruptions to the operation of our facilities.

Through this disciplined approach to managing our operations and the efficient use of capital, we have largely funded our expenditure from organic cash flow and strengthened our position by progressing projects to a final investment decision, acquiring new assets and continuing our exploration activities.

We have proved in 2016 that, in a challenging environment, we can continue investing in future supply while also distributing dividends to shareholders. This forward-looking approach is what makes us a leading supplier of affordable and sustainable energy.

In the past two years, we have acquired and discovered resources equal to more than 30 years of Woodside's current annual production, setting us up for a strong future.

As Woodside expands its portfolio in Australia and globally, we have reflected on how we acquire assets, revising our processes to maintain the rigour of our approach as circumstances change. We have introduced more stringent economic criteria for our acquisitions and moved mergers and acquisitions into the finance organisation. The new criteria and processes are designed to ensure our targeted acquisitions deliver the best results for investors.

Preparing for future growth

We have been smart about the assets we acquired, adding quality resources at a cost of approximately $1.10 per boe.[1] We have added over 690 MMboe to our 2C contingent resources through exploration in Myanmar and acquisitions in Senegal and the Scarborough area, off north Western Australia. We have also matured 41 MMboe to 2P reserves following the final investment decision approving the development of Greater Enfield, 60 km off the Western Australian town of Exmouth.

In the past two years, we have acquired and discovered resources equal to more than 30 years of Woodside's current annual production, setting us up for a strong future.

We have continued to diversify our supply. Our acquisition of deep-water oil discoveries offshore Senegal gave Woodside a significant position in an underexplored and highly prospective emerging oil province.

Early in the year, there was cause for celebration as we drilled two successful exploration wells offshore Myanmar, where Woodside is one of the largest acreage holders, with interests in six blocks.

1. 2016 acquisition investment expenditure divided by contingent resources (2C) added through 2016 acquisition activity.

We expect exciting times in 2017 as we progress towards the commercialisation of our assets, continue our exploration activities and consider opportunities to accelerate production from our existing facilities.

We look forward to growth in Myanmar and Senegal, where further drilling operations are planned, and we are investing in the flawless execution of the Wheatstone start-up and the development of Greater Enfield.

We are making our considerable commissioning and start-up expertise available to the Wheatstone operator to ensure a smooth start-up ahead of the scheduled first LNG cargo delivery from the project in mid-2017.

New opportunities for LNG

We are proud of the role we play in providing energy to customers in Australia and globally, including helping to meet the growing demand in developing countries for low-cost, low-emissions energy. As the world attempts to deliver on pledges to reduce emissions, we anticipate growing demand for renewables but also for the reliable supply of energy that natural gas can provide.

Demand for gas globally is expected to increase amid growing pressure for fuels that are both greener and cleaner. Natural gas has the dual advantage of relatively low carbon dioxide emissions and negligible emissions of sulphur and particulates. The switch to gas also has benefits for air quality, allaying the serious public health concerns associated with heavy particulate emissions.

At Woodside, we are taking steps to develop demand for LNG as a low-emissions transport fuel, starting in the Pilbara. The proximity of fuel-intensive industry to world-class gas supplies makes the region in Western Australia's north the perfect place to drive this transition. We see this as an opportunity to grow our markets, while also responding to concerns about air quality and climate change.

In our Sustainable Development Report, we will have more to say about how we have embedded our sustainability principles at every level of our company, underpinning our vision, mission and values.

In 2016, Woodside has acted decisively to take advantage of a low-cost environment and lay the groundwork for future production growth. We have been working hard to maximise the value of our base business, execute our projects flawlessly, and grow our portfolio and the value we derive from it. We have lived within our means and achieved everything we said we would: improving production, lowering costs and increasing the reliability of our operating business. In 2017, we are committed to rewarding the faith our investors have placed in us as we continue to deliver sustained growth in shareholder wealth.

Peter Coleman
Chief Executive Officer
and Managing Director
1 March 2017

Organisational structure

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

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

- Exploration
- Geoscience
- International Exploration Offices

Dr Robert Edwardes
BSc (Eng), 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

Lawrie Tremaine
BBus, FCPA
Executive Vice President and Chief Financial Officer

- Finance, Tax, Treasury and Insurance
- Commercial
- Business Development and Growth
- Contracting and Procurement
- Investor Relations
- Strategy and Planning
- Continuous Improvement

Mr Tremaine has indicated his intention to leave Woodside. His successor will be announced in due course.

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 and General Counsel

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

David McLoughlin
BA (Psychology), FAHR
Senior Vice President People and Global Capability

- People and Capability
- Facilities

Our production performance, reduction in operating costs, improved margins and progress of key projects delivered value for shareholders in 2016 despite the challenging external environment.

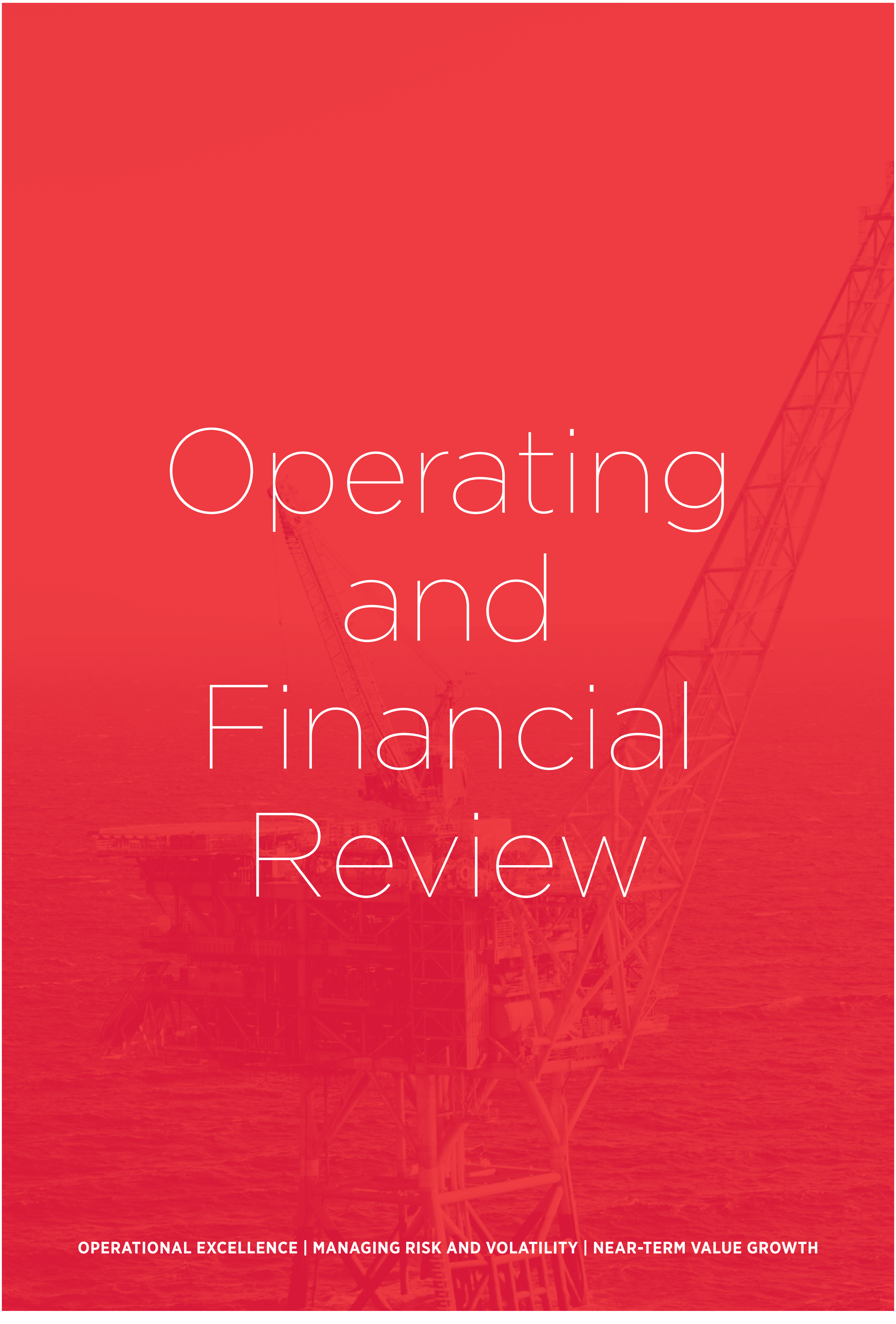
$830 MILLION

Benefits delivered through the productivity program in 2016

Cumulative benefits now exceed $2.0 billion since 2014.

Read more on page 17.

Operating and Financial Review



OPERATIONAL EXCELLENCE | MANAGING RISK AND VOLATILITY | NEAR-TERM VALUE GROWTH

Financial summary

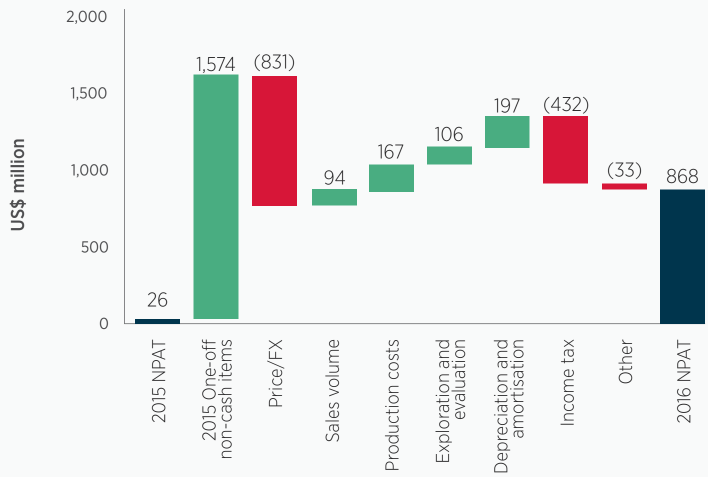
Record sales volumes, lower production costs and the stability of our contract portfolio have partially mitigated the impact of the lower oil price environment.

Key metrics

US$ million		2016	2015
Operating revenue		4,075	5,030
EBITDA[1]		**2,734**	**3,063**
Impairments		-	1,083
EBIT		**1,388**	**441**
Reported NPAT		**868**	**26**
Net cash from operating activities		2,587	2,475
Capital expenditure		2,125	5,567
Base capital expenditure		1,415	694
Acquisitions		710	4,873
Exploration expenditure		306	436
Free cash flow		**114**	**(3,080)**
Key financial metrics			
Return on equity	%	6	-
ROACE	%	6	2
Earnings	(US cps)	104	3
Gearing	%	24	23
Effective income tax rate	%	36	50
Sales volumes			
Gas	(MMboe)	78.8	71.7
Liquids	(MMboe)	16.2	21.0

1. *EBITDA excludes impairment and amortisation of permit acquisition costs.*

NPAT reconciliation



Key NPAT differences relative to 2015

2015 one-off non-cash items

In 2015, we recognised a number of one-off non-cash items, including impairments, mainly driven by oil price, a derecognised deferred tax asset and an onerous lease. The absence of these items from our 2016 results has led to a pre-tax profit increase of $1,574 million.

Sales revenue – price

Sales revenue decreased by $831 million due to price-driven variances.

Lower oil prices impacted our realised price for oil and condensate, and indirectly impacted contract LNG prices. Spot LNG prices were also lower due to short-term oversupply. Our average realised price decreased 18% to $40/boe.

Average realised price	2016 US$/boe	2015 US$/boe	Variance %	US$m impact
NWS LNG	**33**	45	(27)	(291)
Pluto LNG	**48**	59	(19)	(436)
NWS pipeline gas	**23**	22	5	2
Condensate	**45**	50	(10)	(48)
LPG	**45**	50	(10)	(4)
Oil	**44**	52	(15)	(54)
Volume weighted average realised prices	**40**	49	**(18)**	**(831)**
Brent average price	**45**	54	(17)	
JCC (lagged 3 months)	**42**	66	(36)	

Sales revenue – volume

Record annual sales volume of 95 MMboe resulted in $94 million additional revenue, mostly due to record LNG production partially offset by lower oil production.

Production costs

Production costs decreased by $167 million driven by sustained cost reductions delivered by the productivity program, discontinued operations and operational benefits from high LNG plant reliability and the absence of a major turnaround at Pluto in 2016.

Exploration and evaluation

Exploration and evaluation expense decreased due to lower expenditure and a higher proportion of capitalisation in 2016.

Depreciation and amortisation

A reduction of $197 million was mostly attributable to higher depreciation in 2015 associated with Balnaves, lower oil production volume and 2015 impairments reducing the asset base. This was offset by higher Pluto depreciation, driven by higher production volume.

Income tax

Income tax expenses increased by $432 million due to higher pre-tax profit.

Other

Other items are mostly due to general administrative and other costs offset by favourable variance in inventory movements, payments received from NWS LNG price reviews and lower royalties and excise.

Operational excellence

Productivity performance

During 2016, we completed our multi-year productivity improvement program. Commenced in 2014, the program delivered incremental benefits of more than $830 million in 2016 and has delivered cumulative benefits of more than $2.0 billion.[1]

The program targeted benefits in these ways:

+ Uplift in production volumes from existing assets.
+ Reduction to our operating and capital external spend.
+ Improvement in our organisational and process efficiencies.

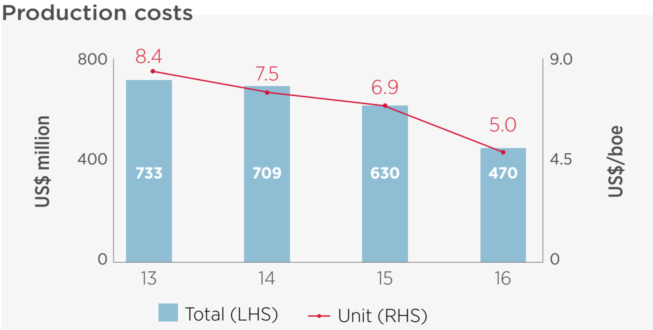
Volume increases contribute over 50% of the benefits. These benefits were achieved through capacity increases at Pluto and NWS, as well as higher average reliability across our assets. The balance of the benefits was due to operational and capital cost reductions. The improvements in organisational and process efficiencies have resulted in a leaner, more agile organisation, with the number of full-time equivalents in 2016 reduced by 17% relative to 2013.

Most importantly, the program has embedded a cultural change where continuous improvement has become part of the way we do business. Our base business maintains a relentless focus on continuous improvement and sustained excellence.

Production costs

We achieved a 28% overall reduction in unit production costs year-on-year. This continues the cost reduction trend of the past three years. The 2016 result was primarily driven by a 40% reduction in Pluto unit production costs from a combination of increased volumes and the 2015 turnaround. Oil unit production costs increased by 8%, primarily due to the NWS oil facility turnaround.

Production costs



Cash costs and margins

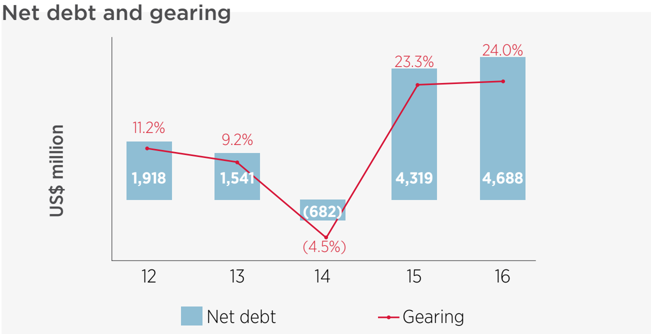
Cash margins, the proportion of cash remaining after paying production and other costs, have remained high at approximately 80% despite the lower oil price environment. Our break-even cash cost of sales has reduced 23% in 2016 due to lower production costs.

Managing risk and volatility

Balance sheet and liquidity

After funding of acquisition and investment expenditure, our net debt at 31 December 2016 increased marginally to US$4,688 million and our gearing continues to remain well within the target range of 10% to 30%, at 24%.

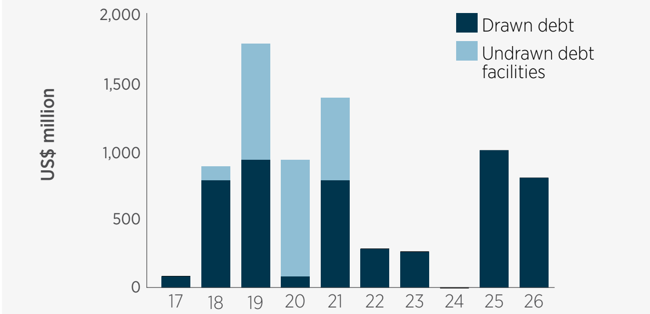
Net debt and gearing



We activated the Dividend Reinvestment Plan for the 2015 final dividend in response to the challenges of low oil prices in early 2016. We also overcame the uncertainty in the financial markets throughout the year, securing over $1.4 billion of funding via diversified sources including the US 144A market, our Medium Term Notes Programme and syndicated loan facility. As a result, we have increased our liquidity position to $2.7 billion, consisting of $0.3 billion cash and $2.4 billion undrawn debt at 31 December 2016. We continue to have negligible near-term maturities and no more than $1 billion repayable in any given year.

We have maintained a portfolio cost of debt around 3% and our average term to maturity at approximately 4.6 years. In addition, our ratings were reaffirmed, during 2016, with a BBB+ rating (negative outlook) by S&P Global Ratings and a Baa1 rating (negative outlook) by Moody's.

Debt maturity profile



Refer to page 111 of the Financial Statements for further detail on our debt facilities.

Key NPAT sensitivities

For 2017, a $1 movement in the Brent oil price is expected to impact NPAT by $27 million, and a US$0.01 decrease in the AUD/USD exchange rate is expected to increase NPAT by $5 million.

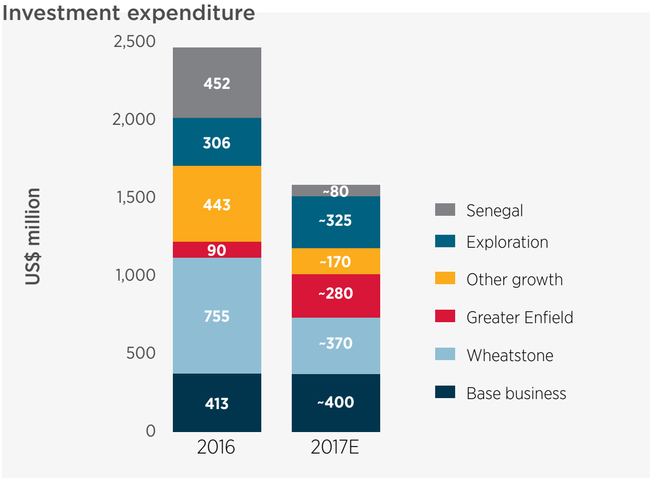
Near-term value growth

Investment expenditure

In 2016, we invested $2,459 million in our business.

Woodside's total investment expenditure in 2017 is expected to be approximately $1.6 billion.

Investment expenditure



Sources and uses of cash

Our cash flow from operations is expected to exceed our committed investment expenditure of $1.4 billion in 2017.

1. *Benefits include impact of higher production volumes and reduced operating and capital costs. Volume benefits are relative to average performance for 2010 to 2013. Operating cost savings are relative to 2013 actual expenditure, and capital cost savings are relative to our 2013 forward plans adjusted for acquisitions, disposals and deferrals.*

Strategy, capital management and business model

Strategy

Our mission is to deliver superior shareholder returns and we are doing this by producing and delivering affordable, low-cost, low-emissions energy to growing markets around the world.

The past five years have seen three important transformations in global energy markets: the emergence of unconventional resources; the application of technology; and a more concerted global effort to deliver on pledges to reduce emissions.

Woodside is in a strong position - our conventional portfolio has low break-even costs; we have been an early adopter of technology within our industry; and we believe LNG will be an important component of the global energy mix.

Maximise our core

We create near-term value by maximising operational effectiveness of producing assets and developing resources in the most cost-effective way.

Leverage our capabilities

Woodside is building distinctive capabilities across the oil and gas value chain and has a proven track record in the design, construction and operation of world-class LNG plants, FPSO operations, subsea technology, seismic acquisition and processing, and deep-water drilling.

By leveraging our capabilities across our business life cycle, applying the latest technologies and market experience and fostering relationships, we are able to unlock and extract value through opportunities that would not otherwise present themselves.

Grow our portfolio

We are growing and rebalancing our exploration portfolio, with a focus on increasing our exposure to emerging basins and oil. We will continue to concentrate on aggregating positions around our existing focus areas: Australia and Asia-Pacific, the Atlantic Margins and Sub-Saharan Africa.

We are also seeking to grow our portfolio through acquisitions, maintaining a disciplined approach to ensure that we continue to increase shareholder value and appropriately manage risk.

We are creating a hub on the Burrup Peninsula in the Pilbara region of Western Australia to maximise Woodside's investment in assets in the region, to capture new resources and to expand access to LNG as a transport fuel.

Our strategy focuses on delivering long-term superior shareholder returns and has been developed in collaboration with our Board. Each year, the Board and Executive together test the strategic plan against changes in the external environment and verify that it is on track to deliver long-term value creation.

Capital management

We are subject to fluctuations in commodity price and, consequently, we need to maintain 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.

Capital allocation

Our priorities for the allocation of capital are:

+ Debt service, to ensure that we continue to have access to premium debt markets at an acceptable cost to support our growth activities. Our gearing target is between 10% and 30%. We target maintaining an investment-grade credit rating.
+ Investment expenditure to sustain and grow our business. We seek to invest in world-class low-cost assets that are within the first two-thirds of their life cycle and that build on existing positions within our three geographic focus areas. We aim to limit our equity exposure to future complex, capital intensive LNG projects to between 25% and 40% by FID.
+ Dividend payments, governed by our Dividend Policy, which specifies 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.
+ Returning surplus cash to shareholders by either special dividends or stock buy-backs.

Capital discipline

Our focus is on value growth. We achieve this through good investment decision making and active portfolio management. We adopt a traditional discounted cash flow (DCF) approach to our investment decisions whether they be acquisitions, developments, divestments or other activities. Our investment criteria are designed to add value by ensuring that our investment decisions deliver returns on invested capital that exceed our cost of capital. The assumptions we use are set independently of project decisions. We apply a suite of target metrics that ensure that our investment decisions deliver superior shareholder returns. We also test the robustness of our investments against a range of low-outcome scenarios with the expectation of a positive net present value. 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 minimum internal rate of return of 12%–15%.

Capital efficiency

We seek to develop and own low-cost world-class assets. Our approach is to drive down the unit development cost of our projects to maximise competitiveness and value while not compromising on our commitments to health, safety, the environment and the countries in which we operate. Through good oilfield development planning, project execution and through the use of technology, we identify the optimum solutions enabling us to maximise the value of our operations and developments.

Business model

Acquire and explore

We seek to grow our portfolio through exploration and acquisitions, maintaining a disciplined approach to increasing shareholder value and appropriately managing risk.

Our Exploration division provides growth opportunities to deliver on our strategy by pursuing high-impact exploration activities in new and emerging petroleum provinces in our three focus areas around the world.

In recent years, we have increased our focus on complementing our discovered and undiscovered resource base through acquisitions. We have a disciplined approach to assessing opportunities and routinely review our process to capture valuable lessons from our experiences. We closely monitor the external environment to understand peer strategies and trends. In evaluating opportunities, we increasingly utilise the experience of our organisation to screen high-grade opportunities and, where required, utilise independent financial advice.

The investment criteria applied to business development opportunities are consistent with our organic growth opportunities. In growing our business, we look for material positions in world-class assets that complement our capabilities and existing portfolio.

Develop

We are a world-class developer of oil and gas resources with a 30-year history of safely and successfully delivering world-class LNG, domestic gas and oil projects. We have rigorous investment assessment criteria and only approve investment in opportunities that, after prudent assessment, meet our investment criteria.

We are in the business of creating value-adding development solutions, which we do through harnessing the technical and business skills from across the company. During the development phase, we maximise value by selecting the most efficient concept for getting the products to market.

We work closely with our customers, joint venture participants, governments and communities to realise the opportunities across all phases of the development process. Once the value of the resource is confirmed, a development concept has been selected and designed, and approvals have been received, the development moves into project delivery and construction.

Operate

Our dedication to achieving operational excellence – sustaining a safe, reliable and low-cost operational environment – is underpinned by our experience in operating some of the world's premier oil and gas facilities.

Our operations are characterised by world-class reliability, with strong safety and environmental performance in remote and challenging locations. By adopting a continuous improvement mindset and an efficient, well-planned, cost-competitive operating model, we are able to maintain operational integrity, optimise production and maximise value.

With a focus on using leading-edge technology and unlocking collective intelligence through 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

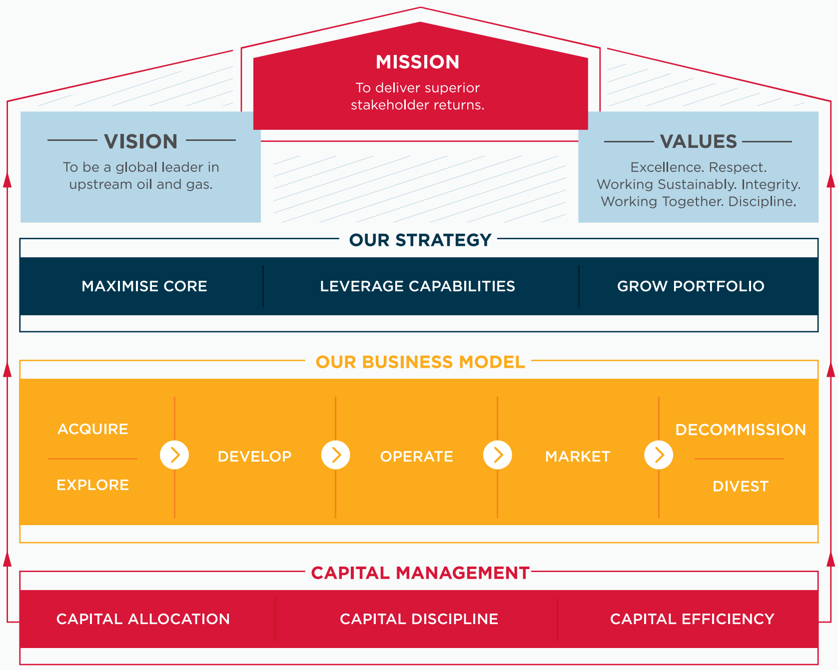
Our marketing and trading capabilities have long been central to our role as a leading supplier of energy to the Asia-Pacific region. Our valuable relationships with customers in major energy markets have been maintained through a track record of reliable delivery and expertise across contracting, marketing and trading.

With existing long-term LNG sales, we are pursuing near-term value accretive arrangements with existing and new customers 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, underpinned by reliable Australian LNG and supplemented by future globally sourced volumes to pursue additional long-term sales arrangements.

Decommission and divest

Decommissioning is integrated into project planning throughout an asset's life cycle, from the earliest stages of project development, through to the end-of-field life. At appropriate intervals through the project's life cycle, we consider opportunities to divest where value accretion can be maximised.

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 us to maintain a positive reputation and uphold our licence to operate.



Our business model and low-cost operations enable us to supply affordable energy to the world, create value and deliver sustainable shareholder returns.

Our 2017 priorities

Wheatstone – expected first LNG mid-2017

- Wheatstone LNG is expected to provide more than **13** MMboe (Woodside share) **of annual production** once fully operational

Senegal – moving towards commercialisation

2 SNE appraisal wells early 2017

- Improving understanding of reservoir connectivity
- Assessing further exploration and appraisal in 2017+

Myanmar – building on 2017 exploration success

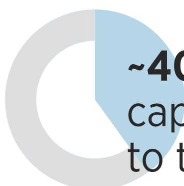
4 wells to be drilled in 2017

2 appraisal + 2 exploration

- Potentially 3 additional wells
- Forecast 2017 investment expenditure ~$150 million

Pluto LNG – maximising our investment

- Evaluating further **capacity enhancement** and **mid-scale or large-scale expansion**
- Planning an **LNG hub** and **developing** new transport and marine LNG fuel markets



~40% 2017 capex allocation to these priorities

While progressing key developments

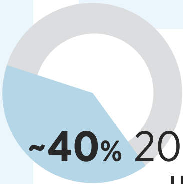
Greater Enfield
+ Expect first oil mid-2019

NWS plateau extension
+ Persephone start-up Q3 2017
+ GWF-2 start-up H2 2019

Scarborough
+ Preparing for development

Browse
+ Selecting development concept H2 2017

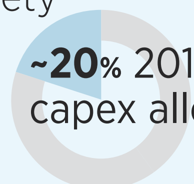
Kitimat LNG
+ Undertaking extended production testing of 3 wells



~40% 2017 capex allocation

Underpinned by our base business

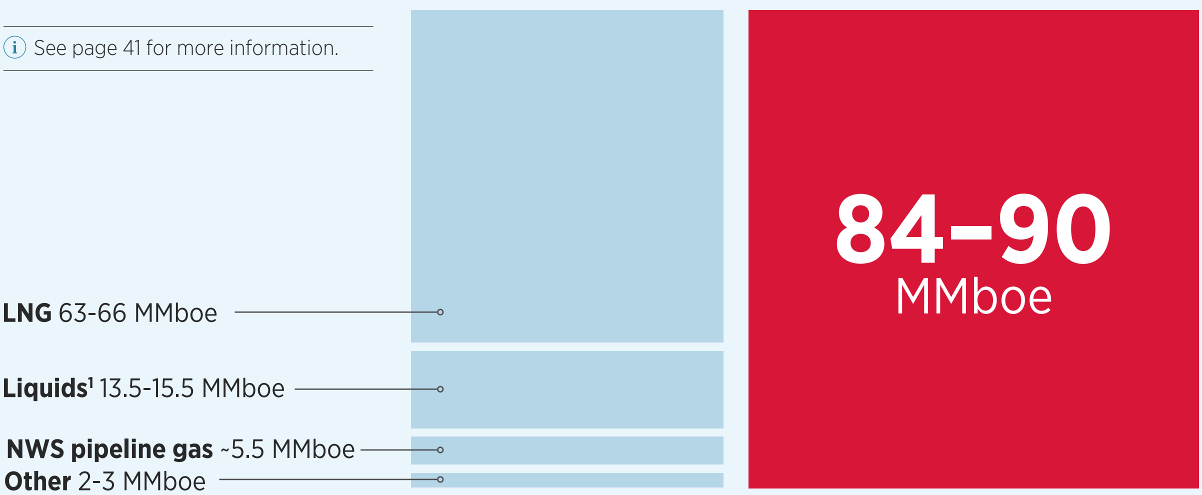
+ Sustained operational excellence
+ Outstanding reliability
+ Managing risk and volatility
+ Continuous improvement
+ Investigating options for utilising future LNG capacity
+ Focus on improving health and safety



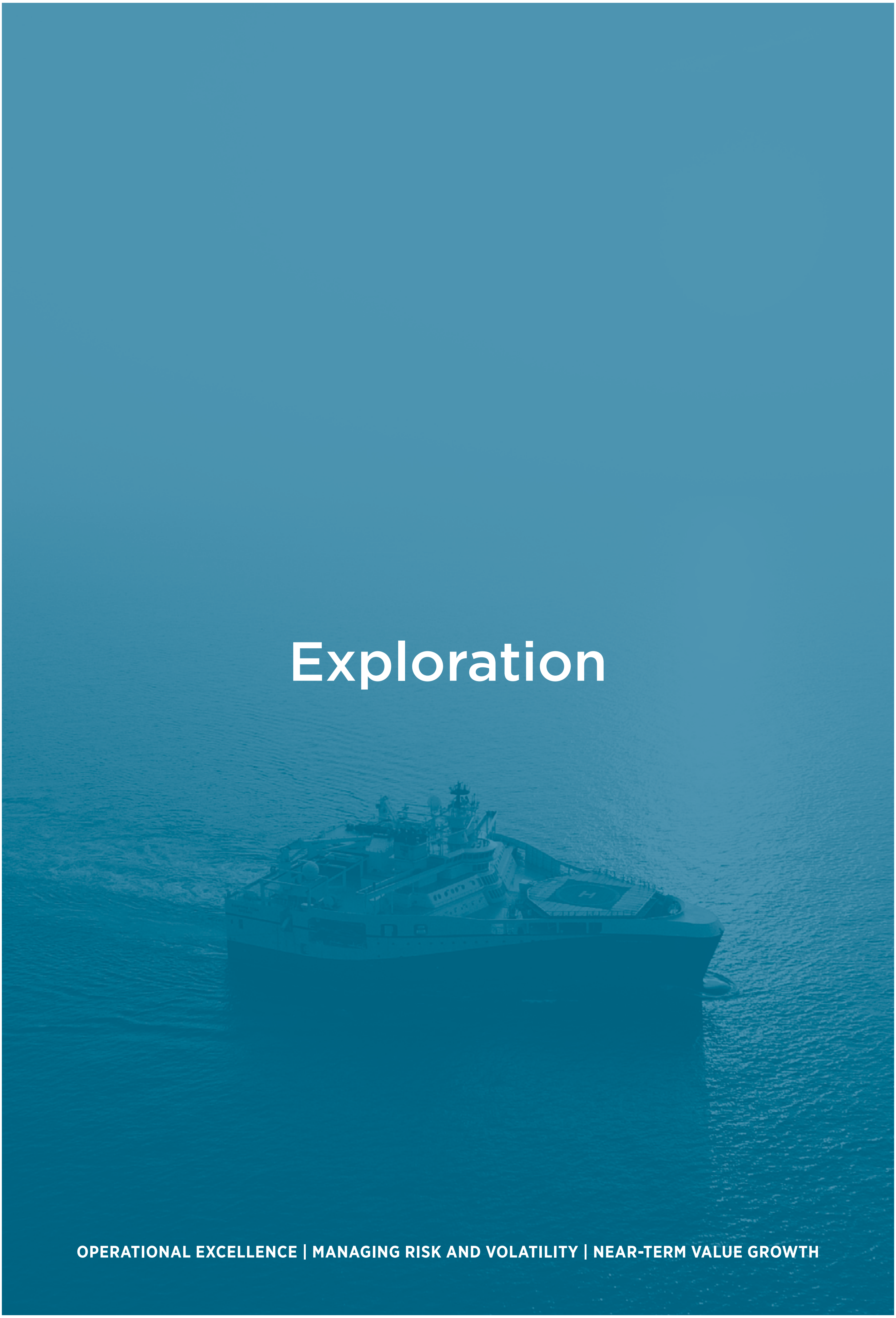
~20% 2017 capex allocation

Production guidance

See page 41 for more information.



1. *Liquids includes oil and condensate.*


Exploration
OPERATIONAL EXCELLENCE | MANAGING RISK AND VOLATILITY | NEAR-TERM VALUE GROWTH

2016 Highlights

+ Annouced the discovery of 2.4Tcf of recoverable gas (2C, 100%) offshore Myanmar.[1]
+ Acquired over 35,000 km^2 of seismic data in Myanmar and Ireland.
+ Captured significant exploration potential through our Senegal acquisition.
+ Focused exploration inventory build delivered a significant increase in commercially attractive prospects, resulting in increased inventory volumes and value.

2017 Activities

+ Four firm wells and up to three contingent wells to be drilled in Myanmar.
+ Two appraisal wells in Senegal and up to two contingent exploration wells.
+ Identify further exploration and appraisal opportunities in Myanmar.
+ Drill the Swell-1 exploration well in the Exmouth sub-basin targeting potential backfill of Woodside's Burrup Peninsula infrastructure.

Global exploration

Exploration is focused on delivering material oil and gas discoveries to provide sustained growth and top-quartile performance.

Exploration strategy in 2016

Woodside's exploration strategy continues to progress, and in 2016 we made significant progress towards realising our vision of becoming a global leader in upstream oil and gas.

Throughout 2016, we focused our efforts on the most promising acreage in our exploration portfolio. We targeted growth opportunities that align with our strategic goals and relinquished non-core or non-material permits. Woodside's global exploration portfolio continues to grow in three core areas – Australia and Asia-Pacific, Atlantic Margins and Sub-Saharan Africa.

During the year, the quality of our acreage improved through a disciplined approach to portfolio management. We have successfully rebalanced our portfolio with an increased exposure to oil and emerging basins with proven hydrocarbons and high potential. Since 2012, we have increased our exposure to emerging basins from 18% to 80% and 25% of our exploration portfolio is targeting oil.

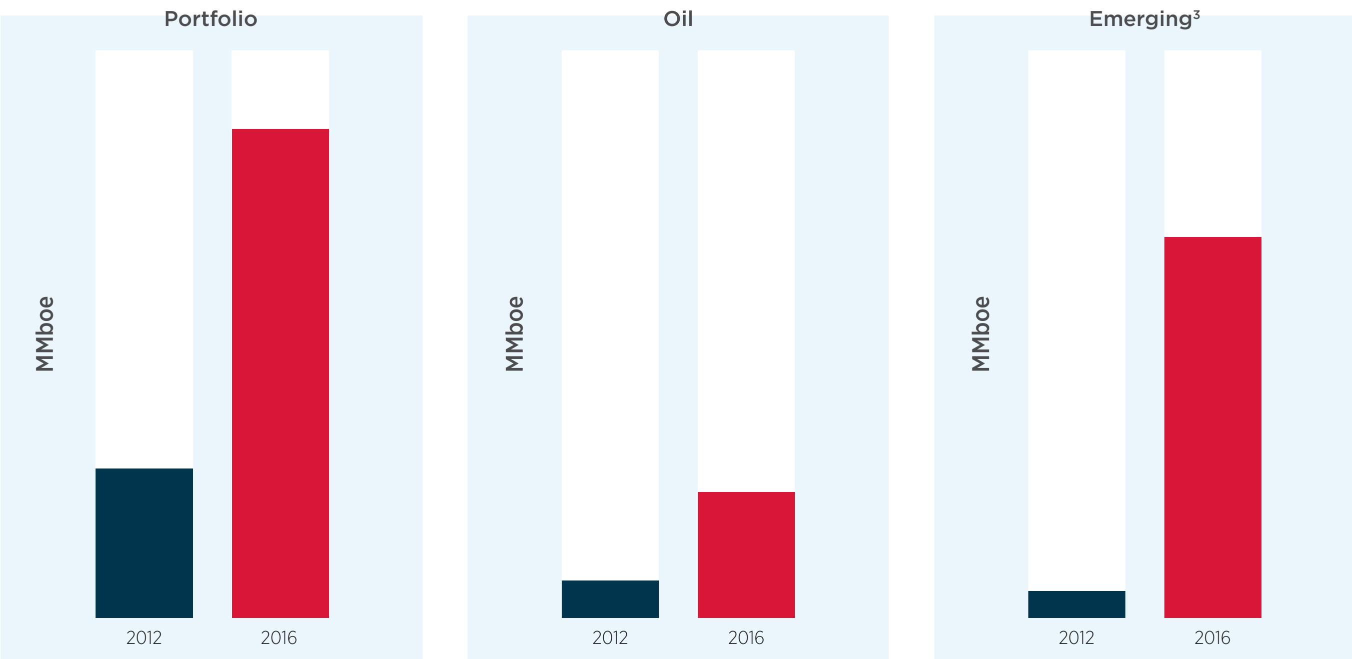
Our acquisition of interests in Senegal strengthens Woodside's position in a highly prospective region. This acquisition offers line-of-sight to near-term oil production from the SNE oilfield, an option to operate and significant exploration upside. Our interests in Senegal provide the foundation for creating a regional hub.

In Myanmar, Woodside has a strong acreage position with interests in six blocks. In 2016, we were one of the most active and advanced explorers in the region. Gas discoveries early in the year established the credentials of a working hydrocarbon system in the Rakhine Basin, which has immediate follow-up potential.

To deepen our understanding of emerging basins in our portfolio, we have acquired more than 35,000 km^2 of high-quality 3D seismic data in our acreage in Ireland and Myanmar. By optimising survey design and realising reduced seismic vessel rates, we achieved significant cost savings and acquired more seismic data for less investment.

Our improved exploration portfolio 2012-2016

Unrisked net mean success volume[2]



1. *Refer to ASX Announcement dated 20 May 2016. Woodside's estimated net economic interest in the contingent resources (2C) is approximately 209 Bcf dry gas (Shwe Yee Htun) in Block A-6 and 259 Bcf dry gas (Thalin) in Block AD-7. These estimates are highly dependent on realised gas prices, Government participation rights, Government share of profit and royalties under Woodside's 40% interest in the respective PSCs and the outcome of future commercial arrangements.*
2. *Net unrisked mean success volume is the sum of the mean recoverable estimates in case of exploration success from all identified leads and prospects in the exploration portfolio.*
3. *Basins are classified as emerging (petroleum system proven, limited exploration drilling), mature (existing production) and frontier (no proven petroleum system).*

Australia and Asia-Pacific

Myanmar

Woodside announced two play-extending discoveries in Myanmar in 2016. The Thalin and Shwe Yee Htun discoveries are estimated to contain contingent resources (2C) of 468 Bcf of dry gas (2.4 Tcf, 100%).

The two discoveries represent a significant exploration success for Woodside and proved the existence of a high-quality petroleum system with multiple play levels. The well results have significantly de-risked the prospect and leads portfolio and resource potential in the region. Building on the success of Thalin-1A and Shwe Yee Htun-1, Woodside has commenced planning and approval processes to support a comprehensive exploration and appraisal drilling program across Blocks AD-7 and A-6 in 2017. The program will further improve our understanding of the discovered fields, demonstrate commerciality and test low-risk, high-value exploration prospects.

The drilling of two appraisal and two exploration wells is scheduled to commence in February 2017. Two appraisal wells are planned for Block AD-7 and an exploration well is planned for both Blocks AD-7 and A-6. The campaign has scope for up to three contingent wells for which work is advanced on maturing two additional drilling candidates. These additional wells remain subject to internal, joint venture and government approvals.

Extensive seismic surveys, including gravity and magnetic data acquisition, over five of our six blocks commenced in late 2015 and were completed in May 2016. Approximately 33,000 km^2 of high-quality data was acquired during these surveys, which has expanded our inventory and identified further drilling opportunities. A substantial efficiency gain and cost reduction was achieved during seismic activities in Myanmar through the deployment of a record number (18) of streamers. This resulted in acquisition costs per square kilometre of less than a third of the long-term industry average.

Woodside holds a strong acreage position in the Rakhine Basin with an interest in six offshore blocks. Our program of activities across these blocks made us one the most active explorers in the region in 2016, and planned activities will continue to advance this position.

ⓘ See page 30 for more information.

Australia

Exploration activities in Australia are focused on identifying prospects near existing infrastructure. During 2016, we drilled two wells offshore north-western Australia. The Skippy Rock-1 and the Stokes-1 exploration wells in the Beagle sub-Basin permit WA-472-P resulted in dry holes, but improved our geological understanding of the area.

Interpretation of the Fortuna 3D marine seismic survey in the North West Shelf Project area continues to mature a portfolio of drilling candidates. Drilling candidates will be considered for 2018 and beyond.

Drilling of an exploration well targeting the Swell prospect will begin in mid-2017, while planning has also commenced for an exploration well to be drilled in WA-404-P during 2018. The permit contains other discoveries, enhancing the potential for tieback to existing facilities.

Three exploration permits in the Exmouth sub-basin were renewed for a further five-year term. Interpretation of the Hubble 3D seismic data set in the sub-basin is ongoing, and seismic reprocessing efforts commenced in January 2017. Renewal of these permits, reprocessing and interpretation efforts represent an opportunity to explore for hydrocarbon volumes close to existing infrastructure at low cost.

Woodside was awarded an exploration permit in the Bonaparte Basin, which includes a commitment to acquire 3D seismic data.

Eight Australian exploration permits in the Browse and Northern Carnarvon Basins were relinquished during the year.

Woodside retains an interest in 17 Australian exploration permits, providing the right to explore 43,000 km^2 of the Greater North West Shelf.

New Zealand

Interpretation was completed of newly processed pre-stack depth migrated seismic data from the 2015 Vulcan and Toroa 3D seismic surveys in the Taranaki and Great South Basins.

Atlantic Margins

Senegal

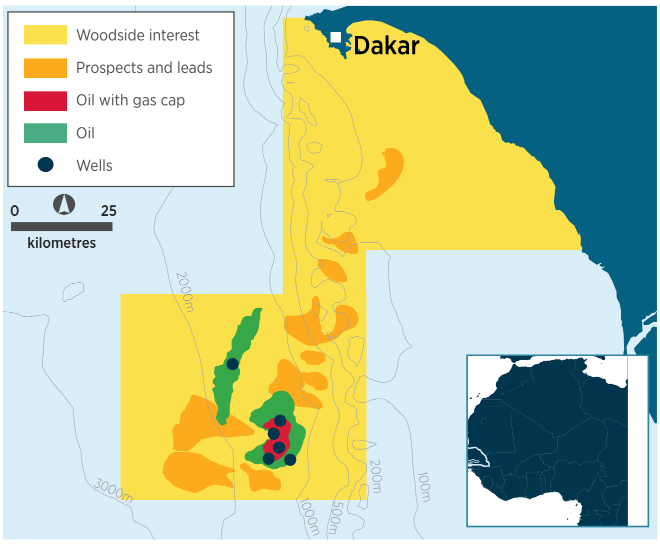
Senegal offers the opportunity for Woodside to develop a significant regional hub across the value chain.

The acquisition of the Senegal interests increased Woodside's position in a highly prospective region. Our priority is progressing the 2017 work program as a joint venture participant.

Several exploration prospects have been identified across multiple play levels. The joint venture is in the process of assessing options for potential exploration drilling in 2017 and 2018.

Woodside continues to pursue growth opportunities for the regional hub.

ⓘ See page 27 for more information.



Prospects and leads within Senegal's Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore exploration blocks.

Morocco

The joint venture has entered the First Extension Period of the Rabat Deep offshore exploration permits. Drilling of the Rabat Deep-1 well is planned for 2018 to test the JP1 prospect; a large, four-way dip closed structure in an area with the potential of finding liquid hydrocarbons. ENI Maroc B.V. has assumed operatorship of the acreage, acquiring a 40% equity interest.

Ireland

We increased our significant position in Ireland through the award of Licensing Option (LO) 16/14 in the south-east Porcupine Basin following a successful bid in the 2015 Atlantic Ireland Licensing Round. The LO commenced on 1 March 2016 for a two year term.

Extensive 3D seismic surveys were conducted in 2016, including 1,600 km^2 of 3D data in LO 16/14 and 2,400 km^2 of 3D data in Frontier Exploration Licences (FELs) 3/14 and 5/14. These surveys, Granuaile and Bréanann respectively, were successfully completed back to back, within time and under budget. Data is currently being processed, with final products expected in Q3 2017.

Environmental and well engineering studies have commenced in preparation for drilling a well in FEL 5/13, possibly as early as 2018.

Peru

The interpretation of seismic data and the maturation of a lead and prospect portfolio continue in Block 108. A number of promising structures have been identified.

Sub-Saharan Africa

Gabon

Processing of the first azimuth of multi-client 3D seismic data and acquisition of a second azimuth of 3D seismic data in the Doukou Dak Block have been completed. The second azimuth data set will be integrated into the interpretation of the area in 2017.

Woodside is awaiting final government approval for the farm-in to acquire a 40% interest from operator Repsol Libreville S.A. avec A.G. in the Luna Muetse Block.

Work has focused on processing multi-client 3D seismic data and the joint venture is planning for a well to be drilled in 2017-2018. Completion of this farm-in will strengthen our existing acreage position in an emerging high-impact play.

Consistent with our disciplined approach to exploration portfolio management, we made the following changes to our portfolio in 2016.[1]

Region		Permit or licence area	Comment
Australia	Browse Basin	WA-396-P, WA-397-P, WA-447-P, WA-449-P, WA-495-P	These permits were relinquished or surrendered during the year.
	Northern Carnarvon Basin	WA-478-P, WA-465-P, WA-467-P	
Canada	Nova Scotia Scotian Basin	EL 2431, 2432, 2433, 2434	After careful evaluation of all of Woodside's interests and developments, Woodside elected to withdraw from the Nova Scotia Joint Venture.
Morocco	Doukkala Basin	Rabat Ultra Deep Reconnaissance Licence	Woodside elected not to convert the Reconnaissance Licence to an Exploration Licence and the licence expired on 14 December 2016.
Korea	Ulleung Basin	Block 8/6-1N	The concession contract for Block 8/6-1N expired in December 2016, after post-well regional studies.
Cameroon	Douala Basin	Tilapia Block	The Tilapia Licence was not renewed at the end of the exploration phase following drilling of the Cheetah-1 well in 2015.
Spain (Canary Islands)	Canarias	Blocks 1-9	Woodside and the joint venture are progressing formal relinquishment. The permits expired in March 2016.

1. Subsequent to the reporting year, the agreement under which Woodside was to acquire an interest in the offshore AGC Profond block (in the Senegal and Guinea-Bissau joint development zone) was terminated.

Outlook

As we move from a period of portfolio growth to execution, we have commenced planning and approvals for the drilling of high-impact wells in 2017 and 2018.

We are focused on consolidating our positions in areas of high potential with proven success, with a view to establishing and growing regional hubs. We remain committed to delivering on our exploration strategy to secure near-term growth opportunities with a clear line-of-sight to commerciality.

2017/2018 Drilling Activities		2017				2018	Size
Drilling[1]		**Q1**	**Q2**	**Q3**	**Q4**		**Volume**[2]
Myanmar	Block AD-7 Thalin-1B appraisal	● Gas					Appraisal
	Block AD-7 Thalin-2 appraisal		● Gas				Appraisal
	Block A-6 exploration			● Gas			Large
	Block AD-7 exploration			● Gas			Large
	Exploration/appraisal			○ Gas	○ ○ Gas	● ● ● ○ ○ ○ ○ Gas	TBA
Australia	WA-483-P Swell 1			● Gas			Medium
	WA-404-P Ferrand-1					● Gas	Large
	NWS Fortuna					● Gas	Medium
Senegal	Senegal offshore appraisal	● ● Oil		○ Oil			Appraisal
	Senegal offshore exploration		○ Oil			○ Oil	TBA
Morocco	Rabat Deep-1					● Oil	Large
Gabon[3]	Luna Muetse Ivela-A					● Oil	Large
Ireland	Beaufort-1					○ Gas or oil	Large
Peru	Block 108 exploration					○ Oil	Large

Drilling
● Gas ● Oil ● Gas or oil

Contingent drilling
○ Gas ○ Oil ○ Gas or oil

Notes: This is a forecast activity plan subject to change due to rig availability, weather conditions and other external circumstances.

1. The drilling program remains subject to final approvals.

2. Target Size: Unrisked Gross Mean Success Volume 100%. Medium >20 MMboe and <100 MMboe and large >100 MMboe.

3. Woodside farm-in to Luna-Muetse Block is awaiting final Government approval.

Projects and Developments

OPERATIONAL EXCELLENCE | MANAGING RISK AND VOLATILITY | NEAR-TERM VALUE GROWTH

2016 Highlights

+ Acquired interests in Senegal, including a 35% interest in the ~560 MMbbl SNE deep-water oil discovery, offering line-of-sight to near-term oil production.

2017 Activities

+ Drill two appraisal wells in the SNE oilfield to provide a better understanding of reservoir connectivity and inform development concepts.
+ Undertake development screening studies to determine initial and future subsea gathering systems.
+ Identify exploration prospects for potential drilling in 2017-18.

Senegal

Woodside acquired a material position in a highly prospective offshore region of Senegal in H2 2016. The SNE field offers line-of-sight to new near-term oil production and a foundation for creating a regional oil and gas hub. Significant exploration upside exists to build on this foundation.

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

We bring to the joint venture extensive experience in responsibly developing and operating floating production, storage and offloading (FPSO) facilities.

Woodside's expertise in horizontal well and completion design, subsea gathering system design, project execution and production excellence complements the joint venture participants' capabilities.

Woodside has the option to operate the future development of any resource.

SNE

SNE is one of the largest global deep-water oil discoveries since 2014 and represents an opportunity for first oil production from 2021–2023. The SNE field is estimated to contain contingent resources (2C) of 150 MMbbl of oil net to Woodside (~560 MMbbl, 100%).

After drilling an exploration well and four successful appraisal wells, the joint venture is now executing a program of two appraisal wells. The first of these, SNE-5, spudded on 21 January 2017. The appraisal program will provide a better understanding of reservoir connectivity by conducting interference testing.

Development screening studies are underway to determine the initial and future subsea production gathering systems to capture the significant resource base. Contracting strategies for execution are also being developed in parallel.

The preliminary foundation development concept for SNE is a stand-alone FPSO facility with an expansion capability for future tiebacks. SNE resources currently indicate a plateau production rate in the range of 100,000–120,000 bbl/d (100%).

Building value

The joint venture has identified multiple exploration prospects across several play levels in the acreage. Assessment of drilling candidates with tieback or stand alone potential is being progressed for further exploration and appraisal drilling in 2017 and beyond.

We will also continue to pursue growth opportunities to further develop the regional hub.

Woodside has progressed a number of activities to support our investment in Senegal. In 2016, we engaged an in-country representative and established a permanent office in Dakar. We will continue to build our presence in-country in 2017 and we are focused on ensuring that the SNE development delivers significant economic and social benefits to Senegal.

Senegal timeline

Q4 2014
FAN-1 and SNE-1 oil discoveries made. SNE-1 was the largest global oil discovery of 2014

Q3 2016
Four successful appraisal wells completed (SNE-2, SNE-3, BEL-1 and SNE-4)

Q4 2016
Woodside completes acquisition of ConocoPhillips' interests

Q1 2017
Third phase appraisal and exploration campaign begins. SNE-5 spuds (21 January) and SNE-6 scheduled to commence

2017
Up to two contingent wells planned

2018 - 2019
Further appraisal and exploration activity

2021 – 2023
Targeting first oil

Wheatstone LNG

2016 Highlights

- The Julimar Project completed all construction and commissioning work on schedule and under budget.
- All modules for the LNG and domestic gas trains are on site.
- Supported the Wheatstone Project operator with targeted capability by deploying secondees for the commissioning phase.

2017 Activities

- The Wheatstone Project operator is expecting first LNG from Train 1 in mid-2017, with first LNG from Train 2 expected six to eight months later.
- Production from the Woodside-operated Julimar Project in H2 2017.
- Concept select for subsequent phases of the Julimar Project.

Wheatstone LNG is expected to add significant production volumes to Woodside's portfolio from mid-2017.

Overview

Wheatstone LNG, comprising the Wheatstone and Julimar Projects, is a world-class asset that will deliver near-term production to Woodside's LNG portfolio.

Woodside has interests in the Wheatstone Project and the Julimar Project.

Wheatstone is a key component of Woodside's near-term growth strategy and will contribute over 13 MMboe of annual production (Woodside share) once LNG and domestic gas trains are fully operational.

Woodside is the operator of the Julimar Project, which is a subsea development that will supply raw gas and condensate from the Julimar and Brunello fields to the Wheatstone offshore platform. The Julimar Project will supply approximately 20% of the Wheatstone Project's foundation capacity of natural gas. The remaining 80% will be supplied from the Chevron-operated Wheatstone and Iago fields.

Marketing

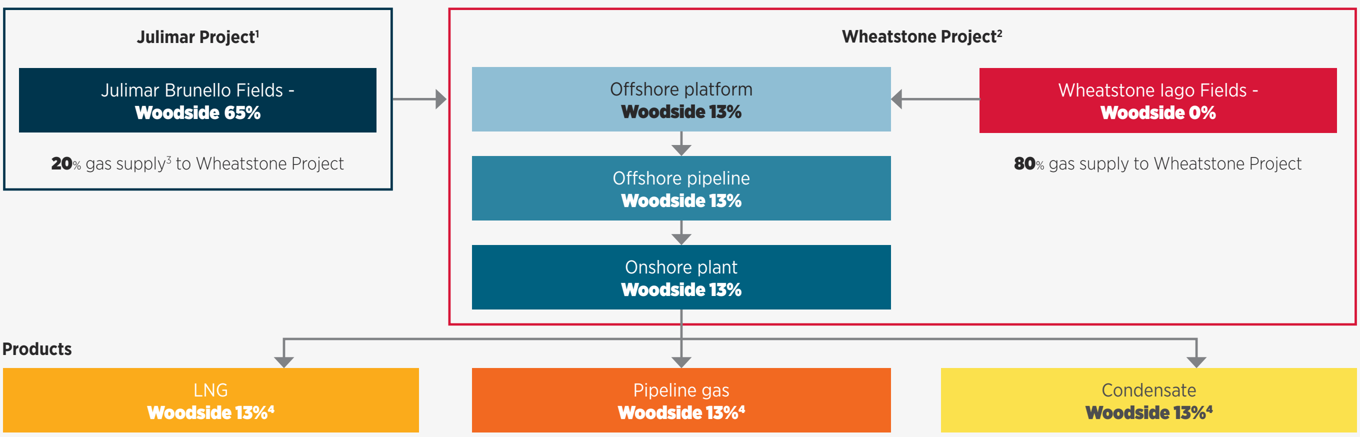
Woodside's overall LNG equity portfolio will be enhanced by the addition of uncontracted volumes. At least 15% of the quantity of LNG exported from the Wheatstone Project is reserved for domestic gas.

Outlook

In 2016, our capital expenditure was $755 million and in 2017 we forecast further capital expenditure of approximately $370 million. In 2017, we estimate that Wheatstone will contribute 2-3 MMboe of annual production. In steady-state operations, we estimate operating expenditure to be $55-65 million per year. Approximately 80% of our LNG volumes from Wheatstone LNG are under long-term contracts with traditional customers, which were entered into close to the peak of the market. The Wheatstone project operator is expecting first LNG in mid-2017 and first LNG from Train 2 six to eight months later.

Wheatstone LNG site nears completion.

Woodside equity interests



All figures are approximate. Product percentage depends on supply gas composition.

1. *Operator: Woodside.*
2. *Shared facilities, Woodside non-operator.*
3. *Woodside's 65% share of the Julimar Project's 20% gas supply equates to 13% of the gas supply to the Wheatstone onshore plant.*
4. *Depends on supply gas composition.*

Development update

In 2016, the Wheatstone Project progressed key milestones including the delivery of all modules to site. Structural, mechanical and piping works are continuing, while the construction of the condensate tanks was completed. Permanent power to the LNG plant has been established and the LNG storage tanks and export loading jetty completed.

In addition to this, all construction and commissioning work on the Julimar Project was completed on schedule and under budget in 2016. The Julimar Project consists of a number of phases commencing with the development of the Brunello field, which is closest to the Wheatstone platform.

Woodside is currently evaluating the best options for developing subsequent phases of the Julimar Project, which will include the development of the Julimar field.

All Wheatstone Project Train 1 and Train 2 modules are set on their foundations.

Wheatstone LNG 2016 project timeline

H1 2016

- All Train 1 process modules required for first LNG delivered to the LNG plant site.
- Woodside seconded staff into the start-up team.
- Successfully completed the drilling and completions activities for the five Brunello wells.
- Installation of all the Julimar subsea hardware including manifolds and the electro-hydraulic umbilical were completed.

H2 2016

- Julimar tie-in and integration activities with the Wheatstone Platform were completed and the control system was successfully commissioned.
- Pipeline pre-commissioning activities for the Julimar Project, including dewatering, drying and nitrogen purging, were completed.
- The first gas-turbine generator started up.
- All Train 1 and Train 2 modules were set on their foundations. Structural, mechanical and piping works continue.
- The storage and loading system was ready for commissioning and cool-down, with the LNG storage tanks and export loading jetty complete.

LNG storage tanks being completed.

Julimar Project manifolds being loaded in Singapore for transport to the field.

All images courtesy of Chevron Australia.

2016 Highlights

+ Announced back-to-back gas discoveries adding 82 MMboe of 2C resources.
+ Completed extensive seismic survey program to inform future drilling program.
+ Continued to pursue commercialisation opportunities.

2017 Activities

+ Drill two appraisal wells and two exploration wells to continue volume build.
+ Progress activities that support near-term commercial development of discovered resources.

Myanmar

Our significant footprint in Myanmar represents an organic, high-value growth opportunity to meet increasing energy needs of an emerging region.

Woodside's early-mover strategy in Myanmar delivers competitive advantage in an underexplored region close to major and growing energy markets.

Our position in the Rakhine Basin, an area with proven and potential hydrocarbon volumes, aligns with our strategy to secure international growth opportunities in frontier and emerging basins that leverage our experience and capabilities in deep-water exploration and development.

To meet increased demand from an increasingly urbanised population, Myanmar will require a mix of energy sources to provide a stable and reliable energy supply, with gas likely to play an increasingly crucial role. Myanmar is also well positioned to supply gas to growing Asian energy markets through existing infrastructure.

We have established a strong acreage position, with interests in six offshore blocks, through a combination of successful bid rounds and farm-ins.

In 2017, we will build upon our early exploration successes through a substantial exploration and appraisal campaign that includes plans for two exploration wells and two appraisal wells, with a further three contingent wells within the campaign scope. (See pages 23-24 for further information about Myanmar exploration activities.)

We will continue to pursue commercialisation options in 2017 by targeting near-term commercial development of discovered resources.

In support of our current and planned activities, we have engaged with a range of key stakeholders at national, regional and village levels, including government, community and non-government organisations.

Woodside is collaborating with international and local organisations to ensure that our company delivers strong and sustainable benefits for local communities. We have entered into a range of partnerships that are focused on building capacity and capability, and creating opportunities in education and employment in Myanmar.

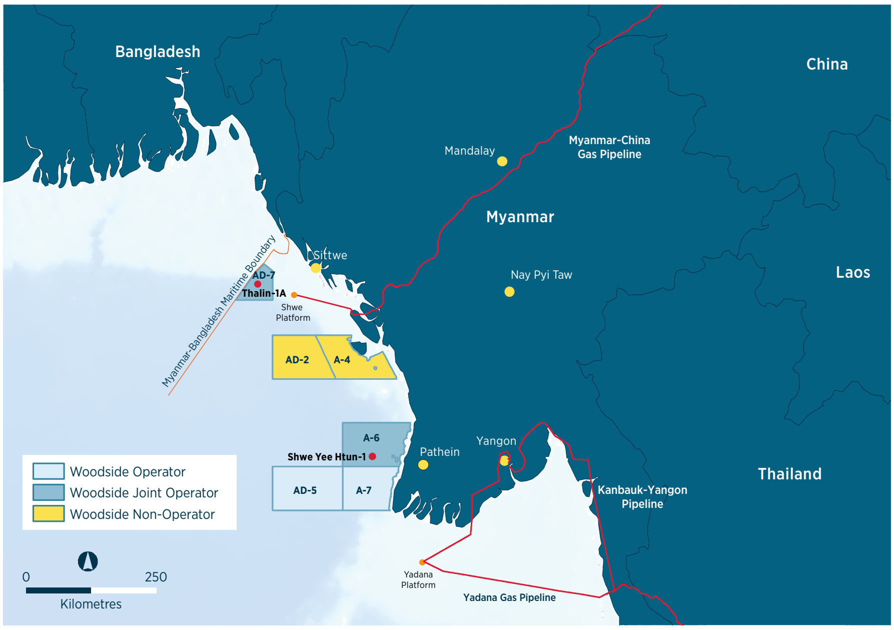
Woodside's forecast 2017 capital and exploration expenditure is approximately $150 million.

Thalin

The potential development concept for the AD-7 area including Thalin will be informed by our exploration and appraisal activities and continuing discussions with our joint venture participants and government stakeholders. Development concepts under consideration include a new area hub for broader gas aggregation and export, or development as a tieback to existing Shwe area infrastructure. Gas sales would be aimed at both domestic and nearby growing Asian gas markets.

Shwe Yee Htun

Ongoing exploration and appraisal activities will further improve our understanding of discovered fields. This, along with technical and commercial inputs from our joint venture participants and consideration of government priorities, will inform the Shwe Yee Htun potential development concept. A gas aggregation hub with export to either a new onshore location or to the existing Yadana complex are development concepts being considered.



Greater Enfield Project

2016 Highlights

- Final investment decision in June.
- Successfully transitioned to the execute phase.
- Awarded major contracts and commenced subsea equipment fabrication.

2017 Activities

- Detailed design and engineering.
- Manufacture of subsea equipment, including trees and wellheads, multiphase pumps, flexible flowlines, line pipe and umbilicals.
- Completion of detailed design of Ngujima-Yin FPSO modifications and manufacture of topsides equipment.

After investment approval in June 2016, the $1.9 billion Greater Enfield Project successfully transitioned into the execute phase and is progressing to plan.

The project will develop reserves (2P) of 41 MMbbl (69 MMbbl, 100%) from the Laverda Canyon, Norton over Laverda and Cimatti oil accumulations via a 31 km subsea tieback to the existing Ngujima-Yin FPSO facility.

Building on our proven capabilities and significant experience in delivering major subsea tiebacks, Woodside has maximised value from the project by collaborating closely with key contractors, applying the latest technology and leveraging the low incremental production costs associated with using existing FPSO infrastructure.

Shipyard modifications to the Ngujima-Yin FPSO are required to enable production from the Greater Enfield fields. Production from the Ngujima-Yin FPSO will be suspended from Q2 2018 for approximately 12 months.

Initial net oil production rates are estimated to exceed 24,000 bbl/d (Woodside share), and the project remains on budget and on schedule for expected first oil in mid-2019.

In 2017, we will require the manufacture of subsea equipment, including trees and wellheads, multiphase pumps, flexible flowlines, line pipe and umbilicals ahead of installation activities commencing in 2018.

Our capital expenditure in 2016 was $90 million and in 2017 we forecast further capital expenditure of approximately $280 million.

The Greater Enfield Project is a joint venture between Woodside Energy Ltd (Operator, 60%) and Mitsui E&P Australia Pty Ltd (40%).

NWS subsea tiebacks

2016 Highlights

- The Greater Western Flank Phase 1 Project was completed ahead of schedule and under budget.
- The Persephone Project completed the reservoir drilling and completions campaign and commenced subsea installation.
- Greater Western Flank Phase 2 began the reservoir drilling program.
- Persephone and Greater Western Flank Phase 2 remain on budget and schedule.

2017 Activities

- Start-up of Persephone Project in Q3 2017.
- Continue drilling, construction and installation of pipeline and subsea hardware to support Greater Western Flank Phase 2.

Persephone Project

We are bringing forward the projected start-up of the Persephone Project to Q3 2017.

This is due to outstanding project execution, including finalising the project's drilling and completions campaign ahead of schedule.

All subsea equipment has been manufactured and the riser spool, flow line end termination and manifold have been installed. The project successfully executed the majority of its brownfield scope on the North Rankin Complex to plan during the integrated turnaround in May 2016.

At the end of 2016, the project was 90% complete and is expected to deliver significant cost savings as a result of schedule improvements and offshore efficiencies.

Greater Western Flank Phase 1 (GWF-1) Project

The project was completed ahead of schedule and under budget.

The GWF-1 Project's Tidepole wells delivered first gas in Q4 2016, following start-up of the project's initial tranche of wells in the Goodwyn field in late 2015.

Greater Western Flank Phase 2 (GWF-2) Project

The GWF-2 Project was 33% complete at the end of 2016. Fabrication of key infrastructure, including pipeline and subsea hardware, is continuing, and the project's initial reservoir drilling campaign commenced in Q4 2016.

The project will be developed using subsea infrastructure connected to the existing Goodwyn A platform.

The project remains on budget and on schedule for start-up from an initial five wells in the Lady Nora, Pemberton, Sculptor and Rankin fields in H2 2019, followed by the remaining three wells in the Keast and Dockrell fields in H1 2020.

The Persephone Project is expected to supply gas to the North Rankin Complex from Q3 2017.

Kitimat LNG

Exceptional production performance from the Liard appraisal program confirms a prolific unconventional resource basin.

Development status

The Kitimat LNG Project proposes to develop natural gas resources found in shale and tight rock formations in the Liard and Horn River basins, covering approximately 600,000 acres (100% project) in north-eastern British Columbia. Gas will be transported via the proposed Pacific Trail Pipeline to a liquefaction facility at Bish Cove near Kitimat.

Kitimat LNG remains one of the most advanced LNG opportunities in Canada, located in a politically stable region and well positioned to supply North American gas given the shorter shipping distances to Asian markets.

Major provincial and federal environmental approvals are in place, including approval from the National Energy Board to export up to 10 Mtpa of LNG (100% project).

The joint venture is reviewing Woodside's NextGen Technology as a potential development concept. The technology has materially driven down the estimated unit cost of downstream LNG facilities and has the potential to minimise the environmental footprint and optimise project cost.

In the second half of 2016, we seconded Woodside staff into the Chevron design team to collaborate on reducing project delivery costs.

Well performance

We have two joint production and appraisal wells, with another coming online in early 2017. The exceptional performance of the existing wells places the Liard amongst the highest unconventional producing plays globally on a per well basis.

Outlook

In 2017, we will continue efforts to drive down costs across the value chain through new technology and best-in-class execution, and target top-decile cost of supply.

We will continue to maintain engagement with First Nations, government and communities, working to establish a clear, stable and competitive fiscal framework, while working to secure sufficient LNG sales.

Drilling and completion activities for 2017 will be focused on bringing the third Liard well (B-A03-K) into long-term production to allow further appraisal well evaluation.

At the same time, the downstream concept will continue to be matured, incorporating technological and execution breakthroughs.

In progressing the proposed Kitimat LNG development to commercialisation, we are targeting LNG demand in the mid-2020s.

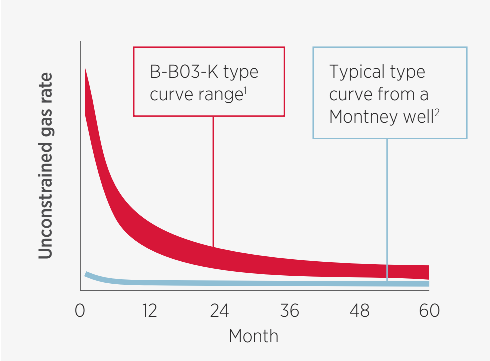
2016 Highlights

- Major provincial and federal environmental approvals are in place.
- Woodside's NextGen Technology selected for review as a potential development concept.
- Exceptional production performance from the Liard appraisal program confirms a prolific unconventional resource basin.

2017 Activities

- Increase knowledge of the resource base through production testing of three wells in the Liard Basin.
- Further drive down costs of the development concept through a focus on technology and execution.

Type curve



1. Gas rate is calculated well potential based on early well performance and assuming pipeline pressure of 6 MPa. B-B03-K horizontal length is 2,076 m and was completed with 19 hydraulic fracture stages.
2. Source: Wood Mackenzie and Woodside.

Kitimat LNG site in British Columbia, Canada. Image courtesy of Chevron Canada.

Scarborough

Our acquisition of a share of the Scarborough area assets increases our resource base close to Woodside-operated infrastructure.

Strategic drivers for acquisition

In November 2016, Woodside completed the acquisition of half of BHP Billiton's Scarborough area assets in the Carnarvon Basin, located offshore Western Australia.

The Scarborough area assets include the Scarborough, Thebe and Jupiter gas fields, which are estimated to contain contingent resources (2C) of 2.6 Tcf of dry gas (8.7 Tcf, 100%).

Adding additional Carnarvon Basin volumes to Woodside's Australian portfolio complements our growth strategy and builds on our existing position in the region.

Development status

The high-quality material resource base is well delineated with no further appraisal expected.

During 2017, Woodside will support the Scarborough operator to progress project optimisation activities and continues subsurface modelling studies in support of optimisation.

Outlook

Woodside is committed to achieving the best commercial outcome in developing this resource. Development concepts comprising either an FLNG facility or use of existing LNG process infrastructure on the Burrup Peninsula will be investigated and assessed in 2017.

2016 Highlights

+ Completed the acquisition of Scarborough area assets.
+ As a result of the acquisition, Woodside's Best Estimate Contingent Resources (2C) increased by 462 MMboe.

2017 Activities

+ Work with the joint venture to progress towards commercialisation.
+ Position to consider FEED readiness in 2018 and consider FID in 2020.

Browse LNG

We are targeting the highest-value development option and a reduction in development risks.

Development status

In March 2016, the Browse Joint Venture decided not to progress further with the selected floating LNG concept. Subsequently, a revised work program was submitted to government, and work began on evaluating a range of alternative development options, with a view to selecting a development concept in H2 2017.

Two development concepts are being evaluated. The first is a phased FLNG development of Brecknock, Calliance and Torosa. The alternative concept is the use of existing LNG process infrastructure on the Burrup Peninsula.

Renewal of the retention leases covering Brecknock, Calliance and Torosa was granted by the Commonwealth and State Governments in 2015 until 2020.

Outlook

Woodside remains committed to the earliest commercial development of the Brecknock, Calliance and Torosa fields, targeting to meet forecast LNG supply shortfall from 2022 onwards.

2016 Highlights

+ Completed front-end engineering and design work to evaluate the selected floating LNG concept.
+ The joint venture decided not to progress further with the floating LNG development concept selected at FEED entry in June 2015.

2017 Activities

+ Selecting development concept in H2 2017.
+ Deliver cost-savings to enhance project value and business case.

Sunrise LNG

The Greater Sunrise fields were discovered in 1974 and contain contingent resources (2C) of 1.7 Tcf of dry gas and 76 MMbbl of condensate net Woodside share (5.1 Tcf of gas and 226 MMbbl of condensate, 100%). 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 2016, we maintained compliance with our title obligations and continued our social investment activities in Timor-Leste.

Grassy Point LNG

Woodside continues to investigate the potential of developing and operating an LNG processing and export facility at Grassy Point, on the north-west coast of British Columbia, Canada.

In June 2016, the British Columbian Environmental Assessment Office approved Woodside's Grassy Point LNG Application Information Requirements (AIR).

Port Arthur LNG

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

In 2016, Woodside entered into a project development agreement with Sempra LNG, and applications were filed with the US Federal Energy Regulatory Commission seeking authorisation to construct and operate the LNG facility. Any decision by Woodside to proceed with a binding arrangement, including the establishment of a joint venture with Sempra LNG in relation to the project, remains subject to further due diligence and necessary internal and external approvals.

5.4 MMboe

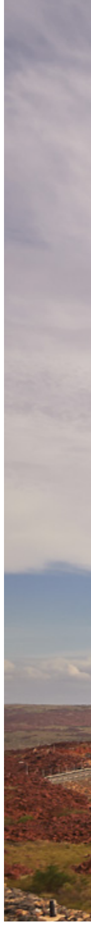
amount by which we exceeded our original production forecast

Read more on page 41.

Operations

OPERATIONAL EXCELLENCE | MANAGING RISK AND VOLATILITY | NEAR-TERM VALUE GROWTH

Pluto LNG



2016 Highlights

- Record annual LNG production of 40.2 MMboe and total production of 43.3 MMboe.
- Reliability averaging over 99% for 2016.
- Completed the PLA05 sidetrack well under budget and ahead of schedule.
- No interruptions to production for 353 days (up until 14 January 2017).
- Record low annual flaring.

2017 Activities

- Protect long-term supply by conducting Pluto subsurface field review.
- Conduct development studies to assess future possible supply options.

Record annual production from Pluto was achieved in 2016 as a result of reliability averaging over 99% and outstanding system availability.

Operational excellence

Record LNG production of 40.2 MMboe and record total production of 43.3 MMboe were delivered during 2016, driven by outstanding reliability, greater system availability and capacity enhancements delivered through recent turnarounds. Pluto's average annualised capacity has increased from 4.3 Mtpa to 4.7 Mtpa. In 2016, Pluto produced 5.0 mt at a production cost of $3.3/boe.

During 2016, Pluto LNG reliability averaged more than 99%, and there were no interruptions to production for more than 300 days, representing the longest continuous period of operation since project start-up in 2012.

Pluto is delivering sustainable reductions in operating costs through an ongoing focus on continuous improvement and integrated activity planning, which delivers increased planned work and fewer unplanned activities. Efficient materials and resource management and the delivery of the PLA05 side-track well ahead of schedule also contributed to strong financial performance in 2016.

Pluto has optimised its maintenance and turnaround strategy, eliminating a minor turnaround planned for 2016. Pluto's next major turnaround is scheduled for 2019.

Pluto's Gap Ridge Village (GRV) — a transient worker accommodation facility originally built to support the initial construction of the Pluto LNG Project — has been vacated following a decision by the Western Australian Minister for Lands not to renew the lease. The GRV will be decommissioned in Q1 2017.

Managing risk and volatility

The PLA05 side-track well completed in 2016 enables access to reserves that were previously inaccessible due to a downhole blockage. The drilling campaign was completed 40 days ahead of schedule.

With the completion of the PLA05 side-track well, Pluto has six production wells providing sufficient offshore deliverability to maintain maximum production and appropriate well sparing.

In 2016, Pluto delivered 77 cargoes[1] (total project) of LNG, and since start-up has delivered a total of 306 cargoes[1] (total project). In Q4 2016, Pluto delivered its 300th LNG cargo since start-up in 2012. The majority of 2016 cargoes were sold under long-term and mid-term agreements with premium Japanese and Korean energy buyers. Incremental value was derived from the sale of four upside cargoes on the spot market, resulting from LNG production being in excess of what had been planned.

Near-term value growth

Several parallel reservoir and development studies commenced in 2016 and will continue into 2017 to inform decision making on the potential to drill an additional infill well in 2018. Final interpretation of Pluto 4D seismic data will be available H1 2017 and will be used to refine subsurface targets.

1. Includes some partial cargoes.

The Pluto LNG Plant set several records in 2016.

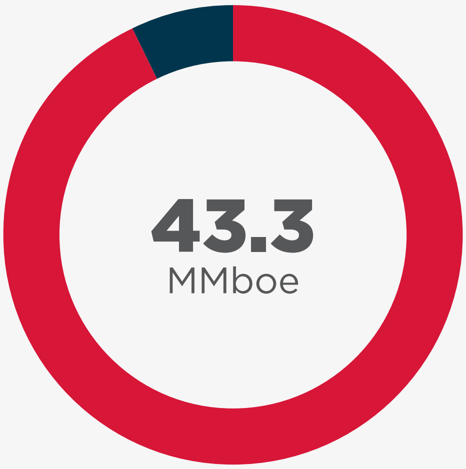
Opportunities for value growth

We will continue to drive operational excellence to deliver sustainable operating cost reductions, further capacity enhancements and potential mid-scale or large-scale expansion.

In 2017, we will undertake activities to support potential exploration activities from 2018 and continue to evaluate opportunities to process other resource owners' gas.

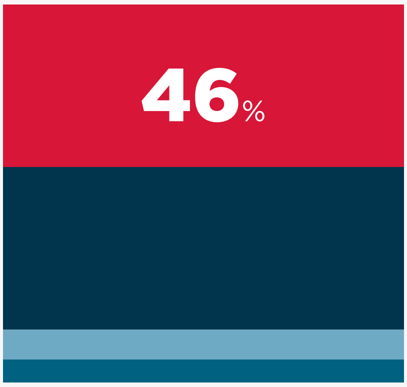
We will continue to use our expertise to progress activities to support selling LNG from Pluto as a transport fuel for the mining and bulk-ore shipping sectors. The creation of a truck-loading facility in 2017 will be the initial step towards achieving Woodside's LNG fuels strategy.

Production



	MMboe	%
LNG	40.2	93
Condensate	3.1	7

Gross margin[1]



	US$/boe	%
Gross margin	24.0	46
Depreciation and amortisation	21.1	40
Other	4.3	8
Production cost	3.3	6

1. *Refer to glossary for definition.*

North West Shelf Project

2016 Highlights

- Achieved record quarterly production from Karratha Gas Plant (KGP) in Q3 and set daily, weekly and monthly production records.
- Delivered top-quartile LNG reliability of over 98% from KGP.
- Exceeded annual production forecast as a result of combined offshore and onshore reliability and increased onshore plant capacity.
- Safely executed largest-ever NWS integrated turnaround on schedule and budget.
- Commenced major marine facilities refurbishment campaign at KGP that will ensure ongoing vessel-loading reliability.

2017 Activities

- Continue to pursue opportunities to process other resource owners' gas.
- LNG dual-fuel vessel to commence operations.
- Maintain onshore and offshore reliability while continuing to support offshore projects.

A disciplined approach to project execution, an ongoing focus on operational and maintenance excellence and top-quartile reliability is delivering value from the North West Shelf (NWS) Project.

Operational excellence

A sustained focus on operational excellence is delivering improvements in plant capacity and reliability.

In 2016, improved offshore and onshore reliability led to increased overall LNG reliability of 98%. This contributed to production of 44.3 MMboe, just short of the 44.7 MMboe achieved in 2015. Our share of NWS pipeline gas was 12.9 MMboe and, from mid-2017, our equity share of NWS pipeline gas will reduce from 50% under the Domestic Gas Joint Venture to 16.67%.

During May and June, the NWS Project completed its largest-ever turnaround, involving 16 interdependent offshore and onshore scopes at KGP, the Goodwyn A platform and the North Rankin Complex. This included completing work to enable the tie-in and start-up of the Persephone Project.

We applied lessons from previous turnarounds while adopting innovations, such as using wireless technology to improve the productivity of operators and maintainers, to help establish a range of global benchmarks during the turnaround.

Our ability to deliver turnaround activities safely and successfully reinforces Woodside's position as a premier operator of LNG facilities in Australia and the world.

As a result of improvements delivered during the turnarounds, KGP's average annualised capacity has increased to 16.9 Mtpa, well above the plant's original design capacity of 14.9 Mtpa.

As well as delivering improvements to increase plant capacity, Woodside has also embarked on a journey to improve energy efficiency. Over the next five years, Woodside is aiming to reduce energy intensity – the relative amount of energy used to produce a unit of hydrocarbon – by 1% each year by identifying and implementing a range of incremental improvements across our processes and equipment and with our people.

ⓘ See page 54 for more information on our health, safety and environment performance.

Managing risk and volatility

The Karratha Life Extension (KLE) Program is focused on extending the life of KGP and reducing risks to production through the delivery of a portfolio of cost-effective refurbishment scopes.

KLE investment is matched to KGP's current production profile while ensuring sufficient flexibility to accommodate future decision making, including opportunities to process gas from other resource owners.

Major activities undertaken in 2016 include the refurbishment of five major processing units, while a marine facilities campaign is progressing to plan. In 2016, four LNG loading arms on Berth 1 and two loading arms on Berth 3 were replaced without any impact to production, with the remaining two arms on Berth 3 scheduled for completion in Q1 2017.

The expected expenditure on the KLE program in 2017 is $67 million.

The NWS Project continues to invest in the long-term future of the onshore and offshore assets, pursuing new opportunities through operational excellence and investing in existing operations.

From July 2016, the NWS Project participants commenced separate marketing of uncontracted LNG and pipeline gas. Equity lifting enables Woodside to derive value from upside production, while maintaining the important contractual relationships held with long-term customers for the ongoing supply of LNG and pipeline gas.

The Okha FPSO facility – which produces oil from the Cossack, Wanaea, Lambert and Hermes (CWLH) fields – completed a planned facility turnaround and vessel dry-docking in H1 2016. Subsea life extension studies to support continued operation of the CWLH infrastructure to end-of-field life will be undertaken in 2017.

Near-term value growth

The NWS Project is developing its reserves efficiently and effectively while Woodside continues to identify and pursue opportunities to process other resource owners' gas through existing infrastructure.

In 2016, significant progress was made on the Persephone and Greater Western Flank Phase 2 projects, while additional production from the Tidepole field was delivered by the Greater Western Flank Phase 1 Project (see 'NWS subsea tiebacks' on page 31 for further information). Woodside's extensive subsea development expertise is ensuring that sanctioned projects are being delivered on schedule and on budget.

In Q1 2016, the NWS Project participants entered the front-end engineering and design (FEED) phase with Hess Exploration Australia to process resources from Hess' Equus fields in the Carnarvon Basin. In November 2016, Hess advised that it was discontinuing FEED activities. Prior to this, the NWS Project and Hess had matured a number of commercial agreements required for the provision of tolling services. This work has created a foundation for other potential opportunities.

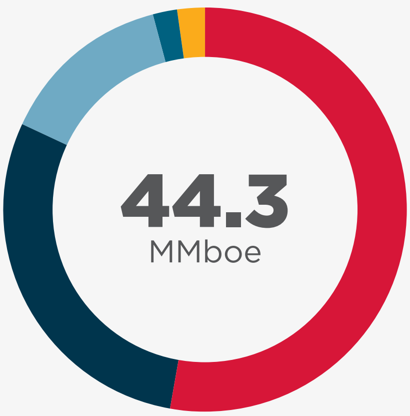
Outlook

In 2017, we will maintain our focus on operational and maintenance excellence and the delivery of sustainable top-quartile reliability to maximise value from our existing infrastructure. Cost-effective life extension activities will support our ongoing operations.

Woodside's track record of delivering major subsea tieback projects to plan, which underpins the efficient and effective commercialisation of existing NWS Project reserves, will be further bolstered by the completion of the Persephone Project and ongoing execution of the GWF-2 Project.

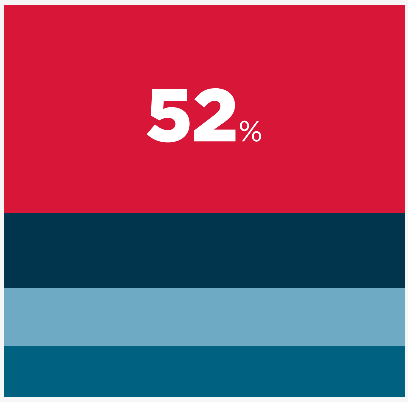
Woodside, along with the NWS Project participants, will continue to explore opportunities to process gas from other resource owners through our facilities.

Production



	MMboe	%
LNG	23.5	53
Pipeline natural gas	12.9	29
Condensate	6.2	14
LPG	0.7	2
Oil	1.0	2

Gross margin[1]



	US$/boe	%
Gross margin	17.2	52
Depreciation and amortisation	6.3	19
Other	4.8	15
Production cost	4.4	14

1. Refer to glossary for definition.

Australia oil

The One FPSO Project has delivered reduced operating expenditure and improved performance across our fleet.

2016 Highlights

+ Flawlessly executed the Vincent multi-phase pump change, which was accelerated from 2018 to capture additional value and production in 2017.
+ Completed the One FPSO project to reduce costs and improve efficiencies by standardising the asset management model.

2017 Activities

+ Undertake preparations for the cessation of Enfield production.
+ Commence preparations for Ngujima-Yin FPSO shipyard scope to support the Greater Enfield Project.

During 2016, Woodside remained focused on maximising value from our FPSO fleet through a sustained focus on efficiency and productivity, while investing for strategic growth in oil production.

Enfield (Nganhurra FPSO)

Annual production was 1.1 MMbbl, down from 1.2 MMbbl in 2015. High reliability partially offset natural reservoir decline.

During 2017, we will undertake preparations for the cessation of Enfield production, potentially from Q4 2017, and the permanent departure of the Nganhurra FPSO from the field. This includes the safe suspension of remaining infrastructure in preparation for future decommissioning activities.

Vincent (Ngujima-Yin FPSO)

Annual production was 4.1 MMbbl, down from 5.5 MMbbl in 2015 due to lower reliability and natural reservoir decline.

In October 2016, the multi-phase pumps were changed to operate at a lower suction pressure and to accelerate oil production.

Production will be suspended in Q2 2018 for modifications to be made to the Ngujima-Yin FPSO to enable production as part of the Greater Enfield Project.

Balnaves

Annual production was 0.3 MMbbl.

On 4 March 2016, Woodside gave notice of termination of the Balnaves FPSO Services Agreement. Production ceased on 20 March 2016.

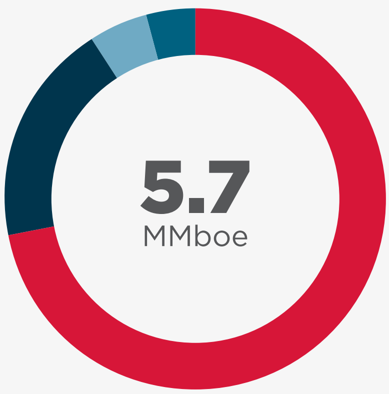
After cessation of production and in accordance with contractual commitments and regulatory requirements, Woodside undertook decommissioning activities including removing the riser turret mooring and subsea infrastructure from the Balnaves field.

Laminaria-Corallina

Annual production was 0.2 MMbbl.

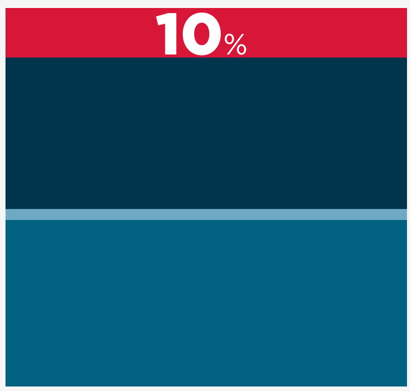
After completion of the sale of the Laminaria-Corallina assets to Northern Oil and Gas Australia in April 2016, Woodside provided extensive transitional support to ensure that the new operator could meet all production and regulatory compliance requirements.

Production



	MMboe	%
Vincent	4.1	72
Enfield	1.1	19
Balnaves	0.3	5
Laminaria-Corallina	0.2	4

Gross margin[1]



	US$/boe	%
Gross margin	4.7	10
Depreciation and amortisation	18.2	40
Other	1.6	4
Production cost	20.7	46

1. *Refer to glossary for definition.*

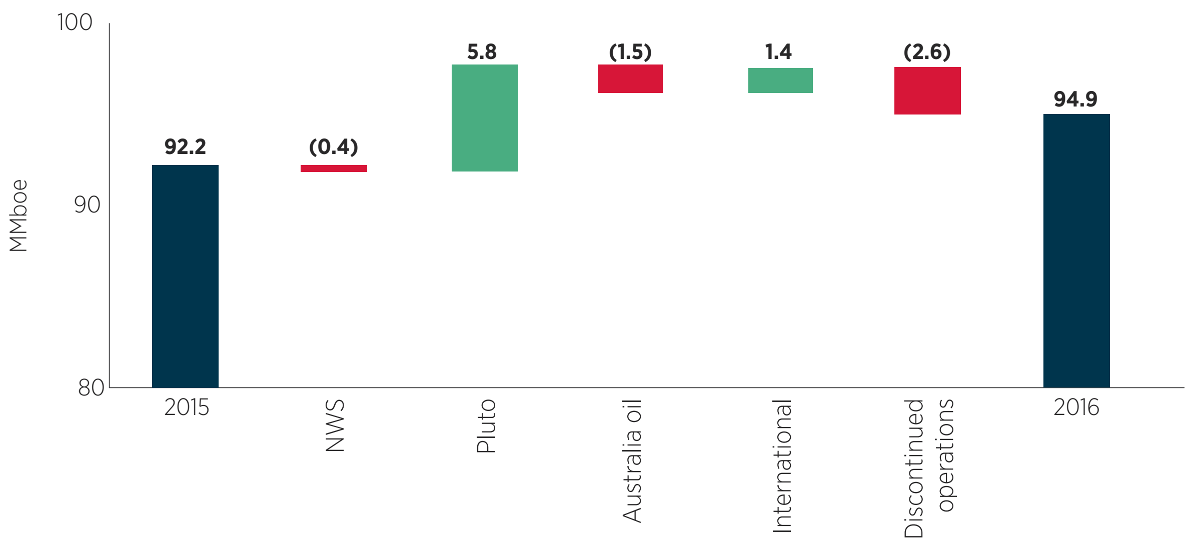
International gas production

Canada

The Liard and Horn River basins produced 1.6 MMboe of natural gas, up from 0.2 MMboe in 2015. The increase follows start-up of the D-A28-B and B-B03-K wells in early 2016. 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 Development.

See page 32 for more information on the Kitimat LNG Development.

Production reconciliation



Higher production in 2016 was driven by outstanding LNG reliability and availability. We exceeded our original guidance of 86-93 MMboe despite discontinuing operations at Stybarrow, Balnaves and Laminaria-Corallina.

2017 Production guidance

Woodside's production guidance for 2017 is 84–90 MMboe, broken down as follows:

	2016 (MMboe)	2017E (MMboe)
LNG	63.7	63-66
Liquids[1]	16.0	13.5-15.5
NWS pipeline gas	12.9	approximately 5.5
Other[2]	2.3	2-3
Total	**94.9**	**84-90**

+ Production increase from 2016 to 2017 is forecast for the LNG business due to expected world-class reliability, the absence of major planned turnarounds and the addition of Wheatstone production.
+ Lower forecast 2017 production is largely due to the equity share of NWS pipeline gas reducing from 50% under the DGJV to 16.67%.[3]

1. Liquids include oil and condensate.

2. Other includes NWS LPG and Canada pipeline gas.

3. Woodside equity share of NWS pipeline gas and associated condensate is 50% in the Domestic Gas Joint Venture (DGJV) (up to 414 TJ/d, contract flexibilities allow Woodside to receive 50% up to 517.5 TJ per day) and 16.67% in the Incremental Pipeline Gas Joint Venture (IPGJV). The DGJV has been producing NWS pipeline gas for over 30 years. Fulfilment of DGJV production entitlement is expected in May 2017. Thereafter, Woodside share of NWS pipeline gas and associated condensate is 16.67%.

88%

Expected 2017 LNG production sold under oil-linked contracts

Read more on page 44.

Marketing and shipping

OPERATIONAL EXCELLENCE | MANAGING RISK AND VOLATILITY | NEAR-TERM VALUE GROWTH

Marketing and shipping

2016 Highlights

+ Integrated two new LNG vessels with competitive market rates into Woodside's fleet.
+ Executed arrangements allowing Woodside to equity lift its share of uncommitted NWS and Pluto LNG and domestic gas volumes.
+ Signed a Heads of Agreement (HoA) for long-term supply of LNG to Pertamina.
+ Completed majority of NWS price reviews, achieving pricing at traditional levels.
+ Agreed short-term pipeline deal with Synergy, the first pipeline gas sale executed under the new NWS equity lifting arrangements.
+ Commenced initial Myanmar market testing studies to accelerate options for commercialisation.
+ Executed oil-linked LNG sales of up to 1.3 million tonnes in 2016 and early 2017 for delivery over 2017–2018.
+ Three spot cargoes were sold to Indian buyers, further diversifying Woodside's customer base.

2017 Activities

+ Convert HoA with Pertamina into fully termed Sale and Purchase Agreement.
+ Integrate uncommitted Wheatstone volumes into our LNG portfolio.
+ Pursue opportunities to create demand for LNG as a transport fuel in the Pilbara.
+ Evaluate opportunities to be involved further along the value chain to create additional demand for our gas.
+ Continue to target high-value customers for new long-term LNG portfolio sales arrangements.

Global LNG demand grew by 7% in 2016 and is expected to grow by more than 6% per annum over the next five years.

Operational excellence

Our integrated approach to delivery continues to produce excellent outcomes for the business. By optimising our shipping portfolio, we continue to minimise costs and add incremental value on each delivery.

Woodside's control of its shipping fleet and strong customer relationships helped mitigate all production curtailment risks associated with stronger-than-expected output and also supported our increased trading activities.

In 2016, two new LNG vessels were successfully integrated into Woodside's fleet, further enhancing our shipping capabilities. These vessels have been chartered at competitive rates.

Managing risk and volatility

We have sold 88% of expected 2017 LNG production under mid-term or long-term oil-linked contracts, maintaining an appropriate level of spot exposure. During 2016 and early 2017, we executed oil-linked LNG sales for up to 1.3 million tonnes for delivery over 2017–2018.

Arrangements such as NWS equity lifting and the Pluto Transitional Marketing Arrangement have been put in place to allow Woodside to sell its share of equity production – developing the company into a portfolio seller. These agreements allow Woodside to aggregate volumes to be sold under short- and mid-term contracts and support our strategy of maintaining managed levels of exposure to spot prices to maximise revenue.

Although Asia remains our core market for LNG, customer diversity was enhanced by delivering cargoes to countries such as Egypt, Argentina, Kuwait and India.

Near-term value growth

Woodside signed a HoA with Pertamina in April 2016, establishing a new and important relationship in Indonesia. Indonesia is expected to be a key strategic counterparty going forward due to growing LNG demand and proximity to our key assets.

The NWS Project successfully completed the majority of price reviews and achieved prices at traditional levels.

We have made our first equity pipeline gas sale to Synergy, the NWS Project's first domestic gas customer, after implementation of NWS equity lifting. This sale establishes Woodside as an independent pipeline gas seller.

Initial market testing studies in Myanmar were initiated in the pipeline gas market to support exploration efforts and to accelerate options for commercialisation.

Woodside is pursuing opportunities to create demand for LNG as a transport fuel. Around 3 billion litres of diesel is imported annually into the Pilbara region of Western Australia, mostly for use in mine vehicles and locomotives in the resources sector. Another 5 billion litres of heavy fuel oil is used to power the ships carrying mining products from the Pilbara, home to the largest bulk-export ports in the world.

There is long-term potential for much of this marine and transport fuel to be converted to LNG, providing significant environmental and cost benefits. In 2016, we placed a long-term charter for the Siem Thiima, the first LNG-fuelled supply vessel in the southern hemisphere, which arrived into Woodside's marine fleet in January 2017.

We continue to actively evaluate opportunities to be involved further along the value chain to create additional demand for our gas.

Market overview

Significant new production out of Australia and the USA will have the LNG market well supplied until the early 2020s. New investment in LNG capacity will be required before the end of the decade to avoid shortages in the 2020s. Woodside is positioning itself to compete through technology and innovation, driving down costs and leveraging its existing infrastructure.

New import markets are opening up more rapidly than before, with development of floating storage and regasification units (FSRUs) that are deployable within as little as a year and at significantly lower cost than traditional onshore regasification facilities. Emerging countries such as Columbia and Pakistan have begun importing LNG through FSRUs.

LNG will increasingly compete in transport fuels, particularly for heavy transport. LNG is a clean alternative that is well positioned to displace diesel and heavy fuel oil. The potential demand for LNG as a marine fuel received a boost in 2016, with the International Maritime Organisation (IMO) decision to significantly reduce the allowable sulphur levels in marine fuels globally from 2020 in order to reduce pollution from the shipping industry.

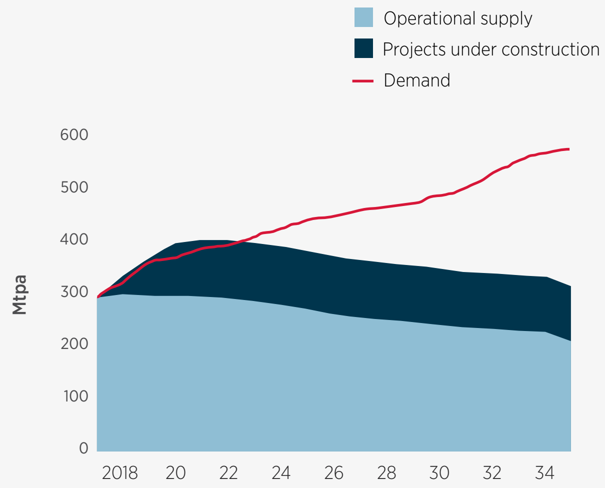
The market for marine fuels is significant. If the entire global marine fleet switched to LNG, almost all the 245 Mtpa of LNG traded globally in 2015 would be required to power the global marine fleet. Even a small proportion of that market would represent a big rise in demand.

In road transport, China is leading the way with LNG demand for trucking. This is set to double by the end of the current decade.

Woodside's portfolio is well positioned to meet growing demand in South-East Asia, driven by a decline in regional supply, with traditional exporters such as Indonesia now becoming importers of LNG. Europe is expected to absorb excess volumes in the market, particularly from the USA. China and India are expected to drive demand growth through to 2030, with additional centres of demand growth emerging in South America and the Middle East.

While North Asian spot prices in 2016 on average were lower than in 2015, in December 2016 prices recovered to almost US$10/MMBtu[1] due to the return of traditional buyers to the spot market, strong winter demand, operational supply issues and higher coal prices.

Global LNG supply and demand



Source: Wood Mackenzie LTD, Q4 2016

1. *Source: S&P Global Platts.*

Woodside signing the HoA for long-term supply of LNG with Pertamina.

33%

Reduction in flaring intensity

Read more on page 55.

Corporate

OPERATIONAL EXCELLENCE | MANAGING RISK AND VOLATILITY | NEAR-TERM VALUE GROWTH

People and capability

2016 Highlights

- Implemented organisational change across our business to support the delivery of our strategy.
- Introduced new talent management software to improve our workforce analytics and the management of talent and capability.
- Launched our third Reconciliation Action Plan (RAP), which received the highest possible rating of Elevate from Reconciliation Australia.
- Continued to attract high-quality graduates and improve the intake of female technical graduates as part of our gender-balanced graduate program.
- Our global voluntary turnover rate continues to trend downwards from 5.7% in 2015 to 3.3% in 2016.

2017 Activities

- Implement the 2016–2020 RAP, Inclusion and Diversity Policy and Gender Diversity Strategy.
- Increased activities to grow outstanding leadership, build diverse capability and drive an inclusive high-performing culture enabled by technology.

We continue to grow outstanding leaders, build diverse capability and drive an inclusive high-performing culture enabled by technology.

Building culture and capability

Woodside continues to drive a high-performing culture. One of the ways in which we do this is by building the capability of our workforce.

In 2016, 140 employees completed a cross-functional rotation to broaden their leadership and technical capability. This represented a 20% increase on the 2015 result. We also successfully trialled new Development Centres to assess and develop leadership capability in a superior and cost-effective manner. We accelerated the development of our graduates by providing them with an opportunity to take part in action learning projects where they solved real-life problems. We also assigned each graduate a technical coach to support the development of their competencies. In-house training continued to focus on licence to operate and core role-based competencies.

Our ability to grow outstanding leaders was evident, with 81% of senior leader appointments in 2016 coming from internal promotions, an improvement on 73% in 2015. We also maintained the ratio of graduate hires over mid-career external hires, at 67% in 2016.

Productivity progress

A number of organisational changes were implemented across the value chain in 2016 to support the delivery of our strategy. These changes better positioned existing functions and created new teams to accelerate and optimise activity across our growth portfolio.

An example of this was the integration of the Development Planning and Subsurface teams into our Science and Technology division to spur rapid identification and application of breakthrough solutions to support our development activities. Our Business Development and Growth team also transitioned into the Finance and Commercial division to evolve synergies with functions such as Strategy and Planning.

We continue to leverage technology to support our growth. In 2016, we began implementing a new talent-management software package to improve our workforce analytics and develop our workforce's capabilities.

Inclusion and diversity

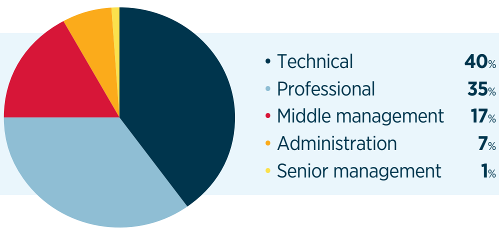
Woodside recognises that an inclusive culture that promotes diversity, respect and a sense of belonging is a key contributor to success. In 2016, our Diversity Policy was updated, broadened and renamed the Inclusion and Diversity Policy to strengthen our emphasis on an inclusive culture.

During the year, the number of Indigenous people employed within our workforce rose from 94 (2.7% of the total workforce) to 103 (3% of the total workforce), moving

Company snapshot

3,511
Employees

Deployed across
11 countries
to support our international operations



Ranging in
experience and positions

us closer to our 2020 target of 4%. This included the hire of 14 Indigenous trainees and three apprentices as part of our pathways program, just short of our goal to hire 15 and four respectively. Our total number of Indigenous pathways participants has increased to 21 trainees and 12 apprentices. We have maintained our strong commitment to driving sustainable Indigenous employment opportunities through social contribution partnerships and community capability-building programs. Twenty community-based scholarships and scholarships directly linked to future employment opportunities were active in 2016.

In 2016, we advanced on our 2015 three-year strategy to drive sustainable improvement in gender diversity at all levels of the workforce. The strategy focuses on processes and practices to address challenges women face at different stages of their careers, minimise the potential for bias and realise the benefits of a gender-balanced workforce.

Our female representation increased to 28.4%, almost double the industry average of 15.8%.[1] Female voluntary turnover decreased from 5.3% in 2015 to 3.6% in 2016.[2]

Woodside continues to provide gender-balanced development opportunities through the graduate, apprentice and trainee development programs. The overall percentage of females in our graduate program has increased and improvements have been made in the number of female technical hires.

Outlook

In 2017, we will continue to grow outstanding leaders, build diverse capability and drive an inclusive high-performing culture enabled by technology. Our focus is on enabling our people to effectively innovate, collaborate and accelerate their efforts in pursuit of our ambition to demonstrate global leadership in providing affordable and sustainable energy.

1. *Workplace Gender Equality Agency 2016.*
2. *Female voluntary turnover in 2015 was 5.3% as referenced in the Sustainable Development Report 2015.*

In 2016, our Indigenous employee voluntary turnover rate **decreased** to **2.9%**

In 2016, our female employee voluntary turnover rate **decreased** to **3.6%**

Sustainability

We are here for the long term. We look after each other, our communities and the environment.

Working sustainably is embedded at every level of our company and is fundamental to realising our vision to be a global leader in upstream oil and gas.

Sustainability is about delivering shareholder wealth through operating our existing business and developing new business opportunities in an affordable manner that is socially and environmentally responsible.

To achieve this, we are committed to our five sustainability principles: operating with transparency and integrity; fostering our organisation and culture; building a resilient business; operating responsibly; and creating shared value.

Sustainable Development Report

Each year, we compile a Sustainable Development Report that provides an overview of our company performance against our sustainability principles.

In 2016, the Report was restructured to better demonstrate how we link our sustainability principles to the company mission, vision, values and activities.

As Woodside's social licence to operate relies on effective relationships with our stakeholders, the Report reflects material issues as they relate to both internal and external stakeholders. We identify our stakeholders based on the location, timing and potential impacts from our activities. The Report is prepared in accordance with the Global Reporting Initiative (GRI) G4 core level reporting. The GRI guidelines provide a globally accepted framework of principles and indicators for reporting an organisation's economic, environmental and social practices and performance. Woodside also reports in accordance with IPIECA and Oil and Gas Industry Guidance on Voluntary Industry Reporting (2015).

Determining sustainability material issues

Woodside considers sustainability issues to be material if they have the potential to impact our ability to achieve our business strategy, our reputation, or are of material concern to our stakeholders. Our materiality process consists of four key steps: identifying material issues, prioritising and ranking material issues, validating the information, and completing an annual benchmarking review.

In 2016, these were the top six material issues identified by our internal and external stakeholders:

1. Climate change
2. Major incident prevention
3. Major incident response
4. Transparency, anti-bribery and corruption
5. Health and safety performance
6. Regulatory compliance.

SD For further information on Woodside's response to material issues, see our Sustainable Development Report 2016.

Sustainability performance

Woodside's corporate scorecard links to metrics related to our material issues. Woodside's sustainability performance is also linked to remuneration for employees and executives. To help us evaluate our progress in a more objective way, we track our performance against a number of external benchmarks including the Dow Jones Sustainability Index (DJSI), Carbon Disclosure Project (CDP), FTSE4Good and other environment, social and governance indices.

In 2016, Woodside received a Silver Class distinction from RobecoSAM[1] for sustainability performance as well as inclusion in the DJSI 2017 Sustainability Yearbook. This was based on an overall score of 80/100 points, which placed Woodside in the top 5% when ranked against peers in the oil and gas upstream and integrated sector.

SD For further information on our sustainability performance, refer to the Sustainable Development Report 2016.

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

SUSTAINABILITY PRINCIPLES	TOP 6 MATERIAL ISSUES IN 2016		
OPERATING WITH TRANSPARENCY AND INTEGRITY	Transparency, anti-bribery and corruption	Regulatory compliance	
FOSTERING THE ORGANISATION AND CULTURE	Material issue is not represented in top six		
BUILDING A RESILIENT BUSINESS	Climate change		
OPERATING RESPONSIBLY	Major incident response	Major incident prevention	Health and safety performance
CREATING SHARED VALUE	Material issue is not represented in top six		

Our economic contribution

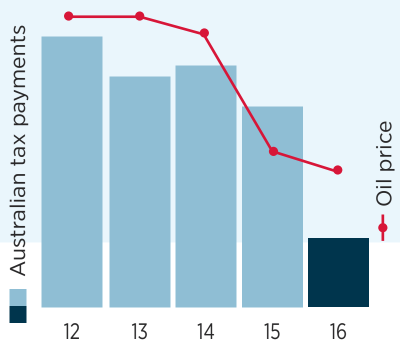
In 2016, our contribution included

~A$525 million of taxes and royalties paid to the Commonwealth and State Governments in Australia.

Woodside has paid in excess of **$6 billion** in taxes and royalties to the Commonwealth and State Governments in Australia **since 2012.**

We continue to pay our **fair share of tax as an Australian company,** with an effective income tax rate in 2016 of **36%.**

Our Australian tax payments are impacted by global markets, with **crude oil prices** dropping to **14-year lows** in 2016.



We also paid **~A$1 billion** in remuneration and benefits to our people

in addition to our payments to shareholders, suppliers and communities.

SD For more detail on what economic value we generate and distribute, see the Sustainable Development Report 2016.

Community contribution

2016 Highlights

+ Contributed A$15.7 million worth of social investment to our host communities.
+ Contributed A$1.8 million towards nine early childhood development initiatives through the Woodside Development Fund.
+ Conducted social impact scans and assessments in Roebourne, Karratha, Myanmar and countries in West Africa to ensure that we understand the interests and concerns of the communities where we are active.

We have an integrated and phased approach to understanding and contributing to communities and seek to build long-lasting relationships where we are active. We demonstrate respect and act with integrity as we aim to generate positive economic, social and cultural outcomes.

Social contribution

Our social contribution strategy is to create shared value for both the community and our business.

We do this by focusing on three key areas: opportunities, knowledge and resilience.

We believe that there is shared value for our business and our communities by creating opportunities in education, employment and enterprise.

To do this, we take the time to improve our knowledge of what's needed and to understand the environment we work in, our impacts and the opportunities to work with and support both community and government.

By doing this we help build resilience in our host communities so they can take advantage of the opportunities we create.

Our funding focus areas are applied globally, aligning with shareholder interests, and support our core business objectives for exploration, developments and operations.

As a member of the London Benchmarking Group, we use its methodology to track, measure, benchmark and report on our social contribution performance.

In 2016, we contributed A$15.7 million through voluntary social contribution towards a combination of strategic partnerships (80%), the Woodside Development Fund (12%) and philanthropic activities (8%).

Our employees volunteered more than 7,500 hours through our corporate volunteering program, providing A$1.4 million worth of assistance to communities.

We aim to build capacity and capability in host communities while also ensuring that we remain compliant with fraud and corruption controls.

SD For further information on our social investment, see the Sustainable Development Report 2016.

In 2016, Woodside became CoderDojo Western Australia's Principal Partner and also launched its own Dojo organised by Woodside graduates. The CoderDojo program involves a network of coding clubs throughout Western Australia coming together to learn and develop skills in digital technology.

In 2016, Woodside employees completed more than 7,500 hours of volunteering valued at A$1.4 million.

Indigenous communities

Our management-system procedures, guidelines and tools provide us with a framework to engage Indigenous communities consistently. They mandate, in locations with significant activity, the development of baseline Indigenous community understanding and knowledge. This may include community mapping and impact assessments to inform management of issues, and to identify opportunities and ways to improve community resilience. In relevant situations we also manage our relationships and impacts by making agreements.

A continuous improvement model frames our principles and focus for effort in our engagements with Indigenous communities globally. Its key elements include these activities:

+ Developing our workforce's respect for Indigenous culture and communities through cultural awareness training and supporting initiatives promoting our host communities' cultures.
+ Building and strengthening relationships through inclusive heritage management processes and supporting community priorities, such as young people's wellbeing and the transmission of cultural knowledge from senior people to younger generations.
+ Increasing economic opportunities by growing the proportion of Indigenous people working for us or our contractors, by awarding more contracts to Indigenous-owned businesses and by encouraging skills building in Indigenous-owned businesses.

In 2017, we will continue engagement with Indigenous communities and focus on expansion of our international engagement strategy.

Reconciliation Action Plan (RAP) performance

Woodside's first two RAPs helped us embed the importance of recognising and working with Indigenous communities within the business.

Our third RAP commits us to an extra level of accountability so that the activities we commit to will have a lasting outcome in the communities where we operate. This represents a step-change in RAP frameworks, and one which we will use as we expand and grow our global business.

SD For further information on our RAP, see the Sustainable Development Report 2016.

Human rights

We comply with Australian legislation and embed human rights principles in our management system.

In support of our activities, a human rights working committee has been established with cross-business representation.

The committee will work throughout 2017 to undertake benchmarking of Woodside's policies and systems against industry leaders.

Health, safety and environment

Strong health, safety, environment and quality performance is essential for the success and growth of our business.

2016 Highlights

- Recorded a 4% improvement in total recordable injury rate.
- Reduced flaring intensity by greater than 30%.
- Introduced a fuel intensity key performance indicator to track and improve energy use.
- Implemented Process Safety Management framework.
- Developed a carbon and climate change strategy.

2017 Activities

- Further embed process safety management culture and behaviours across the business.
- Strengthen contractor health, safety, environment and quality (HSEQ) pre-qualification and on-boarding processes.
- Continue long-term partnerships with international scientific and technical organisations to ensure that world-class HSEQ standards are maintained.
- Use of advanced data analytics to support decision making and insights.
- Deliver projects that assist in improving fuel and greenhouse gas intensity.

Key initiatives delivered

Process safety

The Process Safety Management initative (PSMi) was completed in 2016. PSMi introduced a framework to enable effective and sustainable process safety performance. Process Safety Management (PSM) manages, in a disciplined manner, the integrity of systems and processes that control major accident and environmental events. Key improvements were delivered for priority components of the PSM framework in competency and capability; risk-assessment practices; safe operating envelope; safety critical element management; and process safety governance and assurance. In conjunction with cultural, behavioural and technical changes, it is expected to deliver a sustainable improvement in process safety performance.

As an example of the changes, during 2016 a process safety curriculum and competency assessment process was developed to encompass all four competency levels: awareness; knowledge; skill and mastery. The PSM training program was delivered to build PSM awareness and knowledge throughout the organisation, aligned with the competency requirements. At the end of 2016, the program had delivered over 4,000 training events and 250 training courses to the business. This has been the single biggest training program delivered in Woodside's history.

A critical success factor was the cultural change to the 'Line-Led, Risk-Based' approach. This approach places high value on visible leadership and operational discipline. Embedding the PSM requirements with the line-led approach and robust governance structures enables sustainable process safety performance. The project was a finalist in the Institute of Chemical Engineers (IChemE) Global Process Safety Awards.

Stand Together for Safety

Stand Together for Safety is an industry initiative developing a strong and consistent safety culture across the Australian oil and gas industry. The Stand Together for Safety event in August highlighted the impact of health and wellbeing on performance, with the theme 'maintaining the connection'. Interactive sessions were designed to improve awareness of both the physical and the psychological aspects of wellbeing and the potential effects in the workplace. Supporting activities included National Mental Health week and 'R U OK' Day suicide prevention awareness. Woodside continues to participate in industry forums including the Chamber of Minerals and Energy mental health working group to inform and benchmark progress in this evolving area.

Investigation improvement

The investigation improvement plan has been implemented, enabling quality and efficiency improvements to support organisational learning from incidents. Key aspects included coaching and training, rostering of specialist resources to support investigations and the introduction of tools to support effective sharing of lessons learnt. The focus in 2017 will be on embedding these improvements in the Woodside Management System (WMS).

SAFE cards

The implementation of the See Assess Fix Encourage (SAFE) cards in 2016 provided a mechanism to unearth warning signs of potential work place hazards.

In line with our human reliability improvement plan, the SAFE card initiative provides leading indicators to better reflect Woodside's human factor themes, support the identification of near-miss situations, and promote human reliability and performance. Additionally, the quality of data captured has greater granularity to improve analysis and enhance lessons learned and recognition of warning signs.

Advanced data analytics

HSEQ has collaborated with IBM Watson to develop Watson HSEQ. This platform uses powerful search-engine functions and advanced data analytics to enable optimised use of historic HSEQ information. Watson HSEQ was developed to enable evidence-based decision making in order to improve process and personal safety and environmental performance. This has improved the quality of the investigations of process safety incidents.

Climate change

Woodside recognises the scientific consensus on climate change and the challenge of providing safe, clean, affordable and reliable energy whilst reducing emissions. Woodside is committed to being part of the solution. We are responding by ensuring that our portfolio remains resilient in a carbon constrained market and improving our energy performance.

We acknowledge increasing expectations to be transparent about climate related risk. To address this, Woodside has adopted our Climate Change Policy. We believe that natural gas will play an increasingly important role globally, both in the energy mix and in reducing greenhouse gas emissions, supporting intermittency of renewable energy and improving local air quality.

SD For further information on climate change, see the Sustainable Development Report 2016.

Flared gas intensity

Our ongoing improvements in operational reliability and flare reduction initiatives has allowed us to reduce our flare intensity by over 50% since 2013.

We continue to pursue improvements in our flare performance and our 2017 flare intensity target is 17% below our 2016 target.

Fuel intensity

In 2016, a fuel intensity target of 5% reduction over a five-year period against business-as-usual operations was introduced (defined as gigajoules of energy per tonne of exportable hydrocarbon production). A number of energy and cost-saving initiatives have been assessed in order to achieve this target. To date, this work has achieved a 1% reduction on 2016 target fuel intensity.

We held our first Energy Efficiency week in 2016, which focused on raising awareness of the business drivers for improving our organisation's energy efficiency. Innovative seminars across the week included sessions from technical experts and industry leaders, aimed at providing insights to novel and established energy practices that could be potentially implemented.

Biodiversity

Biodiversity and protection of our operational environment continues to be of great importance to Woodside.

In 2016, Woodside partnered with Fauna and Flora International, an international, science-based NGO, and Myanmar's Pathein University. These collaborations seek to provide technical and capacity-building support through international experts providing training to assess and monitor nearshore marine habitats.

We have also begun a research partnership with the University of Western Australia, the focus of which is to build a knowledge base in understanding future environmental impacts of decommissioning options offshore.

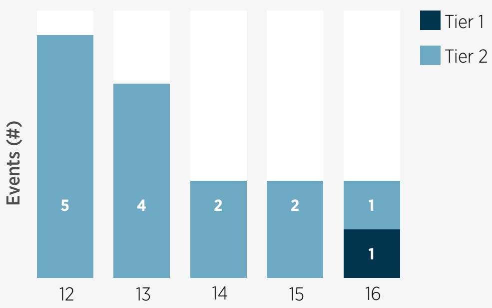
Outlook

We are pursuing energy efficiency opportunities to deliver a 5% reduction in fuel intensity by the end of 2020.

Woodside continues to position itself as a global partner of choice by leveraging strategic partnerships with leading scientific organisations.

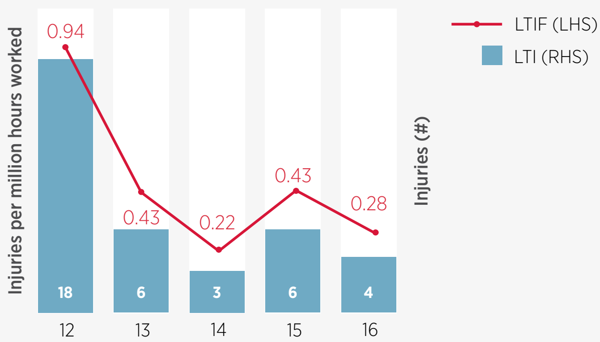
In 2017, we will aim to continue leading health, safety and environmental performance to protect our people and the environments in which we operate.

Tier 1 and 2 process safety events (PSEs)

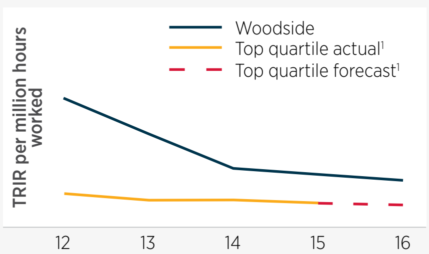


The Tier 1 PSE involved the release of stabilised condensate which was contained within the storage tank bund and was internally classified as low risk.

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



Total recordable injury rate performance

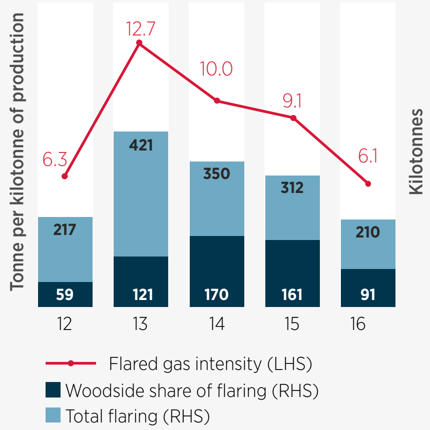


	Woodside	Top quartile[1]
2012	4.13	1.03
2013	3.00	0.90
2014	1.90	0.91
2015	1.71	0.81
2016	1.64	0.75[2]

1. Based on International Association of Oil and Gas Producers (IOGP) data.

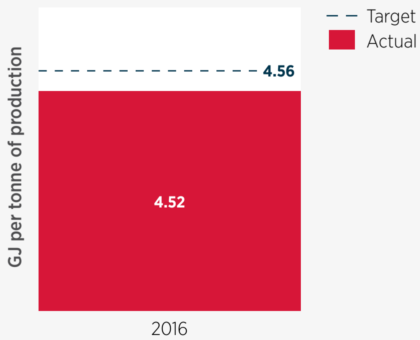
2. 2016 data based on IOGP forecast.

Flared gas



Woodside's share of flaring has been revised in line with production allocation.

Fuel intensity



Fuel intensity was a new metric implemented in 2016. Woodside achieved a 1% reduction on target fuel intensity during 2016. Target and actual excludes Balnaves.

Technology and innovation

2016 Highlights

- Data analytics and cognitive computing continue to deliver insights from our business, helping to reduce costs and to protect high production performance and reliability.
- Deployed 3D full waveform inversion on two data sets on our Myanmar seismic surveys.
- Our NextGen LNG Technology at the proposed Kitimat LNG project has materially driven down the estimated unit cost of downstream LNG facilities.
- Developed capability to reduce operating and warehouse storage costs and improve efficiencies through advances in producing spares on demand under our 3D printing program.

2017 Activities

- Invest in local content opportunities that foster the development of an innovation knowledge economy in Western Australia.
- Implement technological solutions that increase efficiency, reduce cost and deliver new commercial outcomes.
- Further deploy analytics and cognitive solutions across the business.

We're taking action across the value chain to enable investment in the next wave of LNG. Our step-change approach to technology will support operational excellence and reduce exploration, development and production costs.

Operational excellence

Maximising production

We are pioneering the application of advanced analytics and cognitive computing in our operations to leverage our collective knowledge and to support operational excellence.

The advanced analytics program is built around a range of statistical tools, updated with live streaming data from our onshore LNG and offshore assets. These tools aid decision making in our engineering and operations teams across a wide range of initiatives including surveillance, optimisation, planning, process control and maintenance.

In 2016, we built a Maximum Possible Production (MPP) tool for our Pluto LNG train that provides insights on live production performance compared to the best historical performance of the plant in similar conditions.

This tool helps our engineers and operators track and interpret current performance against previous best practice and is now also being trialled for our NWS LNG trains.

During 2016, we continued to roll out IBM's Watson cognitive computing system across our entire organisation, with 12 separate deployments during the year. We also developed a prototype of our 'Willow' cognitive adviser tool, which can interrogate all of the separate Watson systems as well as other corporate knowledge and reporting systems. These tools are augmenting the intelligence of our employees by putting all of Woodside's collective knowledge of operating experience at their fingertips, enabling faster, data-driven decision making.

Reducing production costs

We continue to deliver business solutions that reduce operating costs for our existing facilities.

Our 3D printing program has the potential to reduce operating costs through the printing of spares on demand. In 2016, we grew our capability in 3D printing and installed our first 3D printed parts on our operating facilities. This program allows us to rapidly reproduce parts by accelerating the prototyping, testing and eventually deployment of new gas-processing technology. The benefits of additive manufacturing go beyond the convenience of being able to reproduce parts as required, as we currently hold around A$100 million of inventory spares at our Karratha Gas Plant (KGP) for Woodside and our fellow joint venture participants.

During the year, a low-cost wireless technology (WiFi) solution was installed at the KGP. It has delivered significant improvements

CASE STUDY

3D Printing

When a vital electricity safety switch for the Goodwyn A Platform off the north-west coast of Australia malfunctioned during a maintenance shutdown, we needed it repaired quickly. The hard-to-get part was critical to completion of the shutdown. For every day it was not repaired, the potential impact was an extra day on the end of the shutdown, leaving about 100 workers unoccupied, waiting for power to be restored. We were able to reproduce the part at the 3D printing facility at Monash University and it was on its way to site within three days. It has been installed in the electrical switchboard. Such 3D printing enables us to reproduce bespoke spare parts quickly, potentially reducing inventory and sparing. Woodside supports the 3D printing program at Monash University.

through a fast and cost-effective way of acquiring additional plant data to enhance the KGP's operating envelope and ultimately to increase the production capacity of the operating unit. It enables smart operations and underpins the mobile worker of the future, allowing operators access to services and support in the field, improving productivity and plant availability.

Reducing exploration and development costs

In 2016, we progressed work under our Offshore Transformation work stream, investigating new technologies that allow for faster exploration and an economical offshore development. These technologies include advances in subsea technologies, offshore seismic interpretation, floating and subsea production systems and exploration and production wells.

In exploration, our seismic acquisition and processing initiatives include the application of full wave form inversion (FWI) technology that delivers clearer subsurface images much faster. In 2016, we deployed 3D FWI on two data sets on our Myanmar seismic surveys.

We are pursuing initiatives to simplify the upstream facilities and equipment using new technologies including all-electric subsea systems, subsea processing and lightweight not-normally-manned floating facilities.

We continue to further advance work on our Next Generation LNG concepts through modularisation to substantially reduce estimated development costs compared to conventional LNG projects.

Our Plant of the Future work stream is targeting plant designs with capacity costs of less than US$500/tonne per annum of installed capacity. Our plant of the future will be smaller, smarter and safer through the use of advanced technologies including 3D printing, predictive analytics, modularisation, wireless controls and remote monitoring.

Outlook

FutureLab, our collaborative innovation program, aims to nurture and grow a culture of diversity and innovation, harness new commercial opportunities and secure our ambition to be a leading supplier of affordable and sustainable energy.

In 2016, we opened the Woodside FutureLab collaboration centres at Monash University and the University of Western Australia. These centres, in conjunction with our centre at Curtin University, will support the delivery of our Intelligent Enterprise, Plant of the Future and Offshore Transformation work streams.

During the year, we supported programs that encourage the development of an innovation knowledge economy in Western Australia through programs including KPMG Energise, Bloom and the Western Australian Innovator of the Year Awards.

We will continue to leverage our core capabilities and the latest technology to create new opportunities to sharpen our competitive edge. We are actively pursuing strategies to reduce unit costs for developments and maturing technology solutions in new business opportunities to deliver our strategic objectives and deliver value growth.

Plant of the Future

- Plant designs produced with intelligent, automated design software to minimise the total piping required.
- Reduced cost, faster schedule, and better-quality construction with robotic fabrication.
- Lighter, smaller plants are possible with gas-processing vessels that are 3D printed.
- Improved production and simplified plant designs as a result of self-learning controllers.
- Lower inventory costs and better availability by printing spares on demand as required.
- Wireless advanced sensors enable predictive analytics for more throughput.

Woodside is introducing industry-leading technology and innovation capabilities across the oil and gas value chain.

Innovation across the Woodside value chain

Explore

Explore full wave form inversion
Reduced exploration cycle time and improved success rate

Develop

Modularisation
Reducing LNG liquefaction cost through modular construction

Cognitive computing
Saving time, driving efficiency and reducing cost

Operate

Data analytics
Insights from data to reduce lifting cost and protect high reliability

3D Printing
Potential to reduce operating cost through spares on demand

Wireless technology
Enabling wireless sensors and mobile technology

Dual-fuel support vessel
Establishing new energy markets through new technology

FutureLab

Risk

Risk is inherent in our business, which is why it is crucial that we maintain a robust and disciplined focus on operational excellence and effective risk management. Our approach to risk management focuses on creating a competitive advantage by enabling the business to better understand, take and manage risk.

Woodside's risk management process focuses on reducing threats that may have an adverse impact on results and operations, and on enhancing opportunities across the value chain. It sets out clearly defined criteria to evaluate and report on material risk across our organisation. We systematically assess the consequence of risk in areas such as health and safety, environment, finance, reputation and brand, legal and compliance, and social and cultural impacts. Our process is aligned to ISO 31000, the international standard for risk management.

An overview of our material risks is summarised below. Details on sustainability issues of significance to our stakeholders and our business are also contained in the Sustainable Development Report 2016.

Further details on Woodside's approach to risk management and internal control is set out in Woodside's Corporate Governance Statement, which can be viewed in the Governance and Compliance section of our website at: www. woodside.com.au/Working-Sustainably/governance-and-compliance.

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.
Efficient and cost-competitive commercialisation of hydrocarbons is a contributor to our success.	A failure to successfully commercialise our hydrocarbons by selecting a sub-optimal development option or failing to execute a project that achieves 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.	Our extensive framework of controls enables the management of this risk. 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 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 control framework and the continuing focus on system control improvements, supported by an established and embedded security strategy across the organisation.
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 approach to balance sheet risk management further mitigate this exposure.

For the estimated impact of a change in oil price or exchange rates on NPAT, see the Financial Summary on page 17.

CONTEXT	RISK	MITIGATION
We are exposed to fluctuations in currency exchange rates and this exposure increases as we continue to diversify the geographic regions in which we operate.	Fluctuation in currency exchange rates may negatively impact Woodside's financial results.	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 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.
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.
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, transportation 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 improving our energy efficiency, maintaining engagement with key industry and government stakeholders and modelling the impact of climate change action on our business. We are exploring new opportunities for LNG as a transport fuel to reduce emissions and improve air quality.
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 international 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 the highest possible standard.

Unreasonable prejudice

As permitted by sections 299(3) and 299A(3) of the *Corporations Act 2001*, 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 above. 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.

Reserves and resources

Exploration and acquisition activity adds 694 MMboe Best Estimate (2C) contingent resources, contributing to an increase of 14% on 2015 volumes.

2016 Highlights

+ Increased Proved plus Probable (2P) Developed reserves by 38.5 MMboe. Key activities driving volume growth were the start-up of the Pluto PLA05 sidetrack well and the completion of the Tidepole development campaign.
+ Final investment decision on the Greater Enfield Project matured 41.1 MMboe of Best Estimate (2C) contingent resources into Proved plus Probable (2P) Developed and Undeveloped reserves.
+ Discovered 82 MMboe of Best Estimate (2C) contingent resources in Myanmar through the Shwe Yee Htun and Thalin exploration wells.
+ Acquired 612 MMboe of Best Estimate (2C) contingent resources in Senegal and the Scarborough area.

Woodside's reserves[1,2,3,4] and contingent resources[5] overview*
(Woodside share, as at 31 December 2016)

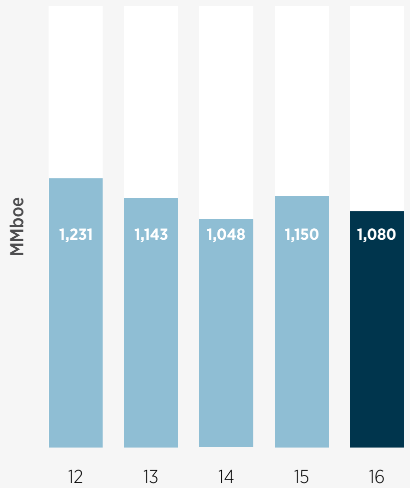
	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Proved[11] Developed[13] and Undeveloped[14]	5,326.1	94.9	50.5	1,079.8
Proved Developed	2,471.1	41.0	20.2	494.7
Proved Undeveloped	2,855.0	53.9	30.3	585.1
Proved plus Probable[12] Developed and Undeveloped	7,089.5	124.2	74.4	1,442.4
Proved plus Probable Developed	3,602.9	57.2	33.0	722.3
Proved plus Probable Undeveloped	3,486.6	67.0	41.4	720.1
Contingent resources	26,053.7	236.6	206.9	5,014.2

Small differences are due to rounding.

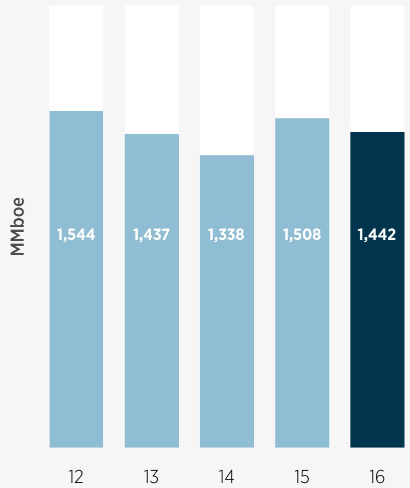
Key metrics

		Proved	Proved plus Probable
2016 reserves replacement ratio[15]	%	28	33
Organic 2016 reserves replacement ratio[16]	%	29	33
Three-year reserves replacement ratio	%	78	102
Organic three-year reserves replacement ratio	%	13	13
Reserves life[17]	Years	11	15
Annual production[18]	MMboe	98.2	98.2
Net acquisitions and divestments	MMboe	-0.2	-0.3

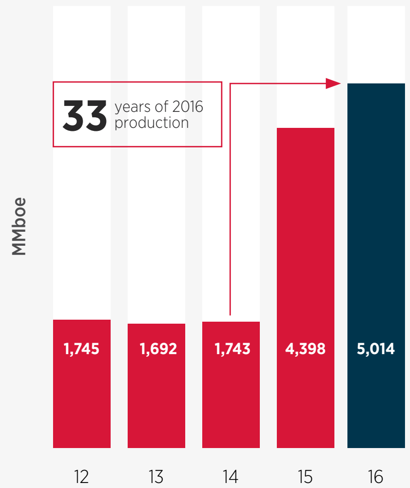
1P Reserves



2P Reserves



2C Contingent resources



Proved (1P) and Proved plus Probable (2P) Developed and Undeveloped reserves annual reconciliation by product*
(Woodside share, as at 31 December 2016)

	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 2015	5,827.9	7,591.7	105.3	133.5	22.4	42.6	1,150.1	1,508.0
Revision of previous estimates[19]	-45.5	-54.9	-1.6	-0.6	5.1	-2.3	-4.5	-12.4
Transfer to/from reserves	14.9	23.8	0.0	0.0	30.0	41.1	32.6	45.3
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	-0.2	-0.3	-0.2	-0.3
Annual production	471.1	471.1	8.8	8.8	6.7	6.7	98.2	98.2
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**

**Small differences are due to rounding.*

Best Estimate Contingent resources (2C) annual reconciliation by product*
(Woodside share, as at 31 December 2016)

	Dry gas[6] Bcf[8]	Condensate[7] MMbbl[9]	Oil MMbbl	Total MMboe[10]
Contingent resources at 31 December 2015	23,106.2	237.8	106.5	4,398.1
Transfer to/from reserves	-23.8	0.0	-41.1	-45.3
Revision of previous estimates	-128.4	-1.3	3.0	-20.8
Extensions and discoveries	467.5	0.0	0.0	82.0
Acquisitions and divestments	2,632.1	0.0	138.5	600.2
Contingent resources at 31 December 2016	26,053.7	236.6	206.9	5,014.2

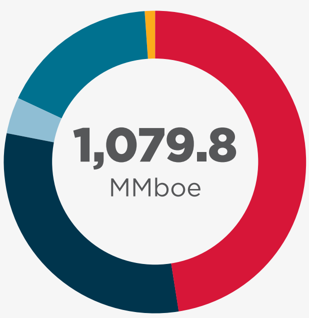
**Small differences are due to rounding.*

Best Estimate Contingent resources (2C) summary by region*
(Woodside share, as at 31 December 2016)

Project	Dry Gas Bcf	Condensate (MMbbl)	Oil (MMbbl)	Total (MMboe)
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]	868.4	10.3	0.0	162.7
Greater Exmouth[23]	307.4	2.1	41.1	97.0
North West Shelf[22]	186.8	5.7	15.8	54.3
Wheatstone[24]	17.5	0.3	0.0	3.4
Canada[25]	14,976.2	0.0	0.0	2,627.4
Senegal[30]	0.0	0.0	150.0	150.0
Greater Scarborough[27]	2,632.1	0.0	0.0	461.8
Myanmar[29]	467.5	0.0	0.0	82.0
Total	**26,053.7**	**236.6**	**206.9**	**5,014.2**

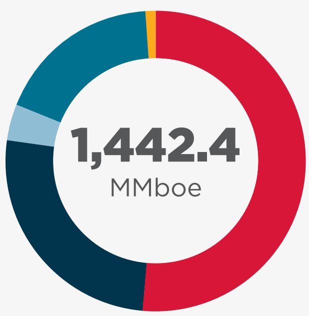
**Small differences are due to rounding.*

1P Reserves by region (Developed and Undeveloped)



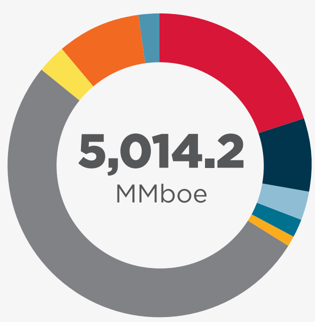
	%
Greater Pluto	48
North West Shelf	31
Greater Exmouth	4
Wheatstone	17
Canada	1

2P Reserves by region (Developed and Undeveloped)



	%
Greater Pluto	52
North West Shelf	26
Greater Exmouth	4
Wheatstone	18
Canada	1

2C Contingent resource by region



	%
Greater Browse	20
Greater Sunrise	8
Greater Pluto	3
Greater Exmouth	2
North West Shelf	1
Canada	52
Senegal	3
Greater Scarborough	9
Myanmar	2

Proved (1P) Developed and Undeveloped reserves summary 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	1,232.7	1,458.6	2,691.3	16.5	24.3	40.8	0.0	0.0	0.0	232.7	280.2	512.9
North West Shelf	1,197.9	428.5	1,626.3	24.5	12.2	36.7	9.9	0.0	9.9	244.6	87.4	331.9
Greater Exmouth	0.0	0.0	0.0	0.0	0.0	0.0	10.3	30.3	40.6	10.3	30.3	40.6
Wheatstone[24]	0.0	968.0	968.0	0.0	17.4	17.4	0.0	0.0	0.0	0.0	187.2	187.2
Canada[25]	40.5	0.0	40.5	0.0	0.0	0.0	0.0	0.0	0.0	7.1	0.0	7.1
Reserves	**2,471.1**	**2,855.0**	**5,326.1**	**41.0**	**53.9**	**94.9**	**20.2**	**30.3**	**50.5**	**494.7**	**585.1**	**1,079.8**

**Small differences are due to rounding.*

Proved and 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	2,255.7	1,681.7	3,937.4	29.6	29.4	59.1	0.0	0.0	0.0	425.4	324.5	749.8
North West Shelf	1,286.7	495.8	1,782.5	27.6	14.0	41.6	13.9	0.0	13.9	267.2	101.0	368.2
Greater Exmouth	0.0	0.0	0.0	0.0	0.0	0.0	19.2	41.4	60.6	19.2	41.4	60.6
Wheatstone	0.0	1,309.1	1,309.1	0.0	23.5	23.5	0.0	0.0	0.0	0.0	253.2	253.2
Canada	60.6	0.0	60.6	0.0	0.0	0.0	0.0	0.0	0.0	10.6	0.0	10.6
Reserves	**3,602.9**	**3,486.6**	**7,089.5**	**57.2**	**67.0**	**124.2**	**33.0**	**41.4**	**74.4**	**722.3**	**720.1**	**1,442.4**

**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, 98% 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 resource 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 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 10.5% of Woodside's Proved (Developed and Undeveloped) reserves, and 10.4% 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. 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.
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 14.3% of NWS Proved (Developed and Undeveloped) dry gas reserves and 18.3% 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.

In 2016, Woodside launched the 'Real Conversations, Genuine Relationships, Stronger Communities' campaign to showcase Woodside's contribution to the communities in which we operate.

Read more on page 52.

Governance

Woodside Board

MICHAEL CHANEY, AO

PETER COLEMAN

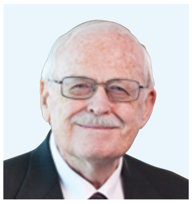
LARRY ARCHIBALD

MELINDA CILENTO

FRANK COOPER, AO

CHRISTOPHER HAYNES, OBE

IAN MACFARLANE



DAVID MCEVOY

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).

Chancellor: The University of Western Australia (since 2006).

Member: Commonwealth Science Council (since 2014).

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

Peter Coleman

BEng, MBA, FATSE

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) and the Federal Government's Advisory Group on Australia-Africa Relations (since 2015).

Member: The University of Western Australia Business School Board (since 2011), Executive Committee of the Australia Japan Business Co-operation Council (since 2011), Australia-India Chief Executive Officers' Forum (since 2015), Australian Institute of Company Directors (since 2011) and Adviser to the Asia Society since 2015.

Adviser: Monash Industry Council.

Larry Archibald

MBA, BSc (Geosciences), BA (Geology)

Term of office: Director since February 2017

Independent: Yes

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

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

Current directorships/other interests:

Adviser: Guidestone Energy LLC (since 2016).

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

Consultant: Warburg Pincus (since 2016).

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:

Director: Australian Unity Limited (since 2014).

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

Commissioner (part-time): Productivity Commission (since 2014).

Member: Chief Executive Women.

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 most recently as a partner of PricewaterhouseCoopers. Director of Alinta Infrastructure Limited and Alinta Funds Management Limited (2005 to 2006).

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 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).

Christopher Haynes, OBE

BSc, DPhil, FREng, CEng, FIMechE

Term of office: Director since June 2011

Independent: Yes

Experience: Had 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, Dr Haynes was seconded to Woodside as General Manager of the North West Shelf Venture. Dr Haynes 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).

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 Presidents 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.

David McEvoy

BSc (Physics), Grad Dip (Geophysics)

Term of office: Director since September 2005

Independent: Yes

Experience: Had a 34-year career with ExxonMobil involving extensive international exploration and development experience.

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

Current directorships/other interests:

Director: AWE Limited (since 2006) and Seven Group Holdings Limited (since 2015).

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

Current directorships/other interests:

Director: KBR Inc.

Member: Chief Executive Women, Advisory Council of the Eurasia Foundation and Board of Advisors of Catalyst.

Directorships of other listed entities within the past three years: Westpac Banking Corporation (2011 to 2014).

Sarah Ryan

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

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 advisor 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) and Vautron Holdings Pty Ltd (since 2016).

Member: Chief Executive Women (since 2016).

Advisor to the Chairman: Saxo Bank, Denmark

Directorships of other listed entities within the past three years: Aker Solutions ASA (2011 to 2014).

Gene Tilbrook

BSc, MBA

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.

Member: Western Australia division of the Australian Institute of Company Directors (since 2013).

Councillor: Curtin University.

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

Andrew Jamieson, OBE

FREng, CEng, FIChemE

Dr Andrew Jamieson retired effective on 21 April 2016 after 11 years of service on Woodside's Board of Directors. Dr Jamieson served on a number of Woodside Board committees including as Chair of the Human Resources & Compensation Committee and a member of the Sustainability 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.

Our corporate governance model is illustrated below. The Woodside Management System (WMS) was updated in 2016 and 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.

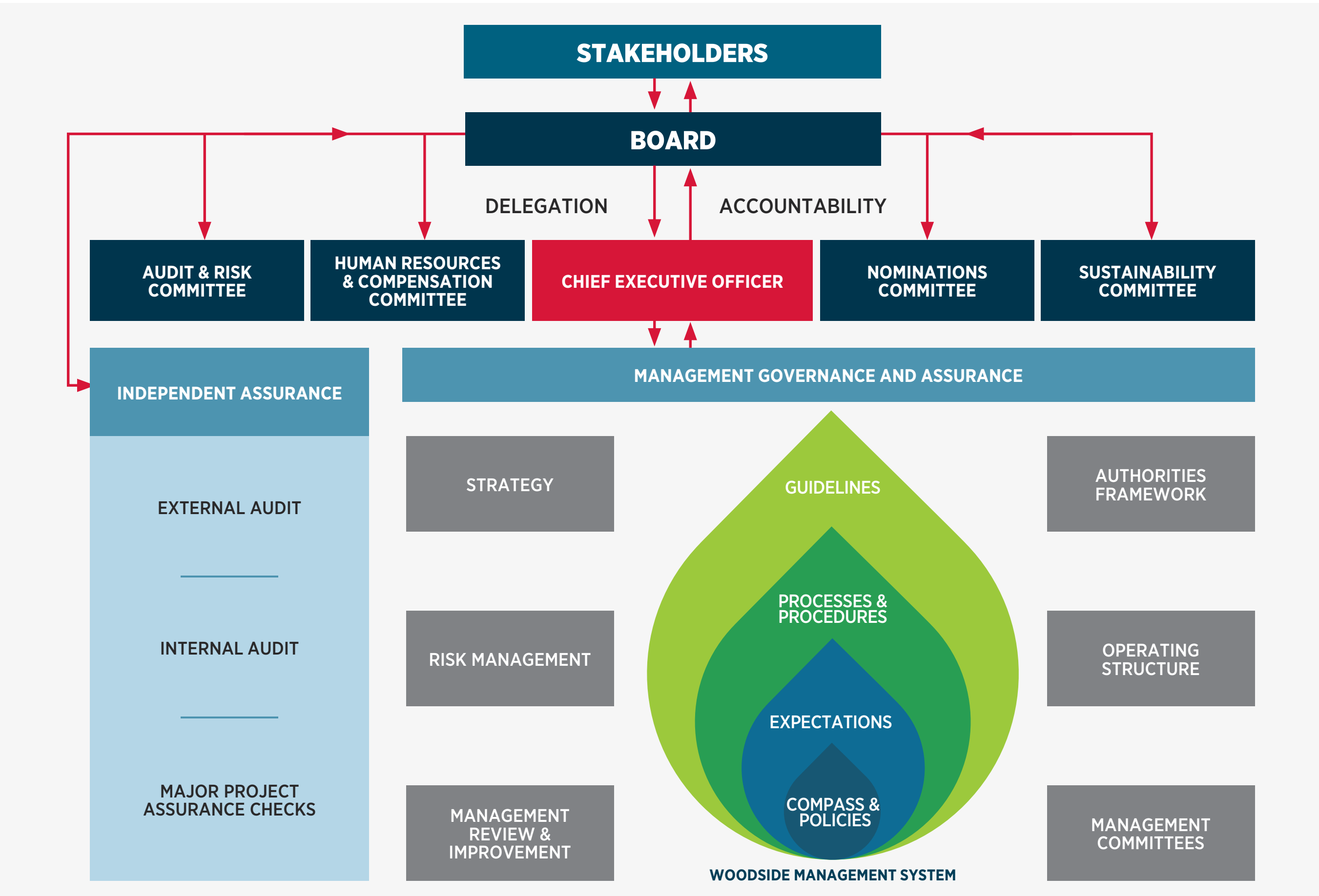
Throughout 2016, our governance arrangements complied with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (third edition).

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.

Woodside's Corporate Governance Statement can be viewed in the Governance and Compliance section of our website at: 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 2016.

Directors

The directors of Woodside Petroleum Ltd in office at any time during or since the end of the 2016 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 66 and 67.

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 7 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 90.

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 $868 million ($26 million in 2015).

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 1-63.

Significant changes in the state of affairs

The review of operations (pages 1-63) 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 2016 of 49 cents per ordinary share (fully franked) payable on 29 March 2017.

Type	2016 final	2016 interim	2015 final
Payment date	29 March 2017	30 September 2016	8 April 2016
Period ended	31 December 2016	30 June 2016	31 December 2015
Cents per share	49	34	43
Value $ million	413	286	354
Fully franked	✓	✓	✓

The full-year 2016 dividend is 83 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 54-55.

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 2016:

Michael Abbott
BJuris, LLB, BA, MBA
Senior Vice President Corporate and Legal and General Counsel and Joint Company Secretary

Mr Abbott joined Woodside in 2005 and was appointed to the role of Senior Vice President Corporate and Legal and General Counsel in December 2014. He was appointed Joint Company Secretary effective 3 May 2012.

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 Vice President of the Governance Institute of Australia.

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 Guidelines. 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* for the following reasons:

+ all non-audit services were provided in accordance with Woodside's External Auditor Policy and External Auditor Guidelines; 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*, 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*.

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	-
M Chaney	20,000
M Cilento	2,311
P Coleman[1]	335,208
F Cooper	4,928
C Haynes	6,119
I Macfarlane	-
D McEvoy	8,040
A Pickard	940
S Ryan	4,458
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 86.*

Signed in accordance with a resolution of the directors.

M A Chaney, AO
Chairman
Perth, Western Australia
1 March 2017

P J Coleman
Chief Executive Officer and Managing Director
Perth, Western Australia
1 March 2017

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 2016, 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
1 March 2017

Liability limited by a scheme approved under Professional Standards Legislation.

Remuneration Report

Contents

Woodside Petroleum Ltd
Woodside Plaza

240 St Georges Terrace
Perth WA 6000 Australia

T +61 8 9348 4000
F +61 8 9348 4000
E companyinfo@woodside.com.au

woodside.com.au

1 March 2017

Dear Shareholder

On behalf of the Board, I am pleased to present Woodside's Remuneration Report for the year ended 31 December 2016.

At the 2016 Annual General Meeting (AGM) 27.6% of votes were cast against the 2015 Remuneration Report, constituting a 'first strike'. That result was a catalyst for a review of our executive remuneration arrangements by the Board. The Human Resources and Compensation (HR&C) Committee Chair, Melinda Cilento and I have spent a considerable amount of time engaging with shareholders to understand their concerns around our remuneration policy and practice.

This year's Report demonstrates our commitment to responding to this feedback. We have made a number of significant changes to remuneration arrangements for the CEO and Key Management Personnel (KMP) that are reflected in the 2016 remuneration outcomes. We have moved from fair to face value for long-term award (LTA) allocations and we have removed the second Relative Total Shareholder Return (RTSR) test for LTA allocations (known as the 'retest'). Woodside's executive KMP have accepted these changes and the material reduction in the value of their variable reward without additional payment or consideration. Further, for this year the cash component of the CEO's short-term award (STA) has been reduced from two-thirds to one-third, with the remaining two-thirds of STA now delivered in Restricted Shares.

In addition, for the second consecutive year, the Board resolved that the CEO, KMP and Non-executive Directors (NEDs) would not receive an increase to their fixed annual reward for the 2016 year, and we allocated no equity rights to executive KMP through the Woodside Equity Plan and Supplementary Woodside Equity Plan in 2016. You will also find a number of changes to other executive remuneration measures, including the incorporation of a Net Profit After Tax (NPAT) hurdle in the scorecard for executive KMP in 2016, replacing one-year RTSR.

Finally, the Board has increased minimum shareholding requirements for NEDs, requiring Directors to have acquired shares for a total purchase price of at least 50% of their pre-tax base annual fee after four years on the Board. This strengthens the alignment of Director and shareholder interests in the long-term performance of the company.

These changes reflect the commitment of the CEO, KMP and the Board to addressing shareholder sentiment with a commensurate response. We are consulting further regarding the scope for a broader redesign of our executive remuneration.

In a challenging environment, the CEO and KMP have continued to deliver against the performance objectives set by the Board. This Report aims to present a simple and transparent summary of the links between executive remuneration outcomes, operational and financial performance and shareholder experience. I believe that the improvements in remuneration structures and their presentation here are an appropriate response to feedback, and I trust shareholders will be satisfied with the resolutions we've reached.

Yours sincerely,

Michael Chaney, AO
Chairman
Woodside Petroleum Ltd

The Board has listened to concerns raised by stakeholders and made changes to our executive remuneration practices with the support of executive KMP, to better align with shareholder experience and expectations.

In 2016, the Chairman and HR&C Committee Chair held 53 face-to-face meetings with key shareholders and advisers. This included three domestic and international roadshows. This reflects the Board's commitment to developing a deep understanding of shareholder views and in particular emerging preferences with regard to executive remuneration, to inform its decision making.

Accordingly, following this consultation, several immediate changes were introduced to the remuneration arrangements in place for Woodside's executive key management personnel (KMP). These changes seek to address shareholder concerns and are explored in further detail throughout this report, and are summarised below:

Our response to your feedback

ISSUE RAISED

Use of fair value in Variable Pay Rights (VPRs) allocations for LTA

What it looked like in 2015
The number of VPRs allocated was based on a fair value. The fair value was determined by an independent expert.

What has changed in 2016?
For the 2016 LTA award, the allocation price was determined using a face value. This was determined by calculating the Volume Weighted Average Price of Woodside shares for the trading days in the month of December 2016. The allocation of LTA on face value resulted in the CEO receiving 104,997 VPRs. If a fair value methodology had been applied as per previous years, the CEO would have received 197,003 VPRs.

Why has it changed?
This improves transparency in how allocations are calculated.

ISSUE RAISED

Retesting of unvested awards after first performance period for LTA

What it looked like in 2015
Any VPRs that did not vest as a result of the first performance test (four years) would be retested at the end of a five year period.

What has changed in 2016?
The second RTSR test (retest) will be removed for 2016 LTA awards for executive KMP, meaning that VPRs allocated in 2017 will lapse if the required RTSR performance is not achieved at the end of the four-year period.

Why has it changed?
Shareholders considered the benefit to be overly generous and is consistent with the majority of peer companies who have moved away from retesting in the last two years.

ISSUE RAISED

Use of RTSR in both STA and LTA

What it looked like in 2015

The 2015 STA scorecard was based on four equally weighted measures: RTSR, production, safety and delivery against business plan commitments. RTSR was also the performance measure for LTA.

What has changed in 2016?

In 2016, the RTSR measure in the STA scorecard has been replaced with an NPAT measure for executive KMP, meaning that 25% of their scorecard contribution to the STA pool is derived from a profit-based measure, to improve alignment between remuneration outcomes and shareholder experience.

Why has it changed?

The move to NPAT in the corporate scorecard addressed shareholder concerns over the dual use of RTSR.

ISSUE RAISED

Proportion of STA paid in cash to the CEO

What it looked like in 2015

The CEO received STA delivered two-thirds as cash and one-third Restricted Shares subject to a three-year deferral period.

What has changed in 2016?

The 2016 STA award to the CEO will be delivered one-third in cash and two-thirds in Restricted Shares. 50% of the Restricted Shares will be subject to a two-year deferral period and the remaining 50% will be subject to a three-year deferral period.

Why has it changed?

The increased deferral reinforces the importance of a longer term focus from the CEO.

ISSUE RAISED

Disclosure of STA targets and the link between performance and outcomes

What it looked like in 2015

Disclosure of high-level individual Key Performance Indicators (KPIs) for KMP including the CEO.

What has changed in 2016?

CEO disclosure includes expanded commentary regarding performance metrics and the CEO's individual performance factor. Additional disclosure of individual KMP performance indicators has been provided where possible, subject to commercial sensitivities.

Why has it changed?

This provides increased transparency regarding the link between company performance against defined KPIs and STA outcomes for the CEO and executive KMP.

ISSUE RAISED

Use of RTSR as a sole metric for LTA

What it looked like in 2015

Vesting of 33% of the LTA was based on the RTSR performance against the ASX50. Vesting of the remaining 67% was subject to an RTSR test against an international peer group of oil and gas companies.

What has changed in 2016?

A complete review of executive incentive plans is currently being undertaken with the intention of introducing any new arrangements at the start of the 2018 year.

Why would it change?

An important objective of this review is to align executives' variable remuneration outcomes with the company's strategy and performance and our shareholders' experience.

ISSUE RAISED

Vesting schedule for LTA commencing at the 50th percentile

What it looked like in 2015

At 50% RTSR performance, 50% of VPRs vest. At 75% or more RTSR performance, 100% of VPRs vest, with proportionate vesting between these percentile points.

What has changed in 2016?

A complete review of executive incentive plans is currently being undertaken with the intention of introducing any new arrangements at the start of the 2018 year.

Why would it change?

An important objective of this review is to align executives' variable remuneration outcomes with the company's strategy and performance and our shareholders' experience.

ISSUE RAISED

Claw back

What it looked like in 2015

There were no provisions enabling Woodside to claw back unvested awards.

What has changed in 2016?

The Board may exercise post cessation discretion to forfeit Restricted Shares or lapse unvested VPRs of former employees if events occur or information becomes available after cessation which would have impacted the decision to grant favourable treatment on cessation of employment.

Why has it changed?

Clarifying the application of Board discretion in this scenario aligns with shareholder expectations to appropriately manage the variable remuneration outcomes of former employees.

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 2016.

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 his direct reports).

The names and positions of the individuals who were KMP during 2016 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[3]
Senior Executives	M Cilento
M Abbott (Senior Vice President Corporate and Legal and General Counsel)	F Cooper
R Edwardes (Executive Vice President Development)	C Haynes
S Gregory (Senior Vice President and Chief Technology Officer)	A Jamieson[4]
P Loader (Executive Vice President Global Exploration)	I Macfarlane[5]
R Matisons (Executive Vice President Marketing, Trading and Shipping)	D McEvoy
D McLoughlin (Senior Vice President People and Global Capability)	A Pickard[6]
G Roder (Executive Vice President Business Development and Growth)[1]	S Ryan
L Tremaine (Executive Vice President and Chief Financial Officer)[2]	G Tilbrook
M Utsler (Executive Vice President and Chief Operations Officer)	

1. *Mr Greg Roder ceased as KMP on 29 April 2016. His employment with Woodside Energy Ltd ceased on 31 October 2016.*
2. *Mr Lawrie Tremaine resigned from Woodside Energy Ltd on 13 February 2017 and is currently serving a period of notice.*
3. *Mr Larry Archibald was appointed to the Woodside Board on 1 February 2017.*
4. *Dr Andrew Jamieson retired from the Woodside Board on 21 April 2016.*
5. *Mr Ian Macfarlane was appointed to the Woodside Board on 14 November 2016.*
6. *Ms Ann Pickard was appointed to the Woodside Board on 29 February 2016.*

Table 2 – Five year performance

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

		2016	2015	2014	2013	2012
Net Profit After Tax (NPAT)[1]	(US$ million)	**868**	26	2,414	1,749	2,983
Earnings per Share[2]	(US cents)	**104**	3	293	213	366
Dividends per Share	(US cents)	**83**	109	255	249	130
Share closing price (last trading day of the year)	(A$)	**31.16**	28.72	38.01	38.90	33.88
Production	(MMboe)	**94.9**	92.2	95.1	87.0	84.9
Relative TSR (1 year)	(quartile)	**3rd quartile**	2nd quartile	1st quartile	4th quartile	2nd quartile

1. *NPAT detail is contained in the Financial Statements on pages 91 to 124.*
2. *Basic and diluted earnings per share from total operations.*

Remuneration Policy

Woodside aims to be a global leader 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.

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 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 2016 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 2016, Woodside achieved operational excellence and maintained a strong focus on improving health and safety. A sustained focus on productivity and cost enabled a solid NPAT result to be delivered. Despite a challenging external environment, Woodside capitalised on its strong balance sheet to create and build near-term value and growth opportunities and we are well positioned to provide affordable energy products to the world's growth markets. Accordingly, the Board determined a scorecard outcome of 1.54 out of a maximum of two for executive KMP for the 2016 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.

2015 NPAT Outcome:	2016 NPAT Outcome:	Scorecard Outcome:
$26 million	**$868 million**	**1.2**

+ In 2015, NPAT was reduced by asset impairment charges of $1,083 million. Despite a significant fall in oil prices over 2016, Woodside delivered NPAT of $868 million, a 12% increase on budget; underpinned by an overall 28% reduction in unit production cost; and a break even cost of sales down 23% to $8.5 per boe, both of which demonstrate the realised benefits of Woodside's multi-year productivity agenda and disciplined focus on cost reduction.

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.

2015 TRIR Outcome:	2016 TRIR Outcome:	Scorecard Outcome:
1.71	**1.64**	**1.2**

+ Improved safety and environmental performance across the business with a reduced TRIR of 1.64, down from 1.71 in 2015, on track to achieve our goal of top-quartile global performance.

Total scorecard

1.54

outcome

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.

2015 Production Outcome:	2016 Production Outcome:	Scorecard Outcome:
92.2MMboe	**94.9MMboe**	**2**

+ Annual production of 94.9MMboe, the second highest for the company, and world-class LNG reliability of 98.7% were achieved.

DELIVERY AGAINST BUSINESS PLAN

Woodside's annual business plan commitments aim to deliver long-term shareholder value. The commitments are structured under four categories; key annual imperatives; operational health (e.g. cost project delivery, reliability, availability, utilisation, energy efficiency, diversity, development of people, succession planning, turnover, corporate reputation); financial strength (e.g. capital management, discipline and efficiency, supply chain performance); and delivery of growth agenda (e.g. quality of exploration portfolio and growth opportunities captured).

Scorecard Outcome:
1.8

+ The vast majority of our 2016 business plan commitments were met or exceeded, with highlights including; important acquisitions in Australia and Senegal which provide significant additional resources at low entry cost; announced discovery of 2.4 Tcf of gas offshore Myanmar; forecasting approximately 15% production growth from 2017 – 2020 from existing operations and currently sanctioned projects,[2] including FID for Greater Enfield; for the second year in a row, lower flared gas intensity, with a 33% reduction from 2015; and maintaining our investment grade credit rating and gearing within our target range.

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

2. Based on project schedules of currently sanctioned projects including NWS subsea tiebacks, Wheatstone Project and Greater Enfield Project.

CEO and executive KMP remuneration structure

Woodside's remuneration structure for the CEO and executive KMP is comprised of three components being FAR, STA and 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 being 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 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 2016 is explained below:

Summary of executive KMP remuneration structure for 2016

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 comparator organisations, 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 2016.

The corporate scorecard for 2016 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 81 for details of the CEO's individual KPIs and page 80 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 2016 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, one-third of 2016 STA will be paid in cash in March 2017. The remaining two-thirds will be delivered as a deferred equity award of Restricted Shares, with 50% subject to a two year deferral and 50% subject to a three year deferral.

For executive KMP, two-thirds will be paid in cash in March 2017. The remaining third will be delivered as a deferred equity award of Restricted Shares, subject to a three-year deferral period.

The number of Restricted Shares is calculated by dividing the deferred STA value by the Volume Weighted Average Price (VWAP) for December 2016.

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 or retirement, 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 page 86.

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 the entities within the ASX 50 index at 1 December 2016. 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 86.

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 2016 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 2016.

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, 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 86-88.

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 2016

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 2016, 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; and 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; and achievement of health, safety and community expectations.
+ **Enterprise capability:** Assesses leadership development; workforce planning; 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; and 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; and 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 2016 performance year was allocated in February 2017 at face value and will be subject to RTSR testing in February 2021. There will be no retest.

The vesting conditions for the LTA allocation reflect those outlined on page 78.

KMP Executive Incentive Plan (EIP)

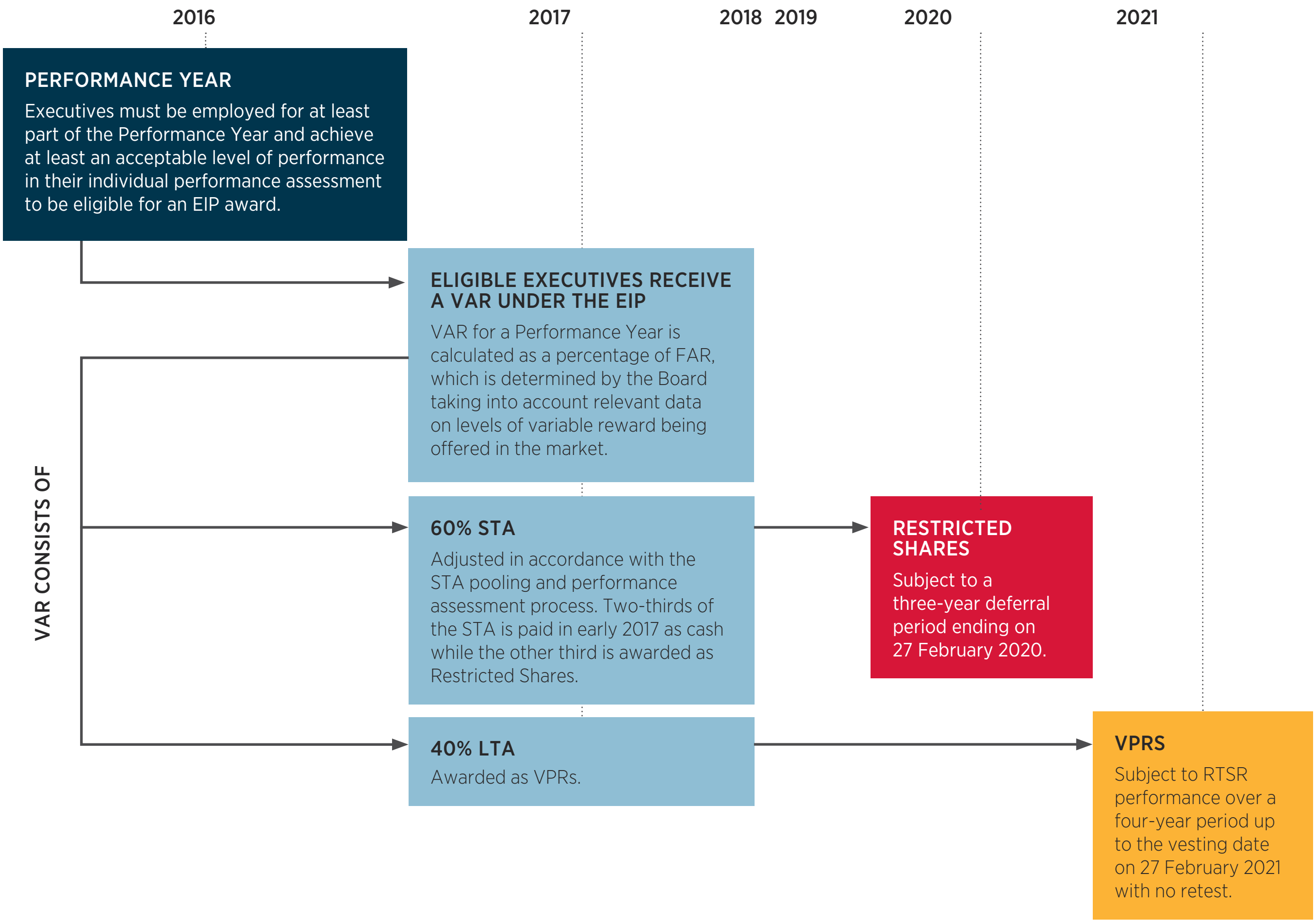
The EIP is used to deliver STA and LTA to executive KMP, other than the CEO.

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.

As shown in the 'Our response to your feedback' section on pages 74 and 75 several changes have been introduced for the 2016 performance year, impacting executive KMP.

Table 3 below illustrates how EIP awards for executive KMP will be determined for the 2016 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 2016 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 2016 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
Executive Vice President Marketing Trading and Shipping	Sales
	Trading/performance

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 and General Counsel	Regulatory compliance
	Corporate affairs management
	Management system deployment
Senior Vice President People and Global Capability	Voluntary and regret staff turnover
	Succession health
	Gender and Indigenous diversity

Remuneration outcomes for 2016

A summary of the remuneration outcomes for executive KMP in 2016 is set out below.

Fixed Annual Reward

CEO and Managing Director

In January 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 in line with the market median. This supported the Board's decision to not award the CEO an increase to FAR for the second consecutive year.

Executive KMP

Executive KMP were not awarded an increase to their FAR for the second consecutive year.

Short-term incentives

STA pool

The STA pool for 2016 was $25,729,525 for 100 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: assessed as 1.25 out of a maximum of 1.4. Highlighted by a disciplined and timely acquisition of quality assets including Scarborough and offshore Senegal; successfully rebalancing the exploration portfolio to increase exposure to oil and emerging basins; announced the discovery of 2.4Tcf of gas (2C, 100%) offshore Myanmar; acquiring over 35,000 km^2 of seismic data in Myanmar and Ireland; and forecast approximately 15% production growth from 2017-2020 from existing operations and currently sanctioned projects.[1]
+ Effective execution: assessed as 1.22 out of a maximum of 1.4. Highlighted by world-class LNG reliability of 98.7%; exceeding our original production forecast by 5.4 MMboe; realised $830 million in benefits through the productivity program; and operating expenditure below target.
+ Enterprise capability: assessed as 1.12 out of a maximum of 1.4; highlighted by an increase to our Indigenous participation from 2.7% in 2015 to 3% in 2016; a reduction in Indigenous turnover from 3.2% in 2015 to 2.9%; increasing our female participation to 28.4%, almost double the industry average; decreasing female voluntary turnover from 5.3% in 2015 to 3.6%; continuing to attract high-quality graduates; and achieving gender balance in graduate recruitment.
+ Culture and reputation: assessed as 1.15 out of a maximum of 1.4, highlighted by our A$15.7 million worth of social investment to our host communities and contributing A$1.8 million towards nine early childhood development initiatives 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; $3.5 billion in expenditure with over 2,000 global suppliers.

1. *Based on project schedules of currently sanctioned projects including NWS subsea tiebacks, Wheatstone Project and Greater Enfield Project.*

Shareholder focus: assessed as 1.2 out of a maximum of 1.4; highlighted by outstanding operational performance in our base business and domestic and international growth opportunities; strong focus on productivity, driving down costs to maintain profitability in a low price environment; and disciplined approach to acquisitions and capital management.

The CEO's overall individual performance factor for 2016 was 1.19, resulting in an STA award of 92% of maximum.

The CEO's 2012 deferred STA vested on 22 February 2016, resulting in him receiving 33,720 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 2012 deferred STA vested on 22 February 2016, which resulted in the following:

+ 2,284 restricted shares vested to Mr Abbott.
+ 4,710 restricted shares vested to Mr Edwardes.
+ 2,694 restricted shares vested to Mr Gregory.
+ 3,569 restricted shares vested to Mr Matisons.
+ 3,829 restricted shares vested to Mr Roder.
+ 6,933 restricted shares vested to Mr Tremaine.

Long-term incentives

CEO and Managing Director

There were no LTA vestings for the CEO in 2016.

Executive KMP

There were no LTA vestings for executive KMP in 2016.

Other

Woodside Equity Plan (WEP)

Executive KMPs 2013 WEP equity rights vested on 1 October 2016, which resulted in the following:

+ 1,550 rights vested to Mr Abbott.
+ 3,100 rights vested to Mr Gregory.
+ 1,550 rights vested to Mr Matisons.
+ 3,100 rights vested to Mr Tremaine.

Supplementary Woodside Equity Plan (SWEP)

There were no vestings under the SWEP for executive KMP in 2016.

Remuneration outcomes for 2016 (cont.)

The table below provides a valuation summary of the VAR for the CEO and executive KMP for the 2016 and 2015 performance years.

Table 5 – Valuation Summary of CEO and executive KMP VAR for 2016 and 2015

Name	Year	STA Cash[1] $	STA Deferred[2] $	LTA[3] $	Total EIP $
P Coleman	2016	$1,085,317	$2,103,092	$1,265,214	$4,453,623
	2015	$2,007,413	$1,492,241	$2,675,156	$6,174,810
M Abbott	2016	$240,312	$111,478	$83,711	$435,501
	2015	$200,654	$149,146	$163,901	$513,701
R Edwardes	2016	$434,721	$201,659	$159,385	$795,765
	2015	$440,297	$327,293	$337,001	$1,104,591
S Gregory	2016	$316,815	$146,953	$85,266	$549,034
	2015	$260,580	$193,691	$180,282	$634,553
P Loader	2016	$395,538	$183,473	$122,127	$701,138
	2015	$337,364	$250,789	$258,224	$846,377
R Matisons	2016	$251,333	$116,573	$87,893	$455,799
	2015	$232,188	$172,602	$185,864	$590,654
D McLoughlin	2016	$98,688	$45,769	$83,711	$228,168
	2015	$176,800	$132,045	$122,913	$431,758
G Roder[4]	2016	$151,403	$0	$119,295	$270,698
	2015	$296,609	$220,480	$302,708	$819,797
L Tremaine[5]	2016	$380,224	$176,373	$144,407	$701,004
	2015	$414,316	$307,980	$288,378	$1,010,674
M Utsler	2016	$615,447	$285,492	$169,375	$1,070,314
	2015	$455,769	$338,787	$339,262	$1,133,818

1. *Represents the short-term incentive earned in the respective year, which is actually paid in the following year. Amounts were translated to USD using closing spot rate on 31 December 2016.*
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 executives may ultimately realise should these equity instruments vest.*
3. *The number of shares allocated under the LTA for 2016 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 included above is not related to or indicative of the benefit (if any) that individual executives may ultimately receive should these equity instruments vest.*
4. *Mr Roder ceased being KMP on 29 April 2016 and ceased employment with Woodside on 31 October 2016. His deferred STA was granted as cash of A$104,578 classified as a termination benefit.*
5. *Mr Tremaine's Restricted Shares and VPR awards for the 2016 service year represent those estimated to be allocated as at 31 December 2016. Mr Tremaine resigned on 13 February 2017 which has resulted in the subsequent forfeiture of all unvested Restricted Shares and VPRs.*

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.

No awards were made to executive KMP in 2016 under Woodside's other equity plans, but details of prior year allocations are provided in Table 11 on pages 86-88.

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 78. 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.

There were no awards issued under the SWEP in 2016.

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 86-88 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
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
D McLoughlin	Woodside Energy Ltd	Unlimited	6 months	3 months
P Loader	Woodside Energy Ltd	Fixed Term Contract until 1 July 2018	6 months	6 months
L Tremaine	Woodside Energy Ltd	Unlimited	12 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.*
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 advice 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 second 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 2016 is set out in Table 12 on page 89.

Table 7 – Annual base Board and Committee fees for NEDs

Position	Board A$[1]	Audit & Risk Committee A$[1]	Human Resources & Compensation Committee A$[1]	Sustainability Committee A$[1]	Nominations Committee 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 recommendations directly from external independent remuneration consultants. Table 8 below shows the fees payable to independent external remuneration consultants during 2016.

Under communications and engagement protocols adopted by the company, the market data reports and the recommendations were provided directly to the Committee Chair, and the consultants provided a statement to the Committee that the reports and recommendations 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 recommendations made by Egan Associates were free from undue influence by KMP.

Table 8 – Fees paid to remuneration consultants

Remuneration consultant	Services provided	Fees
Egan Associates	Remuneration recommendations (including market data) for the 2017 CEO remuneration review	A$27,489

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 2016 and 2015

		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	2016	1,809,295	25,158	14,461	1,085,317	3,673,472	98,772	-	6,706,475	8,949,491	71
	2015	1,829,049	152,493	14,304	2,007,413	3,488,469	63,088	-	7,554,816	9,968,190	73
M Abbott, Senior Vice President Corporate and Legal and General Counsel	2016	340,806	15,320	63,205	240,312	271,499	29,379	-	960,521	1,292,954	53
	2015	310,743	15,526	83,106	200,654	257,297	42,601	-	909,927	1,204,838	50
R Edwardes, Executive Vice President Development[6]	2016	769,232	13,254	14,461	434,721	607,645	34,846	-	1,874,159	2,518,405	56
	2015	786,031	25,630	14,304	440,297	379,166	22,304	-	1,667,732	2,207,854	49
S Gregory, Senior Vice President and Chief Technology Officer	2016	414,999	19,282	14,461	316,815	357,328	(17,489)	-	1,105,396	1,488,227	61
	2015	421,790	14,388	14,304	260,580	346,471	15,924	-	1,073,457	1,420,345	57
P Loader, Executive Vice President Global Exploration[7, 8]	2016	642,876	27,487	-	395,538	563,058	24,145	-	1,653,104	2,220,352	58
	2015	656,081	64,635	-	337,364	442,557	16,465	-	1,517,102	2,008,670	51
R Matisons, Executive Vice President Marketing, Trading and Shipping	2016	348,924	18,253	90,494	251,333	351,166	18,269	-	1,078,439	1,449,595	56
	2015	352,674	67,703	96,831	232,188	348,562	16,396	-	1,114,354	1,474,617	52
D McLoughlin, Senior Vice President People and Global Capability	2016	399,768	17,744	14,461	98,688	99,405	15,502	-	645,568	869,059	31
	2015	336,031	16,738	13,416	176,800	61,839	7,650	-	612,474	817,477	39
G Roder, Executive Vice President Business Development and Growth[9]	2016	219,107	10,406	14,291	151,403	661,126	(10,606)	425,219	1,470,946	1,983,499	55
	2015	671,396	43,930	59,258	296,609	542,504	20,073	-	1,633,770	2,161,451	51
L Tremaine, Executive Vice President and Chief Financial Officer[10]	2016	606,228	13,053	16,942	380,224	692,987	39,820	-	1,749,254	2,346,527	61
	2015	607,197	13,131	17,124	414,316	706,360	22,838	-	1,780,966	2,352,977	63
M Utsler, Executive Vice President and Chief Operations Officer[7, 11]	2016	946,540	23,643	-	615,447	666,580	35,982	-	2,288,192	3,079,492	56
	2015	954,838	40,625	-	455,769	511,756	22,775	-	1,985,763	2,630,912	49

1. *Reflects the value of allowances and non-monetary benefits (including travel, health insurance, car parking and any associated fringe benefit tax).*
2. *The amount represents the short-term incentive earned in the respective year, which is actually paid in the following year. Amounts were translated to USD using closing spot rate on 31 December 2016.*
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. *Mr Edwardes' 2014, 2015 and 2016 share based payment amortisation expenses have been accelerated based on his contract end date of 31 December 2018.*
7. *As non-residents 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.*
8. *Mr Loader's 2014, 2015 and 2016 share based payment amortisation expenses have been accelerated based on his contract end date of 1 July 2018.*
9. *Mr Roder ceased being KMP on 29 April 2016 and ceased employment with Woodside on 31 October 2016. All share based payment amortisation expenses have been accelerated accordingly.*
10. *Mr Tremaine's Restricted Share and VPR awards for the 2016 service year represent those estimated to be allocated as at 31 December 2016. Mr Tremaine resigned on 13 February 2017 which has resulted in the subsequent forfeiture of all unvested Restricted Shares and VPRs.*
11. *Mr Utsler's 2014, 2015 and 2016 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
BG Group PLC[1]
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
Talisman Energy Inc[2]
Tullow Oil PLC

1. BG Group was acquired by Royal Dutch Shell in February 2016.
2. Talisman Energy Inc was acquired by a wholly owned subsidiary of Repsol in May 2015.

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 2016	% of total vested	Lapsed in 2016	Fair Value of Equity[4,5,6]
P Coleman	Restricted Shares	1 January 2012	22 February 2013	22 February 2016	-	33,720	100	-	30.98
	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	19,924	-	-	-	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
	RTSR Tested VPRs	1 January 2012	22 February 2013	22 February 2017	150,665	-	-	-	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
M Abbott[7]	Restricted Shares	1 January 2012	22 February 2013	22 February 2016	-	2,284	100	-	30.98
	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
	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
	WEP Equity Rights	1 October 2013	-	1 October 2016	-	1,550	100	-	30.47
	WEP Equity Rights	1 October 2015	-	1 October 2018	2,300	-	-	-	18.07
R Edwardes	Restricted Shares	1 January 2012	22 February 2013	22 February 2016	-	4,710	100	-	30.98
	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	5,075	-	-	-	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
	RTSR Tested VPRs	1 January 2012	22 February 2013	22 February 2017	11,923	-	-	-	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

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 2016	% of total vested	Lapsed in 2016	Fair Value of Equity[4,5,6]
S Gregory	Restricted Shares	1 January 2012	22 February 2013	22 February 2016	-	2,694	100	-	30.98
	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	2,566	-	-	-	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
	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
	WEP Equity Rights	1 October 2013	-	1 October 2016	-	3,100	100	-	30.47
	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
P Loader	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	1,450	-	-	-	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
	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
	SWEP Equity Rights	1 October 2014	-	1 October 2017	11,960	-	-	-	31.26
R Matisons[8]	Restricted Shares	1 January 2012	22 February 2013	22 February 2016	-	3,569	100	-	30.98
	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
	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
	WEP Equity Rights	1 October 2013	-	1 October 2016	-	1,550	100	-	30.47
	WEP Equity Rights	1 October 2015	-	1 October 2018	2,300	-	-	-	18.07
D McLoughlin	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	4,239	-	-	-	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	-	1 October 2018	2,300	-	-	-	18.07
G Roder[9]	Restricted Shares	1 January 2012	22 February 2013	22 February 2016	-	3,829	100	-	30.98
	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	-	4,603	100	-	35.18
	Restricted Shares	1 January 2014	20 February 2015	20 February 2018	-	8,728	100	-	34.80
	Restricted Shares	1 January 2015	19 February 2016	19 February 2019	-	7,078	100	-	31.15
	RTSR Tested VPRs	1 January 2012	22 February 2013	22 February 2017	5,774	-	-	-	15.90
	RTSR Tested VPRs	1 January 2013	21 February 2014	21 February 2018	17,940	-	-	-	20.77
	RTSR Tested VPRs	1 January 2014	20 February 2015	20 February 2019	18,932	-	-	-	17.45
	RTSR Tested VPRs	1 January 2015	19 February 2016	19 February 2020	17,407	-	-	-	17.39
	RTSR Tested VPRs	1 January 2016	27 February 2017	27 February 2021	9,900	-	-	-	12.05

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 2016	% of total vested	Lapsed in 2016	Fair Value of Equity[4,5,6]
L Tremaine[10]	Restricted Shares	1 January 2012	22 February 2013	22 February 2016	-	6,933	100	-	30.98
	Restricted Shares	1 January 2013	21 February 2014	21 February 2017	4,249	-	-	-	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	14,631	-	-	-	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 2013	-	1 October 2016	-	3,100	100	-	30.47
	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	-	-	-	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
	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
	SWEP Equity Rights	1 October 2014	-	1 October 2017	14,350	-	-	-	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 2017 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 2017 and future years will not be retested. The second test date for earlier VPR allocations is one year after the 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. *Of the changes made to the 2016 EIP (discussed in 'Our response to your feedback'), the removal of the LTA retest was the only change that represented a modification to fair value under the plan as defined by AASB 2. The fair value of the awards allocated in February 2017 at the grant date based on the original terms was $12.05. At the modification date of 17 August 2016, the USD equivalent share price was $21.78. The fair value under the original terms was $13.01 and the fair value after the modification was $11.44. As the impact of the modification was an incremental decrease in fair value at modification date, the value of the VPRs for accounting purposes remains as the original grant date fair value in accordance with the AASB 2.*
7. *Mr Abbott did not meet the definition of KMP under AASB 124 for years prior to 2015. Previous years comparative figures are not shown.*
8. *Mr Matisons did not meet the definition of KMP under AASB 124 for years prior to 2015. Previous years comparative figures are not shown.*
9. *Mr Roder ceased being KMP on 29 April 2016 and ceased employment with Woodside on 31 October 2016.*
10. *Mr Tremaine's Restricted Share and VPR awards for the 2016 service year represent those estimated to be allocated as at 31 December 2016. Mr Tremaine resigned on 13 February 2017 which has resulted in the subsequent forfeiture of all unvested Restricted Shares, VPRs and equity rights.*

Table 12 - Total remuneration paid to NEDs in 2016 and 2015

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

Non-executive director		Cash salary and fees Salaries, fees and allowances $	Pension super Company contributions to superannuation $	Total $
M Chaney	2016	537,452	51,058	588,510
	2015	543,228	51,607	594,835
M Cilento	2016	205,449	19,518	224,967
	2015	195,346	18,558	213,904
F Cooper	2016	217,270	20,641	237,911
	2015	219,604	20,862	240,466
C Haynes	2016	215,047	-	215,047
	2015	217,358	-	217,358
A Jamieson[1]	2016	69,634	-	69,634
	2015	233,393	-	233,393
I Macfarlane[2]	2016	25,233	1,206	26,439
	2015	-	-	-
D McEvoy	2016	214,000	20,330	234,330
	2015	236,848	-	236,848
A Pickard[3]	2016	163,184	12,677	175,861
	2015	-	-	-
S Ryan	2016	196,390	18,657	215,047
	2015	198,500	18,858	217,358
G Tilbrook	2016	196,390	15,015	211,405
	2015	198,500	15,176	213,676

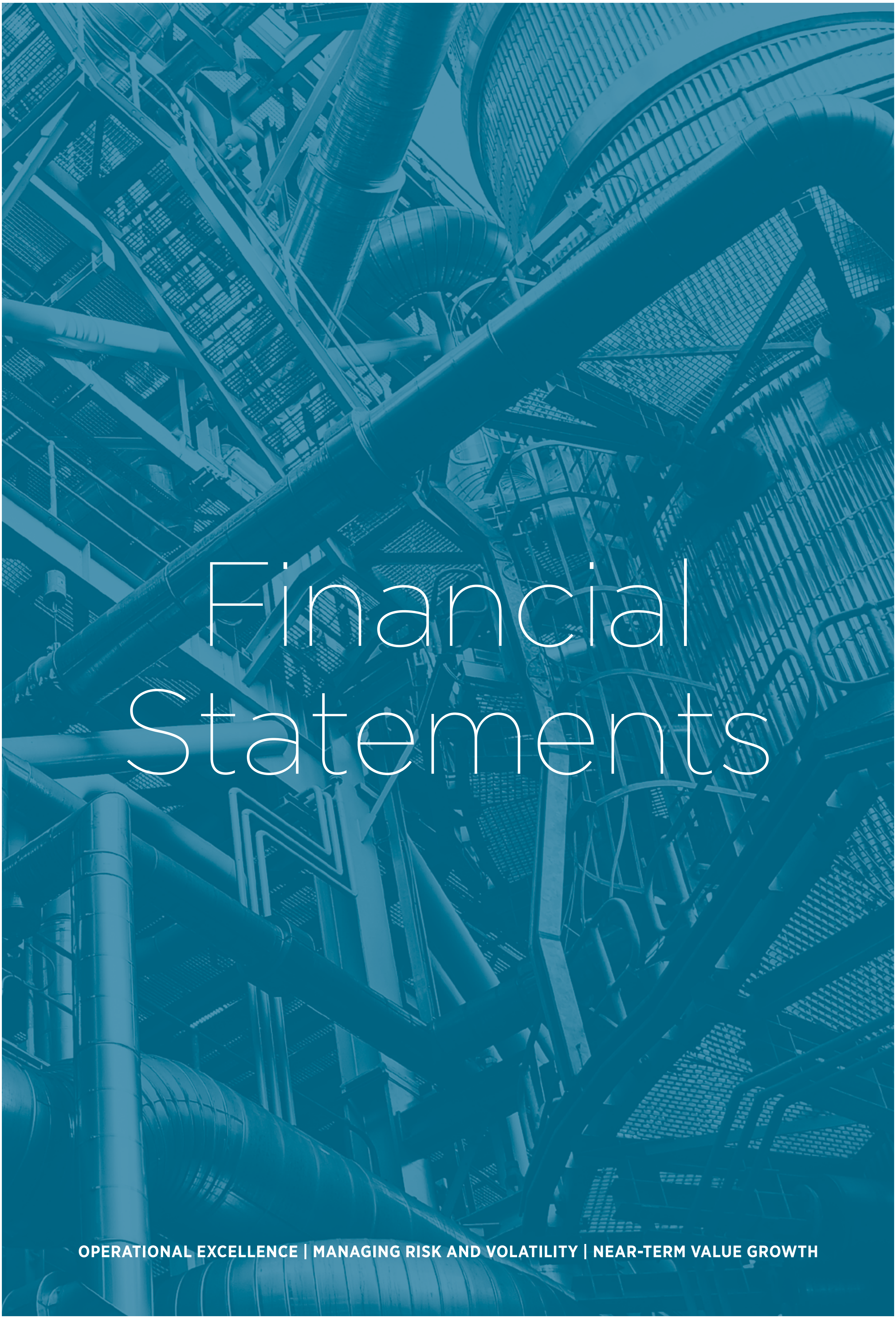
1. *Dr Jamieson ceased being a director with Woodside on 21 April 2016.*
2. *Mr Macfarlane was appointed as a director on 14 November 2016.*
3. *Ms Pickard was appointed as a director on 29 February 2016.*

Table 13 - KMP share and equity holdings

Details of shares held by KMP including their personally related entities[1] for the 2016 financial year are as follows:

	Type of equity	Opening holding at 1 January 2016[2]	NEDSP[3]	Rights allocated in 2016	Rights vested in 2016	Restricted shares granted	Net changes - other	Closing holding at 31 December 2016[4]
Non-executive Directors								
M Chaney	Shares	20,000	-	-	-	-	-	20,000
M Cilento	Shares	2,086	225	-	-	-	-	2,311
F Cooper	Shares	3,304	1,624	-	-	-	-	4,928
C Haynes	Shares	4,623	1,496	-	-	-	-	6,119
A Jamieson	Shares	7,778	568	-	-	-	-	8,346
I Macfarlane	Shares	-	-	-	-	-	-	-
D McEvoy	Shares	8,040	-	-	-	-	-	8,040
A Pickard	Shares	-	940	-	-	-	-	940
S Ryan	Shares	3,045	1,413	-	-	-	-	4,458
G Tilbrook	Shares	7,153	-	-	-	-	-	7,153
Executives								
P Coleman	Equity Rights	474,921	-	153,833	-	-	-	628,754
	Shares	209,153	-	-	-	47,905	(16,800)	240,258
M Abbott	Equity Rights	25,510	-	9,425	(1,550)	-	-	33,385
	Shares	10,948	-	-	1,550	4,788	-	17,286
R Edwardes	Equity Rights	52,781	-	19,379	-	-	-	72,160
	Shares	20,045	-	-	-	10,507	-	30,552
S Gregory	Equity Rights	33,623	-	10,367	(3,100)	-	-	40,890
	Shares	18,008	-	-	3,100	6,218	(10,794)	16,532
P Loader	Equity Rights	35,646	-	14,849	-	-	-	50,495
	Shares	8,895	-	-	-	8,051	-	16,946
R Matisons	Equity Rights	37,648	-	10,688	(1,550)	-	-	46,786
	Shares	43,981	-	-	1,550	5,541	(11,034)	40,038
D McLoughlin	Equity Rights	2,658	-	7,068	-	-	-	9,726
	Shares	158	-	-	-	4,239	-	4,397
G Roder	Equity Rights	42,646	-	17,407	-	-	-	60,053
	Shares	17,160	-	-	-	7,078	-	24,238
L Tremaine	Equity Rights	68,887	-	16,583	(3,100)	-	-	82,370
	Shares	47,640	-	-	3,100	9,887	-	60,627
M Utsler	Equity Rights	37,245	-	19,509	-	-	-	56,754
	Shares	12,550	-	-	-	10,876	-	23,426

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 represents 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 2016.*



Financial Statements

OPERATIONAL EXCELLENCE | MANAGING RISK AND VOLATILITY | NEAR-TERM VALUE GROWTH

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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:

- The sale of the Group's interests in the Laminaria-Corallina joint operation in April 2016. The transaction resulted in an after tax gain on sale of US$2 million.
- The purchase of 100% of the shares in ConocoPhillips Senegal B.V. on 28 October 2016, for a total purchase consideration of US$446 million. For more detail, refer to Note B.5.
- The purchase of interests in BHP Billiton's Scarborough area assets on 14 November 2016, for a total purchase consideration of US$252 million. For more detail, refer to Note B.5.

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2016

	Notes	2016 US$m	2015 US$m
Operating revenue	A.1	**4,075**	5,030
Cost of sales	A.1	**(2,234)**	(3,073)
Gross profit		**1,841**	1,957
Other income	A.1	**61**	31
Other expenses	A.1	**(514)**	(1,547)
Profit before tax and net finance costs		**1,388**	441
Finance income		**8**	4
Finance costs	A.2	**(56)**	(89)
Profit before tax		**1,340**	356
Petroleum Resource Rent Tax (PRRT) benefit/(expense)	A.5	**177**	(131)
Income tax expense	A.5	**(544)**	(112)
Profit after tax		**973**	113
Profit attributable to:			
Equity holders of the parent		**868**	26
Non-controlling interest	E.9	**105**	87
Profit for the year		**973**	113
Basic and diluted earnings per share attributable to equity holders of the parent (US cents)	A.4	**104.0**	3.2

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	**2016 US$m**	2015 US$m
Profit for the year		**973**	113
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Gain on available-for-sale financial assets reclassified to profit or loss		**-**	14
Exchange differences reclassified to profit or loss		**17**	3
Loss on cash flow hedges	C.5	**(12)**	-
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement (losses)/gains on defined benefit plan		**(2)**	12
Other comprehensive income for the year, net of tax		**3**	29
Total comprehensive income for the year		**976**	142
Total comprehensive income attributable to:			
Equity holders of the parent		**871**	55
Non-controlling interest		**105**	87
Total comprehensive income for the year		**976**	142

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	**2016 US$m**	2015 US$m
Current assets			
Cash and cash equivalents	C.1	**285**	122
Receivables	D.1	**446**	489
Inventories	D.2	**149**	170
Tax receivable	A.5	**2**	106
Other assets		**18**	47
Disposal group held for sale		**-**	145
Total current assets		**900**	1,079
Non-current assets			
Receivables	D.1	**172**	93
Inventories	D.2	**5**	19
Other financial assets		**30**	30
Other assets		**8**	8
Exploration and evaluation assets	B.2	**3,228**	2,528
Oil and gas properties	B.3	**19,376**	19,236
Other plant and equipment		**69**	76
Deferred tax assets	A.5	**965**	770
Total non-current assets		**23,853**	22,760
Total assets		**24,753**	23,839
Current liabilities			
Payables	D.3	**546**	813
Interest-bearing liabilities	C.2	**76**	77
Other financial liabilities		**17**	1
Other liabilities		**31**	42
Provisions	D.4	**202**	215
Tax payable	A.5	**91**	-
Liabilities associated with disposal group held for sale		**-**	156
Total current liabilities		**963**	1,304
Non-current liabilities			
Interest-bearing liabilities	C.2	**4,897**	4,364
Deferred tax liabilities	A.5	**1,578**	1,390
Other financial liabilities		**20**	11
Other liabilities		**72**	92
Provisions	D.4	**1,561**	1,653
Total non-current liabilities		**8,128**	7,510
Total liabilities		**9,091**	8,814
Net assets		**15,662**	15,025
Equity			
Issued and fully paid shares	C.4	**6,919**	6,547
Shares reserved for employee share plans	C.4	**(30)**	(27)
Other reserves	C.5	**979**	963
Retained earnings		**6,971**	6,743
Equity attributable to equity holders of the parent		**14,839**	14,226
Non-controlling interest	E.9	**823**	799
Total equity		**15,662**	15,025

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Notes	2016 US$m	2015 US$m
Cash flows from operating activities			
Profit after tax for the period		973	113
Adjustments for:			
Non-cash items			
Depreciation and amortisation		1,346	1,539
Impairment of oil and gas properties		-	1,083
Loss on disposal of exploration and evaluation assets		-	2
Gain on disposal of oil and gas properties		(23)	(3)
Loss on disposal of investment		-	14
Change in fair value of derivative financial instruments		5	1
Net finance costs		48	85
Tax expense		367	243
Exploration and evaluation written off		54	131
Other		45	(28)
Changes in assets and liabilities			
Decrease/(increase) in trade and other receivables		21	(28)
Decrease in inventories		45	67
Increase in provisions		16	79
Increase in other assets and liabilities		(7)	(30)
(Decrease)/increase in trade and other payables		(81)	55
Cash generated from operations		2,809	3,323
Purchases of shares and payments relating to employee share plans		(54)	(45)
Interest received		8	5
Dividends received		7	8
Borrowing costs relating to operating activities		-	(20)
Income tax paid		(172)	(768)
PRRT received/(paid)		14	(10)
Payments for restoration		(25)	(16)
Payments for carbon tax		-	(2)
Net cash from operating activities		2,587	2,475
Cash flows used in investing activities			
Payments for capital and exploration expenditure		(1,608)	(1,819)
Borrowing costs relating to investing activities		(153)	(99)
Payments for disposal of oil and gas properties		(14)	-
Payments for acquisition of joint arrangements net of cash acquired	B.5	(698)	(3,637)
Net cash used in investing activities		(2,473)	(5,555)
Cash flows from/(used in) financing activities			
Proceeds from borrowings		545	1,867
Borrowing costs relating to financing activities		(18)	(33)
Contributions to non-controlling interests		(193)	(162)
Proceeds from underwriters of Dividend Reinvestment Plan (DRP)		277	-
Dividends paid (net of DRP)		(274)	-
Dividends paid outside of DRP		(286)	(1,730)
Net cash from/(used in) financing activities		51	(58)
Net increase/(decrease) in cash held		165	(3,138)
Cash and cash equivalents at the beginning of the period		122	3,268
Effects of exchange rate changes		(2)	(8)
Cash and cash equivalents at the end of the period	C.1	285	122

The accompanying notes form part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Issued and fully paid shares	Shares reserved for employee share plans	Employee benefits reserve	Foreign currency translation reserve	Cash flow hedge reserve	Investment fair value reserve	Retained earnings	Equity holders of the parent	Non-controlling interest	Total equity
Notes	C.4 US$m	C.4 US$m	C.5 US$m	C.5 US$m	C.5 US$m	US$m	US$m	US$m	E.9 US$m	US$m
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**
At 1 January 2015	6,547	(38)	161	773	-	(14)	8,447	15,876	783	16,659
Profit for the year	-	-	-	-	-	-	26	26	87	113
Other comprehensive income	-	-	12	3	-	14	-	29	-	29
Total comprehensive income for the year	-	-	12	3	-	14	26	55	87	142
Employee share plan purchases	-	(45)	-	-	-	-	-	(45)	-	(45)
Employee share plan redemptions	-	56	(56)	-	-	-	-	-	-	-
Share-based payments	-	-	70	-	-	-	-	70	-	70
Dividends paid	-	-	-	-	-	-	(1,730)	(1,730)	(71)	(1,801)
At 31 December 2015	6,547	(27)	187	776	-	-	6,743	14,226	799	15,025

The accompanying notes form part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

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 22 February 2017.

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*, 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 2015, except for the impact of all new or amended standards and interpretations. With the exception of AASB 2014-3, the adoption of these standards and interpretations did not result in any significant changes to the Group's accounting policies. The change in policy has had no impact on the financial statements as there were no such acquisitions in the period.

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.

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:

Note A.5	Taxes	Page 103
Note B.2	Exploration and evaluation	Page 106
Note B.3	Oil and gas properties	Page 107
Note B.4	Impairment of oil and gas properties	Page 108
Note D.4	Provisions	Page 115
Note E.7	Joint arrangements	Page 120

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 & 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 page 58 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 99
Section A	Foreign exchange risk	Page 99
Section C	Capital risk	Page 110
Section C	Liquidity risk	Page 110
Section C	Interest rate risk	Page 110
Section D	Credit risk	Page 113

NOTES TO THE FINANCIAL STATEMENTS A. EARNINGS FOR THE YEAR

for the year ended 31 December 2016

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, in particular 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 operations' 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 (+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 2016.

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 entered into a cross-currency interest rate swap during the period. 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.

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.

Major customer information

The Group has two major customers which account for 21% and 17% of the Group's external revenue. The sales are generated by the Pluto and North West Shelf operating segments (2015: two customers; 18% and 16%).

Producing

North West Shelf Project – Exploration, evaluation, development, production and sale of liquefied natural gas, pipeline natural gas, condensate, liquefied petroleum gas and crude oil 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 (Enfield, Vincent, Stybarrow and Balnaves).

Development

Browse – Exploration, evaluation and development of liquefied natural gas and condensate in the Browse area.

Wheatstone LNG – Exploration, evaluation and development of liquefied natural gas and condensate.

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.

Geographical information

	Revenue from external customers[1]		Non-current assets[2]	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m
Australia	**501**	532	**21,048**	20,763
Asia	**3,513**	4,207	**64**	32
USA	**37**	77	**-**	-
Canada	**11**	-	**1,285**	1,171
Other	**13**	214	**491**	24
Consolidated	**4,075**	5,030	**22,888**	21,990

1. *Revenue is attributable to geographic location based on the location of the customers.*
2. *Non-current assets exclude deferred tax of US$965 million (2015: US$770 million).*

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 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						Development				Other					
	North West Shelf		Pluto		Australia Oil		Browse		Wheatstone		Other segments		Unallocated items		Consolidated	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Liquefied natural gas	**801**	1,028	**1,950**	2,067	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**2,751**	3,095
Pipeline natural gas	**292**	295	**-**	-	**-**	-	**-**	-	**-**	-	**11**	1	**-**	-	**303**	296
Condensate	**279**	291	**134**	130	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**413**	421
Oil	**44**	140	**-**	-	**258**	510	**-**	-	**-**	-	**-**	-	**-**	-	**302**	650
Liquefied petroleum gas	**34**	34	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**34**	34
Revenue from sale of produced hydrocarbons	**1,450**	1,788	**2,084**	2,197	**258**	510	**-**	-	**-**	-	**11**	1	**-**	-	**3,803**	4,496
Processing and services revenue	**-**	-	**202**	180	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**202**	180
Trading revenue	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**70**	354	**-**	-	**70**	354
Other revenue	**-**	-	**202**	180	**-**	-	**-**	-	**-**	-	**70**	354	**-**	-	**272**	534
Operating revenue	**1,450**	1,788	**2,286**	2,377	**258**	510	**-**	-	**-**	-	**81**	355	**-**	-	**4,075**	5,030
Production costs	**(196)**	(186)	**(145)**	(206)	**(118)**	(237)	**-**	-	**-**	-	**(11)**	(1)	**(2)**	(9)	**(472)**	(639)
Royalties and excise	**(179)**	(215)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(179)**	(215)
Carbon costs	**-**	(2)	**-**	4	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	2
Insurance	**(6)**	(7)	**(11)**	(12)	**(3)**	(3)	**-**	-	**-**	-	**-**	(1)	**2**	(5)	**(18)**	(28)
Inventory movement	**6**	(15)	**(16)**	(31)	**(6)**	(23)	**-**	-	**-**	-	**-**	-	**-**	-	**(16)**	(69)
Onerous lease provision	**-**	-	**-**	-	**-**	(128)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	(128)
Costs of production	**(375)**	(425)	**(172)**	(245)	**(127)**	(391)	**-**	-	**-**	-	**(11)**	(2)	**-**	(14)	**(685)**	(1,077)
Land and buildings	**(7)**	(7)	**(46)**	(71)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(53)**	(78)
Transferred exploration and evaluation	**(5)**	(6)	**(49)**	(36)	**(1)**	(4)	**-**	-	**-**	-	**-**	-	**-**	-	**(55)**	(46)
Plant and equipment	**(261)**	(315)	**(820)**	(746)	**(103)**	(303)	**-**	-	**-**	-	**-**	-	**-**	-	**(1,184)**	(1,364)
Marine vessels and carriers	**(7)**	(7)	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(7)**	(7)
Oil and gas properties depreciation and amortisation	**(280)**	(335)	**(915)**	(853)	**(104)**	(307)	**-**	-	**-**	-	**-**	-	**-**	-	**(1,299)**	(1,495)
Shipping and direct sales costs	**(34)**	(39)	**(93)**	(100)	**-**	(2)	**-**	-	**-**	-	**-**	2	**(14)**	(9)	**(141)**	(148)
Trading costs	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(109)**	(353)	**-**	-	**(109)**	(353)
Other cost of sales	**(34)**	(39)	**(93)**	(100)	**-**	(2)	**-**	-	**-**	-	**(109)**	(351)	**(14)**	(9)	**(250)**	(501)
Cost of sales	**(689)**	(799)	**(1,180)**	(1,198)	**(231)**	(700)	**-**	-	**-**	-	**(120)**	(353)	**(14)**	(23)	**(2,234)**	(3,073)
Trading intersegment adjustments	**-**	-	**(65)**	(42)	**-**	-	**-**	-	**-**	-	**65**	42	**-**	-	**-**	-
Gross profit/(loss)	**761**	989	**1,041**	1,137	**27**	(190)	**-**	-	**-**	-	**26**	44	**(14)**	(23)	**1,841**	1,957
Other income	**10**	13	**4**	10	**41**	13	**-**	-	**-**	-	**-**	3	**6**	(8)	**61**	31
Exploration and evaluation expenditure	**(4)**	(3)	**(3)**	(1)	**(1)**	(5)	**-**	-	**-**	-	**(208)**	(240)	**-**	-	**(216)**	(249)
Amortisation	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(26)**	(22)	**-**	-	**(26)**	(22)
Write-offs	**-**	-	**-**	-	**-**	(33)	**-**	-	**-**	-	**(54)**	(98)	**-**	-	**(54)**	(131)
Exploration and evaluation	**(4)**	(3)	**(3)**	(1)	**(1)**	(38)	**-**	-	**-**	-	**(288)**	(360)	**-**	-	**(296)**	(402)
General, administrative and other costs	**(11)**	5	**-**	9	**(9)**	29	**-**	-	**-**	-	**(23)**	(14)	**(90)**	(57)	**(133)**	(28)
Impairment of oil and gas properties	**-**	(200)	**-**	-	**-**	(18)	**-**	-	**-**	(865)	**-**	-	**-**	-	**-**	(1,083)
Depreciation of other plant and equipment	**(1)**	(1)	**-**	-	**-**	-	**-**	-	**-**	-	**(1)**	-	**(19)**	(21)	**(21)**	(22)
Other[1]	**4**	(6)	**(32)**	1	**-**	-	**-**	-	**-**	-	**(5)**	-	**(31)**	(7)	**(64)**	(12)
Other costs	**(8)**	(202)	**(32)**	10	**(9)**	11	**-**	-	**-**	(865)	**(29)**	(14)	**(140)**	(85)	**(218)**	(1,145)
Other expenses	**(12)**	(205)	**(35)**	9	**(10)**	(27)	**-**	-	**-**	(865)	**(317)**	(374)	**(140)**	(85)	**(514)**	(1,547)
Profit/(loss) before tax and net finance costs	**759**	797	**1,010**	1,156	**58**	(204)	**-**	-	**-**	(865)	**(291)**	(327)	**(148)**	(116)	**1,388**	441

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

	2016 US$m	2015 US$m
Interest on interest-bearing liabilities	**163**	132
Accretion charge	**40**	46
Other finance costs	**16**	21
Less: Interest capitalised	**(163)**	(110)
	56	89

A.3 Dividends paid and proposed

	2016 US$m	2015 US$m
(a) Dividends paid during the financial year		
Prior year fully franked final dividend US$0.43, paid on 8 April 2016 (2015: US$1.44, paid on 25 March 2015)	**354**	1,186
Current year fully franked interim dividend US$0.34, paid on 30 September 2016 (2015: US$0.66, paid on 23 September 2015)	**286**	544
	640	1,730
(b) Dividend declared subsequent to the reporting period end (not recorded as a liability)		
Final dividend US$0.49 (2015: US$0.43)	**413**	354
(c) Other information		
Franking credits available for the subsequent periods	**1,887**	2,808
Current year dividends per share (US cents)	**83**	109

A.4 Earnings per share

	2016	2015
Profit attributable to equity holders of the parent (US$m)	**868**	26
Weighted average number of shares on issue	**835,011,896**	822,943,960
Basic and diluted earnings per share (US cents)	**104.0**	3.2

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 9,384,302 (2015: 9,305,660) 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

	2016 US$m	2015 US$m
(a) Tax expense comprises		
PRRT		
Current tax benefit	**(5)**	(29)
Deferred tax (benefit)/expense	**(172)**	160
PRRT (benefit)/expense	**(177)**	131
Income tax		
Current year		
Current tax expense	**368**	283
Deferred tax expense/(benefit)	**176**	(168)
Adjustment to prior years		
Current tax benefit	**(10)**	(23)
Deferred tax expense	**10**	20
Income tax expense	**544**	112
Tax expense	**367**	243
(b) Reconciliation of income tax expense		
Profit before tax	**1,340**	356
PRRT benefit/(expense)	**177**	(131)
Profit before income tax	**1,517**	225
Income tax expense calculated at 30%	**456**	67
Non-deductible items	**15**	15
Foreign expenditure not brought to account	**84**	82
Adjustment to prior years	**(2)**	(2)
Foreign exchange impact on tax expense	**(9)**	(50)
Income tax expense	**544**	112
(c) Reconciliation of PRRT expense/(benefit)		
Profit before tax	**1,340**	356
Non-PRRT assessable profits	**(1,452)**	(341)
PRRT projects (loss)/profit before tax	**(112)**	15
PRRT (benefit)/expense calculated at 40%	**(45)**	6
Augmentation	**(170)**	(226)
Derecognition of quarantined exploration expenditure	**-**	363
Other	**38**	(12)
PRRT (benefit)/expense	**(177)**	131
(d) Deferred tax income statement reconciliation		
PRRT		
Production and growth assets	**(36)**	(56)
Provisions	**13**	67
Augmentation for current year	**(170)**	(226)
Derecognition of quarantined exploration expenditure	**-**	363
Laminaria-Corallina PRRT impact	**21**	-
Other	**-**	12
PRRT deferred tax (benefit)/expense	**(172)**	160
Income tax		
Oil and gas properties	**200**	(183)
Provisions	**36**	61
PRRT liabilities	**56**	(42)
Exploration and evaluation assets	**(49)**	46
Unused tax losses and tax credits	**(119)**	-
Other	**62**	(30)
Income tax deferred tax expense/(benefit)	**186**	(148)
Deferred tax expense	**14**	12

NOTES TO THE FINANCIAL STATEMENTS A. EARNINGS FOR THE YEAR

for the year ended 31 December 2016

A.5 Taxes (cont.)

	2016 US$m	2015 US$m
(e) Deferred tax balance sheet reconciliation		
Deferred tax assets		
PRRT		
Production and growth assets	**626**	365
Augmentation for current year	**170**	226
Provisions	**187**	197
Other	**(18)**	(18)
	965	770
Deferred tax liabilities		
PRRT		
Production and growth assets	**436**	437
Provisions	**(135)**	(138)
Other	**12**	12
Income tax		
Oil and gas properties	**1,438**	1,238
Provisions	**(524)**	(560)
Exploration and evaluation assets	**299**	348
PRRT liabilities	**197**	141
Unused tax losses and tax credits	**(119)**	-
Other[1]	**(26)**	(88)
	1,578	1,390
(f) Tax (payable)/receivable reconciliation		
PRRT receivable	**2**	10
Income tax (payable)/receivable	**(91)**	96
	(89)	106
(g) Effective income tax rate: Australian and global operations		
Effective income tax rate[2]		
Australia[3]	**30.5%**	31.5%
Global	**35.9%**	49.8%
(h) Current year income tax payable reconciliation		
Profit before income tax	**1,517**	225
Income tax at the statutory tax rate of 30%	**456**	67
Non-temporary differences[4]	**99**	97
Temporary differences: deferred tax	**(176)**	168
Current year income tax payable	**379**	332

1. *US$0.2 million (2015: US$3 million) movement recognised in other comprehensive income.*
2. *Effective income tax rate = Income tax expense / Profit before income tax.*
3. *Excludes foreign exchange impact on tax expense.*
4. *Primarily expenditure in respect of foreign activities and operations.*

Tax transparency code

Woodside has adopted the Board of Taxation's voluntary Tax Transparency Code (TTC). The TTC requires additional tax disclosures in two parts. The Part A disclosure requirements are addressed in the tables in this note. Part B disclosure requirements will be addressed in the Sustainable Development Report 2016.

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.

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$119 million has been recognised from carry forward unused tax losses of US$108 million (2015: nil) and carry forward unused tax credits of US$11 million (2015: nil). 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$407 million (2015: US$334 million) relating to unused foreign tax losses that are available for offset against future taxable profits are not recognised. The Group has determined it is not probable that the assets will be utilised based on current planned activities in those regions.

PRRT: Deferred tax assets of US$4,622 million (2015: US$3,894 million) on the 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$3,592 million (2015: US$3,028 million) relates to the transition of the North West Shelf Project, US$425 million (2015: US$363 million) relates to the quarantined exploration spend of the Pluto Project and US$605 million (2015: US$503 million) relates to the general expenditure of the Wheatstone Project. Future taxable profits were determined using the same assumptions disclosed in Note B.4 and a long-term bond rate of 2.2% (2015: 2.7%) 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.

NOTES TO THE FINANCIAL STATEMENTS B. PRODUCTION AND GROWTH ASSETS

for the year ended 31 December 2016

B.1 Segment production and growth assets

	Producing						Development				Other					
	North West Shelf		Pluto		Australia Oil		Browse		Wheatstone		Other segments		Unallocated items		Consolidated	
	2016 US$m	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m	**2016 US$m**	2015 US$m
Balance as at 31 December																
Oceania	**29**	26	**396**	402	**8**	192	**397**	373	**-**	-	**562**	308	**-**	1	**1,392**	1,302
Asia	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**61**	30	**-**	-	**61**	30
Africa	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**486**	19	**-**	-	**486**	19
The Americas	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**1,286**	1,173	**-**	-	**1,286**	1,173
Europe	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**3**	4	**-**	-	**3**	4
Total exploration and evaluation	**29**	26	**396**	402	**8**	192	**397**	373	**-**	-	**2,398**	1,534	**-**	1	**3,228**	2,528
Balance as at 31 December																
Land and buildings	**28**	35	**460**	539	**-**	-	**-**	-	**-**	-	**1**	1	**-**	-	**489**	575
Transferred exploration and evaluation	**54**	40	**368**	417	**3**	8	**-**	-	**-**	-	**-**	-	**-**	-	**425**	465
Plant and equipment	**2,499**	2,532	**10,932**	11,589	**276**	359	**-**	-	**271**	284	**3**	3	**-**	-	**13,981**	14,767
Marine vessels and carriers	**122**	129	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**122**	129
Projects in development	**283**	339	**60**	142	**293**	12	**-**	-	**3,727**	2,811	**(4)**	(4)	**-**	-	**4,359**	3,300
Total oil and gas properties	**2,986**	3,075	**11,820**	12,687	**572**	379	**-**	-	**3,998**	3,095	**-**	-	**-**	-	**19,376**	19,236
Additions to exploration and evaluation																
Exploration	**-**	-	**-**	32	**-**	33	**-**	-	**-**	-	**94**	122	**-**	-	**94**	187
Evaluation	**1**	10	**-**	(1)	**15**	19	**30**	131	**-**	-	**862**	1,072	**-**	(25)	**908**	1,206
Restoration	**-**	-	**(6)**	-	**-**	-	**(6)**	(5)	**-**	-	**(13)**	75	**-**	-	**(25)**	70
	1	10	**(6)**	31	**15**	52	**24**	126	**-**	-	**943**	1,269	**-**	(25)	**977**	1,463
Additions to oil and gas properties																
Oil and gas properties additions	**239**	151	**111**	234	**95**	154	**-**	-	**755**	3,755	**-**	-	**-**	-	**1,200**	4,294
Capitalised borrowing costs additions[1]	**5**	9	**-**	5	**1**	-	**-**	-	**157**	96	**-**	-	**-**	-	**163**	110
Restoration	**(52)**	(144)	**(35)**	(16)	**3**	(7)	**-**	-	**(13)**	109	**-**	-	**-**	-	**(97)**	(58)
	192	16	**76**	223	**99**	147	**-**	-	**899**	3,960	**-**	-	**-**	-	**1,266**	4,346

1. *Borrowing costs capitalised were at a weighted average interest rate of 3.5% (2015: 3.9%).*

Refer to Note A.1 for descriptions of the Group's segments.

B.2 Exploration and evaluation

	Oceania US$m	Asia US$m	Africa US$m	The Americas US$m	Europe US$m	Total US$m
Year ended 31 December 2016						
Carrying amount at 1 January 2016	**1,302**	**30**	**19**	**1,173**	**4**	**2,528**
Additions	**325**	**35**	**478**	**139**	**-**	**977**
Amortisation of licence acquisition costs	**-**	**(4)**	**(11)**	**(10)**	**(1)**	**(26)**
Expensed	**(38)**	**-**	**-**	**(16)**	**-**	**(54)**
Transferred exploration and evaluation	**(197)**	**-**	**-**	**-**	**-**	**(197)**
Carrying amount at 31 December 2016	**1,392**	**61**	**486**	**1,286**	**3**	**3,228**
Year ended 31 December 2015						
Carrying amount at 1 January 2015	1,231	10	13	4	10	1,268
Additions	221	42	20	1,179	1	1,463
Amortisation of licence acquisition costs	-	(6)	(2)	(10)	(4)	(22)
Expensed	(100)	(16)	(12)	-	(3)	(131)
Transferred exploration and evaluation	(50)	-	-	-	-	(50)
Carrying amount at 31 December 2015	1,302	30	19	1,173	4	2,528
Exploration commitments						
Year ended 31 December 2016	**43**	**81**	**183**	**30**	**13**	**350**
Year ended 31 December 2015	142	130	25	124	53	474

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 evaluation and exploration 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.

NOTES TO THE FINANCIAL STATEMENTS B. PRODUCTION AND GROWTH ASSETS

for the year ended 31 December 2016

B.3 Oil and gas properties

	Land and buildings US$m	Transferred exploration and evaluation US$m	Plant and equipment US$m	Marine vessels and carriers US$m	Projects in development US$m	Total US$m
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**
Year ended 31 December 2015						
Carrying amount at 1 January 2015	652	413	15,568	135	766	17,534
Additions	-	-	(119)	-	4,465	4,346
Disposals at written down value	-	(3)	(4)	-	-	(7)
Depreciation and amortisation	(78)	(46)	(1,364)	(7)	-	(1,495)
Impairment loss	-	-	(218)	-	(865)	(1,083)
Completions and transfers	1	101	904	1	(1,066)	(59)
Carrying amount at 31 December 2015	575	465	14,767	129	3,300	19,236
At 31 December 2015						
Historical cost	1,092	872	24,181	401	4,223	30,769
Accumulated depreciation and impairment	(517)	(407)	(9,414)	(272)	(923)	(11,533)
Net carrying amount	575	465	14,767	129	3,300	19,236

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 evaluation and exploration and offshore plant and equipment are depreciated using the unit of production basis over proved reserves or proved plus probable reserves. 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$553 million (2015: US$520 million).

Key estimates and judgements

Reserves and resources

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 at page 60 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. Indicators of impairment include changes in future selling prices, future costs and reserves. When assessing potential indicators of impairment 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 on a cash generating unit (CGU) basis. CGUs are determined on a field by field basis, except for Pluto and Wheatstone which are single CGUs respectively, and North West Shelf, which is split into an oil CGU and a gas CGU.

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.

Impairment reversals
The carrying amount of oil and gas properties which have previously been impaired are assessed half-yearly to determine if there is an indication of impairment reversal. Such indications include material increases in future selling prices or beneficial changes in future costs and reserves. When assessing potential indicators of reversal a range of possible future commodity prices is considered. If such an indication exists, the asset's recoverable amount is estimated.

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.

Inputs to impairment calculation
Future cash flow information used for the value in use calculation is based on the Group's latest budget, five-year plan and project economic plans. Key estimates are disclosed in the 'Key estimates and judgements' section.

Recognised impairment and impairment reversal
The Group assessed each CGU to determine whether an indicator of impairment or impairment reversal existed. All impairment losses and reversals are recognised in other expenses. Refer to Note A.1.

	Impairment charge/ (reversal) 2015 US$m	Recoverable amount 2015 US$m
Australia oil		
Enfield	18	8
Laminaria-Corallina	(95)	109
Vincent	85	220
Balnaves	10	-
NWS oil	200	224
Wheatstone	865	3,094
	1,083	3,655

No impairments or impairment reversals were recognised in 2016.

All impairment losses are recognised against plant and equipment, with the exception of Wheatstone which is recognised against projects in development.

Key estimates and judgements

Recoverable amount calculation key assumptions
In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of future cash flows. 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. In 2015, Laminaria-Corallina was assessed using the fair value less costs to dispose method, all other assets were assessed in 2015 and 2016 using the value in use method. The basis for the estimates used for value in use assessments are set out below:

- Inflation rate – an inflation rate of 2.0% has been applied (2015: 2.0%).
- Foreign exchange rates – based on the forward exchange rates at the date of assessment for three years, reverting to management's assumptions, including $0.76 AUD:USD (2015: $0.75) after five years.
- Discount rate – a range of pre-tax discount rates have been applied between 9% and 11% (2015: 9% and 13%).
- LNG price – based on the terms set out in the relevant contracts between the Group and its customers. The majority of LNG sales contracts are linked to an oil price marker, accordingly the LNG prices used are consistent with oil price assumptions.
- Natural gas price – based on the terms set out in the relevant contracts between the Group and its customers.
- Oil price – oil prices were derived from forward price curves and long-term views of global supply and demand, building upon past experience of the industry and consistent with external sources. Prices are adjusted based on premiums and discounts applied to the oil price marker based on the nature and quality of the product produced at the field. The unadjusted oil prices (US$/bbl) used were:

	2017	2018	2019	2020	2021	2022
2016	58.35	58.36	57.87	70.68	77.57	84.46
2015	47.58	51.90	65.68	74.24	82.81	84.46

Prices from 2022 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. The closing adjustment represents reimbursement of ConocoPhillips' share of net expenditure in the Senegal Joint Arrangement between the effective date, 1 January 2016, and closing. In addition to the purchase cash consideration, transaction costs of US$4 million have been capitalised relating to the acquisition.

Under the terms of the Purchase and Sale Agreement, Woodside has acquired a 35% interest in a Joint Operation containing three offshore exploration blocks, which include the SNE and FAN deep water 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. Transaction costs of US$1 million have been capitalised in relation to the acquisition. In addition, a US$150 million payment is contingent on a positive final investment decision to develop the Scarborough field. Under the terms of the Sale and Purchase Agreement, Woodside has acquired the following interests 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.

The acquisition of the interests in the Scarborough assets and Senegal interests have been accounted for as asset acquisitions. The interests acquired have been classified as Joint Operations.

The consolidated financial statements include the results of the Joint Operations for periods from the acquisition dates of Senegal (28 October 2016) and Scarborough (14 November 2016).

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

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 was reactivated and fully underwritten for the 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 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 2016, the Group has a total of US$2,679 million (2015: US$1,722 million) 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.3.

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. During the period, Woodside entered into a cross-currency interest rate swap to hedge the foreign exchange risk (refer to section A) and interest rate risk of a 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$285 million (2015: US$122 million) on cash and cash equivalents, US$1,533 million (2015: US$2,166 million) on interest-bearing liabilities (excluding transaction costs) and US$3 million (2015: nil) on cross currency interest rate swaps.

A reasonably possible change in the USD London Interbank Offered Rate (LIBOR) (+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.

NOTES TO THE FINANCIAL STATEMENTS C. DEBT AND CAPITAL

for the year ended 31 December 2016

C.1 Cash and cash equivalents

	2016 US$m	2015 US$m
Cash and cash equivalents		
Cash at bank	**285**	122
Total cash and cash equivalents	**285**	122

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$23 million of cash and cash equivalents at 31 December 2016 (2015: US$58 million) in currencies other than US dollars.

C.2 Interest-bearing liabilities

	2016 US$m	2015 US$m
(a) Interest-bearing liabilities (current)		
Debt facilities	**76**	77
	76	77
(b) Interest-bearing liabilities (non-current)		
Medium term notes	**366**	-
Bonds	**3,087**	2,289
Debt facilities	**1,444**	2,075
	4,897	4,364

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.

The CHF denominated medium term note designated as a hedged item is 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 gain of US$12 million being recorded, offset by a loss of US$15 million recorded on the hedging instrument.

All bonds 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 four unsecured bonds (2015: three unsecured bonds) which have a carrying amount of US$3,087 million (2015: US$2,289 million) and a fair value of US$3,151 million (2015: US$2,310 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.

Unused facilities

As at the reporting date, the Group had the following facilities that were undrawn at balance date:

	2016 US$m	2015 US$m
Debt facilities	**2,394**	1,600

Maturity profile of interest-bearing liabilities

The table below presents the 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.

	2016 US$m	2015 US$m
Due for payment in:		
1 year or less	**264**	236
1-2 years	**962**	237
2-3 years	**1,078**	1,127
3-4 years	**197**	1,387
4-5 years	**880**	155
More than 5 years	**2,631**	2,137
	6,012	5,279

Amounts exclude transaction costs.

C.3 Financing facilities

Details of loan facilities at the reporting date are as follows:

Medium Term Notes

On 28 August 2015, the Group established a US$3,000 million Global Medium Term Notes Programme on the Singapore Stock Exchange. Two notes have been issued under this program as set out below:

- the 2022 US$200 million medium term note has a floating three month USD LIBOR rate and matures on 15 July 2022; and
- the 2023 CHF175 million medium term note has a fixed rate coupon of 1.00% p.a. and matures on 11 December 2023.

The unutilised program is not considered to be an unused facility.

Bonds

The Group has four unsecured bonds issued in the United States of America as defined in Rule 144A of the *US Securities Act* as set out below:

- the 2019 US$600 million bond has a fixed rate coupon of 8.75% p.a. and matures on 1 March 2019;
- the 2021 US$700 million bond has a fixed rate coupon of 4.60% p.a. and matures on 10 May 2021;
- the 2025 US$1,000 million bond has a fixed rate coupon of 3.65% p.a. and matures on 5 March 2025; and
- the 2026 US$800 million bond has a fixed rate coupon of 3.70% p.a. and matures on 15 September 2026.

Interest on the bonds is payable semi-annually in arrears.

C.3 Financing facilities (cont.)

Bi-lateral loan facilities

The Group has 17 bi-lateral loan facilities totalling US$2,144 million (2015: US$2,100 million). Details of bi-lateral 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.

Japan Bank for International Cooperation (JBIC) Facility

On 24 June 2008, the Group entered into a committed loan facility totalling US$1,500 million (JBIC Facility). The JBIC Facility comprises a 15-year, US$1,000 million tranche with JBIC (JBIC Tranche), and a five-year, US$500 million commercial tranche with a syndicate of eight Australian and international banks arranged by the Bank of Tokyo-Mitsubishi UFJ, Ltd (Commercial Tranche). The Commercial Tranche has subsequently been repaid, with the final payment made on 28 February 2013. There is a prepayment option for the JBIC Tranche. Interest rates are based on USD 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) starting on 7 January 2012. Under the JBIC 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.

Syndicated facility

On 3 July 2015, the Group executed an unsecured US$1,000 million syndicated loan facility. The syndicated loan facility comprises two tranches with tenors of three and five years at interest rates of USD LIBOR plus 0.9% and USD LIBOR plus 1.15%, respectively. Interest is paid at the end of the drawdown period. On 22 March 2016, the company exercised an option to increase the US$1,000 million syndicated facility to US$1,200 million.

C.4 Contributed equity

(a) Issued and fully paid shares

	Number of shares	US$m
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**
Year ended 31 December 2015		
Opening and closing balance	823,910,657	6,547

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.

(b) Shares reserved for employee share plans

	Number of shares	US$m
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)**
Year ended 31 December 2015		
Opening balance	937,442	(38)
Purchases during the year	1,880,385	(45)
Vested during the year	(1,832,025)	56
Amounts at 31 December 2015	985,802	(27)

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.

C.5 Other reserves

	2016 US$m	2015 US$m
Other reserves		
Employee benefits reserve	**198**	187
Foreign currency translation reserve	**793**	776
Cash flow hedge reserve	**(12)**	-
	979	963

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.
Cash flow hedge reserve	Used to record gains and losses on hedges designated as cash flow hedges. 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.

NOTES TO THE FINANCIAL STATEMENTS D. OTHER ASSETS AND LIABILITIES

for the year ended 31 December 2016

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

	2016 US$m	2015 US$m
(a) Receivables (current)		
Trade receivables[1]	**198**	227
Other receivables[1]	**142**	186
Loans receivable[2]	**104**	74
Dividend receivable	**2**	2
	446	489
(b) Receivables (non-current)		
Loans receivable[2]	**162**	80
Defined benefit plan asset	**10**	13
	172	93

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

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 uncollectible amounts. 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 overdue trade receivables as at the end of the reporting period (2015: nil).

Fair value

The carrying amount of trade and other receivables approximates their fair value.

Foreign exchange risk

The Group held US$101 million of receivables at 31 December 2016 (2015: US$123 million) in currencies other than US dollars (predominantly Australian dollars).

D.2 Inventories

	2016 US$m	2015 US$m
(a) Inventories (current)		
Petroleum products		
Goods in transit	**20**	33
Finished stocks	**46**	42
Warehouse stores and materials	**83**	95
	149	170
(b) Inventories (non-current)		
Warehouse stores and materials	**5**	19
	5	19

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 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**
Year ended 31 December 2015				
Trade payables[1]	197	1	85	283
Other payables[1]	493	-	-	493
Interest payable[2]	2	1	34	37
Total payables	692	2	119	813

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$373 million of payables at 31 December 2016 (2015: US$507 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 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**
Year ended 31 December 2015				
At 1 January 2015	1,724	172	48	1,944
Change in provision	(37)	(31)	105	37
Unwinding of present value discount	43	-	-	43
Transfer to liabilities held for sale	(156)	-	-	(156)
Carrying amount at 31 December 2015	1,574	141	153	1,868
Current	26	114	75	215
Non-current	1,548	27	78	1,653
Net carrying amount	1,574	141	153	1,868

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 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.

D.5 Segment assets and liabilities

	2016 US$m	2015 US$m
(a) Segment assets		
NWS	**3,191**	3,417
Pluto	**12,684**	13,455
Australia Oil	**599**	764
Browse	**393**	368
Wheatstone	**4,018**	3,165
Other segments	**2,490**	1,599
Unallocated items	**1,378**	1,071
	24,753	23,839

	2016 US$m	2015 US$m
(b) Segment liabilities		
NWS	**663**	743
Pluto	**378**	456
Australia Oil	**614**	789
Browse	**11**	38
Wheatstone	**188**	293
Other segments	**179**	267
Unallocated items	**7,058**	6,228
	9,091	8,814

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.

In this section

This section addresses information on items which require disclosure to comply with Australian Accounting Standards and the Australian *Corporations Act 2001,* however, are not considered critical in understanding the financial performance or position of the Group. This section includes group structure information and other disclosures.

NOTES TO THE FINANCIAL STATEMENTS E. OTHER ITEMS

for the year ended 31 December 2016

E.1 Contingent liabilities and assets

	2016 US$m	2015 US$m
Contingent liabilities at the reporting date		
Not otherwise provided for in the financial statements		
Contingent liabilities	**44**	48
Guarantees	**6**	5
	50	53

Contingent liabilities relate predominantly to actual or potential claims of 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

	2016 US$m	2015 US$m
Operating lease commitments		
Rents payable on non-cancellable operating leases, due:		
Within one year	**194**	399
After one year but not more than five years	**660**	557
Later than five years	**1,299**	779
	2,153	1,735

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 floating production, storage and off-take vessels, helicopters, supply vessels, 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$332 million during the year (2015: US$567 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:

	2016 US$m	2015 US$m
Employee benefits	**239**	239
Share-based payments	**27**	26
Defined contribution plan costs	**31**	28
Defined benefit plan expense	**2**	1
	299	294

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 2016 was US$10 million (2015: US$13 million).

(b) Compensation of key management personnel

Key management personnel (KMP) compensation for the financial year is as follows:

	2016 US$	2015 US$
Short-term employee benefits	**10,651,173**	12,202,619
Post employment benefits	**242,776**	312,647
Share-based payments	**7,944,266**	7,084,981
Long-term employee benefits	**268,620**	250,114
Termination benefits	**425,219**	-
	19,532,054	19,850,361

(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. Modifications were made to the 2016 award for the executive KMP. These modifications reduced the value of the VPRs.

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 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**

	Number of performance rights			
	Employee plans		Executive plans	
	WEP	SWEP	STA	LTA
Year ended 31 December 2015				
Opening balance	6,286,402	38,270	626,123	2,232,777
Granted during the year[1,2]	1,974,741	-	267,645	610,410
Vested during the year	(1,603,731)	-	(78,417)	(154,143)
Forfeited during the year	(540,572)	-	(31,081)	(322,764)
Performance rights at 31 December 2015	6,116,840	38,270	784,270	2,366,280
	US$m	US$m	US$m	US$m
Fair value of rights granted during the year	36	-	8	11

1. *For the purpose of valuation, the share price on grant date for the 2016 WEP and SWEP allocations was US$28.86 (2015: US$20.89).*
2. *For the purpose of valuation, the share price on grant date for the 2016 STA and LTA allocations was US$20.88 (2015: US$31.15).*

For more detail on these share plans and performance rights issued to KMPs, refer to the Remuneration Report on pages 78-79 and pages 86-88.

NOTES TO THE FINANCIAL STATEMENTS E. OTHER ITEMS

for the year ended 31 December 2016

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)

	2016 US$'000	2015 US$'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	**1,526**	1,532
Other EY firms	**144**	143
	1,670	1,675
(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	**437**	742
EY Australia for other advisory services	**151**	400
EY Australia for taxation services	**149**	139
Other EY firms for other assurance services	**25**	3
	762	1,284

E.6 Events after the end of the reporting period

Since the end of the financial year and to the date of this report, no matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the company, the results of the company or the state of affairs of the company in subsequent financial periods.

E.7 Joint arrangements

(a) Interest percentage in joint operations

	Group interest %	
	2016	2015
Producing and developing assets		
Oceania		
North West Shelf	**12.5 - 50.0**	12.5 - 50.0
Enfield and Vincent	**60.0**	60.0
Laminaria-Corallina	**-**	59.9 - 66.7
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 and evaluation assets		
Oceania		
Browse Basin	**30.6 - 60.0**	30.6 - 75.0
Carnarvon Basin[1]	**15.8 - 75.0**	15.8 - 75.0
Bonaparte Basin	**26.7 - 35.0**	26.7 - 35.0
Outer Canning Basin	**55.0**	55.0
New Zealand	**70.0**	70.0
Africa		
Morocco	**25.0**	25.0 - 75.0
Gabon[2]	**40.0**	40.0
Cameroon	**-**	30.0
Senegal	**35.0**	-
The Americas		
Peru	**35.0**	35.0
Kitimat	**50.0**	50.0
Nova Scotia[3]	**20.0**	20.0
Asia		
Republic of Korea	**50.0**	50.0
Myanmar	**40.0 - 55.0**	40.0 - 55.0
Europe		
Ireland	**60.0 - 90.0**	60.0 - 90.0
Canary Islands[4]	**30.0**	30.0

1. *The acquisition of 25% - 50% interests in Scarborough from BHP is included within the Carnarvon Basin.*
2. *As at 31 December 2016, the Luna Muetse No G4-246 block farm-in is pending final Government approval and subsequent execution of the documents.*
3. *The decision was made in November 2016 to release the interest in the Nova Scotia block. At 31 December 2016, Woodside still has tenure of the permit subject to the Canadian Ministry approval.*
4. *Permit relinquishment is awaiting formal approval by the Spanish Ministry.*

The principal activities of the joint operations above are exploration, development and production of hydrocarbons.

E.7 Joint arrangements (cont.)

(b) Interest percentage in joint ventures

Entity	Principal activity	Group interest % 2016	Group interest % 2015
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**	-

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.

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.

The Group's interest in the Scarborough and Senegal exploration assets were assessed to be joint operations based upon the respective joint operating agreements.

E.8 Parent entity information

	2016 US$m	2015 US$m
Woodside Petroleum Ltd:		
Current assets	**278**	373
Non-current assets	**7,732**	7,073
Current liabilities	**-**	-
Non-current liabilities	**(571)**	(368)
Net assets	**7,439**	7,078
Issued and fully paid shares	**6,919**	6,547
Shares reserved for employee share plans	**(30)**	(27)
Employee benefits reserve	**127**	129
Foreign currency translation reserve	**296**	296
Retained earnings	**127**	133
Total shareholders' equity	**7,439**	7,078
Profit of parent entity	**635**	1,783
Total comprehensive income of parent entity	**635**	1,776

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*. 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.3. 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 (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	(2,4,9)
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 ▲	(4,9)
Woodside Energy (Senegal) B.V. ⬢	(4,10)
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	(2,4,11)
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	(2,4,11)
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 2016.*
3. *Pursuant to ASIC Class Order 98/1418, relief has been granted to the controlled entity, Woodside Energy Ltd, from the Corporations Act 2001 requirements for the preparation, audit and publication of accounts. As a condition of the Class Order, 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 2016, 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 2016, 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 2016, 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 (Senegal) Pty Ltd was incorporated on 27 January 2016 and Woodside Energy Holdings (Senegal) Limited was incorporated on 22 June 2016.*
10. *This subsidiary was acquired on 28 October 2016. It changed its name from ConocoPhillips Senegal B.V. to Woodside Energy (Senegal) B.V. on 26 January 2017.*
11. *These subsidiaries are under external administration and will be wound up voluntarily.*

All subsidiaries were incorporated in Australia unless identified with one of the following symbols:

● Brazil	⬢ The Netherlands	◘ Tanzania
■ Cameroon	◤ New Zealand	▲ UK
♦ Canada	◢ Singapore	▼ USA
◉ France	◖ Spain	

Recognition and measurement

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 footnote 5 above for details).

The summarised financial information (including consolidation adjustments but before intercompany eliminations) of subsidiaries with material NCI is as follows:

	2016 US$m	2015 US$m
Burrup Facilities Company Pty Ltd		
Current assets	673	579
Non-current assets	5,609	5,343
Current liabilities	(647)	(431)
Non-current liabilities	(468)	(427)
Net assets	5,167	5,064
Accumulated balance of NCI	517	506
Revenue	1,187	1,076
Profit	607	533
Profit allocated to NCI	61	53
Dividends paid to NCI	(50)	(44)
Operating	920	813
Investing	(7)	(10)
Financing	(913)	(803)
Net increase/(decrease) in cash and cash equivalents	-	-
Burrup Train 1 Pty Ltd		
Current assets	698	483
Non-current assets	3,244	3,151
Current liabilities	(544)	(395)
Non-current liabilities	(334)	(305)
Net assets	3,064	2,934
Accumulated balance of NCI	306	293
Revenue	2,017	1,796
Profit	442	337
Profit allocated to NCI	44	34
Dividends paid to NCI	(31)	(27)
Operating	672	519
Investing	(9)	(16)
Financing	(663)	(503)
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* requirements for the preparation, audit and publication of accounts, pursuant to ASIC Class Order 98/1418. The two entities represent a Closed Group for the purposes of the Class Order.

The consolidated income statement and statement of financial position of the members of the Closed Group are set out below:

	2016 US$m	2015 US$m
Closed Group Consolidated Income Statement and Statement of Retained Earnings		
(Loss)/profit before tax	(578)	210
Taxes	(127)	(56)
(Loss)/profit after tax	(705)	154
Retained earnings at the beginning of the financial year	4,061	5,637
Dividends	(640)	(1,730)
Retained earnings at the end of the financial year	2,716	4,061
Closed Group Consolidated Statement of Financial Position		
Current assets		
Cash and cash equivalents	48	99
Receivables	1,288	882
Inventories	64	59
Tax receivable	20	182
Assets held for sale	-	145
Total current assets	1,420	1,367
Non-current assets		
Inventories	2	6
Other financial assets	25,920	24,949
Exploration and evaluation assets	945	879
Oil and gas properties	3,581	3,476
Other plant and equipment	66	72
Deferred tax assets	28	30
Total non-current assets	30,542	29,412
Total assets	31,962	30,779
Current liabilities		
Payables	302	396
Other financial liabilities	17	21
Other liabilities	45	47
Provisions	112	131
Liabilities held for sale	-	156
Total current liabilities	476	751
Non-current liabilities		
Payables	19,638	17,208
Deferred tax liabilities	422	364
Other financial liabilities	14	11
Other liabilities	72	92
Provisions	878	936
Total non-current liabilities	21,024	18,611
Total liabilities	21,500	19,362
Net assets	10,462	11,417
Equity		
Issued and fully paid shares	6,919	6,547
Shares held for employee share plan	(30)	(27)
Other reserves	857	836
Retained earnings	2,716	4,061
Total equity	10,462	11,417

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for the year ended 31 December 2016

E.10 Other accounting policies

(a) Summary of other significant accounting policies

Derivative financial instruments

Derivatives embedded in the Group's contracts that change the nature of a host contract's risk and are not clearly and closely related to the host contract are initially recognised at fair value on the date the contract is entered into. Subsequent fair value movements of the derivative are recognised in the income statement.

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. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

Financial guarantees

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Tax consolidation

The parent and its wholly owned Australian controlled entities have elected to enter 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 recently 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 for which the final impact is yet to be determined, 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. Based on an initial impact assessment, the new standard is not expected to significantly impact revenue recognition.
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.

E.10 Other accounting policies (cont.)

(c) New and amended Accounting Standards and Interpretations early adopted

The following Australian Accounting Standard will be adopted early by the Group as of 1 January 2017:

Title	Application date of the standard	Summary
AASB 9 *Financial Instruments*	Early adopted as at 1 January 2017	AASB 9 replaces AASB 139 and includes a model for classification and measurement, a single 'expected loss' impairment model and a substantially redesigned approach to hedge accounting. On adoption of AASB 9, there are no expected material changes in the classification of financial assets and liabilities. Fair value changes resulting from credit risk are not expected to have a significant impact on future results. The introduction of the expected loss impairment model for determining credit provisions is not expected to have a material impact. The adoption of AASB 9 will mean the following key changes to Woodside's hedge accounting: a) The cost of hedging on the cross currency interest rate swap will be separated from the hedging arrangement, recognised in other comprehensive income and amortised to the income statement over the remaining life of the hedging instrument. b) Effectiveness measurement testing will only be performed on a prospective basis. As a result of adopting AASB 9, the accounting policies for financial instruments and hedging will be updated to align with AASB 9 and are applicable from 1 January 2017. The Group will apply AASB 9 on a retrospective basis.

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 2016 Remuneration Report, comply with Australian Accounting Standards and the *Corporations Act 2001*;
   (b) the financial statements and notes thereto give a true and fair view of the financial position of the Group as at 31 December 2016 and of the performance of the Group for the financial year ended 31 December 2016;
   (c) the financial statements and notes thereto also comply with International Financial Reporting Standards as disclosed in the 'About this report' section within the notes to the 2016 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* for the year ended 31 December 2016.

For and on behalf of the Board

M A Chaney, AO
Chairman
Perth, Western Australia
1 March 2017

P J Coleman
Chief Executive Officer and Managing Director
Perth, Western Australia
1 March 2017

Independent auditor's report to the Shareholders of Woodside Petroleum Ltd

Report on the Audit of the Financial Report

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 2016, 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 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

Opinion

In our opinion:

a. the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its consolidated financial performance for the year ended on that date; and

   (ii) 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 Group in accordance with the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have 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 statements. 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.

1. Impairment of Non-current Assets

Why significant	How our audit addressed the key audit matter
Under Australian Accounting Standards, an entity shall assess throughout the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. At year end, the Group has concluded that there were no indicators of impairment or reversal of impairment arising from its impairment trigger tests 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. 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 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. In accordance with Australian Auditing Standards, we relied on the work of management's experts with respect to the hydrocarbon reserve assumptions used in the cash flow forecasts. This included understanding the reserve estimation processes carried out, Woodside's internal certification process for technical and commercial experts who are responsible for reserves, the design of Woodside's Petroleum Resources Management procedures and its alignment with the guidelines prepared by the Society of Petroleum Engineers. We checked that the updated reserves and resources estimates were included in the assessment of impairment triggers, calculation of depreciation, depletion and amortisation and decommissioning provisions. We also examined the qualifications, objectivity and experience of management's experts, and assessed that 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 those assumptions, to which the Group's assessment of impairment and reversal of impairment of non-current assets are most sensitive, being those that would have the most significant effect on the determination of the recoverable amount where a trigger is identified. This has 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 assessment of augmentation of deductible expenditure. The Group's disclosures about PRRT are included in the summary of significant accounting policies in Note A.5.	We assessed the application of the judgements and methodologies used by the Group to estimate the utilisation of deferred tax assets 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, such as impairment modelling.

Information Other than the Financial Statements and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 31 December 2016, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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. If, based upon 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.

Directors' Responsibilities 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or 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 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 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 entity'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 in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express and opinion on the financial report. We are responsible for the direction, supervision and performance of the Group 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.

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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 76 to 90 of the Directors' Report for the year ended 31 December 2016. In our opinion, the Remuneration Report of Woodside Petroleum Ltd for the year ended 31 December 2016, 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

T S Hammond
Engagement Partner
Perth
1 March 2017

As at 14 February 2017

Shareholder statistics

Number of shareholdings

There were 213,041 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	154,211	60,596,349	7.19
1,001 - 5,000	52,150	106,549,332	12.65
5,001 - 10,000	4,608	32,017,708	3.80
10,001 - 100,000	1,972	38,861,734	4.61
100,001 - 9,999,999,999	100	604,419,780	71.75
Total	**213,041**	**842,444,903**	**100.00**

**Small differences are due to rounding.*

Unmarketable parcels

There were 3,060 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	200,596,797	23.81
Shell Energy Holdings Australia Limited	111,847,852	13.28
J P Morgan Nominees Australia Limited	109,865,607	13.04
Citicorp Nominees Pty Limited	66,831,299	7.93
National Nominees Limited	26,985,691	3.20
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	15,636,301	1.86
BNP Paribas Noms Pty Ltd <DRP>	10,507,114	1.25
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	8,208,634	0.97
AMP Life Limited	4,074,203	0.48
Pacific Custodians Pty Limited <WPL Plans Ctrl A/C>	3,862,752	0.46
Citicorp Nominees Pty Limited <Citibank NY ADR DEP A/C>	3,524,448	0.42
Australian Foundation Investment Company Limited	3,282,886	0.39
HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	3,141,116	0.37
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	2,132,331	0.25
Argo Investments Limited	1,700,873	0.20
Navigator Australia Ltd <MLC Investment Sett A/C>	1,445,831	0.17
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	1,345,445	0.16
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,217,938	0.14
HSBC Custody Nominees (Australia) Limited	1,193,768	0.14
UBS Nominees Pty Ltd	1,151,294	0.14
Total	**578,552,180**	**68.68**

Substantial shareholders as disclosed in substantial shareholder notices given to the company are as follows:

Shell Energy Holdings Australia Limited	111,847,852	13.58

Shell Energy Holdings Australia Limited's most recent notice of change of interests of substantial shareholder was given on 23 June 2014.

Annual General Meeting

The 2017 Annual General Meeting (AGM) of Woodside Petroleum Ltd will be held at 10.00 am (AWST) on 5 May 2017, 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.

Copies of the Chairman's and the CEO's speeches will be available on the company's website.

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: www.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.

Details of shareholdings can be checked conveniently and simply by visiting the share registry website at 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 (www.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 of 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.

The history of dividends paid by the company can be found on the company's website.

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.

Changes can be made online at the share registry website www.investorcentre.com/wpl

Australian Securities Exchange listing

Woodside Petroleum Ltd securities are listed on the ASX under the code WPL.

American Depositary Receipts

Citibank (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:

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Woodside Plaza
240 St Georges Terrace
Perth, WA 6000

Postal address:
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Perth, WA 6840

Telephone: +61 8 9348 4000
Facsimile: +61 8 9214 2777

Email: investor@woodside.com.au
Website: www.woodside.com.au

Business directory

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Yangon
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Yangon
MYANMAR (BURMA)

Key announcements 2016

January	Woodside discovers gas offshore Myanmar
February	Update on Wheatstone schedule
	Woodside makes second gas discovery in Myanmar
	Woodside full-year 2015 results
	Appointment of non-executive director (Pickard)
March	Browse development update
April	Woodside signs HOA for long-term LNG supply to Pertamina
May	Woodside books contingent resource in Myanmar
	2016 Investor Briefing Day
June	Greater Enfield oil development approved
July	Woodside agrees to acquire ConocoPhillips' Senegal interests
August	Woodside records first-half profit of US$340m
September	Woodside agrees to acquire half of BHP Billiton's Scarborough assets
October	Wheatstone cost update
	Woodside completes acquisition of interests in Senegal from ConocoPhillips
November	Woodside completes acquisition of half of BHP Billiton's Scarborough area assets
	Appointment of non-executive director (Macfarlane)
December	Appointment of non-executive director (Archibald)

Events calendar 2017

Key calendar dates for Woodside shareholders in 2017.

Please note dates are subject to review.

February	22	Full-year 2016 results
March	1	Annual Report 2016 released
	2	Ex-dividend date for final dividend
	3	Record date for final dividend
	16	Sustainable Development Report 2016 released
	29	Payment date for final dividend
April	20	First quarter 2017 report
May	3	Annual General Meeting Proxy returns close at 10.00 am (AWST)
	5	Annual General Meeting
	23	2017 Investor Briefing Day
June	30	Half-year end
July	20	Second quarter 2017 report
August	16	Half-year 2017 report
October	19	Third quarter 2017 report
December	31	Year-end 2017

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	2016 acquisition expenditure divided by contingent resources (2C) added through 2016 acquisition activity
AGM	Annual General Meeting
Appraisal well	A well drilled to follow up a discovery and evaluate its commercial potential
ASX	Australian Securities Exchange
AUD	Australian dollars
Boe	Barrels of oil equivalent
Break-even cash cost of sales	Break-even 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)
Condensate	Hydrocarbons that are gaseous in a reservoir but that condense to form liquids as they rise to the surface
Cps	Cents per share
Crude oil	Oil that is produced from a reservoir after any associated gas has been removed
Development well	A well drilled for the purpose of recovering hydrocarbons
DRP	Dividend Reinvestment Plan
EBIT	EBIT is calculated as a profit before income tax, PRRT and net finance costs
EEP	Employee equity plan
EPS	Earnings per share
Exploration licence	A licence to explore for oil or gas in a particular area issued to a company by a governing state
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
Finding and acquisition costs	2016 exploration and acquisition investment expenditure divided by contingent resources (2C) added through 2016 exploration and acquisition activity
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
Gas-Up and Cool-Down	An operation to cool a vessel's LNG tanks prior to loading
Gearing	Net debt divided by net debt and equity attributable to the equity holders of the parent
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
HoA	Heads of Agreement
Infill 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
LHS	Left hand side
LIBOR	London Inter-Bank Offer Rate
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTIF	Lost time injury frequency
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
PSC	Production sharing contract
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
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
SPA	Sales and purchase agreement
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)
USA	United States of America
USD	US dollars
WA	Western Australia

Glossary of 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
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

Units of measure

bbl	barrel
Bcf	billion cubic feet
BCM	billion cubic metres
boe	barrel of oil equivalent
kPa	thousands of Pascals
Mcf	thousand cubic feet
MMbbl	million barrels
MMboe	million barrels of oil equivalent
MMBtu	million British thermal units
MPa	millions of Pascals
Mtpa	million tonnes per annum
psi	pounds per square inch
t	tonnes
Tcf	trillion cubic feet
TJ	terajoules

Conversion factors

Product	Factor	Conversion factors[1]
Australian 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
Gulf of Mexico Pipeline 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	Okha FPSO
Role	Operator	Operator	Operator	Operator	Operator
Equity	16.67%	16.67%	16.67%	16.67%	33.33%
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	Condensate and Oil

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	Armada Claire FPSO[1]	Northern Endeavour FPSO[2]
Role	Operator	Operator	Operator	Operator
Equity	60%	60%	65%	59.9-66.7%
Product	Oil	Oil	Oil	Oil

International

Canada	Kitimat LNG
Role	Non-operator
Equity	50%
Product	Pipeline natural gas

PROJECTS

Australia

	Persephone Project	Greater Western Flank Phase 2 Project	Wheatstone LNG	Julimar Project	Greater Enfield Project
Role	Operator	Operator	Non-operator	Operator	Operator
Equity	16.67%	16.67%	13%	65%	60%
Product	LNG, pipeline natural gas and condensate	LNG, pipeline natural gas and condensate	LNG, pipeline natural gas and condensate	LNG, pipeline natural gas and condensate	Oil

DEVELOPMENTS

Australia

	Browse Development	Sunrise LNG	Scarborough
Role	Operator	Operator	Operator and non-operator
Equity	30.60%	33.44%	25%–50%

International

USA	Port Arthur LNG
Role	Non-operator
	Project Development Agreement

Canada	Kitimat LNG
Role	Non-operator
Equity	50%

Senegal	SNE
Role	Non-operator
Equity	35%

EXPLORATION

Australia and Asia-Pacific

Australia	Various titles[3]
Role	Operator and non-operator
Equity	Various equities
Product	Oil or gas prone basin

New Zealand	PEP-55793 and PEP-55794
Role	Operator
Equity	70%
Product	Oil or gas prone basin

Myanmar	AD-5 and A-7	AD-7[4] and A-6	AD-2 and A-4
Role	Operator	Joint-operator	Non-operator
Equity	55% and 45%	40%	45%
Product	Gas prone basin	Gas prone basin	Gas prone basin

Atlantic Margins

Senegal	Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore
Role	Non-operator
Equity	35%
Product	Oil prone basin

Morocco	Rabat Deep I-VI
Role	Non-operator
Equity	25%
Product	Oil prone basin

Ireland	FEL 3/14, 4/14, 5/13, 5/14 & LO 16/14
Role	Operator
Equity	60%–100%
Product	Oil or gas prone basin

Sub-Saharan Africa

Gabon[5]	F15 Doukou Dak and E13 Luna Muetse
Role	Non-operator
Equity	40%
Product	Oil prone basin

Latin America

Peru	Block 108
Role	Non-operator
Equity	35%
Product	Oil prone basin

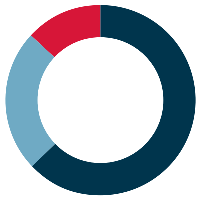
1. *Operations ceased at the Balnaves oilfield in March 2016, with the permanent departure of the Armada Claire FPSO facility in early April 2016.*
2. *In September 2015, Woodside entered into a conditional agreement to sell interests in the Laminaria-Corallina Joint Venture. This transaction was completed in April 2016.*
3. *For further information on Woodside's Australian titles, please refer to the titles register website (neats.nopta.gov.au).*
4. *Operator for deep-water drilling.*
5. *Woodside farm-in to Luna-Muetse Block is awaiting final Government approval.*

Summary charts

Product view

Investment

	2016	2015
Gas and condensate*	**63%**	89%
Oil*	**24%**	4%
Exploration and other	**13%**	7%

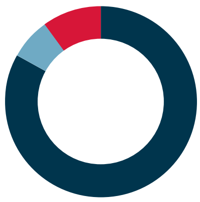


**Indicative only as some assets produce oil and gas.*

Our investment expenditure was primarily directed towards Wheatstone LNG as well as acquisitions in Senegal and Australia.

Production

	2016	2015
Natural gas*	**83%**	78%
Oil	**7%**	13%
Condensate	**10%**	9%

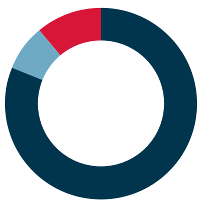


** Includes LNG, LPG and pipeline gas.*

The majority of our production is from natural gas at the NWS and Pluto LNG. The proportion of natural gas increased in 2016 due to continued strong production at the NWS and Pluto LNG.

Sales revenue

	2016	2015
Natural gas*	**81%**	76%
Oil	**8%**	15%
Condensate	**11%**	9%

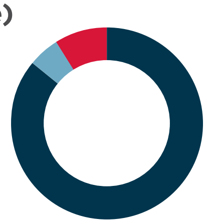


** Includes LNG, LPG and pipeline gas.*

Gas continues to provide the majority of our sales revenue. The contribution of natural gas and condensate increased in 2016 due to continued strong production at the NWS and Pluto LNG.

Reserves (Proved plus Probable)

	2016	2015
Dry gas	**86%**	88%
Oil	**5%**	3%
Condensate	**9%**	9%

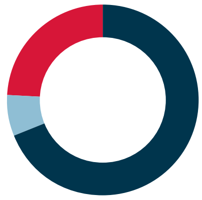


Gas represents the largest portion of Woodside's Proved plus Probable reserves. Oil reserves increased in 2016 with the decision to develop the Greater Enfield Project.

Regional view

Investment

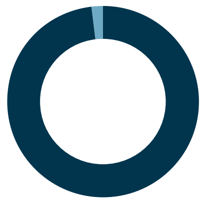
	2016	2015
Australia	**69%**	80%
Canada	**7%**	18%
Rest of World	**24%**	2%



Capital investment in 2016 was primarily in the north-west of Australia, with the majority of the remainder in Canada and Senegal.

Production

	2016	2015
Australia	**98%**	99%
Canada	**2%**	<1%
Rest of World	**0%**	0%



Australian assets continue to provide the majority of Woodside's production volumes.

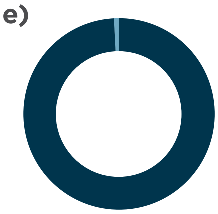
Sales revenue

	2016	2015
Australia	**99%**	99%
Canada	**<1%**	<1%
Rest of World	**0%**	0%

The majority of our revenue is currently derived from Australia.

Reserves (Proved plus Probable)

	2016	2015
Australia	**99%**	99%
Canada	**1%**	1%
Rest of World	**0%**	0%



The majority of Woodside's Proved plus Probable reserves are located in Australia. We anticipate a greater diversity in the future resulting from our global exploration and business development activities.

Ten-year comparative data summary

		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Profit and Loss (USDm)[1]	Operating Revenues										
	Australia Pipeline Gas	**292**	295	376	366	367	375	309	378	320	227
	Australia LNG	**2,751**	3,095	4,563	3,347	2,834	1,509	1,310	769	1,007	619
	Australia LPG	**34**	34	80	88	125	127	115	94	112	92
	Australia Condensate	**413**	421	901	1,000	903	860	708	571	669	577
	Australia Oil	**302**	650	1,133	896	1,918	1,795	1,579	1,496	2,685	1,521
	Australia LNG Processing Revenue	**202**	180	198	150	125	-	-	-	-	-
	Australia Trading Revenue	**70**	354	161	-	-	-	-	-	-	-
	Other International	**11**	1	23	79	76	136	172	179	252	325
	Total	**4,075**	**5,030**	**7,435**	**5,926**	**6,348**	**4,802**	**4,193**	**3,487**	**5,045**	**3,361**
	EBITDAX	**3,004**	3,443	5,853	4,460	5,528	3,423	3,431	3,427	4,017	2,598
	EBITDA[2]	**2,734**	3,063	5,568	4,188	5,162	2,864	3,126	3,209	3,765	2,241
	EBIT	**1,388**	441	3,672	2,538	3,795	2,212	2,256	2,303	2,852	1,560
	Exploration and Evaluation	**270**	380	285	272	366	559	305	218	252	357
	Depreciation and Amortisation	**1,320**	1,517	1,441	1,218	1,184	627	749	752	732	541
	Amortisation of Licence Acquisition Costs	**26**	22	21	45	26	28	24	35	49	83
	Impairment/(Impairment Reversal)	**-**	1,083	434	387	157	(3)	97	119	132	57
	Net Finance Costs	**48**	85	163	179	137	26	(18)	12	19	8
	Tax Expense	**367**	243	993	545	614	677	697	823	1,287	687
	Non-controlling Interest	**105**	87	102	65	61	2	2	(6)	-	-
	Reported NPAT	**868**	26	2,414	1,749	2,983	1,507	1,575	1,474	1,546	864
	Reported EPS (cents)[3]	**104**	3	293	213	366	190	204	210	225	128
	DPS (cents)	**83**	109	255	249	130	110	105	95	100	91
Balance Sheet (USDm)[1]	Total Assets	**24,753**	23,839	24,082	23,770	24,810	23,231	20,196	17,753	10,317	8,515
	Debt	**4,973**	4,441	2,586	3,764	4,340	5,102	4,915	4,939	2,044	903
	Net Debt	**4,688**	4,319	(682)	1,541	1,918	5,061	3,952	3,732	1,946	782
	Shareholder Equity	**14,839**	14,226	15,824	15,225	15,148	12,658	11,091	8,812	4,633	4,458
Cash Flow (USDm) and Capital Expenditure (USDm)[1]	Cash flow from Operations	**2,587**	2,475	4,785	3,330	3,475	2,242	2,104	1,483	3,224	2,082
	Cash flow from Investing	**(2,473)**	(5,555)	(617)	(1,059)	161	(3,533)	(2,941)	(4,708)	(3,892)	(1,700)
	Cash flow from Financing	**51**	(58)	(3,119)	(2,470)	(1,252)	362	608	4,207	684	(522)
	Capital Expenditure										
	Exploration and Evaluation	**965**	1,305	261	166	383	778	703	273	418	447
	Oil and Gas Properties and Property, Plant and Equipment	**1,214**	4,309	425	420	1,145	2,651	2,933	3,992	4,031	1,965
	ROACE[4] (%)	**6.2**	2.0	17.5	12.0	18.3	11.8	13.5	19.0	37.1	24.3
	Return on Equity (%)	**5.8**	0.2	15.3	11.5	19.7	11.9	14.2	16.7	33.4	19.4
	Gearing	**24.0**	23.3	(4.5)	9.2	11.2	28.6	26.3	29.8	29.6	14.9
Volumes	Sales (million boe)										
	Australia Pipeline Gas	**12.9**	13.2	13.3	14.0	13.9	14.0	14.8	18.4	18.9	16.4
	Australia LNG	**63.6**	57.6	58.3	52.4	42.6	22.4	22.7	21.3	17.0	17.0
	Australia LPG	**0.7**	0.7	0.8	0.9	1.1	1.1	1.3	1.5	1.2	1.2
	Australia Condensate	**9.3**	8.5	9.4	9.5	8.6	7.8	9.1	9.7	7.9	7.8
	Australia Oil	**6.9**	12.5	11.2	8.0	16.8	15.7	19.8	24.3	29.8	20.4
	Other International	**1.6**	0.2	0.2	0.9	0.8	2.9	4.5	5.5	5.4	6.9
	Total (million boe)	**95.0**	**92.7**	**93.2**	**85.7**	**83.8**	**63.9**	**72.2**	**80.7**	**80.2**	**69.7**
	Production (million boe)										
	Australia Pipeline Gas	**12.9**	13.1	13.3	13.9	13.8	14.0	14.8	18.4	18.9	16.4
	Australia LNG	**63.7**	57.5	60.3	53.6	43.9	22.6	23.2	21.5	17.4	17.4
	Australia LPG	**0.7**	0.7	0.8	0.9	1.1	1.2	1.4	1.5	1.2	1.2
	Australia Condensate	**9.3**	8.4	9.1	9.5	9.3	7.9	9.1	9.5	7.9	8.0
	Australia Oil	**6.7**	12.3	11.4	8.2	16.0	16.0	19.7	24.5	30.5	20.5
	Other International	**1.6**	0.2	0.2	0.9	0.8	2.9	4.5	5.5	5.4	7.1
	Total (million boe)	**94.9**	**92.2**	**95.1**	**87.0**	**84.9**	**64.6**	**72.7**	**80.9**	**81.3**	**70.6**
Other ASX Data	Reserves (Proved plus Probable) Gas (Tcf)	**7.09**	7.59	6.65	7.09	7.51	7.80	8.02	7.79	7.90	7.80
	Reserves (Proved plus Probable) Condensate (MMbbl)	**124.2**	133.5	117.1	125.2	130.9	138.7	154.7	147.8	151.4	152.1
	Reserves (Proved plus Probable) Oil (MMbbl)	**74.4**	42.6	54.1	67.0	95.9	108.5	117.5	136.1	168.8	170.2
	Other										
	Employees	**3,511**	3,456	3,803	3,896	3,997	3,856	3,650	3,219	3,124	2,981
	Shares High (A$)	**31.88**	38.33	44.23	39.54	38.16	50.85	49.28	53.87	70.51	56.66
	Low (A$)	**23.94**	26.20	33.71	33.29	30.09	29.76	40.56	31.19	26.81	34.81
	Close (A$)	**31.16**	28.72	38.01	38.90	33.88	30.62	42.56	47.20	36.70	50.39
	Number (000's)	**842,445**	823,911	823,911	823,911	823,911	805,672	783,402	748,599	698,553	688,331
	Number of Shareholders	**214,350**	225,138	227,798	217,383	208,277	205,868	201,134	175,257	141,035	131,460
	Market Capitalisation (USD equivalent at reporting date)	**18,922**	17,250	25,664	28,579	28,983	25,287	33,745	31,567	17,717	30,353
	Market Capitalisation (AUD equivalent at reporting date)	**26,251**	23,663	31,317	32,050	27,914	24,670	33,342	35,334	25,637	34,685
	Finding Costs ($/boe) (3 year average)[5]	**39.06**	107.45	44.09	30.43	14.09	12.67	6.12	5.71	3.35	3.60
	Reported Effective Income Tax Rate (%)	**35.9**	49.8	30.1	29.8	27.2	30.5	25.2	33.7	32.6	35.8
	Net Debt/Total Market Capitalisation (%)	**24.8**	25.0	(2.7)	5.4	6.6	20.0	11.6	11.8	11.0	2.6

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 exclude impairment and amortisation of licence acquisition costs. 2007 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: 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; 2007: 671,447,950.*
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 2007 to 2013 has been restated to include this change.*
5. *Finding cost methodology is in accordance with the FAS69/SEC industry standard.*

Annual Report 2016

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