

ASX Announcement

Thursday, 18 February 2016

ASX: WPL
OTC: WOPEY

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2015 FULL-YEAR RESULTS – ANALYST/INVESTOR TELECONFERENCE

On Wednesday 17 February at 7.30am AWST Woodside hosted a 2015 Full-Year Results analyst and investor teleconference.

The transcript of the briefing is attached.

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Company: Woodside Petroleum Ltd
Title: 2015 Full-Year Results presentation
Date: 17 February 2016

This document should be read in conjunction with Woodside's 2015 Full-Year Report and associated presentation pack which is available on the company's website, www.woodside.com.au.

Start of Transcript

Peter Coleman: Good morning everyone and thanks for joining us today for our 2015 full year results. Joining me here today in Perth is our Chief Financial Officer Lawrie Tremain. I'll start with just a few opening remarks and then I'll open up the calls to questions; I'm sure you have many today.

Before we get into the pack, I must draw your attention to the disclaimer on slide 2 and while it's fairly standard, it's important to note for Woodside that there are some forward-looking statements in here and of course I want to remind everybody that the figures in the pack are in US dollars unless otherwise stated.

Wow, what a change to a year. This time last year we were reporting record net profits for the year, we'd just come off record production and the industry had enjoyed many years of price growth and also activity growth. But we've been reminded that we're in a cyclical business and I'm pleased to report today that Woodside's business model is withstanding the headwinds that we currently have, notwithstanding that we've had some disappointments ourselves along the way.

Moving to slide 3, let me start by saying that, and I want to be very clear that, our business is in good shape. We are a resilient organisation, we've demonstrated that through the year with many of the changes and choices we've needed to make and we have a resilient business model. What I want to do is just spend a few minutes to explain why I believe that's the case.

Our low cost of operations continue to generate significant cash to support our strong balance sheet and we've always maintained focus on our balance sheet. Through the year, we've maintained strong levels of liquidity and flexibility through disciplined capital management, with \$1.7 billion in cash and undrawn facilities available at the end of the year. Our continuing focus on productivity and reliability has delivered production volumes of 92.2 million barrels of oil equivalent, our second highest production result on record. Despite the current environment, we continue to execute our strategy and we're very much delivering on what we control.

On slide 4 we've outlined some of our key achievements for the year. I think these are important to reflect on before we get into the financial results. We delivered on our operating and development commitments, we achieved reserves and resources growth and we continued our focus on financial discipline. Along with an excellent production result, our progress towards achieving international top quartile health and safety performance remains very much on track and we've achieved a 60% improvement in our performance since 2012.

Our proved plus probable developed and undeveloped reserves increased by 13%, underpinned by the acquisition of Wheatstone and the acquisition of Kitimat LNG, and the Pyxis gas discovery increased our 2C

contingent resources by approximately 150% from 2014. Also, we recently had two exciting discoveries in Myanmar and I'll talk a little bit more about those later.

Our continued financial discipline is reflected in our break-even cash cost of sales, dropping some 33% from 2013 to around \$11 per barrel of oil equivalent. We've also retained strong liquidity and took advantage of market conditions in early 2015 to raise \$4.1 billion, bringing our pre-tax portfolio cost of debt to a competitive 2.9% at year end. Finally, we have low levels of capital commitments and our average term to maturity is 4.7 years, with negligible debt maturities in 2016 and 2017.

Next, moving to our financial results on slide 5, our reported net profit after tax was \$26 million, driven substantially as we all know by the sharp fall in commodity prices in 2015; nonetheless, not a profit that we expected as we started the year. Net profit after tax excluding one-off non-cash items was \$1.1 billion and we also disappointingly reported asset impairments, mostly driven by the collapse in near term forward crude oil prices and an approximately 20% reduction in our long term forward price assumptions for the purposes of determining asset values.

Lawrie will speak in more detail about asset impairments later in the presentation, but I want to reassure investors that we've taken an appropriately conservative approach to the valuation of our assets during this period and we've made some very difficult choices in that regard, but nonetheless choices that we believe are appropriate, particularly given the uncertain environment in front of us.

This year the Board elected to maintain our 80% dividend payout ratio, providing a full year dividend of 109 cents per share and this is underwritten by the Dividend Reinvestment Plan which we reactivated, allowing us to balance returns to our shareholders and maintain a strong balance sheet while retaining flexibility.

Cash flow from our operating assets was \$2.4 billion and following asset acquisitions, our gearing has increased to 23%, consistent with the 10% to 30% target range that we've been looking at across the commodities cycle.

Moving on to slide 6, our safety and environment results are positive and even more pleasing in a period of uncertainty. It's very difficult to ensure that we maintain focus on the things that are very, very important to us, which our licence to operate and safety and environment performance are key indicators to that. As I mentioned earlier, our progress towards international top quartile safety performance continues as this, we believe, is a very, very important lead indicator for our performance.

If I move to slide 7, we just talk about our strategy to ensure we keep things in context. Our performance over the last five years really has delivered value for our shareholders. During this period, we've delivered \$7 billion in fully franked dividends to shareholders. Our unit production cost is down 9%, this is despite bringing new assets into our portfolio. Production is up 43% and even better, our barrel of oil equivalent per full time equivalent employee ratio is up some 60%, representing a very significant productivity improvement within the organisation. During that period, we've also grown our exploration acreage by 95% as we've worked to rebalance and grow our portfolio globally.

Looking at slide 8, we had some choices to make as we entered 2015, and the resilience of our strategy was demonstrated by our response to what has turned out to be both a challenging and uncertain environment in

the industry. We were quick out of the gates to reduce costs, we reorganised, reduced the size of our business and we took a very disciplined approach to capital management, which has enabled us to maintain our balance sheet and to deliver on our operating and development commitments during the year.

In 2016 and 2017, we're going to continue this proactive approach. You'll see on slide 9 that our forward business planning is based on \$35 oil per barrel and we've turned on our Dividend Reinvestment Plan to preserve cash. We will maintain a strong balance sheet and we will make prudent decisions to protect our credit rating.

I'll now pass over to Lawrie to provide a few comments on the financial results.

Lawrie Tremaine: Thanks Peter and good morning everyone. I'll start with reported profit on slide 11. The bridge shows clearly the impact oil price has had on our result. The 36% reduction in revenue is largely due to price. The impact of a 46% reduction in the Brent oil price over the year has been partially mitigated by the lag built into LNG pricing and the structure of our contracts.

Our reported profit has also been negatively impacted by one-off non-cash charges. Impairments across a number of oil and gas assets have arisen mainly due to the use of lower oil price assumptions, as Peter has noted. We have de-booked \$363 million of the deferred tax asset associated with the petroleum resource rent tax at Pluto. Once again, this adjustment arises mainly due to the changed oil price assumption. Finally, we have recognised an onerous lease provision related to the Balnaves oil asset. This charge reflects a lower expected reservoir and operating performance of that asset.

Moving on to slide 12, the production result is one we're really proud of given two adverse, unplanned events which occurred during the year. In the first half we had an extended outage following an electrical incident at Karratha Gas Plant and we also shut in Pluto when a drill rig on charter to another company drifted near our flowlines during a cyclone. We recovered from these events not only to record a result at the top end of our guidance range, but also our second-best annual result ever.

Part of the production success story was the Pluto turnaround, completed 10 days ahead of its planned 35-day schedule, as well as the reliability and capacity enhancements which are ongoing at both our Pluto and Karratha Gas Plant.

I now turn to unit product costs on slide 13. These costs across both gas and oil continue to trend downwards, resulting from both cost reduction initiatives and also the weaker Australian dollar. After adjusting for the cost of the Pluto turnaround, our average gas unit production cost of \$4 per barrel of oil equivalent below our North West Shelf unit cost back in 2011.

Moving next to slide 14 and liquidity, we took advantage of positive market conditions in 2015 to raise \$4.1 billion of new and refinanced debt. By doing so, we were able to extend maturities and achieve a pre-tax portfolio cost of debt at year end of 2.9% per annum. As you can see from the chart, we have negligible near term maturities, we maintain a sufficient liquidity buffer at year-end of \$1.7 billion in cash and undrawn facilities and we'll target \$2 billion of liquidity by the end of 2016.

Lastly, our productivity program on slide 15, as you know we kicked off this program internally in late 2013 and introduced it to the market in May 2014. Since then, we've been working hard to deliver on the targets you see on this slide. In 2015, we delivered over \$700 million in benefits, more than half of which is from production volume increases achieved through lifts in reliability and capacity.

We've delivered significant expenditure savings throughout our business. This has been achieved through a structured program utilising the levers of price renegotiation, reductions in demand and scope and simplification of processes. We're starting to see the savings in our reported results, but only in 2016 will you see the full year impact of what's been achieved.

On that positive note, I'll hand you back to Peter.

Peter Coleman: Okay, thanks Lawrie. I'll just go through some of the supporting slides now. Moving firstly to slide 17 on Wheatstone, the Julimar project is 80% complete and targeting ready for start-up in second half of 2016, so we're pleased with that progress. The Wheatstone itself, the project as we know is over 65% complete, targeting first LNG in mid-2017.

Moving on to the next page, Greater Enfield, work continues to achieve further cost savings at Greater Enfield. You may recall this is a project that is back into recycle on its development plan. We're very pleased with the progress we've made and we're still targeting to be ready for an FID late this year.

Moving to Browse on slide 19, we've made good progress in pursuing value-enhancements on Browse; we've reduced costs, we've increased facility capacity and reliability since we entered FEED. That said, the value enhancement delivered is mostly being offset by the current lower oil price environment and the joint venture will work together through this year to work towards a decision on Browse.

On exploration, our exploration strategy is beginning to deliver results. Slide 20 provides some of the detail of that. We've worked hard to rebalance our portfolio; we're now high grading and strengthening positions, but we will balance this with disciplined control of expenditure to maximise our exploration returns and also very mindful of the impact that exploration has on our reported profits. So these are things that we will be balancing as we go through the year.

Finally, I want to touch on Myanmar on slide 21. We've had two great results over the last three months. It's been a good start to the year for us. It has established the petroleum credentials of the basin. As you're aware, this is one of the largest relatively unexplored basins in the world and Woodside were an early mover into the basin. We are seeing diversity in play type, which speaks to the robustness of the basin, water depth and of course commercialisation options. As I mentioned, we gained early mover advantage in Myanmar and have 47,000 square kilometres of acreage in the Rakhine basin, about 20% of Woodside's global exploration portfolio.

Thalin, our latest discovery, is 60 kilometres from existing infrastructure and so we'll have a close look at development options, but we're excited by the optionality we have around this particular discovery. We also have a significant and balanced equity position and strong partnership across our six blocks; more than 30,000 square kilometres of 3D seismic is being planned and is actually being acquired as we speak to accelerate portfolio build in Myanmar.

With all of that said and the excitement of early explorations, I want to be really clear, we are very mindful of the challenges of where we are in this low price environment.

Just to recap, on slide 22, today's results really reflect where we are in the commodities cycle. We've built a resilient business model, the balance sheet is strong, but we're not immune to the external environment, we need to be very mindful of that. We have maintained and will maintain liquidity and flexibility and we continue to focus on productivity and reliability; our work is not finished in that area. We will continue to execute and make sure we deliver our strategy and on our promises and commitments we make to our investors.

With that, I'll open up for questions.

Operator: Thank you. Ladies and gentlemen, welcome to the question and answer session. To ask a question, you will need to press star followed by one on your telephone keypad and wait for your name to be announced. Your first question comes from the line of Mark Samter from Credit Suisse. Go ahead thank you.

Mark Samter: (Credit Suisse, Analyst): Morning guys, just a couple of questions if I can. First of all with the balance sheet, I guess with the reintroduction of the fully underwritten DRP, one could argue that both ways, but you do that to leave a tiny bit of balance sheet headroom for inorganic opportunities or it's an indication that you feel that the gearing range doesn't want to slip any higher than it currently is, particularly given this year will be free cash flow breakeven-ish. Should we be entirely excluding balance sheet funded inorganic opportunities at the moment?

Peter Coleman: I would say, Mark, we've always said that cash is king in this environment, so we need to be very mindful of our cash positions. I think the reality is the types of opportunities we're looking at inorganically are mainly small accretive opportunities; we're really not looking at large opportunities at this point, but you just don't know where you are in the cycle.

We would say today that it's too early in the cycle to be thinking of larger opportunities because evaluations on those opportunities don't reflect today's prices and so as we've said previously you'll be taking a bet on prices improving into the future and putting at risk your own shareholders' funds or balance sheet strength in that regard.

So I'm not going to rule out anything in that regard, but equally you can see we're keeping the flexibility in our balance sheet should an opportunity arise that we think's a compelling one, but clearly in this environment it needs to be - there's lots of little stuff running around. It needs to be a compelling investment proposition for us to go and use that balance sheet flexibility that we have.

Mark Samter: (Credit Suisse, Analyst): Sure. And just one quick question on reserves - it looks like the reserve booking for Wheatstone and Balnaves it's about 10% lower than the reserve guidance given at the time of the acquisition. There's been no reserve downgrades on the organic portfolio. Is it possible to just get a bit more clarity around it, and it looks like Balnaves is now under a two year reserve - 2P reserve life - is that right and just talk about how we should be thinking about modelling Balnaves now?

Peter Coleman: Yes, we've not changed Wheatstone at all so the Wheatstone assumptions are the same, and the drilling results on Julimar-Brunello have been quite positive for us. So we've not only found the

sands that we were expecting, but the resource there is the resource that we expected pre-acquisition. So that's been good news.

Balnaves has been disappointing for us to be honest. It was always a short life opportunity and it was one that we felt was de-risked because it had a leased FPSO on it and it was a short life opportunity. Unfortunately the reserves look like they're coming in at a 1P basis rather than the original 2P that we expected. So I would read Balnaves that it's now - and that's reflected in some of the impairments, that Balnaves is now on a 1P basis versus our original expectation.

Mark Samter: (Credit Suisse, Analyst): Okay, perfect, thanks very much guys.

Operator: Thank you. Your next question comes from the line of John Hirjee from Deutsche Bank. Go ahead thank you.

John Hirjee: (Deutsche Bank, Analyst): Good morning everyone. I just wanted to ask a question on Browse please. In terms of the slide 29 where you've got the development pipeline it does look as though FID has moved into 2017, so I just wanted to see if that is confirmed, if we're reading the slide correctly.

And secondly, the question on the economics, given you said you now use \$35 a barrel as a planning price and your requirement that it must be NPV positive, so Peter do you think you can get there in this current environment with Browse?

Peter Coleman: Yes, John thanks for the clarification. I'd probably draw two things. Firstly, where we are with respect to our cost targets and value creation on Browse and the current price environment just indicates to us that the joint venture is going to go through a number of discussions this year with respect to where Browse goes through. So I think it would be imprudent for me to put a hard date out there and tell you that that date's going to be there because each of the partners is going to have to consider their own positions as we move forward on Browse.

What I would say is that the team's working hard to get decision-ready so that we can start engaging with all of the joint venture partners. So I would say I'm being appropriately prudent here in the expectations for when an FID may be taken.

Equally I think it's fair to say everybody in this price environment is trying to work out is this short term or are we in a period of significant structural change with respect to oil and gas as a commodity and as a business. The longer that we're at these sorts of price levels the reality is the more likely we are to be in major structural change, at least with respect to some of the companies that are currently in the oil and gas business.

If you run these prices out through the end of this year then it's certainly at the lower end of the market. There's going to be a lot of stress and you're already seeing that in some of the credit spreads as you've seen. The interest rates that you have to pay for debt today are significantly higher than they were even six months ago. So all of those factors I think play into the timing of a particular decision.

Now on \$35 per barrel please don't read that as being our long term price forecast. That's just simply saying as we look at the next two years, 2016, 2017, sources and uses of cash, the way Lawrie's run the books for

me is on that basis. It's just simply saying let's stress test our business plan for the next two years and look at sources and uses of cash, and if at \$35 it's robust then it's a good plan. Of course we've tested lower scenarios than that and higher scenarios than that, looking for opportunities.

But, no, thanks for the opportunity to clarify. The \$35 is our planning basis for the next two years. It's not necessarily our long term investment basis.

John Hirjee: (Deutsche Bank, Analyst): Alright, thanks for that clarification Peter. Just one more question perhaps addressed to Lawrie. Lawrie, in terms of your productivity program, \$700 million of benefits in 2015, are you able to guide us to see what productivity benefits you can achieve in 2016?

Lawrie Tremaine: Look John, many of the projects have either completed in 2015 or there is a tail that are still coming through in '16. What you're more likely to see in '16 is rather than us starting new programs, you're more likely to see us consolidate the ones that we've delivered already, and not only that, you'll also see a full year of benefit rather than the part years that you've seen in our results this year - in 2015 I should say.

So I think we're on a path here. In particular we've achieved really good results around reliability in the gas plants, and so it'll be a matter of sustaining that level of performance going forward, given that Pluto we've lifted performance there up into what we can call first quartile approaching world-class. North West Shelf would have been there as well but for that substation incident during the year. So we really just want to sustain that level of performance.

In our broader costs program we've covered pretty much the full spectrum of our external spend and so again it'll be a matter of looking towards sustainability of that.

I mentioned the levers that we've pulled in my speaker comments just now because I wanted to make it clear that there is a component of just going for price reduction, but we also have pulled levers which are more sustainable in nature, reducing the scope of what we asked for, reducing demand and making process simplification changes.

So it'll be a matter of locking that in and ensuring that they're sustainable benefits for the next few years not just short term.

Peter Coleman: John it's Peter. I would add the principles in which we went through the program were no compromise on our licence to operate objectives. So that's simply - what that simply means is we will continue our fabric maintenance programs, we will continue our inspections programs, we will continue our preventative activities and so forth to ensure that we maintain the integrity of our assets. That was a non-negotiable as we went through this.

2015, as Lawrie mentioned, was really a final transition year for us so we were still in implementation, and so along with enjoying a full year of those initiatives in 2016, we'll also not have in 2016 some of the out-costs that were required for implementation of those programs. So those out-costs were quite significant as we chose - that it was the time to make difficult choices so we could bed these things in and get full value from them.

John Hirjee: (Deutsche Bank, Analyst): Great, thanks very much Peter and Lawrie.

Lawrie Tremaine: Thanks John.

Peter Coleman: Thanks John.

Operator: Thank you. Your next question comes from the line of James Redfern from Merrill Lynch. Go ahead thank you.

James Redfern: (Bank of America Merrill Lynch, Analyst): Peter good morning, just had two questions please. The first one is regarding the DRP for the final dividend. Shall we assume that the DRP is reactivated for the final dividend only or is this going to be ongoing until otherwise advised by Woodside? Secondly, in terms of acquisitions you were saying earlier that you're not seeing any compelling material opportunities out there given the bid-ask spread remains quite wide. Can you just remind me whether deepwater oil exploration fits your criteria that you alluded at the investor briefing in May 2014? Thank you.

Peter Coleman: Alright, that's a good leading question the last one, particularly given some of the assets up for sale, but I'll come back and address it. Let me talk about the DRP and I would look at the DRP in the context of a couple of things. Firstly, as I mentioned during the presentation, for us, maintaining our investment grade is important. It really is important. It's one of these things that it's like gravity; it's really easy to go down and it's really, really hard to go back up again.

Obviously the rating agencies are looking very, very closely at the industry and looking at the sustainability of investment grades, so for us maintaining that's important but we will only do it in what we believe is a sensible way. We won't compromise value for our shareholders and certainly if there are opportunities for us to pursue them we'll look at it, but we'll be mindful of that credit rating.

The DRP gives us two opportunities; one is that it's an opportunity for us to ensure we have the right cash flow cover on the credit rating. It allows us to maintain our liquidity position, and then also very importantly it allows us for a certain class of shareholder to ensure that they get access to an asset that they value very highly which is our franking credits.

So there's always arguments; do you turn off the dividend or you keep it on and so on. As we looked at it we were in quite a unique position compared to a number of our peers globally, and that our dividends have that added benefit to many of our shareholders particularly the small retail guys with respect to the franking credits that are available to them – as you know we're fully-franked.

With respect to acquisitions and so forth, our core competency we've always said is typically where the water is deep and remote because we have competencies both around gas and oil in those areas: we have deepwater drilling competency and we also have floating production competencies in that regard, and operating competencies.

So if there are deepwater assets globally that are compelling in nature then we would look at those, but I'd go back to an earlier question, today they really need to be well priced in the marketplace. I think the key thing you said is the buy-sell spread. I actually think it's harder today in some parts of the market than it was

when oil was at \$100 and that's simply because the buy-sell spread is actually on a percentage basis. It's got larger rather than smaller. It's a little counter-intuitive.

But assets are on the market today and assets will continue to come onto the market over the next 12 months and we'll look at them very closely.

James Redfern: (Bank of America Merrill Lynch, Analyst): Thanks, Peter. Just one last really quick one. 2016 capex guidance has increased by \$90 million. I know it's quite small but I'm just wondering if you could highlight the reasons for that, compared to guidance provided a month ago? Thank you.

Lawrie Tremaine: James, if it's increased it's - I'd be surprised. Our view is it's the same number as what we guided in the quarterly report.

Peter Coleman: But so James, there's nothing we're aware of but let us go back and double check. We'll check. We'll just double check to make sure but there's certainly nothing from an operating point of view in the business that we're aware of.

James Redfern: (Bank of America Merrill Lynch, Analyst): Okay, thank you.

Operator: Thank you. Your next question comes from the line of Dale Koenders from Citigroup. Go ahead, thank you.

Dale Koenders: (Citigroup, Analyst): Good morning gentlemen. Firstly, Peter, I guess a question for yourself. Could you provide an update on the activities undertaken in terms of Browse contracting? I guess six months ago you spoke about starting early discussions. How has that progressed given what sounds like potentially an uncertain progression for Browse from here?

Peter Coleman: Oh look, short answer to that, Dale, is we haven't landed a contract yet, so I think that's fair to say, and - and I'd also say it's very difficult to find long-term buyers in the marketplace. So look, we had - we have some things out there but buyers, to be fair, are still sitting on the fence. So you know, if we had anything material from a contracting point of view we would have disclosed that to the market.

Dale Koenders: (Citigroup, Analyst): Okay, and then I guess, secondly, for Lawrie just following on from John's question, so the cost or cash initiative program's prior target of \$800 million by the end of '16, which he's previously said would still be achievable even given the capitulation in oil prices. Do you still think that that target's achievable based on where you stand today?

Lawrie Tremaine: It is Dale, but as you noted, it gets harder because we had an oil price assumption built into the value that comes from the increases in production which, again, are related mainly to reliability. So yes, it is tougher but still achievable.

Dale Koenders: (Citigroup, Analyst): Okay, excellent. Thanks guys.

Operator: Thank you. Your next question comes from the line of Nik Burns from UBS. Go ahead, thank you.

Nik Burns: (UBS, Analyst): Thanks Peter and Lawrie. So just a high-level question on your approach to M&A at this point in the cycle, just following your approach on Oil Search last year, just wondering what you learnt from the whole experience. Has that changed your approach or appetite for M&A and should

shareholders expect Woodside to be active in the M&A market over the coming months, understanding that bid/ask spread's still very wide, or given your recent exploration success, whether that would see you refocusing on the exploration side to drive growth in the medium-term? Thank you.

Peter Coleman: Well as you know, Nik, we've always said that our growth would be two paths. One would be by the bid, through our exploration program, and what I would say on the exploration side of the business, as distinct from traditional M&A, there are very interesting assets starting to - or opportunities coming into the market on the M&A, on the exploration side of the business.

So my previous comments were more around traditional M&A discovered resources and so forth but on the - you know, we've consistently said to be really, really, good at exploring, you have to have really, really, good acreage. So there is an opportunity over the next couple of years to continue to high grade and improve our acreage position globally. That doesn't mean that - you know, I think we're reaching a point where we think we're kind of at capacity with respect to our organisation's ability and also diversity of some of the areas. But you'll see us continuing to chase the hottest plays and the most prospective plays.

So that part of the business I would say to you I think is alive and well, and the bid/ask spread is starting to come into a more manageable range. Then some of the commitments on those activities, of course, are becoming more manageable because the unit costs of executing some of the commitments have come down as well. I'll put that into context: seismic acquisition rates at the moment are about a quarter of what they were 18 months ago, which has been very beneficial for us in Myanmar, for example, because we've almost been able to double the amount of seismic that we're going to shoot in Myanmar, and we'll come in under the original budget assumptions. So that area for business I would say is very active and starting to hot up.

The traditional part of the market, you know, as we look at it, you know, it's an interesting one. What have we learnt? Well, we learned a lot of things - I'm not going to share it on the telephone call - with respect to how organisations will react and so forth. It's difficult for me to predict how organisations are going to react over the next 12 to 18 months. The only analogy I can give you is that it's kind of like financial institutions. Our business is no different. The guy who puts up the white flag first is destined to not be in a good place and you'll find people will hold on by their fingernails for as long as they possibly can.

You would hope people would make what we all think are sensible decisions but, you know, to be fair, sensible decisions are in the eye of the beholder and the choices you have in front of us. I think we need to respect the choices that people think they have in front of us.

So look, I'd say we're always open to the right opportunity and, as you can see, we're trying to manage that within our balance sheet. But the reality is large M&A would require us to think differently about the funding and it would be something we'd have to - you know, it would be a high test for us in this particular environment.

Nik Burns: (UBS, Analyst): Okay, great. Thanks for that. Just a second question, just on your LNG contract profile, just conscious of the fact that you have some short-term LNG contracts that roll off next year, and I think you have a Pluto repricing event that's due to occur next year as well. Just in terms of the global LNG market at the moment, it looks over-supplied. Have you started engaging with prospective buyers, or the

existing buyers, on that front? I guess just referring back to a slide you presented at your Investor Briefing last year, which showed some degree of downside protection in LNG pricing below \$55 a barrel oil, just wondering if you are confident that you'll be able to achieve something similar when you complete negotiations with LNG customers for these volumes.

Peter Coleman: Yes, I think there are two types of contracts. There is the mid-term contracts with Pluto you might be referring to. The - and yes, we're out in the market at the moment talking to prospective buyers about those contracts and those volumes. The interesting nuance at the moment is, at least on a market basis, if you look at JCC, some of the spots are actually trading at higher prices than some of the crude link pricing. So it's kind of one of those little nuances in the market. But we would like to secure those contracts, or secure those volumes, into the market. We've been actively discussing those for some period of time with prospective buyers.

With respect to the base Pluto contracts, my understanding is we're not - we won't have anything for a few years, at least 2019. So we've gone through a repricing period commencing in 2014 on that particular contract, Nik, and it's - we're now into a five year repricing period. You may be thinking that the first pricing period was four years, and now we're into a five year repricing periods.

Nik Burns: (UBS, Analyst): Okay, great. Thanks for clarifying.

Peter Coleman: To finalise, yes, we do believe that the contract is favourable in low oil prices. I'll leave it at that.

Lawrie Tremaine: Just before we move on to the next question, I wanted to come back to James. It does look like our investment spend has changed a little, but it essentially reflects a change in FX assumptions. So we adjusted so that - the purposes of our original budget, our FX, Aussie dollar down to 70 cents and we've taken it back up to 72 cents. So I think it's just a valuation, our work program hasn't changed.

Operator: Great, thank you. Your next question comes from the line of Ben Wilson from RBC. Go ahead, thank you.

Ben Wilson: (RBC, Analyst): G'day Peter and Lawrie. Two quick ones for me. One, can I just ask you to affirm that your commitment to your credit rating is for an investment grade credit rating not necessarily your current rating? Secondly, I was just hoping to pick up, Peter, on one comment you made earlier with respect to oil pricing, and you noted that the longer we stay at these type of levels the more it suggests a structural change in oil pricing long-term. I just wondered whether you had any empathy for the view that perhaps the longer we spend at these type of oil price levels, the more violent the likely upswing is, particularly given the reduction in offshore exploration and development budgets we're seeing from some of the majors and some of the big international E&Ps.

Lawrie Tremaine: Ben, I'll start just on the credit rating question. Absolutely, we're committed to our current rating. So - and I think you can track our actions over the last few years and you can see that we have acted in a disciplined way to protect our rating. But of course you've got to re-examine those positions from time to time but we remain committed to our current rating. We use the expression investment grade more for convenience but, yes, we have that commitment.

Ben Wilson: (RBC, Analyst): Okay.

Peter Coleman: Look Ben, on structural change, you know, there's many scenarios but if you run a scenario that says, well look, let's play out current oil prices plus or minus a few dollars between now and the end of the year, there will be changes within the industry. Whether that's permanent structural change, I don't know, but there will be changes, and those changes will be particularly for those people who have reserve base lending, and we'll see a couple of sign posts on that. One will be in April and the other one will be in that August-September timeframe of this year, and we'll just see what the underlying value of those assets are with respect to reserve base lending, and whether there are any covenants on the debt that trigger particular actions that need to be taken.

Longer term, you know I think the market's seen a pretty strong signal, and that's - in my view, I always look at the big end of town. I don't look at the small end of town. The small end of town has a much - as you know, a much smaller, or a much shorter timeframe in which they need to manage their business. But the super majors, the national oil companies and so forth, have much longer timeframes. When you see super majors with cumulative capex reductions of 40% or more over the last - from the beginning of 2015, that's a really strong signal for the market with respect to where they think change is going.

So we look at those things as a bellwether for where they're going because they're very, very large organisations, they have a large - lot of momentum and inertia and they don't take those decisions lightly. You've probably seen, they've been slower movers than the rest of the market doing that.

You know, as we play out through this year, what does it mean? I also think, in my view, there will be some debt holders looking at the risk of commodities, in particular oil and gas, and I would also suggest to you that business models that are out there. You know, there's been a lot of activist investors in particular parts of the world who've encouraged a very narrow business model that we've always questioned the financial robustness of in - through the full cycle. I would suggest that there will be creditors who are now starting to rethink the basis upon which they look at the credit that's available to those types of business models, because you're not seeing the resilience that we've been used to in the industry when many companies were vertically integrated or had diversity across their portfolios, which could include things like royalty tax regimes or PSC regimes and so forth. PSC regimes as you know are very helpful in low price environments, because of the methodology used.

So I would just say it just depends on how long. Now how quickly will the changes be? Well it's an interesting one, because even a modicum of price increase in the long term, actually if you think stocks have been re-rated, results in actually quite a healthy year-on-year increase in price. So that's the thing that's a little puzzling to me at the moment is I look at some of these longer term projections, and where people get back into the long term, it's almost saying that there's a point in time where you're going to get double digit compound increases in price over a four or five year period. And to me that's the biggest unknown at the moment, is that real and can the market actually sustain that from a demand point of view, and will you get a demand reaction.

So just I think all of those things need to be put in there, and you need to guide your business in the right way.

Ben Wilson: (RBC, Analyst): Great, thanks guys.

Peter Coleman: Thanks Ben.

Operator: Thank you. Your next question comes from the line of Mark Wiseman from Goldman Sachs. Go ahead thanks.

Mark Wiseman: (Goldman Sachs, Analyst): Hi Peter, Lawrie, thanks for the update. Just two quick questions; firstly on Wheatstone and the recently announced delay. Just wondered if you were able to give a bit more colour just on the timing of start-up and perhaps some of the onshore progress, and what drove the delay and you know, how wide that window to start-up could potentially be? And secondly, at your investor day you were talking about some commercial arrangements or investment in some Asian re-gas facilities. And just if you had any update on that strategy.

Peter Coleman: Alright Mark. On Wheatstone, as the operator has mentioned a few times, the major portion of the delay has actually been the delivery of the modules to the site. So the site's been prepared, the infrastructure's been prepared, but the modules were late getting out of the yard in Malaysia and they've taken some actions in the yard. But at that point, it was really preserving schedule. You weren't - they weren't able to claw the schedule back.

The good news is all of the modules are now on site as of late December. So they're now moving forward in hooking them up. The major uncertainty is actually the way the modules have been prepared though in the yard, and that's something that we'll watch very closely with respect to productivity at Onslow. And that uncertainty is around the fact that these modules did not come pre-wired with respect to their electrical systems and so forth. And so the design for Wheatstone is to have an above-ground electrical supply system.

If you go to other sites, including Woodside's other sites at North West Shelf and Pluto, these systems are typically in culverts that are underground, which means you can pre-install a lot of the electrical cabling. Our understanding is that cabling activity is progressing well, but it's early days. So I'd tell you today that's probably the biggest uncertainty, is productivity if we get around the hook up of the cabling.

With respect to the start-up window, we concur with the start-up window. We had conversations with Chevron prior to their announcement around what was important to us as an equity - co-equity owner in Wheatstone. And I was very clear with them, what's important to us is the money we spend; schedule will be what schedule is, particularly at this point in the project. And so while we would all have loved to have held onto a 1 January start-up, the reality is, as you know at this point we could have spent a lot of money and not seen many results from that. And so we said no, efficiency of capital is the important thing at this point and develop a schedule that is the most capital efficient.

The guidance that they've provided to market is guidance we're very comfortable with. Yes there is some potential upside, but I think it's also balanced by potential delays, but it's within a range within 2017 that we're quite comfortable with at this point.

The operator is yet to give updated guidance to the market on capital. We expect that in the next few months. We haven't got guidance as to when that will actually occur. At this point, we - in the acquisition we made allowance for additional capital spend on the project based on the contingency rundown that we'd seen at that point and we put that allowance in our impairment calculations along with the delay in start-up. So impairment calculation included a mid-year start-up for Wheatstone.

I think it's yet to be seen yet what the final cost numbers will come out at. All I can say is to give you confidence that at least the thing we're working on, which is Julimar, is on cost - is on schedule and may actually come under a little bit on cost, but it's within the round off.

Then on Asia re-gas, not a lot of progress on Asia re-gas. We mentioned we'd been in India, we've also been looking at other markets around Asia. And so - and I'd say 2016 is a year of delivery for our marketing group in that particular area. So we're looking at that. We're also progressing other options globally, so we're progressing discussions with Sempra around potential LNG plant at Port Arthur in Texas. Of course that one would be a risk covered plant where you would want buyers on a take-or-pay. So there's some risk with respect to start-up and being able to get buyers in on that one. We're trying to manage that, that would provide a nice platform to enter into that US market.

So we're looking quite broadly globally. The European market with respect to re-gas, while the re-gas numbers are low at the moment, the actual capacity take up is quite high. So I think a lot of people are trying to cover their positions in the European market with respect to their commitments to capacity take up in those systems. So not a lot of opportunity there at the moment.

Mark Wiseman: (Goldman Sachs, Analyst): That's great, thanks Peter.

Operator: Thank you. Your last question for the day comes from the line of Kirit Hira from Macquarie.

Kirit Hira: (Macquarie Securities, Analyst): Morning Peter and Lawrie. Just a question around exploration. This year you're obviously spending quite a bit on exploration and also appraisal at Kitimat. Just wondering how you rationalise spending that much versus planning the business for a \$35 a barrel oil price environment, whether you can actually potentially defer some of the commitments there into subsequent years. Is there actually much flexibility around that program?

Peter Coleman: It's a good question Kirit. Yes there is. I would - firstly on exploration, there are two impacts you'll see in 2015. I know there's been some questions as to why we couldn't cut 2015 more than we did. Firstly, we were working on work commitments particularly in Australia through our back log, and there was a couple of outer-Canning wells, one in particular that was capitalised in 2014 that was subsequently expensed in 2015. So that actually added to the numbers and made it look like we did more than we actually executed, simply because of the carry through.

With respect to the program going forward, we've provided some guidance in the pack. You can see it's quite a modest program out through 2016, 2017 and the focus will be on the areas where we think we have the highest impact. And so you can see we're really focusing on Myanmar and trying to accelerate our understanding of the commerciality of that.

With respect to Kitimat, look we came into a joint venture that had a work program in place and we've worked very actively with our partner there. You'll see on the definition part of it, we've basically buttoned up the work that we had underway, which were FEED activities. And we're looking at what we could do to lower the costs in the plant and the pipeline area, but that's just engineering work at the moment, so we're back to that level.

In the Liard we - Liard was pretty much under-appraised. And so we actually made a business decision that we needed to do some work in the Liard to really understand did we have - did it have the prospectivity that we hoped it would. And so we had a two-rig drilling program in the Liard.

In response to the lower price environment, we high-graded that program and pulled it in. We've laid off one of those drilling rigs, so we've completed that activity, so the cash-burn today is a lot lower than it was as we entered the year. And then the second rig will be laid down in third quarter of this year. It's got to - it's completing another couple of wells in the appraisal program.

So to answer your question, yes, we're actually pulling back quite significantly in that. But before we do it, we wanted to make sure we gathered enough information and have some long term well tests or flow tests in place, so that we had a firm basis to actually do some of the development planning.

And then just finally, the early results have been very promising, and they've actually exceeded our purchase assumptions with respect to the early results. But I'd say to you that's early and we'll continue to appraise.

Kirit Hira: (Macquarie Securities, Analyst): Okay. And just one more question from me regarding LNG trading. Obviously we're entering a period for a fairly challenged environment. It seems to be reflected in your trading margin. What's the outlook for the trading business over the next 12-24 months in terms of the ability to actually deliver a positive margin from that portfolio trading business?

Peter Coleman: Yeah, look I would say we've always said our trading business you know, it's a small T trading business in respect that it's actually a value enhancer. It's not a trading business per se as you would think of one of the major traders. And so it's really an enhancer or optimiser of our - pretty much our equity volumes. So those trading numbers you see in there is just number of cargoes multiplied by the cost of the cargo. And we wanted to make sure that that business was - it needs to sustain itself.

But where it really makes money for us is around moving our equity cargoes around, Pluto and North West Shelf cargoes. And you don't see that, unfortunately it doesn't come through the trading line. What that does is just stay at the asset level. And so we're quite - we're very comfortable actually as we see our internal numbers, to see the value add through having that trading optionality up in Singapore as it flows through to the asset level.

You will see us actually over the next period of time look at opportunities to expand some of that business, because we actually see the strict shipping market is very distressed at the moment. And so there are opportunities in that particular market to take advantage of it, and then enhance some of that flexibility. We need to do some of that anyway because we have Corpus Christi volumes coming out in 2019 or thereabouts. And so we are taking a long term view, and taking advantage of what is very much a distressed shipping market today.

But no, please don't think that you're going to see the trading numbers, at least in the short term, because that - as I said that business is a value optimiser or a value enhancer and it's unfortunate that you don't get to see all the moving parts of that, how it works on our equity volumes.

Operator: Perfect. Thank you so much for your questions. I'll now hand back to Mr Coleman for closing remarks.

Peter Coleman: Look thanks very much everybody for your questions today, we really do very much appreciate the effort you put into understanding Woodside and most importantly communicating with our investors and shareholders. It's very - it's important to us, we appreciate the work that you put in. We know this is a difficult time and there's a lot going on. And Lawrie and I just want to pass on, we appreciate the time and effort that you give to us and the effort that you put into understanding our business.

Just with respect to the business, I'll go back. We are not immune and we've never thought we've been immune to the external environment. What we've done is we believe we've designed a business that is resilient through that, it's resilient to the point where we'll continue to deliver on our commitment to investors to get funds back to them as quickly as we can throughout the entire part of the cycle. But more importantly, we're not going to tread water, we are moving forward on our strategy, albeit it may be at a different pace or we may be deploying capital to different areas than we were 12 months' ago. But we're doing that mindful of the fact that we're not relying on oil price to bail us out.

I think as we talk over the next few weeks, some of the tough decision that we've made around impairments and so forth reflect where Woodside wants our balance sheet to be, and they are tough decisions, they're not popular decisions, but we think they're appropriate in the uncertainty we have in this particular environment. As we've said consistently, we will choose to act early because we are great believers that those who act early have choice. Those who do not, don't. So we'll continue to act early and honour our commitment to our shareholders.

So again, thanks for everything today and I'm sure we'll catch up over the next few days and weeks and be able to provide more clarity on some of these issues.

End of Transcript