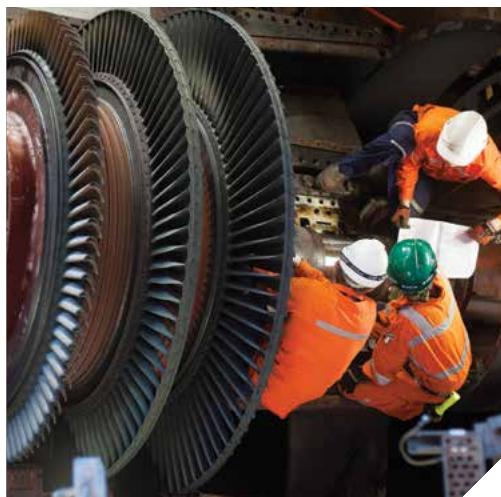
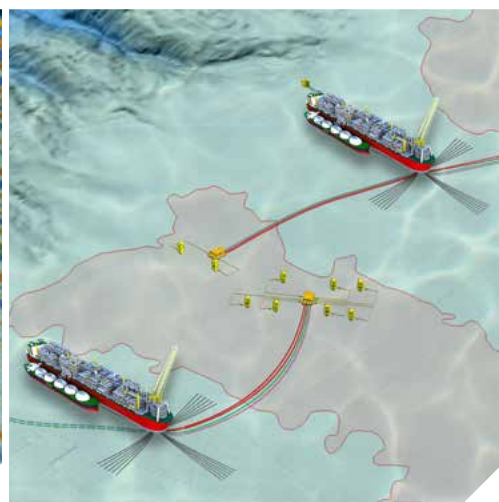
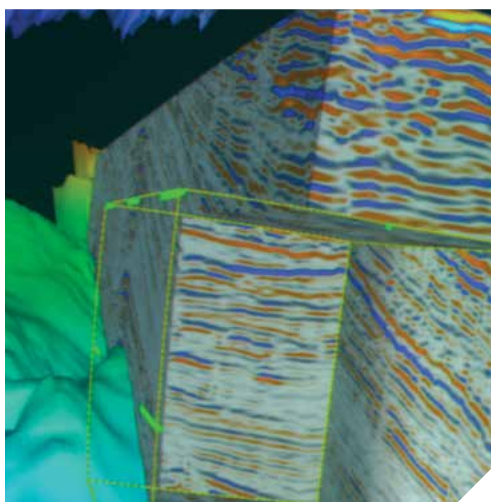




woodside

ANNUAL REPORT 2013

POSITIONED FOR FUTURE GROWTH



Woodside is a proud Australian company with a history of achievement, and we are working hard to realise our vision of becoming a global leader in upstream oil and gas ▲

ON THE COVER

Record production

In 2013 we posted record production of 87.0 MMboe, highlighting our ongoing commitment to deliver maximum value from our base business.

Planned refurbishment works on the Ngujima-Yin floating production storage offloading vessel were undertaken and production recommenced at the Vincent oil field in November 2013.

Read more on  16

Growth through exploration and innovation

Woodside focused on growing a balanced global portfolio in 2013. New entries into New Zealand and Ireland underpinned our strategy of global portfolio expansion, offering low-cost access to areas in which our extensive deepwater capabilities can be fully leveraged.

Our renewed focus on technology has the potential to improve Woodside's profitability and competitiveness. Our Technology Division worked to develop new in-house capabilities to increase our range of development solutions.

Read more on  17

Browse floating LNG

2013 was a pivotal year for the Browse Development, with the Joint Venture participants selecting floating LNG as the technology for entry into basis of design (BOD) to develop the three Browse gas fields.

The project entered BOD in September and a final investment decision is targeted for the second half of 2015.

Read more on  38

Effective capital management

Our commitment to capital management in 2013 saw the company post a record full year dividend of US 249 cps and a special dividend of US 63 cps, exceeding our target dividend payout ratio of 80% of underlying net profit after tax.

This result was underpinned by control over spending and effective investment decision making.

With strong cash flows and falling debt Woodside is well placed to fund future growth and retain its investment grade credit rating.

Read more on  15

Keeping each other safe

In 2013 we began implementing measures to achieve global top quartile health and safety performance by 2017.

This included adopting a new corporate scorecard indicator with specific measures for process safety and personal safety.

Significant improvement was recorded in personal safety in 2013 and we will continue to streamline our processes to deliver world-class health and safety performance.

Read more on  28

Enhancing our base business

2013 was a significant year for the North West Shelf Project with the A\$5 billion North Rankin Redevelopment Project achieving start-up.

The project enables the recovery of low pressure gas, extends resource life and supports our onshore gas assets.

We are focused on deriving additional value from our producing assets and will continue to invest in refurbishment and development activities.

Read more on  20

Improving business productivity

To remain competitive in Australia's high-cost environment we launched an internal productivity campaign in 2013, focused on improving efficiency and effectiveness across the organisation.

Delivering sustainable productivity improvement will ensure Woodside remains a competitive and efficient partner of choice.

Read more on  8

Building our internal talent

The company is focused on securing our future workforce through early career hires, including graduates.

The graduate development program was redesigned in 2013, and in 2014 our graduates will undertake a broader program to support development of both technical and leadership capability.

We continued to work towards building a diverse workforce and rolled out a three-year Indigenous Employment Strategy, in support of our Reconciliation Action Plan.

Read more on  26

Reliability of supply

Our flagship Pluto LNG Project performed strongly, and subsequent to year end achieved the milestone of 100 LNG cargoes loaded since the start of production in April 2012.

Production optimisation activities progressed, as we worked to deliver further efficiencies and value from this project.

Read more on  22



SCS-COC-004440



We have partnered with Green Reports™ in an initiative that ensures communications minimise environmental impact and creates a more sustainable future for the community.

Information available online

In this report, we have indicated where additional information is available online like this .

ABOUT WOODSIDE

✓ Our values

- Integrity
- Respect
- Working sustainably
- Working together
- Discipline
- Excellence

★ 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

In support of our mission, our strategy comprises three main elements:

- Maximising our core business;
- Leveraging our capabilities; and
- Growing our portfolio.

Woodside is Australia's largest independent oil and gas company, with safe and reliable operations spanning decades.

The company has an extensive portfolio of facilities which we operate on behalf of some of the world's major oil and gas companies.

We have been operating the landmark Australian project, the North West Shelf, since 1984 and it remains one of the world's premier liquefied natural gas (LNG) facilities. In 2014 the asset will celebrate two significant milestones - 30 years of operations and 25 years of LNG exports to Japan.

With the successful start-up of the Pluto LNG Plant in 2012, Woodside now operates six of the seven LNG processing trains in Australia.

Together with our four operated offshore gas production platforms, we are helping meet the demand for cleaner energy from our pipeline gas customers in Australia and LNG customers in the Asia Pacific region.

Woodside also operates four oil floating production storage and offloading vessels in the Exmouth Basin, North West Shelf and Timor Sea. This is the largest owner-operated fleet in Australia with an excellent track record of efficiently and safely producing from current fields.

Driven by our world-class capabilities, we are committed to expanding our LNG portfolio through premium developments including the Browse floating LNG Development.

Additionally, we are seeking to expand our exploration portfolio, both within Australia and globally, to generate future growth opportunities for the company.

Our international assets include acreage in New Zealand, Ireland, Myanmar, Peru, Republic of Korea and Spain (Canaries), as well as a deepwater production facility in the Gulf of Mexico.

We remain focused on strengthening our relationships with customers, co-venturers, governments and communities to ensure we are a partner of choice, and attain our vision of becoming a global leader in oil and gas.

ABOUT THIS REPORT

This 2013 Annual Report is a summary of Woodside's operations, activities and financial position as at 31 December 2013.

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', 'we', 'us' and 'our' refer to Woodside Petroleum Ltd and its controlled entities, as a whole. References to 'the company' refer to Woodside Petroleum Ltd unless otherwise stated. The text does not distinguish between the activities of the parent company and those of its controlled entities.

References in this report to a 'year' is to the calendar and financial year ended 31 December 2013 unless otherwise stated. All dollar figures are expressed in US currency 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 also 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 2013 for our stakeholders, including shareholders, staff, customers and the community.

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.

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Our 2013 Sustainable Development Report



This report is a summary of Woodside's sustainability approach, actions and performance for the 12 month period ending 31 December 2013.

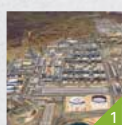
This report will be available in March 2014.

i Further information at woodside.com.au

WOODSIDE'S AREAS OF ACTIVITY IN AUSTRALIA AND INTERNATIONALLY



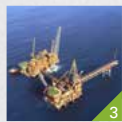
PRODUCING ASSETS (OPERATED)



Karratha Gas Plant
NWS Project
~28 km north-west of Karratha



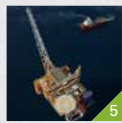
Goodwyn A platform
NWS Project
~135 km north-west of Karratha



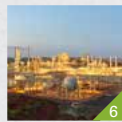
North Rankin Complex
NWS Project
~135 km north-west of Karratha



Okha floating production storage offloading (FPSO) - NWS Project
~135 km north-west of Karratha



Angel platform
NWS Project
~135 km north-west of Karratha



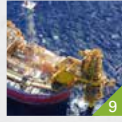
Pluto LNG Plant and platform
Pluto LNG
~27 km north-west of Karratha
~180 km north-west of Karratha



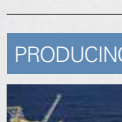
Ngujima-Yin FPSO
Vincent oil
~45 km north-west of Exmouth



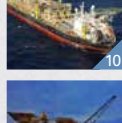
Northern Endeavour FPSO
Laminaria-Corallina oil
~550 km north-west of Darwin



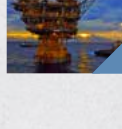
Nganhurra FPSO
Enfield oil
~40 km north-west of Exmouth



Stybarrow Venture MV16 FPSO
Stybarrow oil
~50 km north-west of Exmouth

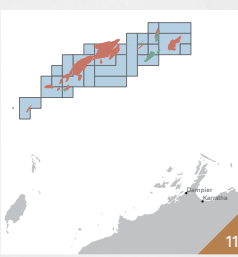


Neptune platform
Gulf of Mexico
~220 Km off the coast of Louisiana

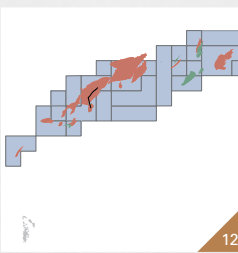


PRODUCING ASSETS (NON-OPERATED)

PROJECTS



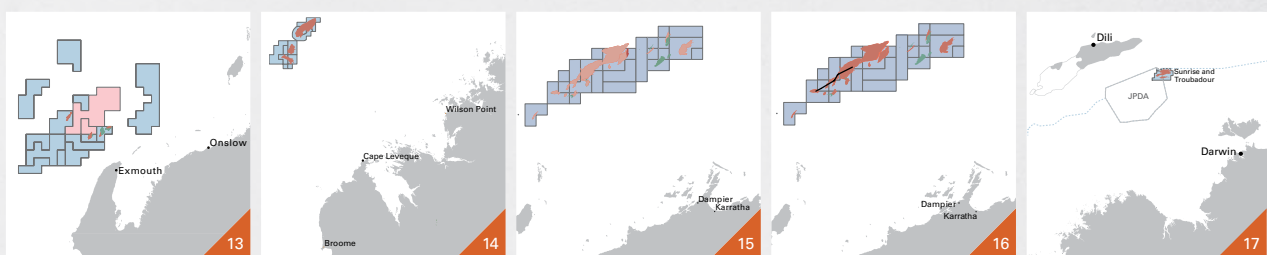
North Rankin Redevelopment
NWS
~135 km north-west of Karratha



Greater Western Flank Phase 1
NWS
~130 km north-west of Karratha



DEVELOPMENTS



Greater Enfield oil

~50 km north-west of Exmouth

Browse LNG

~425 km north of Broome

Persephone

~135 km north of Karratha

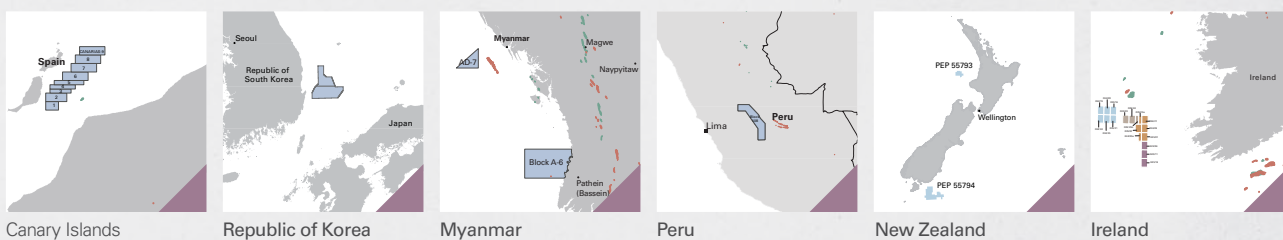
Greater Western Flank Phase 2

~130 km north of Karratha

Sunrise LNG

~150 km south-east of Timor-Leste and
~450 km north-west of Darwin

INTERNATIONAL PRODUCTION AND/OR EXPLORATION



Canary Islands

Republic of Korea

Myanmar

Peru

New Zealand

Ireland

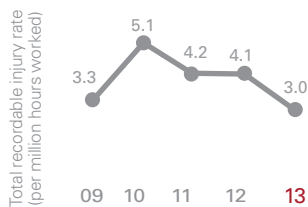
PERFORMANCE SUMMARY

In 2013 we posted a record production result and delivered a total shareholder return of 17.7%▲

With effect from 1 January 2010 Woodside adopted a US dollar functional currency. All figures in this report are in US dollars unless otherwise stated. Where appropriate, comparative financial information prior to 2010 in this Annual Report has been converted from Australian dollars to US dollars using the relevant historical exchange rate.

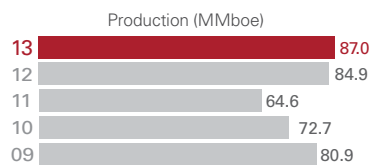
Additional financial details can be found on pages [14](#) [75](#).

Safety - Total Recordable Injury Rate (TRIR)



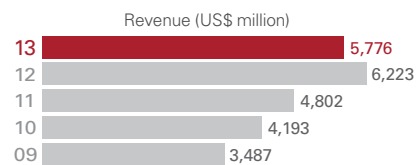
Our TRIR of 3.0 was a 27% improvement on 2012.

Production up 2%



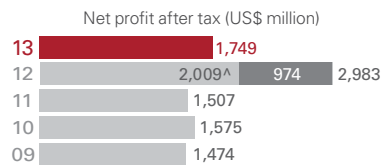
We reported record annual production, driven by a full year of Pluto LNG production and a solid performance by the North West Shelf Project.

Sales revenue down 7%



Sales revenue was adversely impacted by a higher gas proportion in the product mix, due to a full year of Pluto LNG production, Vincent vessel being off station for majority of the year and natural field decline. This resulted in a lower average realised price.

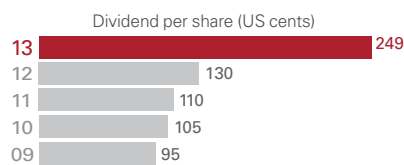
Reported net profit after tax down 41 %



^ Normalised to remove Browse partial equity sale.

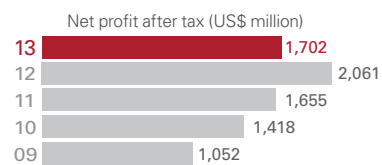
Net profit after tax was adversely impacted by a higher gas proportion in the product mix and asset impairments made in the period. The 2012 result was enhanced by US\$974 million due to the Browse partial equity sale.

Dividends per share (US cents per share) up 92%



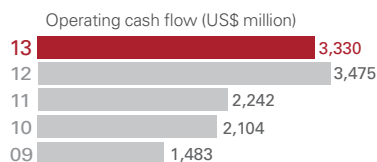
Record production and disciplined capital management resulted in a robust balance sheet and provided the company with a solid cash flow in 2013. As a result, the Board declared a record full year dividend of US249 cps (interim dividend US83 cps, special dividend US63 cps, final dividend US103 cps).

Underlying net profit after tax* down 17%



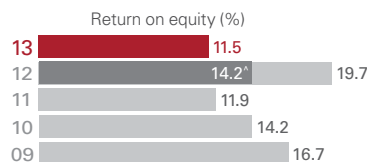
A combination of a higher gas proportion in the product mix (resulting in lower realised pricing) and asset impairments made in 2013, saw underlying net profit after tax negatively impacted.

Operating cash flow down 4%



2013 saw a decline in operating cash flow, largely attributed to lower sales receipts due to a higher gas proportion in the product mix, leading to lower average realised pricing.

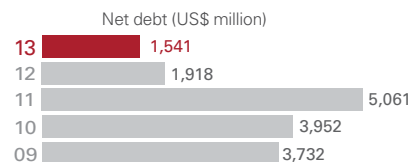
Return on equity of 11.5%



^ Normalised to remove Browse partial equity sale.

Return on equity was 11.5%, down 8.2 percentage points. The 2012 result was enhanced due to the Browse partial equity sale.

Net debt down 20%



The reduction in net debt was largely the result of a full year of Pluto LNG receipts. Gearing declined to 9.2% down from 11.2% in 2012.

* Woodside's Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) profit is unaudited but is derived from audited accounts by removing the impact of non-recurring items from the reported (IFRS) audited profit. Woodside believes the non-IFRS profit reflects a more meaningful measure of the company's underlying performance.

Additional summary charts can be found on page [149](#).

POSITIONED FOR FUTURE GROWTH

- ▶ Record production of 87.0 MMboe up 2.5%.
- ▶ Record full year dividend of US249 cps, up 92%.
- ▶ Record final dividend of US103 cps.
- ▶ Safe and successful start-up of the North Rankin Redevelopment Project.
- ▶ Strong balance sheet with gearing at 9%.
- ▶ 27% improvement in our Total Recordable Injury Rate.
- ▶ Entries into Ireland and New Zealand.
- ▶ Subsequent to year end the 100th LNG cargo was loaded from Pluto LNG.
- ▶ Entered a Memorandum of Understanding with the Leviathan Joint Venture participants (February 2014).

Results for the year

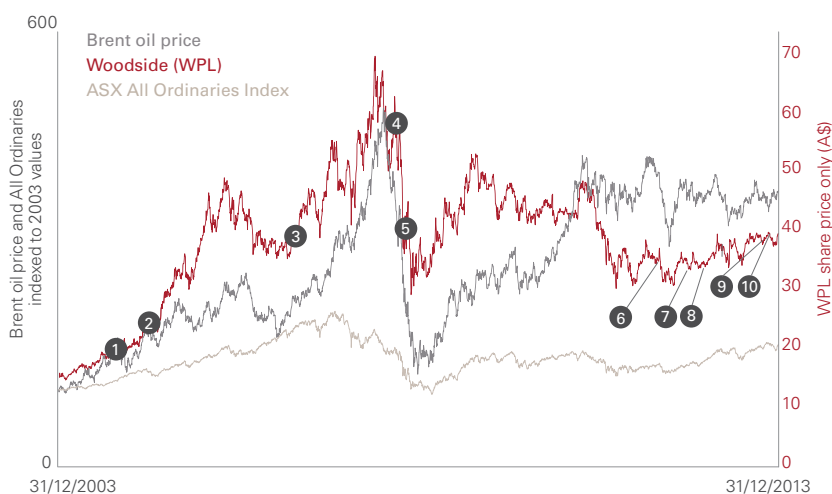
		2013	2012	% Change
Reported net profit after tax	(US\$ million)	1,749	2,983	(41)
Sales revenue	(US\$ million)	5,776	6,223	(7)
Cash flow from operating activities	(US\$ million)	3,330	3,475	(4)
Reported earnings per share	(US cents)	213	366	(42)
Total recordable injury rate ¹	(TRIR)	3.00	4.13	27
5 year total shareholder return ²	(TSR, %)	12.6	(0.3)	n.m. ³
10 year total shareholder return ²	(TSR, %)	16.1	21.7	(26)
Production	(MMboe)	87.0	84.9	2
Proved reserves	(MMboe)	1,143	1,231	(7)
Proved plus Probable reserves	(MMboe)	1,437	1,544	(7)
Contingent resources	(MMboe)	1,692	1,745	(3)

¹ In 2013 Woodside adjusted the calculation of the total recordable case frequency to exclude illness. This metric is now called Total Recordable Injury Rate (TRIR). The 2012 figure has been adjusted to reflect this change.

² Source: Bloomberg, TSR is the compounded annual return over the specified period.

³ n.m. - not meaningful.

Indexed ten year performance



Over the past ten years Woodside has outperformed the ASX All Ordinaries Index (values are indexed to base 100 from 31 December 2003).

- | | |
|---|---|
| <ul style="list-style-type: none"> 1 September 2004 NWS Train 4 start-up. 2 April 2005 Pluto gas discovery. 3 July 2007 Pluto final investment decision. 4 Global financial crisis impact. 5 September - October 2008 NWS Train 5, Angel start-up. 6 April 2012 Pluto LNG production. | <ul style="list-style-type: none"> 7 September 2012 sale of Browse equity completed. 8 December 2012 in-principle agreement to acquire a participating interest in petroleum licenses covering the Leviathan gas field, offshore Israel. 9 Browse recommends floating LNG (FLNG) and in September 2013 the Joint Venture selects FLNG as basis of design. 10 October 2013 North Rankin Redevelopment Project achieves start-up. |
|---|---|

CHAIRMAN'S REPORT



Michael Chaney AO
Chairman

In a year of mixed fortunes for the global economy and further cost pressures for Australia's resources sector, Woodside continued to perform strongly for its shareholders in 2013. ▀

Record production from the company's operated facilities allowed it to capitalise fully on robust energy demand from the growing economies in our region; and a disciplined approach to capital management delivered record dividends in parallel with the pursuit of new growth opportunities.

Strong and stable finances

Record production of 87.0 million barrels of oil equivalent saw sales revenue of US\$5.78 billion. Reported net profit after tax was US\$1.75 billion and underlying net profit after tax a healthy US\$1.70 billion. With strong cash flows and falling net debt, the company is well placed to invest in new growth opportunities.

Woodside is in the fortunate position of pursuing growth while at the same time being able to return cash to shareholders. During 2013 the Board declared a special dividend to shareholders of 63 cents per share, fully franked for Australian taxation purposes. We also announced a dividend payout ratio target of 80% of underlying net profit after tax. The methodology for calculating the final dividend was amended to add back the net impacts of impairments incurred in 2013. This translated into a record 2013 full-year dividend of 249 cents per share.

The Board expects to maintain this dividend policy for the foreseeable future, subject to the demands of significant new capital investments or material changes in the company's business environment.

Delivering superior shareholder returns is, of course, about more than paying healthy dividends. Long-term value

creation requires a disciplined approach to capital management and investment decisions and the ability to take advantage of growth opportunities.

Delivering on our strategy

During 2013 the company delivered important achievements against each element of its growth strategy: maximising its core business; leveraging its capabilities and growing its portfolio.

The Vincent floating production storage and offloading vessel re-commenced operations in late November following planned shipyard maintenance and refurbishment activities.

Following the Browse Joint Venture participants' decision not to proceed with an onshore development of the Browse gas reserves, basis of design work was commenced for a floating LNG (FLNG) development concept. By combining Woodside's offshore development expertise with Shell's FLNG technology, the Browse Joint Venture is well placed to deliver a development that offers significant long-term value for our shareholders and the nation.

Several exploration-led opportunities were advanced in 2013 as we sought to refresh and rebalance our global exploration portfolio. Entry into two blocks offshore Myanmar was finalised during the year, as was entry into emerging and frontier acreage offshore Ireland and New Zealand. These opportunities offer Woodside low-cost access to prospective basins in which the company's deepwater exploration capabilities can be fully utilised.

Sustaining success in a competitive industry

Global market conditions continue to support our long-term growth strategy, with robust demand for natural gas from Asia's major economies forecast for the remainder of this decade and beyond. In the short-term, constraints on new global supply support the company's efforts to maximise value from its equity LNG volumes that are subject to price reviews.

Nonetheless, a defining feature of Woodside's future operating environment is increased competition, both at home and internationally. The prospect of new LNG supply entering the Asian region – during 2013 a further three proposed US LNG projects received approval to export gas to non-Free Trade Agreements markets – provides traditional buyers with more options to secure supply on both the long-term and spot markets.

In this context, it has become more important than ever to address cost and productivity challenges that threaten to delay the current and future waves of Australian LNG projects.

Policies that promote workforce mobility and flexibility and reduce red and green tape will play an important role in keeping our sector globally competitive; but industry must also get its own house in order – which is why Woodside has taken significant steps towards becoming a leaner, more innovative and cost-competitive organisation.

The company is harnessing new technologies to deliver game-changing results in terms of cost savings. Selecting FLNG as the basis of design for Browse is a strong demonstration of this approach, enabling development of a premium Australian gas resource that could not be taken forward commercially via a greenfield onshore facility.

Woodside believes the emergence of the Browse Basin as a globally significant FLNG province will deliver substantial benefits to the state and national economies, and not only through additional revenue returned to the community. FLNG delivers more jobs than a conventional facility during the decades-long operational phase, and promises a range of high-skilled opportunities associated with Western Australia's emergence as a hub for FLNG technology and project execution.

Beyond technology, Woodside is focused on driving down costs through new project management solutions and control of back-office costs, identified by the Business Council of Australia as a key area for improvement for the local resources sector. The company has also implemented a productivity challenge to cut operating and corporate costs to ensure that we deliver the very best value for our shareholders.

Board of directors changes

Mr Frank Cooper joined the board during the 2013 year. Mr Cooper has more than 35 years experience in corporate tax related to the mining, energy and utilities sector, including as a partner in a major accounting firm.

Mr Cooper replaced Mr Erich Fraunschiel, who retired after ten years service to the company. On behalf of the directors, I thank Erich for his valuable contribution over that time, particularly in respect of commercial matters.

Members of the Board, along with many others at Woodside and beyond, mourned the passing in 2013 of former Chairman Geoff Donaldson. Mr Donaldson served as Woodside's Chairman for 28 years until his retirement in 1984 and was widely recognised as the father of the company.

Reflecting on Mr Donaldson's legacy, it is clear how much this company has achieved as it prepares to celebrate in 2014 the 60th anniversary of its founding. Led by Chief Executive Officer Peter Coleman, our people are working hard to ensure that Woodside's future is equally successful.



Michael Chaney AO

19 February 2014



Geoff Donaldson AO

Geoff Donaldson, known across our company as the father of Woodside, sadly passed away in 2013. Geoff helped found Woodside in 1954, and served as Chairman of our company for 28 years from 1956-1984.

More than any other individual, Geoff's vision and determination enabled Woodside to become the leading Australian company it is today. In the 1960s he made the visionary decision to turn Woodside's attention from

exploration offshore Victoria to WA's North West. In one of the great business deals in Australian history, Geoff secured offshore permits for Woodside covering 367,000 square kilometres. The world-class oil and gas assets in these permits underpin Woodside's business to this very day.

Geoff's spirit remains alive and strong within our company, and we continue to honour him through the Woodside Donaldson tanker that delivers cargoes from the Pluto LNG Plant.

CHIEF EXECUTIVE OFFICER'S REPORT



Peter Coleman

Chief Executive Officer and Managing Director

2013 was a year of hard work, as we focused on re-building our portfolio and positioning the company for future growth ▲

2013 Key performance highlights

- Total Recordable Injury Rate of 3.0, a 27% improvement on 2012.
- Record production of 87.0 MMboe.
- Safe start-up of the North Rankin Redevelopment Project.
- Agreement by Browse Joint Venture to select floating LNG (FLNG) technology to commercialise the Browse fields.
- Pursued new international opportunities in Ireland, Myanmar, New Zealand and Canada.
- Persephone entered front-end engineering and development (FEED) phase.
- Successful refurbishment of the Vincent floating production storage and offloading vessel (FPSO).
- Entered a Memorandum of Understanding (MoU) with the Leviathan Joint Venture participants (subsequent to year end).

Future objectives

- Achieve global top quartile health and safety performance by 2017.
- Consider final investment decision (FID) on Browse FLNG Development, targeted for the second half of 2015.
- Progress Greater Western Flank Phase 1 Project, scheduled for completion in early 2016.
- Advance offshore exploration in Myanmar, Ireland and New Zealand.
- Progress Xena field tie-in project for Pluto LNG in 2015 and continue to develop Greater Enfield Area oil opportunities.
- Maintain disciplined evaluation of new value-add opportunities.
- Harness technology to deliver lower cost development solutions.
- Leviathan Joint Venture targeting domestic gas FID in 2014.

Strategic statement

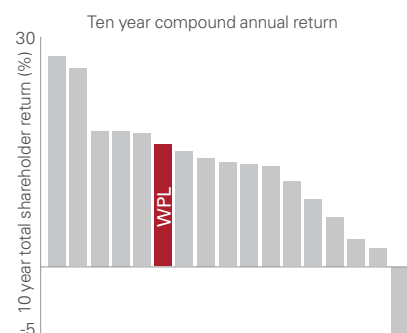
During 2013, Woodside's values-led, disciplined approach saw us take key steps towards achieving our mission to deliver superior shareholder returns. It was a year of hard work, re-building our portfolio and positioning the company for future growth.

We made significant progress during the year against the three elements of our corporate strategy: maximising our core business; leveraging our proven capabilities; and growing our portfolio.

In line with the first element, the North Rankin Redevelopment Project successfully achieved start-up in October, demonstrating our capacity to execute complex projects - in this case the integration of a new 65,000 tonne facility next to an existing offshore production platform. This redevelopment will extend the production life of the world-class North West Shelf asset.

In 2013, we demonstrated our commitment to growing our portfolio, working hard to further our entry into the world-class Leviathan Project. In February 2014, we announced that we had entered an MoU with the Leviathan Joint Venture participants, building on our earlier in-principle agreement.

Total Shareholder Return (TSR) performance against peers



The ten year TSR reflects the long-term sustainability of our business relative to our peer group which includes: Anadarko, Apache, BG, Conoco Phillips, ENI, Hess, Marathon, Murphy, Oil Search, Origin Energy, Pioneer, Santos, Statoil, Talisman Repsol and Tallow Oil.

Source: Bloomberg. TSR is the compounded annual return over the specified period.

Underpinning our corporate strategy was a clear focus on creating a high performance culture. We used the Woodside Compass – linking Woodside's core values, vision, mission and strategic direction – to guide us on our journey to becoming a global leader in upstream oil and gas.

Safety

In 2013, Woodside began implementing measures to achieve global top quartile health and safety performance by 2017.

Significant improvement was recorded in personal safety performance during the year. Our TRIR of 3.0 was a 27% improvement on 2012.

Record production

Our production result for 2013 is testament to our focus on maximising our core business. With record production of 87.0 MMboe we built on last year's result of 84.9 MMboe.

Subsequent to year end, our Pluto LNG Project achieved the milestone of 100 LNG cargoes loaded since the start of production in 2012. The overall LNG train reliability of Pluto since start-up continues to exceed our expectations.

Capital management

In 2013, we demonstrated effective capital management - laying the foundations for future growth. Our oil and gas assets delivered strong operating cash flows of US\$3.33 billion and our reported net profit after tax was US\$1.75 billion. Woodside has low gearing, liquidity to support growth and a solid investment grade credit rating.

Disciplined investment decisions, managing our asset portfolio and targeting cost reduction continue to be the hallmarks of our capital management approach.

We demonstrated our investment discipline in our decision not to proceed with the James Price Point development concept for our Browse Project.

Internally, we have recognised that to become a top quartile performer, we need to focus our attention on improving productivity. Our company-wide Productivity Challenge is focused on delivering sustainable productivity improvement by the end of 2014. All initiatives will ultimately impact our bottom-line, through increased revenue or decreased operating and capital expenditures.

Growth opportunities

A key milestone for 2013 was the agreement by the Browse Joint Venture participants to adopt FLNG technology as the basis of design to enable earliest commercialisation of the world-class Browse resource.

We have made excellent progress on basis of design work in relation to the FLNG development concept. In the second half of 2014 we plan to commence FEED, and the project remains on track for FID in the second half of 2015.

In addition to Browse, the Persephone development entered the FEED phase in the third quarter of this year, with FID targeted for the second half of 2014. Persephone is the next major gas development for the North West Shelf Project, involving a subsea tieback to the North Rankin Complex.

We continue to optimise our world-class producing assets. Work is well underway on the A\$2.5 billion Greater Western Flank Phase 1 Project and the Vincent FPSO vessel re-commenced operations in late November following planned shipyard maintenance in Singapore.

High impact exploration

We made significant progress on rebuilding our exploration portfolio, pursuing opportunities where we see alignment between our capabilities and future value, such as Ireland, Myanmar and New Zealand.

In line with our corporate strategy, we are leveraging our technological expertise to further our growth opportunities.

The Fortuna Survey, which mobilised in December, is the first IsoMetrix™ marine seismic survey acquired in Australia and the largest survey ever undertaken by the North West Shelf Project.

Enhanced margins

Achieving enhanced margins was a focus for Woodside in 2013, particularly through the ongoing LNG price reviews within Woodside's portfolio. New LNG prices, which we will see in 2014, are on trend with current regional pricing and traditional regional indexation. Following a strong start in early 2014 with the signing of a sales and purchase agreement with Chubu Electric Power, we will continue to focus on growing our commercial and marketing capabilities.

Building capability

As the company strives to be a global leader in oil and gas, internally we are focused on building our employees' own leadership capabilities. In 2013, we launched the Leadership and Management Development Framework, to engage and inspire our workforce, to establish leadership succession planning and to help guide our managers.

We continue to grow our pool of talented individuals with technical and leadership expertise through our successful graduate and trainee programs. In 2014, we will significantly boost our intake for the Graduate Development Program to 71, up from 46 in 2013.

Partner of choice

In line with our aspiration to be a partner of choice, in 2013 we continued to focus on achieving world-class environmental performance and close engagement with the communities where we operate.

On the environmental side, we developed specialised oil spill contingency and response teams to support Woodside's emergency response capabilities.

In terms of social investment, we made a significant commitment to contribute A\$20 million over the next ten years through the Woodside Development Fund, which is intended to support programs and organisations that focus on early childhood development. Within Woodside, our volunteering rates continue to be among the highest in Australia.

Outlook

Against a backdrop of increasing competition for energy supply into the Asia Pacific market, in 2014 Woodside will continue to progress its corporate strategy.

We also look forward to celebrating our company's 60th anniversary, 30 years of domestic gas production and 25 years of LNG exports. As always, we remain focused on delivering superior shareholder returns and becoming a global leader in upstream oil and gas.



Peter Coleman
19 February 2014

WOODSIDE EXECUTIVES



Peter Coleman

Chief Executive Officer and
Managing Director
BEng (Civil and Computing), MBA

Peter has 30 years experience in the global oil and gas industry, and was appointed Chief Executive Officer and Managing Director of Woodside upon joining the company in May 2011.

Peter began his career at Esso Australia (later to become part of the ExxonMobil group) following graduation from Monash University, and stayed with ExxonMobil until joining Woodside.

Peter is a member of both the University of Western Australia Business School Board and the Executive Committee of the Australia Japan Business Co-operation Council; and is Commissioner of the West Australian Football Commission.

He is a Fellow of the Australian Academy of Technological Sciences and Engineering, and in 2012 was awarded the honorary title of Adjunct Professor in Corporate Strategy from the University of Western Australia.

In 2013 he received the Distinguished Alumni Lifetime Achievement Award from Monash University.



Robert Cole

Executive Director and Executive Vice
President, Corporate and Commercial
BSc LLB (Hons)

Robert joined Woodside in 2006 as General Counsel after a 21 year career with law firm Mallesons Stephen Jaques.

Robert was appointed to the Woodside Board in the role of Executive Director in early 2012.

In his current role, Robert is responsible for Legal and Company Secretariat, Audit, Commercial (including Upstream), Organisational Effectiveness, Corporate Affairs, Security and Emergency Management and Human Resources.

Robert is Chairman of the Australian Petroleum Production and Exploration Association and also sits on the Board of the Committee for Perth and the West Australian Youth Jazz Orchestra.



Lawrie Tremaine

Executive Vice President and
Chief Financial Officer
BBus, FCPA

Lawrie has more than 30 years finance leadership experience predominantly in the resource and minerals processing industry.

He joined Woodside in December 2006 and transitioned into his current role as Executive Vice President and Chief Financial Officer in January 2011. In this role Lawrie is responsible for a range of functions including Finance, Investor Relations, Risk Management, Information Technology, Continuous Improvement and Supply Chain. Lawrie is a National Executive Member of the Group of 100.



Dr Robert Edwardes

Executive Vice President Development
BSc (Eng), PhD

Robert has 36 years of resources industry experience spanning the full breadth of operations and projects, including health safety and environment, operations integrity, production technology, development planning and delivery of major capital projects.

In his role as Executive Vice President Development, Robert is responsible for front-end planning and execution of onshore and offshore capital projects, as well as reservoir management, engineering, subsea and drilling operations. He also has executive accountability for the Browse and Sunrise business units.



Dr Greg Roder

Executive Vice President
Corporate Strategy and Planning
BSc (Hons), PhD, MBL

Greg has over 30 years experience in energy resources, infrastructure investment, funds management, equity capital markets and operational asset management.

Greg joined Woodside in 2011 and his role of Executive Vice President Corporate Strategy and Planning sees him responsible for setting and coordinating Woodside's growth path in line with the agreed strategic themes the company is pursuing.



Michael Utsler

Chief Operations Officer
BSc (Petroleum Engineering)

Michael has over 35 years experience in the upstream oil and gas industry. He joined Woodside in 2013 as Chief Operations Officer and is responsible for Woodside's producing facilities.

Prior to joining Woodside, Michael held the position of President for the BP-Gulf Coast restoration organisation, leading the Deepwater Horizon response effort.



Phil Loader

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

Phil joined Woodside in 2013, following an extensive career in the upstream sector spanning over 30 years.

As Executive Vice President Global Exploration, Phil is responsible for the company's international exploration activities.

Prior to joining Woodside, Phil's roles included Senior Vice President – Exploration at Mubadala Petroleum in the UAE and 11 years with Anadarko Petroleum as Vice President Exploration.



Shaun Gregory

Senior Vice President Health, Safety, Environment and Technology
Bsc (Hons), MBT

Shaun has worked in the oil and gas industry for more than 20 years.

He joined Woodside in 1996 and has held a variety of roles in areas including mergers and acquisitions, corporate strategy, new ventures and geophysics.

His current role sees him accountable for the company's efforts in advancing oil and gas technology, and stewardship of programs in health, safety and environment.

OPERATING & FINANCIAL REVIEW



PLUTO LNG

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AUSTRALIA OIL

Read more on  24

NORTH WEST SHELF

Read more on  20



OUR PEOPLE



Read more on  26



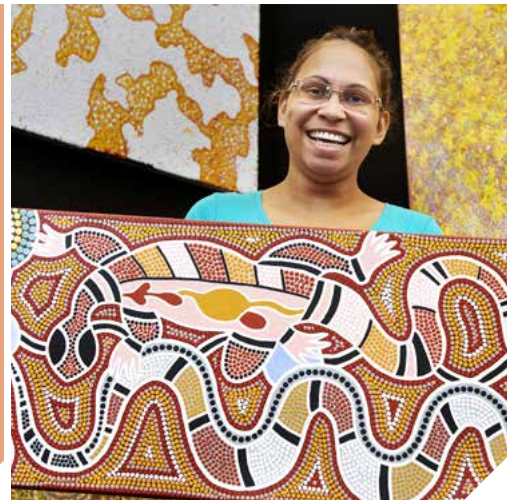
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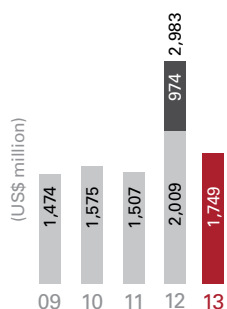
FINANCIAL POSITION

Woodside's financial position continues to strengthen, following the first full year of Pluto LNG production. We have delivered a record dividend and the company is well placed to fund future growth.▲

Key metrics

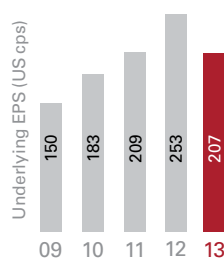
US\$ million unless stated otherwise	2013	2012	
Operating revenue	5,926	6,348	
Costs of production	1,242	1,295	
EBITDA	3,756	4,979	
Depreciation and amortisation	1,218	1,184	
EBIT	2,538	3,795	
Reported NPAT	1,749	2,983	
Non recurring items	47	922	
Underlying NPAT	1,702	2,061	
Net cash from operating activities	3,330	3,475	
Capital expenditure	590	1,498	
Exploration expenditure	261	260	
Free cash flow	2,271	3,636	
Dividends paid	1,738	979	
Net debt	1,541	1,918	
Key ratios			
Gearing	%	9	11
Earnings	US cps	213	366
Underlying earnings	US cps	207	253
Return on equity	%	11.5	19.7
Effective income tax rate	%	29.8	27.2
Sales volumes			
Gas	MMboe	67.4	57.6
Liquids	MMbbl	18.3	26.2

Reported NPAT

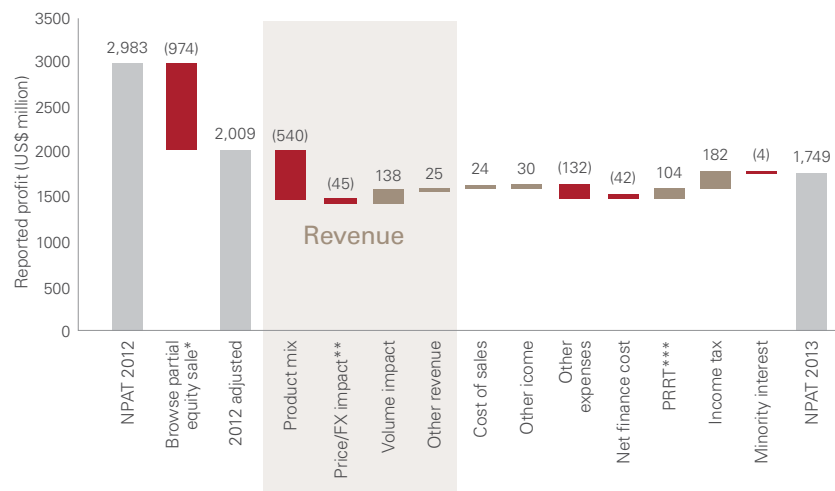


Net profit was adversely impacted due to the Vincent floating production storage offloading vessel being off station for majority of the year and asset impairments made in the period. The 2012 result was enhanced by US\$974 million due to the Browse partial equity sale.

Underlying earnings per share (EPS)



2013 reported net profit after tax (NPAT) versus 2012



2013 NPAT was lower than 2012 due to reduced revenue associated with a higher gas proportion in the product mix combined with the impact of the 2012 Browse partial equity sale and additional oil and gas properties impairments on our Australian oil assets and Neptune.

* Includes the impact of PRRT and tax expense.

** Price/FX includes oil price, foreign exchange rates.

*** Petroleum Resource Rent Tax.

We delivered strong financial performance in 2013 with a reported net profit of US\$1,749 million.

Following a full year of production from Pluto, the company posted record production volumes of 87.0 MMboe.

The main differences were:

Browse partial equity sale which generated a gain on sale of US\$974 million (in 2012).

Product mix resulted in a decrease of US\$540 million due to reduced oil volumes and a higher proportion of lower priced Pluto LNG as a percentage of total sales. This resulted in a lower average realised price.

Average realised price table

All in US\$/boe	2013	2012	Variance
Pipeline natural gas	26.31	26.69	(0.38)
NWS LNG	77.43	77.85	(0.42)
Pluto LNG	54.52	54.90	(0.38)
Condensate	105.04	104.47	0.57
LPG	101.71	113.28	(11.57)
Oil	111.29	113.52	(2.23)
Volume weighted average realised prices	67.43	74.26	(6.83)

Volume impact resulted in a US\$138 million increase largely due to a full year of Pluto production. This increase more than offset the adverse impact of the Vincent oil field being shut in for the majority of the year due to floating production storage offloading (FPSO) refurbishment and continued field decline in our oil assets.

Other expenses increased by US\$132 million largely due to impairments. This was partially offset by the absence of Pluto mitigation costs and lower exploration and evaluation expenditure.

Impairments

	2013 US\$M	2012 US\$M
Enfield ¹	154	-
Stybarrow ¹	87	-
Neptune ¹	54	-
Laminaria-Corallina ¹	34	82
Pluto Train 2/3 FEED ²	58	49
Total	387	131

¹ Assessment of the ultimate reserve recovery and an increase in the carrying amount associated with restoration estimate.

² Decline in value of expansion costs.

Petroleum Resource Rent Tax decreased mainly due to lower operational profits in 2013.

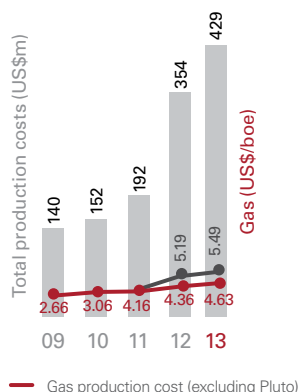
Income tax decreased largely due to lower net profit before tax.

Production cost¹

Gas production cost

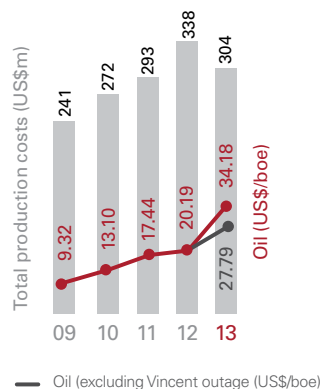
Total gas production costs increased by US\$75 million to US\$429 million in 2013 mainly due to a full year of production at Pluto LNG. On a unit basis, gas unit production costs increased from US\$5.19/boe to US\$5.49/boe.

¹ Unit production costs equals production costs (\$ million) divided by production volume (MMboe).



Oil production cost

Total oil production costs decreased by US\$34 million to US\$304 million. On a unit basis, oil unit production costs increased from US\$20.19/boe to US\$34.18/boe. This was attributable to the Vincent FPSO being off station for 11 months in 2013 for planned refurbishment activities and lower production mainly due to field decline at the Greater Enfield Area oil assets.



Funding

Our net debt has been reduced to US\$1,541 million resulting in 9% gearing. The continued improvement of the key cash flow to debt metrics has resulted in our credit ratings being reaffirmed (S&P: BBB+; Moody's: Baa1) and S&P upgrading their outlook to positive.

The available funds of US\$3,823 million (US\$2,223 million cash and US\$1,600 million undrawn debt) combined with our ability to access long-term facilities at competitive rates, provides us with the capacity to fund future growth opportunities. Our funding position will continue to be evaluated as we progress investment decisions on our major projects.

Disciplined investment decisions

In 2013 we maintained a disciplined approach to investment decisions. At the beginning of the year the company made the decision not to proceed with the proposed Browse LNG Development at James Price Point. Furthermore, we divested our remaining interest in the Power Play asset and sold a large portion of the exploration and evaluation acreage held in the Gulf of Mexico.

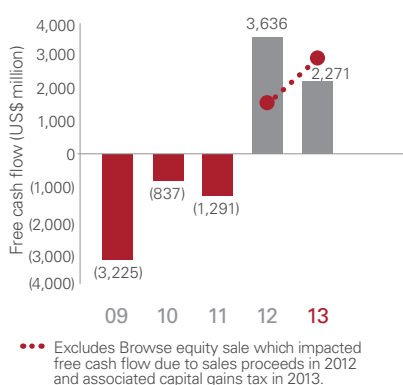
This approach was also reflected in the recent Memorandum of Understanding signed for the Leviathan Project (subsequent to year end).

Capital management

We invested US\$851 million in our business activities in 2013, down from US\$1,758 million in 2012. The 2013 spend comprises US\$590 million in capital expenditure on our projects at Vincent, North West Shelf and completing Pluto. In addition US\$261 million was invested in exploration.

This lower investment expenditure combined with full year production from Pluto resulted in Woodside generating a positive free cash flow of US\$2,271 million (see graph below).

Free cash flow



Dividend

In April, the Board resolved to target a dividend payment payout ratio of 80% of underlying net profit after tax (expressed in US dollars). In determining the appropriate dividend payment, we will consider, among other things, our development profile, available cash flow and future funding requirements.

The 2013 final dividend calculation will be based on our underlying profit adjusted for the impact of impairments of oil and gas properties, net of tax.

Calculation methodology

	US	2013
Reported NPAT	\$m	1,749
Deduct gain on asset sales	\$m	47
Underlying NPAT	\$m	1,702
Add back impairments net of tax	\$m	213
Basis for dividend	\$m	1,915
80% payout ratio	\$m	1,532
Full year dividend	cps.	186
Deduct interim dividend	cps.	83
Final dividend	cps.	103

i The full Dividend Policy can be found on our website.

Underlying profit versus reported profit²

US\$ million	2013	2012
Underlying NPAT	1,702	2,061
Non recurring items after tax		
Pluto delay mitigation costs	-	(27)
Browse equity sale	-	974
Tax paid on Sales	-	(25)
Asset sales	47	-
Reported NPAT	1,749	2,983

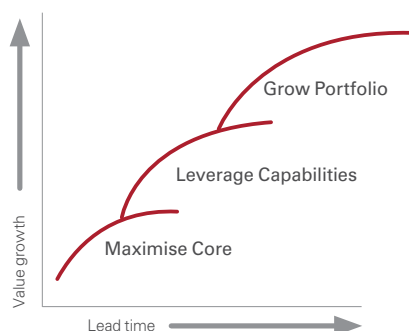
² Woodside's Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) profit is unaudited but is derived from audited accounts by removing the impact of non-recurring items from the reported (IFRS) audited profit. Woodside believes the non-IFRS profit reflects a more meaningful measure of the company's underlying performance.

2013 underlying profit (down US\$359 million) was impacted by lower revenue resulting from an increase in lower priced gas volumes, together with a decrease in oil volumes associated with the Vincent FPSO refurbishment and field decline of other oil assets (US\$422 million pre-tax). Additionally oil and gas properties impairments in 2013 increased by US\$256 million pre-tax.

STRATEGY, OUTLOOK AND RISKS

Strategic direction

Our vision is to deliver superior shareholder returns by becoming a global leader in upstream oil and gas. Our strategy to achieve this builds on maximising the value of our core assets, leveraging our capabilities and growing our portfolio. We recognise the need to work closely with partners, suppliers and other stakeholders to meet our objectives.



Maximise our core

Woodside has consistently delivered value from its producing assets. We will continue to work to extend the life of our existing business and commercialise discovered resources to the benefit of our shareholders.

We intend to derive additional value by reducing development and operational costs and increasing efficiency through a culture of continuous improvement.

We will continue to optimise the quality of our portfolio. For example, in 2013 Woodside scaled back its presence in the Gulf of Mexico as this area of the business was not delivering the required value.

Leverage our capabilities

Woodside's distinctive capabilities include a proven track record in the design, construction and operation of world class LNG plants; the design, construction and operations of a fleet of floating oil production, storage and offtake facilities; seismic acquisition and processing; and deepwater drilling.

These skills provide new business growth opportunities where our capabilities can be applied to deliver commercial upstream and development projects.

By selectively pursuing new technologies, and through driving innovation in design, we are increasing the range of development solutions available to the company. For example, innovation in subsea development has the potential to substantially reduce future compression costs for our Pluto LNG project.

In addition, we have established external partnerships with other like minded organisations, including research bodies and universities, to extend our business capabilities and technological skill set in key areas.

Woodside is building on its strong knowledge of the evolving oil, condensate and LNG markets. For example the company established a trading office in Singapore in 2013 and entered a long term charter for an LNG trading vessel – the first vessel in the Woodside fleet that is not associated with a specific LNG project.

Read more about our shipping and trading capabilities on [33](#).

Grow our portfolio

Woodside will grow its portfolio through maturing our existing opportunities and a combination of exploration and commercial transactions.

We are seeking to build an exploration portfolio with a balanced mix of mature, emerging and frontier plays. To support this effort, global studies are being undertaken and have led to recent farm-ins to Myanmar and Ireland and successful gazettal bids in New Zealand.

While exploration is important for organic value growth, the time to discover, develop and monetise assets can be significant. We continue to evaluate commercial transactions that have the potential to deliver significant value. The company will maintain a disciplined approach in order to increase shareholder value and manage risk.

Subject to year end, Woodside and the Leviathan Joint Venture participants have agreed to convert a previous in-principle agreement for the potential acquisition of an interest in the Leviathan field into a non-binding Memorandum of Understanding (MoU).

The MoU provides a framework to negotiate in good faith, the acquisition of a 25% participating interest in each of the 349/Rachel and 350/Amit petroleum licences. The parties will negotiate towards executing a fully termed agreement by 27 March 2014.

The Leviathan field is contained within the licences, and based on information provided by the operator Noble Energy, has an estimated '2C' contingent resource (100%) of 18.9 trillion cubic feet of natural gas and 34.1 million barrels of condensate.

Our 25% share has the potential to increase Woodside's contingent resources by 50%.

Outlook

Market outlook

The global demand for natural gas, coupled with the increasing role of LNG in the global gas supply mix, provides a positive outlook for the LNG industry.

Asia-Pacific remains the core market for global LNG demand growth and Australia is forecast to become the world's largest LNG exporter once projects under construction are complete.

Price discussions with Pluto foundation customers in 2013 resulted in an upward price adjustment for quantities already delivered (as reported in our Q4 results) and a new price from 2014.

With the current scheduling of cargoes, this new price outcome is expected to apply to approximately 25% of total Pluto sales quantities in Q1 2014 and 35% in Q2 2014.

From Q3 2014 onwards the new price will apply to approximately 75% of total sales* and the sales mix is expected to reflect a "steady state" combination of sales to foundation buyers (Tokyo Gas and Kansai Electric) and other buyers.

*Assuming annualised average sales of approximately 4.3 mtpa.

For more information on the global LNG market outlook, please refer to [32](#).

Production range

Looking to 2014, a production range of 86 to 93 MMboe is being targetted. This comprises a product split of approximately 39% from Pluto LNG, 23% from North West Shelf (NWS) LNG, 14% from NWS domestic gas and 24% from condensate, oil and LPG.

Investment expenditure

Woodside's total investment expenditure in 2014 is expected to be approximately US\$2.2 billion (see *Chart 2*).

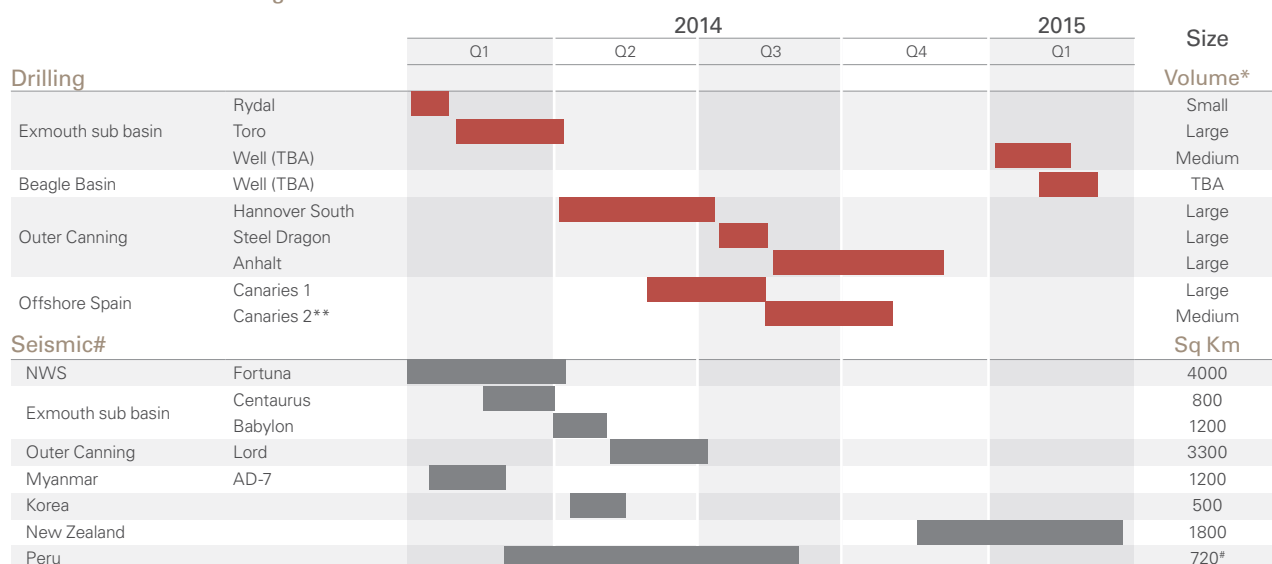
This expenditure encompasses a range of activities, including Leviathan, Browse FLNG Development, Greater Western Flank Phase 1 project and Phase 1 of the Xena field tie-in project.

Woodside's share of maintenance sustaining capital expenditure* in 2014 is expected to be as follows:

- North West Shelf- approximately US\$80 million (combined onshore and offshore);
- Pluto LNG- approximately US\$20 million (combined onshore and offshore); and
- Australia Oil- approximately US\$10 million.

*Sustaining capital expenditure is capital which does not develop additional reserves.

Chart 1 - 2014/2015 drilling and seismic activities



* Target size: Gross Mean Success Volume 100%, un-risked. Small<20MMboe, Medium>20 MMboe and <100MMboe and Large>100MMboe.

**The second well is yet to be confirmed by the Joint Venture.

All seismic is 3D except Peru which is 2D.

■ Drilling ■ Seismic

Exploration activities

As the company continues to focus on expanding its global exploration portfolio, expenditure in 2014 will be directed towards approximately one half drilling, one quarter seismic and one quarter general permit activity (Chart 1).

Planning is underway to drill up to seven wells in 2014, including up to five in Australia (Outer Canning and Exmouth sub-basin) and up to two in Spain (Canaries). Seismic activities planned for 2014 will include programs in the Outer Canning, Exmouth sub-basin, North West Shelf, Myanmar, New Zealand and Korea.

See [42](#) for more information on our exploration activities.

Development activities

The company's key future development activities include Browse, Leviathan, Xena, Greater Western Flank Phase 1 and the Persephone gas development (Chart 3).

Browse is currently progressing through basis of design, with commencement of front-end engineering and design targeted for the second half of 2014. A final investment decision on the project is expected in the second half of 2015.

The Leviathan transaction contemplated by the MoU is conditional upon the execution of a fully termed agreement and certain policy, tax and regulatory approvals from the Israeli Government. The parties will negotiate towards executing a fully termed agreement by 27 March 2014.

As the next major gas development for the North West Shelf Project, Persephone involves a subsea tieback to the North Rankin Complex. A final investment decision is planned for the second half of 2014.

The NWS '2P' reserves (Chart 3) will be developed in the period up to 2018, at an expected cost of between approximately US\$ 6.00/boe and US\$ 12.50/boe.

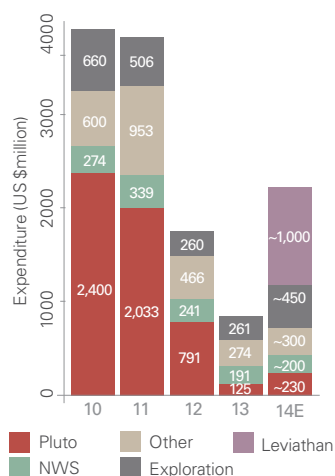
Woodside remains committed to developing Greater Sunrise once government alignment is achieved.

To read more about Sunrise, go to [41](#).

NPAT sensitivities

For 2014, a US\$1 movement in the Brent oil price is expected to impact NPAT by US\$34 million and a \$0.01 decrease in the AUD:USD exchange rate is anticipated to increase NPAT by US\$4 million.

Chart 2 - Woodside's investment expenditure outlook

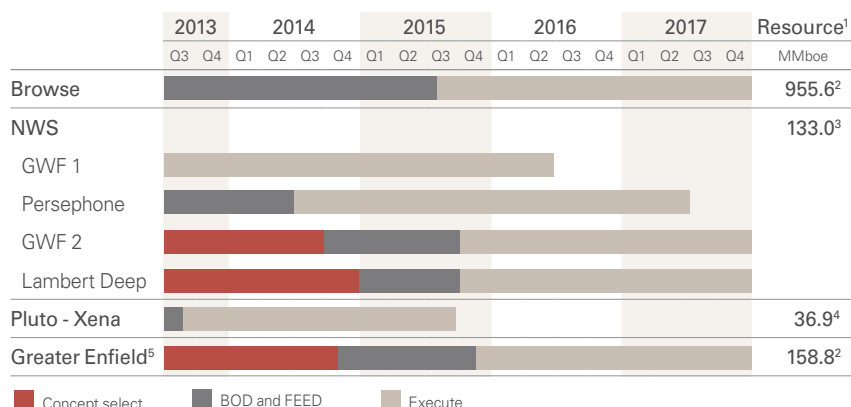


Other includes Australia Oil, Browse, Sunrise, USA and Corporate.

Chart includes capital and all exploration expenditure and excludes capitalised interest.

The forecasted Leviathan expenditure is subject to completion of the proposed transaction.

Chart 3 - Development pipeline



■ Concept select

■ BOD and FEED

■ Execute

¹ Woodside share

² 2C Contingent resource

³ 2P Reserves - NWS Development over the next 5 years includes GWF 1, Persephone, GWF 2 and Lambert Deep

⁴ 2P Reserves

⁵ Greater Enfield includes Laverda, Cimatti, Vincent, Ragnar and Enfield.

Risk

Woodside's approach to risk focuses on enhancing opportunities, reducing threats to our existing and potential business and sustaining a competitive advantage. We do this through the consistent application of Woodside's process for the recognition and management of risk across the organisation.

Woodside's risk management process is aligned to ISO 31000, the international standard for risk management. It is a part of Woodside's overall management system and sets out clearly defined criteria to evaluate and report on material risk. We systematically assess the consequence of risk in areas such as health and safety, environmental, financial, legal and compliance, reputation and brand, and social and cultural impacts.

A range of material risks have been identified which could adversely impact Woodside. These risks are not listed in order of significance, nor are they all encompassing. Rather, they reflect the most significant risks identified at a whole of entity level.

The company has also appointed an anti-bribery and corruption lawyer to complement existing anti-fraud and corruption resources.

Mitigating market outlook risks

External market conditions, including commodity prices and demand for our products, may impact Woodside's future financial performance.

Commodity prices are variable and are impacted in part by global economic factors beyond Woodside's control. Adverse commodity impacts are managed in a number of ways. For example, any reductions in global LNG prices are managed through our diversified portfolio of long-term sale and purchase agreements. In practical terms, this provides some downside price protection.

Uncontracted LNG volumes are sold at the prevailing LNG spot price, which is subject to greater price volatility. The financial value obtained from oil production is significantly exposed to fluctuations in the oil price.

Woodside mitigates the uncertainty associated with product demand by selling LNG under long-term 'take or pay' sale agreements, in addition to the spot market. There is greater uncertainty associated with sales of product on the spot market. The volume of product available for sale to our customers in the longer term is also influenced by our ability to successfully commercialise hydrocarbons, which is discussed below.

We are also exposed to fluctuations in currency exchange rates and as a result, Woodside's financial results can be negatively impacted. The impact of this risk is mitigated because the majority of Woodside's hydrocarbon sales, and a portion of debt costs, are denominated in US dollars.

Our exposure to volatility in the Australian dollar is partially offset by our domestic gas revenue which is priced in Australian dollars.

The impact of currency volatility becomes more pronounced when Woodside is undertaking new domestic, onshore developments. Our current exposure to these new projects is low.

Woodside generally considers that active commodity and currency hedging does not provide value to our shareholders, but does consider the appropriateness of such hedging from time to time and in specific circumstances. Any hedging activity is only undertaken in accordance with limits approved by the Woodside Board.

For the estimated impact of a change in oil price or exchanges rates on NPAT, please go to [17](#).

Business interruption – impact on production

Woodside's ability to achieve superior shareholder returns is substantially influenced by our ability to safely and reliably produce and deliver hydrocarbon products to our customers. A sustained and unplanned interruption to Woodside's production could significantly impact our financial performance. Such an event could occur for a number of reasons,

including loss of facility integrity, critical process failures or a significant weather event. Given that it is estimated that Pluto LNG will provide approximately 39% of Woodside's production in 2014 from Pluto's one LNG train, a sustained interruption in Pluto's ability to produce and export LNG would have an adverse effect on Woodside's financial performance.

Woodside has in place an extensive framework of controls to manage such risks. These controls include our overall production processes, inspection and maintenance procedures and marine assurance processes. Additionally, our facilities are designed and operated in accordance with the overall environmental and climatic conditions applicable to each facility.

Offshore and marine related activities require specific consideration from a risk perspective. These activities have the potential to interrupt Woodside's ability to produce hydrocarbons. The removal by a regulator of Woodside's approval to produce could also impact production on a sustained basis. Woodside's processes focus on compliance with legal and regulatory obligations, which are complemented by the ongoing engagement we have with regulators.

Loss of containment

A loss of hydrocarbon containment from a Woodside operated facility or well could be significant, resulting in personnel, environmental, social, reputational and financial loss. This risk is addressed via an extensive control framework designed to prevent the loss of hydrocarbon containment in the first instance, and by maintaining an appropriate capability to minimise the impact of an event should it occur. In 2013 the company developed specialised oil spill contingency and response teams to further enhance Woodside's emergency response capabilities in this area.

Exploration risk

The ability to identify, acquire and commercialise hydrocarbons will be an ongoing contributor to Woodside's success. However, the risk that Woodside's exploration activities will be unsuccessful, thereby reducing or limiting future growth, does exist. Woodside's 2014 drilling campaign is weighted towards frontier exploration which



typically has lower likelihood of success, but is balanced with the potential for higher reward. Woodside's overall exposure to exploration risk is addressed by a comprehensive exploration strategy and a rigorous and disciplined review of opportunities, complemented by the company's capabilities in geosciences and deep water exploration.

We also look to address exploration risk in part by balancing our global portfolio, as demonstrated by recent farm-in opportunities in Ireland and successful gazettal bids in New Zealand.

Commercial transaction risk

Commercial transactions undertaken with the objective of growing Woodside's portfolio are associated with a number of risks. These include the risk of a sub-optimal commercial outcome which fails to deliver the value to Woodside anticipated by the transaction, the imposition of unfavourable regulatory controls and obligations or the eventual operational performance of any acquired asset not meeting our expectations. Our commercial processes are designed to reduce the likelihood of these risks materialising as a result of a commercial transaction.

Commercialising hydrocarbons to deliver value

The company is focused on ensuring the commercialisation of hydrocarbons to deliver superior shareholder returns. A failure to do so may occur as a result of choosing a sub-optimal development option or failing to execute a project in a way that achieves Woodside's objectives in relation to cost, schedule and quality.

If we are unsuccessful in managing upward cost trends and declining productivity, the value we can secure from future developments will be reduced. We are actively pursuing strategies to reduce unit costs for developments.

Creating effective commercial arrangements with a range of partners, stakeholders and contractors is an important mechanism to offset this risk. Woodside's historic and ongoing investment in robust and high-quality opportunity development and project management systems is also central to the management of such risks.

Managing government and regulatory risk

Given that Woodside's business activities are subject to extensive regulation, unforeseen change introduced by government may adversely impact the company's financial standing. Government action, or conversely inaction, may also negatively affect Woodside's ability to undertake future development activities or maximise value from existing assets. For example, Woodside's financial performance and its ability to deliver value from existing assets and proposed developments is exposed to changes in governmental approach to carbon pricing.

With Woodside increasing its global footprint, the company is proactively maintaining ongoing and constructive relationships both with domestic and international governments and regulators.

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 which 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 and except as required by applicable law or the 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 future events.



(Left) Woodside's risk management process is embedded and consistently applied in our overall management system.

NORTH WEST SHELF



The Okha floating production storage offloading vessel demonstrated stable production with high reliability and flareless operations in 2013.



During the year 244 LNG cargoes were loaded for export to our customers.



The Greater Western Flank Phase 1 Project is a subsea tieback to the Goodwyn A platform.

The start-up of the A\$5 billion North Rankin Redevelopment Project is a major achievement on a global scale that demonstrates Woodside's commitment to extend the life of the North West Shelf Project. ▴

North West Shelf Project

Interest	NWS Venture	16.67%
	Domestic Gas JV	50.00% *
	Incremental Pipeline JV	16.67% *
	China LNG JV	12.50%
	CWLH (crude oil)	33.33%

Operator Woodside

Facilities North Rankin Complex
Goodwyn A platform
Angel platform
Okha FPSO
Karratha Gas Plant

Location Offshore facilities ~135 km north-west of Karratha, WA

Water depth 80 - 130 metres

Products LNG, pipeline gas, condensate, crude oil and LPG

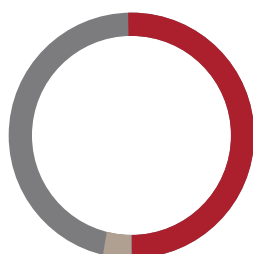
First production 1984 (pipeline gas)

* During 2013 Woodside's average share of pipeline gas production was approximately 46%. Woodside's exact share of domestic gas production depends on the quantities and aggregate rate of production.

NWS key metrics (Woodside share)

		2013	2012
Sales revenue	(US\$ million)	3,230	3,300
EBIT	(US\$ million)	2,170	2,235
Net gas production	(MMboe)	36.3	36.7
Net liquids production	(MMbbl)	10.4	10.8
Proved plus Probable reserves	(MMboe)	506.9	555.4

NWS contribution to Woodside's total production (100% = 87 MMboe)



	%
NWS gas and condensate	50
NWS oil	4
Rest of business	46

During 2013, NWS made a significant contribution of 46.7 MMboe to Woodside's annual production.

2013 Key performance highlights

- Successful start-up of the North Rankin Redevelopment.
- LNG Train 2 major shutdown and refurbishment.
- Fortuna 3D Seismic survey mobilised.

Future objectives

- Persephone development FID.
- Ongoing major refurbishment at Karratha Gas Plant (KGP).
- Fortuna 3D seismic processing and interpretation.
- Assess opportunities to process third party gas at KGP.

(Right) North Rankin Complex achieved start-up in October 2013.

The Woodside operated North West Shelf (NWS) Project is a multi-billion dollar world-class asset which continues to deliver strong profits for the company. We are committed to maintaining high profitability while also delivering on our commitments for safe and reliable production.

In 2013, the NWS Project delivered revenue of US\$3.23 billion. This equates to a contribution of approximately 56% of Woodside's total sales revenue for the year. Revenue was lower than the previous year due to lower LNG, LPG and condensate production. This was the result of planned maintenance and cyclone activity in the first half of the year.

Woodside's share of production from the NWS Project was 46.7 MMboe.

We delivered 244 cargoes of LNG, of which eight were sold on the spot market. Woodside's share of total LNG sales volumes for 2013 was 21.25 MMboe. We produced 13.96 MMboe of pipeline gas to customers in Western Australia in 2013 with 100% reliability.

Optimising the value of the existing business

In 2013, we continued our journey to optimise value from existing assets and sanctioned projects.

In October, the North Rankin Redevelopment Project achieved start-up and exported gas to the KGP. This A\$5 billion project involved the construction and installation of a second platform, North Rankin B, with modification and refurbishment of the existing North Rankin A facility. The project enables the recovery of low pressure gas, extends resource life and supports our onshore gas assets.

The A\$2.5 billion Greater Western Flank Phase 1 project continued engineering, procurement and fabrication activities with the project 63% complete. The project is scheduled for completion in early 2016 and will develop the Goodwyn GH and Tidepole gas fields via a subsea tie-back to the existing Goodwyn A platform.

During May, the first significant refurbishment scope was completed on LNG Train 2 in parallel with the planned major turnaround activity. By running these scopes of work concurrently we minimised impact to operations.

Established in October, the Karratha Life Extension project is an integrated program which will execute refurbishment and life extension works at the KGP efficiently and cost effectively.

The total cost to Woodside in 2013 for sustaining capital* was approximately US\$50 million of which the majority related to KGP refurbishment activities. By taking a strategic approach to maintain the plant integrity Woodside is ensuring plant capacity and reliability is maintained well into the future while minimising the impact to production.

*Sustaining capital expenditure is capital which does not develop additional reserves.

Develop NWS Project resources

We are committed to developing NWS resources and maintaining supply deliverability in order to extend the NWS business.

In Q3 the Persephone development entered the front-end engineering and design phase. Persephone is the next major gas development for the NWS Project and involves a subsea tieback to the North Rankin Complex (North Rankin A and North Rankin B). A final investment decision is planned for 2H 2014.

We are progressing the Greater Western Flank Phase 2 project towards a final investment decision in 2015. This project will develop the Keast, Dockrell, Sculptor- Rankin, Lady Nora and Pemberton fields via a subsea tie-back to the Goodwyn A. We are also evaluating Lambert Deep as a potential tie-back to the existing Angel platform.

Extend the life of the NWS

In 2013, we continued to explore opportunities to extend the life of the NWS Project and maximise the use of existing infrastructure.

The Fortuna 3D marine seismic survey mobilised in December and will be the largest ever delivered by the NWS Project. This survey will cover 4050 km² of NWS acreage, providing high resolution, multi-sensor broadband data of the area. This data will allow for the optimisation of hydrocarbon recovery from developed and undeveloped fields.

The NWS project participants are currently assessing opportunities to process third party gas at KGP. The NWS Project offers a unique opportunity for third party gas owners to leverage value from our infrastructure.

Outlook

Woodside's commitment to production excellence will continue to be an essential component of our success in the years to come. In 2014, the NWS Project celebrates 30 years of successful domestic gas production and 25 years of LNG exports to Japan. These two significant achievements reflect our reputation as a reliable and efficient operator.

We will continue to invest to maintain our world-class assets with the refurbishment of the KGP ongoing in 2014.

Under existing LNG sales contracts, approximately 55% of NWS LNG annual production volumes will have prices renegotiated in 2014.

We remain committed to maximising our core business and will continue to seek opportunities to optimise value in order to extend the life of the NWS Project into the future.



PLUTO LNG



Pluto LNG onshore infrastructure comprises a single LNG processing train with a forecast production capacity of 4.3 million tonnes a year.



Pluto LNG involved considerable innovation, going from discovery to production in just seven years and from final investment decision to start-up in less than five.



During 2013 the first planned shutdown of Pluto LNG was undertaken for maintenance. The shutdown reinforces Woodside's extensive capabilities and the effective contracting partnerships supporting our business.

Pluto LNG continued to build a solid reputation as a safe and reliable supplier of LNG ▲

Pluto LNG

Interest	WA-34-L	90%
	WA-350-P	90%
	WA-404-P	100%
Operator	Woodside	
Location	Pluto and Xena fields, 190 km north-west of Karratha, WA	
Water depth	400 - 1,000 metres	

2013 Key performance highlights

- Pluto environmental operating licence approved.
- Achieved high levels of performance and reliability in latter part of 2013 following unplanned shutdown in June.
- 4th quarter LNG reliability exceeded plan.
- Approval of expenditure for Phase 1 development of Xena.
- Subsequent to the end of the quarter, on 2 January, Pluto loaded its 100th LNG cargo since the start of LNG production in April 2012.

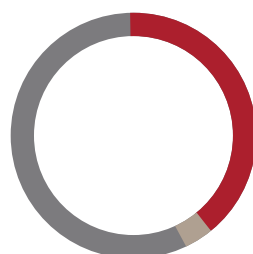
Future objectives

- Progress development of Xena Phase 1.
- Deliver improved operational efficiency through Pluto's new LNG organisation model.
- Maintain safe and reliable production.

Pluto key metrics (Woodside share)

		2013	2012
Operating revenue	(US\$ million)	2,098	1,427
EBIT	(US\$ million)	954	453
Net gas production	(MMboe)	32.2	22.0
Net liquids production	(MMbbl)	2.6	1.9
Proved plus Probable reserves	(MMboe)	884.6	922.7

Pluto LNG contribution to Woodside's total production (100% = 87 MMboe)



	%
Pluto LNG	37
Pluto condensate	3
Rest of business	60

During 2013, Pluto LNG contributed a substantial 34.8 MMboe to full-year production.



Production performance

Pluto LNG continued to build a solid reputation in the latter part of 2013 as a reliable and dependable supplier of LNG, backed by high rates of plant availability.

The high reliability followed an unplanned shutdown of the LNG processing train at the end of June following an issue with the dehydration system and associated remedial works in July and August.

The improved reliability resulted in a total production of 34.8 MMboe, comprising 32.2 MMboe of LNG and 2.6 MMbbl of condensate.

Pluto LNG's first planned shutdown took place in April, with about 450 people on site and more than 15,000 hours worked. The shutdown offered an opportunity to address outstanding commissioning issues and was successfully completed without a recordable safety incident.

Pluto delivered 58 LNG cargoes in 2013, 48 of which were to Woodside's foundation customers Tokyo Gas and Kansai Electric.

In the fourth quarter Pluto plant reliability and production outperformed all previous quarters due to increased reliability and system optimisation. Overall LNG train reliability since initial start-up continues to exceed expectations.

Financial contribution

Woodside's share of revenue resulting from Pluto LNG's production performance was US\$1,702 million. Revenue from condensate sales contributed US\$246 million to Woodside's revenue. A further US\$150 million was received for LNG processing services.

LNG shipping capability

Woodside continued to build its LNG shipping capability in 2013, adding the 'Woodside Rogers' to its LNG fleet. The Woodside Rogers completed its maiden voyage in July and is the fourth vessel in the Pluto LNG fleet. The vessel is named after Woodside's former Chairman Bill Rogers.

The vessel is the second long-term charter vessel for Pluto LNG and provides shipping capacity to maximise value from Pluto LNG sales and will support Woodside's LNG trading and shipping business.

Xena development

During the year the Pluto joint venture participants approved the expenditure required for Phase 1 of the Xena field tie-in project. Xena is part of the Pluto LNG foundation project, with Phase 1 development expected to cost approximately US\$370 million (100% project) and access 219 billion cubic feet of dry gas and 2.5 million barrels of condensate at Proved plus Probable level (100% project).

Phase 1 comprises a production well tied-in to the Pluto flowlines, approximately 11 km east of the Pluto field and 16 km west of the Pluto A riser platform. Drilling activities are expected to start in mid 2014. Tie-in is planned for 2015.

Outlook

We commenced a process late in 2013 to select a new organisational model for its Pluto LNG operations with the aim of delivering efficiencies and innovations in a rapidly changing and competitive LNG market.

Implementing the new organisational model is a natural progression of the Pluto LNG journey, from construction through commissioning and now in steady production. Once finalised, the proposed new organisational model will be phased in over time and is expected to be fully implemented in 2015.

Pluto Future LNG seeks to draw on Woodside's long-standing experience as an LNG operator and offshore operator, leverage new technologies and develop a Pluto-specific organisational structure.

Woodside is committed to supporting and working with its people during this organisational change, as well as maintaining a continued focus on high standards of health, safety and environmental management; plant reliability; and customer focus.

i Further information on Woodside's engagement with the Indigenous community is available in the [2013 Sustainable Development Report](#) on pages [22](#) and [23](#).



(Left) The Woodside Rogers completed its maiden journey when it arrived in Karratha on 26 July 2013.

AUSTRALIA OIL



Following maintenance and refurbishment, the Ngujima-Yin was re-deployed to the Vincent field at the end of 2013. Production is well on track with the improvements expected to deliver strong results.



The Nganhurra floating production storage offloading (FPSO) vessel is one of four FPSO's in Woodside's fleet. Oil is produced through five subsea wells connected to the vessel.



The Northern Endeavour is one of the world's largest floating production, storage and offloading vessels and can hold 1.4 million barrels of oil.

The successful shipyard refurbishment of the Ngujima-Yin delivers a basis for solid future production while we continue to pursue new development and exploration opportunities ▲

2013 Key performance highlights

- Successfully completed the sale of Woodside's interest in Mutineer Exeter oil project.
- Successfully completed shipyard refurbishment and production start-up of the Ngujima-Yin floating production storage offloading (FPSO) vessel.

Future objectives

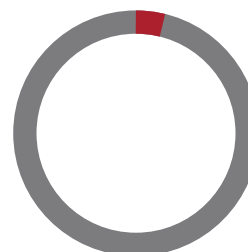
- Progress the execution of an additional infill well in the Vincent field.
- Continue to advance Greater Enfield development opportunities including Laverda.
- Drill the Toro (operated) and Rydal (non-operated) exploration wells.
- Conduct the Babylon and Centaurus 3D multi source seismic surveys.
- Deliver a full year of Vincent production from refurbished Ngujima-Yin FPSO.
- Manage portfolio of declining assets.

Australia Oil (non-NWS) key metrics (Woodside share)

		2013	2012
Sales revenue	(US\$ million)	519	1,545
EBIT	(US\$ million)	(154)	738
Net liquids production	(MMbbl)	4.7	12.5
Proved plus Probable reserves	(MMboe)	41.6	57.8

During 2013, the Vincent FPSO was offstation for planned shipyard maintenance and refurbishment resulting in a significant reduction to sales revenue of US\$688 million, relative to 2012. The FPSO is now back on station.

Australia Oil (non-NWS) contribution to Woodside's total production (100% = 87 MMboe)



	%
Enfield	2
Laminaria-Corrallina	1
Stybarrow	<2
Vincent	<1
Rest of business	95

During 2013 Australia Oil (non-NWS) contributed 4.7 MMbbls to Woodside's annual production.

Enfield oil field

Interest	WA-28-L	60%
Operator	Woodside	
Facilities	Nganhurra FPSO	
Location	~40 km off the North West Cape, WA	
Water depth	400 - 500 metres	
Products	Crude oil	
First production	July 2006	

Enfield has produced 72.1 MMbbls (100% project) of oil since start up in 2006. Annual production at Enfield of 3.2 MMbbls, (1.9 MMbbls Woodside share) continued to reflect reliable performance and anticipated natural field decline in 2013.

A decision was made not to take forward the front-end engineering and design studies for the proposed Cimatti-Enfield tieback concept. Cimatti is now being considered as part of a larger Greater Enfield development opportunity.

Vincent oil field

Interest	WA-28-L	60%
Operator	Woodside	
Facilities	Ngujima-Yin FPSO	
Location	45 km off the North West Cape, WA	
Water depth	350-400 metres	
Products	Crude oil	
First production	August 2008	

Vincent has produced 37.8 MMbbls (100% project) of oil since start up in 2008. Reduced production of 0.7 MMbbls, (0.4 MMbbls Woodside share) for 2013 was due to the Ngujima-Yin FPSO being off station for planned shipyard maintenance and refurbishment for the majority of the year. The Ngujima-Yin FPSO was taken to Singapore for dry dock works in January 2013. Production recommenced at the Vincent field on 29 November 2013.

The commissioning and ramp up of the Vincent FPSO since its return to station from shipyard maintenance has progressed well. Enhanced sailing performance and improved disconnection and reconnection reliability have all been demonstrated enabling improved facility uptime.

We are currently considering a further infill well opportunity with a target for drilling execution in Q4 2014.

Stybarrow oil field

Interest	WA-32-L	50%
Operator	BHP Billiton	
Facilities	Stybarrow Venture FPSO	
Location	~50 km off the North West Cape, WA	
Water depth	825 metres	
Products	Crude oil	
First production	November 2007	

Stybarrow has produced 57.9 MMbbls (100% project) of oil since start up in 2007. Production in 2013 was 2.8 MMbbls, (1.4 MMbbls Woodside share).

Laverda development

Interest	WA-36-R	60%
Operator	Woodside	
Location	~50 km off the North West Cape, WA	
Water depth	~800 metres	

In 2013 Laverda activities focused on maturing the development concept and our understanding of the recoverable resource. This work will continue into 2014.

Laminaria - Corallina oil field

Interest	Laminaria Corallina AC/L5	59.90%* 66.67%
Operator	Woodside	
Facilities	Northern Endeavour FPSO	
Location	Timor Sea, 550 km north-west of Darwin	
Water depth	~340 metres	
Products	Crude oil	
First production	1999	

*Interests on a post-unitisation basis, i.e. after agreeing to pool Woodside's interest with other field owners and to exploit the field as a single venture.

Laminaria-Corallina oil fields have delivered over 200 MMbbls (100% project) of oil production of since commencement in 1999. Lower production of 1.6 MMbbls, (1.0 MMbbls Woodside share) was consistent with anticipated natural field decline. In 2014 we will continue to optimise costs based on planning for end of field life.

Mutineer-Exeter

Woodside signed a sale and purchase agreement with Santos on 21 December 2012 to sell its 8.2% interest in the Santos operated Mutineer Exeter oil project. This agreement was completed in February 2013.

Outlook

We will continue to focus on delivering the safe and reliable operation of our Australia oil assets. Unlocking efficiencies in operations, the optimisation of costs and the successful delivery of infill well opportunities will be key opportunities for maximising value and extending field life.

An active exploration program off Western Australia's North West Cape reflects our ongoing interest in new development and tie-back opportunities in the region.

A full year of Vincent production in 2014 will deliver an improved Australia Oil contribution to our overall performance.

OUR PEOPLE



In 2013 the Women of Woodside network supported breast cancer awareness through a variety of activities.

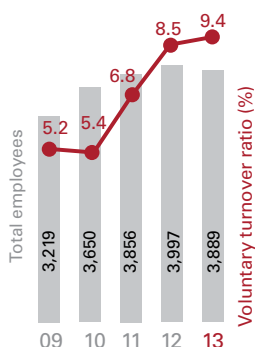


Working together to ensure safe and reliable operations at Karratha Gas Plant.



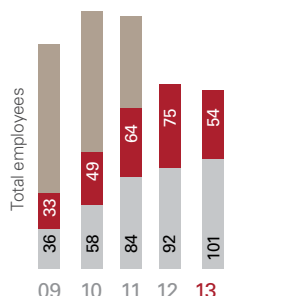
Employees participate in a team building exercise.

Number of employees and voluntary turnover



Woodside's voluntary turnover rate increased from 8.5% in 2012 to 9.4% in 2013, attributed primarily to the ongoing industry demand for talent.

Indigenous employment



Contractors*
Pathways
Employees - Permanent/Fixed

* No Indigenous contractors were employed in 2012 or 2013 as a result of start-up of Pluto LNG.

The number of Indigenous employees (permanent/fixed) increased to 101 from 92 (up 9.8% when compared to 2012). Indigenous pathway participant numbers decreased with the majority transitioning to Woodside employment.

Delivering superior shareholder returns is built upon a high performance culture which requires us to attract and retain a diverse, capable and engaged workforce. ▲

2013 Key performance highlights

- Embedded Woodside values into key people processes, including performance management ratings and employee survey, to help build a strong Woodside culture.
- Launched the Leadership and Management Development Framework, to build strong leadership capability.
- Rolled out the three year Indigenous Employment Strategy, in support of our Reconciliation Action Plan (RAP).
- Converted 79% of graduating Indigenous pathways participants to full-time jobs since 2009.
- Endorsed an enhanced Graduate Development Program.
- Ongoing focus on gender diversity with our 2013 graduate intake achieving 48% female representation.
- Increased women in middle and senior management roles, exceeding our 2013 target.

Future objectives

- Embed the Leadership and Management Development Framework, including broadening the curriculum, to develop outstanding global leaders and build a strong Woodside culture.
- Roll out a development program for high talent women and a job design toolkit to support continued career development and progression.
- Implement the enhanced Graduate Development Program.

(Right) Indigenous trainees take part in mentoring.

Building capability

A key corporate strategy is to grow our future workforce through entry level opportunities. Woodside continues to build future capability through trainee programs (apprentice and vacation), our graduate program and via internal leadership training.

The Woodside Training Academy aims to build technical and professional skills for apprentices and trainees. In 2013, 125 participants undertook technical development through the Academy. Testimony to the quality of the development received, 89% of all trainees and apprentices secured permanent employment at the successful conclusion of their respective programs.

Greater focus is being placed on pre-engagement activities and strengthening our pipeline for graduates through early school engagement, work experience and vacation placement for scholarship holders.

The vacation student intake increased by approximately 50%, from 48 in 2012 to 73 in 2013. Additionally, five Timor Leste students took part in the Timor Leste Professional Development program in 2012 and 2013. Enhancements to the vacation program were implemented to ensure a more rigorous assessment process and an improved student experience, both aimed at increasing the conversion of high quality vacation students to graduates.

The Graduate Development Program was reviewed in 2013, to ensure Woodside develops talent with both technical and leadership expertise, securing a stronger internal leadership succession pipeline for the future.

In 2013 there were 46 graduates new to Woodside, with a total of 133 graduates on the three-year graduate program. The 2014 graduate intake increased from 46 in 2013 to 71 in 2014, of which almost half were female. Going forward, graduate numbers will continue to increase, as the company looks to build on its internal capabilities.

The Leadership and Management Development Framework is supported by a detailed curriculum of experience, mentoring and educational activities that employees can undertake to build the skills and competence required to become strong leaders.

In 2013, our Leadership Development programs were attended by 2407 participants, an increase of 179% on 2012 attendance.

Developing a diverse workforce

Woodside is in the second year of the three-year gender diversity strategy roll out. Progress has been made with planned 2012 and 2013 activities, however some measurable objectives have not been achieved, including a job design toolkit.

The toolkit will support continued career development and progression by helping employees utilise flexible working arrangements more effectively.

Females comprise 27% of our workforce a slight increase from 2012. This places us above industry average of approximately 15%. In 2013 women held 12.4% of middle and senior management roles, an improvement from approximately 10% in 2012. The percentage of females leaving the organisation is approximately 9% - in line with total turnover.

Community engagement continued in 2013, with Woodside sponsoring university scholarships for talented females.

During 2013, we rolled out a three-year Indigenous Employment Strategy to support our Agreements and our RAP. At the end of 2013, Woodside had 101 Indigenous employees and 54 people on Indigenous pathway programs. Woodside also sponsored four Indigenous university students participating in Woodside's cadetship program. Since 2009, 79% of Indigenous pathways participants have converted to full-time, direct employment. The strategy commits to a future target of 85% conversion rate.

i For further information on our Diversity Policy and RAP commitments visit our website.



Woodside is focused on building cultural competency to provide our workforce with the knowledge and skills required for different work environments. This will also build a strong foundation as we enter into new countries in line with our growth strategy.

Supporting this, Woodside continued to provide cultural awareness training across the organisation to raise awareness and build an understanding of Indigenous traditional societies and contemporary issues.

Outlook

With competition for talent remaining high, Woodside is focused on developing its employees through globally competitive training and education programs. Additionally, the company is committed to embedding a values-led culture to promote an engaged workforce.

HEALTH, SAFETY, SECURITY AND EMERGENCY MANAGEMENT

To achieve our goal of top quartile safety performance we must continue to do the right thing, hold ourselves to account and above all, keep each other safe ▲



Reinforcing our key health and safety message for all employees.



Participants take part in the Rev-up health and safety wellbeing program.

2013 Key performance highlights

- Recorded a 27% improvement in personal safety performance.
- Adopted corporate indicators to measure process and personal safety, allowing us to benchmark our performance globally.
- Executed three pilot health and wellbeing programs focusing on healthy bodies, healthy living and healthy minds.
- Woodside's crisis and emergency management arrangements were rated an equal first in an independent, external benchmark against six Australian oil and gas companies.
- Developed a company wide Fraud and Corruption Control Program.

Future objectives

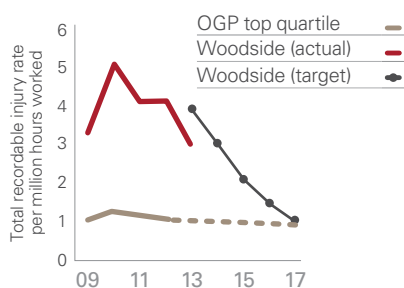
- Achieve global top quartile health and safety performance by 2017.
- Embed process safety across the asset lifecycle to demonstrate a clear understanding of our hazards, robust risk management plans and encourage a committed workforce at all levels.
- Increase the company's capability and competence in prevention, preparedness, detection and response to threats.
- Streamline Health and Safety systems and processes to improve internal efficiencies.

In 2013, we rolled-out the 'we keep each other safe' branding across Woodside sites to provide a constant visual reminder to all employees and contractors that, health and safety is something we all value. Keeping each other safe is integral to our Compass values, it's also crucial to our long-term aspiration of no one gets hurt, no incidents.

Our goal is to deliver health and safety performance that meets global top quartile as measured against peers in the International Association of Oil and Gas Producers (OGP). This is reflected in our Health and Safety Policy and operating standards.

In 2013, the health and safety strategy was restructured to highlight four key Strategic Imperatives. These imperatives drive our yearly action plans and ensure our activities are appropriately targeted.

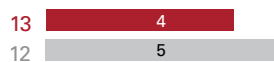
Total recordable injury rate



Woodside has benchmarked its total recordable injury rate against global top quartile performance of the International Association of Oil and Gas Producers (OGP). Woodside is targeting significant improvement to achieve top quartile performance by 2017.

Woodside regularly reviews its data and adjusts accordingly.

Tier 2 Process safety events (PSE)



In 2012, Woodside commenced classifying process safety events in accordance with American Petroleum Institute Recommended Practise 754, to enable global benchmarking.

A typical Tier 1 PSE is loss of containment of hydrocarbons greater than 500kg (within the first hour of the event).

A typical Tier 2 PSE is loss of containment of hydrocarbons greater than 50kg but less than 500kg (within the first hour of the event).

- Streamline Health and Safety systems and processes to improve internal efficiencies.
- Integrate human factors in our strategic activities to improve health, safety and operational effectiveness.
- Embed process safety across the asset lifecycle to demonstrate a clear understanding of our hazards, robust risk management plans and encourage a committed workforce at all levels.
- Work collaboratively with our contractors to consistently deliver world-class health and safety performance.



2013 performance

There were zero Tier 1 Process Safety Events (PSEs) and four Tier 2 PSEs recorded during the year. There were no work-related fatalities recorded in 2013.

Our Total Recordable Injury Rate (TRIR) of 3.0 was a 27% improvement on 2012.

Our TRIR was impacted by a total of 42 injuries (compared to 79 in 2012).

In 2013 there were six lost workday injuries (compared with 18 in 2012). None of the recordable injuries had the potential to result in a fatality.

Hand injuries were predominant both in first aid cases and total recordable injuries (medical treatment, restricted or lost workday cases), with 67% of hand injuries being superficial.

Streamlining systems and processes

A continuous improvement effort commenced in 2013 to streamline our health, safety and environment processes and systems to improve our efficiency. By providing lean, simpler, and more effective processes we can improve workforce engagement, health, safety and environment outcomes and improve productivity.

This improvement project will also reduce waste and unnecessary duplication of processes and documentation.

Contractor engagement

In November 2013, we brought together Woodside and contractor senior executives for a CEO Contractor Health

and Safety engagement forum to discuss and improve our internal contracting processes.

The information obtained at the forum and throughout 2013 has led to a number of key changes for implementation in 2014. Building sustainable and mutually beneficial relationships with our contractors is integral to our strategic imperatives and in line with our Compass values.

Security and emergency management

The company's crisis and emergency management preparedness was enhanced with regular training complementing the weekly training at all Incident Coordination Centres.

In 2013 Woodside successfully managed travel risk associated with its international opportunities, including developing ventures in Myanmar. Additionally, the team worked to ensure the company's operations in Australia and overseas remained protected from cyber threats.

Woodside's exposure to fraud and corruption was further controlled through a range of mechanisms including anti-bribery, corruption and fraud training and due diligence processes.

The company has also appointed an anti-bribery and corruption lawyer to complement existing anti-fraud and corruption resources.

Outlook

While significant improvement was recorded in personal safety performance during the year, both process safety and personal safety performance still show room for improvement when compared against global benchmarks, such as the top quartile of the OGP.

In 2014 we will focus on implementing our four Strategic Imperatives to help us achieve global top quartile health and safety performance by 2017.

We will continue to streamline our systems and processes and work collaboratively with our contractors to deliver world-class health and safety performance.

Woodside will look to embed the Fraud and Corruption Control Program and the Cyber Security Plan across the company. Further, we will ensure a travel security system is in place to protect our people in high-risk locations.

Woodside holds frequent oil spill training scenarios, often involving up to 250 people working across a range of disciplines.



The award winning virtual 3D heat stress training simulation.

Woodside is always looking for innovative ways to communicate key health and safety messages.

When the company was charged with educating employees about the hazards associated with working in hot and humid conditions, a decision was made to move beyond traditional classroom-based training to a virtual 3D environment.

An interactive training simulation was created to teach participants how to prevent heat stress and the correct procedures to follow in emergency situations. With heat stress and dehydration a persistent risk to the health of many Woodside workers in the North West of Australia, the 3D simulation is a critical training element in Woodside's safety program.

This program has been widely recognised for its innovative approach to training, winning the 2013 Platinum Award in the Games and Simulation category in the *Learn X Impact Awards*. It was also a finalist in *APPEA's 2013 Health and Safety Awards*.

i Further information on Our People and our Health, Safety and Security is available in our 2013 Sustainable Development Report on page 28.



COMMUNITY ENGAGEMENT

Contributing to the capability and capacity of the communities in which we operate is critical to creating positive social outcomes.▲

2013 Key performance highlights

- Contributed A\$10.1 million worth of social investment* to our host communities.
- Our staff contributed 5,400 volunteering hours, valued at approximately A\$1 million.
- Our voluntary social investment contribution in 2013 equated to 0.35% of a three-year averaged profit before tax (2011 to 2013).
- Approved the creation of the Woodside Development Fund - a ten year, A\$20 million commitment.

Future objectives

- Implement the Woodside Development Fund, targeting early childhood development.
- Meet our target of contributing 0.5% profit before tax (PBT) by 2015 to community programs.

Our approach

Wherever we operate, we believe we can assist in building the capability and capacity of local communities, through our social investment contribution.

We seek to positively impact communities through philanthropy, corporate volunteering, sponsorships and partnering. Our Social Investment Strategy (2009-2012) was based on a three tiered funding model with a theme of contributing to health and well-being on a personal, community and environmental level.

Throughout 2013 we focused on implementing the recommendations of our 2012 Corporate Social Investment Review which identified key opportunities to improve the way we contribute to communities and communicate the impact of our contributions.

The Woodside Development Fund, a ten year A\$20 million commitment to a specific area of social outcome, represents the continuing evolution of our social investment program. The Fund will be a catalyst for positive, long-term

impact in communities in Australia and internationally, by working collaboratively with industry, governments and community organisations on an agreed area of social outcome with an agreed set of shared measures.

Woodside decided to focus the efforts of the fund on early childhood development to:

- Bring about meaningful, long-term positive change in communities;
- Build a sustainable workforce for the future; and
- Demonstrate impact through a shared monitoring and evaluation process.

The rationale to focus on early childhood stems from research which shows that positive learning, physical, social, emotional and cultural development in early childhood directly impacts a person's ability to achieve their potential. By investing in early childhood development we believe we will positively impact many social issues.

Our new collaborative approach to social investment is not a wholesale change. Rather, the Fund's activities complement the range of philanthropic and partnership activities funded through our broader social investment program where we invest in communities' health and safety, education, youth, environment, arts and culture, community development, Indigenous and volunteering programs. These programs and activities are on-going.

Our performance

Woodside is a member of the London Benchmarking Group and uses its methodology to track, measure, benchmark and report on our social investment performance. Woodside has a social investment target of 0.5% profit before tax by 2015. Our direct voluntary social investment contribution* in 2013 was A\$10.1 million. This equates to 0.35% of a three-year averaged PBT (2011-2013).

In 2014 Woodside will launch a new online community forum 'Canvas' to promote and report on the impact our social investment contribution is having on the community and to encourage

discussion about the outcomes achieved by community partners and program participants.

i Please register to join our community forum at canvas@woodside.com.au

Employee volunteering and engagement

Our contribution to communities through social investment is complemented by our employee engagement and corporate volunteering program. The program is run in collaboration with Volunteering WA which offers participation in social programs and Conservation Volunteers which offers participation in environmental programs.

In 2013 our employees contributed 5,400 volunteering hours, valued at A\$979,380, compared to 2012 in which our employees contributed 5,800 volunteering hours, valued at A\$963,090.

In addition to volunteering, our employees donated A\$206,149 through workplace giving in 2013.

Outlook

Our refreshed approach in developing a collaborative social investment model allows clear goals to be set. As the Woodside Development Fund parameters mature, we will incorporate feedback and measurement results to shape future activities.

Over time, we hope to encourage others to become involved and help us realise the potential of this approach by:

- contributing additional funds or non-monetary resources;
- advocating for Fund programs;
- partnering as a provider of services or programs; and
- providing evaluation or monitoring support.

i Further information on our Community Engagement is available in our 2013 Sustainable Development Report on [18](#).

* Includes cash value, in-kind and voluntary hours (Woodside share)

ENVIRONMENTAL REPORT

At Woodside we aim to understand the environments in which we operate and strive to be a global leader in environmental management and protection. ▀

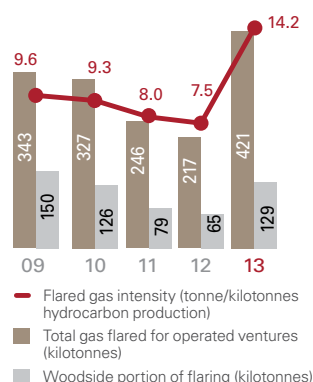
2013 Key performance highlights

- Reviewed and revised our Environmental Strategy.
- Continued development of specialised spill contingency and response capability to ensure our capacity to effectively respond to a significant loss of containment incident.
- Contract signed to access critical oil spill equipment, as part of Woodside's response strategy to potential significant spill events.

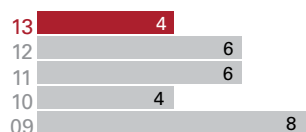
FUTURE OBJECTIVES

- Implement the revised Environmental Strategy.
- Develop a robust environmental management system which can be applied both in Australia and internationally.

Flare gas and intensity (excludes commissioning)



Environmental incidents reported to regulators



Four environmental incidents were reported to regulators in 2013.

Our approach

Woodside's approach to environmental management is outlined in our Environment Policy and the mandatory environmental operating standards that apply to all facilities and operations. The standards set compulsory environmental performance requirements through the life-cycle of our projects and operations.

i Information on Woodside's Environment Policy can be found on our website.

Environmental performance

During 2013 four environmental incidents were reported to the State and Commonwealth regulators as part of our licence conditions. Two incidents occurred at the Karratha Gas Plant; a spill to land (28m³ of a diluted low toxicity methyldiethanolamine) and discharge of air emissions outside licence limits.

The third and fourth incidents occurred at the Goodwyn A Platform with spills to ocean (160 litres of hydraulic oil and 100 litres of diesel fuel).

No environmental fines or penalties in relation to environmental incidents during 2013 were received.

Biodiversity and ecosystems

Woodside is co-investing with leading Australian researchers to underpin our decision making and meet the company's commitment to ensuring operations remain sustainable by understanding the environments in which we operate.

As part of Woodside's collaborative research partnership with the Australian Institute of Marine Science (AIMS), a book "Discovering Scott Reef" was launched in 2013. The book presents an account of the 20 years of research effort at Scott Reef.

In 2013 Woodside co-funded AIMS and WA Museum to undertake more than 50 days of field-based environmental research to better understand and document the tropical ecosystems of Australia's northwest.

Flare gas and intensity

Woodside produced 9.9 million tonnes of CO₂ equivalent (mtpa) which was above our target of 9.3 mtpa and a 2% increase from 2012. This increase was due to the Pluto Gas Plant and Okha FPSO commissioning and production activities and required flaring.

In 2013 the company exceeded its flaring intensity target of 8.5 tonnes per kilotonne (t/kt) of produced hydrocarbon, with 14.2 t/kt reported for production operations (excluding commissioning). This increase was attributed to Karratha Gas Plant trips, testing and issues with equipment such as the cryogenic heat exchangers, which are being managed through our shut-down program.

Controlling environmental impacts

During 2013 Woodside continued to work on improving process safety, spill contingency planning and response across all Woodside facilities and operations.

Carbon price

In 2013 the company incurred an expense of US\$36 million for its carbon emissions under the *Clean Energy Act*.

Browse

As a result of the Browse Joint Venture participants considering floating LNG (FLNG) technology as the development concept, previous State and Commonwealth environmental approvals received for the development based on an LNG Precinct near James Price Point are no longer applicable. Woodside is now preparing environmental approval documentation for a FLNG development concept.

Outlook

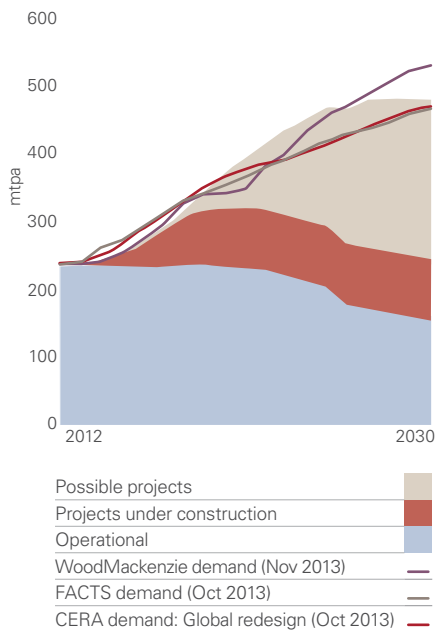
Woodside remains focused on maintaining a low level of environmental incidents, as well as looking to significantly reduce flaring rates, as facilities currently undergoing commissioning transition to normal operations.

We are looking at becoming engaged in more international opportunities, as we expand into new locations.

LNG MARKET REPORT

Woodside is well placed to leverage its strong marketing position and capability to support new Australian and international developments ▲

Global LNG supply and demand



Global LNG growth outlook remains strong

The robust growth outlook in the LNG industry is based on a combination of global demand for natural gas and the increasing role of LNG in the global gas supply mix. It is expected that by 2030 global demand for LNG will be more than double the current 2013 level of approximately 240 million tonnes per annum, corresponding to an average annual growth rate of 4% to 5%.

Currently, Japan accounts for about one third of total LNG imports. While Japan is expected to remain the largest LNG importer, demand from China, India and other emerging Asian LNG import markets is growing rapidly. For Japan and South Korea, the future role of nuclear power remains the key uncertainty in the outlook for LNG demand growth. At the end of 2013 all of Japan's nuclear reactors remained shut-down, and the proposed restart of some of these facilities may be subject to further delays.

The dynamics of global LNG demand are also being affected by increasing demand from the Middle East and South America.

In addition to LNG demand growth in power generation, commercial, and residential gas use, LNG demand for transport use is also growing rapidly. There is increasing investment in infrastructure for LNG as a fuel for ships and heavy-duty trucks, particularly in China, Europe and North America.

Projects under construction to lift supply pre-2020

For the past several years global supply remained relatively flat. The industry has been in a construction phase, following a spate of project approvals which occurred across 2009 and into early 2012. At the end of 2013 around a dozen projects were under construction, which together amounted to nearly 100 million tonnes per annum of new supply. The first of these projects is expected to ramp-up towards the end of 2014. Seven of these projects are located in Australia and by the end of the decade Australia is predicted to overtake Qatar as the world's largest supplier of LNG.

First US supply

By 2016, the United States is set to become a global LNG exporter. The first US-based liquefaction facility was approved in 2012, and at 2013 year end there was up to 20 million tonnes per annum of US supply under construction. It is expected that at least one additional project will be approved in 2014 and by 2020 US supply will approach 40 million tonnes per annum.

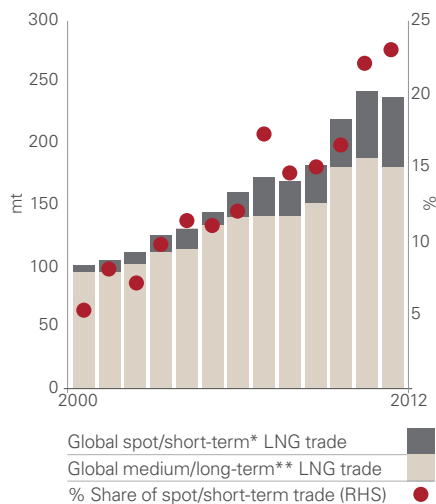
New wave of supply required to meet long-term demand

Further new supply is required to meet demand post-2020. Given the required lead time for construction of major LNG projects, it is critical that some of the currently proposed projects secure foundation sales and progress to a final investment decision within the next few years in order for supply to keep pace with long-term demand.

The list of potential LNG projects includes new developments in existing supply regions, such as Australia and Russia, as well as in emerging supply regions, particularly North America and East Africa. In the case of North America, the prospect of LNG exports is underpinned by increased production of shale gas. Shale gas projects have been proposed in both the US and Canada, with leading US projects based on brownfield conversion of existing import terminals, with feedgas to be supplied from the domestic gas grid. In contrast, most Canadian projects will require significant investment in upstream facilities. The establishment of an LNG export industry based on recent large gas discoveries offshore East Africa faces some additional challenges related to frontier development, including sovereign risk, agreement of fiscal terms, Joint Venture alignment and lack of existing infrastructure.

New supply for the next decade and beyond will be facilitated by technological advances, including a range of options for floating

Global LNG trade



Source: FGE

* FGE defines spot/short-term LNG trade as volumes delivered under contracts with a duration two years or less.

** FGE defines medium/long-term LNG trade as volumes delivered under contracts with a duration of more than two years.

liquefaction facilities. Another example of the role of technology in LNG supply diversification is the increasing investment in small-scale liquefaction plants.

LNG pricing in the Asia Pacific market is robust

Prices for LNG deliveries in Woodside's target market of North Asia under long-term contracts continue to reflect strong indexation to oil prices. During 2013 prices for spot deliveries were close to the average price, indicating a tightening market which is anticipated to prevail for several years.

It is expected that LNG prices will remain robust for new long-term sales, in order to support investment in new supply. The traditional pricing mechanism in Asia Pacific has been strongly linked to oil. However, recent industry debate has focused on the role of US LNG sales which have a price component linked to the US domestic gas price. At the current low US gas prices, the prospect of these deliveries is exerting some downward pressure on traditional pricing mechanisms for sales from new projects. However looking forward, it is expected that the long-term price of US LNG delivered into Asian markets will be comparable to current oil-linked LNG pricing.

Woodside's existing long-term LNG sales are being recalibrated to the market

Long term LNG sales and purchase agreements typically have periodic price reviews that recalibrate price to reflect the prevailing market conditions for comparable supply.

Woodside has engaged in various price negotiations for several existing supply arrangements. A number have been concluded, with transition to new prices for a significant proportion of Woodside's equity LNG from early 2014. Other negotiations will continue into 2014.

Price formulae adjustments under regional contracts are moving increasingly towards long-term landed average Japanese prices and benchmarks.

Adding value to Pluto

A key marketing highlight for 2013 was the signing of a non binding Heads of Agreement for the sale of LNG to Chubu Electric, which was formalised into a binding Sales and Purchase Agreement in early 2014. This sales arrangement is underpinned by supply from the Pluto LNG Project and provides significant seller flexibility. The arrangement is for the supply of up to 1.5 million tonnes of LNG over the three year period from 2014 to 2017. This new mid-term sales agreement adds to the long term relationship with Chubu Electric. Notwithstanding this commitment, LNG production is expected to be available for other short term and/or spot LNG sales.

To further optimise the value from the Pluto LNG Project, Woodside has added a dedicated fourth ship to the integrated fleet - the Woodside Rogers. This is a new 160,000m³ LNG ship constructed in the Daewoo Shipbuilding and Marine Engineering (DSME) shipyard in South Korea. The Rogers has been taken on a long-term charter and is named in honour of ex-Chairman Bill Rogers. The addition of the Woodside Rogers results in Woodside having access to four dedicated ships for Pluto LNG sales, two of which are supplied to the project by foundation customers, Tokyo Gas and Kansai Electric.

Price discussions with Pluto foundation customers in 2013 resulted in an upward price adjustment for quantities already delivered (as reported in our Q4 results) and a new price from 2014.

With the current scheduling of cargoes, this new price outcome is expected to apply to approximately 25% of total Pluto sales quantities Q1 2014 and 35% in Q2 2014.

From Q3 2014 onwards the new price will apply to approximately 75% of total sales* and the sales mix is expected to reflect a steady state combination of sales to Foundation Buyers (Tokyo Gas and Kansai Electric) and other buyers.

*Assuming annualised average sales of approximately 4.3 mtpa.

Strong market for Browse LNG

In support of long-term company growth via the development of the Browse gas resource, Woodside,

together with Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) are continuing marketing activities for foundation sales in Japan. Woodside is separately marketing Browse FLNG in key LNG markets outside of Japan. Customers have been updated on the change in technology and recognise the significance of the project - both for diversification of supply and in meeting future demand in the region. Woodside is confident the LNG market will support the earliest possible commercialisation of this world-class resource.

Woodside's marketing strength supports growth

As the major Australian supplier, Woodside's key marketing strengths are its reputation for reliability, long-term relationships with key buyers, proximity to premium Asian markets and the stable political and fiscal regime in which it operates. We monitor the changing market and will remain competitive in securing long-term and short-term sales opportunities.

Our marketing efforts in 2014 will be focused on the consolidation and optimisation of LNG sales from operating assets, as well as generating revenue from other shipping and trading activities. Woodside's growth activities provide opportunities to extend the existing broad base of premium Asian customers and to expand into new markets. Woodside is well placed to leverage its strong marketing position and capability to support new Australian and international developments.

In 2013 Woodside established a dedicated office in Singapore. The office will play a pivotal role in supporting our growing LNG marketing, trading and shipping capabilities, in line with the company's expanding international portfolio.

In Q4 the company commenced trading with the Woodside Goode, our first LNG ship not dedicated to a specific project. The ship will be managed from the Singapore office, originating third party LNG trades from outside Australia to markets in South America or north Asia. The Woodside Goode is named in honour of ex-Chairman Charles Goode.



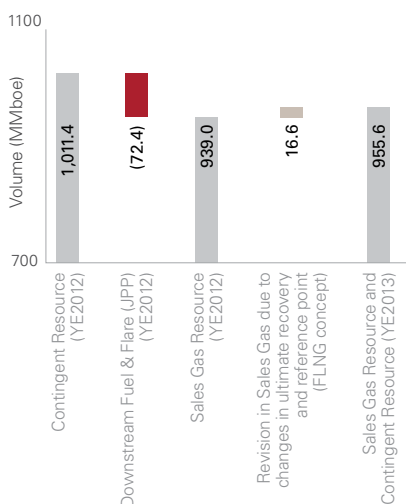
RESERVES STATEMENT

Developed reserves increased by 22% (Proved) and 13% (Proved plus Probable) following start-up of North Rankin B in Q3 2013 ▲

2013 Key performance highlights

- Proved Developed and Proved plus Probable Developed reserves increased by 116.5 MMboe and 96.0 MMboe respectively largely due to start-up of NRB.
- The portion of Browse contingent resources available as sales gas increased by 16.6 MMboe mainly due to the positive revisions in ultimate recovery as a result of a change in development concept to floating LNG (FLNG).

Browse Contingent Resource (2C) and Sales Gas Reconciliation



The sales gas portion of Browse contingent resources (2C) has increased by 16.6 MMboe as a result of positive revisions in ultimate recovery due to the change in development concept to FLNG. The decrease in contingent resources at year end 2013 is primarily due to a change in categorisation of fuel and flare associated with a change of reporting reference point.

At year end 2012, the reference point for Browse James Price Point (JPP) was defined as the inlet to the onshore (downstream) processing facility, which means resources were reported including downstream fuel and flare. For Browse FLNG development, the reference point is defined at the outlet of the FLNG facility, hence year end 2013 contingent resources are reported excluding the fuel and flare required for production and processing up to the reference point.

Refer to [36](#) for notes to the reserves statement

Woodside's reserves^(1,2,3,4) and contingent resources⁽⁵⁾ overview*

	Dry gas ⁽⁶⁾ Bcf ⁽⁸⁾	Condensate ⁽⁷⁾ MMbbl ⁽⁹⁾	Oil MMbbl	Total MMboe ⁽¹⁰⁾
Proved ⁽¹¹⁾ Developed ⁽¹²⁾ and Undeveloped ⁽¹³⁾	5,708	102.9	38.9	1,143.2
Proved Developed	3,213	51.0	35.3	650.0
Proved Undeveloped	2,495	51.9	3.6	493.2
Proved plus Probable ⁽¹⁴⁾ Developed and Undeveloped	7,092	125.2	67.0	1,436.5
Proved plus Probable Developed	4,133	65.1	61.4	851.6
Proved plus Probable Undeveloped	2,959	60.2	5.6	585.0
Best Estimate (2C) contingent resources	7,489	230.9	147.6	1,692.3

Key metrics

	Proved	Proved plus Probable
2013 reserves replacement ratio ⁽¹⁵⁾	%	3
Organic 2013 reserves replacement ratio ⁽¹⁶⁾	%	4
Three year reserves replacement ratio	%	32
Organic three year reserves replacement ratio	%	32
Reserves life ⁽¹⁷⁾	Years	13
Annual production ⁽¹⁸⁾	MMboe	90.3
Net acquisitions and divestments	MMboe	(0.7)

Proved Developed and Undeveloped reserves annual reconciliation by product*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Reserves at 31 December 2012	6,125	108.8	47.3	1,230.6
Revision of previous estimates ⁽¹⁹⁾	(3)	3.1	1.0	3.6
Extensions and discoveries ⁽²⁰⁾	0	0.0	0.0	0.0
Acquisitions and divestments	(1)	0.0	(0.6)	(0.7)
Annual production	(413)	(8.9)	(8.9)	(90.3)
Reserves at 31 December 2013	5,708	102.9	38.9	1,143.2

Proved plus Probable Developed and Undeveloped reserves annual reconciliation by product*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Reserves at 31 December 2012	7,505	130.9	95.9	1,543.6
Revision of previous estimates	1	3.3	(19.3)	(15.8)
Extensions and discoveries	0	0.0	0.0	0.0
Acquisitions and divestments	(1)	0.0	(0.8)	(1.0)
Annual production	(413)	(8.9)	(8.9)	(90.3)
Reserves at 31 December 2013	7,092	125.2	67.0	1,436.5

Best Estimate contingent resources annual reconciliation by product*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Contingent resources at 31 December 2012	7,836	231.2	139.3	1,745.2
Transfer to reserves	(9)	(0.2)	11.2	9.5
Revision of previous estimates	(316)	2.0	2.1	(51.3)
Extensions and discoveries	0	0.0	0.0	0.0
Acquisitions and divestments	(23)	(2.1)	(5.0)	(11.1)
Contingent resources at 31 December 2013	7,489	230.9	147.6	1,692.3

Proved Developed and Undeveloped reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto ⁽²¹⁾	3,438	51.8	0.0	654.9
North West Shelf ⁽²²⁾	2,269	51.2	13.8	463.0
Greater Exmouth ⁽²³⁾	0	0	21.2	21.2
Other Australia ⁽²⁴⁾	0	0.0	2.4	2.4
United States of America ⁽²⁵⁾	1	0.0	1.5	1.7
Reserves	5,708	102.9	38.9	1,143.2

*Small differences are due to rounding.

Refer to  for notes to the reserves statement

Proved Developed reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	1,628	21.2	0.0	306.7
North West Shelf	1,584	29.8	12.4	320.2
Greater Exmouth	0	0.0	19.2	19.2
Other Australia	0	0.0	2.4	2.4
United States of America	1	0.0	1.3	1.5
Reserves	3,213	51.0	35.3	650.0

Proved Undeveloped reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto ⁽²⁶⁾	1,810	30.6	0.0	348.1
North West Shelf ⁽²⁶⁾	685	21.3	1.4	142.8
Greater Exmouth	0	0.0	2.0	2.0
Other Australia	0	0.0	0.0	0.0
United States of America	0	0.0	0.2	0.2
Reserves	2,495	51.9	3.6	493.2

Proved plus Probable Developed and Undeveloped reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	4,653	68.4	0.0	884.6
North West Shelf	2,438	56.8	22.4	506.9
Greater Exmouth	0	0.0	39.0	39.0
Other Australia	0	0.0	2.6	2.6
United States of America	2	0.0	3.0	3.3
Reserves	7,092	125.2	67.0	1,436.5

Proved plus Probable Developed reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	2,454	31.8	0.0	462.4
North West Shelf	1,678	33.2	20.2	347.8
Greater Exmouth	0	0.0	36.4	36.4
Other Australia	0	0.0	2.6	2.6
United States of America	1	0.0	2.2	2.4
Reserves	4,133	65.1	61.4	851.6

Proved plus Probable Undeveloped reserves summary by region*

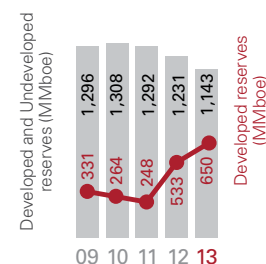
	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	2,198	36.6	0.0	422.2
North West Shelf	760	23.6	2.2	159.2
Greater Exmouth	0	0.0	2.6	2.6
Other Australia	0	0.0	0.0	0.0
United States of America	1	0.0	0.8	0.9
Reserves	2,959	60.2	5.6	585.0

Best Estimate contingent resources summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Browse ²⁷	4,660	138.1	0.0	955.6
Greater Sunrise ²⁸	1,717	75.6	0.0	376.7
Greater Pluto	660	10.6	0.0	126.4
North West Shelf	101	3.1	22.9	43.8
Greater Exmouth	284.8	3.0	113.1	166.1
Other Australia	66	0.5	10.1	22
United States of America	1	0.0	1.5	1.7
Other International ²⁹	0	0.0	0.0	0.0
Contingent resources	7,489	230.9	147.6	1,692.3

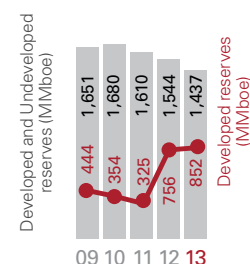
*Small differences are due to rounding.

Proved reserves*



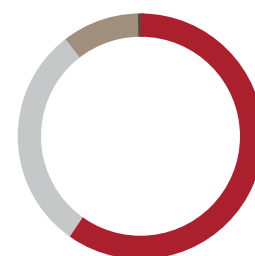
Proved Developed reserves increased by 116.5 MMboe primarily due to start-up of North Rankin B.

Proved plus Probable reserves*



Proved plus Probable Developed reserves increased by 96.0 MMboe primarily due to start-up of the North Rankin B.

Proved plus Probable reserves* (Developed & Undeveloped)



	%
Developed	59
Greater Pluto undeveloped	29
NWS undeveloped	11
Other undeveloped	<1

At year-end 2013, 59% of the Proved plus Probable reserves were categorised as developed, up from 49% in 2012.

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 Operating Standard, staff training and minimum competency levels and external reserves audits. On average, 95% 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 psi (101.325 kPa) and 60 degrees Fahrenheit (15.56 deg Celsius).

Qualified Petroleum Reserves and Resources Evaluator Statement

The Reserves Statement is based on and fairly represents information and supporting documentation prepared by qualified petroleum reserves and resources evaluators. The Reserves Statement has been approved by Mr Ian F. Sylvester, Vice President 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 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 region or company 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 at the outlet of the Floating Production Storage Facility (FPSO). For onshore gas projects, the reference point is defined as the inlet to the onshore (downstream) processing facility. Downstream fuel and flare represents 12.5% of Woodside's Proved (Developed and Undeveloped) and 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' (50% 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 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 (10⁹) 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 (10⁶) 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 (10⁶) 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 '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.
- 13 '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.
- 14 '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.
- 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 Statement' annual production differs from production volumes reported in the company's annual and quarterly reports due to differences between 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 in new fields or new reservoirs in old fields.
- 21 The 'Greater Pluto' region comprises the Pluto-Xena, Larsen, Martell, Martin, Noblige, Remy, Alaric and Cadwallon fields.
- 22 The 'North West Shelf' (NWS) region 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 12.4% of NWS Proved (Developed and Undeveloped) dry gas reserves and 17% of NWS Proved (Developed and Undeveloped) condensate reserves.
- 23 The 'Greater Exmouth' region comprises the Vincent, Enfield, Stybarrow-Eskdale, Greater Laverda, Cimatti and Ragnar fields.
- 24 'Other Australia' includes the Laminaria-Corallina and Argus fields. Woodside completed the sale of its interests in the Mutineer-Exeter oil project on 26 February 2013, with effective sale date of 1 July 2012.
- 25 Woodside's resources in the United States of America include the Neptune field. Woodside completed the sale of its interests in the Power Play field in November 2013 with an effective sale date of 1 August 2013.
- 26 Material concentrations of reserves in the Greater Pluto and North West Shelf regions have remained undeveloped for longer than 5 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.
- 27 'Greater Browse' comprises the Brecknock, Calliance and Torosa fields. For the Browse FLNG development, the reference point is defined as the outlet of the FLNG facility, which means contingent resources are reported excluding the fuel and flare required for production and processing up to the reference point.
- 28 'Greater Sunrise' comprises the Sunrise and Troubadour fields.
- 29 'Other International' previously included fields in Brazil concession BM-S-48. After evaluating the results of the Panoramix-3 and Vampira-1 appraisal operations, the BM-S-48 Joint Venture submitted a request to relinquish the concession.

GROWTH

BROWSE

Read more on  38



INTERNATIONAL

Read more on  40



GLOBAL EXPLORATION

Read more on  42

BROWSE



Woodside's Broome office staff continued to engage with the community, including volunteering on local conservation projects. For more information, please refer to the 2013 Woodside Sustainable Development Report.



Running for over 20 years, the Woodside and Australian Institute of Marine Science research program at Scott Reef is one of the most comprehensive scientific investigations of a coral reef system in Australia.



Woodside conducted site rehabilitation activities at James Price Point between October and December 2013.

The floating LNG (FLNG) development concept being considered by the Browse Joint Venture seeks to realise the earliest commercial development of this world-class resource ▲

Browse

Interest	TR/5; R2; WA-30-R	34%
	WA-31-R; WA-32-R	34%
	WA-28-R; WA-29-R	17%
	WA-275-P	17%
Operator	Woodside	
Location	Offshore 425 km north of Broome, WA	
Water depth	400 - 800 metres	
Contingent Resources [^]	4.7 Tcf gas, 138.1 MMbbl condensate	

[^] Woodside share. Net resources are subject to unitisation outcomes.

2013 Key performance highlights

- Technical and commercial evaluation of the onshore development concept at James Price Point completed.
- Key Principles Agreement signed with Shell in relation to the use of Shell's FLNG technology.
- Browse Joint Venture decision to proceed with FLNG as the development concept for entry into basis of design (BOD).
- Browse Joint Venture referred the FLNG Development to the Department of the Environment under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*. The Development received an Environmental Impact Statement (EIS) level of assessment.

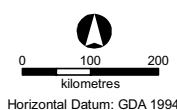
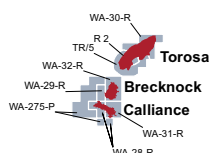
Future objectives

- Browse Joint Venture to be in a position to consider commencing front-end engineering and design (FEED) in 2014.
- Woodside is targeting a final investment decision (FID) for the second half of 2015.
- Woodside will continue working actively on marketing of LNG volumes in the Japanese and other regional markets.

Location of joint venture permits in the Browse area



■ Browse Joint Venture permits
■ Gas fields



Woodside is operator of the Browse Joint Venture, which is seeking to commercialise the Brecknock, Calliance and Torosa fields in the Browse Basin, located approximately 425 km north of Broome in Western Australia. The three fields collectively are estimated to contain gross (100%) contingent resources (2C) of 14.9 Tcf of dry gas and 441.2 million barrels of condensate.

FLNG concept selection for BOD

In April 2013, Woodside announced that the James Price Point development concept did not meet the company's commercial requirements for a positive final investment decision.

In June 2013, the Browse Joint Venture sought a variation to the Browse retention lease conditions to align proposed future activities with the conditions of the leases. In August 2013, the Commonwealth-Western Australia Offshore Petroleum Joint Authority (Joint Authority) approved the amendments sought to the Commonwealth leases.

Woodside and the Browse Joint Venture are committed to the earliest commercial development of the Browse Basin resources in a way that will provide long-lasting economic and employment benefits to Western Australia and Australia.

The Browse Joint Venture selected FLNG as the development concept on 2 September 2013 and decided to enter the BOD phase.

BOD will determine the basic design parameters of the development concept, which at this stage is premised on three FLNG facilities located in Australian Commonwealth waters.

Each facility will comprise of a large hull approximately 488 m long, 74 m wide and 44 m deep. Production capacity for each facility is expected to be approximately 3.9 mtpa of LNG and 17,000 bpd to 22,000 bpd of condensate.

The proposed Browse FLNG Development will apply Shell's 'Design One, Build Many' philosophy as the basis of design for the Browse FLNG facilities. By only making modifications for Browse-specific conditions, there is opportunity to maintain quality and realise benefits in cost and project schedule.

The ability to stage the capital expenditure and build the production profile across the FLNG vessels reinforces the benefits of FLNG technology in managing project risk, by combining lower upfront capital expenditure with earlier cash generation.

James Price Point

After the Browse Joint Venture's selection of the FLNG development concept in September 2013, Woodside undertook a series of site rehabilitation activities at James Price Point between October and December 2013. Activities included decommissioning groundwater bores, revegetating cleared areas, removing infrastructure and collecting seed bank material. Activities were conducted in accordance with approvals and with the involvement of Traditional Owners throughout. Woodside has implemented a three-year monitoring program to regularly track the results of the rehabilitation work.

On 10 September 2013, Woodside issued formal notice of its intention to withdraw from the Native Title Agreement with the State Government and Goolarabooloo Jabirr Jabirr peoples (Browse LNG Precinct Project Agreement). Withdrawal will be effective on 11 March 2014. Woodside has made a total of A\$25.6 million in payments under this agreement.

Environmental progress

Woodside and the Browse Joint Venture have invested more than A\$55 million in environmental research and studies, often in conjunction with leading academic and research organisations, to better understand the offshore marine environment in the vicinity of the three Browse gas fields.

On 29 November 2013, the proposed Browse FLNG Development was referred to the Commonwealth Department of Environment for consideration under the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) (EPBC Act). The referral initiates the environmental impact assessment process under the *Commonwealth EPBC Act*. On 10 January 2014, Woodside received advice that the Development should be assessed by EIS.

Marketing update

Subsequent to the end of 2013 (ASX dated 2 January 2014), Woodside advised that Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) gave notice terminating its long-term sales and purchase agreement (SPA) for around 1.5 million tonnes of LNG a year from the Browse LNG Development. The conditions of the SPA required a positive final investment decision on the Browse onshore development concept by 31 December 2013. Woodside and MIMI continue working actively on marketing of co-mingled LNG volumes in the Japanese market. In addition, Woodside remains in ongoing discussions with other regional customers regarding potential sales from its portfolio of Australian LNG developments, including Browse.

Outlook

Woodside is well-placed to deliver the work required to put the Browse Joint Venture in a position to consider FEED entry in 2014, with a view to reaching FID in the second half of 2015.

INTERNATIONAL

Gulf of Mexico

Key metrics (Woodside share)

	2013	2012
Sales revenue (US\$ million)	79	76
Net production (MMboe)	0.9	0.8
Proved plus Probable reserves (MMboe)	3.3	7.7

Following a strategic review of areas of future growth and focus, Woodside is scaling back its presence in the Gulf of Mexico. The company has signed purchase and sale agreements to sell its 20% interest in the Anadarko-operated Power Play field with effect from 1 August 2013. Closing occurred in November 2013. Further sale transactions are pending.

Neptune oil field

Interest	AT 574, 575, 618	WI 20% NRI 175%
Operator	BHP Billiton	
Location	Atwater Valley, 220 km offshore Louisiana, USA	
Water depth	~ 2,000 metres	
Products	Oil and gas	
First production	July 2008	
<i>WI - Working interest, NRI - Net revenue interest</i>		

Neptune is a multi-well subsea development tied back to a stand-alone tension leg platform. The Neptune field produced first oil in 2008. A successful bottom hole pressure reduction campaign has reduced the effects of natural field decline.

The near-term development plan for Neptune includes the possible drilling of one infill well.

Canada

In early 2014 Woodside entered into an agreement with the Government of British Columbia for the exclusive right to access an area of Crown land for the potential development of a liquefied natural gas (LNG) facility and export terminal.

The Crown land is located at Grassy Point, near Prince Rupert, British Columbia, on Canada's west coast.

Woodside will now assess the technical feasibility of constructing an LNG facility at Grassy Point and continue discussions with potential joint venturers and gas suppliers in relation to the proposed LNG development.

Any decision to proceed with an LNG development at Grassy Point is subject to a variety of internal and external approvals.



Sunrise

In April 2013 the Timor-Leste Government referred a dispute with the Australian Government, relating to the treaty on Certain Maritime Arrangements in the Timor Sea, to international arbitration in accordance with the dispute resolution procedure in the Timor Sea Treaty.

Subsequently Woodside and the Sunrise Joint Venture participated in a tripartite meeting with both the Australian and Timor-Leste Governments, to discuss the need for alignment of the two governments before the development can proceed.

The first arbitration hearing occurred in December 2013 and an outcome is expected in late 2014.

Woodside awaits the outcome of arbitration and remains committed to developing the Greater Sunrise resource.

Israel

Woodside continued work in 2013 towards finalising an in-principle agreement for the company to acquire an interest in each of the 349/Rachel and 350/Amit petroleum licences, which contain the Leviathan gas field offshore Israel.

In June 2013 the Government of Israel announced a natural gas export policy which maintained the domestic gas reservation for the Leviathan field at 50%, despite an aggregate increase in reservation volumes for all fields to 60%.

A challenge to the legality of the Israeli Government's natural gas export policy was dismissed by the Israeli Supreme Court in October 2013. The government policy provides sufficient export volumes that could underpin a viable export project for Leviathan. The Israeli government is finalising its tax policy setting for gas export projects, which we expect will become clear in the first half of 2014.

Subsequent to year end, Woodside and the Leviathan Joint Venture participants have agreed to convert a previous in-principle agreement for the potential acquisition of an interest in the Leviathan field into a non-binding Memorandum of Understanding (MoU).

The MoU provides a framework to negotiate in good faith, the acquisition of a 25% participating interest in each of the 349/Rachel and 350/Amit petroleum licences. The parties will negotiate towards executing a fully termed agreement by 27 March 2014.

Consistent with the previous in-principle agreement Woodside would be the operator of any LNG development of the field, while Noble Energy would remain upstream operator.

The Leviathan field is contained within the licences, and based on information provided by the operator Noble Energy, has an estimated '2C' contingent resource (100%) of 18.9 trillion cubic feet of natural gas and 34.1 million barrels of condensate.

Our 25% share has the potential to increase Woodside's contingent resources by 50%.

The transaction contemplated by the MoU is conditional upon the execution of a fully termed agreement and certain policy, tax and regulatory approvals from the Israeli Government.

GLOBAL EXPLORATION



Woodside acquired over 10,000 km² of new 3D seismic data during 2013.



The Atwood Eagle drill rig was secured in 2013 and is expected to commence drilling in mid-2014.



We are leveraging our capabilities in areas such as deepwater exploration, project development and marketing to expand our global portfolio.

Exploration is focused on growing a balanced global portfolio to provide future growth opportunities for the business ▲

2013 Key performance highlights

- Continued to build the company's exploration portfolio, with new permit entries offshore Ireland and New Zealand.
- Successfully completed farm-in agreements to exploration blocks offshore Myanmar.
- Acquired over 10,000 km² of new 3D seismic data to identify potential future drilling candidates.
- We secured two drilling rigs for 2014 to pursue development and exploration opportunities offshore Western Australia.

Future objectives

- Drill up to seven wells in 2014, five in Australia (three of which will be drilled in the Frontier Outer Canning Basin) and up to two in Spain (Canary Islands).
- Continue to grow a global exploration portfolio in emerging provinces characterised by materiality and quality.

2013 exploration results

During 2013 Woodside secured entry into four new basins; the Porcupine Basin in Ireland, the Rakhine Basin in Myanmar and the Taranaki Basin and Great South Basin in New Zealand.

Drilling activity was confined to Australia and included three wells in the Exmouth sub-basin (Gumbo-1, Minarelli-1, Stybarrow East-1) and one in the Dampier sub-basin (Goodwyn North-1). Gumbo-1, Minarelli-1 and Goodwyn North-1 did not encounter hydrocarbons. Hydrocarbons were encountered at Stybarrow East-1, but the discovery was non-commercial.

Three planned wells were deferred to 2014, due to global operational constraints with contracting long range helicopters and consequent impacts on contracting a rig. The helicopter constraint has been resolved and the deferred wells are included in the 2014 drilling program.

Seismic activity in 2013 involved the acquisition of over 10,000 km² of 3D seismic data and 386 km of 2D seismic data, over both Australian and international permits. The Admiral 3D survey in the Browse Basin was completed at the start of 2013, acquiring 2868 km² over permits WA-447-P and WA-449-P. The Polly 3D survey was completed in May, comprising 7425 km²

across four 100% equity permits in the Beagle Basin. Both surveys fulfilled primary term seismic work program commitments.

The Fortuna 3D survey in the Dampier sub-basin mobilised in December for a January 2014 start, covering the core North West Shelf (NWS) Project acreage. This survey is the first application of IsoMetrix™ technology in Australia and will provide a broadband, multi-component dataset over the entire survey area. In addition to the 3D campaigns, a 2D survey (Pivot 2D) acquired 386km over permits WA-461-P and WA-463-P located offshore Exmouth. This survey targeted deeper structures around existing Exmouth oil hubs. In Myanmar, the Padauk 3D survey was completed in March, totalling 1786 km² 3D seismic over block A-6.

Active portfolio management was a key focus of 2013, with divestment of approximately 35,460 km² (gross) of lower prospectivity permits and licenses, and the acquisition of 30,500 km² of new permits and licenses. In line with the company's exploration strategy, the management and further development of the inventory is a continual process as Woodside pursues a balanced global exploration portfolio.

Broadening the portfolio

New Zealand

Woodside 70% (operator)

In December, Woodside was awarded permit 55793, covering 2418 km² in the Taranaki Basin (off the west coast of the North Island) and permit 55794, covering 9835 km² in the Great South Basin (off the south-east coast of the South Island).

The permits come into force in April 2014 and were awarded as part of the New Zealand Government's 2013 Block Offer. New Zealand Oil & Gas Ltd has 30% equity in the permits.

Ireland

Licensing Option (LO) 11/4 and 11/6

*Woodside 85% (operator)**

*LO 11/10 Woodside 60% (operator)**

Frontier Exploration Licence (FEL) 5/13

Woodside 90% (operator)

*Subject to granting of Frontier Exploration Licences.

In June, Petrel Resources Plc accepted Woodside's offer to acquire a 85% interest in LO 11/4 and LO 11/6, covering 1400 km² in the Porcupine Basin off the west coast of Ireland. Separately, Bluestack Energy accepted Woodside's offer to acquire a 90% participating interest in LO 11/3, covering 1271 km² in the Porcupine Basin. LO 11/3 has subsequently been converted into FEL 5/13.

In October, Two Seas Oil and Gas Ltd accepted Woodside's offer to acquire the company's 60% interest and operatorship of LO 11/10, also in the Porcupine Basin. Strike Oil holds the remaining 40% in the licence.

Myanmar

A-6 Woodside 50% (non-operator)

AD-7 Woodside 40% (non-operator)

Agreements for Woodside to farm-in to Production Sharing Contracts for blocks A-6 and AD-7 in the Rakhine Basin were finalised in January 2013 and March 2013 respectively.

Exploration activity progressed in both blocks during the year, with completion in late March of the 1786 km² Padauk 3D seismic survey in A-6. Processing of the survey data will be finalised by March 2014. A decision on whether to drill an exploration well in the block is scheduled for Q2 2014.

Myanmar combines prospective exploration acreage with a rapidly developing domestic and adjacent export energy market to provide opportunities for Woodside to leverage its capabilities in areas such as deepwater exploration, project development and marketing.

Other

Brazil

Woodside holds a 12.5% interest in one concession agreement covering 314 km² in the Santos Basin offshore Brazil. The joint venture submitted a request to relinquish the acreage in late 2013.

Canary Islands

Woodside holds a 30% interest in blocks 1-9 operated by Repsol. Full rights to the permit activity have been reinstated following the issue of a Royal Decree on 16 March 2012. The Royal Decree is currently the subject of legal proceedings initiated by third party interest groups. The joint venture plans to drill up to two wells in 2014.

Peru

Woodside has a 20%, non-operated interest in onshore block 108, which is currently under force majeure conditions. Once force majeure conditions cease, the joint venture plans to acquire 720 km of 2D seismic, currently planned for 2014.

Republic of Korea

In 2012 the Jujak-1 well was drilled. In 2013 studies confirmed preparations for a 500km² 3D seismic survey plan for 2014.

Australian outlook

The 2014 Australian drilling campaign will provide two key insights. Firstly, the Toro well will be drilled in the Exmouth sub-basin and will test the potential for an additional gas resource around the Ragnar Hub. Secondly, three wells will be drilled in the Outer Canning Basin, testing the petroleum systems of this frontier basin.

We secured two drilling rigs for 2014 to pursue development and exploration opportunities offshore Western Australia.

Four 3D marine seismic surveys (MSS) are planned for acquisition in 2014. These surveys will provide data over recently acquired permits in the Browse and Exmouth Basins, while also providing a new dataset over the core NWS acreage.

International outlook

For our permits in New Zealand, Woodside has committed to acquiring 900 km² of seismic data within 12 months.

Woodside is working to establish an office in Ireland. The company has submitted applications to convert each of its LOs into Frontier Exploration Licences (FEL). Once the FELs are finalised, the company will plan the necessary seismic acquisition and other exploration activities.

Supported by a new office in Yangon to be opened in 2014, we will continue to pursue our options to grow our business in Myanmar.

Woodside and operator Daewoo International Corporation commenced acquisition of approximately 1250 km² of 3D seismic in AD-7 in January 2014.

Processing of the survey data is expected to be completed by August 2014, in advance of a decision by June 2015 on whether to drill an exploration well in a subsequent exploration period.

BOARD OF DIRECTORS



a) Michael A Chaney, AO

Chairman - BSc, MBA, Hon LLD (UWA), FAICD

Director since November 2005

Chairman since July 2007

Independent: Yes

Age: 63

Residence: Perth, Australia

Experience

22 years with Wesfarmers Limited, including Managing Director and CEO from 1992 to 2005. Three years with investment bank Australian Industry Development Corporation (1980 to 1983) and eight years as a petroleum geologist working on the North West Shelf and in the USA and Indonesia. Previously a 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

Chair: National Australia Bank Limited (director since 2004), International Education Advisory Council (since 2011) and Gresham Partners Holdings Limited (director since 1985).

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

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

Member: JP Morgan International Council (since 2005) and Prime Minister's Business Advisory Council (since 2013).

b) Peter J Coleman

CEO and Managing Director - BEng, MBA

Director since May 2011

Independent: No

Age: 53

Residence: Perth, Australia

Experience

30 years experience in the global oil and gas industry, including 27 years with the ExxonMobil group, culminating as Vice President Development Company, with responsibility for leading development and project work in the Asia Pacific.

Appointed an Adjunct Professor in Corporate Strategy by the University of Western Australia in 2012.

Committee membership

Attends Board committee meetings.

Current directorships

Member: The University of Western Australia Business School Board (since 2011) and the Executive Committee of the Australia Japan Business Co-operation Council (since 2011).

Commissioner: West Australian Football Commission (since 2011).

c) Robert J Cole

Executive Director and Executive Vice President, Corporate and Commercial - BSc, LLB (Hons)

Director since February 2012

Independent: No

Age: 51

Residence: Perth, Australia

Experience

Joined Woodside as General Counsel in April 2006. Executive Vice President Corporate Centre and General Counsel (2008 to 2010). Executive Vice President Commercial and General Counsel (2010 to 2012), until he was appointed to his current role of Executive Director. Prior to joining Woodside, Mr Cole had more than 21 years experience in corporate, energy and resources law, including three years as partner in charge of the Perth office of a national law firm.

Committee membership

Attends Board committee meetings.

Current directorships

Chair: Australian Petroleum Production and Exploration Association (member since 2011).

Director: Committee for Perth (since 2011) and West Australian Youth Jazz Orchestra (since 2013).

d) Melinda A Cilento

BA, BEc (Hons), MEd

Director since December 2008

Independent: Yes

Age: 48

Residence: Melbourne, Australia

Experience

Significant public and private sector experience in economic analysis, policy development and advice. 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

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

Current directorships

Director: Wesfarmers General Insurance Limited (since 2010).

Co-chair: Reconciliation Australia (director since 2010).

Councillor: Victorian Division of the Australian Institute of Company Directors (since 2011).

Member: Advisory Panel of the Australian Scholarships Foundation (since 2011), Advisory Council of the Global Foundation (since 2011), Australian Securities and Investments Commission External Advisory Panel (since 2013) and NAB Advisory Council on Corporate Responsibility (since 2013).



e) Frank C Cooper

BCom, FCA

Director since February 2013

Independent: Yes

Age: 58

Residence: Perth, Australia

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

Chair: Insurance Commission of Western Australia (since 2012), University of Western Australia Strategic Resources Committee (since 2012) and West Australian Football Commission (member since 2007).

Member: Senate of the University of Western Australia (since 2012) and State Health Research Advisory Council (since 2012).

f) Christopher M Haynes, OBE

BSc, DPhil, CEng, FIMechE

Director since June 2011

Independent: Yes

Age: 66

Residence: United Kingdom

Experience

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. Retired from Shell on 31 August 2011.

Committee membership

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

Current directorships

Director: WorleyParsons Limited (since 2012).

g) Andrew Jamieson, OBE

FREng, CEng, FIChemE

Director since February 2005

Independent: Yes

Age: 66

Residence: United Kingdom

Experience

Former Executive Vice President Gas and Projects of Shell Gas and Power International BV with more than 30 years experience with Shell in Europe, Australia and Africa. From 1997 to 1999 Dr Jamieson was seconded to Woodside as General Manager North West Shelf Venture. Retired from Shell in June 2009.

Committee membership

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

Current directorships

Chair: Seven Energy International Limited (director since 2011).

Director: Leif Hoegh & Co Ltd (since 2009) and Velocys PLC (since 2010).

h) David I McEvoy

BSc (Physics), Grad Dip (Geophysics)

Director since September 2005

Independent: Yes

Age: 67

Residence: Sydney, Australia

Experience

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

Director: AWE Limited (since 2006). *Directorships of other listed entities within the past three years:* Acer Energy Limited (2002 to November 2012) and Po Valley Energy Ltd (2004 to May 2012).

i) Sarah E Ryan

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

Director since December 2012

Independent: Yes

Age: 47

Residence: Sunshine Coast, Australia

Experience

More than 20 years international experience in the oil and gas industry in various technical, operational and senior management positions, including 15 years with Schlumberger Limited. Dr Ryan also served as Chief Operating Officer of MTEM Ltd, an oilfield technology company, and Director, Equity Investment at institutional investment firm Earnest Partners where she was responsible for research and portfolio management in the global energy sector. She remains a consultant to Earnest Partners.

Committee membership

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

Current directorships

Director: Aker Solutions ASA (since 2011).

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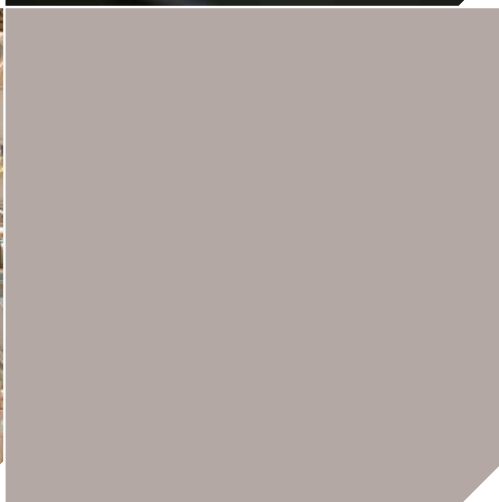
j) Erich Fraunschiel

BCom (Hons)

Mr Erich Fraunschiel retired with effect on 28 February 2013 after ten years of service on Woodside's Board of Directors. Mr Fraunschiel served on a number of Woodside Board committees including as chairman of the Audit & Risk Committee and member of the Sustainability and Nominations Committees.

CORPORATE GOVERNANCE STATEMENT

We believe high standards of governance and transparency are essential ▲



1 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.

This 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.

Woodside's corporate governance model is illustrated below. The Woodside Management System (WMS) sets out how Woodside provides management governance and assurance. It defines how Woodside will deliver its business objectives and the boundaries within which Woodside employees and contractors are expected to work. The WMS establishes a common approach to how we operate, wherever the location.

The company, as a listed entity, must comply with the *Corporations Act 2001* (Cwlth) (Corporations Act), the Australian Securities Exchange (ASX) Listing Rules (ASX Listing Rules) and other Australian and international laws. The ASX Listing Rules require the company to report on the extent to which it has

followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's (ASXCGC) second edition of its Corporate Governance Principles and Recommendations (August 2007). Woodside believes that, throughout the 2013 year and to the date of this report, it has complied with all the ASXCGC Recommendations. A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this statement and the Remuneration Report is provided on [page 59](#).

i Information on Woodside's governance framework is also provided in the corporate governance section of Woodside's website.

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

2 Board of directors

2.1 Board role and responsibilities ASXCGC Recommendations 1.1, 1.3

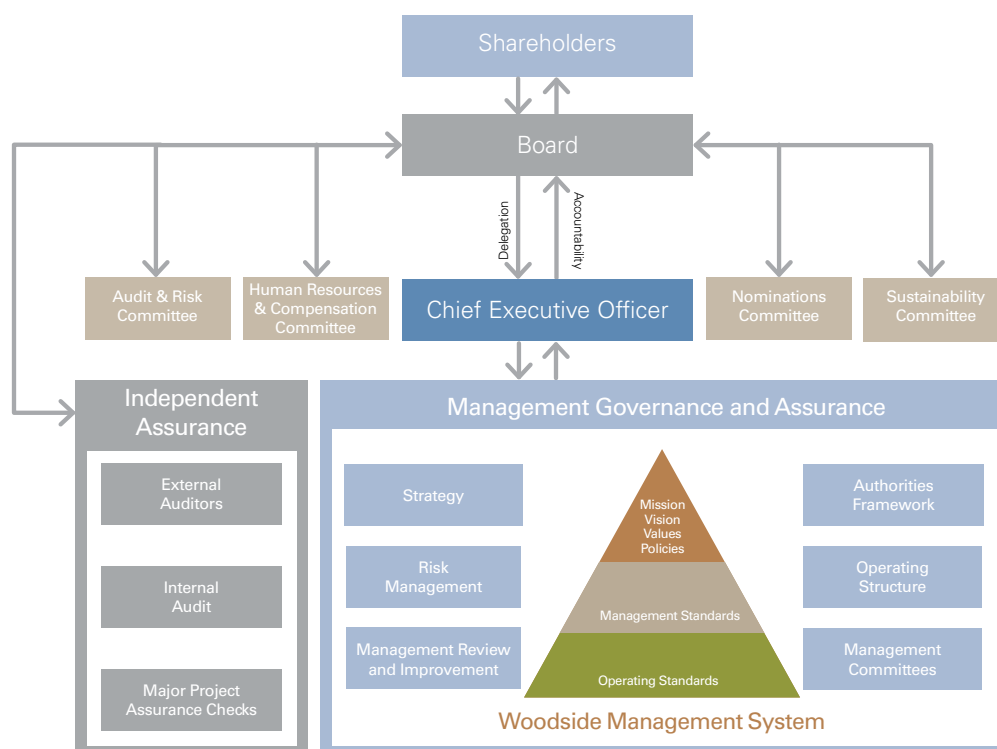
The Constitution provides that the business and affairs of the company are to be managed by or under the direction of the Board. The Board

has approved a formal Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Woodside's business activities is delegated to the CEO who is accountable to the Board. The Board Charter and the delegation of Board authority to the CEO are reviewed regularly.

The central role of the Board is to set the company's strategic direction, to select and appoint a CEO and to oversee the company's management and business activities.

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- the appointment and removal of the CEO and the Company Secretary and determination of their remuneration and conditions of service;
- approving the appointment and, where appropriate, the removal of executives who report directly to the CEO together with their remuneration and conditions of service;
- approving senior management succession plans and significant changes to organisational structure;
- authorising the issue of shares, options, equity instruments or other securities;
- authorising borrowings, other than in the ordinary course of business,



and the granting of security over the undertaking of the company or any of its assets;

- authorising expenditures which exceed the CEO's delegated authority levels;
- approving strategic plans and budgets;
- approving the acquisition, establishment, disposal or cessation of any significant business of the company;
- approving annual and half-year reports and disclosures to the market that contain or relate to financial projections, statements as to future financial performance or changes to the policy or strategy of the company;
- approving policies of company-wide or general application;
- the appointment of directors who will come before shareholders for election at the next annual general meeting (AGM); and
- establishing procedures which ensure that the Board is in a position to exercise its powers and to discharge its responsibilities as set out in the Board Charter.

i A copy of the Board Charter is available in the corporate governance section of Woodside's website.

2.2 Board composition

ASXCGC Recommendations 2.1, 2.2, 2.3, 2.6

The Board is comprised of seven non-executive directors, the CEO and the Executive Director and Executive Vice President, Corporate and Commercial. Details of the directors, including their qualifications, experience, date of appointment and independent status, are set out on **pages 44 and 45**.

The Board and its committees actively seek to ensure that the Board continues to have the right balance of skills, knowledge and experience necessary to direct the company in accordance with high standards of corporate governance. In assessing the composition of the Board, the directors have regard to the following principles:

- the Chairman should be non-executive, independent and an Australian citizen or permanent resident;
- the role of the Chairman and the CEO should not be filled by the same person;
- the CEO should be a full-time employee of the company;

- the majority of the Board should comprise directors who are both non-executive and independent;
- the Board should represent a broad range of qualifications, diversity, experience and expertise considered of benefit to the company; and
- the number of Shell-nominated directors, as a proportion of the Board, should normally be in the proportion that Shell's holding of fully paid ordinary shares in the company bears to all of the issued fully paid ordinary shares in the company.

Section 2.6 on Board succession planning provides further information on the mix of skills and diversity the Board seeks to achieve in membership of the Board.

The Board considers that collectively the directors have the range of skills, knowledge and experience necessary to direct the company. The non-executive directors contribute operational and international experience, an understanding of the industry in which Woodside operates, knowledge of financial markets and an understanding of the health, safety, environmental and community matters that are important to the company. The CEO and the Executive Director and Executive Vice President, Corporate and Commercial bring an additional perspective to the Board through a thorough understanding of Woodside's business. The directors on the Board represent a diverse range of nationalities and backgrounds. There are two women on the Board. The Board recognises that there is a gender imbalance, and that an opportunity exists to address this upon future retirements of non-executive directors.

The Constitution provides that the company is not to have more than ten, nor less than three, directors.

2.3 Chairman

ASXCGC Recommendations 2.2, 2.3

The Chairman of the Board, Mr Michael Chaney, is an independent, non-executive director and a resident Australian citizen.

The Chairman is responsible for leadership and effective performance of the Board and for the maintenance of relations between directors and management that are open, cordial and conducive to productive cooperation. The Chairman's responsibilities are set out in more detail in the Board Charter.

i A copy of the Board Charter is available in the corporate governance section of Woodside's website.

Mr Chaney is also chairman of National Australia Bank Limited (NAB). The Board considers that neither his chairmanship of NAB, nor any of his other commitments (listed on **page 44**), interfere with the discharge of his duties to the company. The Board is satisfied that Mr Chaney commits the time necessary to discharge his role effectively.

2.4 Director independence

ASXCGC Recommendations 2.1, 2.6

The independence of a director is assessed in accordance with Woodside's Policy on Independence of Directors.

i A copy of the Policy on Independence of Directors is available in the corporate governance section of Woodside's website.

In accordance with the policy, the Board assesses independence with reference to whether a director is non-executive, not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is employed, or has previously been employed in an executive capacity by the company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the company or another Group member, or an employee materially associated with the service provided;

- is a material supplier or customer of the company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the company or another Group member other than as a director.

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the director. Materiality is considered from the perspective of the company and its Group members, the persons or organisations with which the director has an affiliation and from the perspective of the director. To assist in assessing the materiality of a supplier or customer the Board has adopted the following materiality thresholds:

- a material customer is a customer of Woodside which accounts for more than 2% of Woodside's consolidated gross revenue; and
- a supplier is material if Woodside accounts for more than 2% of the supplier's consolidated gross revenue.

The Board reviews the independence of directors before they are appointed, on an annual basis and at any other time where the circumstances of a director change such as to require reassessment. The Board has reviewed the independence of each of the directors in office at the date of this report and has determined that seven of the nine directors are independent. The directors that are not considered independent are Mr Peter Coleman and Mr Robert Cole as they are both executive directors and members of management.

Dr Christopher Haynes and Dr Andrew Jamieson were nominated to the Woodside Board by Shell and were both previously executives of Shell. Dr Haynes and Dr Jamieson retired from Shell on 31 August 2011 and 30 June 2009 respectively and continue to serve on the Woodside Board.

The Board is satisfied that Dr Haynes and Dr Jamieson have no continuing association with Shell that would interfere with their independent exercise of judgement, and that each is an independent director.

Dr Haynes serves on the board of directors of WorleyParsons Limited, a supplier of engineering services to Woodside. The value of services provided by the WorleyParsons Limited

group of companies to Woodside in 2013 exceeded the Board's materiality threshold relating to suppliers. The Board, having regard to the nature and value of the commercial relationship between Woodside and WorleyParsons Limited, is satisfied that Dr Haynes remains independent. Where a matter involving WorleyParsons Limited comes before the Board, the Directors' Conflict of Interest Guidelines apply (refer **section 2.5** below).

Certain non-executive directors hold directorships or executive positions in companies with which Woodside has commercial relationships. Details of other directorships and executive positions held by non-executive directors are set out on **pages 44 and 45**.

Four of the non-executive directors have been employed by Woodside in the past and a significant period of time has elapsed since they ceased employment. Dr Haynes and Dr Jamieson were both seconded to Woodside as General Manager of the North West Shelf Venture from 1999 to 2002 and from 1997 to 1999 respectively. Dr Ryan was employed by Woodside as a member of the North West Shelf petroleum production team from 1993 to 1996. Mr Chaney was employed by Woodside as a petroleum geologist in the 1970s.

The independent status of directors standing for election or re-election is identified in the notice of AGM. If the Board's assessment of a director's independence changes, the change is disclosed to the market.

2.5 Conflicts of interest

The Board has approved Directors' Conflict of Interest Guidelines which apply if there is, or may be, a conflict between the personal interests of a director, or the duties a director owes to another company, and the duties the director owes to Woodside. Directors are required to disclose circumstances that may affect, or be perceived to affect, their ability to exercise independent judgment so that the Board can assess independence on a regular basis.

A director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter and when the matter comes before the Board for discussion, the director withdraws from the meeting for the period the matter is considered and

takes no part in the discussions or decision-making process.

Minutes reporting on matters in which a director is considered to have a conflict of interest are not provided to that director. However, the director is given notice of the broad nature of the matter for discussion and is updated in general terms on the progress of the matter.

2.6 Board succession planning

ASXCGC Recommendation 2.6

The Board manages its succession planning with the assistance of the Nominations Committee. The committee annually reviews the size, composition and diversity of the Board and the mix of existing and desired competencies across members and reports its conclusions to the Board. In conducting the review a skills matrix is used to enable the committee to assess the skills and experience of each director and the combined capabilities of the Board. The results of this review are considered in the context of Woodside's operations and strategy. Where the committee identifies existing or projected competency gaps, it recommends a succession plan to the Board that addresses those gaps. The Board does not currently consider that there are any existing or projected competency gaps.

Recognising the importance of Board renewal, the committee takes each director's tenure into consideration in its succession planning. As a general rule a director would not usually be expected to nominate for re-election once he or she has served ten years on the Board. Exceptions to this principle may be made where the Nominations Committee considers that an individual director brings special skills to the Board which are difficult to replace at the time and the Board has assessed the director as remaining independent.

The Nominations Committee is responsible for evaluating Board candidates and recommending individuals for appointment to the Board. The committee evaluates prospective candidates against a range of criteria including the skills, experience, expertise and diversity that will best complement Board effectiveness at the time. The Board may engage an independent recruitment firm to undertake a search for suitable candidates.

In its evaluation of candidates for the Board, the Nominations Committee

will have regard to normally accepted nomination criteria, including:

- honesty and integrity;
- the ability to exercise sound business judgement;
- appropriate experience and professional qualifications;
- absence of conflicts of interest or other legal impediments to serving on the Board;
- willingness to devote the required time; and
- availability to attend Board and committee meetings.

In considering overall Board balance, the Nominations Committee will give due consideration to the value of a diversity of backgrounds and experiences among the members, and to having some of the directors based in the centres of operation of Woodside.

With the exception of the Managing Director, directors appointed by the Board are subject to shareholder election at the next AGM.

i A copy of the Nominations Committee Charter and a description of Woodside's procedure for the selection and appointment of new directors and the re-election of incumbent directors are available in the corporate governance section of Woodside's website.

In December 2012, Mr Erich Fraunschiel and Dr Pierre Jungels had both served ten years on the Board and retired with effect on 7 December 2012 and 28 February 2013 respectively. During 2012, the Board directly engaged executive recruitment specialists, to conduct an extensive search for suitable candidates for the Board. The search culminated in the appointment by the Board of Dr Ryan with effect on 6 December 2012 and Mr Frank Cooper with effect on 1 February 2013.

2.7 Directors' retirement and re-election

ASXCGC Recommendation 2.6

With the exception of the Managing Director, directors must retire at the third AGM following their election or most recent re-election. At least one director must stand for election at each AGM. Any director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves

to shareholders for election at the next AGM.

Board support for a director's re-election is not automatic and is subject to satisfactory director performance (in accordance with the evaluation process described in **section 2.9**).

2.8 Directors' appointment, induction training and continuing education

All new directors are required to sign and return a letter of appointment which sets out the key terms and conditions of their appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

Induction training is provided to all new directors. It includes a comprehensive induction manual, discussions with the CEO and senior executives and the option to visit Woodside's principal operations either upon appointment or with the Board during its next site tour. The induction materials and discussions include information on Woodside's strategy, culture and values; key corporate and Board policies; the company's financial, operational and risk management position; the rights and responsibilities of directors; and the role of the Board and its committees and meeting arrangements.

All directors are expected to maintain the skills required to discharge their obligations to the company. Directors are encouraged to undertake continuing professional education including industry seminars and approved education courses. These are paid for by the company, where appropriate. In addition, the company provides the Board with regular educational information papers and presentations on industry-related matters and new developments with the potential to affect Woodside.

2.9 Board performance evaluation

ASXCGC Recommendations 1.3, 2.5, 2.6

The Nominations Committee is responsible for determining the process for evaluating Board performance. Evaluations are conducted annually and have produced improvements in Board processes and overall efficiency.

The Board performance evaluation process is conducted by way of questionnaires appropriate in scope and content to effectively review:

- the performance of the Board and each of its committees against the requirements of their respective charters; and
- the individual performance of the Chairman and each director.

The questionnaires are completed by each director and the responses compiled by an external consultant. The reports on Board and committee performance are provided to all directors and discussed by the Board.

The report on the Chairman's performance is provided to the Chairman and two committee chairmen for discussion.

The report on each individual director is provided to the individual and copied to the Chairman. The Chairman meets individually with each director to discuss the findings of their report.

The performance of each director retiring at the next AGM is taken into account by the Board in determining whether or not the Board should support the re-election of the director.

The Human Resources & Compensation Committee reviews and makes recommendations to the Board on the criteria for the evaluation of the performance of the CEO. The Board conducts the evaluation of the performance of the CEO.

The Remuneration Report on **pages 61 to 73** discloses the process for evaluating the performance of senior executives, including the CEO. In 2013, performance evaluations for the Board, its committees, directors and senior executives took place in accordance with the process disclosed above and in the Remuneration Report.

2.10 Board access to information and independent advice

ASXCGC Recommendation 2.6

Subject to the Directors' Conflict of Interest Guidelines referred to in **section 2.5**, directors have direct access to members of company management and to company information in the possession of management.

The Board has agreed a procedure under which directors are entitled to obtain independent legal, accounting or other professional advice at the company's expense. Directors are entitled to reimbursement of all reasonable costs where a request for such advice is approved by the Chairman. In the case

of a request made by the Chairman, approval is required by a majority of the non-executive directors.

2.11 Directors' remuneration

Details of remuneration paid to directors (executive and non-executive) are set out in the Remuneration Report on **pages 61 to 74**. The Remuneration Report also contains information on the company's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between the policy and company performance.

Shareholders will be invited to consider and approve the Remuneration Report at the 2014 AGM.

2.12 Board meetings

During the year ended 31 December 2013, the Board held six Board meetings. In addition, a strategic planning session was held in conjunction with the June Board meeting. A number of directors also made site visits during the year. Details of directors' attendance at Board meetings are set out in **Table 1** on **page 53**.

The Chairman, in conjunction with the CEO and the Company Secretary, sets the agenda for each meeting. Any director may request matters be included on the agenda.

Typically at Board meetings the agenda will include:

- minutes of the previous meeting and matters arising;
- the CEO's report;
- the CFO's report;
- reports on major projects and current issues;
- specific business proposals;
- reports from the chairs of the committees on matters considered at committee meetings; and
- minutes of previous committee meetings.

The Board works to an annual agenda encompassing periodic reviews of Woodside's operating business units and site visits; approval of strategy, business plans, budgets and financial statements; and review of statutory obligations and other responsibilities identified in the Board Charter.

The CFO and the Company Secretary attend meetings of the Board by invitation. Other members of senior

management attend Board meetings when a matter under their area of responsibility is being considered or as otherwise requested by the Board.

At each scheduled Board meeting there is a session for non-executive directors to meet without management present. This session is led by the Chairman.

Copies of Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider further information is necessary to support informed decision-making.

2.13 Company secretaries

Details of the Company Secretaries are set out on **page 60** in the Directors' Report. The appointment and removal of a Company Secretary is a matter for decision by the Board. The Company Secretaries are responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All Directors have direct access to the Company Secretaries.

3 Committees of the Board

3.1 Board committees, membership and charters

ASXCGC Recommendations 2.4, 2.6, 4.1, 4.2, 4.3, 4.4, 8.1, 8.2, 8.4

The Board has the ability under the company's constitution to delegate its powers and responsibilities to committees of the Board. This allows the directors to spend additional and more focused time on specific issues.

The Board has four standing committees to assist in the discharge of its responsibilities. These are the:

- Audit & Risk Committee;
- Nominations Committee;
- Human Resources & Compensation Committee; and
- Sustainability Committee.

The committees operate principally in a review or advisory capacity, except in cases where powers are specifically conferred on a committee by the Board.

Each committee has a charter, detailing its role, duties and membership requirements. The committee charters are reviewed regularly and updated as required. Prior to the commencement of each year, the committees set an annual agenda for the coming year with

reference to the committee charters and other issues the committee members or Board consider appropriate for consideration by the committees.

i Each committee's charter is available in the corporate governance section of Woodside's website.

Membership of the committees is based on directors' qualifications, skills and experience. Each standing committee is comprised of:

- only non-executive directors;
- at least three members, the majority of whom are independent; and
- a chairman appointed by the Board who is one of the independent non-executive directors.

The Audit & Risk Committee and the Human Resources & Compensation Committee have additional membership requirements which are discussed in **sections 3.2** and **3.4**.

The composition of each committee and details of the attendance of members at meetings held during the year are set out in **Table 1** on **page 53**.

All directors are entitled to attend meetings of the standing committees. Papers considered by the standing committees are also available to all directors who are not on that committee. Minutes of the standing committee meetings are provided to all directors and the proceedings of each meeting are reported by the chairman of the committee at the next Board meeting.

Each committee is entitled to seek information from any employee of the company and to obtain any professional advice it requires in order to perform its duties.

Each standing committee participates in a regular review of its performance and effectiveness. As a result of the 2013 review, the Board is satisfied that the committees have performed effectively with reference to their charters.

Ad hoc committees are convened to consider matters of special importance or to exercise the delegated authority of the Board.

3.2 Audit & Risk Committee

ASXCGC Recommendations 4.1, 4.2, 4.3, 4.4

The role of the Audit & Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the company's financial reporting, compliance with legal and regulatory requirements, internal control structure, risk management procedures and the internal and external audit functions.

The Audit & Risk Committee's charter, which sets out further details on the role and duties of the committee, is available in the corporate governance section of Woodside's website.

The committee's charter requires that the committee be composed of directors who are financially literate, with at least one director possessing accounting or related financial expertise and qualifications, and at least one director who has experience in, and an understanding of, the oil and gas industry. The chairman of the Audit & Risk Committee cannot be the Chairman of the company.

Members of the Audit & Risk Committee are identified in **Table 1** on **page 53** which sets out their attendance at meetings. Their qualifications are listed on **pages 44** and **45**.

Key activities undertaken by the Audit & Risk Committee during the year included:

- monitoring developments in accounting, financial reporting and taxation relevant to Woodside;
- approval of the scope, plan and fees for the 2013 external audit;
- reviewing the independence and performance of the external auditor;
- reviewing significant accounting policies and practices;
- reviewing Internal Audit reports and approval of the 2014 Internal Audit plan;
- reviewing the Group's key risks and risk management framework;
- reviewing reports from management on the effectiveness of the Group's management of its material business risks;
- monitoring progress of the Woodside Management System and matters arising under the Code of Conduct and the Whistleblower Policy;
- reviewing and making recommendations to the Board on amendments to the Group Treasury Policy; and

- reviewing and making recommendations to the Board for the adoption of the Group's half-year and annual financial statements.

The external auditors, the Chairman, the CEO, the Executive Director and Executive Vice President, Corporate and Commercial, the CFO, the Group Financial Controller, the head of Internal Audit, the head of Corporate Risk and the head of Taxation are regular attendees at Audit & Risk Committee meetings. At each committee meeting, time is scheduled for the committee to meet without management present, and to meet with the external auditors without management present.

The Committee meets at least semi-annually with Woodside's internal auditors without management present.

3.3 Nominations Committee

ASXCGC Recommendations 2.4, 2.6

The role of the Nominations Committee is to assist the Board to review Board composition, performance and succession planning. This includes identifying, evaluating and recommending candidates for the Board.

i The Nominations Committee's charter, which sets out further details on the role and duties of the committee, is available in the corporate governance section of Woodside's website.

All non-executive directors are currently members of the Nominations Committee.

Table 1 on **page 53** sets out their attendance at committee meetings.

Key activities undertaken by the Nominations Committee during the year included:

- review of the size and composition of the Board;
- Board succession planning;
- making recommendations to the Board regarding the directors seeking re-election at the 2014 AGM; and
- approval of the process for the annual Board performance evaluation.

3.4 Human Resources & Compensation Committee

ASXCGC Recommendations 8.1, 8.2, 8.4

The role of the Human Resources & Compensation Committee is to

assist the Board in establishing human resources and compensation policies and practices which:

- enable the company to attract, retain and motivate employees who achieve operational excellence and create value for shareholders; and
- reward employees fairly and responsibly, having regard to the results of the Group, individual performance and general remuneration conditions.

i The Human Resources & Compensation Committee's charter, which sets out further details on the role and duties of the committee, is available in the corporate governance section of Woodside's website.

The committee's charter requires at least one member to have been a director of Woodside for not less than three years and states that it is desirable that at least one member has an understanding of remuneration policies and practices.

Members of the Human Resources & Compensation Committee are identified in **Table 1** on **page 53** which sets out their attendance at meetings.

Key activities undertaken by the Human Resources & Compensation Committee during the year included:

- monitoring legislative and corporate governance developments in relation to employment and remuneration matters relevant to Woodside;
- reviewing the company's remuneration policies and practices, approving the use of remuneration consultants to provide recommendations in respect of the remuneration of Woodside's key management personnel and considering advice on the remuneration of Woodside's key management personnel;
- reviewing the company's recruitment and retention strategies;
- approval of the appointment and remuneration packages of executives reporting directly to the CEO (other than the Executive Director and Executive Vice President, Corporate and Commercial);
- monitoring progress against measurable objectives in respect of gender diversity; and
- reviewing and making recommendations to the Board on:
 - remuneration for non-executive directors;

- the remuneration of the CEO and the Executive Director and Executive Vice President, Corporate and Commercial;
- the criteria for the evaluation of the performance of the CEO;
- incentives payable to the CEO and the Executive Director and Executive Vice President, Corporate and Commercial;
- employee equity based plans; and
- the annual Remuneration Report.

Review of the 2013 performance of the CEO and executive succession planning was conducted by the Board.

The Human Resources & Compensation Committee assists the Board to ensure that Woodside's remuneration arrangements are equitable and consistent with the delivery of superior performance that is aligned to the creation of value for shareholders. To ensure it is fully informed when making remuneration decisions, the committee draws on services from a range of external sources, including remuneration consultants where appropriate.

Woodside's guidelines on the use of remuneration consultants set out requirements to ensure the independence of remuneration consultants from Woodside's management, including the process for the selection of consultants and their terms of engagement. Remuneration

consultants are engaged by, and report directly to, the committee. Further information on the activities of the Human Resources & Compensation Committee in relation to the use of remuneration consultants during 2013 is provided in the Remuneration Report on [page 67](#).

The Chairman, the CEO, the Executive Director and Executive Vice President, Corporate and Commercial and the head of the Human Resources function are regular attendees at the Human Resources & Compensation Committee meetings. The CEO and the Executive Director and Executive Vice President, Corporate and Commercial were not present during any committee or Board agenda item where their remuneration was considered or discussed.

3.5 Sustainability Committee

The role of the Sustainability Committee is to assist the Board to meet its oversight responsibilities in relation to the company's sustainability policies and practices.

i The Sustainability Committee's charter, which sets out further details on the role and duties of the committee, is available in the corporate governance section of Woodside's website.

Members of the Sustainability Committee are identified in [Table 1](#) below which sets out their attendance at meetings.

Key activities undertaken by the Sustainability Committee during the year included:

- review of the Group's environmental, health, safety and process safety performance, incidents and improvement plans;
- consideration of heritage and land access affecting the company and security and emergency management performance;
- review of delivery against Woodside's Reconciliation Action Plan commitments;
- review of community relations activities and social investment themes and planned expenditure;
- reviewing and making recommendations to the Board on amendments to the Environment Policy; and
- approval of the annual Sustainable Development Report.

i Further information on the activities of the Sustainability Committee will be provided in the Sustainable Development Report to be released in March 2014, which will be made available in the sustainable development section of Woodside's website.

Table 1. Directors in office, committee membership and directors' attendance at meetings during 2013.

Director	Board		Audit & Risk Committee		Human Resources & Compensation Committee		Sustainability Committee		Nominations Committee	
(1) (2)	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Executive directors										
P Coleman	6	6		6		7		6		2
R Cole	6	6		6		2		5		2
Non-executive directors ⁽⁴⁾										
M Chaney	6	6		6		7		5	2	2
M Cilento	6	6		3	7	7	6	6	2	2
F Cooper ⁽³⁾	6	6	6	6	7	7		6	2	2
E Fraunschiel ⁽⁴⁾	1	1	1	1			1	1	0	0
C Haynes	6	6	6	6		5	6	6	2	2
A Jamieson	6	6		5	7	7	6	6	2	2
D McEvoy	6	6	6	6		4	6	6	2	2
S Ryan	6	6	6	6		6	6	6	2	2
Legend:	Notes:									
Current Chairman Current member Prior member	(1) 'Held' indicates the number of meetings held during the period of each director's tenure. Where a director is not a member but attended meetings during the period, only the number of meetings attended, rather than held, is shown. (2) 'Attended' indicates the number of meetings attended by each director. (3) Mr Cooper was appointed a director on 1 February 2013. He was appointed Chairman of the Audit & Risk Committee effective 28 February 2013 following Mr Fraunschiel's retirement. (4) Mr Fraunschiel retired with effect on 28 February 2013.									

The Chairman, the CEO, the Executive Director and Executive Vice President, Corporate and Commercial, the head of the Health and Safety function, the head of the Production function and the head of the Environment function are regular attendees at Sustainability Committee meetings.

4 Shareholders

4.1 Shareholder communication

ASXCGC Recommendations 6.1, 6.2

Directors recognise that shareholders, as the ultimate owners of the company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

Woodside's Continuous Disclosure and Market Communications Policy encourages effective communication with the company's shareholders by requiring:

- the disclosure of full and timely information about Woodside's activities in accordance with the disclosure requirements contained in the ASX Listing Rules and the Corporations Act;
- all information released to the market to be placed on Woodside's website promptly following release;
- the company's market announcements to be maintained on Woodside's website for at least three years; and
- that all disclosures, including notices of meetings and other shareholder communications, are drafted clearly and concisely.

i A copy of the Continuous Disclosure and Market Communications Policy is available in the corporate governance section of Woodside's website.

Briefings on the financial results, and other briefings with institutional investors and analysts containing material information not previously released to the market, are webcast and made available on Woodside's website.

Shareholders are notified in advance of the date of investor briefing webcasts. Presentation material from briefings or speeches containing material information not previously released is disclosed to the market via ASX and posted to the website. Transcripts of material briefings are provided to the market via ASX and posted to the website shortly following the briefing.

The company produces a short form annual and half-year shareholder review. The Annual Report, the Sustainable Development Report and the short form shareholder reviews are available on the company's website, or shareholders can elect to receive hard copies. Shareholders can elect to receive email notification when these reports are posted to the website. Shareholders can also receive email notification of Woodside's ASX announcements and media releases.

i Any person wishing to receive email alerts of significant market announcements can subscribe through Woodside's website.

The company recognises the importance of shareholder participation in general meetings and supports and encourages that participation. The company has direct voting arrangements in place, allowing shareholders unable to attend the AGM to vote on resolutions without having to appoint someone else as a proxy. Shareholders are also able to register their voting instructions electronically.

The company's AGM is webcast live and is archived for viewing on Woodside's website. The company also makes available podcasts of the AGM. Copies of the addresses by the Chairman and the CEO are disclosed to the market and posted to the company's website. The outcome of voting on the items of business are disclosed to the market and posted to the company's website after the AGM.

All of Woodside's directors attended the company's 2013 AGM and are expected to attend the 2014 AGM.

The company's external auditor attends the company's AGM to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the company and the independence of the auditor in relation to the conduct of the audit.

4.2 Continuous disclosure and market communications

ASXCGC Recommendations 5.1, 5.2

Woodside is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by Woodside.

A Disclosure Committee manages compliance with market disclosure obligations and is responsible for implementing and monitoring reporting processes and controls and setting guidelines for the release of information. The Disclosure Committee is comprised of senior executives. The Disclosure Committee reports at least annually to the Board on the performance of Woodside's reporting processes and controls. Continuous disclosure matters are considered at each Board meeting.

The Board approves any announcement relating to the annual and half year financial reports and any other information for disclosure to the market that contains or relates to financial projections, statements as to future financial performance or changes to the policy or strategy of the company (taken as a whole).

Woodside's Continuous Disclosure and Market Communications Policy, referred to in **section 4.1**, and associated guidelines reinforce Woodside's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Woodside's guiding principles for market communications. Each Woodside employee is required to ensure potentially price-sensitive information concerning Woodside is assessed with reference to the Continuous Disclosure and Market Communications Policy and associated guidelines as soon as the employee becomes aware of the information.

i A copy of the Continuous Disclosure and Market Communications Policy is available in the corporate governance section of Woodside's website.

5 Promoting responsible and ethical behaviour

5.1 Code of Conduct, Anti Bribery and Corruption Policy (ABC Policy) and Whistleblower Policy

ASXCGC Recommendation 3.1

Woodside has a Code of Conduct and an ABC Policy which outline Woodside's commitment to appropriate and ethical corporate practices.

The Code of Conduct describes Woodside's mission, vision and values and sets out the principles, practices and standards of personal and corporate behaviour Woodside expects in daily business activities. The Code of Conduct and the ABC Policy cover matters such as compliance with laws and regulations,

responsibilities to shareholders and the community, sound employment practices, confidentiality, privacy, conflicts of interest, giving and accepting business courtesies and the protection and proper use of Woodside's assets.

i *The Code of Conduct and the ABC Policy is available in the corporate governance section of Woodside's website.*

All directors, officers and employees are required to comply with the Code of Conduct and the ABC Policy. Managers are expected to take reasonable steps to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Code and the ABC Policy to foster an environment that encourages ethical behaviour and compliance with the Code and the ABC Policy. Directors and employees are required to complete online Code of Conduct training upon appointment and thereafter annually.

Failure to comply with the Code of Conduct and the ABC Policy is a serious breach of Woodside's policy and will be investigated. Breaches may result in disciplinary action ranging from a formal warning through to termination of employment. All breaches are required to be recorded.

i *The Sustainable Development Report, which will be released in March 2014 and made available in the sustainable development section of Woodside's website, provides further information on the Code of Conduct.*

Directors and senior management are required to provide annual certification of their compliance with the Code of Conduct and the Securities Dealing Policy. In addition, all executives and key finance managers complete a questionnaire from the directors on a half-yearly basis which includes questions on compliance by the managers and all employees and contractors within their area of responsibility with the Code of Conduct, the Securities Dealing Policy, the Whistleblower Policy and the Continuous Disclosure and Market Communications Policy. The responses to the questionnaire, together with a report on breaches of the Code of Conduct and matters raised through the Whistleblower helpline (refer below) are considered by the Audit & Risk Committee.

Woodside's Whistleblower Policy documents Woodside's commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

The purpose of the Whistleblower Policy is to:

- help detect and address unacceptable conduct;
- help provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to Woodside;
- provide an external confidential helpline which can be used for reporting unacceptable conduct; and
- help protect people who report unacceptable conduct in good faith.

i *A summary of the Whistleblower Policy is available in the corporate governance section of Woodside's website.*

5.2 Securities ownership and dealing ASXCGC Recommendation 8.4

Woodside's Securities Dealing Policy applies to all directors, employees, contractors, consultants and advisers. This policy provides a brief summary of the law on insider trading and other relevant laws; sets out the restrictions on dealing in securities by people who work for, or are associated with, Woodside; and is intended to assist in maintaining market confidence in the integrity of dealings in the company's securities. The policy is aligned with the ASX Listing Rules on trading policies and associated ASX guidelines.

The policy prohibits directors and employees from dealing in the company's securities when they are in possession of price-sensitive information that is not generally available to the market. It also prohibits dealings by directors and certain restricted employees during "black-out" periods, including during the periods between the end of the financial half-year and the announcement of the half-year results and the end of the financial full-year and the announcement of the full-year results. Directors are required to seek the approval of the Chairman (or in the case of the Chairman, the CEO) before dealing in the company's securities or entering into any financial arrangement by which Woodside securities are used

as collateral. Restricted employees are required to notify their manager and the General Counsel before dealing in the company's securities. In addition, executives reporting directly to the CEO, and the Company Secretaries, have notification requirements in respect of entering into any financial arrangement by which Woodside securities are used as collateral.

The Board has adopted a requirement for non-executive directors to have a minimum holding of 2,000 shares in Woodside. Non-executive directors who have less than the minimum holding are required to direct 25% of their net fees to the purchase of shares in Woodside until the minimum holding requirement is satisfied.

Non-executive directors (other than directors who are both nominated and employed by Shell) are eligible to participate in Woodside's non-executive directors' share plan. Under the plan a proportion of the director's after tax remuneration is applied to the purchase of shares in Woodside. These shares are acquired on market at market value at predetermined intervals.

Any dealing in Woodside securities by directors is notified to the ASX within five business days of the dealing. It is a condition of the Securities Dealing Policy that directors, and executives participating in an equity-based incentive plan, are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any person the risk of any fluctuation in the value of any unvested entitlement in Woodside securities. This prohibition is also contained in the terms of the Executive Incentive Plan.

i *A copy of the Securities Dealing Policy is available in the corporate governance section of Woodside's website.*

5.3 Political donations

Woodside's Code of Conduct prohibits donations to any political party, politician or candidate for public office in any country without prior Board approval. In certain circumstances Woodside representatives may attend a party-political function which charges an attendance fee without Board approval. Attendance at these functions must be approved by the head of the Government Affairs function, and a register of attendances and the cost of attending each function is maintained by Woodside at a corporate level.

6 Risk management and internal control

6.1 Approach to risk management and internal control

ASXCGC Recommendations 7.1, 7.4

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance.

Woodside's Risk Management Policy describes the manner in which Woodside:

- provides a consistent process for the recognition and management of risks across Woodside's business; and
- confers responsibility on Woodside staff at all levels to proactively identify, manage, review and report on risks relating to the objectives those staff are accountable for delivering.

i A copy of the Risk Management Policy is available in the corporate governance section of Woodside's website.

Woodside recognises that risk is inherent to its business and that effective management of risk is vital to delivering on its objectives, success and continued growth. Woodside is committed to managing all risk in a proactive and effective manner. Woodside's approach to risk enhances opportunities, reduces threats and sustains Woodside's competitive advantage.

The Woodside Group operates a standardised enterprise-wide risk management process that provides an over-arching and consistent framework for the identification, assessment, monitoring and management of material business risks. Woodside has a Risk function, separate to Internal Audit, and aligns the company's risk management process with the International Standard for risk management (ISO 31000 Risk Management). Risks are identified, assessed and prioritised using a common methodology. Assessed risk is escalated to increasingly senior levels of management based on corporate materiality thresholds.

6.2 Risk management roles and responsibilities

ASXCGC Recommendations 7.2, 7.4

The Board is responsible for reviewing and approving Woodside's risk management strategy, policy and key risk parameters, including determining the Group's appetite for country risk and major investment decisions.

The Board is also responsible for

satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has delegated oversight of the Risk Management Policy, including review of the effectiveness of Woodside's internal control system and risk management process, to the Audit & Risk Committee.

Management is responsible for promoting and applying the Risk Management Policy. This responsibility involves identifying and assessing business and operational risks, developing and implementing appropriate risk treatment strategies and controls, monitoring the effectiveness of risk controls and reporting on risk management capability and performance. Within each major business and functional area there is a designated senior risk role, with specific responsibilities to ensure appropriate application of Woodside's risk management process and regular risk review and reporting.

The Risk function is responsible for Woodside's risk management process, development of risk management capability, and providing risk management reports to the executive team and the Audit & Risk Committee on the corporate risk profile and the Group's risk management performance.

In 2013, both the Audit & Risk Committee and the Board reviewed the risk profile for the Group and received reports from management on the effectiveness of the Group's management of its material business risks. The reported risks considered Woodside's health and safety, environmental, financial, legal and compliance, social and cultural and reputational exposures.

Internal Audit is responsible for providing an independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control system.

6.3 Internal Audit

Internal Audit is independent of both business management and of the activities it reviews. Internal Audit provides assurance that the design and operation of the Group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the higher risk activities in each business unit or function are targeted by the audit program. All audits are conducted in a manner that conforms to international auditing standards. Internal Audit has all necessary access to management and information and is staffed by

industry professionals including qualified accountants and engineers.

The Audit & Risk Committee oversees and monitors Internal Audit's activities and reviews Internal Audit's performance. It approves the annual audit program and receives reports from Internal Audit concerning the effectiveness of internal control and risk management. The Audit & Risk Committee approves the appointment of the head of Internal Audit. The head of Internal Audit is jointly accountable to the Audit & Risk Committee and the Executive Director and Executive Vice President, Corporate and Commercial. The Committee members have access to Internal Audit without the presence of other management. Internal Audit has unfettered access to the Audit & Risk Committee and its chairman.

Internal Audit and external audit are separate and independent of each other.

6.4 CEO and CFO assurance

ASXCGC Recommendations 7.3, 7.4

The Board receives regular reports on the Group's financial and operational results.

Before the adoption by the Board of the 2013 half-year and full-year financial statements, the Board received written declarations from the CEO and the CFO that the financial records of the company have been properly maintained in accordance with section 286 of the Corporations Act, and the company's financial statements and notes comply with accounting standards and give a true and fair view of the consolidated entity's financial position and performance for the financial period.

The CEO and the CFO have also stated in writing to the Board that the statement relating to the integrity of Woodside's financial statements is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

In addition, all executives and key finance managers complete a questionnaire from the directors on a half-yearly basis. The questions relate to the financial position of the company, market disclosure, the application of company policies and procedures (including the Risk Management Policy), compliance with external obligations and other governance matters. This process assists the CEO and the CFO in making the declarations to the Board referred to above.

7 External auditor relationship

ASXCGC Recommendation 4.4

In accordance with Woodside's External Auditor Policy, the Audit & Risk Committee oversees detailed External Auditor Guidelines covering the terms of engagement of Woodside's external auditor. The guidelines include provisions directed to maintaining the independence of the external auditor and assessing whether the provision of any non-audit services by the external auditor that may be proposed is appropriate. Such provisions are referenced to the Code of Ethics published by the International Federation of Accountants (IFAC).

The External Auditor Guidelines contain a set of controls which address threats to the independence of the external auditor including, in particular, any threat which may arise by reason of self-interest, self-review, advocacy, familiarity or intimidation.

The External Auditor Guidelines classify a range of non-audit services which could potentially be provided by the external auditor as:

- acceptable within limits;
- requiring the approval of the CFO;
- requiring the approval of the Audit & Risk Committee; or
- not acceptable.

The services considered not acceptable for provision by the external auditor include:

- internal audit;
- acquisition accounting due diligence where the external auditor is also the auditor of the other party;
- transactional support for acquisitions or divestments where the external auditor is also the auditor of the other party;
- book-keeping and financial reporting activities to the extent such activities require decision-making ability and/or posting entries to the ledger;
- the design, implementation, operation or supervision of information systems and provision of systems integration services;
- independent expert reports;
- financial risk management; and
- taxation planning and taxation transaction advice.

The External Auditor Guidelines require rotation of the audit partner and audit review partner at least every five years and prohibit the re-involvement of a previous audit partner in the audit service for two years following rotation.

In addition to incorporating safeguards to ensure compliance with sections 324CI and 324CK of the Corporations Act in respect of employment of a former partner of the audit firm or member of the audit team as a director or senior employee of Woodside, the Guidelines also require assessment of the significance of a potential threat to the external auditor's independence before any employment of a former partner or audit team member. Any employment of a member of the audit team or a partner of the audit firm also requires the approval of the Audit & Risk Committee.

i Information on the procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners is available in the corporate governance section of Woodside's website.

8 Diversity

ASXCGC Recommendations 3.2, 3.3, 3.4, 3.5

Woodside recognises that workforce diversity provides a key competitive advantage and our success is a reflection of the quality and skills of our people. To this end Woodside leadership continues to focus on the development of a workplace climate that promotes diversity as a key contributor to our business.

i For further information on our Diversity Policy and Reconciliation Action Plan commitments visit our website.

Woodside's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

Woodside aims to meet its ongoing commitment to diversity by, among other things:

- Respecting the unique attributes that each individual brings to the workplace and fostering an inclusive and supporting culture;
- Providing diversity education and training as well as undertaking diversity initiatives and measuring their effectiveness;
- The Board reviewing Woodside's diversity strategy; and
- The Board annually reviewing the measurable objectives it has set for

achieving improvement in the diversity mix of Woodside and the progress in achieving those objectives.

With the implementation of a new three year Indigenous Employment Strategy in the third quarter of 2013, Woodside aims to increase the number of sponsored Indigenous scholarships and strengthen the transition of Indigenous participants from secondary and tertiary education into Woodside employment. To increase the Indigenous talent pool, the strategy will continue to develop and deliver partnerships with key external stakeholders, including schools, universities and other community organisations.

To support the increase in Indigenous participation, Woodside remains committed to building cultural awareness. In 2013, 305 employees attended cultural awareness training. A total of 1159 employees have attended since 2011 which exceeds our Reconciliation Action Plan aspiration of 750 Woodside employees attending cultural awareness training by 2015.

Woodside continued to undertake initiatives in 2013 aimed at improving gender diversity across the organisation. Key activities carried out to support the 2012-2014 Gender Diversity Strategy included a process review of graduate development which recommended improvements to the program for implementation in 2014. This will enable earlier operational site experience to improve long term development and succession preparedness.

Graduate recruitment process improvements continue to result in positive gender diversity results, with females representing 48% of the overall 2014 graduate intake and 36% of our technical graduate intake.

The annual remuneration review continues to demonstrate effective pay parity for males and females doing similar roles.

Education remains a focus to improve diversity outcomes. In 2013, Woodside's development curriculum was supplemented by two new programs with a diversity focus. The first program, 'Recruitment Selection', is targeted at managers to ensure effective, unbiased recruitment selection decisions are made. Sixty six participants attended the program, which was well received. The second program is a general diversity awareness training program, 'Diversity – we give everyone a fair go' (Equal

Employment Opportunity), and has been completed by 3555 employees.

Community engagement continued in 2013, with Woodside sponsoring university scholarships for talented women, presenting at internal and external forums focused on diversity and continuing support to industry bodies to advocate for and raise the profile of women in the resources sector.

Despite these efforts, females comprise only 27% of our workforce, a slight increase from 26.7% in 2012. In 2013, women held 12.4% of middle and senior management roles, an improvement from approximately 10% in 2012.

The percentage of females leaving the organisation is 9.4%, equal to total turnover.

Woodside remains committed to delivering its Gender Diversity Strategy in 2014, embedding activities from 2012 and 2013. This will be supplemented by providing our talented females with specific targeted development opportunities to continue career progression and conducting a further review of Woodside's processes and progress to inform development of our next three-year Gender Diversity Strategy which will commence in 2015.

2014 measurable objectives

- Achieve gender balance in Woodside's graduate intake;
- Increase the percentage of women in middle and senior management roles;
- Maintain remuneration equity between men and women;

- Maintain middle and senior female turnover that is equal to or less than total middle and senior management turnover;
- Maintain overall female turnover that is equal to or less than organisational turnover;
- Increase the overall percentage of females employed by Woodside; and
- Deliver diversity development programs, including Equal Employment Opportunity (EEO) training, selection and promotion and Leading Diverse Teams programs.

Woodside will report on progress against these objectives in its 2014 Annual Report.

2013 measurable objectives

Progress

Achieve gender balance in Woodside's graduate intake	Of the 2014 graduate intake in total 48% were female with 36% of our technical intake being female.
Increase the percentage of women in senior management roles	Middle and senior female representation increased from 10.3% in 2012 to 12.4% in 2013.
Maintain remuneration equity between men and women in the same role at the same level	The annual remuneration review process continued to demonstrate that effective remuneration parity exists between men and women in the same role.
Achieve female senior management turnover that is equal to or less than total senior management turnover	A significant reduction in middle and senior female voluntary turnover with an actual result of 2.5% (Australian) which is significantly below total middle and senior management turnover of 10.3% (Australian).
Achieve overall female turnover that is equal to or less than organisational turnover	Overall female voluntary turnover has increased from 8.5% in 2012 to 9.4% in 2013, the same as the total organisational voluntary turnover.
Increase the overall percentage of females employed by Woodside	Gender representation has increased slightly with females representing 27% of Woodside's workforce, from 26.7% in 2012.
Deliver Diversity development programs, including Equal Employment Opportunity training, recruitment and promotion training and 'Leading Diverse Teams' programs.	'Recruitment Selection' training was conducted throughout 2013 with 66 managers attending. 'Diversity – we give everyone a fair go' (Equal Employment Opportunity) program was provided online through 2013 and completed by 3561 employees. 'Leading Diverse Teams' workshops were attended by 42 managers.

i Further information regarding Woodside's commitment to diversity will be available in Woodside's 2013 Sustainable Development Report which will be released in March 2014 and made available in the sustainable development section of Woodside's website.

Table 2 – Woodside workforce gender profile

	Female	Female %	Male	Male %
Administration	221	66.6	111	33.4
Technical	359	24.9	1,085	75.1
Supervisory/Professional	388	27.2	1,040	72.8
Middle Management	80	12.5	560	87.5
Senior Management	5	11.1	40	88.9
Total	1,053	27.1	2,836	72.9
Board Members	2	22.2	7	77.8

9 ASX Corporate Governance Council recommendations checklist

This table cross-references the ASXCGC Recommendations to the relevant sections of the Corporate Governance Statement and the Remuneration Report.

	ASX Corporate Governance Council recommendations	Reference	Comply
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2.1	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Remuneration Report	✓
1.3	Companies should provide the information indicated in Guide to Reporting on Principle 1.	2.1, 2.9, Remuneration Report	✓
Principle 2: Structure the board to add value			
2.1	A majority of the board should be independent directors.	2.2, 2.4	✓
2.2	The chair should be an independent director.	2.2, 2.3	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2.2, 2.3	✓
2.4	The board should establish a nomination committee.	3.1, 3.3	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	2.9	✓
2.6	Companies should provide the information indicated in Guide to Reporting on Principle 2.	2.2, 2.4, 2.6, 2.7, 2.9, 2.10, 3.1, 3.3	✓
Principle 3: Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or summary of the code as to: - the practices necessary to maintain confidence in the company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1	✓
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	8	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	8	✓
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	8	✓
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	8	✓
Principle 4: Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	3.1, 3.2	✓
4.2	The audit committee should be structured so that it: - consists only of non-executive directors - consists of a majority of independent directors - is chaired by an independent chair, who is not chair of the board - has at least three members.	3.1, 3.2	✓
4.3	The audit committee should have a formal charter.	3.1, 3.2	✓
4.4	Companies should provide the information indicated in Guide to Reporting on Principle 4.	3.1, 3.2, 7	✓
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	4.2	✓
5.2	Companies should provide the information indicated in Guide to Reporting on Principle 5.	4.2	✓
Principle 6: Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	4.1	✓
6.2	Companies should provide the information indicated in Guide to Reporting on Principle 6.	4.1	✓
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6.1	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6.2	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6.4	✓
7.4	Companies should provide the information indicated in Guide to Reporting on Principle 7.	6.1, 6.2, 6.4	✓
Principle 8: Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	3.1, 3.4	✓
8.2	The remuneration committee should be structured so that it: - consists of a majority of independent directors - is chaired by an independent chair - has at least three members.	3.1, 3.4	✓
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration Report	✓
8.4	Companies should provide the information indicated in Guide to Reporting on Principle 8.	3.1, 3.4, 5.2	✓

DIRECTORS' REPORT (INCLUDING REMUNERATION REPORT)

The directors of Woodside Petroleum Ltd present their report (including the Remuneration Report) together with the Financial Report of the consolidated entity, being Woodside Petroleum Ltd and its controlled entities, for the year ended 31 December 2013.

Directors

The directors of Woodside Petroleum Ltd in office at any time during or since the end of the 2013 financial year and information on the directors (including qualifications and experience and directorships of listed companies held by the directors at anytime in the last three years), is set out on *pages 44 and 45*.

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 1* on *page 53*.

Details of director and senior executive remuneration is set out in the Remuneration Report on *pages 61 to 73*.

The particulars of directors' interests in shares of the company as at the date of this report are set out on *page 74*.

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 US\$1,749 million (US\$2,983 million in 2012).

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 to 43*.

Significant changes in state of affairs

The review of operations (*pages 1 to 43*) sets out a number of matters which 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

Dividends

Since the reporting date, the directors have declared a fully franked dividend of US103 cents (2012: US65 cents), payable on 26 March 2014. The amount of this dividend will be US\$849 million (2012: US\$536 million). 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.

Leviathan Memorandum of Understanding (MoU)

In 2014 Woodside announced it had entered an MoU with the Leviathan Joint Venture participants, building on the earlier in-principle agreement

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.

i Details of Woodside's environmental performance is provided on *page 31*.

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

Woodside did not incur any environmental fines or penalties during 2013.

Dividends

The directors have declared a final dividend out of profits of the company in respect of the year ended 31 December 2013 of US103 cents per ordinary share (fully franked) payable on 26 March 2014.

A fully franked final dividend of US65 cents per ordinary share was paid to shareholders on 3 April 2013 in respect of the year ended 31 December 2012. Together with the fully franked special dividend of US63 cents per share paid to shareholders on 29 May 2013 and the fully franked interim dividend of US83 cents per share paid to shareholders on 25 September 2013, the total dividend paid during the 2013 year was US211 cents per share fully franked.

Woodside's dividend reinvestment plan remained suspended during the year.

Company secretaries

The following individuals have acted as company secretary during 2013:

Michael Abbott

*BJuris LLB, BA, MBA (UWA)
General Counsel and
Joint Company Secretary*

Mr Abbott joined Woodside in 2007 and was appointed to the role of General Counsel effective 23 February 2012. He was appointed Joint Company Secretary effective 3 May 2012. Mr Abbott holds Bachelor of Laws and Bachelor of Arts degrees and a Masters of Business Administration.

Warren Baillie

*LLB, BCom, Grad. Dip. CSP
Company Secretary*

Warren Baillie joined Woodside in 2005 and was appointed Company Secretary effective 1 February 2012. Mr Baillie holds Bachelor of Laws and Bachelor of Commerce degrees and is a solicitor and chartered secretary. He is a member of the National Board and WA State Council of the Governance Institute of Australia.

REMUNERATION REPORT (AUDITED)

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Overview

Woodside's remuneration philosophy is based on providing competitive rewards that attract, retain and motivate the highest calibre people to deliver superior performance that is aligned with the creation of value for shareholders. To achieve this Woodside ensures that the level and composition of remuneration is sufficient and reasonable; there is a clear relationship between Woodside and individual performance and remuneration; and the remuneration policy is openly communicated.

The Human Resources & Compensation Committee (Committee) assists the Board in creating a strong linkage between executive remuneration and Woodside's performance and the details of these linkages are provided in the following sections.

Woodside's 2013 AGM was held on 24 April. The Remuneration Report for 2012 was adopted at the AGM with a clear majority of 470,742,153 votes in favour of the motion (representing 95.21% of the votes received).

Executive incentive arrangements

The Company's executive incentive arrangements are designed to ensure ongoing alignment with Woodside's strategic direction and values. Since 2012, the key terms of the executive incentive arrangements are:

- A short-term award (STA) delivered two thirds cash and one third as deferred equity in the form of ordinary fully paid Woodside Shares allocated subject to a three year service condition (Restricted Shares).
- A long-term award (LTA) granted in the form of variable pay rights (VPRs), the vesting of which is linked to service and relative total shareholder return (RTSR):
 - the VPRs are divided into two tranches, each of which is subject to separate RTSR performance hurdles; one tranche with a weighting of 33% tested against top 50 ASX-listed companies, and a second tranche with a weighting of 67% tested against an oil and gas peer group of 18 companies;
 - VPRs are subject to a four or five year testing period; and
 - executives only benefit from retesting in the fifth year if the company's relative performance exceeds the 50th percentile threshold and achieves a superior RTSR ranking at the second test date.

i Details of the executive incentive arrangements are provided on 63 to 65 of this report.

KMP remuneration outcomes for 2013

Performance outcomes for 2013 for the Chief Executive Officer and the broad executive group, including Key Management Personnel (KMP), were as follows:

- the value of the STA scorecard for 2013 was 0.8 out of a maximum possible result of 2;
- the total potential amount of the STA pool for 2013 ranged from a minimum of A\$ nil to a maximum of A\$36,020,407. The actual STA pool for 2013 was A\$14,408,163 for 104 participants including the Chief Executive Officer and the Executive Director and Executive Vice President Corporate and Commercial;
- one third of the STA for the 2013 performance year for current executives (A\$4,802,721) will be deferred as an equity award, the vesting of which is dependent on three years continuous service; and
- a LTA in respect of the 2013 performance year will be allocated in February 2014 to eligible participants.

Vested Awards during 2013:

- time-tested VPRs that were allocated in 2010 as deferred STA in respect of the 2009 performance year vested during 2013; and
- the LTA awarded in 2010 was subject to performance testing during 2013 and failed to reach the vesting hurdle. As such this award will be subject to a second performance test in 2014.

In 2013, Woodside also made awards of equity rights (ERs) under the Woodside Equity Plan to KMP, excluding the Chief Executive Officer, the Executive Director and Executive Vice President Corporate and Commercial and the non-executive directors. Each ER entitles the participant to receive a Woodside share on the vesting date three years after the effective grant date.

There were no individual retention arrangements for KMP entered into or vested in 2013.

Executive remuneration and company performance

Whilst there are a number of internal and external factors relevant to Woodside's performance, the Board believes Woodside's performance is also attributable to the ability to motivate and retain its executives and, thus, the effectiveness of its remuneration policies. **Table 1** shows the key financial measures of company performance over the past five years.

Non-executive directors

The total fees paid to the Chairman and the non-executive directors on the Board (including fees paid for their involvement on Board committees) are kept within the total approved by shareholders. The Board determined that no increase would be made to non-executive director fees in 2013. Non-executive directors do not receive performance payments.

Table 1 - Woodside five year performance

Year Ended 31 December		2013	2012	2011	2010	2009 ⁽⁴⁾
Net Profit After Tax	(US\$ million)	1,749	2,983	1,507	1,575	1,474
Earnings Per Share ⁽¹⁾	(US cents)	213	366	190	204	210
Dividends Per Share	(US cents)	249	130	110	105	95
Production	(MMboe)	87.0	84.9	64.6	72.7	80.9
Share closing price (last trading day of the year)	(A\$)	38.90	33.88	30.62	42.56	47.20
5 Year rolling TSR ⁽²⁾	(%)	12.59	(0.33)	4.58	12.11	26.44
Relative TSR ⁽³⁾	(1 year)	4th Quartile	2nd Quartile	4th Quartile	4th Quartile	1st Quartile

(1) Basic and diluted earnings per share from total operations.

(2) This calculation is annualised and measured in US dollars.

(3) As discussed under the STA component of EIP on page 64.

(4) Amounts were translated to US dollars using monthly average exchange rates. The share closing price (last trading day) for 2008 was \$36.70.

Executive directors

P Coleman (Managing Director and Chief Executive Officer) (CEO)
R Cole (Executive Director and Executive Vice President, Corporate and Commercial)

Senior executives

F Ahmed (Executive Vice President Technology)⁽¹⁾
R Edwardes (Executive Vice President Development)
S Gregory (Senior Vice President Health, Safety, Environment & Technology)⁽²⁾
P Loader (Executive Vice President Global Exploration)⁽³⁾
P Moore (Executive Vice President Exploration)⁽⁴⁾
G Roder (Executive Vice President Corporate Strategy & Planning)
V Santostefano (Chief Operations Officer)⁽⁵⁾
L Tremaine (Executive Vice President and Chief Financial Officer)
M Utsler (Chief Operations Officer)⁽⁶⁾

(1) On 31 July 2013 Mr Ahmed departed from Woodside.

(2) Effective 1 July 2013 Mr Gregory was appointed to the position of Senior Vice President Health, Safety, Environment & Technology. He previously held the position of Vice President Global New Ventures.

(3) On 1 July 2013 Mr Loader joined Woodside and became KMP.

(4) On 1 August 2013 Mr Moore departed from Woodside.

(5) Mr Santostefano ceased to be a KMP on 30 November 2013 and will leave employment with Woodside on 30 June 2014.

(6) On 2 December 2013 Mr Utsler joined Woodside and became KMP.

(7) Effective 1 February 2013 Mr Cooper was appointed a non-executive director of Woodside.

(8) Effective 28 February 2013 Mr Fraunschiel retired as a non-executive director of Woodside.

Non-executive directors

M A Chaney (Chairman)
M A Cilento
F Cooper⁽⁷⁾
E Fraunschiel⁽⁸⁾
C M Haynes
A Jamieson
D I McEvoy
S Ryan

Executive remuneration

Remuneration Policy

Woodside's Remuneration Policy aims to reward executives fairly and responsibly in accordance with the regional (and in some instances, international) market and ensure that Woodside:

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- sets demanding levels of performance which are clearly linked to an executive's remuneration;
- structures remuneration at a level that reflects the executive's duties and accountabilities;
- benchmarks remuneration against appropriate comparator groups;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

Executive remuneration is reviewed annually having regard to individual and business performance and relevant comparative information.

Executive remuneration structure

Woodside's remuneration structure for executives, including KMP, has several components:

- fixed remuneration - the 'not at risk' component which includes base salary, superannuation contribution and other allowances such as motor vehicle and health insurance. Fixed remuneration is determined on the basis of the scope of the executive's role and the individual level of knowledge, skill and experience;
- Variable Annual Reward (VAR) – the 'at risk' component (related to performance) which comprises:
 - Short-term award (detailed on [page 64](#));
 - Long-term award (detailed on [page 64](#));
- participation in general employee share plans (other than executive directors); and
- participation in retention plans from time to time.

Proportion of remuneration at risk

The target allocation of remuneration between fixed remuneration and VAR for Woodside's executives is shown in **Table 2** on this page. The actual percentages received will vary from year to year for each executive depending on performance outcomes. Participation in retention plans and participation in general employee share plans is not taken into account for the calculation of the percentages shown in the table.

Table 2 - Allocation of executive remuneration between fixed and variable annual reward

Position	Not at risk Fixed Annual Reward	At risk	
		Variable Annual Reward STA	LTA
CEO	30%	30%	40%
Executives	45%-50%	30%-33%	20%-22%

Executive Incentive Plan

In 2012 the Committee undertook a review of the approach, framework and structure of the executive incentive arrangements. These changes were implemented with effect from the 2012 performance year onwards.

The short-term and long-term awards which are described in more detail below are delivered through the Executive Incentive Plan (EIP) (except for 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.

Under the EIP executives may receive a VAR which is based on a percentage of an executive's fixed remuneration. This percentage is determined by the Board with reference to market comparator data and the scope of the executive's role.

VAR has two elements:

1. the STA (which links remuneration to short-term performance) which is delivered two thirds in cash and one third as a deferred equity award (the vesting of which is dependent on three years continuous service); and
2. the LTA (which links remuneration to long-term performance) which is delivered as a grant of variable pay rights, the vesting of which is dependent on service and total shareholder return on Woodside shares relative to two identified peer groups (RTSR-tested VPRs).

Short-term award

The STA is determined by reference to both individual performance and a company scorecard which is set and approved annually by the Board (Scorecard).

The Scorecard for 2013 was based on four equally weighted measures:

- safety and environmental component, based on two equally weighted performance measures: process safety events (PSEs) including process safety related environmental events; and total recordable injury rate (TRIR);
- production;
- operating expenditure; and
- Woodside's one year total return to shareholders, ranked against an international peer group (STA Peer Group, see **Table 8** on **page 69**). Total return to shareholders is the growth in the value of shares over the performance year, plus the value of dividends, other distributions paid out over that year (assuming that dividends and other distributions are reinvested in shares on the payment date) and pro rata buybacks (using Australian dollars as a common currency).

The measures for the Scorecard were chosen because of the impact they have on shareholder value. The specific measurable targets related to each performance measure are approved by the Board at the commencement of the performance year. The targets are set to support performance in the current year, having regard for the prior year's performance, industry standards and Woodside's mission to deliver superior shareholder returns.

At the conclusion of the performance year the Board assesses the company's performance having regard to these Scorecard measures and the targets set.

For the 2013 performance year, the Board determined a Scorecard outcome of 0.8 out of a maximum of two. In summary, for 2013:

- Woodside exceeded its target TRIR performance; however, PSEs were below target;
- record annual production of 87 million barrels of oil equivalent was achieved; however, this was below the target set in the Scorecard;
- performance on operating cost was below target; and
- Woodside achieved 14th place in the STA peer group of 18.

The total STA available for all participating executives is pooled in each pool group by adding the target STA value for each individual within the pool(s). The Scorecard outcome (with a possible value of between zero and two) is used as a multiple to adjust the value of the pool(s). The adjusted pool(s) are allocated among the executives in that pool group based on their individual performance relative to other executives in that pool. Therefore the potential value of the STA for an individual executive is in part dependent on the performance rating of the other executives in the pool.

An executive's performance during the year is assessed against their individual performance agreement, which is set at the start of each year and includes key performance indicators (KPIs) relevant to the executive's areas of responsibility. KPIs may include the following:

- health and safety (e.g. total recordable case frequency, high potential incident frequency);
- environment (e.g. greenhouse gas emissions, flared gas);
- human resources (e.g. voluntary turnover);

- financial (e.g. revenue, operating costs, earnings before interest and tax, return on average capital employed, production costs, drilling costs); and
- operational (e.g. production volumes, project progress).

These KPIs are chosen because they align individual performance with the achievement of Woodside's business plan and objectives.

Each executive receives a performance rating based upon the assessment of their performance and demonstrated values and behaviour. This assessment is conducted by the CEO and approved by the Committee. This rating is then used to determine the STA (if any).

The STA for a performance year is delivered two thirds in cash, and one third deferred and made as an award of Restricted Shares subject to a three year deferral period (vesting period). As KPIs must be satisfied before an executive can receive a grant of Restricted Shares, the Board considers it reasonable for the executives to earn dividends on the Restricted Shares during the deferral period. The deferred portion of STA made in respect of performance years 2009 to 2011 were delivered in the form of Time-tested VPRs.

Generally, vesting of the deferred STA is subject to the executive's employment not being terminated with cause, or by resignation, for three years after allocation. The deferred STA may vest prior to the expiry of the three years upon a change of control event, or on the death or total and permanent disablement of the executive. Deferred STA granted will also generally vest upon redundancy, retirement or the cessation of a fixed term employment contract with effect from a date determined by the Board.

There are no further performance conditions for vesting of deferred STA.

A summary of the terms of unvested deferred STA awarded to KMP is provided in **Table 10** on **page 70**. Details of Restricted Shares awarded to KMP are provided in **Table 12** on **page 71**. Details of Time-tested VPRs awarded for previous performance periods are provided in **Table 11** on **page 70**.

Long-term award (LTA)

The LTA for the 2013 performance year is granted in the form of VPRs, the vesting of which is linked to service and total shareholder return. A VPR is a right to receive a fully paid ordinary share in Woodside, subject to satisfaction of vesting conditions. The number of VPRs awarded under the EIP for long-term award purposes for the 2013 performance year is calculated by dividing the value of the award by the fair value of a VPR (as calculated in accordance with the relevant accounting standards).

The RTSR-tested VPRs are divided into two tranches with each tranche subject to a separate RTSR performance hurdle tested over a four or five year period.

One tranche, weighted at 33%, will be tested against a comparator group that comprises the entities within the S&P/ASX 50 index at 1 December 2013. The other tranche, weighted at 67%, will be tested against an international group of oil and gas companies. The oil and gas companies used for the 2012 and 2013 performance years are set out in **Table 8** on **page 69**.

The LTA has been designed to align the company strategy with executive performance. RTSR was chosen as the LTA performance measure in order to ensure that Woodside's executives' remuneration is aligned with the company's performance in relation to the performance of peer companies.

The RTSR in respect of Woodside and both peer groups is calculated by an external advisor in accordance with the EIP rules on the fourth anniversary of the allocation of these RTSR-tested VPRs. The outcome of the test is measured against the schedule shown in **Table 5** on **page 69**. Any RTSR-tested VPRs which do not vest at this time are subject to a second RTSR test on the fifth anniversary of the allocation date, but further vesting in accordance with the schedule will only occur if Woodside equals or exceeds the 50th percentile threshold and achieves a superior RTSR ranking at the second test date compared to that achieved on the first test date. Any RTSR-tested VPRs that do not vest on the fifth anniversary lapse.

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

RTSR-tested 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 retirement, redundancy or the cessation of a fixed term employment contract of a participant RTSR-tested VPRs continue in the plan and remain subject to the normal performance measures.

A summary of the terms and conditions of unvested RTSR-tested VPRs under each award made to executives under the EIP is provided in **Table 9** on **page 70**. A summary of KMP executives' interests in RTSR-tested VPRs is provided in **Table 13** on **page 72**.

Long-term awards 2009 – 2011

The LTA for the performance years 2009 to 2011 inclusive was granted in the form of VPRs, the vesting of which is linked to service and total shareholder return.

The vesting of the 2009 to 2011 RTSR-tested VPRs is conditional on a satisfactory ranking of Woodside's RTSR, as calculated under the EIP rules, over a three or four year period in comparison with an international peer group. The international oil and gas LTA Peer Group for the grant of RTSR-tested VPRs for the performance years 2009 to 2011 is set out in **Table 7** on **page 69**.

The RTSR in respect of Woodside and the peer group is calculated by an external advisor in accordance with the EIP rules on the third anniversary of the allocation of these RTSR-tested VPRs. The outcome of the test is measured against the schedule shown in **Table 6** on **page 69**. If no RTSR-tested VPRs vest at the first test then the award is subject to a second RTSR test on the fourth anniversary of the allocation date. Any RTSR-tested VPRs that do not vest on the fourth anniversary lapse.

The treatment of the 2009 to 2011 RTSR-tested VPRs on termination of employment, death or total and permanent disablement, and change of control, is as outlined above.

Variable pay rights

The Board has the discretion to satisfy VPRs that vest in cash rather than shares (although participants in the EIP cannot elect to receive one or the other).

The shares used to satisfy vested VPRs may be acquired through on market purchase, or in the case of VPRs allocated from 2012 onwards, by on market purchase or subscription. If the Board exercises its discretion to satisfy vested VPRs in cash, the cash amount will be based on the market value of a Woodside share at the vesting date calculated by reference to the Volume Weighted Average Price (VWAP) of Woodside shares in the five trading days prior to the vesting date. No amount is payable by the recipient executive on the grant or vesting of a VPR.

CEO remuneration

Mr Coleman's remuneration is governed by his contract of employment which, in summary, for 2013 is comprised of:

- 30% fixed remuneration;
- 30% short-term award component; and
- 40% long-term award component.

Short-term award

The grant of an STA to the CEO is determined by the Scorecard and individual performance as determined by the Board. The Scorecard and performance against the Scorecard measures is described on **page 64** of this report under the section related to executive Short-term award.

Each year the Board determines and documents the factors which will be used to assess the annual performance of the CEO. The individual performance of the CEO is reviewed by the Board against the following factors which were chosen because of their impact on shareholder value:

- setting and pursuing the growth agenda;
- achieving effective execution;
- building enterprise and organisational capacity;
- enhancing culture and reputation; and
- ensuring shareholder focus.

At the completion of the performance year each non-executive director contributes to the documented review of the CEO's performance for that year.

The STA for the CEO is calculated by multiplying the CEO's fixed remuneration by the Scorecard multiple and the CEO's individual performance factor.

STA is allocated as two-thirds cash and one-third Restricted Shares. Restricted Shares have the same terms and conditions as those awarded to other executives under the EIP as described on **page 64**.

Long-term award

The LTA entitlement for the 2013 performance year will be allocated in February 2014 and will be subject to RTSR testing in February 2018. The vesting conditions for the LTA allocation reflect those contained in the EIP as outlined on **page 64** and summarised in **Table 9** on **page 70** in respect of the 2013 EIP allocation.

A summary of the CEO's equity awards is provided in **Tables 11** to **13** on **page 72**.

Sign-on bonus

In the year when he commenced as CEO, Mr Coleman was awarded a one-off sign on incentive with a grant date of 30 May 2011 to recognise certain rights he was giving up with his former employer. Woodside acquired 66,004 Woodside shares on trust for Mr Coleman. The sign on award was structured such that one third of these shares vest on each anniversary after the date of his appointment. In accordance with the award rules the second tranche of one third of the shares vested on 30 May 2013 being the second anniversary of Mr Coleman's employment. The fair value of each of the shares awarded was US\$49.19. Any unvested entitlements will be forfeited if Mr Coleman's employment is terminated for cause or by his resignation. There are no performance conditions attached to this award.

Woodside Equity Plan

Woodside has a history of providing employees with the opportunity to participate in ownership of shares in the Company. This has supported staff retention and alignment of employees with shareholder interests. As part of the strategy to

attract, retain and motivate employees, the Board approved the introduction from November 2011 of a broad-based, long-term equity plan called the Woodside Equity Plan (WEP) to recognise and reward the commitment of eligible employees.

The WEP is available to all Australian based permanent employees including executives, other than the CEO and any executive director. 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 calculated with reference to salary and performance as assessed under the performance review process as described on **page 64** under the heading Short-term award. There are no further ongoing performance conditions upon allocation of each individual's ERs. The linking of performance to an allocation allows Woodside to recognise and reward eligible employees for high performance. Participants do not make any payment in respect of the ERs at grant nor at vesting.

Eligible participants receive an allocation of ERs. Each ER entitles the participant to receive a Woodside share on the vesting date three years after the effective date. ERs 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 medical 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.

Participants in the WEP cannot dispose of or otherwise deal with an ER and do not receive any dividends or have voting rights in respect of an ER. Allocations of ERs to participants will be adjusted in the event of Woodside making a bonus issue of shares or upon reconstruction of the Company's share capital.

Table 14 on **page 73** provides a summary of KMP executives' interests in ERs under the WEP.

Contracts for KMP executives

All KMP have a contract of employment. **Table 3** below contains a summary of the key contractual provisions of the contracts of employment for the KMP executives.

Termination provisions

Under each executive contract of employment Woodside may choose to terminate the contract immediately by making a

payment equal to the 'Company Notice Period' of Fixed Annual Reward in lieu of notice as shown in **Table 3** below. Since 2009 new executive contracts ensure that any payments made in the event of a company-initiated termination of an executive contract would be consistent with the *Corporations Amendment (Improving Accountability on Termination Payments) Act 2009*.

Non-executive directors

Remuneration Policy

Woodside's Remuneration Policy for non-executive directors (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; and
- the responsibilities and work requirements of Board members.

Fees paid to NEDs are recommended by the Human Resources & Compensation Committee based on advice from external remuneration consultants, and determined by the Board, subject to an aggregate limit of A\$3 million per financial year, approved by shareholders at the 2007 Annual General Meeting (AGM).

The Board determined that no increases would be made to NED fees in 2013.

The Woodside Petroleum Ltd shareholding guideline for NEDs requires NEDs to hold a minimum holding of 2,000 Woodside Petroleum Ltd shares and NEDs who have less than the minimum holding are required to direct 25% of net (after tax) fees to the purchase of Woodside shares until the minimum holding requirement is satisfied. 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.

Remuneration structure

Non-executive director remuneration consists of base fees, committee fees, other payments for additional services outside the scope of Board and committee duties, and statutory superannuation contributions or payments in lieu (currently 9.25%). Non-executive directors do not earn retirement benefits other than superannuation and are not entitled to any form of performance-linked remuneration.

Table 3 - Summary of contractual provisions for KMP executives

Name	Employing company	Contract duration	Termination notice period company ⁽¹⁾⁽²⁾	Termination notice period executive
P Coleman	Woodside Petroleum Ltd	Unlimited	12 months	6 months
F Ahmed ⁽³⁾	Woodside Energy Ltd	Fixed Term Contract until 13 February 2015	12 months	6 months
R Cole	Woodside Energy Ltd	Unlimited	12 months	6 months
R Edwardes	Woodside Energy Ltd	Fixed Term Contract until 6 May 2015	6 months	6 months
S Gregory	Woodside Energy Ltd	Unlimited	12 months	6 months
P Loader	Woodside Energy Ltd	Fixed Term Contract until 1 July 2018	6 months	6 months
P Moore ⁽⁴⁾	Woodside Energy Ltd	Unlimited	12 months	6 months
G Roder	Woodside Energy Ltd	Fixed Term Contract until 31 August 2017	6 months	6 months
V Santostefano ⁽⁵⁾	Woodside Energy Ltd	Unlimited	12 months	6 months
L Tremaine	Woodside Energy Ltd	Unlimited	12 months	6 months
M Utsler ⁽⁶⁾	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 equal to the 'Company Notice Period' fixed remuneration in lieu of notice. In the event of termination for serious misconduct or other nominated circumstances, executives are not entitled to this termination payment.

(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.

(3) Mr Ahmed departed Woodside on 31 July 2013.

(4) Mr Moore departed Woodside on 1 August 2013.

(5) Mr Santostefano ceased to be a KMP on 30 November 2013 and will leave employment with Woodside on 30 June 2014.

(6) In 2013 the Board approved changes to the termination provisions for new executive contracts and reduced the notice period to be provided by executives from 6 months to 3 months. Mr Utsler is the first new KMP with the new notice provisions.

Table 15 on *page 73* 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. Non-executive directors are not entitled to compensation on termination of their directorships.

Board fees are not paid to the CEO or other executive directors, 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 2013 is set out in *Table 16* on *page 73*.

Human Resources & Compensation Committee

The Human Resources & Compensation Committee (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 the Corporate Governance Statement set out in this Annual Report at *pages 52* and *53*.

Securities Dealing Policy

Woodside's Securities Dealing Policy prohibits executives who participate in an equity-based plan from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in Woodside securities. Directors proposing to enter into arrangements to limit the economic risk of a vested holding in Woodside securities must obtain the approval of the Chairman (or, where the notifying director is the Chairman, the CEO) prior to entering into the arrangement and immediately provide details of the arrangements entered into. Executives who report directly to the CEO and the Company Secretary/ies must submit a completed compliance certificate in respect of arrangements to limit the economic risk of a vested holding in Woodside securities to their direct manager and then to the General Counsel for acknowledgement. Adherence to this policy by executives is monitored by six monthly directors' questionnaires to management. Further information on Woodside's Securities Dealing Policy is provided in *section 5.2* of the Corporate Governance Statement on *page 55*. In addition to the restrictions imposed under the Securities Dealing Policy, KMP are prohibited by law from hedging any of their unvested entitlements or any of their vested entitlements that remain subject to a holding lock.

Use of remuneration consultants

The Committee directly engages independent external advisors to provide input to the process of reviewing NED, executive director and executive remuneration. The Committee receives executive remuneration recommendations directly from external independent remuneration consultants. The table below shows the fees payable to independent external remuneration consultants during 2013.

Under communications and engagement protocols adopted by the Company, the market data reports and the recommendations were provided directly to the Committee chairman, 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 Mercer Consulting and Egan Associates were free from undue influence by KMP.

Woodside's superannuation arrangements for all participating employees are provided through Woodside's participation in the Mercer Master Trust. In addition to the fees paid by Woodside to Mercer Consulting outlined in the table below, a further A\$51,687 was paid directly by Woodside to Mercer Consulting in respect of these services. No other fees were paid to Mercer Consulting or Egan Associates during 2013.

2013 remuneration consultant fees

Remuneration consultant	Services provided	Fees
Mercer Consulting	Market data and remuneration recommendations (NED fees)	A\$24,412
Egan Associates	Market data and remuneration recommendations (2014 CEO remuneration)	A\$35,063

Reporting notes

Reporting in United States dollars

In this report the remuneration and benefits reported have been presented in US dollars. This is consistent with the change in functional currency of the Company from Australian dollars to US dollars from 1 January 2010.

Compensation for Australian-based employees 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.

Table 4 - Compensation of KMP executives for the year ended 31 December 2013 and 2012

		Fixed Annual Reward			Variable Annual Reward					
		Short Term		Post employment	Short Term	Share based payments				
Executives	Year	Salaries, fees & allowances	Benefits & allowances (inc non-monetary) ⁽¹⁾	Company contributions to superannuation	Short-term award (cash) ⁽²⁾	Share Plans ⁽³⁾	Long service leave	Termination benefits	Total remuneration	Performance related
		\$	\$	\$	\$	\$	\$	\$	\$	%
P Coleman, Chief Executive Officer ⁽⁴⁾	2013	2,227,583	194,687	16,516	1,456,904	2,579,669	75,147		6,550,506	62
	2012	2,255,383	84,745	16,693	2,380,590	2,559,787	71,777		7,368,975	67
F Ahmed, Executive Vice President Technology ⁽⁵⁾⁽⁶⁾	2013	597,749	279,256			765,099	(141,452)	890,113	2,390,765	32
	2012	658,746	275,676		280,857	(139,313)	84,021		1,159,987	12
R Cole, Executive Director and Executive Vice President Corporate and Commercial	2013	854,144	40,203	17,362	375,466	441,858	54,793		1,783,826	46
	2012	825,899	27,609	38,722	556,487	439,589	100,099		1,988,405	50
R Edwardes, Executive Vice President Development ⁽⁷⁾	2013	807,319	71,936	16,516	371,151	368,746	25,602		1,661,270	45
	2012	509,534	366,898	36,714	330,317	75,884	15,334		1,334,681	30
S Gregory, Senior Vice President Health, Safety, Environment & Technology ⁽⁸⁾	2013	213,922	16,551	7,949	179,149	161,602	80,014		659,187	52
	2012									
P Loader, Executive Vice President Global Exploration ^(5,9)	2013	402,476	24,369	921	101,260	24,028	9,432		562,486	22
	2012									
P Moore, Executive Vice President Exploration ⁽¹⁰⁾	2013	235,960	37,897	51,840		524,353	(127,990)	436,787	1,158,847	45
	2012	405,206	62,241	88,927	181,211	245,583	41,921		1,025,089	42
G Roder, Executive Vice President Corporate Strategy and Planning ⁽¹¹⁾	2013	797,230	10,845	75,722	336,625	173,707	22,637		1,416,766	36
	2012	738,321	48,779	59,761	270,387	48,785	7,576		1,173,609	27
V Santostefano, Chief Operations Officer ⁽¹²⁾	2013	593,284	35,420	122,308	267,259	1,178,326	(82,019)	923,504	3,038,082	48
	2012	631,571	19,827	129,549	616,037	389,325	71,745		1,858,054	54
L Tremaine, Executive Vice President and Chief Financial Officer	2013	720,197	35,137	10,996	310,731	363,868	68,804		1,509,733	45
	2012	593,264	21,657	24,969	489,505	291,218	57,645		1,478,258	53
M Utsler, Chief Operations Officer ⁽¹³⁾	2013	130,274	2,069	7,232	21,967	966	2,007		164,515	14
	2012									
L Della Martina, Executive Vice President Pluto ⁽¹⁴⁾	2013									
	2012	173,641	23,933	38,201		(492,083)	(201,199)	85,400	(372,107)	

(1) Reflects the value of allowances and benefits including but not limited to travel, motor vehicle and health insurance.

(2) The amount represents the short-term incentive earned in the respective year, which is actually paid in the following year.

(3) 'Share plan' incorporates all equity based plans. In accordance with the requirements of AASB 2 Share-based Payment, the fair value of rights as at their date of grant has been determined by applying the Black-Scholes option pricing technique or binomial valuation method combined with a Monte Carlo simulation with the exception of Mr Gregory's 2009 VPR's which are to be settled in cash as a result of his international secondment. 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) On Mr Coleman's commencement 66,004 Woodside Petroleum Limited shares were acquired and held in trust for Mr Coleman. Details were provided under the heading sign-on bonus in the 2011 Remuneration Report. The proportionate fair value for the shares is included in the Share-based Payments.

(5) As a non-resident for Australian tax purposes Mr Ahmed and Mr Loader 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.

(6) On 31 July 2013 Mr Ahmed departed Woodside. Mr Ahmed's Long Service Leave has been adjusted in accordance with the Accounting Standards to reflect his departure. As required by the Accounting Standards, the figure reported as 'termination benefits' for Mr Ahmed includes the value of accrued statutory leave entitlements. These are not termination benefits for the purposes of the statutory cap on termination benefits. The 'termination benefits' figure also includes the accelerated costs of a payment in lieu of 11 months' notice.

(7) Mr Edwardes's 2013 share based payment amortisation expense has been accelerated based on his contract end date of 6 May 2015.

(8) On 1 July 2013 Mr Gregory was appointed to KMP. Mr Gregory did not meet the definition of KMP under AASB 124 for years prior to 2013. Previous years comparative figures are not shown.

(9) Mr Loader commenced with Woodside on 1 July 2013.

(10) On 1 August 2013 Mr Moore departed Woodside. Mr Moore's Long Service Leave has been adjusted in accordance with the Accounting Standards to reflect his departure. As required by the Accounting Standards, the figure reported as 'termination benefits' for Mr Moore includes the value of accrued statutory leave entitlements. These are not termination benefits for the purposes of the statutory cap on termination benefits. The 'termination benefits' figure also includes the accelerated costs of a payment in lieu of nine months' notice.

(11) Mr Roder's 2013 share based payment amortisation expense has been accelerated based on his contract end date of 31 August 2017.

(12) Mr Santostefano ceased being KMP on 30 November 2013 and will leave employment with Woodside on 30 June 2014. Mr Santostefano's Long Service Leave has been adjusted in accordance with the Accounting Standards to reflect his departure. As required by the Accounting Standards, the figure reported as 'termination benefits' for Mr Santostefano includes salary due in 2014 through to when Mr Santostefano ceases employment in June and the value of accrued statutory leave entitlements. These are not termination benefits for the purposes of the statutory cap on termination benefits. The 'termination benefits' figure also includes the accelerated costs of a payment in lieu of four months' notice.

(13) Mr Utsler commenced with Woodside on 2 December 2013.

(14) On 10 May 2012 Mr Della Martina departed Woodside. Mr Della Martina's Long Service Leave has been adjusted in accordance with the Accounting Standards to reflect his departure.

EXECUTIVE INCENTIVE PLAN

Table 5 - Vesting Schedule for RTSR-tested VPRs awarded for the 2012 and 2013 performance years

Woodside RTSR percentile position within Peer Group	Vesting of RTSR-tested VPRs
Less than 50th percentile	no vesting
Equal to 50th percentile	50% vest
Equal to 75th percentile	100% vest

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

Table 6 - Vesting Schedule for RTSR-tested VPRs awarded for the performance years 2009 to 2011

Woodside RTSR percentile position within Peer Group	Vesting of RTSR-tested VPRs
Less than 50th percentile	no vesting
Equal to 50th percentile	50% vest
Equal to 75th percentile	100% vest
Equal to 100th percentile	150% vest (i.e. 50% uplift for topping LTA Peer Group)

Vesting between these percentile points is on a pro rata basis. While a VPR generally only confers an entitlement to a single share on vesting (or its cash value), when greater than 100% vesting is achieved additional shares are allocated in respect of each RTSR-tested VPR to achieve the necessary uplift.

Table 7 - LTA Peer Group for performance years 2009 to 2011

Apache Corporation
Anadarko Petroleum Corporation
BG Group PLC
CNOOC Limited
Inpex Corporation
Marathon Oil Company
Murphy Oil Corporation
Pioneer Natural Resources Company
Repsol YPF, S.A.
Santos Ltd
Talisman Energy Inc

Table 8 - STA Peer Group and LTA Peer Group 2012 and 2013 performance years – International Oil & Gas Companies

Apache Corporation
Anadarko Petroleum Corporation
BG Group PLC
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
Tullow Oil PLC

Table 9 - Summary of Terms and Conditions of unvested RTSR-tested VPRs

The following table summarises the terms and conditions of the RTSR-tested VPRs awarded for performance years 2009 to 2013.

Terms and Conditions	2013 VPR Allocation	2012 VPR Allocation	2011 VPR Allocation	2010 VPR Allocation	2009 VPR Allocation
Allocation Date	21 February 2014	22 February 2013	1 March 2012	25 February 2011	5 March 2010
Pricing Date	1 January 2013	7 December 2012	31 December 2011	31 December 2010	31 December 2009
Grant Date	1 January 2013	1 January 2012	1 January 2011	1 January 2010	1 January 2009
Allocation Price ⁽¹⁾	A\$20.00	A\$19.65	A\$31.93	A\$42.78	A\$47.86
Vesting Date ⁽²⁾	21 February 2018	22 February 2017	1 March 2015	25 February 2014	5 March 2013
Retesting Date	21 February 2019 ⁽³⁾	22 February 2018 ⁽³⁾	1 March 2016 ⁽⁴⁾	25 February 2015 ⁽⁴⁾	5 March 2014 ⁽⁴⁾

(1) For allocations made for the years prior to 2012, the allocation price was determined by calculating the Volume Weighted Average Price of Woodside shares for the trading days in the month of December of the respective performance year. For the 2012 performance year, the allocation price is the fair value of a variable pay right, as at 7 December 2012. For the 2013 performance year, the allocation price is the fair value of a variable pay right as at 1 December 2013.

(2) Provision is made for accelerated vesting in certain events such as total and permanent disability, death or a change in control of Woodside.

(3) Any VPRs that do not vest as a result of the first test will be re-tested based on a five year performance period.

(4) Retesting is applied to the RTSR-tested VPRs if the RTSR threshold is not achieved at the vesting date.

Table 10 - Summary of terms and conditions of unvested deferred STA

The following table summarises the terms and conditions of the deferred short term award for performance years 2009 to 2013.

Terms and Conditions	2013 Allocation	2012 Allocation	2011 Allocation	2010 Allocation	2009 Allocation
Deferral Instrument	Restricted Shares	Restricted Shares	Time-tested VPRs	Time-tested VPRs	Time-tested VPRs
Allocation Date	21 February 2014	22 February 2013	1 March 2012	25 February 2011	5 March 2010
Pricing Date	31 December 2013	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Grant Date	1 January 2013	1 January 2012	1 January 2011	1 January 2010	1 January 2009
Volume Weighted Average Price	A\$37.90	A\$34.09	A\$31.93	A\$42.78	A\$47.86
Vesting Date ⁽¹⁾	21 February 2017	22 February 2016	1 March 2015	25 February 2014	5 March 2013

(1) Provision is made for accelerated vesting in certain events such as total and permanent disability, death or a change in control of Woodside.

Table 11 - Summary of KMP executives' interests in time-tested VPRs⁽¹⁾

Name	Allocation date	Vesting date ⁽²⁾	Awarded but not vested	Vested in 2013	% of total vested	Lapsed in 2013	Fair value ⁽³⁾ of VPRs by performance year
P Coleman	March 2012	March 2015	14,791				38.87
F Ahmed	March 2010	March 2013		3,692	100		29.57
	February 2011	February 2014	2,415				38.32
	March 2012	March 2015	4,330				38.87
R Cole	March 2010	March 2013		4,599	100		29.57
	February 2011	February 2014	4,302				38.32
	March 2012	March 2015	6,301				38.87
S Gregory ⁽⁴⁾	March 2010	March 2013		937	100		34.91
P Moore ⁽⁵⁾	March 2010	March 2013		2,694	100		29.57
	February 2011	February 2014	2,018				38.32
	March 2012	March 2015	2,776				38.87
V Santostefano ⁽⁶⁾	March 2010	March 2013		3,786	100		29.57
	February 2011	February 2014	2,286				38.32
	March 2012	March 2015	5,492				38.87
L Tremaine ⁽⁷⁾	March 2010	March 2013		1,445	100		29.57
	March 2012	March 2015	4,470				38.87

(1) For valuation purposes all VPRs are treated as if they will be equity settled, with the exception of Mr Gregory's 2009 VPRs which were settled as cash as a result of his international secondment. The fair value for the cash settled awards is recalculated at the end of every reporting period.

(2) Vesting date and exercise date are the same. Vesting is subject to a three year service condition. No amount is payable by the executives on the grant or vesting of Variable Pay Rights. 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 as shown above multiplied by the number of VPRs awarded.

(3) 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 Binomial or Black Scholes option pricing technique. 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) Mr Gregory did not meet the definition of KMP under AASB 124 for years prior to 2013. Previous years comparative figures are not shown.

(5) On 1 August 2013 Mr Moore departed Woodside.

(6) Mr Santostefano ceased to be KMP on 30 November 2013 and will leave employment with Woodside on 30 June 2014.

(7) Mr Tremaine did not meet the definition of KMP under AASB 124 for years prior to 2011. Previous years comparative figures are not shown.

Table 12 - Summary of KMP executives' interests in Restricted Shares

Name	Allocation date	Vesting date ⁽¹⁾	Awarded but not vested	Vested in 2013	% of total vested	Lapsed in 2013	Value of Restricted Shares by performance year
P Coleman	February 2013	February 2016	33,720				30.98
	February 2014	February 2017	19,924				35.18
F Ahmed ⁽²⁾	February 2013	February 2016	3,978				30.98
R Cole	February 2013	February 2016	7,882				30.98
	February 2014	February 2017	5,134				35.18
R Edwardes	February 2013	February 2016	4,710				30.98
	February 2014	February 2017	5,075				35.18
S Gregory ⁽³⁾	February 2014	February 2017	2,566				35.18
P Loader ⁽⁴⁾	February 2014	February 2017	1,450				35.18
P Moore ⁽⁵⁾	February 2013	February 2016	2,566				30.98
G Roder	February 2013	February 2016	3,829				30.98
	February 2014	February 2017	4,603				35.18
V Santostefano ⁽⁶⁾	February 2013	February 2016	8,726				30.98
L Tremaine	February 2013	February 2016	6,933				30.98
	February 2014	February 2017	4,249				35.18
M Utsler ⁽⁷⁾	February 2014	February 2017	322				35.18

(1) Vesting date and exercise date are the same. Vesting is subject to satisfaction of vesting conditions. 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 Restricted Shares awarded.

(2) On 31 July 2013 Mr Ahmed departed Woodside.

(3) Mr Gregory did not meet the definition of KMP under AASB 124 for years prior to 2013. Previous years comparative figures are not shown.

(4) Mr Loader commenced with Woodside on 1 July 2013.

(5) On 1 August 2013 Mr Moore departed Woodside. Mr Moore did not meet the definition of KMP under AASB 124 for the years prior to 2010. Comparative figures are not shown.

(6) Mr Santostefano ceased to be KMP on 30 November 2013 and will leave employment with Woodside on 30 June 2014.

(7) Mr Utsler commenced with Woodside on 2 December 2013.

Table 13 - Summary of KMP executives' interests in RTSR tested VPRs⁽¹⁾

Name	Allocation date	Vesting date (2),(3)	Awarded but not vested	Vested in 2013	% of total vested	Lapsed in 2013	Fair value ⁽⁴⁾ of VPRs
P Coleman	March 2012	March 2016	51,769				21.36
	February 2013	February 2018	150,665				15.90
	February 2014	February 2019	156,940				20.77
F Ahmed ⁽⁵⁾	March 2010	March 2014	6,017				14.82
	February 2011	February 2015	7,042				20.02
	March 2012	March 2016	9,768				21.36
	February 2013	February 2018	16,503				15.90
	February 2014	February 2019	9,618				20.77
R Cole	March 2010	March 2014	6,305				14.82
	February 2011	February 2015	7,526				20.02
	March 2012	March 2016	10,661				21.36
	February 2013	February 2018	19,430				15.90
	February 2014	February 2019	20,010				20.77
R Edwardes	February 2013	February 2018	11,923				15.90
	February 2014	February 2019	19,780				20.77
S Gregory ⁽⁶⁾	February 2014	February 2019	10,000				20.77
P Loader ⁽⁷⁾	February 2014	February 2019	7,536				20.77
P Moore ⁽⁸⁾	February 2011	February 2015	4,412				20.02
	March 2012	March 2016	6,264				21.36
	February 2013	February 2018	10,788				15.90
	February 2014	February 2019	6,360				20.77
G Roder	February 2013	February 2018	5,774				15.90
	February 2014	February 2019	17,940				20.77
V Santostefano ⁽⁹⁾	March 2010	March 2014	5,190				14.82
	February 2011	February 2015	6,665				20.02
	March 2012	March 2016	9,293				21.36
	February 2013	February 2018	18,259				15.90
	February 2014	February 2019	18,860				20.77
L Tremaine ⁽¹⁰⁾	March 2012	March 2016	7,564				21.36
	February 2013	February 2018	14,631				15.90
	February 2014	February 2019	16,560				20.77
M Utsler ⁽¹¹⁾	February 2014	February 2019	1,676				20.77

- (1) For valuation purposes all VPRs 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. 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 VPRs awarded.
- (3) Vesting date is 5 March 2014 (re-test date) in respect of March 2010 allocations, 25 February 2014 or 25 February 2015 in respect of February 2011 allocations and 1 March 2015 or 1 March 2016 in respect of March 2012 allocations. Vesting date is 22 February 2017 or 22 February 2018 in respect of February 2013 allocations and 21 February 2018 or 21 February 2019 in respect of February 2014 allocations.
- (4) 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 Binomial or Black Scholes option pricing technique. 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.

- (5) On 31 July Mr Ahmed departed Woodside.
- (6) Mr Gregory did not meet the definition of KMP for the years prior to 2013. Comparative figures are not shown.
- (7) Mr Loader commenced with Woodside on 1 July 2013.
- (8) On 1 August 2013 Mr Moore departed Woodside. Mr Moore did not meet the definition of KMP for the years prior to 2010. Comparative figures are not shown.
- (9) Mr Santostefano ceased to be KMP on 30 November 2013 and will leave employment with Woodside on 30 June 2014.
- (10) Mr Tremaine did not meet the definition of KMP for the years prior to 2011. Comparative figures are not shown.
- (11) Mr Utsler commenced with Woodside on 2 December 2013.

Table 14 - Summary of KMP executives' interests in Equity Rights under the WEP

Name	Grant date	Number of Equity Rights granted	Number of Equity Rights which have lapsed/forfeited	Number of Equity Rights which have vested during 2013	Fair Value of Equity Rights ⁽¹⁾
R Cole	30 November 2011	1,830			30.49
S Gregory ⁽²⁾	1 October 2013	3,100			30.47
P Moore ⁽³⁾	30 November 2011	1,830	811	1,019	30.49
	1 October 2012	2,000	1,444	556	31.99
V Santostefano ⁽⁴⁾	30 November 2011	1,830			30.49
	1 October 2012	2,000			31.99
	1 October 2013	3,100			30.47
L Tremaine	30 November 2011	1,830			30.49
	1 October 2012	2,000			31.99
	1 October 2013	3,100			30.47

(1) The fair value of Equity Rights as at their date of grant has been determined by reference to the share price at acquisition. The fair value of Equity 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. The minimum total value in 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 as shown above multiplied by the number of Equity Rights awarded.

(2) Mr Gregory did not meet the definition of KMP for the years prior to 2013. Comparative figures are not shown.

(3) A total of 2,255 Equity Rights with a value of A\$86,276 were forfeited on Mr Moore's departure on 1 August 2013.

(4) Mr Santostefano ceased to be KMP on 30 November 2013 and will leave employment with Woodside on 30 June 2014.

Table 15 – Annual base Board and committee fees for non-executive directors

Position	Board	Audit & risk committee	Human resources & compensation committee	Sustainability committee	Nominations committee
	\$A	\$A	\$A	\$A	\$A
Chairman of the Board ⁽¹⁾	679,200 ⁽³⁾				
Non-executive directors ⁽²⁾	206,500 ⁽³⁾				
Committee Chairman		54,400 ⁽³⁾	46,000 ⁽³⁾	46,000 ⁽³⁾	Nil
Committee Member		27,100 ⁽³⁾	23,000 ⁽³⁾	23,000 ⁽³⁾	Nil

(1) Inclusive of committee work.

(2) Board fees paid to non-executive directors, other than the Chairman.

(3) Annual fee from 1 July 2013 (unchanged from 1 July 2012).

Table 16 – Total remuneration paid to non-executive directors in 2013 and 2012

		Cash salary and fees	Pension super	Total
		Salaries, fees and allowances	Company contributions to superannuation	
		\$	\$	
M A Chaney	2013	655,144	59,782	714,926
	2012	689,698	62,073	751,771
M A Cilento	2013	243,557	22,225	265,782
	2012	255,162	22,965	278,127
F C Cooper ⁽¹⁾	2013	247,113	22,580	269,693
	2012			
E Fraunschiel ⁽²⁾	2013	49,133	4,421	53,554
	2012	287,672	25,891	313,563
C Haynes	2013	270,387		270,387
	2012	278,127		278,127
A Jamieson	2013	289,991		289,991
	2012	302,898		302,898
P J M H Jungels ⁽³⁾	2013			
	2012	326,670		326,670
D I McEvoy	2013	269,697	24,609	294,306
	2012	282,702	25,444	308,146
S Ryan	2013	247,512	22,586	270,098
	2012	19,132	1,722	20,854

(1) Effective 1 February 2013 Mr Cooper was appointed a non-executive director of Woodside.

(2) On 28 February 2013 Mr Fraunschiel retired as a non-executive director of Woodside.

(3) On 7 December 2012 Dr Jungels retired as a non-executive director of Woodside.

DIRECTORS' REPORT (CONTINUED)

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 32** to the Financial Report.

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 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 on **page 57**.

The auditor independence declaration, as required under section 307C of the Corporations Act, 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.

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 Class Order 98/0100 dated 10 July 1998.

Director	Relevant interest in shares
MA Chaney	20,000
MA Cilento	2,086
RJ Cole ^{1,2,3}	40,983
PJ Coleman ^{2,3}	88,724
F Cooper	860
CM Haynes	2,397
A Jamieson	5,380
DI McEvoy	8,040
SE Ryan	918

- (1) Mr Cole holds 1,830 equity rights under the Woodside Equity Plan, on the terms and conditions summarised in the Remuneration Report on **page 65**.
- (2) Messrs Cole and Coleman hold variable pay rights under Woodside's Executive Incentive Plan, details of which are set out in the Remuneration Report on **pages 70 to 73**.
- (3) Messrs Cole and Coleman will be allocated restricted shares and variable pay rights under Woodside's Executive Incentive Plan on 21 February 2014, as set out in the Remuneration Report on **pages 70 to 71**.

Signed in accordance with a resolution of the directors.



M A Chaney, AO
Chairman
Perth, Western Australia

19 February 2014

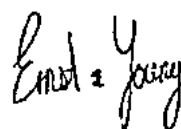


P J Coleman
Chief Executive Officer and
Managing Director
Perth, Western Australia

19 February 2014

Auditor's Independence Declaration to the Directors of Woodside Petroleum Ltd

In relation to our audit of the financial report of Woodside Petroleum Ltd for the financial year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



R J Curtin
Partner
Perth, Western Australia

19 February 2014

Liability limited by a scheme approved under Professional Standards Legislation.

2013 FINANCIAL REPORT

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Notes	2013 US\$m	2012 US\$m
Operating revenue	3(a)	5,926	6,348
Cost of sales	3(b)	(2,594)	(2,618)
Gross profit		3,332	3,730
Other income	3(c)	93	820
Other expenses	3(d)	(887)	(755)
Profit before tax and net finance costs		2,538	3,795
Finance income	3(e)	10	8
Finance costs	3(f)	(189)	(145)
Profit before tax		2,359	3,658
Petroleum Resource Rent Tax benefit	4(a)	224	523
Income tax expense	4(a)	(769)	(1,137)
Profit after tax		1,814	3,044
Profit attributable to			
Equity holders of the parent		1,749	2,983
Non-controlling interest		65	61
Profit for the year		1,814	3,044
Basic and diluted earnings per share attributable to the equity holders of the parent (US cents)	5	213	366

The accompanying notes form part of the Financial Report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 US\$m	2012 US\$m
Profit for the year	1,814	3,044
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Net change in fair value of available-for-sale financial assets	1	(2)
Items that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gains/(losses) on defined benefit plan	15	-
Other comprehensive income for the year, net of tax	16	(2)
Total comprehensive income for the year	1,830	3,042
Total comprehensive income attributable to		
Equity holders of the parent	1,765	2,981
Non-controlling interest	65	61
Total comprehensive income for the year	1,830	3,042

The accompanying notes form part of the Financial Report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 US\$m	2012 US\$m
Current assets			
Cash and cash equivalents	7	2,223	2,422
Receivables	8	453	574
Inventories	9(a)	192	241
Other financial assets	10(a)	4	32
Other assets	11(a)	23	20
Total current assets		2,895	3,289
Non-current assets			
Inventories	9(b)	8	7
Other financial assets	10(b)	32	64
Other assets	11(b)	32	3
Exploration and evaluation assets	12	1,063	1,120
Oil and gas properties	13(a)	18,490	19,375
Other plant and equipment	14	80	60
Deferred tax assets	4(c)	1,170	892
Total non-current assets		20,875	21,521
Total assets		23,770	24,810
Current liabilities			
Payables	15(a)	575	829
Interest-bearing liabilities	16(a)	1,177	575
Tax payable	17	317	647
Other financial liabilities	18(a)	10	-
Other liabilities	19(a)	30	24
Provisions	20	255	290
Total current liabilities		2,364	2,365
Non-current liabilities			
Payables	15(b)	-	196
Interest-bearing liabilities	16(b)	2,587	3,765
Deferred tax liabilities	4(c)	1,533	1,368
Other financial liabilities	18(b)	10	7
Other liabilities	19(b)	114	165
Provisions	20	1,204	1,117
Total non-current liabilities		5,448	6,618
Total liabilities		7,812	8,983
Net assets		15,958	15,827
Equity			
Issued and fully paid shares	21(a)	6,547	6,547
Shares reserved for employee share plans	21(b)	(42)	(44)
Other reserves	22	923	859
Retained earnings	23	7,797	7,786
Equity attributable to equity holders of the parent		15,225	15,148
Non-controlling interest		733	679
Total equity		15,958	15,827

The accompanying notes form part of the Financial Report.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Notes	2013 US\$m	2012 US\$m
Cash flows from/(used in) operating activities			
Profit after tax for the year		1,814	3,044
Adjustments for:			
Non-cash items			
Depreciation and amortisation		1,266	1,217
Impairment of exploration and evaluation assets		-	26
Impairment of oil and gas properties and other assets		387	131
Gain on disposal of exploration and evaluation assets		(13)	(762)
(Gain)/loss on disposal of oil and gas properties		(39)	7
Gain on disposal of investments		-	(2)
Change in fair value of derivative financial instruments		47	10
Net finance costs		179	137
Tax expense		545	614
Exploration and evaluation written off		6	129
Other		39	66
Changes in assets and liabilities			
Decrease in trade and other receivables		101	23
Decrease/(increase) in inventories		48	(38)
Decrease in provisions		(118)	(66)
Increase in other assets and liabilities		11	12
Decrease in trade and other payables		(163)	(6)
Cash generated from operations		4,110	4,542
Purchases of shares and payments relating to employee share plans		1	(11)
Interest received		13	5
Dividends received		4	5
Interest paid		(186)	(198)
Income tax paid		(506)	(604)
Petroleum Resource Rent Tax paid		(86)	(260)
Payments for restoration		(4)	(4)
Payments for carbon tax		(16)	-
Net cash from operating activities		3,330	3,475
Cash flows from/(used in) investing activities			
Payments for capital and exploration expenditure		(710)	(1,914)
Proceeds from disposal of investments		-	7
Proceeds from disposal of exploration and evaluation assets		17	2,068
Proceeds from disposal of oil and gas properties		39	-
Income taxes paid on disposal of exploration and evaluation assets		(405)	-
Net cash (used in)/from investing activities		(1,059)	161
Cash flows from/(used in) financing activities			
Repayments of borrowings		(583)	(772)
Contributions (to)/from non-controlling interests		(139)	67
Proceeds from underwriters of Dividend Reinvestment Plan (DRP)		-	320
Dividends paid (net of DRP)		-	(325)
Dividends paid outside of DRP		(1,748)	(542)
Net cash used in financing activities		(2,470)	(1,252)
Net (decrease)/increase in cash held		(199)	2,384
Cash and cash equivalents at the beginning of the year		2,422	41
Effects of exchange rate changes		-	(3)
Cash and cash equivalents at the end of the year	7	2,223	2,422

The accompanying notes form part of the Financial Report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Issued and fully paid shares	Shares reserved for employee share plans	Employee benefits reserve	Foreign currency translation reserve	Hedge of net investment reserve	Investment fair value reserve	Retained earnings	Equity holders of the parent	Non-controlling interest	Total equity
	Note 21 (a)	Note 21 (b)	Note 22	Note 22	Note 22	Note 22	Note 23			
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
At 1 January 2013	6,547	(44)	101	663	110	(15)	7,786	15,148	679	15,827
Profit for the year	-	-	-	-	-	-	1,749	1,749	65	1,814
Other comprehensive income	-	-	15	-	-	1	-	16	-	16
Total comprehensive income for the year	-	-	15	-	-	1	1,749	1,765	65	1,830
Non-controlling interest	-	-	-	-	-	-	-	-	(11)	(11)
Dividend Reinvestment Plan	-	-	-	-	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-	-	-	-	-
Employee share plan purchases	-	(2)	-	-	-	-	-	(2)	-	(2)
Employee share plan redemptions	-	4	(4)	-	-	-	-	-	-	-
Share-based payments	-	-	52	-	-	-	-	52	-	52
Dividends paid	-	-	-	-	-	-	(1,738)	(1,738)	-	(1,738)
At 31 December 2013	6,547	(42)	164	663	110	(14)	7,797	15,225	733	15,958
At 1 January 2012	5,880	(67)	303	663	110	(13)	5,782	12,658	611	13,269
Profit for the year	-	-	-	-	-	-	2,983	2,983	61	3,044
Other comprehensive income	-	-	-	-	-	(2)	-	(2)	-	(2)
Total comprehensive income for the year	-	-	-	-	-	(2)	2,983	2,981	61	3,042
Non-controlling interest	-	-	-	-	-	-	-	-	7	7
Dividend Reinvestment Plan	431	-	-	-	-	-	-	431	-	431
Shares issued	236	(236)	-	-	-	-	-	-	-	-
Employee share plan purchases	-	(11)	-	-	-	-	-	(11)	-	(11)
Employee share plan redemptions	-	270	(270)	-	-	-	-	-	-	-
Share-based payments	-	-	68	-	-	-	-	68	-	68
Dividends paid	-	-	-	-	-	-	(979)	(979)	-	(979)
At 31 December 2012	6,547	(44)	101	663	110	(15)	7,786	15,148	679	15,827

The accompanying notes form part of the Financial Report.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies

(a) Basis of preparation

The Financial Report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The Financial Report has been prepared on a historical cost basis, except for derivative financial instruments and certain other financial assets, which have been measured at fair value.

The Financial Report is presented in US dollars. The amounts contained in this report have been rounded to the nearest million dollars under the option available to the Group under Australian Securities and Investment Commission Class Order 98/0100 dated 10 July 1998, unless otherwise stated.

The Financial Report was authorised for issue in accordance with a resolution of the directors on 18 February 2014.

Woodside Petroleum Ltd is a for-profit entity. The nature of the operations and principal activities of the Group are described in the Directors' Report.

Except as disclosed below, the accounting policies adopted are consistent with those disclosed in the Annual Financial Report for the year ended 31 December 2012. Certain comparative information has been reclassified to be presented on a consistent basis with the current year's presentation.

Changes in accounting policy and disclosures

AASB 10 Consolidated Financial Statements

As a result of the adoption of AASB 10, the Group has changed its accounting policy with respect to determining whether it has control over, and consequently whether it consolidates, its subsidiaries. AASB 10 introduces a new control model which broadens the situations in which an entity is considered to be controlled by another entity and is applicable to all subsidiaries.

The adoption of AASB 10 did not have a material impact on the financial position or performance of the Group.

Consequential amendments were also made to other Standards via *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17].

AASB 11 Joint Arrangements

The adoption of AASB 11 has resulted in changes to the Group's accounting policy with respect to interests in joint arrangements. AASB 11 uses the principles of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists or has changed. The Group is now required to classify its interests in joint arrangements as either joint operations or joint ventures taking into consideration the structure of the arrangement. Joint operations give the venturers a right to the underlying assets and obligations of the venture and are accounted for by recognising the Group's share of those assets and obligations. Joint ventures give the venturers a right to the net assets of the venture and are accounted for using the equity method.

The adoption of AASB 11 did not have a material impact on the financial position or performance of the Group.

Consequential amendments were also made to other Standards via *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17].

AASB 12 Disclosures of Interests in Other Entities

AASB 12 prescribes the required disclosures for the Group's interests in its subsidiaries and joint arrangements. New disclosures have been introduced regarding the judgements made by management to determine whether control exists and to require summarised information about joint arrangements and subsidiaries with non-controlling interests.

The adoption of AASB 12 has resulted in additional disclosures which have been incorporated into Notes 33 and 35.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when fair value is required to be used, but rather provides guidance on how to determine fair value when required or permitted.

The adoption of AASB 13 has not materially impacted the fair value measurement. Additional fair value disclosures have been incorporated into the financial statements.

Consequential amendments were also made to other Standards via AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132].

AASB 119 Employee Benefits

Revisions to AASB 119 have resulted in amendments to the Group's accounting policy for retirement benefits. Gains and losses arising from changes in actuarial estimates are now recognised immediately in other comprehensive income.

This change in accounting policy did not have a material impact on the financial position or performance of the Group.

Consequential amendments were also made to other Standards via AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119* [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14].

Other Changes

The Group has adopted the following other amended Standards which have not resulted in any significant changes to accounting policies:

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income* [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]; and

AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-11 Cycle* [AASB 1, 101, 116, 132 & 134 and Interpretation 2].

The Group has not elected to early adopt any other new or amended Standards or Interpretations that are issued but not yet effective (refer Note 1(a)).

(b) Statement of compliance

The Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards, as issued by the International Accounting Standards Board.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December each year.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvements with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

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 control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. At acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

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.

A change in ownership of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

On loss of control of a subsidiary, all carrying amounts of assets, liabilities and non-controlling interests are derecognised. Any retained interest in the subsidiary is remeasured to its fair value and a gain or loss is recognised in the income statement.

Investments in subsidiaries are carried at cost less impairment charges in the separate financial statements of the parent company. Dividends received from subsidiaries are recorded as other income in the separate income statement of the parent company and do not impact the recorded cost of investment. The parent company will assess whether any indicators of impairment of the carrying amount of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying amount of the investment in the subsidiary exceeds its recoverable amount, an impairment loss is recognised.

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.

(d) 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.

Product revenue

Revenue earned from the sale of oil, gas and condensate produced is recognised when the risks and rewards of ownership of the products are transferred to the customer. This policy is applied to the Group's different operating arrangements as follows:

- revenue earned under a lease or licence conferring ownership rights to production, in which the Group has a working interest with other producers, is recognised in earnings on the basis of the Group's interest in the relevant lease or licence (entitlements method). Revenue is not reduced for royalties and other taxes payable from production, except where royalties are payable in kind;
- revenue from take or pay contracts is recognised in earnings when the product has been drawn by the customer or recorded as unearned revenue when not drawn by the customer;
- revenue earned under a risk service contract is recognised when the Group has a legally enforceable entitlement to the proceeds;
- revenue earned under a production service contract is recognised on the basis of the Group's share of oil, gas or condensate allocated to the contractor party or parties under the contract; and
- revenue earned from LNG processing services is recognised when the services are rendered.

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend revenue

Dividend revenue is recognised when the Group's right to receive payment is established.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(e) Exploration and evaluation

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.

Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing.

All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs and new venture activity costs, is expensed as incurred except where:

- the expenditure relates to an exploration discovery that, at the reporting date, has not been recognised as an area of interest, as an assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or
- an area of interest is recognised 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 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. Areas of interest are recognised at the field level. Subsequent to the recognition of an area of interest, all further evaluation costs relating to that area of interest are capitalised.

Each potential or recognised area of interest 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 the continued carry forward of capitalised costs.

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.

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 areas of interest.

Where a potential impairment is indicated, assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

In the statement of cash flows, those cash flows associated with capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities. Exploration and evaluation expenditure expensed is classified as cash flows used in operating activities.

(f) Oil and gas properties

Oil and gas properties are stated at cost less accumulated depreciation and impairment charges. Oil and gas properties include construction, installation or completion of production and infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation assets, development wells and the 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. Otherwise costs are charged to the income statement during the financial year in which they are incurred.

(g) Other plant and equipment

Other plant and equipment is stated at cost less accumulated depreciation and any impairment charges.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(h) 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. The major categories of assets are depreciated as follows:

Category	Method	Estimated useful lives (years)
Oil and gas properties		
Land	Not depreciated	-
Buildings	Straight-line over useful life	24-40
Transferred exploration and evaluation assets and offshore plant and equipment	Units of production basis over Proved plus Probable reserves	5-50
Onshore plant and equipment	Straight-line over the lesser of useful life and the life of Proved plus Probable reserves	5-50
Marine vessels and carriers	Straight-line over useful life	10-40
Other plant and equipment	Straight-line over useful life	5-15

(i) Impairment of assets

The carrying amounts of all assets, other than inventory, financial assets and deferred tax assets, are assessed half-yearly to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset 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 them to its present value using a pre-tax discount rate that reflects current market assessment of the time value of money.

For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is written down. Generally, the Group evaluates its oil and gas properties on a field-by-field basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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.

(j) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale and measured at the lower of their carrying amounts and fair values less cost to sell. They are not depreciated or amortised. To be classified as held for sale, an asset or a disposal group must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset to its fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent impairment gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

(k) Derivative financial instruments and hedge accounting

From time to time, the Group uses derivative financial instruments such as swaps, options, futures and forward contracts to hedge its risks associated with commodity price, interest rate and foreign currency fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair values in line with market fluctuations. The unrealised gain or loss on remeasurement is immediately recognised in the income statement, except where hedge accounting applies.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(k) Derivative financial instruments and hedge accounting (continued)

The fair values of derivative financial instruments that are traded on an active market are based on quoted market prices at the reporting date. The fair values of financial instruments not traded on an active market are determined using a valuation technique based on cash flows discounted to present value using current market interest rates.

Hedge accounting

When a derivative is designated as a hedge for accounting purposes, the relationship between the derivative and the hedged item is documented, as is its risk management objective and strategy for undertaking the hedge transaction. Also documented is the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

For the purposes of hedge accounting, hedges are classified and accounted for as follows:

Hedge type and risk	Accounting treatment
<i>Fair value hedge</i>	
Exposure to changes in the fair value of a recognised asset, liability or committed transaction	Changes in fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged risk that are attributable to the asset, liability or committed transaction.
<i>Cash flow hedge</i>	
Exposure to variability in cash flows associated with a highly probable forecasted transaction or a committed foreign currency transaction	The effective portion of changes in the fair value of derivatives is recognised in other comprehensive income and in the hedging reserve in equity. The gain or loss relating to any ineffective portion is recognised in the income statement immediately. Amounts accumulated in equity are taken to the income statement in the periods when the hedged item affects income, for instance, when the forecast sale that is hedged takes place.
<i>Hedge of net investment</i>	
Exposure to changes in the net assets of foreign operations from foreign exchange movements	The accounting treatment is substantially similar to a cash flow hedge. Gains or losses accumulated in the hedge of net investment reserve in equity are taken to the income statement on disposal of the foreign operation.

Hedge accounting is discontinued when the hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs.

If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Embedded derivatives

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.

(l) Provision for restoration

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations 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.

A restoration provision is recognised and updated at different stages of the development and construction of a facility and then reviewed on an annual basis. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related exploration and evaluation assets or oil and gas properties.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(l) Provision for restoration (continued)

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 1(h)).

Costs incurred that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

(m) Joint arrangements

Joint arrangements are arrangements of 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. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Group's share of the net assets of the venture. Refer to note (u) for further details of the equity method.

(n) Borrowing costs

Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial (usually greater than 12 months).

The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average effective interest rate applicable to the Group's outstanding borrowings during the year.

(o) Foreign currency

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

Translation of foreign currency transactions

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, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in subsidiaries, which are taken directly to the hedge of net investment reserve until the disposal of the net investment, at which time they are recognised in the income statement.

Hedge transactions

Derivatives and other financial instruments are used to hedge foreign exchange risk relating to certain transactions (refer to Note 1(k)).

Disposal of foreign operations

On disposal of a foreign operation, the proportionate share of exchange differences recognised in the foreign currency translation reserve relating to the particular foreign operation is recognised in the income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(p) Leases

The determination of whether an arrangement is or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Assets held under leases that transfer to the Group substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease, at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement over the lease term.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease assets are not capitalised and payments are recognised in the income statement as an expense over the lease term. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(q) Cash and cash equivalents

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.

For the purposes of the statement of cash flows, cash and cash equivalents are reported net of outstanding bank overdrafts.

(r) Trade and other receivables

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.

(s) Inventories

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.

(t) Investments

Investments are classified as either available-for-sale or held for trading and are initially recognised at fair value plus, in the case of investments not held for trading, any directly attributable transaction costs.

After initial recognition investments are carried at fair value. Changes in the fair value of available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative change in fair value previously reported in equity is included in the income statement. Changes in the fair value of held for trading investments are recognised in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date. Where investments are not actively traded, fair value is established by using other market accepted valuation techniques.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(u) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and is neither a subsidiary nor a joint arrangement.

The financial statements of associates, prepared for the same reporting period as the Group and applying consistent accounting policies, are used by the Group to apply the equity method. The investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate less any impairment. The income statement reflects the Group's share of the associate's after tax profit or loss from operations.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, where applicable, in the consolidated statement of changes in equity.

On loss of significant influence of an associate, any retained investment in the former associate is recognised at its fair value. A gain or loss, on loss of significant influence, is recognised in the income statement.

(v) Employee provisions

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. In determining the present value of the estimated future cash outflow, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Estimated future payments are discounted using appropriate discount rates. 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.

(w) Share-based payments

Equity-settled transactions

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments whereby employees render services for shares (equity-settled transactions). 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 is determined by using a Binomial or Black-Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the awards (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the result of:

- the grant date fair value of the award;
- the current best estimate of the number of awards that will vest, taking into account the likelihood of employee turnover; and
- the expired portion of the vesting period.

The charge to the income statement for the year is the cumulative amount, as calculated above, less the amounts charged in the previous years. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated.

An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately.

Shares in the Group reacquired on-market are classified and disclosed as reserved shares and deducted from equity (refer to Note 1(ac)). No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(w) Share-based payments (continued)

Cash-settled transactions

The Group provides benefits to employees who have been on international assignment or secondment at any time during the vesting period in the form of cash-settled share-based payments. Employees render services in exchange for cash, the amounts of which are determined by reference to the price of the shares of Woodside Petroleum Ltd.

The ultimate cost of these cash-settled share-based payments will be equal to the actual cash paid to the employees which will be the fair value at settlement date. The cumulative cost recognised until settlement is held as a liability. All changes in the liability are recognised in the income statement for the year.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by using a Binomial or Black-Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant.

(x) Retirement benefits

All employees of the Group's Australian entities are entitled to benefits under the Group's superannuation plan due to retirement, disability or death. The Group has a defined benefit component and a defined contribution component within the plan. The defined benefit section of the plan is closed to new members.

The defined benefit component provides defined lump sum benefits based on years of service and final average salary. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. A liability or asset in respect of the defined benefit component of the superannuation plan is recognised in the statement of financial position and is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date. The defined benefit obligation includes actuarial estimates of future variables such as employee turnover and the plan's rate of return.

The cost of the defined benefit component is charged to the income statement systematically over the employee's service life.

Gains and losses arising from changes in actuarial estimates are recognised immediately in other comprehensive income in the statement of comprehensive income.

The defined contribution component receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to the defined contribution fund are recognised as an expense as incurred.

(y) Financial liabilities

Borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost, except for those designated in a fair value hedge relationship as described previously. 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.

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 financial year.

Dividends payable are recognised when declared by the Group.

(z) Tax

Income tax

Income tax expense on the profit or loss for the year comprises current and deferred tax expense.

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.

Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax expense is determined based on changes in temporary differences.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(z) Tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only if it is probable that sufficient future taxable income will be available to utilise those temporary differences and losses. Such deferred tax liabilities and assets are 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 the taxable profit or loss nor the accounting profit or from investments in subsidiaries, associates and interests in joint ventures. This is to the extent that the Group is able to control the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax expenses are recognised in the income statement, except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Petroleum Resource Rent Tax (PRRT)

PRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

Tax consolidation

The parent and its wholly owned Australian controlled entities have elected to enter into tax consolidation, with Woodside Petroleum Ltd as the head entity of the tax consolidated group.

The tax expense/income, 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.

(aa) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

(ab) 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.

(ac) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(ad) Carbon emissions

Carbon emission units purchased for compliance purposes under the Australian Carbon Pricing Mechanism are recognised at cost as an intangible asset. Carbon emission units granted by the Australian Government are recognised at nominal value (nil value).

An emissions liability is recognised as a provision when actual emissions exceed the emission units granted by the Australian Government. Any provision recognised is measured at the value of purchased units held, with any excess measured at the current market value of carbon units at the reporting date. The movement in the provision is recognised in the income statement.

(ae) Critical accounting estimates, assumptions 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 available 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 outlined below.

Impairment of assets

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. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

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. For more detail regarding the policy in respect of provision for restoration refer to Note 1(l).

Reserve estimates

Estimation of reported recoverable quantities of Proven and Probable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires 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. The economic, geological and technical factors used to estimate reserves may change from period to period.

Changes in reported reserves can impact assets' carrying amounts, provision for restoration and recognition of deferred tax assets due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, amortisation and impairment charged to the income statement. Reserve estimates are prepared in accordance with Woodside's Hydrocarbon Resource Inventory Management Process and guidelines prepared by the Society of Petroleum Engineers.

Exploration and evaluation

The Group's accounting policy for exploration and evaluation assets is set out in Note 1(e). The application of this policy requires management to make certain estimates and 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.

PRRT - North West Shelf Project

The Group's accounting policy for PRRT is set out in Note 1(z). The application of this policy to the North West Shelf Project as a result of its transition into the PRRT regime initially results in a deductible temporary difference which is available to offset against future taxable profits. An estimated deferred tax asset (refer Note 4 (d)) in respect of this deductible temporary difference has not been recognised on the basis that deductions from future augmentation of the deductible temporary difference will be sufficient to offset future taxable profit. Had an alternative approach been used to assess the recovery of the deferred tax asset, whereby future augmentation was not included in the assessment, the estimated deferred tax asset would have been recognised, with a corresponding benefit to PRRT expense.

It was determined that the approach adopted provides the most meaningful information on the implications of transition of the North West Shelf Project to the PRRT regime, whilst ensuring compliance with AASB 112 *Income Taxes*.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

1. Summary of significant accounting policies (continued)

(af) New and amended Accounting Standards and Interpretations issued but not yet effective

The following Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group as at the financial reporting date.

Title	Application date of the Standard	Summary
AASB 9 <i>Financial Instruments</i>	Periods beginning on or after 1 January 2017	AASB 9 includes requirements for the classification and measurement of financial assets and financial liabilities and the recognition and derecognition requirements for financial instruments. This standard will be applied retrospectively.
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]</i>	Periods beginning on or after 1 July 2013	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.
AASB 2012-3 <i>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</i>	Periods beginning on or after 1 January 2014	AASB 2012-3 adds application guidance to AASB 132 <i>Financial Instruments: Presentation</i> to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
AASB 2013-3 <i>Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</i>	Periods beginning on or after 1 January 2014	AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.
AASB 2013-4 <i>Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]</i>	Periods beginning on or after 1 January 2014	AASB 2013-4 amends AASB 139 <i>Financial Instruments: Recognition and Measurement</i> to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.
AASB 1031 <i>Materiality</i>	Periods beginning on or after 1 January 2014	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.
<i>Annual Improvements to IFRSs 2010-2012 Cycle</i>	Periods beginning on or after 1 July 2014	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.

The potential effect of these Standards is yet to be fully determined. However, it is not expected that the new or amended Standards will significantly affect the Group's accounting policies, financial position or performance.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

2. Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The following operating segments are identified by management based on the nature and geographical location of the business or venture.

North West Shelf Business Unit

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 Business Unit

Exploration, evaluation, development, production and sale of liquefied natural gas and condensate in assigned permit areas.

Australia Oil Business Unit

Exploration, evaluation, development, production and sale of crude oil in assigned permit areas including Laminaria, Mutineer–Exeter, Enfield, Vincent and Stybarrow ventures.

Browse Business Unit

Exploration, evaluation and development of liquefied natural gas and condensate in assigned permit areas.

Other

This segment comprises the activities undertaken by the United States, Exploration, International and Sunrise Business Units.

Unallocated items

Unallocated items comprise 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.

Performance monitoring and evaluation

Management monitors the operating results of the Business Units 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 (profit before tax and interest) and is measured in accordance with the Group's accounting policies.

Financing requirements, finance income, finance costs and taxes are managed at a Group level.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

2. Operating segments (continued)

(a) Revenue and profit after tax for the year ended 31 December 2013

	North West Shelf Business Unit	Pluto Business Unit	Australia Oil Business Unit	Browse Business Unit	Other ⁽²⁾	Unallocated Items	Consolidated
	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m
Revenue							
Operating revenue	3,230	2,098	519	-	79	-	5,926
Cost of sales							
Cost of production	(718)	(245)	(265)	-	(10)	(4)	(1,242)
Shipping and direct sales costs	(41)	(88)	(1)	-	(4)	(11)	(145)
Oil and gas properties depreciation and amortisation	(267)	(779)	(123)	-	(36)	(2)	(1,207)
Total cost of sales	(1,026)	(1,112)	(389)	-	(50)	(17)	(2,594)
Gross profit	2,204	986	130	-	29	(17)	3,332
Exploration and evaluation	(17)	12	(35)	(1)	(276)	-	(317)
Share of associates' net profit	4	-	-	-	-	-	4
Change in fair value of derivative financial instruments	(37)	-	-	-	-	(10)	(47)
Gain on disposal of oil and gas properties	-	-	25	-	14	-	39
Depreciation of other plant and equipment	-	-	-	-	-	(11)	(11)
Gain on disposal of exploration and evaluation assets	-	-	-	-	13	-	13
Gain on disposal of investments	-	-	-	-	-	-	-
Net defined benefit plan costs	-	-	-	-	-	(3)	(3)
Other exchange gain/(loss)	(1)	3	(3)	(1)	-	18	16
Impairment loss	-	(58)	(275)	-	(54)	-	(387)
Other income	15	-	5	-	-	1	21
Other expenses	2	11	(1)	1	(19)	(116)	(122)
Profit before tax and net finance costs	2,170	954	(154)	(1)	(293)	(138)	2,538 ⁽¹⁾
Finance income							10
Finance costs							(189)
Profit before tax							2,359
Taxes							(545)
Profit after tax							1,814

	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m
Revenue							
Operating revenue	3,300	1,427	1,545	-	76	-	6,348
Cost of sales							
Cost of production	(739)	(178)	(365)	-	(12)	(1)	(1,295)
Shipping and direct sales costs	(57)	(81)	(1)	-	(5)	(6)	(150)
Oil and gas properties depreciation and amortisation	(267)	(526)	(356)	-	(33)	9	(1,173)
Total cost of sales	(1,063)	(785)	(722)	-	(50)	2	(2,618)
Gross profit	2,237	642	823	-	26	2	3,730
Exploration and evaluation	(19)	(17)	(11)	(95)	(251)	1	(392)
Share of associates' net profit	4	-	-	-	-	-	4
Change in fair value of derivative financial instruments	-	-	-	-	-	(10)	(10)
Loss on disposal of oil and gas properties	(7)	-	-	-	-	-	(7)
Depreciation of other plant and equipment	-	-	-	-	-	(11)	(11)
Gain on disposal of exploration and evaluation assets	-	-	-	3	5	754	762
Gain on disposal of investments	2	-	-	-	-	-	2
Net defined benefit plan costs	-	-	-	-	-	(3)	(3)
Other exchange gain	-	(14)	-	-	2	16	4
Impairment loss	-	(49)	(82)	-	(26)	-	(157)
Other income	21	3	8	1	1	21	55
Other expenses	(3)	(112)	-	-	(18)	(49)	(182)
Profit before tax and net finance costs	2,235	453	738	(91)	(261)	721	3,795 ⁽¹⁾
Finance income							8
Finance costs							(145)
Profit before tax							3,658
Taxes							(614)
Profit after tax							3,044

(1) The performance of operating segments is evaluated based on profit before finance income, finance costs and tax. Financing requirements, finance income, finance costs and taxes are managed on a Group basis.

(2) The composition of 'other' has been restated in 2012 to include the USA business unit.

There were no significant inter-segment transactions during the financial year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

2. Operating segments (continued)

(b) Segment assets and liabilities and other segment information at 31 December 2013

	North West Shelf Business Unit	Pluto Business Unit	Australia Oil Business Unit	Browse Business Unit	Other ⁽²⁾	Unallocated items	Consolidated
	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m	2013 US\$m
Segment assets	3,931	14,303	1,450	149	451	3,486	23,770
Segment liabilities	1,628	422	577	34	85	5,066	7,812
Other segment information							
Investment in associates	2	-	-	-	-	-	2
Additions to oil and gas properties	218	96	263	-	14	-	591
Additions to exploration and evaluation assets	11	6	24	79	39	2	161
Additions to other plant and equipment	-	-	-	-	-	30	30
	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m	2012 US\$m
Segment assets	4,083	14,981	1,704	48	545	3,449	24,810
Segment liabilities	1,714	771	448	57	120	5,873	8,983
Other segment information							
Investment in associates	2	-	-	-	-	-	2
Additions to oil and gas properties	328	899	132	-	23	-	1,382
Additions to exploration and evaluation assets	7	8	58	283	45	(12)	389
Additions to other plant and equipment	-	-	-	-	-	9	9

(c) Geographical information

Revenue from external customers and non-current assets by geographical locations is detailed below. Revenue is attributable to geographic location based on the location of the customers.

	Australia		Asia		United States of America		Other		Consolidated	
	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m
Revenue from external customers	446	549	5,377	5,483	78	187	25	129	5,926	6,348
Non-current assets	19,530	20,303	-	-	154	291	21	2	19,705 ⁽³⁾	20,596 ⁽⁴⁾

(3) Non-current assets exclude deferred tax (US\$1,170 million).

(4) Non-current assets excludes derivatives (US\$33 million) and deferred tax (US\$892 million).

(d) Major customer information

The Group has two major customers which account for 18% and 12% of external revenue within the Pluto and North West Shelf Business Units (2012: one customer 11%).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

3. Revenue and expenses

	2013 US\$m	2012 US\$m
(a) Operating revenue		
Revenue from sale of goods		
Liquefied natural gas		
North West Shelf	1,645	1,670
Pluto	1,702	1,164
	3,347	2,834
Pipeline natural gas		
North West Shelf	366	367
United States of America	5	3
	371	370
Condensate		
North West Shelf	754	765
Pluto	246	138
	1,000	903
Oil		
North West Shelf	377	373
Laminaria	99	222
Mutineer-Exeter ⁽¹⁾	-	20
Enfield	200	325
Vincent	25	713
Stybarrow	195	265
United States of America	74	73
	970	1,991
Liquefied petroleum gas		
North West Shelf	88	125
	88	125
Total revenue from sale of goods	5,776	6,223
LNG processing revenue	150	125
Total operating revenue	5,926	6,348
(b) Cost of sales		
Cost of production		
Production costs	(732)	(692)
Royalties and excise	(461)	(501)
Carbon costs	(36)	(17)
Insurance	(41)	(40)
Inventory movement	28	(45)
	(1,242)	(1,295)
Shipping and direct sales costs	(145)	(150)
Oil and gas properties depreciation and amortisation		
Land and buildings	(61)	(41)
Transferred exploration and evaluation	(42)	(42)
Plant and equipment	(1,099)	(1,084)
Marine vessels and carriers	(5)	(6)
	(1,207)	(1,173)
Total cost of sales	(2,594)	(2,618)
Gross profit	3,332	3,730

(1) Woodside sold its interest in Mutineer-Exeter in February 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

3. Revenue and expenses (continued)

	2013 US\$m	2012 US\$m
(c) Other income		
Other fees and recoveries	21	55
Share of associates' net profit	4	4
Other exchange gain	16	4
Gain/(loss) on disposal of oil and gas properties	39	(7)
Gain on disposal of exploration and evaluation assets	13	762 ⁽¹⁾
Gain on disposal of investments	-	2
Total other income	93	820
(d) Other expenses		
Exploration and evaluation		
Exploration expensed in current year	(241)	(230)
Exploration expensed previously capitalised	(4)	(38)
Amortisation of license acquisition costs	(45)	(26)
Evaluation	(27)	(98)
Total exploration and evaluation	(317)	(392)
Other costs		
Net defined benefit plan costs	(3)	(3)
Change in fair value of derivative financial instruments	(47)	(10)
Depreciation of other plant and equipment	(11)	(11)
General, administrative and other costs	(128)	(96)
Pluto mitigation and initial start up costs	6	(86)
Impairment of exploration and evaluation assets	-	(26)
Impairment of oil and gas properties ⁽²⁾	(387)	(131)
Total other costs	(570)	(363)
Total other expenses	(887)	(755)
Profit before tax and net finance costs	2,538	3,795
(e) Finance income		
Interest	10	8
Total finance income	10	8
(f) Finance costs		
Unwinding of present value discount (accretion)	(28)	(26)
Other finance costs	(161)	(119)
Total finance costs	(189)	(145)
Profit before tax	2,359	3,658

(1) On 18 September 2012, the Group sold a 14.7% interest in the Browse LNG permits on an assumed unitised basis to Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) for US\$2 billion. The proceeds were treated as a reimbursement of previously incurred costs and credited against the exploration and evaluation assets. The excess was recognised as a gain on sale.

(2) Details regarding impairment of oil and gas properties are contained in note 13(b).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

4. Taxes

	2013 US\$m	2012 US\$m
(a) Tax expense comprises		
PRRT		
Current tax expense	176	387
Deferred tax expense related to the movements in deferred tax balances	(400)	(910)
	(224)	(523)
Income tax		
Current tax expense	521	1,030
(Over)/under provided in prior years	(11)	14
Deferred tax expense related to the movements in deferred tax balances	259	93
	769	1,137
Total tax expense reported in the income statement	545	614
(b) Reconciliation of tax expense to prima facie tax payable		
Profit before tax	2,359	3,658
PRRT benefit	224	523
Profit after PRRT benefit	2,583	4,181
Tax expense calculated at 30%	775	1,254
Tax effect of items which are non-deductible/(assessable)		
Sale of assets	-	(186)
Research and development	(6)	(6)
Other	(5)	(1)
Foreign expenditure not brought to account	51	58
(Over)/under provided in prior years	(11)	14
Foreign exchange impact on tax expense	(35)	4
PRRT benefit	(224)	(523)
Tax expense	545	614

The tax rate used in the above reconciliation is that applied to resident companies pursuant to the income tax statutes in force in Australia as at the reporting date. There has been no change in the corporate tax rate when compared with the previous reporting year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

4. Taxes (continued)

	At 1 January	Charged/ (credited) to income statement	Charged/ (credited) to equity	Acquisition/ (disposal)	At 31 December
	US\$m	US\$m	US\$m	US\$m	US\$m
(c) Deferred tax					
2013					
Deferred tax assets					
Arising from temporary differences					
Foreign jurisdiction	11	-	-	-	11
Domestic jurisdiction	-	-	-	-	-
Arising from PRRT	881	290	-	(12)	1,159
	892	290	-	(12)	1,170
Deferred tax liabilities					
Arising from temporary differences					
Exploration and evaluation assets	184	23	-	-	207
Oil and gas properties	915	229	-	5	1,149
Financial instruments	33	(32)	-	-	1
Other liabilities	36	97	-	(4)	129
Provisions	(427)	(8)	-	3	(432)
Other	(20)	(31)	6	(1)	(46)
Arising from PRRT	647	(122)	-	-	525
	1,368	156	6	3	1,533
2012					
Deferred tax assets					
Arising from temporary differences and tax losses					
Foreign jurisdiction	11	-	-	-	11
Domestic jurisdiction	22	(22)	-	-	-
Arising from PRRT	491	390	-	-	881
	524	368	-	-	892
Deferred tax liabilities					
Arising from temporary differences					
Exploration and evaluation assets	563	(71)	-	(308)	184
Oil and gas properties	686	229	-	-	915
Financial instruments	39	(6)	-	-	33
Other liabilities	(203)	118	-	121	36
Provisions	(374)	(53)	-	-	(427)
Other	(53)	33	-	-	(20)
Arising from PRRT	1,167	(117)	-	(403)	647
	1,825	133	-	(590)	1,368

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

4. Taxes (continued)

	2013 US\$m	2012 US\$m
(d) Unrecognised deferred tax assets		
Tax losses not recognised		
Revenue losses	259	250
Deductible temporary differences not recognised ⁽¹⁾	3,469	3,203
Temporary differences associated with investments	4	5
	3,732	3,458

(1) Includes a deductible temporary difference of \$3 billion related to the transition of the North West Shelf Project to the PRRT regime. Refer Note 1(ae).

(e) Tax losses

At the reporting date the Group has unused and unrecognised tax losses of US\$774 million (2012: US\$751 million) that are available for offset against future taxable profits.

No deferred tax asset has been recognised in respect of tax losses due to the uncertainty of future profit streams (2012: Nil).

(f) 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 at Note 35(a).

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Woodside Petroleum Ltd and each of the entities in the tax consolidated group have agreed to make a tax equivalent payment to or from the head entity calculated on a stand alone basis based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the tax consolidated group.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

5. Earnings per share

	2013	2012
Profit attributable to equity holders of the parent (US\$m)	1,749	2,983
Weighted average number of shares on issue	822,983,715	814,751,356
Basic and diluted earnings per share (US cents) ⁽¹⁾	213	366

(1) 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 outstanding during the year. The weighted average number of shares makes allowance for shares reserved for employee share plans. Diluted earnings per share is not significantly different from basic earnings per share.

There have been no transactions involving ordinary shares between the reporting date and the date of completion of this Financial Report.

6. Dividends paid and proposed

	2013 US\$m	2012 US\$m
(a) Dividends paid during the financial year		
Prior year fully franked final dividend US\$0.65, paid on 3 April 2013 (2012: US\$0.55, paid on 4 April 2012)	536	443
2013 fully franked special dividend US\$0.63, paid on 29 May 2013 (2012: Nil)	518	-
Current year fully franked interim dividend US\$0.83, paid on 25 September 2013 (2012: US\$0.65 paid on 2 October 2012)	684	536
	1,738	979
(b) Dividend declared (not recorded as a liability)		
Final dividend US\$1.03, to be paid on 26 March 2014 (2012: US\$0.65, paid on 3 April 2013)	849	536
Dividend per share in respect of financial year (US cents)	249	130
(c) Franking credit balance		
Franking credits available for the subsequent periods	2,545	3,391

7. Cash and cash equivalents

	2013 US\$m	2012 US\$m
Components of cash and cash equivalents		
Cash at bank	132	94
Money market deposits	2,091	2,328
Total cash and cash equivalents⁽¹⁾	2,223	2,422

(1) Reconciles to statement of cashflows.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

8. Receivables

	2013 US\$m	2012 US\$m
Trade receivables ⁽¹⁾	284	449
Other receivables ⁽²⁾	167	122
Dividends receivable ⁽³⁾	2	2
Interest receivable ⁽³⁾	-	1
	453	574

(1) Denominated in a mixture of Australian dollars and US dollars, interest free and settlement terms between 7 and 30 days.

(2) Other receivables are interest-free with various maturities.

(3) Dividends and interest receivable are receivable within 30 days of period end.

9. Inventories

	2013 US\$m	2012 US\$m
(a) Inventories (current)		
Petroleum products (at cost)		
Work in progress	-	1
Goods in transit	32	106
Finished stocks	81	63
Warehouse stores and materials (at cost)	79	71
	192	241
(b) Inventories (non-current)		
Warehouse stores and materials (at cost)	8	7

10. Other financial assets

	2013 US\$m	2012 US\$m
(a) Other financial assets (current)		
Derivative instruments (at fair value) ⁽¹⁾	-	10
Embedded derivatives (at fair value) ⁽²⁾	-	4
Cash held in reserve	4	18
	4	32
(b) Other financial assets (non-current)		
Other investments (available-for-sale)		
Listed (at fair value)	2	1
Cash held in reserve ⁽³⁾	30	30
Embedded derivatives (at fair value) ⁽²⁾	-	33
	32	64

(1) Details regarding derivative instruments are contained in Note 25(f).

(2) Embedded derivatives relate to sales contracts.

(3) Represents restricted cash associated with JBIC facility, refer to Note 25(e).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

11. Other assets

	2013 US\$m	2012 US\$m
(a) Other assets (current)		
Prepayments	22	17
Other	1	3
	23	20
(b) Other assets (non-current)		
Other	30	1
Investment in associates	2	2
	32	3

12. Exploration and evaluation assets

	2013 US\$m	2012 US\$m
(a) Reconciliations of the carrying amounts of exploration and evaluation assets		
Carrying amount at 1 January	1,120	2,235
Additions	161	389
Disposals at written down value	(34)	(1,311) ⁽¹⁾
Amortisation of licence acquisition costs	(45)	(26)
Expensed (previously capitalised):		
Exploration	(4)	(38)
Evaluation	(2)	(91)
Impairment loss	-	(26)
Transferred exploration and evaluation	(133)	(12)
Carrying amount at 31 December	1,063	1,120
(b) Carrying amounts of exploration and evaluation assets	2013 US\$m	2012 US\$m
Regions		
Australia		
Browse Basin	162	87
Carnarvon Basin	693	773
Bonaparte Basin	161	147
The Americas		
Gulf of Mexico	31	111
Brazil	-	2
Asia		
Myanmar	16	-
	1,063	1,120

(1) On 18 September 2012, the Group sold a 14.7% interest in the Browse LNG permits on an assumed unitised basis to Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) for US\$2 billion. The proceeds were treated as a reimbursement of previously incurred costs and credited against the exploration and evaluation assets. The excess was recognised as a gain on sale.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

13. Oil and gas properties

(a) Oil and gas properties

	Land and buildings	Transferred exploration and evaluation	Plant and equipment	Marine vessels and carriers	Projects in development	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Year ended 31 December 2013						
Carrying amount at 1 January 2013	785	522	16,825	120	1,123	19,375
Additions	-	-	167	-	424	591
Disposals at written down value	-	(1)	(14)	-	-	(15)
Depreciation and amortisation	(61)	(42)	(1,099)	(5)	-	(1,207)
Impairment loss	-	(4)	(325)	-	(58)	(387)
Completions and transfers	(12)	(1)	1,066	-	(920)	133
Carrying amount at 31 December 2013	712	474	16,620	115	569	18,490
At 31 December 2013						
Historical cost	1,100	835	24,110	373	627	27,045
Accumulated depreciation and impairment	(388)	(361)	(7,490)	(258)	(58)	(8,555)
Net carrying amount	712	474	16,620	115	569	18,490
Year ended 31 December 2012						
Carrying amount at 1 January 2012	304	120	4,314	126	14,425	19,289
Additions	-	-	93	-	1,289	1,382
Disposals at written down value	-	-	(1)	-	(3)	(4)
Depreciation and amortisation	(41)	(42)	(1,084)	(6)	-	(1,173)
Impairment loss	-	-	(82)	-	(49)	(131)
Completions and transfers	522	444	13,585	-	(14,539)	12
Carrying amount at 31 December 2012	785	522	16,825	120	1,123	19,375
At 31 December 2012						
Historical cost	1,106	845	23,014	373	1,172	26,510
Accumulated depreciation and impairment	(321)	(323)	(6,189)	(253)	(49)	(7,135)
Net carrying amount	785	522	16,825	120	1,123	19,375

Borrowing costs capitalised in oil and gas properties during the year were US\$29 million (2012: US\$101 million) at a weighted average interest rate of 4.5% (2012: 3.4%).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

13. Oil and gas properties

(b) Impairment of non-current assets – oil and gas properties

At 31 December 2013 the Group assessed each asset or cash generating unit to determine whether an indicator of impairment existed. Indicators of impairment include changes in future selling prices, future costs and reserves. As a result, the recoverable amounts of the cash-generating units and some specific oil and gas assets were formally estimated, resulting in an impairment loss of \$387 million (2012: \$131 million) being recognised for the year.

Estimates of recoverable amounts of oil and gas assets are based on their value in use. A range of pre-tax discount rates have been applied between 12% to 13% (2012: 12%).

Cash generating unit (CGU)	Segment	Description	Asset Class					Total
			Land and buildings	Transferred exploration and evaluation	Plant and equipment	Marine vessels and carriers	Projects in development	
			(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	
2013 Impairment of CGU:								
Enfield	Australia Oil BU	Oil Field	-	-	154	-	-	154
Stybarrow	Australia Oil BU	Oil Field	-	-	87	-	-	87
Laminaria-Corallina	Australia Oil BU	Oil Field	-	-	34	-	-	34
Pluto	Pluto BU	Studies and Developments	-	-	-	-	58	58
Neptune	USA BU	Oil Field	-	-	54	-	-	54
								387
2012 Impairment of CGU:								
Laminaria-Corallina	Australia Oil BU	Oil Field	-	-	82	-	-	82
Pluto	Pluto BU	Studies and Developments	-	-	-	-	49	49
								131

An impairment charge of \$329 million (2012: \$82 million) was recognised in relation to the Enfield (\$154 million), Stybarrow (\$87 million), Neptune (\$54 million) and Laminaria-Corallina (\$34 million) fields following an assessment of the expected ultimate future production and an increase in the carrying amount associated with a revision to the Group's restoration estimate.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

14. Other plant and equipment

	2013 US\$m	2012 US\$m
(a) Other plant and equipment		
Plant and equipment	200	170
Less: Accumulated depreciation	(120)	(110)
	80	60
(b) Reconciliation of the carrying amounts of other plant and equipment at the beginning and end of the financial year		
Carrying amount at 1 January	60	62
Additions	30	9
Depreciation	(10)	(11)
Carrying amount at 31 December	80	60

15. Payables

	2013 US\$m	2012 US\$m
(a) Payables (current)		
Trade payables ⁽¹⁾	216	268
Other payables ⁽¹⁾	253	517
Loan payables ⁽²⁾	66	-
Interest payable ⁽³⁾	40	44
	575	829
(b) Payables (non-current)		
Trade payables ⁽¹⁾	-	2
Loan payables ⁽²⁾	-	194
	-	196

(1) Trade and other payables are interest-free and normally settled on 30 day terms.

(2) Loan payables are unsecured, interest-free and have a repayment period of 10 years.

These loans are with non-controlling interests and are expected to be repaid within one year.

(3) Details regarding interest-bearing liabilities are contained in Note 25(e).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

16. Interest-bearing liabilities

	2013 US\$m	2012 US\$m
(a) Interest-bearing liabilities (current)⁽¹⁾		
Bonds	1,100	250
Debt facilities	77	325
	1,177	575
(b) Interest-bearing liabilities (non-current)⁽¹⁾		
Bonds	1,289	2,386
Debt facilities	1,298	1,379
	2,587	3,765

(1) Details regarding interest-bearing liabilities are contained in Note 25(e).

17. Tax payable

	2013 US\$m	2012 US\$m
PRRT payable	206	116
Income tax payable	111	531
	317	647

18. Other financial liabilities

	2013 US\$m	2012 US\$m
(a) Other financial liabilities (current)		
Other financial liability	10	-
	10	-
(b) Other financial liabilities (non-current)		
Other financial liability	10	7
	10	7

19. Other liabilities

	2013 US\$m	2012 US\$m
(a) Other liabilities (current)		
Unearned revenue	27	21
Gas purchase commitments	3	3
	30	24
(b) Other liabilities (non-current)		
Unearned revenue	109	118
Gas purchase commitments	14	17
Defined benefit superannuation plan	(9)	30
	114	165

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

20. Provisions

	Restoration of operating locations ⁽¹⁾	Employee benefits ⁽²⁾	Other	Total
	US\$m	US\$m	US\$m	US\$m
Year ended 31 December 2013				
At 1 January 2013	1,038	200	169	1,407
Change in provision	128	(24)	(77)	27
Unwinding of present value discount	25	-	-	25
At 31 December 2013	1,191	176	92	1,459
At 31 December 2013				
Current	24	139	92	255
Non-current	1,167	37	-	1,204
	1,191	176	92	1,459
Year ended 31 December 2012				
At 1 January 2012	899	175	244	1,318
Change in provision	115	25	(75)	65
Unwinding of present value discount	24	-	-	24
At 31 December 2012	1,038	200	169	1,407
At 31 December 2012				
Current	9	153	128	290
Non-current	1,029	47	41	1,117
	1,038	200	169	1,407

(1) Details regarding restoration of operating locations are contained in Note 1(l) and 1(ae).

(2) Details regarding employee benefits are contained in Note 1(v) and 27.

21. Contributed equity

	2013 US\$m	2012 US\$m
(a) Issued and fully paid shares		
823,910,657 (2012: 823,910,657) ordinary shares ⁽¹⁾	6,547	6,547
(b) Shares reserved for employee share plans		
902,040 (2012: 961,799) ordinary shares ⁽²⁾	(42)	(44)

(1) 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 respect of its issued shares.

(2) Information relating to the number of Woodside Petroleum Ltd shares reserved for employee share plans can be found in Note 27(a) and (b).

	2013 Shares	2012 Shares	2013 US\$m	2012 US\$m
(c) Movements in issued and fully paid shares				
At 1 January	823,910,657	805,671,604	6,547	5,880
Dividend reinvestment plan:				
2011 final dividend ⁽¹⁾	-	11,639,053	-	431
Employee share plans:				
2012 employee equity plan ⁽²⁾	-	6,600,000	-	236
Balance at the end of the period	823,910,657	823,910,657	6,547	6,547

(1) 2,924,534 ordinary shares issued at A\$34.88 and 8,714,519 ordinary shares issued at A\$35.40.

(2) 6,600,000 ordinary shares issued at A\$34.71.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

22. Other reserves

	Employee benefits reserve	Foreign currency translation reserve	Hedge of net investment reserve	Investment fair value reserve	Total
	US\$m	US\$m	US\$m	US\$m	US\$m
Year ended 31 December 2013					
At 1 January 2013	101	663	110	(15)	859
Share-based payments	52	-	-	-	52
Share plan redemptions	(4)	-	-	-	(4)
Available-for-sale financial assets	-	-	-	1	1
Defined benefits remeasurements	15	-	-	-	15
At 31 December 2013	164	663	110	(14)	923
Year ended 31 December 2012					
At 1 January 2012	303	663	110	(13)	1,063
Share-based payments	68	-	-	-	68
Share plan redemptions	(270)	-	-	-	(270)
Available-for-sale financial assets	-	-	-	(2)	(2)
At 31 December 2012	101	663	110	(15)	859

Nature and purpose of reserves

Employee benefits reserve

Used to record share-based payments associated with the employee share plans and actuarial movements in 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.

Hedge of net investment reserve

Used to record gains and losses on hedges of net investments in foreign operations.

Investment fair value reserve

Used to record changes in the fair value of the Group's available-for-sale financial assets.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

23. Retained earnings

	2013 US\$m	2012 US\$m
At 1 January	7,786	5,782
Net profit for the year	1,749	2,983
Dividends	(1,738)	(979)
At 31 December	7,797	7,786

24. Parent entity information

	2013 US\$m	2012 US\$m
Information relating to Woodside Petroleum Ltd		
Current assets	62	31
Total assets	7,506	7,800
Current liabilities	(51)	(427)
Total liabilities	(581)	(934)
Net assets	6,925	6,866
Issued and fully paid shares	6,547	6,547
Shares reserved for employee share plans	(42)	(44)
Employee benefits reserve	115	79
Foreign currency translation reserve	303	303
Retained earnings	2	(19)
Total shareholders' equity	6,925	6,866
Profit of the parent entity	1,760	965
Total comprehensive income of the parent entity	1,760	965

Guarantees

Woodside Petroleum Ltd and Woodside Energy Ltd (a subsidiary company) are parties to a Deed of Cross Guarantee as disclosed in Note 35(b). 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 25(e).

25. Financial and capital risk management

(a) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing debt, cash and short-term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

Market (including foreign exchange, commodity price and interest rate risk), liquidity and credit risks arise in the normal course of the Group's business. Primary responsibility for identification and control of financial risk rests with a central treasury department (Treasury) under directives approved by the Board.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all its 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 purchase of reserves and the underpinning of the economics of a new project.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

25. Financial and capital risk management (continued)

(a) Financial risk management objectives and policies (continued)

It is, and has been throughout the period, the Group Treasury policy that no speculative trading in financial instruments shall be undertaken. The Group's forecast financial risk position with respect to key financial objectives and compliance with Treasury policy is regularly reported to the Board. The Audit & Risk Committee oversees the internal auditor review of the treasury function.

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency in which they are measured. The functional currency of all entities within the Group is US dollars.

Currency exposure relates to transactions and balances in currencies other than US dollars. The majority of the operations' revenue is denominated in US dollars whereas the majority of operating expenditure and capital expenditure is incurred in currencies other than US dollars (including Australian dollars). As a result, most operations within the Group are exposed to foreign currency risk arising from Australian dollars. Monetary items denominated in currencies other than the functional currency are translated into US dollar equivalents and any associated gain or loss is taken to the income statement.

Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Group's financial position. Currently there are no foreign exchange hedge programs in place. Group Treasury manages the purchase of foreign currency to meet operational requirements.

The following table shows financial instruments by currency. The Group is principally exposed to foreign exchange risk on those financial instruments denominated in Australian dollars.

	2013				2012			
	USD US\$m	AUD US\$m	Other US\$m	Total US\$m	USD US\$m	AUD US\$m	Other US\$m	Total US\$m
Financial assets								
Cash	2,147	65	11	2,223	2,366	37	19	2,422
Receivables	344	110	(1)	453	474	98	2	574
Other financial assets	28	8	-	36	38	58	-	96
	2,519	183	10	2,712	2,878	193	21	3,092
Financial liabilities								
Payables	168	373	34	575	224	770	31	1,025
Interest-bearing liabilities ⁽¹⁾	3,783	-	-	3,783	4,366	-	-	4,366
Other financial liabilities	17	3	-	20	7	-	-	7
	3,968	376	34	4,378	4,597	770	31	5,398

(1) Excludes transaction costs.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

25. Financial and capital risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table summarises the sensitivity of the balance of financial instruments held at the reporting date to movement in the exchange rate of the US dollar to the Australian dollar, with all other variables held constant. The 11% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding five-year period.

Judgements of reasonably possible movements	Post tax profits (decrease)/increase		Other comprehensive income (decrease)/increase	
	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m
US\$:A\$ +11% (2012:+12%)	14	43	-	-
US\$:A\$ -11% (2012:-12%)	(17)	(55)	-	-

(ii) Commodity price risk

The Group's revenue is exposed to commodity price fluctuations, in particular oil and gas prices. As at reporting date, the Group had no financial instruments with material exposure to commodity price risk.

Group Treasury measures exposure to commodity price risk 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.

(iii) Interest rate risk

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 aims to manage 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. Derivatives are entered into against specific rate exposures only, as disclosed in Note 25(f). No hedging programs were placed during 2013 (2012: nil).

Cash and short-term deposits are short term in nature and are therefore monitored by Group Treasury to achieve the optimal outcome.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to various benchmark interest rates that were not designated in cash flow hedges:

	2013 US\$m	2012 US\$m
Financial assets		
Cash and cash equivalents	2,223	2,422
Other financial assets	-	10
	2,223	2,432
Financial liabilities		
Interest-bearing liabilities ⁽¹⁾	(1,383)	(1,717)
Derivative instruments	-	(250)
	(1,383)	(1,967)

(1) Excludes transaction costs.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

25. Financial and capital risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

The following table summarises the sensitivity of the balance of financial instruments held at the reporting date, following a movement in the London Interbank Offered Rate (LIBOR), with all other variables held constant.

The LIBOR +1.0%/- 0.35% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding five-year period, bound by a lower limit of 0%.

Judgements of reasonably possible movements	Post tax profits (decrease)/increase		Other comprehensive income (decrease)/increase	
	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m
LIBOR +1.0% (2012: +1.8%)	10	16	-	-
LIBOR -0.35% (2012: -0.5%)	(4)	(5)	-	-

(c) Liquidity risk

Liquidity risk arises from financial liabilities of the Group and the Group's subsequent ability to meet their 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.

Group Treasury continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. At 31 December 2013, the Group has a total of US\$3,823 million available undrawn facilities and cash at its disposal. Financing facilities available to the Group are disclosed in Note 25(e). Refer to Note 25(g) for details of the repayment obligations in respect of the amount of facilities drawn down.

	2013				2012			
	Payables maturity analysis				Payables maturity analysis			
	< 30 days	30-60 days	> 60 days	Total	< 30 days	30-60 days	> 60 days	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Trade payables	139	76	1	216	182	6	82	270
Other payables	253	-	-	253	490	3	24	517
Loan payables	-	-	66	66	-	-	194	194
Interest payable	2	-	38	40	6	-	38	44
Total payables	394	76	105	575	678	9	338	1,025

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

25. Financial and capital risk management (continued)

(d) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument, resulting in 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. The amounts held with these institutions are within the counterparty limits as approved by the Chief Financial Officer and the Board approved Group Treasury Policy.

	2013				2012			
	Receivables maturity analysis				Receivables maturity analysis			
	< 30 days	30-60 days	> 60 days	Total	< 30 days	30-60 days	> 60 days	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Trade receivables	284	-	-	284	449	-	-	449
Other receivables	166	-	1	167	119	1	2	122
Dividends receivable	2	-	-	2	2	-	-	2
Interest receivable	-	-	-	-	1	-	-	1
Total receivables	452	-	1	453	571	1	2	574

(e) Financing facilities

364-day revolving credit facilities

The Group has two dual currency (US and Australian dollars) 364-day revolving credit facilities totalling US\$100 million. Interest rates are based on LIBOR and are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. The 364-day revolving credit 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 year.

Bi-lateral loan facilities

The Group has 12 bi-lateral loan facilities totalling US\$950 million. Details of bi-lateral loan facilities at the reporting date are as follows:

Number of facilities	Term (years)	Currency	Extension option
6	5	AUD, USD	Evergreen
2	5	Multiple	Evergreen
1	5	USD	Not evergreen
1	4	AUD, USD	Evergreen
1	3	AUD, USD	Evergreen
1	4	USD	Evergreen

Interest rates are based on LIBOR and 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. The bi-lateral loan 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 year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

25. Financial and capital risk management (continued)

(e) Financing facilities (continued)

Bonds

The Group has four unsecured bonds issued to 'qualified institutional buyers' in the United States of America as defined in Rule 144A of the US Securities Act 1933. These bonds include:

- The 2014 US\$400 million bond has a fixed rate coupon of 8.125% p.a. and matures on 1 March 2014;
- The 2014 US\$700 million bond has a fixed rate coupon of 4.50% p.a. and matures on 10 November 2014;
- The 2019 US\$600 million bond has a fixed rate coupon of 8.75% p.a. and matures on 1 March 2019; and
- The 2021 US\$700 million bond has a fixed rate coupon of 4.60% p.a. and matures on 10 May 2021.

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

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 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. The JBIC Facility is 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 pledge has been breached at any time during the reporting year.

Asian syndicated facility

On 8 December 2010, the Group executed a five-year US\$1,100 million syndicated loan facility with 34 banks. Funds from the loan were used to repay the US\$1,100 million syndicated loan facility executed in May 2009. Australia and New Zealand Banking Group Limited and The Bank of Tokyo-Mitsubishi UFJ, Ltd were joint-mandated lead arrangers of the syndicated loan. The loan is composed of a US\$550 million term facility (Facility A) and a US\$550 million revolving facility (Facility B). Interest rates are based on LIBOR for both facilities and are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. The syndicated loan is subject to various covenants, including a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledge has been breached at any time during the reporting year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

25. Financial and capital risk management (continued)

(f) Hedging and derivatives

Interest rates

The Group manages its exposure to interest rate risk by maintaining a mix of fixed rate and floating rate debt. In general, the fixed rate debt and floating rate debt ratio is managed through an appropriate choice of debt instrument. The Group may enter into interest rate swaps to manage the ratio of fixed rate debt to floating rate debt.

The interest rate swaps expired on 15 November 2013. As at reporting date the Group had no further interest rate swaps.

Instrument	Notional amount	Rate	Expiry	Hedge type	Fair value	
					2013 US\$m	2012 US\$m
Interest rate swaps	US\$250 million	Receive 5% fixed Pay LIBOR less 0.10%	2013	Fair value hedge in 2006 - designated to swap the 2013 US\$250 million bond from a fixed rate to floating rate exposure. De-designated as a fair value hedge on 1 January 2007.	-	10

(g) Maturity profile of interest-bearing liabilities

The maturity profile of the Group's interest-bearing liabilities are as follows:

	Due for payment in						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
2013							
Interest-bearing liabilities ⁽¹⁾	(1,333)	(734)	(171)	(171)	(170)	(1,830)	(4,409)
2012							
Interest-bearing liabilities ⁽¹⁾	(757)	(1,335)	(736)	(172)	(172)	(1,987)	(5,159)

(1) Excludes deferred transaction costs.

The amounts disclosed in the table above are the undiscounted cash flows, representing principal and interest, and hence will not necessarily reconcile with the amounts disclosed in the consolidated statement of financial position.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

25. Financial and capital risk management (continued)

(h) Fair values

The Group uses various methods in estimating the fair value of a financial instrument. These methods and financial instruments to which the method applies are as follows:

- Level 1 - the fair value of listed equity instruments is based on quoted market prices in active markets at reporting date.
- Level 2 - the fair value is estimated using valuation techniques comparable to similar instruments such as present value techniques for which market observable prices exist. Financial instruments that use valuation techniques with only observable market inputs, that are not significant to the overall valuation, include interest rate swaps and forward commodity contracts.
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data. This methodology applies to the fair value measurement of embedded derivatives.

The fair values of financial instruments are as follows:

	2013				2012			
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non-market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non-market observable inputs (Level 3)	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Financial instruments								
Derivative instruments								
Current	-	-	-	-	-	10	-	10
Other investments (available-for-sale):								
Listed entity investments	2	-	-	2	1	-	-	1
Embedded derivatives:								
Current	-	-	(1)	(1)	-	-	4	4
Non-current	-	-	(2)	(2)	-	-	33	33

The fair value of financial assets and financial liabilities not measured at fair value approximates their carrying amount, with the exception of the Group's four unsecured bonds which have a carrying amount of US\$2.4 billion and a level 1 fair value of US\$2.6 billion. The Group's repayment obligations remain unchanged.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

25. Financial and capital risk management (continued)

(h) Fair values (continued)

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

Reconciliation of Level 3 fair value movements

	2013 US\$m	2012 US\$m
At 1 January	37	45
Amortisation recognised in the income statement	(40)	(8)
At 31 December	(3)	37
Total amortisation stated in the above table for assets held at the end of the financial year	(40)	(8)

(i) Capital management

Group Treasury is responsible for the Group's capital management including cash, debt and equity. 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. This involves the use of corporate forecasting models, which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements.

Group Treasury maintains a stable capital base 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. An example of the Group's capital management is the activation of the Dividend Reinvestment Plan (DRP) during a period of high capital expenditure.

The DRP was approved by shareholders at the Annual General Meeting in 2003 for activation as required to fund future growth. The DRP was suspended by the Board in February 2013 until further notice.

Group Treasury monitors a range of financial metrics, including gearing and cash flow leverage, and treasury policy breaches and exceptions. The gearing ratio which is net debt divided by total equity (excluding non-controlling interest) plus net debt is 9% (2012: 11%) at reporting date.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

26. Expenditure commitments

	2013 US\$m	2012 US\$m
(a) Operating lease commitments		
Rentals payable on non-cancellable operating leases, due		
Within one year	433	241
After one year but not more than five years	818	572
Later than five years	848	619
	2,099	1,432

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 specific entity that holds the lease. 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\$347 million during the year (2012: US\$487 million). A portion of this amount relates to arrangements containing non-lease elements, which are not practicable to separate.

(b) Capital expenditure commitments

The Group has capital expenditure commitments contracted for but not provided for in the Financial Report of US\$103 million (2012: US\$174 million).

(c) Exploration commitments

The Group has exploration obligations for the following regions which are contracted for but not provided for in the Financial Report:

	2013 US\$m	2012 US\$m
Australia		
Browse Basin	28	4
Canning Offshore Basin	110	238
Carnarvon Basin	82	185
New Zealand	21	-
The Americas		
Gulf of Mexico	1	86
Peru	23	16
Asia		
Korea	8	-
Myanmar	12	-
Middle East & Africa		
Canary Islands	149	140
	434	669

These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

27. Employee benefits

(a) Woodside employee share plans

(i) Woodside share purchase plan

The Woodside Share Purchase Plan (WSPP) was introduced in April 2007 and was available to all employees, including executives up to March 2009. The plan was suspended in May 2009 due to uncertainty regarding the future operation of the plan created by proposed taxation legislation changes announced in the 2009 Federal budget. The WSPP provided eligible employees with an opportunity to acquire Woodside shares and to share in the growth of the company. The WSPP year was based on a 1 July to 30 June period (WSPP Year).

Participants in the WSPP elected to salary sacrifice an amount of base salary and this amount was applied by the WSPP Trustee to purchase shares in Woodside Petroleum Ltd. Additional shares were granted (matching shares) at a fixed annual ratio of the shares awarded for the salary sacrifice amount. In the 2008/09 WSPP Year, the ratio was one for one and a half. Conditions applied in order for employees to become entitled to the matching shares.

The WSPP final vesting was in April 2012.

Matching shares acquired under the WSPP were accounted for as share-based payments to employees for services provided and were measured at fair value, being the share price on acquisition date.

(ii) Woodside employee equity plan

In July 2009 Woodside introduced the Woodside Petroleum Ltd 2009 - 2012 Employee Equity Plan (EEP) which was available to all employees including executives, other than the CEO. The EEP was intended to provide a retention mechanism for participating employees as well as provide an opportunity to share in the growth of the company. The Equity Rights (ERs) are a form of remuneration that is not dependent on the employee's individual performance or Woodside's performance.

Eligible participants were entitled to receive an allocation of ERs. Each ER entitled the participants to receive a Woodside share on vesting. The ERs vested on 1 August 2012 and unrestricted possession (full entitlement) of these shares was transferred to employees.

The EEP was accounted for as a share-based payment to employees for services provided. The fair value of the benefit provided was estimated using the Black-Scholes option pricing technique.

The number of ERs and movements in each EEP offer for 2012 was as follows:

Grant date	2012				
	On issue at beginning of year	Granted during the year	Vested during the year ⁽¹⁾	Forfeited/lapsed during the year	On issue at end of year
29 February 2012	-	69,644	(67,404)	(2,240)	-
16 December 2011	82,602	-	(81,581)	(1,021)	-
16 September 2011	83,605	-	(80,228)	(3,377)	-
10 June 2011	98,387	-	(92,845)	(5,542)	-
18 March 2011	115,098	-	(111,412)	(3,686)	-
17 December 2010	186,549	-	(178,871)	(7,678)	-
24 September 2010	207,563	-	(193,317)	(14,246)	-
25 June 2010	296,414	-	(286,726)	(9,688)	-
30 April 2010	39,352	-	(37,222)	(2,130)	-
19 March 2010	232,567	-	(223,569)	(8,998)	-
30 December 2009	194,013	-	(186,899)	(7,114)	-
31 October 2009	5,235,377	-	(4,994,681)	(240,696)	-
	6,771,527	69,644	(6,534,755)	(306,416)	-

(1) Amount includes 93,867 rights that were settled in cash.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

27. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(ii) Woodside employee equity plan (continued)

The following table lists the inputs to the Black-Scholes option pricing technique used for the years ended 31 December 2012, 31 December 2011, 31 December 2010 and 31 December 2009:

Grant date	Vesting date	Share price at grant date (A\$/share)	Employee benefit fair value (US\$/ER)	Valuation assumptions	
				Expected dividend return (%)	Expected life (years)
29 February 2012	1 August 2012	37.24	32.46	2.5	0.42
16 December 2011	1 August 2012	31.30	30.59	2.5	0.63
16 September 2011	1 August 2012	34.25	32.50	2.5	0.88
10 June 2011	1 August 2012	43.55	39.79	2.5	1.15
18 March 2011	1 August 2012	44.41	42.17	2.5	1.38
17 December 2010	1 August 2012	43.17	40.81	2.5	1.62
24 September 2010	1 August 2012	44.48	40.51	2.5	1.85
25 June 2010	1 August 2012	43.28	35.71	2.5	2.10
30 April 2010	1 August 2012	45.40	39.83	2.5	2.26
19 March 2010	1 August 2012	46.73	40.53	2.5	2.37
30 December 2009	1 August 2012	47.35	39.68	2.5	2.59
31 October 2009	1 August 2012	47.70	39.81	2.5	2.75

(iii) Woodside equity plan

In November 2011 Woodside introduced the Woodside Petroleum Ltd, Woodside Equity Plan (WEP) which is available to all Australian based employees including executives, other than the CEO and any executive director. 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 will be calculated with reference to salary and performance. The linking of performance to an allocation allows Woodside to recognise and reward eligible employees for high performance. The WEP is intended to provide an opportunity to share in the growth of the company as well as provide a retention mechanism for participating employees. Participants do not make any payment in respect of the ERs at grant or at vesting.

Eligible participants receive an allocation of ERs. Each ER entitles the participant to receive a Woodside share on the vesting date three years after the effective date. ERs may vest prior to the vesting date on a change of control or, at the discretion of the CEO, limited to the following circumstances; redundancy, retirement, death, termination due to medical illness or capacity or total and permanent disablement of a participating employee. An employee whose employment is terminated by resignation, cessation of an employment contract or for cause prior to the vesting date will forfeit all of their ERs.

Shares will either be issued by Woodside or acquired on market to satisfy vesting ER entitlements. The number of ERs that vest may be adjusted for any interruptions to an employee's service. Eligible participants who are on an international assignment may receive a cash amount subject to Board discretion.

Participants in the WEP cannot dispose of or otherwise deal with an ER and do not receive any dividends or have voting rights in respect of an ER. Allocations of ERs to participants will be adjusted in the event of Woodside making a bonus issue of shares or upon reconstruction of the company's share capital.

The WEP is accounted for as a share-based payment to employees for services provided. The fair value of the benefit provided will be estimated using the Black-Scholes option pricing technique.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

27. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(iii) Woodside equity plan (continued)

The WEP had 3,539 employees participating at 31 December 2013.

The number of equity rights and movements in each WEP offer are as follows:

2013					
Grant date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year
1 October 2013	-	2,874,030	-	-	2,874,030
1 October 2012	1,912,965	41,497	(6,112)	(174,196)	1,774,154
30 November 2011	1,521,362	-	(12,079)	(159,146)	1,350,137
	3,434,327	2,915,527	(18,191)	(333,342)	5,998,321

2012					
Grant date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year
1 October 2012	-	1,912,965	-	-	1,912,965
30 November 2011	1,664,607	9,960	(2,940)	(150,265)	1,521,362
	1,664,607	1,922,925	(2,940)	(150,265)	3,434,327

The following table lists the inputs to the Black-Scholes option pricing technique used for the years ended 31 December 2013, 31 December 2012 and 31 December 2011.

Grant date	Vesting date	Share price at grant date (A\$/share)	Employee benefit fair value (US\$/ER)	Valuation assumptions	
				Expected dividend return (%)	Expected life (years)
1 October 2013	1 October 2016	37.77	30.47	5.0	3
1 October 2012	1 October 2015	33.20	31.99	2.5	3
30 November 2011	30 November 2014	32.80	30.49	2.5	3

(b) Executive share plans

The Executive Incentive Plan (EIP) and Pay Rights (PR) Plan became effective 1 January 2005 and 15 March 2007 respectively. For further details regarding the EIP and the Group's remuneration structure for the CEO and senior executives refer to the Remuneration Report included in the 2013 Directors' Report.

The following table illustrates the number and weighted average prices of shares reserved and acquired during the year by the plan.

	2013			2012		
	Number of shares	Weighted average price (A\$/share)	Cost US\$m	Number of shares	Weighted average price (A\$/share)	Cost US\$m
Opening balance	690,007	33.35	23	562,830	42.61	18
Purchases during the year	41,602	39.08	2	300,000	35.54	11
Vested during the year	(72,373)	45.57	(4)	(172,823)	34.77	(6)
Shares reserved for executives under EIP/PR	659,236	32.37	21	690,007	33.35	23

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

27. Employee benefits (continued)

(b) Executive share plans (continued)

Equity rights are granted on 1 January of each performance year. The EIP is accounted for as a share based payment to employees for services provided. The fair value of the benefit provided was estimated using the Binomial or Black-Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant. Historical volatility has been used to estimate the volatility of the share price.

In the prior year, on 7 December 2012, the Board approved a modification to the EIP rules for the 2012 performance year and each year thereafter. The modifications affected both the Short Term Award (STA) and Long Term Award (LTA). There have been no further modifications in 2013.

For the 2012 performance year onwards, the STA deferred equity component will be delivered in the form of restricted shares. Participants will receive any dividends paid on their restricted shares after they have been allocated.

The LTA for the 2012 performance year onwards is granted in the form of Variable Pay Rights (VPRs), the vesting of which is linked to service and Relative Total Shareholder Return (RTSR). The vesting of RTSR-tested VPRs is conditional on satisfactory ranking of Woodside's RTSR, as calculated under the EIP rules, over a four or five year period in comparison with an international peer group and separately the ASX top 50. The international oil and gas LTA Peer Group for grant of the RTSR-tested VPRs for the 2012 performance year onwards is set out in Table 8 of the Remuneration Report. This peer group has a weighting of 67%. The ASX 50 Index as at 1 December 2013 was taken as the second peer group. The selection of the ASX 50 as a second peer group with a weighting of 33% was made in order to reflect Woodside's performance against similar organisations traded on the Australian Securities Exchange. The RTSR in respect of Woodside and both peer groups is calculated by an external advisor in accordance with the EIP rules on the fourth anniversary of the allocation of these RTSR-tested VPRs. The outcome of the test is measured against the schedule shown in Table 5 of the Remuneration Report. Any RTSR-tested VPRs which do not vest at this time are subject to a second RTSR test on the fifth anniversary of the allocation date. Any RTSR-tested VPRs that do not vest on the fifth anniversary lapse.

For further details regarding the 2008 to 2011 plans, refer to the Remuneration Report included in the 2013 Directors' Report.

As a consequence of the 2012 rule modifications, the fair value of the benefit provided was revalued at the 2012 modification date 7 December 2012.

<i>EIP Time-tested variable pay rights (VPRs)/restricted shares</i>	Valuation assumptions		
	Employee benefit fair value (US\$/VPR)	Share price at grant date (A\$/share)	Expected dividend yield (%)
Fair value of the original equity right at 1 January 2012	28.22	30.62	2.5
Fair value of modified equity right at 7 December 2012	35.95	34.22	-
Less: Fair value of original equity right at 7 December 2012	(33.19)	34.22	2.5
Incremental value of modified equity right at 7 December 2012	2.76		

<i>EIP relative total shareholder return (RTSR) tested VPRs</i>	Valuation assumptions				
	Employee benefit fair value (US\$/VPR)	Share Price at grant date (A\$/share)	Expected volatility (%)	Risk free interest rate (%)	Expected dividend yield (%)
Fair value of the original equity right at 1 January 2012	15.90	30.62	36	3.9	2.5
Weighted average of fair value equity right at 7 December 2012	20.64	34.22	22	2.7	3.4
Less: Fair value of original equity right at 7 December 2012	(21.68)	34.22	24	3.2	2.5
Decrement in value of modified equity right at 7 December 2012	(1.04)				

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

27. Employee benefits (continued)

(b) Executive share plans (continued)

EIP Time-tested variable pay rights (VPRs)/restricted shares

										Valuation assumption
Performance year	Grant date	Vesting date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/ lapsed during the year	On issue at end of year	Share price at grant date	Employee benefit fair value	Expected dividend yield
								(A\$/share)	(US\$/VPR or shares)	(%)
<i>Restricted shares</i>										
2013	1 January 2013	21 February 2017	-	116,244	-	-	116,244	33.88	35.18	-
2012	1 January 2012	22 February 2016	191,848	-	(2,587)	(6,238)	183,023	30.62	30.98 ⁽¹⁾	-
<i>Variable pay rights</i>										
2011	1 January 2011	1 March 2015	114,425	-	(2,893)	(4,503)	107,029	42.56	38.87	2.5
2010	1 January 2010	25 February 2014	55,009	-	(1,807)	(2,631)	50,571	47.20	38.32	2.5
2009	1 January 2009	5 March 2013	63,465	-	(62,755) ⁽²⁾	(710)	-	36.70	29.57	2.5

(1) Fair value of restricted shares is represented by the sum of the grant date fair value of \$28.22 and the incremental benefit on modification date amounting to \$2.76.

(2) Amount includes 6,965 shares that were settled in cash with a fair value of \$34.91.

EIP relative total shareholder return (RTSR) tested VPRs

Performance year	Grant date	Vesting dates	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/ lapsed during the year	On issue at end of year	Share price at grant date (A\$/share)	Employee benefit fair value (US\$/VPR)	Valuation assumptions		
										Expected volatility (%)	Risk free interest rate (%)	Expected dividend yield (%)
2013	1 January 2013	21 February 2018 21 February 2019	-	651,488	-	-	651,488	33.88	20.77	30	2.9	5.0
2012	1 January 2012	22 February 2017 22 February 2018	597,680	-	-	(14,982)	582,698	30.62	15.90	36	3.9	2.5
2011	1 January 2011	1 March 2015 1 March 2016	319,568	-	(1,330)	(8,656)	309,582	42.56	21.36	36	5.7	2.5
2010	1 January 2010	25 February 2014 25 February 2015	199,402	-	(1,233)	(8,578)	189,591	47.20	20.02	38	5.3	2.5
2009	1 January 2009	5 March 2013 5 March 2014	157,729	-	(1,059)	(4,586)	152,084	36.70	14.82	36	3.6	2.5

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

27. Employee benefits (continued)

(b) Executive share plans (continued)

Pay rights⁽¹⁾

Pay rights are accounted for as a share-based payment, with fair value estimated using the Binomial or Black Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant. Historical volatility has been used to estimate the volatility of the share price.

Performance year	Grant date	Vesting dates	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year	Share price at grant date	Employee benefit fair value ⁽³⁾	Valuation assumptions		
										Expected volatility ⁽³⁾	Risk free interest rate ⁽³⁾	Expected dividend yield ⁽³⁾
								(A\$/share) (US\$/VPR)		(%)	(%)	(%)
2010 ⁽²⁾	1 June 2010	15 March 2012	17,022	-	-	(5,674)	11,348	43.59	21.25	41	4.5	2.5
		15 March 2013	11,348	-	(5,674)	-	5,674	43.59	21.25	41	4.5	2.5
		15 March 2014										

(1) Refer to Remuneration Report 2011 for details of pay rights.

(2) Pay rights granted 1 June 2010 are RTSR-tested.

(3) Valuation assumptions and employee benefit fair values are based on weighted averages.

(c) CEO sign-on incentive shares

Mr Coleman gave up certain rights with his former employer to join Woodside as CEO. To recognise these interests, he was paid a one off sign-on incentive. Woodside acquired Woodside shares to the value of \$3 million to be held in trust for Mr Coleman. One third of these shares will vest each anniversary after the date of his appointment (in the absence of any accelerating event, including a change of control, in which case all shares will vest on the date of the control event).

Any unvested entitlements will be forfeited if Mr Coleman's employment is terminated for cause or by his resignation. Mr Coleman cannot dispose of or deal with any restricted shares until such restricted shares vest. In the event bonus shares are allotted in respect of the sign-on shares, the bonus shares will be allotted to the Trustee and held for Mr Coleman on the same terms and conditions as the underlying restricted shares.

The number of equity rights and movements in the CEO sign-on incentive share offer was as follows:

Year	Grant date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year
2013	30 May 2011	44,003	-	(22,001)	-	22,002
2012	30 May 2011	66,004	-	(22,001)	-	44,003
2011	30 May 2011	-	66,004	-	-	66,004

The following table lists the inputs to the Black-Scholes option pricing technique used for the year ended 31 December 2013.

Grant date	Vesting date	Share price at grant date (A\$/share)	Employee benefit fair value (US\$/ER) ⁽¹⁾	Valuation assumptions	
				Expected dividend return (%)	Expected life (years)
30 May 2011	30 May 2012	45.97	49.19	-	1
30 May 2011	30 May 2013	45.97	49.19	-	2
30 May 2011	30 May 2014	45.97	49.19	-	3

(1) Fair value calculation is averaged over the vesting period.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

27. Employee benefits (continued)

(d) Superannuation plan

Employees of the Group may be entitled to superannuation benefits on retirement, disability, death or withdrawal under the Group's Superannuation Plan. The Group has one funded plan with a defined benefit section and a defined contribution section.

The defined benefit section of the plan is closed to new members. All new members receive accumulation only benefits. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

Defined benefit superannuation plan

The Group has a legal obligation to settle defined benefit plan deficits, however, these do not need to be settled with an immediate contribution or additional one-off contribution. Any defined benefit plan surplus may only be used to reduce future contributions from the Group.

The present value of the defined benefit obligation has been determined using the projected unit credit method.

Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than yearly intervals and the last such assessment was made as at 31 December 2013.

Funding method

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the attained age normal method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above, in October 2008 the actuary recommended that the payment of employer contributions to the fund recommence. The Group recommenced contributions to the defined benefit section of the plan based on actuary recommended contribution rates for the respective groups of employees from 1 November 2008. Total employer contributions paid by Group companies for the year ending 31 December 2013 were US\$11 million (2012: US\$17 million).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

27. Employee benefits (continued)

(d) Superannuation plan (continued)

	2013 US\$m	2012 US\$m
Defined benefit plan asset/(liability) included in the statement of financial position		
Present value of the defined benefit obligation ⁽¹⁾	(155)	(211)
Fair value of defined benefit plan assets	164	181
Net defined benefit asset/(liability) - non-current	9	(30)
(1) Includes any provision for contribution tax on plan surplus or deficit.		
	2013 %	2012 %
Defined benefit plan categories of plan assets		
Cash	8	7
Australian equity	27	26
International equity	31	29
Fixed income	18	18
Property	13	15
Other	3	5
	100	100
	2013 US\$m	2012 US\$m
Defined benefit plan reconciliations		
Reconciliation of the present value of the defined benefit obligation, which is fully funded		
At 1 January	(211)	(184)
Current service cost	(13)	(12)
Interest on obligation	(6)	(7)
Actuarial gain/(loss)	18	(17)
Plan participants' contributions	(2)	(3)
Benefits, administrative expenses, premiums and tax paid	30	14
Currency translation differences	29	(2)
At 31 December	(155)	(211)
Reconciliation of the fair value of plan assets		
At 1 January	181	154
Expected return on plan assets	27	11
Actuarial gain	-	8
Employer contributions	11	17
Plan participants' contributions	2	3
Benefits, administrative expenses, premiums and tax paid	(30)	(14)
Currency translation differences	(27)	2
At 31 December	164	181
Defined benefit plan amounts recognised in the income statement		
Current service cost	13	14
Interest on obligation	6	9
Actual return on plan assets	(16)	(13)
Net actuarial loss	-	10
Defined benefit plan expense	3	20
Defined benefit plan amounts recognised in other comprehensive income		
Remeasurement gain/(losses) on defined benefit plan net of tax	15	-
	15	-

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

27. Employee benefits (continued)

(d) Superannuation plan (continued)

Defined benefit plan principal actuarial assumptions

The principal actuarial assumptions used as at the reporting date for the purpose of calculating the present value of the defined benefit obligation are as follows:

	Financial year	
	2013	2012
Discount rate – active members	4.20% p.a.	3.10% p.a.
Discount rate – pensioners	4.20% p.a.	3.10% p.a.
Expected salary increase rate	5.00% p.a.	5.00% p.a.

The expected rate of return on plan assets is determined by weighting the expected long-term return for each asset class by the benchmark allocation of assets to each class. The returns for each asset class are net of investment tax and investment fees.

Defined benefit plan historical information

	Financial year				
	2013 US\$m	2012 US\$m	2011 US\$m	2010 US\$m	Restated 2009 US\$m
Present value of defined benefit obligation	(155)	(211)	(184)	(160)	(133)
Fair value of plan assets	164	181	154	146	119
(Deficit)/surplus in plan	9	(30)	(30)	(14)	(14)

(e) Employee benefits expense

	2013 US\$m	2012 US\$m
Employee benefits	316	265
Defined contribution plan costs	31	26
Defined benefit plan expense	3	20
	350	311

28. Key management personnel compensation

(a) Compensation of key management personnel

Key management personnel (KMP) compensation for the financial year is as follows:

	2013 US\$	2012 US\$
Short-term employee benefits	11,749,020	12,828,321
Post employment benefits	327,362	458,505
Share-based payments	6,582,222	3,418,775
Long-term employee benefits	(13,025)	-
Termination benefits	2,250,404	355,266
	20,895,983	17,060,867

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

28. Key management personnel compensation (continued)

(b) Key management personnel shareholdings

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

	2013					2012				
	Opening holding ⁽²⁾	NEDSP ⁽³⁾	Acquisition/ (disposal)	Net change - other	Closing holding	Opening holding ⁽²⁾	NEDSP ⁽³⁾	Acquisition/ (disposal)	Net change - other	Closing holding
Non-executive directors										
M A Chaney	20,000	-	-	-	20,000	20,000	-	-	-	20,000
E Fraunshiel ⁽⁴⁾	81,930	-	-	(81,930)	-	81,930	-	-	-	81,930
A Jamieson	4,235	1,145	-	-	5,380	3,000	1,235	-	-	4,235
P J M H Jungels ⁽⁵⁾	-	-	-	-	-	9,205	-	-	(9,205)	-
D I McEvoy	8,040	-	-	-	8,040	7,924	116	-	-	8,040
M Cilento	2,086	-	-	-	2,086	1,382	704	-	-	2,086
C Haynes	1,333	1,064	-	-	2,397	186	1,147	-	-	1,333
S Ryan ⁽⁶⁾	-	918	-	-	918	-	-	-	-	-
F C Cooper ⁽⁷⁾	-	860	-	-	860	-	-	-	-	-
Executives										
P Coleman	55,004	-	33,720	-	88,724	66,004	-	(11,000)	-	55,004
L Tremaine	5,972	-	8,378	-	14,350	2,224	-	3,748	-	5,972
R Cole	28,502	-	12,481	-	40,983	15,174	-	13,328	-	28,502
V Santostefano ⁽⁸⁾	38,164	-	12,512	(50,676)	-	28,051	-	10,113	-	38,164
L Della Martina ⁽⁹⁾	-	-	-	-	-	54,884	-	5,739	(60,623)	-
P Moore ⁽¹⁰⁾	13,149	-	6,835	(19,984)	-	6,190	-	6,959	-	13,149
F Ahmed ⁽¹¹⁾	6,886	-	7,670	(14,556)	-	2,500	-	4,386	-	6,886
G Roder	-	-	3,829	-	3,829	-	-	-	-	-
R Edwardes ⁽¹²⁾	543	-	4,710	-	5,253	-	-	-	543	543
S Gregory ⁽¹³⁾	2,300	-	2,694	-	4,994	-	-	-	-	-
M Utsler ⁽¹⁴⁾	-	-	-	-	-	-	-	-	-	-
P Loader ⁽¹⁵⁾	-	-	-	-	-	-	-	-	-	-

- (1) Personally related entities include a KMP's spouse, dependants or entities over which they have direct control or significant influence.
 (2) Opening holding represents amounts carried forward in respect of KMP or amounts held by KMP who commenced during the year.
 (3) Relates to participation in the Non-Executive Directors' Share Plan (NEDSP).
 (4) Mr Fraunshiel departed Woodside on 28 February 2013.
 (5) Dr Jungels departed Woodside on 7 December 2012.
 (6) Dr Ryan was appointed a Non-Executive Director of Woodside on 6 December 2012.
 (7) Mr Cooper was appointed a Non-Executive Director of Woodside on 1 February 2013.

- (8) Mr Santostefano ceased to be KMP on 30 November 2013 and will leave employment with Woodside on 30 June 2014.
 (9) Mr Della Martina departed Woodside on 10 May 2012.
 (10) Mr Moore departed Woodside on 1 August 2013.
 (11) Mr Ahmed departed Woodside on 31 July 2013.
 (12) Mr Edwardes commenced with Woodside on 7 May 2012.
 (13) Mr Gregory did not meet the definition of KMP for the years prior to 2013. Comparative figures are not shown.
 (14) Mr Utsler commenced with Woodside on 2 December 2013.
 (15) Mr Loader commenced with Woodside on 1 July 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

28. Key management personnel compensation (continued)

(c) Executives' interests in variable pay rights (VPR) and equity rights (ER)

VPR and ER holdings of key management personnel

2013					
Name	At 1 January 2013	Allocated in 2013	Vested in 2013	Net change - other	At 31 December 2013
P Coleman	66,560	150,665	-	-	217,225
L Tremaine	25,117	17,731	(1,445)	-	41,403
R Cole	41,524	19,430	(4,599)	-	56,355
V Santostefano ⁽¹⁾	36,542	21,359	(3,786)	(54,115)	-
L Della Martina ⁽²⁾	-	-	-	-	-
P Moore ⁽³⁾	25,688	10,788	(4,269)	(32,207)	-
F Ahmed ⁽⁴⁾	33,264	16,503	(3,692)	(46,075)	-
G Roder	-	5,774	-	-	5,774
R Edwardes ⁽⁵⁾	-	11,923	-	-	11,923
S Gregory ⁽⁶⁾	12,016	7,747	(937)	-	18,826
M Utsler ⁽⁷⁾	-	-	-	-	-
P Loader ⁽⁸⁾	-	-	-	-	-

2012

Name	At 1 January 2012	Allocated in 2012	Vested in 2012	Net change - other	At 31 December 2012
P Coleman	-	66,560	-	-	66,560
L Tremaine	20,400	14,034	(6,748)	(2,569)	25,117
R Cole	47,153	16,962	(13,328)	(9,263)	41,524
V Santostefano	36,157	16,785	(10,113)	(6,287)	36,542
L Della Martina	34,032	12,268	(5,739)	(40,561)	-
P Moore	24,379	11,040	(6,959)	(2,772)	25,688
F Ahmed	37,197	14,098	(11,811)	(6,220)	33,264
G Roder	-	-	-	-	-
R Edwardes	-	-	-	-	-

(1) Mr Santostefano ceased to be a KMP on 30 November 2013 and will leave employment with Woodside on 30 June 2014.

(2) Mr Della Martina departed Woodside on 10 May 2012.

(3) Mr Moore departed Woodside on 1 August 2013.

(4) Mr Ahmed departed Woodside on 31 July 2013.

(5) Mr Edwardes commenced with Woodside on 7 May 2012.

(6) Mr Gregory did not meet the definition of KMP for the years prior to 2013. Comparative figures are not shown. Amount includes 937 shares that were settled in cash with a fair value of \$34.91.

(7) Mr Utsler commenced with Woodside on 2 December 2013.

(8) Mr Loader commenced with Woodside on 1 July 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

28. Key management personnel compensation (continued)

(d) Summary of Executives' interests in shares under the Woodside Share Purchase Plan (WSPP)

The WSPP was completed in 2012.

Name	Year	Opening balance	Shares purchased under WSPP	Matching Shares	Shares vested	Net change - other	Closing balance
P Coleman	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
L Tremaine	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
R Cole	2012	395	-	-	(395)	-	-
	2011	769	-	-	(374)	-	395
	2010	893	-	-	(124)	-	769
	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
	2007	-	62	62	-	-	124
V Santostefano	2012	395	-	-	(395)	-	-
	2011	769	-	-	(374)	-	395
	2010	893	-	-	(124)	-	769
	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
	2007	-	62	62	-	-	124
L Della Martina ⁽¹⁾	2012	395	-	-	(395)	-	-
	2011	769	-	-	(374)	-	395
	2010	893	-	-	(124)	-	769
	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
P Moore	2012	-	-	-	-	-	-
	2011	234	-	-	(234)	-	-
	2010	358	-	-	(124)	-	234
F Ahmed	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
	2010	-	-	-	-	-	-
	2009	-	-	-	-	-	-
G Roder	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
R Edwardes ⁽²⁾	2012	-	-	-	-	-	-

(1) Mr Della Martina departed Woodside on 10 May 2012.

(2) Mr Edwardes commenced with Woodside on 7 May 2012.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

29. Events after the end of the reporting period

Dividends

Since the reporting date, the directors have declared a fully franked dividend of US\$1.03 (2012: US\$0.65), payable on 26 March 2014. The amount of this dividend will be US\$849 million (2012: US\$536 million). 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.

30. Related party disclosures

(a) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

		Sales to related parties US\$m	Purchases from related parties US\$m	Outstanding balances receivable from/ (payable to) related parties US\$m	Commitments US\$m
Entities with significant influence over the Group					
Royal Dutch Shell Group (Shell Group)					
Shell Company of Australia Ltd					
- purchases of goods	2013	-	39	2	-
	2012	-	70	(1)	-
Other members of Shell Group					
- purchases of services	2013	-	24	-	7
	2012	-	27	-	12
Other members of Shell Group					
- sales of goods	2013	146	-	4	-
	2012	313	-	6	-

Shell Energy Holdings Australia Ltd is deemed a related party through its 23.1% (2012: 23.1%) interest of 190,119,364 ordinary shares (2012: 190,119,364 ordinary shares) in the shareholding of the Group.

The Group and Shell have common interests in joint ventures (refer to Note 33(a)).

(b) Terms and conditions of transaction with related parties

Sales to and purchases from related parties are made at arm's length on normal market prices and on normal commercial terms. Applicable insurance premiums are negotiated at arm's length with lead insurers via Woodside's insurance brokers with Solen Versicherungen AG following the terms set by the lead insurers.

Outstanding balances at year end are unsecured, interest-free and settlement occurs in cash.

No guarantees are provided or received for any related party receivables or payables.

No provision for doubtful debts has been recognised on any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(c) Transactions with directors

No transactions with directors occurred outside of their normal Board and committee duties in 2013 (2012: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

31. Contingent liabilities and contingent assets

	2013 US\$m	2012 US\$m
Contingent liabilities at the reporting date		
Not otherwise provided for in the Financial Report		
Contingent liabilities ⁽¹⁾	18	17
Guarantees ⁽²⁾	7	7
	25	24

(1) Contingent liabilities relate predominantly to actual or potential litigation 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 this Financial Report. 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.

(2) The Group has issued guarantees relating to workers compensation liabilities.

32. Auditor remuneration

	2013 US\$'000	2012 US\$'000
Fees of the auditors of the company for:		
Audit and review of financial reports		
Ernst & Young		
Audit	1,638	1,731
	1,638	1,731
Non-audit services		
Ernst & Young		
Other assurance/advisory services	875	1,960
Other services	381	30
	1,256	1,990

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

33. Joint arrangements

(a) Joint operation interests

The Group's interests in joint operations as at 31 December 2013 is detailed below. Exploration, development and production of hydrocarbons are the principal activities performed across these assets. Related party interests are indicated where applicable (refer to Note 30).

Joint operations	Group interest %	Related party interest %
Australasia		
Producing and Developing Assets		
North West Shelf Joint Venture	12.5 - 50.0	8.3 - 16.7
Enfield and Vincent	60.0	-
Laminaria–Corallina	59.9 - 66.7	-
Stybarrow	50.0	-
Pluto	90.0	-
Exploration and Evaluation Assets		
Bonaparte Basin	26.7 - 35.0	25.0 - 33.3
Browse Basin	17.0 - 75.0	25.0 - 35.0
Canning Offshore Basin	55.0	45.0
Carnarvon Basin	15.8 - 90.0	15.8
Middle East and Africa		
Exploration and Evaluation Assets		
Canary Islands	30.0	-
The Americas		
Producing and Developing Assets		
Gulf of Mexico	20.0	-
Exploration and Evaluation Assets		
Gulf of Mexico	12.5 - 65.0	-
Brazil	12.5	-
Peru	20.0	-
Asia		
Exploration and Evaluation Assets		
Republic of Korea	50.0	-
Myanmar	40.0 - 50.0	-

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

33. Joint arrangements (continued)

(b) Joint operations

The aggregate of the Group's interest in all joint operations is as follows:

	2013 US\$m	2012 US\$m
Current assets		
Receivables	4	14
Inventories	50	48
Other assets	7	5
	61	67
Non-current assets		
Inventories	7	9
Exploration and evaluation assets	689	652
Oil and gas properties	9,369	9,640
	10,065	10,301
	10,126	10,368

(c) Commitments through joint operations

The aggregate of the Group's commitments through joint operations is as follows:

	2013 US\$m	2012 US\$m
Capital	95	153
Exploration commitments	434	534
	529	687

(d) Joint ventures

Interests in joint ventures are as follows:

Entity	Principal activity	Country of incorporation	Group interest %	
			2013	2012
North West Shelf Gas Pty Ltd	Marketing services for venturers in the sale of gas to the domestic market.	Australia	16.67	16.67
North West Shelf Liaison Company Pty Ltd	Liaison for venturers in the sale of LNG to the Japanese market.	Australia	16.67	16.67
North West Shelf Australia LNG Pty Ltd	Marketing services for venturers in the sale of LNG to international markets.	Australia	16.67	16.67
North West Shelf Shipping Service Company Pty Ltd	LNG vessel fleet advisor.	Australia	16.67	16.67

These entities exist as integrated components of the overall North West Shelf Joint Venture structure and are held proportionately with the other venturers. There have been no changes to the investment in these entities during the year.

34. Associated entities

Entity	Principal activity	Group interest %	
		2013	2012
International Gas Transportation Company Ltd ⁽¹⁾	LNG vessel fleet management.	16.67	16.67

(1) The associate is incorporated in Bermuda.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

35. Subsidiaries

(a) Subsidiaries

Name of entity	Notes	Country of incorporation
Parent entity		
Woodside Petroleum Ltd	(1,2,3)	Australia
Subsidiaries		
Woodside Energy Ltd	(2,3,4)	Australia
Woodside Energy Holdings Pty Ltd	(2,4)	Australia
Woodside Energy Holdings (USA), Inc	(4)	USA
Woodside Energy (USA), Inc	(4)	USA
Gryphon Exploration Company	(4)	USA
Woodside Natural Gas, Inc	(4,10)	USA
Woodside Energy (Peru) Pty Ltd	(2,4)	Australia
Woodside Energy (Myanmar) Pte Ltd	(4)	Singapore
Woodside Energy Mediterranean Pty Ltd	(2,4,6)	Australia
Woodside Energy (Ireland) Pty Ltd	(2,4,7)	Australia
Woodside Energy (Algeria) Pty Ltd	(2,4)	Australia
Metasource Pty Ltd	(2,4)	Australia
Woodside Guangdong Shipping (One) Pty Ltd	(2,4)	Australia
Woodside Guangdong Shipping (Two) Pty Ltd	(2,4)	Australia
Woodside Energy Holdings (UK) Pty Ltd	(2,4)	Australia
Woodside Energy (UK) Ltd	(4)	UK
Woodside Energy Iberia S.A.	(4)	Spain
Woodside Energy (N.A.) Ltd	(4)	UK
Woodside Energy (Kenya) Pty Ltd	(2,4)	Australia
Woodside Energy (Carbon Capture) Pty Ltd	(2,4)	Australia
Woodside Energy (SL) Pty Ltd	(2,4)	Australia
Woodside West Africa Pty Ltd	(2,4)	Australia
Woodside Energy Technologies Pty Ltd	(2,4)	Australia
Woodside Energy (Norway) Pty Ltd	(2,4)	Australia
Woodside Energy (M.E.) Pty Ltd	(2,4)	Australia
Woodside Energy Middle East and Africa Pty Ltd	(2,4)	Australia
Woodside Browse Pty Ltd	(2,4)	Australia
Woodside Burrup Pty Ltd	(2,4)	Australia
Pluto LNG Pty Ltd	(5)	Australia
Burrup Facilities Company Pty Ltd	(5)	Australia
Burrup Train 1 Pty Ltd	(5)	Australia
Woodside Energy Australia Asia Holdings Pte Ltd	(4)	Singapore
WelCap Insurance Pte Ltd	(4)	Singapore
Woodside Energy (Korea) Pte Ltd	(4)	Singapore
Woodside Energy Shipping Singapore Pte Ltd	(8,4)	Singapore
Woodside Energy Trading Singapore Pte Ltd	(9,4)	Singapore
Woodside Energy Holdings (South America) Pty Ltd	(2,4)	Australia
Woodside Energia (Brasil) Investimento em Exploração de Petróleo Ltda.	(4)	Brazil
Woodside Finance Ltd	(2,4)	Australia
Woodside Petroleum Holdings Pty Ltd	(2,4)	Australia
Woodside Petroleum (Timor Sea 19) Pty Ltd	(2,4)	Australia
Woodside Petroleum (Timor Sea 20) Pty Ltd	(2,4)	Australia
Mermaid Sound Port and Marine Services Pty Ltd	(2,4)	Australia
Woodside Petroleum (Northern Operations) Pty Ltd	(2,4)	Australia
Woodside Petroleum (W.A. Oil) Pty Ltd	(2,4)	Australia

(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 2013.

(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 for those listed in Note 5 below.

(5) Kansai Electric Power Australia Pty Ltd and Tokyo Gas Pluto Pty Ltd each have 5% of the shares in these companies.

(6) Woodside Energy Mediterranean Pty Ltd was incorporated on 1 March 2013.

(7) Woodside Energy (Ireland) Pty Ltd was incorporated on 22 July 2013.

(8) Woodside Energy Shipping Singapore Pte Ltd was incorporated on 9 September 2013.

(9) Woodside Energy Trading Singapore Pte Ltd was incorporated on 9 September 2013.

(10) The dissolution of Woodside Natural Gas Inc was effective on 31 July 2013.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

35. Subsidiaries (continued)

(b) 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 Australian Securities and Investment Commission (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.

Closed Group consolidated income statement	2013 US\$m	2012 US\$m
Profit before tax	1,221	2,325
Taxes	(276)	(1,129)
Profit after tax	945	1,196
Retained earnings at the beginning of the financial year	7,149	6,932
Dividends	(1,738)	(979)
Retained earnings at the end of the financial year	6,356	7,149

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

35. Subsidiaries (continued)

(b) Deed of Cross Guarantee and Closed Group (continued)

Closed Group consolidated statement of financial position	2013 US\$m	2012 US\$m
Current assets		
Cash and cash equivalents	64	34
Receivables	692	500
Inventories	112	187
Other financial assets	-	4
Other assets	19	13
Total current assets	887	738
Non-current assets		
Inventories	6	6
Other financial assets	18,216	17,809
Other assets	1	1
Exploration and evaluation assets	851	777
Oil and gas properties	4,673	4,870
Other plant and equipment	79	59
Deferred tax assets	-	14
Total non-current assets	23,826	23,536
Total assets	24,713	24,274
Current liabilities		
Payables	555	520
Tax payable	257	542
Other financial liabilities	37	26
Other liabilities	26	24
Provisions	151	166
Total current liabilities	1,026	1,278
Non-current liabilities		
Payables	8,334	6,844
Deferred tax liabilities	597	767
Other financial liabilities	10	7
Other liabilities	114	165
Provisions	950	812
Total non-current liabilities	10,005	8,595
Total liabilities	11,031	9,873
Net assets	13,682	14,401
Equity		
Issued and fully paid shares	6,550	6,547
Shares reserved for employee share plans	(42)	(44)
Other reserves	818	749
Retained earnings	6,356	7,149
Total equity	13,682	14,401

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2013

35. Subsidiaries (continued)

(c) Interests in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries with material non-controlling interest:

Name of entity	Principal place of business	% held by non-controlling interest	Profit/(loss) allocated to NCI US\$m	Accumulated NCI US\$m	Dividends paid to NCI US\$m
Burrup Train 1 Pty Ltd	Australia	10%	28	269	-
Burrup Facilities Company Pty Ltd	Australia	10%	37	464	-

The country of incorporation is the same as the principal place of business, unless stated otherwise.

Summarised financial information about subsidiaries with material non-controlling interest.

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests is as follows:

Summarised statement of financial position

	Burrup Facilities Company Pty Ltd		Burrup Train 1 Pty Ltd	
	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m
Current assets	45	268	142	348
Non-current assets	5,113	5,359	3,283	3,404
Current liabilities	(71)	(147)	(175)	(266)
Non-current liabilities	(445)	(1,154)	(561)	(1,023)
Net Assets	4,642	4,326	2,689	2,463

Summarised statement of comprehensive income

	Burrup Facilities Company Pty Ltd		Burrup Train 1 Pty Ltd	
	2013 US\$m	2012 US\$m	2013 US\$m	2012 US\$m
Revenue	877	735	1,498	1,251
Profit/(Loss) ⁽¹⁾	370	360	285	250

(1) Amount excludes finance costs which have been eliminated at Group consolidation level.

The sale or disposal of all, or substantially all, of the assets of Burrup Facilities Company Pty Ltd and of Burrup Train 1 Pty Ltd require the unanimous resolution of the Shareholders.

36. Corporate information

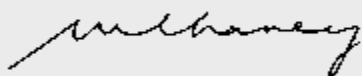
Woodside Petroleum Ltd is a company limited by shares incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange.

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 2013 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 2013 and of the performance of the Group for the financial year ended 31 December 2013;
 - (c) the financial statements and notes thereto also comply with International Financial Reporting Standards as disclosed in Note 1(b);
 - (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 35 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 2013.

For and on behalf of the Board



M A Chaney, AO
Chairman
Perth, Western Australia

19 February 2014



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

19 February 2014

INDEPENDENT AUDIT REPORT

Independent auditor's report to the members of Woodside Petroleum Ltd

Report on the financial report

We have audited the accompanying financial report of Woodside Petroleum Ltd, which comprises the consolidated statement of financial position as at 31 December 2013, 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 of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Opinion

In our opinion:

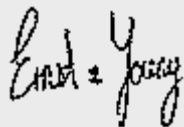
- a. the financial report of Woodside Petroleum Ltd is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 61 to 73 of the Directors' Report for the year ended 31 December 2013. 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.

Opinion

In our opinion, the Remuneration Report of Woodside Petroleum Ltd for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



R J Curtin, Partner

Perth, Western Australia

19 February 2014

Liability limited by a scheme approved under Professional Standards Legislation.

SHAREHOLDER INFORMATION

As at 12 February 2014

Number of shareholdings

There were 217,383 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	159,017	61,820,416	7.50
1,001 - 5,000	51,828	103,785,220	12.60
5,001 - 10,000	4,459	30,677,120	3.72
10,001 - 100,000	1,976	39,749,286	4.82
100,001 and over	103	587,878,615	71.35
Total	217,383	823,910,657	100.00

Unmarketable parcels

There were 2,832 members holding less than a marketable parcel of shares in the company.

Twenty largest shareholders

Size of shareholding	Shares Held	% of issued capital
Shell Energy Holdings Australia Limited	190,119,364	23.08
HSBC Custody Nominees (Australia) Limited	127,182,049	15.44
JP Morgan Nominees Australia Limited	80,387,882	9.76
National Nominees Limited	80,099,880	9.72
Citicorp Nominees Pty Limited	27,224,658	3.30
JP Morgan Nominees Australia Limited <Cash Income A/C>	14,640,152	1.78
BNP Paribas Noms Pty Ltd <DRP>	13,069,973	1.59
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	5,855,767	0.71
AMP Life Limited	4,024,295	0.49
UBS Wealth Management Australia Nominees Pty Ltd	3,731,209	0.45
Australian Foundation Investment Company Limited	3,282,886	0.40
HSBC Custody Nominees (Australia) Limited <Nt-Comwth Super Corp A/C>	3,032,740	0.37
Pacific Custodians Pty Limited <WPLPlans Ctrl A/C>	2,194,668	0.27
Argo Investments Limited	1,700,873	0.21
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,698,222	0.21
Navigator Australia Ltd <Mlc Investment Sett A/C>	1,623,973	0.20
RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	1,530,114	0.19
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,269,461	0.15
RBC Investor Services Australia Nominees Pty Limited <MBA A/C>	1,171,504	0.14
Australian United Investment Company Limited	1,000,000	0.12
Total	564,839,670	68.56

Substantial shareholders as disclosed in substantial shareholder notices given to the company are as follows:

Shell Energy Holdings Australia Limited	190,119,364	23.26*
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*Since Shell Energy Holdings Australia Ltd's most recent notice of change of interests of substantial shareholder was given on 4 April 2012, its interest in Woodside's issued capital has reduced to 23.08%, as a result of additional shares being issued by Woodside.

Annual General Meeting

The 2014 AGM of Woodside Petroleum Ltd will be held at 10 am (AWST) on 30 April 2014, 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.

i 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 2, 45 St Georges Terrace
Perth, Western Australia 6000

Postal address: GPO Box D182
Perth, Western Australia 6840

Telephone: 1300 558 507 (within Australia)
+61 3 9415 4632 (outside Australia)

Facsimile: +61 8 9323 2033

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.

i 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 it is our functional and presentation currency. Woodside pays its dividends in Australian dollars unless a shareholder's registered address is in the United Kingdom where they are paid in UK pounds sterling, or in the United States where they are paid in US dollars.

Shareholders who reside outside of the United States can elect to receive their dividend in US dollars. Shareholders must make an election to alter their dividend currency by the record date for the dividend by contacting the share registry on 1300 558 507 (within Australia) or +61 3 9415 4632 (outside Australia).

Shareholders may have their Australian dollar dividends paid directly into any bank or building society account within Australia. 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).

i The history of dividends paid by the company can be found on the company's website.

Dividend reinvestment plan

Woodside's Dividend Reinvestment Plan (DRP) was suspended by the Board in February 2013 until further notice. However, shareholders with registered addresses in Australia and New Zealand can still elect to participate in the DRP, pending a decision by the Board to recommence the DRP at some future date. If the DRP is recommenced in the future, the ASX will be notified via an announcement lodged with the ASX Market Announcements Platform. If the DRP is recommenced, shareholders who have elected to participate in the DRP will have the dividends on some or all of their shares automatically reinvested in additional shares. Information on the DRP is available on the company's website. Election forms are available from the company's website or from the share registry.

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.

i 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 Australian Securities Exchange (ASX) under the code WPL.

i Share price information can be accessed on the company's website.

American Depositary Receipts

The Bank of New York Mellon Corporation sponsors a level one American Depositary Receipts (ADR) program in the United States of America. One Woodside share equals one ADR and trades over the counter under the symbol 'WOPEY'.

ADR holders should deal directly with the Bank of New York Mellon Corporation on all matters related to their ADRs.

Enquiries should be directed to:

The BNY Mellon Shareowner Services
P.O. Box 358516
Pittsburgh, PA 15252-8516

USA Toll Free Number:
1-888-269-2377

Number for international callers:
+1 201-680-6825

Email: shrrelations@bnymellon.com

Website: www.adrbnymellon.com

INVESTOR RELATIONS: ENQUIRIES

Requests for specific information on the company can be directed to Investor Relations at:

Investor Relations
Woodside Petroleum Ltd
Woodside Plaza
240 St Georges Terrace,
Perth, WA 6000

Postal address: GPO Box D188
Perth, WA 6840

Telephone: +61 8 9348 4000
Facsimile: +61 8 9214 2777

Email: investor@woodside.com.au
Website: www.woodside.com.au

BUSINESS DIRECTORY

Registered office Perth
 Woodside Petroleum Ltd
 240 St Georges Terrace, Perth, WA 6000
 Telephone: +61 8 9348 4000
 Postal address: GPO Box D188
 Perth, WA 6840

Broome
 29 Coghlan Street, Broome, WA 6725
 Telephone: 1800 036 654

Karratha
 Burrup Peninsula, Karratha, WA 6714
 Telephone: 1800 634 988

KEY ANNOUNCEMENTS 2013

February	Woodside Reports 2012 Full Year Profit of \$2.98B
April	Woodside to Review Alternative Browse Development Concepts Special Dividend and Dividend Payout Browse LNG Development Update
June	Farm-in Offers Accepted for Offshore Ireland
July	2013 Production Outlook Update
August	Variation to Commonwealth Browse Retention Leases Approved Woodside Recommends Floating LNG for Browse Woodside Reports 2013 Half-Year Profit of \$873M
September	Browse joint venture Selects Floating LNG as Basis of Design
October	North Rankin Redevelopment Project Achieves Start-Up
December	Exploration Permits Awarded in New Zealand Investor Update Investor Update Briefing Transcript

EVENTS CALENDAR 2014

Key calendar dates for Woodside shareholders in 2014.
 Please note dates are subject to review.

January	16	Fourth quarter 2013 report
February	19	2013 full-year result and final dividend announcement
	24	Ex-dividend date for final dividend
	28	Record date for final dividend
March	26	Payment date for final dividend
April	17	First quarter 2014 report
	28	AGM proxy returns close at 10.00 am (AWST)
	30	Annual General Meeting
June	30	Woodside half-year end
July	17	Second quarter 2014 report
August	20	2014 half-year result and interim dividend announcement
	TBA	Ex-dividend date for interim dividend
	TBA	Record date for interim dividend
October	TBA	Payment date for interim dividend
	16	Third quarter 2014 report
December	31	Woodside year end

UNITS, CONVERSION FACTORS AND GLOSSARY

Units

bbl	barrel
Bcf	billion cubic feet
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
mtpa	million tonnes per annum
psi	pounds per square inch
t	tonnes
Tcf	trillion cubic feet
TJ	terajoules

Conversion factors

Product	Factor	Conversion Factors*
Australian Pipeline Natural Gas	1TJ	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

* Minor changes to some conversion factors can occur over time due to gradual changes in the process stream.

Glossary

\$, \$m	US dollars unless otherwise stated, millions of dollars
1H, 2H	Halves of the calendar year (i.e. 1H is 1 January to 30 June, 2H is 1 July to 31 December)
APPEA	Australian Petroleum Production and Exploration Association
Appraisal well	A well drilled to follow up a discovery and evaluate its commercial potential
Basis of design	Specification of owner's requirements
Brent	Intercontinental Exchange (ICE) Brent Crude deliverable futures contract (oil price)
Brownfield	An exploration or development project located within an existing province which can share infrastructure and management with an existing operation
Condensate	Hydrocarbons, which are gaseous in a reservoir, but which condense to form liquids as they rise to the surface
Crude oil	Oil that is produced from a reservoir after any associated gas has been removed
CWLH	Cossack Wanaea Lambert Hermes
Development well	A well drilled for the purpose of recovering hydrocarbons
DRP	Dividend reinvestment plan
EEP	Employee equity plan
EIP	Executive incentive plan
EIS	Environmental Impact Statement
EPS	Earnings per share
ER	Equity rights
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 which is relinquishing its interest.
Front-end engineering and design (FEED)	Preliminary design and cost and schedule confirmation before a final investment decision
FID	Final investment decision
Flaring	Flaring is the term used to describe the controlled burning of gas found in oil and gas reservoirs.
FLNG	Floating Liquefied Natural Gas
FPSO	Floating production storage and offloading vessel
Gazetted bid / exploration licence	A licence to explore for oil or gas in a particular area issued to a company by a governing state.
Gearing	Net debt divided by (net debt + equity)
GoM	Gulf of Mexico
Greenfield	Development or exploration located outside the area of influence of existing operations/infrastructure
GWF	Greater Western Flank
Infill well	Drilled for the purpose of increasing production
ISO	International Organisation for Standardisation
JV	Joint Venture
KGP	Karratha Gas Plant
KPI	Key performance indicator
LIBOR	London Inter-Bank Offer Rate
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTA	Long-term award
Net debt	Total debt less cash and cash equivalents
NPAT	Net profit after tax
NRB	North Rankin B platform
NR2	North Rankin Redevelopment Project
NWS	North West Shelf Project
PRRT	Petroleum Resources Rent Tax
PSC	Production Sharing Contract
Q1, Q2, Q3, Q4	Quarters of the calendar year (i.e. 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	A measure of company performance calculated as equity attributable to shareholders (excluding non-controlling interests) divided by reported NPAT (excluding non-controlling interests) expressed as a percentage
ROACE	Return on average capital employed is calculated as net profit after tax and net finance costs (after tax) divided by average debt and equity
RTSR, TSR	Relative total shareholder return, total shareholder return
STA	Short-term award
TRCF	Total recordable case frequency (per million hours worked)
TRIR	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)
USD	US dollars
VAR	Variable annual reward
VPR	Variable pay rights
WEP	Woodside's equity plan
WSPP	Woodside share purchase plan

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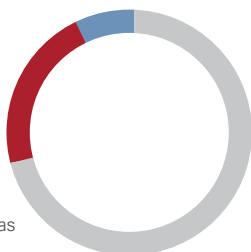
2013 SUMMARY CHARTS

Product view

Investment

	2013	2012
Gas and condensate*	69%	85%
Oil*	23%	14%
Exploration and other	<9%	<2%

* Indicative only as some assets produce oil and gas

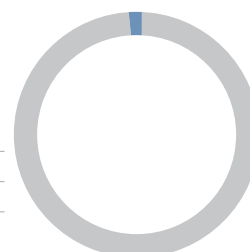


The majority of our investment expenditure was directed towards our LNG projects including North West Shelf, Pluto LNG and Browse.

Regional view

Investment

	2013	2012
Australia	98%	98%
United States	0%	2%
Rest of World	2%	0%

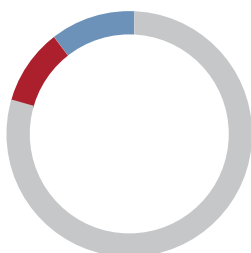


Capital expenditure in the north-west of Australia continues to dominate regional investment.

Production

	2013	2012
Natural gas*	79%	69%
Oil	10%	20%
Condensate	11%	11%

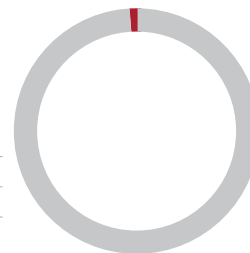
* Includes LNG, LPG and pipeline gas



With a full year of Pluto LNG, the proportion of natural gas in Woodside's portfolio mix has increased, while oil has decreased due to Vincent FPSO being off station for the majority of 2013.

Production

	2013	2012
Australia	99%	99%
United States	1%	1%
Rest of World	0%	0%

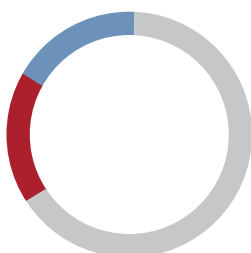


The Australian projects provide the majority of Woodside's production volumes. ▶ Refer to our areas of activity map on [2](#) which shows the locations of our producing assets.

Revenue

	2013	2012
Natural gas*	66%	53%
Oil	17%	32%
Condensate	17%	15%

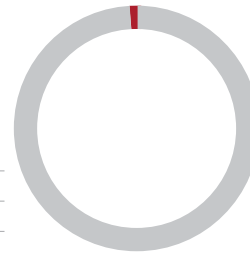
* Includes LNG, LPG and pipeline gas



The revenue profile is largely derived from the increased gas streams following a full year of Pluto. While oil production in 2013 represented only 10% of Woodside's total production volume, ongoing strong oil prices resulted in the oil portfolio contributing 17% to Woodside's total revenue. ▶ Refer to [5](#) to view the Brent oil price graph indexed over ten years.

Revenue

	2013	2012
Australia	99%	99%
United States	1%	1%
Rest of World	0%	0%

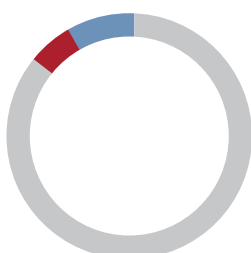


While the bulk of our revenue is currently derived from Australia, Woodside's growth strategy seeks to capture new opportunities to broaden our global portfolio. ▶ Refer to the CEO report on [8](#) and the Operating and Financial Review [16](#) for further information on our strategy.

Reserves (Proved plus Probable)

	2013	2012
Natural gas*	86%	85%
Oil	5%	6%
Condensate	9%	9%

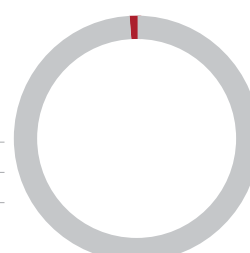
* Includes LNG, LPG and pipeline gas



With gas representing the larger portion of Woodside's reserves, our focus is on commercialising the undeveloped volumes of the gas assets we hold, in order to maximise shareholder return.

Reserves (Proved plus Probable)

	2013	2012
Australia	99%	99%
United States	<1%	<1%
Rest of World	0%	<0.1%



The majority of Woodside's Proved plus Probable reserves are located in Australia, however we anticipate a greater diversity will result from the implementation of our growth strategy.

TEN YEAR COMPARATIVE DATA SUMMARY

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004 ⁽⁷⁾ (Restated)
Profit and Loss (USDm)⁽¹⁾										
Operating Revenues										
Australia										
Pipeline Gas	366	367	375	309	378	320	227	182	185	177
LNG	3,347	2,834	1,509	1,310	769	1,007	619	614	548	360
LPG	88	125	127	115	94	112	92	75	70	44
Condensate	1,000	903	860	708	571	669	577	512	480	342
Oil	896	1,918	1,795	1,579	1,496	2,685	1,521	1,062	736	586
LNG Processing Revenue	150	125	-	-	-	-	-	-	-	-
Gulf of Mexico	79	76	93	117	124	197	133	119	21	-
Algeria	-	-	43	55	55	55	55	56	55	56
Mauritania	-	-	-	-	-	-	137	252	-	-
Total	5,926	6,348	4,802	4,193	3,487	5,045	3,361	2,872	2,095	1,565
EBITDAX	4,073	5,371	3,426	3,334	3,308	3,885	2,541	2,339	1,685	1,603
EBITDA	3,756	4,979	2,839	3,005	3,055	3,584	2,101	2,021	1,452	1,417
EBIT ²	2,538	3,795	2,212	2,256	2,303	2,852	1,560	1,684	1,238	1,213
Exploration and Evaluation	317	392	587	329	253	301	440	318	234	186
Depreciation and Amortisation	1,218	1,184	627	749	752	732	541	337	213	204
Finance Costs	179	137	26	(18)	12	19	8	20	7	0
Tax Expense	545	614	677	697	823	1,287	687	590	387	367
Non-controlling interest	65	61	2	2	(6)	-	-	-	-	-
Reported NPAT	1,749	2,983	1,507	1,575	1,474	1,546	864	1,075	844	845
Underlying NPAT	1,702	2,061	1,655	1,418	1,052	1,823	948	1,030	791	495
Reported EPS (cents) ³	213	366	190	204	210	225	128	163	128	129
Underlying EPS (cents) ³	207	253	209	183	150	266	141	157	120	75
DPS (cents)	249	130	110	105	95	100	91	98	70	44
Underlying payout ratio (%)	71	51	53	57	64	38	64	63	58	58
EBITDA/Op Cash Flow (%)	113	143	127	143	206	111	101	139	138	160
Balance Sheet (USDm)¹										
Total Assets	23,770	24,810	23,231	20,196	17,753	10,317	8,515	7,072	5,107	4,250
Debt	3,764	4,340	5,102	4,915	4,939	2,044	903	1,435	826	791
Net Debt	1,541	1,918	5,061	3,952	3,732	1,946	782	1,188	656	169
Shareholder Equity	15,225	15,148	12,658	11,091	8,812	4,633	4,458	3,313	2,565	2,162
Cash Flow (USDm) and Capital Expenditure (USDm)										
Cash Flow From										
Operations	3,330	3,475	2,242	2,104	1,483	3,224	2,082	1,457	1,053	883
Investing	(1,059)	161	(3,533)	(2,941)	(4,708)	(3,892)	(1,700)	(1,432)	(1,152)	(69)
Financing	(2,470)	(1,252)	362	608	4,207	684	(522)	41	(352)	(259)
Capital Expenditure										
Exploration and Evaluation	166	383	778	703	273	418	447	376	210	77
Oil and Gas Properties ⁴	420	1,145	2,651	2,933	3,992	4,031	1,965	1,091	993	480
Ratios (%)										
Reported ROACE	9.7%	16.5%	9.0%	10.5%	14.5%	25.9%	17.2%	26.8%	26.8%	30.3%
Underlying ROACE	9.5%	11.8%	9.9%	9.5%	10.5%	29.6%	18.8%	26.0%	26.8%	18.9%
Reported Return on Shareholders Funds	11.5%	19.7%	11.9%	14.2%	16.7%	33.4%	19.4%	32.5%	32.9%	39.1%
Underlying Return on Shareholders Funds	11.2%	14.5%	12.9%	13.0%	12.5%	37.1%	20.9%	31.5%	31.5%	27.3%
Gearing	9.2%	11.2%	28.6%	26.3%	29.8%	29.6%	14.9%	26.4%	20.4%	7.2%
Volumes										
Sales (million boe)										
Australia										
Pipeline Gas	14.0	13.9	14.0	14.8	18.4	18.9	16.4	15.5	16.6	16.5
LNG	52.4	42.6	22.4	22.7	21.3	17.0	17.0	17.3	17.0	13.3
LPG	0.9	1.1	1.1	1.3	1.5	1.2	1.2	1.2	1.2	1.0
Condensate	9.5	8.6	7.8	9.1	9.7	7.9	7.8	8.0	8.7	8.8
Oil	8.0	16.8	15.7	19.8	24.3	29.8	20.4	16.5	13.3	14.7
Gulf of Mexico	0.9	0.8	1.1	2.2	3.2	3.1	2.6	2.6	0.4	-
Mauritania	-	-	-	-	-	-	2.0	4.3	-	-
Algeria	-	-	1.8	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total (million boe)	85.7	83.8	63.9	72.2	80.7	80.2	69.7	67.7	59.5	56.6
Production (million boe)										
Australia										
Pipeline Gas	13.9	13.8	14.0	14.8	18.4	18.9	16.4	15.6	16.6	16.6
LNG	53.6	43.9	22.6	23.2	21.5	17.4	17.4	17.4	17.2	13.8
LPG	0.9	1.1	1.2	1.4	1.5	1.2	1.2	1.2	1.2	1.1
Condensate	9.5	9.3	7.9	9.1	9.5	7.9	8.0	8.0	8.6	8.7
Oil	8.2	16.0	16.0	19.7	24.5	30.5	20.5	16.4	13.4	14.9
Gulf of Mexico	0.9	0.8	1.1	2.2	3.2	3.1	2.6	2.6	0.4	-
Mauritania	-	-	-	-	-	-	2.2	4.4	-	-
Algeria	-	-	1.8	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Total (million boe)	87.0	84.9	64.6	72.7	80.9	81.3	70.6	67.9	59.7	57.4
Other ASX Data										
Reserves (Proved plus Probable)										
Gas (Tcf)	7.09	7.51	7.80	8.02	7.79	7.90	7.80	6.90	4.67	5.11
Condensate (MMbbl)	125.20	130.90	138.70	154.74	147.80	151.40	152.10	144.60	129.70	138.00
Oil (MMbbl)	67.00	95.90	108.50	117.50	136.10	168.80	170.20	221.10	294.50	258.80
Other										
Employees ⁵	3,896	3,997	3,856	3,650	3,219	3,124	2,981	2,888	2,508	2,528
Shares	High (A\$)	39.54	38.16	50.85	49.28	53.87	70.51	56.66	49.80	21.48
	Low (A\$)	33.29	30.09	29.76	40.56	31.19	26.81	34.81	34.81	19.87
	Close (A\$)	38.90	33.88	30.62	42.66	47.20	36.70	50.39	38.11	39.19
Number (000's)	823,911	823,911	805,672	783,402	748,599	698,553	688,331	666,667	666,667	666,667
No. Shareholders	217,383	208,277	205,868	201,134	175,257	141,035	131,460	119,003	83,829	72,267
Market Capitalisation (USD equivalent at reporting date)	28,579	28,983	25,287	33,745	31,567	17,717	30,353	20,033	19,146	10,456
Market Capitalisation (AUD equivalent at reporting date)	32,050	27,914	24,670	33,342	35,334	25,637	34,685	25,407	26,127	13,400
Finding Costs (\$/boe) (3 year average) ⁶	30.43	14.09	12.67	6.12	5.71	3.35	3.60	2.47	3.95	1.43
Reported effective Income Tax Rate (%)	29.8%	27.2%	30.5%	25.2%	33.7%	32.6%	35.8%	35.4%	31.4%	30.3%
Net Debt/Total Market Cap (%)	5.4%	6.6%	20.0%	11.6%	11.8%	11.0%	2.6%	5.9%	3.4%	1.6%

- Comparative financial information prior to 2010 has been converted on a consistent basis in accordance with Note 1(o) to the Financial Report. Cash flow and capital expenditure have been converted using a consistent approach adopted on a conversion of expenses.
- EBIT is calculated as a profit before income tax, PRRT and net finance costs.
- Earnings per share has been calculated using the following weighted average number of shares:
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
2006: 657,178,947
2005: 655,150,640
2004: 653,790,795
- 2005 Oil and Gas Properties capital expenditure includes acquisitions through business combinations of A\$415M, relating to the acquisition of Gryphon Exploration Company.
- From 2005 employee numbers do not include third party contractors. Previous years have included third party contractors.
- Finding cost methodology has changed from 2004 to be in accordance with the FAS69/SEC industry standard.
- From 1 January 2005, Woodside prepares its financial statements in accordance with Australian equivalents to IFRS (AIFRS). To highlight the impact on previously reported data information provided for 2004 has been restated. Information pre 1 January 2004 has not been adjusted for the effect of AIFRS.



2013 ANNUAL REPORT

Head Office:
Woodside Petroleum Ltd
240 St Georges Terrace
Perth WA 6000 Australia

Postal Address:
GPO Box D188
Perth WA 6840 Australia

t: +61 8 9348 4000
f: +61 8 9214 2777
e: companyinfo@woodside.com.au

Visit us at
www.woodside.com.au