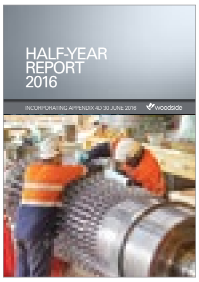
# HALF-YEAR REPORT 2016

INCORPORATING APPENDIX 4D 30 JUNE 2016

woodside

# CONTENTS






## ON THE COVER – MAXIMISING VALUE

Improvements delivered during the successful Karratha Gas Plant turnaround will further increase export capacity. Average annual export capacity of 16.9 mtpa is now 13% above the original design capacity of 14.9 mtpa.

Successful delivery of our turnarounds at both onshore and offshore assets is critical to Woodside's vision of becoming a global leader in upstream oil and gas.

See page 7 for further information.

## ADDITIONAL INFORMATION

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

A glossary of key terms, units of measure and conversion factors is on page 34.

# Appendix 4D

## Results for announcement to the market

Further details on page 32.

| | | | | US$ million |
|---|---|---|---|---|
| Revenues from ordinary activities | decreased | 24.2%[1] | to | 1,938 |
| Net profit for the period attributable to members | decreased | 49.9%[1] | to | 340 |
| Dividends (distributions) | | | | |
| Interim dividend – fully franked (US cents per share) | 34 cps 1H 2016 | | | |
| Record date for determining entitlements to the dividend | | 30 August 2016 | | |

*1. Comparisons are to the half-year period ended 30 June 2015.*

# About Woodside

## ABOUT THIS REPORT

This Half-Year Report 2016 is a summary of Woodside's operations, activities and financial position as at 30 June 2016.

Woodside Petroleum Ltd (ABN 55 004 898 962) is the parent company of the Woodside group of companies. In this report, unless otherwise stated, references to 'Woodside', 'the company', 'the Group', 'we', 'us' and 'our' refer to Woodside Petroleum Ltd and its controlled entities as a whole. The text does not distinguish between the activities of the parent company and those of its controlled entities.

References to '1H' refer to the first half of the year, i.e. the period between 1 January and 30 June 2016. All dollar figures are expressed in US currency unless otherwise stated. Production and sales volumes, reserves and resources are quoted as Woodside share.

Defined terms and abbreviations can be found on page 34.

This report should be read in conjunction with the Annual Report 2015 and the Sustainable Development Report 2015, available on Woodside's website, www.woodside.com.au.

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

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

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

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

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

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

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

We have significant equity interests in high-quality development opportunities in Australia (Browse), Canada (Kitimat) and Myanmar and are pursuing new concepts, technology and contracting strategies to enable the earliest commercialisation of these resources.

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

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

Woodside is characterised by strong safety and environmental performance in all locations where we are active and we are committed to upholding our values of integrity, respect, working sustainably, discipline, excellence and working together.

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

*1. Source: WoodMac LNG Tool.*

# Directors' Report

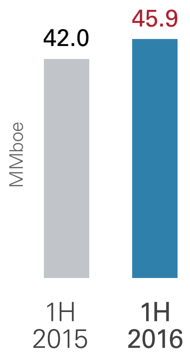
## FINANCIAL OVERVIEW

The directors of Woodside Petroleum Ltd present their report and the consolidated financial report for the half-year ended 30 June 2016 as follows:

### PRODUCTION VOLUME

**9%** higher

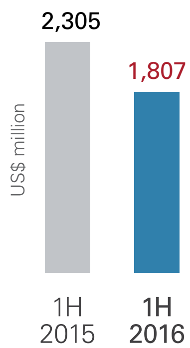
We delivered production of 45.9 MMboe, which was 9% higher than in 1H 2015, primarily due to higher LNG capacity and availability. Pluto LNG annualised loaded production rate of 4.9 mtpa (total project) was 14% higher than expected at FID.




### SALES REVENUE

**$1.8** billion

First half sales revenue was 22% lower than in 1H 2015, mainly due to lower average realised prices, partly offset by higher sales volumes and favourable price review outcomes. This emphasises the resilience of our sales revenue, as benchmark oil prices[1] fell by 46% from 1H 2015 to 1H 2016.

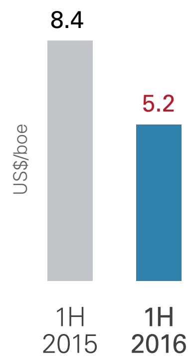



1. *Three month lagged Japan Customs-cleared Crude (JCC).*

### UNIT PRODUCTION COST

**38%** lower

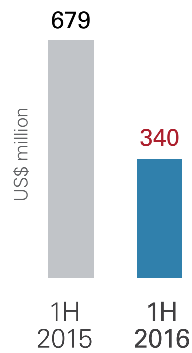
Our unit production cost of US$5.2/boe was 38% lower than in 1H 2015. This was primarily driven by operational efficiencies, higher throughput, asset management and the impact of the Pluto turnaround in 1H 2015.




### REPORTED PROFIT

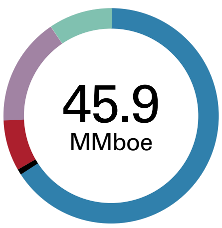
**$340** million

Profit was down on 1H 2015 mainly due to Brent oil price reaching cycle lows of US$28/bbl at the start of 2016. Lower sales revenue was partly offset by lower production costs.




### 1H 2016 PRODUCTION VOLUME

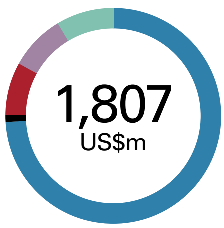
| | MMboe | %* |
|---|---|---|
| LNG | 30.1 | 66 |
| LPG | 0.4 | 1 |
| Oil | 3.4 | 7 |
| Pipeline gas | 7.6 | 16 |
| Condensate | 4.4 | 10 |
| Total | 45.9 | |




*Small differences are due to rounding.

### 1H 2016 SALES REVENUE

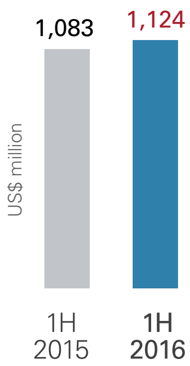
| | US$m | % |
|---|---|---|
| LNG | 1,329 | 74 |
| LPG | 16 | 1 |
| Oil | 143 | 8 |
| Pipeline gas | 151 | 8 |
| Condensate | 168 | 9 |
| Total | 1,807 | |



## CASH FLOW FROM OPERATIONS

**$1.1** billion

Cash flow from operating activities was 4% higher than in 1H 2015, with strong cash delivery from our core, cash generating assets despite the challenging external environment.

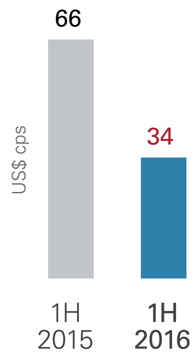



## INTERIM DIVIDEND

**34** cents per share

The Board has approved a fully franked interim dividend of 34 cps. This compares to 66 cps (fully franked) in 1H 2015. The Dividend Reinvestment Plan has been suspended for the interim dividend.

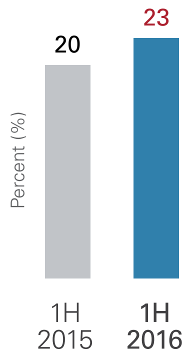
See page 32 for further details.




## GEARING

**23**%

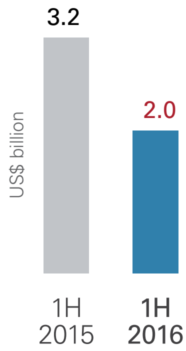
At the end of the reporting period, our gearing level was 23%. This reflects Woodside's strong financial position and remains within our target range of 10–30%.




## LIQUIDITY

**$2.0** billion

At the end of 1H 2016, liquidity was US$2.0 billion, comprising US$0.3 billion of cash at hand and US$1.7 billion in undrawn facilities. We have achieved our target liquidity level and are able to fully fund our committed activities and growth opportunities.




## RESULTS FOR FIRST HALF 2016

| | | 1H 2015 MMboe | 1H 2016 MMboe | Variance % |
|---|---|---|---|---|
| Production volume | | 42.0 | 45.9 | 9 |
| Sales volume | | 43.4 | 45.4 | 5 |
| | | US$m | US$m | |
| Sales revenue | | 2,305 | 1,807 | (22) |
| Operating revenue | | 2,556 | 1,938 | (24) |
| EBITDAX[1] | | 1,783 | 1,381 | (23) |
| Exploration and evaluation expensed | | (185) | (191) | 3 |
| Depreciation and amortisation | | (651) | (659) | 1 |
| EBIT[2] | | 947 | 531 | (44) |
| Net finance costs | | (53) | (23) | (57) |
| Petroleum resource rent tax benefit | | 93 | 113 | 22 |
| Income tax expense | | (273) | (228) | (16) |
| Total taxes | | (180) | (115) | (36) |
| Non-controlling interest | | (35) | (53) | 51 |
| Reported NPAT | | 679 | 340 | (50) |
| Reported earnings per share | (EPS in cents) | 82.5 | 41.0 | (50) |
| Interim dividend | (cps) | 66 | 34 | (48) |
| Net cash from operating activities | | 1,083 | 1,124 | 4 |
| Gearing[3] | (%) | 19.9 | 22.5 | 13 |
| Total debt[4] | | 3,971 | 4,522 | 14 |
| Cash and cash equivalents | | 155 | 269 | 74 |

1. *EBITDAX – earnings before interest, tax, depreciation, amortisation, exploration and evaluation.*
2. *EBIT – earnings before interest and tax.*
3. *Gearing – (net debt) divided by (net debt + net equity).*
4. *Total debt – total interest bearing liabilities.*

# Directors' Report

## REVIEW OF OPERATIONS

### OUR STRATEGY

Woodside is focused on delivering superior shareholder value by maximising our core business; leveraging our capabilities; and growing our portfolio to deliver long-term value growth to our shareholders.

We do so across the oil and gas exploration and production life cycle through a disciplined approach to capital management and a focus on working sustainably.

We are:

- delivering operational excellence to maximise returns and grow value;
- managing risk and volatility across revenue streams and our balance sheet; and
- creating and building near-term value growth by leveraging our financial strength, core competencies, and lean organisation.

Our company is operating in a challenging low commodity price environment. In response, we increased liquidity, extended our debt maturity profile, reduced our cost structure and concluded numerous price reviews. We continue to progress term sales while growing the business through exploration and acquisitions.

With our financial strength, excellent contingent resource position, leading development and marketing capabilities and a refreshed exploration portfolio, we are well placed to execute our growth strategy.

#### Maximising our core business

Woodside continues to achieve outstanding underlying business performance, with safety, production and operating cost exceeding targets.

In 1H 2016, we created value by increasing production by 9%, whilst driving down unit production costs by 38%.

We are maximising the long-term value of the NWS Project and extending its plateau production through the Greater Western Flank and Persephone Projects.

#### Leveraging our capabilities

We maintain a focus on our distinct capabilities in design, construction and operation of world-class LNG plants, FPSO operations, subsea technology, seismic data acquisition and processing, and deepwater drilling.

In addition, Woodside is embracing technological change to improve productivity and is now recognised as a leader in analytics and cognitive computing.

We are continually seeking opportunities to apply these capabilities to both our core business and growth opportunities.

#### Growing our portfolio

Woodside is actively pursuing near-term growth, while positioning itself for the longer term.

The Wheatstone Project is a world-class asset which will deliver net reserves (2P) of approximately 250 MMboe (Woodside share) and near-term production, targeting first LNG in mid-2017.

The Greater Enfield Project is developing net oil reserves (2P) of 41 MMbbl (Woodside share), targeting first oil mid-2019, and illustrates our ability to make breakthroughs in development concepts.

Results from two proof of concept horizontal wells from the Kitimat LNG Project's Liard Basin are highly encouraging for future development.

Woodside entered into a farm-in agreement under which it will acquire a participating interest in a production sharing contract (PSC) and associated joint operating agreement in the AGC Profond block in the Senegal and Guinea-Bissau joint development area[1].

Subsequent to 1H 2016, Woodside agreed to acquire ConocoPhillips Senegal B.V., a company that holds a 35% interest in the 560 MMbbl SNE deep water oil discovery (100%, at the 2C confidence level)[1].

Woodside's rebalanced exploration portfolio is starting to deliver. The Shwe Yee Htun-1 and Thalin-1A discoveries in Myanmar resulted in an increase in contingent resources (2C) of 83 MMboe (Woodside share). Our first mover position in Myanmar is delivering a commanding strategic advantage.

### PRODUCTION OUTLOOK

Our production outlook has improved to 90–95 MMboe and includes the impact of the sale of the Northern Endeavour FPSO facility and cessation of oil production at Balnaves.

1. *Transactions subject to satisfaction of conditions precedent.*

### MARKETING AND SHIPPING

Woodside signed a heads of agreement with Pertamina for the supply of 0.5 to 1.0 mtpa of LNG from the company's LNG portfolio, commencing in 2019 for a period of 15–20 years. The heads of agreement remains conditional upon the negotiation and execution of a fully termed LNG sale and purchase agreement (SPA).

Woodside has de-risked its 2017 to 2018 revenue stream, with 85–90% of expected production now either committed under term contracts or subject to finalisation of SPAs. Additional short and mid-term sales are expected in the near future.

Volumes will remain available for portfolio optimisation and spot trading in an effort to take advantage of near-term shifts in supply and demand balance.

In 1H 2016, Woodside successfully executed ten additional NWS LNG contract price reviews and will continue to work with customers to achieve mutually beneficial outcomes. Price review outcomes maintained strong oil price linkage, and Woodside achieved approximately US$50 million in additional reconciliation payments and other commercial benefits.

In 1H 2016, the agreements necessary to enable equity lifting of NWS uncommitted LNG and domestic gas volumes were executed. Uncontracted LNG and domestic gas volumes have been equity lifted from 1 July 2016. This provides Woodside with additional portfolio scale and flexibility. Existing sales contracts will continue to be managed jointly on behalf of the NWS Project participants.

Woodside is marketing an expanded global portfolio of LNG which now includes 0.85 mtpa from the Corpus Christi LNG Project in Texas. Production is expected to commence in mid-2020 on start-up of the second train.

Woodside's shipping fleet continued to expand to provide the additional shipping capacity required to optimise the company's increasing supply portfolio and more diversified customer base, including deliveries to Egypt and India. Our newest ship, the Woodside Chaney, delivered its maiden cargo in 1H 2016.

Woodside is also pursuing opportunities for demand creation using LNG as a transport fuel. It is estimated that LNG uptake in transport fuel markets could add 10–20% to global LNG demand by 2030[2], and our LNG plants are adjacent to two of the world's largest ports by tonnage. In April, we announced a five-year charter for Australia's first LNG-powered marine support vessel from Siem Offshore. The vessel is due to arrive in 2017.

2. *Source: IHS, BCG and CEDIGAZ.*

# HEALTH, SAFETY AND ENVIRONMENT

Woodside recognises that industry-leading health, safety and environment (HSE) performance is critical to our business success.

## Health and safety

We are targeting global top-quartile health and safety performance by the end of 2017. In 1H 2016, our total recordable injury rate (TRIR) was 1.97 per million hours worked.

Our approach to HSE management is based on strong leadership across our value chain to drive improvements in health and safety leadership, process safety and contractor partnerships.

We have aligned our approach to managing HSE in contracts to global leading practice, using the guidelines of the International Association of Oil and Gas Producers (IOGP). We have also streamlined the HSE requirements in our contracts so as to enable Woodside and contract counterparties to work together more efficiently.

In 1H 2016, Woodside released its Process Safety Management Procedure, based on the internationally recognised UK Energy Institute's Process Safety Management Framework. Immediate improvements have been observed in operational risk assessment processes, tools and the identification of process safety competencies in safety critical roles.

## Environment

In June 2016, Woodside was awarded the Australian Petroleum Production and Exploration Association (APPEA) Environment Excellence Award. This is the first time an operator has received this award in consecutive years. The award recognised Woodside's continued excellence across all facets of environmental performance.

Natural gas is a clean fossil fuel and has a major role to play in reducing air pollution and containing global average temperatures. Woodside monitors changes in international climate policy to understand impacts on our business. Woodside has included carbon pricing in its economic assumptions since 2008.

Flaring performance across our producing assets continues to improve. Our flared gas intensity for 1H 2016 was 7.4 t/kt, compared to 11.2 t/kt in 1H 2015. In 2016, we set our first fuel intensity target, which aims to reduce our fuel intensity by 5% over the next five years.

# TECHNOLOGY AND INNOVATION

Innovative solutions to business problems and lowering our cost of supply are critical to near-term growth and our broader strategy.

We are embedding cost-saving concepts including the application of full-waveform inversion to reduce exploration cycle time and improve success rates. Our data analytics program is reducing lifting cost and protecting high reliability. Our 3D printing program aims to reduce operating costs through providing spares on demand, and our cognitive computing capabilities save time, drive efficiency and reduce cost.

Our data science strategy is focusing on maintaining our competitive advantage through innovation to generate value and grow our business.

We have deployed IBM's Watson data science systems into various technical and commercial areas of our business. Our use of advanced analytics is developing opportunities in production optimisation through system modelling, predictive maintenance and targeted plant inspections.

In June 2016, we launched the Woodside Innovation Centre at Monash University in Melbourne and will contribute A$10 million to the centre over five years. This establishes an innovation hub to rapidly accelerate advances in materials engineering, additive manufacturing and data science. In 1H 2016, we commenced prototype printing of parts on demand, and we aim to begin prototype printing spares on demand in 2017, enhancing responsiveness, reducing costs and increasing efficiencies.

The Woodside Innovation Centre at Monash University forms part of our existing network of FutureLabs at Curtin University and the University of Western Australia in Perth.

# PEOPLE

To be a global leader in upstream oil and gas, we are attracting, developing and retaining a diverse and high performing workforce and ensuring that the organisation has the leadership, capability and culture to deliver.

We are focused on our strategy to develop and promote from within. We are strengthening our leadership and succession plans through the introduction of formal talent acceleration assessment, development and targeted coaching programs, and mentoring communities.

Women currently represent 28.5% of our workforce compared to an average of 14% in the Australian resources sector.

Representation of women in senior roles has increased from 13.8% (2015 year end) to 15.5% through strong internal succession and promotion in 1H 2016.

Our 2016–2020 Reconciliation Action Plan, launched in 1H 2016, received highest level 'Elevate' status from Reconciliation Australia. Our Indigenous employment increased from 94 (2015 year end) to 103 people. This represents 3% of the Woodside workforce.

We are committed to providing graduate, trainee and apprentice opportunities. Our graduate recruitment campaign resulted in the employment of 100 graduates across all disciplines for the 2017 intake. This includes 50 women, representing gender balance in our intake. Appointments also include four Indigenous and 20 international graduates.

During 2016, we realigned our organisational structure to support the delivery of our strategy and enable our distinctive capabilities to deliver across the value chain.

We have redeployed our Development Planning team into our Science and Technology Division, enabling more rapid identification of breakthrough solutions for our portfolio opportunities. We have introduced a Power and New Markets team within the Marketing, Trading and Shipping Division that will focus on emerging LNG markets.

The Business Development and Growth team has joined the Finance and Commercial Division, strengthening collaboration and support of our merger and acquisition activities.

As part of this change, we have consolidated our Australian operating assets into one operating unit. As well as recognising synergies and working more efficiently across the NWS, Pluto and oil facilities, this transition also readies us for operating on a global scale.

## Remuneration Report

At Woodside's Annual General Meeting (AGM) on 21 April 2016, just over 25% of the votes cast on the Remuneration Report were against the resolution, and we recorded a 'first strike'.

We acknowledge the outcome of the vote as an indication of concern about our remuneration. Woodside endeavours to structure remuneration which is competitive and incentivises management to deliver superior shareholder returns over the long-term.

Since the AGM, we have set about discussing the remuneration structure with shareholders to further understand and address their concerns.

# Review of Operations

## OPERATIONS

### Producing assets

| | | |
|---|---|---|
| 1 | Karratha Gas Plant | NWS |
| 2 | Goodwyn A platform | NWS |
| 3 | North Rankin Complex | NWS |
| 4 | Okha FPSO | NWS |
| 5 | Angel platform | NWS |
| 6 | Pluto LNG Plant | Pluto LNG |
| 7 | Pluto LNG platform | Pluto LNG |
| 8 | Ngujima-Yin FPSO | Australia oil |
| 9 | Nganhurra FPSO | Australia oil |

## NORTH WEST SHELF

12.5%–50.0% (operator) across various joint ventures

Woodside's continued focus on operational and maintenance excellence is unlocking value from the NWS assets by delivering improved reliability and higher LNG production capacity. We are delivering sustained structural cost reductions, maintaining a disciplined approach to project execution and continuing to seek opportunities to extend the NWS business.

### Maximising value

The current LNG export capacity of the Karratha Gas Plant (KGP) is significantly higher than the original design capacity. Improvements delivered during the recent turnaround are forecast to increase annual LNG export capacity to 16.9 mtpa.

The 45-day integrated turnaround, involving all five LNG trains, the North Rankin Complex (NRC) and Goodwyn A platform, was safely completed ahead of schedule and to budget, with higher than forecast volumes produced during the turnaround campaign.

The NWS Project delivered 117 cargoes (total project) of LNG in 1H 2016 on behalf of the NWS Project participants. Eight of these were sold on the spot market.

Our share of LNG production of 10.4 MMboe (10.9 MMboe in 1H 2015) was lower due to execution of the turnaround campaign.

Woodside's share of pipeline gas sales of 40,041 TJ (39,403 TJ in 1H 2015) was slightly higher, in line with customer demand.

Our share of condensate production increased to 2.9 MMbbl (2.7 MMbbl in 1H 2015), and LPG production increased to 43,707 t (39,711 t in 1H 2015) due to start-up of the Greater Western Flank Phase 1 Project and higher offtake from liquids-rich reservoirs.

Woodside share of NWS oil production reduced to 0.2 MMbbl (1.3 MMbbl in 1H 2015) due to the extension of a planned Ohka FPSO turnaround and vessel dry-docking to address additional maintenance scopes.

The Karratha Life Extension program is continuing refurbishment works at the KGP, including completing significant scopes of work during the integrated turnaround, and commencing a four-month marine facilities campaign that will refurbish the LNG and LPG jetties.

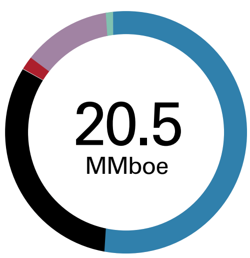
**See page 10 for further information on NWS plateau extension projects and developments.**

### Third party gas processing

The NWS Project continues to identify and pursue potential opportunities to process gas of other operators through the KGP. In Q1 2016, the NWS Project participants entered the front end-engineering and design (FEED) phase with Hess Exploration Australia to process resources from Hess' permits in the Carnarvon Basin. Both parties continue to progress this opportunity under the key terms set out in a non-binding Letter of Intent. The FEED scope includes both technical activities and progression of key commercial agreements in order to inform a proposed FID in 2017.

NWS production

(Woodside share)




| | MMboe | % |
|---|---|---|
| NWS LNG | 10.4 | 51 |
| NWS pipeline gas | 6.6 | 32 |
| NWS LPG | 0.4 | 2 |
| NWS condensate | 2.9 | 14 |
| NWS oil | 0.2 | 1 |

In 1H 2016, NWS contributed 20.5 MMboe to Woodside's net production of 45.9 MMboe.

*The KGP Train 4 planned turnaround was completed eight days ahead of schedule.*

## PLUTO LNG

90.0% (operator)

Pluto LNG continued to exceed expectations during 1H 2016, achieving an annualised loaded LNG production rate equivalent of 4.9 mtpa (100% project), 14% higher than the 4.3 mtpa average expected annual production capacity at the time of FID in 2007. This result reflects capacity enhancements, high plant reliability and higher capacity during the cooler autumn/winter months.

Pluto LNG delivered 36 cargoes[1] (total project) of LNG in 1H 2016. While the majority of volumes were sold under long- and mid-term agreements with traditional Japanese and Korean buyers, incremental value was derived from the spot sale of two additional cargoes resulting from LNG production above plan.

Our share of LNG production increased to 19.7 MMboe (14.7 MMboe in 1H 2015), primarily due to higher reliability and system optimisation. The asset continued to achieve top-quartile reliability, with 1H 2016 Pluto LNG reliability of 99.2%.

Woodside's share of condensate production increased to 1.5 MMboe (1.2 MMboe in 1H 2015) in line with higher LNG production.

Pluto LNG was supported by the Perth-based Pluto Support Centre, ensuring improved operational efficiencies while maintaining high standards of health, safety and environmental management.

Throughout 1H 2016, our focus continued to be on delivering sustained structural cost efficiencies via simplified standards and processes and integrated activity planning. Major turnarounds at Pluto are now being conducted once every four years where practicable, rather than once every three years.

Work continued to define the Pyxis-1 potential tieback opportunity. We reinstated work on the fifth Pluto production well (the PLA05 side track), with completion expected in Q4 2016.

We continue to develop and utilise predictive data analytics capabilities at the Pluto LNG Plant, providing benefits to the project and a foundation for the next generation of Woodside facilities.

*1. Includes some partial cargoes.*

## AUSTRALIA OIL

During 1H 2016, Woodside continued to maximise value from our FPSO fleet. We remain focused on enhancing productivity and reliability and identifying cost savings across our oil business assets.

On 27 June 2016, Woodside announced that the Greater Enfield Project had been approved for development. The project is targeting development of 2P reserves of 41 MMbbl Woodside share.

See page 11 for further details.

### Vincent

60.0% (operator)

Our share of production reduced to 2.1 MMbbl (2.4 MMbbl in 1H 2015) largely due to natural reservoir decline.

### Enfield

60.0% (operator)

Woodside's share of production increased to 0.6 MMbbl (0.5 MMbbl in 1H 2015) due to high facility utilisation offsetting natural reservoir decline.

### Laminaria-Corallina

Our share of production reduced to 0.2 MMbbl (0.4 MMbbl in 1H 2015) due to completion of the asset sale.

Woodside and fellow joint venture participant Talisman completed the sale of the Laminaria-Corallina Joint Venture assets to Northern Oil and Gas Australia on 29 April 2016. As part of the agreed transition arrangements, Woodside is providing interim operator services to the new owner.

### Balnaves

Woodside's share of production reduced to 0.3 MMbbl (0.8 MMbbl in 1H 2015) due to cessation of production on 20 March 2016.

Woodside gave notice of termination of the Balnaves FPSO Services Agreement on 4 March 2016. As a result, the Armada Claire FPSO permanently departed the production licence WA-49-L area on 2 April 2016. Woodside is working with regulatory bodies to ensure a safe and environmentally acceptable cessation of activities and decommissioning of subsea infrastructure in accordance with all applicable laws and regulations.

### Pluto production

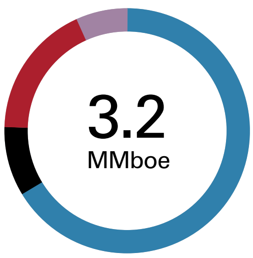
(Woodside share)


| | MMboe | % |
|---|---|---|
| Pluto LNG | 19.7 | 93 |
| Pluto condensate | 1.5 | 7 |

1H 2016, Pluto contributed 21.2 MMboe to Woodside's net production of 45.9 MMboe, up 33% from 15.9 MMboe in 1H 2015.

### Australia Oil production

(excludes NWS oil, Woodside share)




| | MMboe | % |
|---|---|---|
| Vincent | 2.1 | 66 |
| Balnaves | 0.3 | 9 |
| Enfield | 0.6 | 19 |
| Laminaria-Corallina | 0.2 | 6 |

In 1H 2016, Australia Oil (non-NWS) contributed 3.2 MMbbl to Woodside's net production of 45.9 MMboe, down from 4.5 MMbbl in 1H 2015.

# Review of Operations

## PROJECTS AND DEVELOPMENTS


### Projects

| | | |
|---|---|---|
| 1 | Persephone | NWS |
| 2 | Greater Western Flank Phase 2 | NWS |
| 3 | Lambert Deep | NWS |
| 4 | Greater Enfield | Australia oil |
| 5 | Onshore Gas Plant | Wheatstone LNG |
| 6 | Offshore Platform | Wheatstone LNG |
| 7 | Julimar | Wheatstone LNG |

### Developments

| | | |
|---|---|---|
| 8 | Browse | Browse Development |
| 9 | Sunrise | Sunrise LNG |
| 10 | Kitimat | Kitimat LNG |
| 11 | Grassy Point | Grassy Point LNG |

*Image courtesy of Chevron Australia.*

## NORTH WEST SHELF

Plateau extension projects and developments at NWS include:

### Persephone Project

The project to develop the Persephone field via subsea tieback to the existing North Rankin Complex (NRC) remains on budget (A$200 million Woodside share) and with a revised earlier start-up expected in 2H 2017. Persephone brownfield tie-in work on NRC was safely and successfully completed during the recent integrated turnaround, and the Persephone subsea manifold has been installed at the drill centre. At the end of 1H 2016, the project was 68% complete.

### Greater Western Flank Phase 2 Project

The GWF-2 Project was approved in December 2015 and will develop gas and condensate from the Keast, Dockrell, Sculptor, Rankin, Lady Nora and Pemberton fields via a subsea tieback to the existing Goodwyn A platform. The project (US$333 million Woodside share) has awarded most major contracts and commenced manufacturing and fabricating key project infrastructure. The project is expecting start-up from the initial tranche of five wells in 2H 2019, with the remaining three wells expected in 1H 2020.

### Lambert Deep

Following the completion of front-end engineering and design, which underpinned technical endorsement of the development concept, the NWS Project participants have decided to defer the development of the proposed Lambert Deep project. This development remains highly economic, and deferral allows for potential integration of exploration prospects. Deferral does not materially change the NWS production profile, with only minor deferral of production beyond 2020, and has no impact on our LNG contractual sales. Subject to a final investment decision (FID), first production from Lambert Deep is targeted in the early 2020s.

## WHEATSTONE LNG

Wheatstone LNG, comprising the Wheatstone and Julimar Projects, is a world-class asset which will deliver near-term production to Woodside's LNG portfolio. Approximately 80% of Woodside's equity LNG has been contracted to traditional buyers.

### Wheatstone Project

13.0% (non-operator)

Woodside's interest in the Wheatstone Project includes the offshore platform, the pipeline to shore and the onshore plant located near Onslow, in Western Australia's Pilbara region. The onshore plant will include a two-train 8.9 mtpa (100%) LNG development and a 200 TJ per day domestic gas plant. LNG and condensate will be exported, and domestic gas will be transported via pipeline to the Dampier Bunbury Natural Gas Pipeline.

With more than 30 years of operational experience, Woodside is supporting the Wheatstone operator with targeted capability as a joint venture participant in the Wheatstone Project.

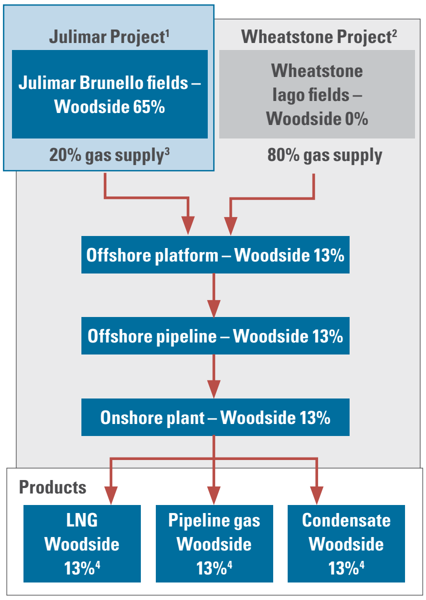
The Wheatstone Project operator is expecting first LNG from Train 1 in mid-2017. First LNG from Train 2 is expected 6–8 months after Train 1.

### Julimar Project

65.0% (operator)

The Julimar Project is a subsea development that will supply raw gas and condensate from the Julimar and Brunello fields, located approximately 180 km west-north-west of Dampier, to the Wheatstone offshore platform. During 1H 2016, subsea installation activities at the Brunello field were completed.

The Julimar Project remains on target to be ready for start-up on budget and schedule in 2H 2016.




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

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

▼ *Wheatstone Platform (image courtesy of Chevron Australia).*

## GREATER ENFIELD PROJECT

60.0% (operator)

The Greater Enfield Project was approved for development in June 2016. Initial net oil production rates are estimated to exceed 24,000 bbl/d (Woodside share).

The project is targeting development of 2P oil reserves of 41 MMbbl Woodside share from the oil accumulations.

The Ngujima-Yin FPSO facility is planned to produce oil from the Vincent oil field and the three Greater Enfield oil accumulations concurrently from mid-2019 until 2028.

The project will develop the Laverda Canyon (WA-59-L), Norton over Laverda (WA-59-L) and Cimatti (WA-28-L) oil accumulations via a 31 km subsea tieback to the Ngujima-Yin FPSO facility.

The Greater Enfield Project will build upon Woodside's significant experience and proven abilities in delivering major subsea tiebacks in a safe and environmentally-responsible manner.

Key to commercialising this resource was Woodside's close collaboration with contractors and adoption of the latest technologies. The project benefits from low incremental production costs associated with sharing existing infrastructure.

## BROWSE DEVELOPMENT

30.6% (operator)

The Calliance, Brecknock and Torosa fields – collectively known as the Browse resources – are estimated to contain net contingent resources (2C) of 4.8 Tcf of dry gas and 143 MMbbl of condensate (Woodside share). Gross resources are 16.0 Tcf of dry gas and 466 MMbbl of condensate (2C).

The Browse resources are located offshore approximately 425 km north of Broome in Western Australia. These are held across seven petroleum retention leases under the *Offshore Petroleum and Greenhouse Gas Storage Act 2006* (Cth) (OPGGSA), the *Petroleum (Submerged Lands) Act 1982* (WA) and the *Petroleum and Geothermal Energy Resources Act 1967* (WA). The current term of the retention leases runs until 2020.

Following completion of FEED work in March 2016, the Browse Joint Venture (BJV) participants decided not to progress further with the floating LNG development concept selected at FEED entry in June 2015.

Woodside remains committed to the earliest commercial development of the Browse resources and has entered the concept select phase together with the other BJV participants.

Woodside is exploring a phased development concept targeting highest value fields first, reducing development risks and delivering LNG in line with future market demand.

Activities continue in line with existing work program commitments under the Browse retention leases.

## KITIMAT LNG

50.0% (non-operator)

In early 2015, Woodside acquired a 50% interest in the Kitimat LNG Project, located approximately 640 km north of Vancouver in British Columbia, Canada.

The development concept comprises a two-train LNG export facility, the proposed 480 km Pacific Trail Pipeline and an upstream resource in the Liard and Horn River Basins, covering approximately 620,000 acres (gross). The resource is estimated to contain net contingent resources (2C) of 15.0 Tcf of dry gas (Woodside share). Gross resources are 30.0 Tcf of dry gas (2C).

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

During 1H 2016, the second development scale appraisal well (B-B03-K) was brought into production and the joint venture continued drilling additional appraisal wells. The Liard appraisal program has confirmed a prolific unconventional resource basin. This reinforces that fewer wells will be required for a full-scale development. As the Liard Basin is further developed, we expect drilling cost reductions of up to 60%, similar to those experienced in the Horn River and other Canadian basins.

Woodside is continuing to support the operator to drive down costs across the value chain. The joint venture has achieved a 20% reduction in cost of supply since acquisition through innovation and technology. We are continuing to optimise the development concept and pursue top decile liquefaction costs through the potential application of Woodside's NextGen technology that aims to reduce modules, site-hours and LNG train footprint.

The pipeline right-of-way is clearly delineated, with the majority of approvals in place. The LNG site at Bish Cove has a finished access road, and the site has been cleared.

We will maintain compliance with environmental permits, secure LNG sales agreements, work with First Nations and establish a clear, stable and competitive fiscal framework with government.

In progressing the Kitimat Development to commercialisation, Woodside is targeting LNG demand in the mid-2020s.

## SUNRISE LNG

33.4% (operator)

The Sunrise and Troubadour gas and condensate fields, collectively known as the Greater Sunrise fields, are estimated to contain net contingent resources (2C) of 1.7 Tcf of dry gas and 76 MMbbl of condensate (Woodside share). Gross resources are 5.1 Tcf of dry gas and 226 MMbbl of condensate (2C).

Woodside is committed to developing the Greater Sunrise fields, and considers it vital that both the Timor-Leste and Australian Governments agree the legal, regulatory and fiscal regime applicable to the resource.

Once Government alignment is established, Woodside believes there is an opportunity to proceed with a development that benefits all parties.

Woodside will continue to honour obligations under its production sharing contracts (JPDA 03-19 and JPDA 03-20) and retention leases (NT/RL2 and NT/RL4), and continue ongoing social investment activities.

# Review of Operations

## GLOBAL EXPLORATION

**Exploration acreage**

| | |
|---|---|
| 1 | Australia |
| 2 | New Zealand |
| 3 | Myanmar |
| 4 | Republic of Korea |
| 5 | Gabon |
| 6 | Senegal Guinea-Bissau |
| 7 | Morocco |
| 8 | Ireland |
| 9 | Canada (Nova Scotia) |
| 10 | Peru |

## GLOBAL EXPLORATION

Woodside is on track to deliver on our strategy of building a balanced global portfolio, generating value and long-term growth. Exploration is delivering future growth potential focused on emerging basins with proven petroleum systems providing both high value growth and play diversity.

Woodside targets three core areas – Australia and Asia-Pacific, sub-Saharan Africa and the Atlantic Margins. Our portfolio across these regions offers balanced exposure to oil and gas, basin maturity and geographical diversity. We continue to build prospect inventory in these core areas and mature drilling candidates, with plans to drill a number of high impact wells in 2017–2018.

The emphasis of our exploration strategy is shifting from predominantly portfolio growth to execution as we enter a phase of high impact drilling and accelerating commerciality of our recent gas discoveries in Myanmar.

### Exploration highlights

- We discovered 32 m net gas pay in the Myanmar Block A-6 Shwe Yee Htun-1 exploration well and 62 m net gas pay in the Block AD-7 Thalin-1A exploration well.
- The discoveries increased Woodside's contingent resource (2C) by 83 MMboe.
- Seismic acquisition of more than 31,500 km$^2$ high quality 3D seismic data in Myanmar will enable us to grow and build our portfolio of drillable prospects.
- We increased our prospective acreage in Ireland, Gabon[1], Senegal–Guinea-Bissau[1] and Australia.

Consistent with our disciplined approach to exploration portfolio management, we elected to relinquish several non-prospective permits in Australia, Cameroon and the Canary Islands.

*1. Subject to satisfaction of conditions precedent.*

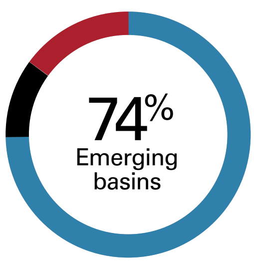
| 2016–2017 DRILLING AND SEISMIC ACTIVITIES | | 2016 | | 2017 | | | | SIZE |
|---|---|---|---|---|---|---|---|---|
| Drilling[2] | | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Volume[3] |
| Myanmar | Block AD-7 Thalin appraisal | | | G | G | Ⓖ | | Large |
| | Block A-6 exploration | | | | G | | Ⓖ | Large |
| | Block AD-7 exploration | | | | | G | | Large |
| Australia | WA-483-P Swell | | | | G | | | Medium |
| | NWS Fortuna | | | | | | Ⓖ | Medium |
| AGC Profond[4] | AGC Profond block exploration | | | | | | O | Large |
| Morocco Rabat Deep | RD 1 | | | | | Ⓞ | | Large |
| Gabon – Luna Muetse[4] | Luna Muetse block exploration | | | | | | O | Large |
| Seismic | | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | km$^2$ |
| Ireland | 3D | S | | | | | | 2,392 |

G O Drilling (gas/oil) Ⓖ Ⓞ Contingent drilling (gas/oil) S Seismic

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

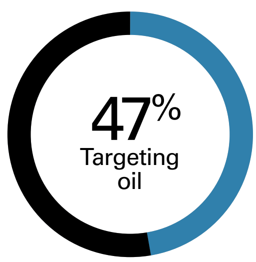
*2. The drilling program remains subject to final approvals.*
*3. Target size: gross mean success volume 100%, unrisked. Small <20 MMboe, Medium >20 MMboe and <100 MMboe and Large >100 MMboe.*
*4. Acquisition of interests subject to satisfaction of conditions precedent.*

### Basin maturity[5]



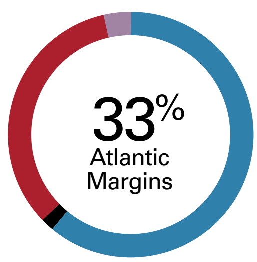

- Emerging
- Mature
- Frontier

### Hydrocarbon distribution[5]




- Oil
- Gas

### Geographical diversity[6]




- Australia and Asia-Pacific
- Sub-Saharan Africa
- Atlantic Margins
- Latin America

*5. Inventory distribution based on net unrisked mean success volume (MMboe) of leads and prospects portfolio.*
*6. Inventory distribution based on net exploration acreage of 124,000 km$^2$ at 30 June 2016.*

# AUSTRALIA AND ASIA-PACIFIC

## Australia

During 1H 2016, Woodside was awarded one new exploration permit, WA-522-P in the Bonaparte Basin. Several other permits were relinquished upon expiry of their first term of exploration. Woodside retains a significant exploration acreage position offshore Western Australia and the Northern Territory with an acreage footprint of 52,755 km$^2$. In Q2 2016, exploration permits WA-271-P, WA-428-P and WA-430-P in the Exmouth sub-basin were renewed for a further five-year term to explore for hydrocarbon volumes close to existing infrastructure at low cost. Seismic reprocessing in WA-271-P and other permits in the Exmouth sub-basin is almost complete, and reprocessing in WA-428-P and WA-430-P will commence in 2017.

Commitment wells Skippy Rock-1 and the Stokes sidetrack well were drilled in Carnarvon Basin permit WA-472-P in Q1 2016, resulting in dry holes. The impact on the remainder of the portfolio in this region is currently being assessed.

The final processing products of the Fortuna 3D seismic survey over the NWS Project acreage became available for interpretation in Q1 2016. A portfolio of drilling candidates is being matured based on the high quality seismic data.

Planning is underway to drill up to three exploration wells in Australia in 2017–2018.

## Korea

Woodside 50% (operator exploration)

The Hongge-1 exploration well completed in Q4 2015 resulted in a non-commercial discovery but confirmed the presence of a petroleum system. Woodside continues to work closely with the Korean National Oil Company on post-well regional studies.

## New Zealand

70% (operator)

The newly processed pre-stack depth migrated seismic data from the 2015 Vulcan and Toroa 3D seismic surveys, in the Taranaki and Great South Basins, was delivered in Q2 2016. Interpretation and portfolio build is in progress.

## Myanmar

A-6 40% (joint operator)

AD-7 40% (operator for deep water drilling)

A-7 45% (operator)

AD-5 55% (operator)

A-4 45% (non-operator)

AD-2 45% (non-operator)

In late 2015 and early 2016, Woodside announced the discovery of 32 m net gas pay in the Block A-6 Shwe Yee Htun-1 exploration well and 62 m net gas pay in the Block AD-7 Thalin-1A exploration well. Woodside's estimated contingent resource (2C) of these back-to-back gas discoveries is 83 MMboe.

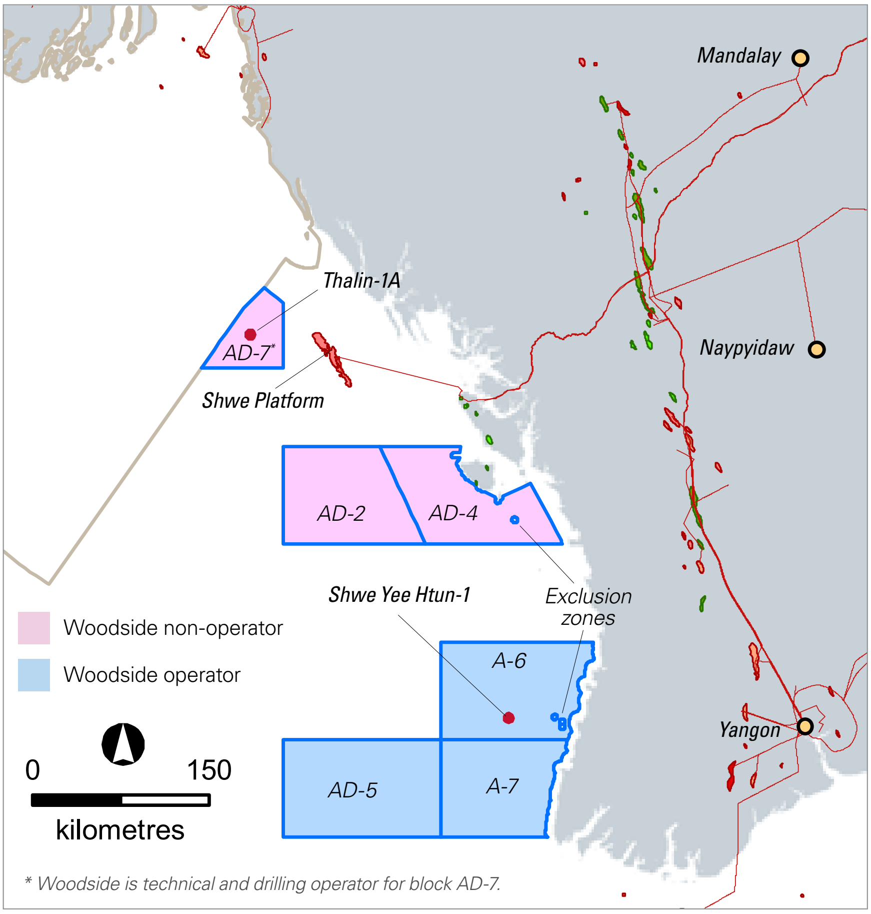
During Q2 2016, all seismic field activities across Woodside's six blocks in the Rakhine Basin were completed, resulting in more than 31,500 km$^2$ of high quality new 3D seismic data.

Processing of the new seismic data is continuing. Seabed coring operations in Blocks A-7 and A-4 were also completed.

The high quality seismic data supports our strategy to grow and build a portfolio of material multi-Tcf drillable prospects. Planning for a 2017 exploration and appraisal drilling program has been progressed to accelerate options for commercialisation of our gas discoveries and to swiftly explore our acreage.

Analysis of the exploratory well data confirms the development potential of both discoveries. Planning continues for a minimum of two firm appraisal and two firm exploration wells in 2017.

▼ *Woodside permits in Myanmar.*



## ATLANTIC MARGINS

### Senegal and Guinea-Bissau Joint Development Zone

65% (operator)

In February 2016, Woodside entered into an agreement with Impact Oil & Gas AGC Ltd to acquire a 65% participating interest in a production sharing contract and associated joint operating agreement in the AGC Profond block located in the joint development area between Senegal and Guinea-Bissau.

Planning is in progress to drill the first exploration well in 2017, subject to joint venture and government approval.

The completion of the farm-in, and Woodside's acquisition of the interest, remains subject to satisfaction of conditions precedent.

### Morocco

Rabat Ultra Deep Offshore Reconnaissance Licence
75% (operator)

Rabat Deep Offshore blocks I–VI
25% (non-operator)

Processing of 1,074 km of new 2D seismic data was completed in the Rabat Ultra Deep Offshore Reconnaissance Licence during 1H 2016. The data is currently being interpreted to determine the forward work program.

The joint venture has agreed to enter the First Extension Period of the Rabat Deep Offshore exploration permits I–VI, thereby committing to a firm well. Planning is underway to drill an exploration well tentatively in 2017.

ENI Maroc B.V. is in the process of farming-in to the Rabat Deep offshore acreage and will acquire a 40% equity interest and operatorship from the current operator.

### Ireland

FEL 5/13 90% (operator)

FEL 3/14 85% (operator)

FEL 4/14 85% (operator)

FEL 5/14 60% (operator)

LO 16/14 100% (operator)

During 1H 2016, Woodside was awarded Licensing Option 16/14 in the southeast Porcupine Basin following a successful bid in the 2015 Atlantic Margin Licensing Round. Acquisition of the 1,584 km$^2$ Granuaile 3D seismic survey in Licensing Option 16/14 has been completed.

The Granuaile survey was followed by the start-up of the 2,392 km$^2$ Bréanann 3D seismic survey in Frontier Exploration Licences 3/14 and 5/14. Bréanann seismic survey operations were completed in early August 2016.

### Canada (Nova Scotia)

20% (non-operator)

Processed data from the 7,000 km$^2$ Tangiers 3D seismic survey became available and is currently being interpreted. Planning is underway to drill up to two exploration wells in 2018.

### Spain (Canary Islands)

Woodside and fellow joint venture participants elected to relinquish Blocks 1–9 upon expiry of the term of exploration.

## SUB-SAHARAN AFRICA

### Gabon

Doukou Dak (F15)
40% (non-operator)

Luna Muetse No G4-246
40% (non-operator)

During 1H 2016, Woodside farmed-in to the Luna Muetse No G4-246 Block, acquiring a 40% interest from operator Repsol Libreville S.A. avec A.G. The Block is in its First Exploration Phase, with the current work focused on processing of 3D seismic data. Planning continues for the drilling of an exploration well in 2017–2018. The transaction remains subject to satisfaction of conditions precedent.

A 3D multi-client seismic survey was completed in Block (F15) Doukou Dak during 1H 2016. Data is currently being processed.

### Cameroon

Woodside and fellow joint venture participants elected not to renew the Tilapia Licence at the end of the current exploration phase. This followed the drilling of the Cheetah-1 well in 2015 which encountered sub-commercial hydrocarbons.

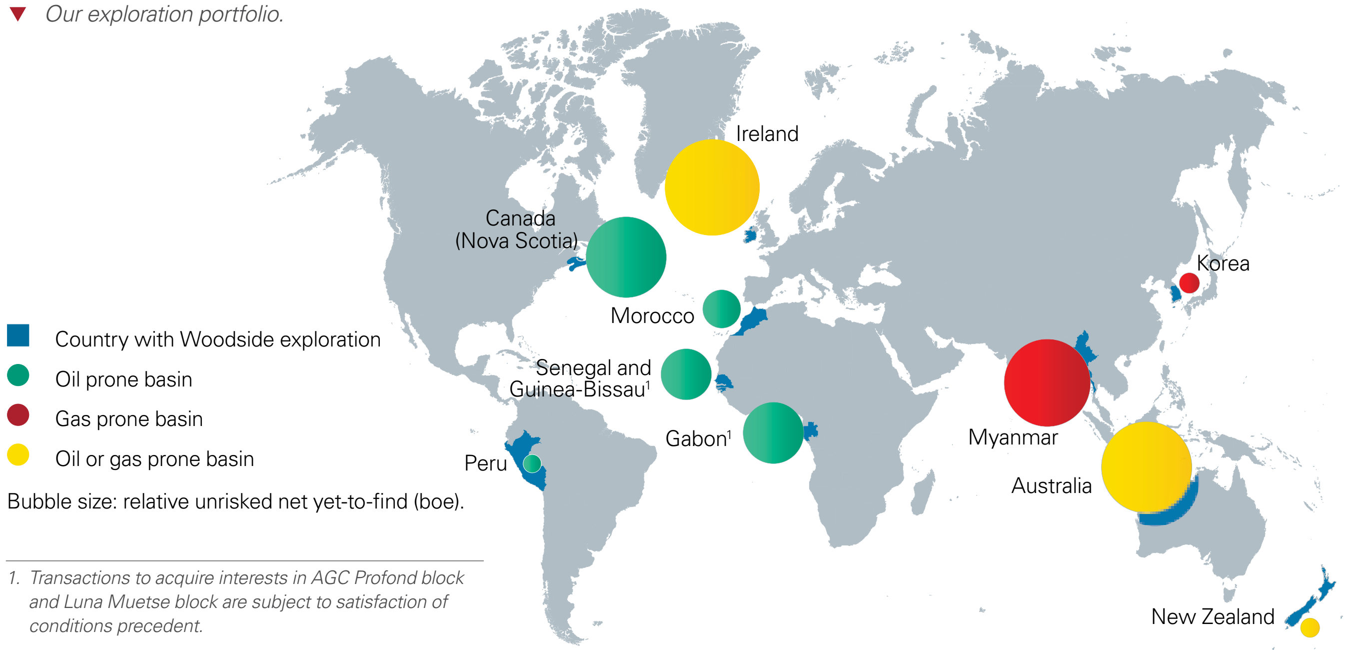
## LATIN AMERICA

### Peru

35% (non-operator)

Interpretation of the 2015 2D seismic data is ongoing, with receipt of some newly processed pre-stack depth migrated lines showing improved structural imaging across the main trend of leads. Assessment of the prospect portfolio is continuing to determine the way forward.

▼ *Our exploration portfolio.*




1. *Transactions to acquire interests in AGC Profond block and Luna Muetse block are subject to satisfaction of conditions precedent.*

# Directors' Report

## BUSINESS MANAGEMENT

### CAPITAL EXPENDITURE

Woodside's capital expenditure in 1H 2016 was US$754 million, down from 1H 2015 expenditure of US$4,367 million due to the acquisition of interests in Wheatstone LNG, Balnaves Oil and Kitimat LNG in 2015. The 2015 purchase price and closing adjustment payment of US$3,671 million accounts for the majority of the variance in capital expenditure between periods. Capital expenditure in 1H 2016 predominantly relates to the Wheatstone LNG Project, NWS plateau extension and Kitimat LNG development.

### CAPITAL MANAGEMENT

The strong performance of our assets saw us generate US$1,124 million of operating cash flow during the period.

As at 30 June 2016, our net debt was US$4,253 million, down from US$4,319 million at 31 December 2015. Our gearing of 23% is well within our target range of 10% to 30%.

Financing activities during the period include:

- extending the term of US$900 million of existing bilateral loan facilities for a further year;
- increasing the three-year tranche of the existing syndicated loan facility by US$200 million; and
- entering into a further three-year bilateral loan facility for US$44 million.

We ended the period in a strong liquidity position, with available funds of US$1,993 million comprising undrawn debt facilities of US$1,724 million and cash of US$269 million.

Our cost of debt remains at a competitive 2.9% and with only US$125 million in debt facilities maturing before 2018, we are well placed to fund our committed expenditure and growth aspirations.

Subsequently, on 11 July 2016, we completed the inaugural issuance under our Global Medium Term Notes (GMTN) programme, issuing CHF 175 million (US$179 million) in senior unsecured notes, maturing in 2023. The proceeds were swapped to our functional currency of US dollars and fixed coupon payments exchanged for US dollar floating rate obligations.

In addition, on 19 July 2016 we completed a private placement of US$200 million in senior unsecured floating rate notes maturing in 2022 also under the GMTN programme. These issuances allowed us to extend our maturity profile and further diversify our debt investor base.

Our credit ratings remain unchanged with both Moody's and Standard & Poor's at Baa1 (negative) and BBB+ (negative) respectively.

A fully franked 2016 interim dividend of US 34 cps has been declared, 48% lower than 1H 2015 due to lower net profit. The dividend will be paid on 30 September 2016 to all shareholders registered on the record date of 30 August 2016. The dividend will be fully franked for Australian taxation purposes. The Board has elected to suspend the Dividend Reinvestment Plan which was reactivated for the 2015 final dividend.

### PRODUCTIVITY PROGRAM

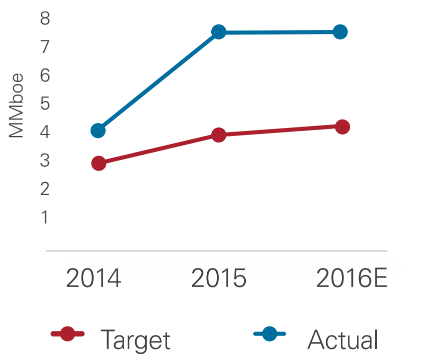
Our productivity program introduced in late 2013 remains on track to achieve cumulative capital, operating cost and income benefits exceeding US$1.9 billion[1] by the end of 2016 and substantial recurring benefits beyond 2016.

Increased production volumes due to reliability and capacity improvements, reduction in demand for products and services, and simplified processes all contribute enduring benefits for Woodside.

The program has exceeded expectations due to a culture of continuous improvement in Woodside in combination with current market conditions.

The projects initiated during the productivity program will conclude at the end of 2016 and become business as usual activities.

**Volume benefits[1]**




*1. Benefits include impact of higher production volumes and reduced operating and capital costs. Volume benefits are relative to 2010–2013 average capacity and reliability, operating cost savings are relative to 2013 actual and capital cost savings relative to 2013 look forward plan.*

## BUSINESS OPPORTUNITIES

### Agreement to acquire Senegal interests

On 14 July 2016, Woodside announced that it had entered into a binding Purchase and Sale Agreement (PSA) with ConocoPhillips to acquire all of ConocoPhillips' interests in Senegal for the purchase price of US$350 million, based on an effective date of 1 January 2016, plus a completion adjustment of approximately US$80 million.

Completion of the PSA is subject to Government of Senegal approval and any applicable pre-emption. Woodside is targeting close by year end 2016.

Under the PSA, Woodside will acquire 100% of the shares in ConocoPhillips Senegal B.V., which holds a 35% working interest in a production sharing contract (PSC) with the Government of Senegal covering three offshore exploration blocks, Rufisque Offshore, Sangomar Offshore and Sangomar Deep Offshore. The acquisition includes the option for Woodside to operate the future development of any resource.

The PSC includes the SNE and FAN deep water oil discoveries. SNE is one of the largest global deep water oil discoveries since 2014. Woodside estimates that the SNE discovery contains 560 MMbbl of recoverable oil (at the 2C confidence level, 100%)[2].

### Port Arthur LNG

On 26 February 2016, Woodside announced that its affiliate, Woodside Energy (USA) Inc. (WUSA), entered into a Project Development Agreement (PDA) with Sempra LNG & Midstream (Sempra). Under the PDA, WUSA and Sempra continue discussions and assessments of a potential 10 mtpa natural gas liquefaction facility, located in Port Arthur, Texas, USA.

### Grassy Point LNG

Woodside continues to investigate the potential of developing and operating an LNG processing and export facility at Grassy Point, on the north-west coast of British Columbia, Canada. In June 2016, the British Columbian Environmental Assessment Office approved Woodside's Grassy Point LNG Application Information Requirements (AIR), which was the final major obligation under the Sole Proponent Agreement.

▼ *Woodside meeting with representatives of the Agence de Gestion et de Coopération entre le Sénégal et la Guinée-Bissau (AGC).*

*2. Refer to ASX announcement dated 14 July 2016, 'Woodside agrees to acquire ConocoPhillips' interests in Senegal'. Net economic interest estimated at approximately 150 MMbbl.*

### Notes on petroleum resource estimates

1. *Unless otherwise stated, all petroleum resource estimates are quoted as at the balance date (i.e. 31 December) of the Reserves Statement in Woodside's most recent Annual Report released to ASX and available at http://www.woodside.com.au/Investors-Media/Announcements, net Woodside share at standard oilfield conditions of 14.696 psi (101.325 kPa) and 60 degrees Fahrenheit (15.56 deg Celsius). Woodside is not aware of any new information or data that materially affects the information included in the Reserves Statement. All the material assumptions and technical parameters underpinning the estimates in the Reserves Statement continue to apply and have not materially changed.*
2. *Subsequent to the Reserves Statement dated 31 December 2015, by ASX Announcements dated 20 May 2016, Woodside: (i) increased its estimate of contingent resource (2C) by 83 MMboe as a result of the ShweYee Htun and Thalin fields and (ii) reduced its estimate of contingent resource (2C) by 1 MMboe as a result of a revision of its estimate of contingent resource (2C) relating to the Laverda and Cimatti fields. By ASX Announcement dated 27 June 2016, Woodside increased its reserves (2P) by 41 MMboe (and decreased its estimate of contingent resource (2C) by 41 MMboe) in conjunction with the final investment decision to proceed with the Greater Enfield Oil Development. This decision to proceed increased proved reserves (1P) by 30 MMboe.*
3. *Woodside reports reserves net of the fuel and flare required for production, processing and transportation up to a reference point. For offshore oil projects, the reference point is defined as the outlet of the floating production storage and offloading (FPSO) vessel, while for the onshore gas projects the reference point is defined as the inlet to the downstream (onshore) processing facility.*
4. *Woodside uses both deterministic and probabilistic methods for estimation of petroleum resources at the field and project levels. Unless otherwise stated, all petroleum estimates reported at the company or region level are aggregated by arithmetic summation by category. Note that the aggregated Proved level may be a very conservative estimate due to the portfolio effects of arithmetic summation.*
5. *'MMboe' means millions ($10^6$) of barrels of oil equivalent. Dry gas volumes, defined as 'C4 minus' hydrocarbon components and non-hydrocarbon volumes that are present in sales product, 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, defined as 'C5 plus' petroleum components, are converted from MMbbl to MMboe on a 1:1 ratio.*
6. *The estimates of petroleum resources are based on and fairly represent information and supporting documentation prepared by qualified petroleum reserves and resources evaluators. The estimates have been approved by Mr Ian F Sylvester, Woodside's 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.*

# Directors' Report

## GOVERNANCE

## BOARD OF DIRECTORS

The names of the directors in office during the period and until the date of this report are as follows:

Mr Michael A Chaney, AO (Chairman)

Mr Peter J Coleman (CEO and Managing Director)

Ms Melinda A Cilento

Mr Frank C Cooper, AO

Dr Christopher M Haynes, OBE

Dr Andrew Jamieson, OBE (retired 29 April 2016)

Mr David I McEvoy

Ms Ann D Pickard (appointed 29 February 2016)

Dr Sarah E Ryan

Mr Gene T Tilbrook

## ROUNDING OF AMOUNTS

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 Investments Commission (ASIC) Instrument 2016/191 dated 24 March 2016, unless otherwise stated.

## MANAGEMENT ASSURANCE

Consistent with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition), before the adoption by the Board of the 2016 half-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 2001*, 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 which is operating effectively.

## AUDITOR'S INDEPENDENCE DECLARATION

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

Signed in accordance with a resolution of the directors.

**M A Chaney, AO**
Chairman

Perth, Western Australia
19 August 2016

## AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF WOODSIDE PETROLEUM LTD

As lead auditor for the review of Woodside Petroleum Ltd for the half-year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst + Young

**Ernst & Young**

**T S Hammond**
Partner

Perth
19 August 2016

*A member firm of Ernst & Young Global Limited. Liability limited by a scheme approved under Professional Standards Legislation.*

# HALF-YEAR FINANCIAL REPORT 2016

# CONTENTS



## Significant changes in the current reporting period

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

- In April 2016, the sale of the Group's interests in the Laminaria-Corallina joint operation completed. The transaction has resulted in an after tax gain on sale of US$2 million. For more detail, refer to Note D.2.

# CONSOLIDATED INCOME STATEMENT

for the half-year ended 30 June 2016

| | Notes | 2016 US$m | 2015 US$m |
|---|---|---|---|
| Operating revenue | A.1 | 1,938 | 2,556 |
| Cost of sales | A.1 | (1,102) | (1,397) |
| **Gross profit** | | 836 | 1,159 |
| Other income | A.1 | 33 | 28 |
| Other expenses | A.1 | (338) | (240) |
| **Profit before tax and net finance costs** | | 531 | 947 |
| Finance income | | 4 | 3 |
| Finance costs | | (27) | (56) |
| **Profit before tax** | | 508 | 894 |
| Petroleum Resource Rent Tax (PRRT) benefit | | 113 | 93 |
| Income tax expense | | (228) | (273) |
| **Profit after tax** | | 393 | 714 |
| **Profit attributable to:** | | | |
| Equity holders of the parent | | 340 | 679 |
| Non-controlling interest | | 53 | 35 |
| **Profit for the period** | | 393 | 714 |
| Basic and diluted earnings per share attributable to equity holders of the parent (US cents) | | 41.0 | 82.5 |

The accompanying notes form part of the half-year financial report.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half-year ended 30 June 2016

| | 2016 US$m | 2015 US$m |
|---|---|---|
| Profit for the period | 393 | 714 |
| Other comprehensive income | | |
| **Items that may be reclassified to profit or loss in subsequent periods:** | | |
| Loss on available-for-sale financial assets reclassified to profit or loss | - | 14 |
| **Items that will not be reclassified to profit or loss in subsequent periods:** | | |
| Remeasurement (losses)/gains on defined benefit plan | (4) | 7 |
| Other comprehensive (loss)/income for the period, net of tax | (4) | 21 |
| Total comprehensive income for the period | 389 | 735 |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent | 336 | 700 |
| Non-controlling interest | 53 | 35 |
| Total comprehensive income for the period | 389 | 735 |

The accompanying notes form part of the half-year financial report.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

| | Notes | 30 June 2016 US$m | 31 December 2015 US$m |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 269 | 122 |
| Receivables | | 381 | 489 |
| Inventories | | 179 | 170 |
| Tax receivable | | 107 | 106 |
| Other assets | | 29 | 47 |
| Disposal group held for sale | D.2 | - | 145 |
| **Total current assets** | | 965 | 1,079 |
| **Non-current assets** | | | |
| Receivables | | 137 | 93 |
| Inventories | | 15 | 19 |
| Other financial assets | | 30 | 30 |
| Other assets | | 7 | 8 |
| Exploration and evaluation assets | | 2,496 | 2,528 |
| Oil and gas properties | | 19,769 | 19,236 |
| Other plant and equipment | | 69 | 76 |
| Deferred tax assets | | 875 | 770 |
| **Total non-current assets** | | 23,398 | 22,760 |
| **Total assets** | | 24,363 | 23,839 |
| **Current liabilities** | | | |
| Payables | | 519 | 813 |
| Interest-bearing liabilities | | 77 | 77 |
| Other financial liabilities | | 1 | 1 |
| Other liabilities | | 39 | 42 |
| Provisions | | 189 | 215 |
| Liabilities associated with disposal group held for sale | D.2 | - | 156 |
| **Total current liabilities** | | 825 | 1,304 |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | | 4,445 | 4,364 |
| Deferred tax liabilities | | 1,550 | 1,390 |
| Other financial liabilities | | 11 | 11 |
| Other liabilities | | 83 | 92 |
| Provisions | | 2,034 | 1,653 |
| **Total non-current liabilities** | | 8,123 | 7,510 |
| **Total liabilities** | | 8,948 | 8,814 |
| **Net assets** | | 15,415 | 15,025 |
| **Equity** | | | |
| Issued and fully paid shares | C.1 | 6,919 | 6,547 |
| Shares reserved for employee share plans | C.1 | (29) | (27) |
| Other reserves | | 989 | 963 |
| Retained earnings | | 6,729 | 6,743 |
| **Equity attributable to equity holders of the parent** | | 14,608 | 14,226 |
| **Non-controlling interest** | | 807 | 799 |
| **Total equity** | | 15,415 | 15,025 |

The accompanying notes form part of the half-year financial report.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the half-year ended 30 June 2016

| | 2016 US$m | 2015 US$m |
|---|---|---|
| **Cash flows from/(used in) operating activities** | | |
| Profit after tax for the period | 393 | 714 |
| Adjustments for: | | |
| Non-cash items | | |
| Depreciation and amortisation | 677 | 662 |
| Gain on disposal of oil and gas properties | (26) | (3) |
| Loss on disposal of investment | - | 14 |
| Change in fair value of derivative financial instruments | (1) | - |
| Net finance costs | 23 | 53 |
| Tax expense | 115 | 180 |
| Exploration and evaluation written off | 43 | 39 |
| Other | 40 | 10 |
| Changes in assets and liabilities | | |
| Decrease in trade and other receivables | 82 | 58 |
| Decrease in inventories | 12 | 49 |
| Increase/(decrease) in provisions | 2 | (28) |
| (Decrease)/increase in other assets and liabilities | (4) | 21 |
| Decrease in trade and other payables | (110) | (92) |
| Cash generated from operations | 1,246 | 1,677 |
| Purchases of shares and payments relating to employee share plans | (5) | (14) |
| Interest received | 4 | 4 |
| Dividends received | 4 | 2 |
| Interest paid | (77) | (49) |
| Income tax paid | (30) | (512) |
| Petroleum Resource Rent Tax paid | (9) | (20) |
| Payments for restoration | (9) | (3) |
| Payments for carbon tax | - | (2) |
| **Net cash from operating activities** | 1,124 | 1,083 |
| **Cash flows used in investing activities** | | |
| Payments for capital and exploration expenditure | (948) | (670) |
| Payments on disposal of oil and gas properties | (14) | - |
| Payments for acquisition of joint arrangements net of cash acquired | - | (3,637) |
| **Net cash used in investing activities** | (962) | (4,307) |
| **Cash flows from/(used in) financing activities** | | |
| Proceeds from borrowings | 77 | 1,374 |
| Contributions to non-controlling interests | (96) | (74) |
| Proceeds from underwriters of Dividend Reinvestment Plan (DRP) | 277 | - |
| Dividends paid (net of DRP) | (274) | - |
| Dividends paid outside of DRP | - | (1,185) |
| **Net cash (used in)/from financing activities** | (16) | 115 |
| **Net increase/(decrease) in cash held** | 146 | (3,109) |
| Cash and cash equivalents at the beginning of the period | 122 | 3,268 |
| Effects of exchange rate changes | 1 | (4) |
| **Cash and cash equivalents at the end of the period** | 269 | 155 |

The accompanying notes form part of the half-year financial report.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half-year ended 30 June 2016

| | Issued and fully paid shares | Shares reserved for employee share plans | Employee benefits reserve | Foreign currency translation reserve | Investment fair value reserve | Retained earnings | Equity holders of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| Notes | C.1 | C.1 | | | | | | | |
| | US$m | US$m | US$m | US$m | US$m | US$m | US$m | US$m | US$m |
| **At 1 January 2016** | **6,547** | **(27)** | **187** | **776** | **-** | **6,743** | **14,226** | **799** | **15,025** |
| Profit for the period | - | - | - | - | - | 340 | 340 | 53 | 393 |
| Other comprehensive (loss)/income | - | - | (4) | - | - | - | (4) | - | (4) |
| Total comprehensive income for the period | - | - | (4) | - | - | 340 | 336 | 53 | 389 |
| Dividend Reinvestment Plan | 372 | - | - | - | - | - | 372 | - | 372 |
| Employee share plan purchases | - | (5) | - | - | - | - | (5) | - | (5) |
| Employee share plan redemptions | - | 3 | (3) | - | - | - | - | - | - |
| Share-based payments | - | - | 33 | - | - | - | 33 | - | 33 |
| Dividends paid | - | - | - | - | - | (354) | (354) | (45) | (399) |
| **At 30 June 2016** | **6,919** | **(29)** | **213** | **776** | **-** | **6,729** | **14,608** | **807** | **15,415** |
| At 1 January 2015 | 6,547 | (38) | 161 | 773 | (14) | 8,447 | 15,876 | 783 | 16,659 |
| Profit for the period | - | - | - | - | - | 679 | 679 | 35 | 714 |
| Other comprehensive income | - | - | 7 | - | 14 | - | 21 | - | 21 |
| Total comprehensive income for the period | - | - | 7 | - | 14 | 679 | 700 | 35 | 735 |
| Employee share plan purchases | - | (14) | - | - | - | - | (14) | - | (14) |
| Employee share plan redemptions | - | 21 | (21) | - | - | - | - | - | - |
| Share-based payments | - | - | 42 | - | - | - | 42 | - | 42 |
| Dividends paid | - | - | - | - | - | (1,186) | (1,186) | - | (1,186) |
| At 30 June 2015 | 6,547 | (31) | 189 | 773 | - | 7,940 | 15,418 | 818 | 16,236 |

The accompanying notes form part of the half-year financial report.

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

## About this report

Woodside Petroleum Ltd (Woodside or the Group) is a for-profit entity limited by shares, incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the directors' report and are consistent with the segment information disclosed in the Financial Report 2015.

The condensed half-year financial report was authorised for issue in accordance with a resolution of the directors on 19 August 2016.

### Statement of compliance

The half-year financial report is a condensed general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard (AASB) 134 *Interim Financial Reporting*.

The condensed half-year financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this condensed half-year financial report is to be read in conjunction with the Financial Report 2015 and any public announcements made by Woodside Petroleum Ltd during the period ended 30 June 2016 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

The accounting policies are consistent with those disclosed in the Financial Report 2015, except for the impact of all new or amended standards and interpretations. With the exception of AASB 2014-3, the adoption of these standards and interpretations did not result in any significant changes to the Group's accounting policies.

The adoption of AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* (AASB 1 and AASB 11) will result in acquisitions of joint arrangements where the arrangement is deemed to be carrying on a business, as defined in AASB 3 *Business Combinations*, to be accounted for using the principles of business combination accounting in AASB 3 and other Australian Accounting Standards except for the principles that conflict with guidance in AASB 11 *Joint Arrangements*. This policy has been applied prospectively with effect from 1 January 2016 in accordance with the requirements of the Accounting Standard. Previously, the acquisition of an interest in a joint arrangement was accounted for as an asset acquisition. The change in policy has had no impact on the financial statements' as there were no such acquisitions in the period.

The Group has not elected to early adopt any other new or amended standards or interpretations that are issued but not yet effective.

### Currency

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

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

### Rounding of amounts

The amounts contained in this report have been rounded to the nearest million dollars under the option available to the Group under Australian Securities and Investments Commission (ASIC) Instrument 2016/191 dated 24 March 2016, unless otherwise stated.

### Basis of preparation

The condensed half-year financial report has been prepared on a historical cost basis, except for derivative financial instruments and certain other financial assets and financial liabilities, which have been measured at fair value.

The condensed half-year financial report comprises the financial statements of the Group and its subsidiaries as at 30 June each year. Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which the Group ceases to have control.

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

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.

# A: Earnings for the year

## A.1 Segment revenue and expenses

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 operating segments are consistent with the Financial Report 2015.

Refer to Note A.1 in the Financial Report 2015 for a description of the operating segments.

| | Producing | | | | | | Development | | | | Other | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | North West Shelf | | Pluto | | Australia Oil | | Browse | | Wheatstone | | Other segments | | Unallocated items | | Consolidated | |
| | 2016 US$m | 2015 US$m | 2016 US$m | 2015 US$m | 2016 US$m | 2015 US$m | 2016 US$m | 2015 US$m | 2016 US$m | 2015 US$m | 2016 US$m | 2015 US$m | 2016 US$m | 2015 US$m | 2016 US$m | 2015 US$m |
| Liquefied natural gas | 364 | 543 | 965 | 1,058 | - | - | - | - | - | - | - | - | - | - | 1,329 | 1,601 |
| Pipeline natural gas | 146 | 146 | - | - | - | - | - | - | - | - | 5 | - | - | - | 151 | 146 |
| Condensate | 117 | 155 | 51 | 48 | - | - | - | - | - | - | - | - | - | - | 168 | 203 |
| Oil | 8 | 71 | - | - | 135 | 264 | - | - | - | - | - | - | - | - | 143 | 335 |
| Liquefied petroleum gas | 16 | 20 | - | - | - | - | - | - | - | - | - | - | - | - | 16 | 20 |
| Revenue from sale of produced hydrocarbons | 651 | 935 | 1,016 | 1,106 | 135 | 264 | - | - | - | - | 5 | - | - | - | 1,807 | 2,305 |
| Processing and services revenue | - | - | 100 | 79 | - | - | - | - | - | - | - | - | - | - | 100 | 79 |
| Trading revenue | - | - | - | - | - | - | - | - | - | - | 31 | 172 | - | - | 31 | 172 |
| Other revenue | - | - | 100 | 79 | - | - | - | - | - | - | 31 | 172 | - | - | 131 | 251 |
| **Operating revenue** | 651 | 935 | 1,116 | 1,185 | 135 | 264 | - | - | - | - | 36 | 172 | - | - | 1,938 | 2,556 |
| Production costs | (100) | (94) | (63) | (130) | (70) | (125) | - | - | - | - | (5) | - | (1) | (2) | (239) | (351) |
| Royalties and excise | (78) | (106) | - | - | - | - | - | - | - | - | - | - | - | - | (78) | (106) |
| Carbon costs | - | - | - | 4 | - | - | - | - | - | - | - | - | - | (2) | - | 2 |
| Insurance | (4) | (4) | (5) | (6) | (2) | (1) | - | - | - | - | - | (1) | (1) | (2) | (12) | (14) |
| Inventory movement | 3 | (8) | (1) | (30) | (8) | (9) | - | - | - | - | - | - | - | - | (6) | (47) |
| Costs of production | (179) | (212) | (69) | (162) | (80) | (135) | - | - | - | - | (5) | (1) | (2) | (6) | (335) | (516) |
| Land and buildings | (4) | (4) | (32) | (26) | - | - | - | - | - | - | - | - | - | - | (36) | (30) |
| Transferred exploration and evaluation | (2) | (2) | (25) | (14) | - | (1) | - | - | - | - | - | - | - | - | (27) | (17) |
| Plant and equipment | (117) | (154) | (414) | (351) | (49) | (85) | - | - | - | - | - | - | - | - | (580) | (590) |
| Marine vessels and carriers | (4) | (3) | - | - | - | (1) | - | - | - | - | - | - | - | - | (4) | (4) |
| Oil and gas properties depreciation and amortisation | (127) | (163) | (471) | (391) | (49) | (87) | - | - | - | - | - | - | - | - | (647) | (641) |
| Shipping and direct sales costs | (15) | (22) | (50) | (46) | - | - | - | - | - | - | - | - | (5) | (6) | (70) | (74) |
| Trading costs | - | - | - | - | - | - | - | - | - | - | (50) | (166) | - | - | (50) | (166) |
| Other cost of sales | (15) | (22) | (50) | (46) | - | - | - | - | - | - | (50) | (166) | (5) | (6) | (120) | (240) |
| **Cost of sales** | (321) | (397) | (590) | (599) | (129) | (222) | - | - | - | - | (55) | (167) | (7) | (12) | (1,102) | (1,397) |
| **Trading intersegment adjustments** | - | - | (30) | (24) | - | - | - | - | - | - | 30 | 24 | - | - | - | - |
| **Gross profit** | 330 | 538 | 496 | 562 | 6 | 42 | - | - | - | - | 11 | 29 | (7) | (12) | 836 | 1,159 |
| **Other income** | 7 | 5 | 1 | 6 | 27 | 11 | - | - | - | - | - | 4 | (2) | 2 | 33 | 28 |
| Exploration and evaluation expenditure | (2) | (1) | - | (1) | (2) | (1) | - | - | - | - | (123) | (104) | - | (1) | (127) | (108) |
| Amortisation | - | - | - | - | - | - | - | - | - | - | (18) | (11) | - | - | (18) | (11) |
| Write-offs | - | - | - | - | - | - | - | - | - | - | (46) | (66) | - | - | (46) | (66) |
| Exploration and evaluation | (2) | (1) | - | (1) | (2) | (1) | - | - | - | - | (187) | (181) | - | (1) | (191) | (185) |
| General, administrative and other costs | (4) | (1) | 1 | 1 | (8) | (4) | - | - | - | - | (16) | (12) | (45) | (26) | (72) | (42) |
| Depreciation of other plant and equipment | - | - | - | - | - | - | - | - | - | - | (1) | - | (11) | (10) | (12) | (10) |
| Other[1] | 1 | (1) | (31) | (1) | 1 | - | - | - | - | - | (1) | - | (33) | (1) | (63) | (3) |
| Other costs | (3) | (2) | (30) | - | (7) | (4) | - | - | - | - | (18) | (12) | (89) | (37) | (147) | (55) |
| **Other expenses** | (5) | (3) | (30) | (1) | (9) | (5) | - | - | - | - | (205) | (193) | (89) | (38) | (338) | (240) |
| **Profit/(loss) before tax and net finance costs** | 332 | 540 | 467 | 567 | 24 | 48 | - | - | - | - | (194) | (160) | (98) | (48) | 531 | 947 |

1. *Other comprises foreign exchange gains and losses, losses on disposals of investments as well as other expenses not associated with the ongoing operations of the business.*

# A: Earnings for the year (continued)

## A.2 Dividends paid and proposed

Woodside Petroleum Ltd, the parent entity, paid and proposed dividends as set out below:

| | 2016 US$m | 2015 US$m |
|---|---|---|
| **(a) Dividends paid during the financial half-year** | | |
| Prior year fully franked final dividend US$0.43, paid on 8 April 2016 (2015: US$1.44, paid on 25 March 2015) | 354 | 1,186 |
| **(b) Dividend declared subsequent to the reporting period (not recorded as a liability)** | | |
| Current year fully franked interim dividend US$0.34 to be paid on 30 September 2016 (2015: US$0.66, paid on 23 September 2015) | 286 | 544 |
| | 640 | 1,730 |

# B: Production and growth assets

## B.1 Impairment of oil and gas properties

The Group assessed each cash generating unit (CGU) to determine whether an indicator of impairment or impairment reversal existed. Where indicators were identified, recoverable amounts were determined in accordance with the recognition and measurement criteria disclosed in the Financial Report 2015. No impairments or impairment reversals were recognised in the period ended 30 June 2016 (30 June 2015: $nil). The key estimates and judgements used in determining the recoverable amounts, and sensitivities to those key estimates and judgements have not materially changed from those disclosed in Note B.4 in the Financial Report 2015.

# C: Debt and capital

## C.1 Contributed equity

**(a) Issued and fully paid shares**

| | Number of shares | US$m |
|---|---|---|
| Half-year ended 30 June 2016 | | |
| Opening balance | 823,910,657 | 6,547 |
| DRP underwriting agreement | | |
| Ordinary shares issued at A$26.70 (2015 final dividend) | 13,631,075 | 277 |
| DRP | | |
| Ordinary shares issued at A$26.40 (2015 final dividend) | 4,903,171 | 93 |
| Share issue costs (net of tax) | - | 2 |
| **Amounts at 30 June 2016** | **842,444,903** | **6,919** |
| Year ended 31 December 2015 | | |
| Opening and closing balance | 823,910,657 | 6,547 |

All shares are a single class with equal rights to dividends, capital distributions and voting. The company does not have authorised capital nor par value in respect of its issued shares.

**(b) Shares reserved for employee share plans**

| | 30 Jun 2016 US$m | 31 Dec 2015 US$m |
|---|---|---|
| 1,067,223 (2015: 985,802) ordinary shares | (29) | (27) |

## C.2 Fair value of financial assets and financial liabilities

There are no material financial assets or financial liabilities carried at fair value. The carrying amount of financial assets and financial liabilities approximates their fair value, with the exception of the Group's three unsecured bonds' which have a carrying amount of US$2,290 million (31 December 2015: US$2,289 million) and a fair value of US$2,412 million (31 December 2015: US$2,310 million).

## C.3 Financing facilities

On 22 March 2016, the Group exercised an option to increase its US$1 billion syndicated facility by US$200 million. On 16 June 2016, the Group entered into a three-year bi-lateral loan facility for US$44 million. There were no other changes at 30 June 2016 to facilities disclosed at 31 December 2015.

On 11 July 2016, the Group executed an issuance of Swiss Franc denominated notes under the Global Medium Term Notes (GMTN) programme. The notes have a fixed coupon rate of 1% p.a. and mature on 11 December 2023. The Group also executed a cross currency interest rate swap to economically hedge the notes, creating a synthetic floating rate USD loan which is fully drawn at inception. The principal is repayable at maturity.

On 15 July 2016, Woodside completed a private placement of US$200 million in senior unsecured floating rate notes under its GMTN programme. The notes have a tenor of six years and a margin of 2.21% over the three month US London Interbank Offered Rate (LIBOR).

# D: Other assets and liabilities

## D.1 Segment assets and liabilities

| | 30 Jun 2016 US$m | 31 Dec 2015 US$m |
|---|---|---|
| (a) Segment assets | | |
| NWS | 3,415 | 3,417 |
| Pluto | 13,130 | 13,455 |
| Australia Oil | 652 | 764 |
| Browse | 391 | 368 |
| Wheatstone | 3,724 | 3,165 |
| Other segments | 1,715 | 1,599 |
| Unallocated items | 1,336 | 1,071 |
| | 24,363 | 23,839 |

| | 30 Jun 2016 US$m | 31 Dec 2015 US$m |
|---|---|---|
| (b) Segment liabilities | | |
| NWS | 1,829 | 1,729 |
| Pluto | 554 | 456 |
| Australia Oil | 667 | 789 |
| Browse | 23 | 38 |
| Wheatstone | 234 | 293 |
| Other segments | 177 | 267 |
| Unallocated items | 5,464 | 5,242 |
| | 8,948 | 8,814 |

Unallocated assets mainly comprise cash and cash equivalents and the Group's deferred tax assets. Unallocated liabilities mainly comprise interest-bearing liabilities and deferred tax liabilities.

Refer to Note A.1 in the Financial Report 2015 for information relating to the Group's segments.

## D.2 Disposal group held for sale

On 28 September 2015, Woodside signed a conditional agreement to sell the Group's interests in the Laminaria-Corallina joint operation for a base price of A$0.9 million, plus a closing adjustment for movements in working capital assets and liabilities existing at the effective date and for the proceeds of oil sales received and operating and capital expenditure paid during the interim period. The Laminaria-Corallina joint operation formed part of the Australia Oil operating segment. During the interim period, an adjustment payment to the buyers of A$21 million was agreed. The sale completed on 29 April 2016, at which point US$20 million of net liabilities (including PRRT deferred tax assets) were extinguished. After payment of US$14 million and a net US$4 million income tax expense, the transaction resulted in an after tax gain on sale of US$2 million.

# E: Other items

## E.1 Contingent liabilities and assets

| | 30 Jun 2016 US$m | 31 Dec 2015 US$m |
|---|---|---|
| (a) Contingent liabilities at reporting date | | |
| Not otherwise provided for in the financial report | | |
| Contingent liabilities | 44 | 48 |
| Guarantees | 2 | 5 |
| | 46 | 53 |

Contingent liabilities relate predominantly to actual or potential claims of the Group for which amounts are reasonably estimated but the liability is not probable, and therefore the Group has not provided for such amounts in 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.

The Group has issued guarantees relating to workers' compensation liabilities.

There were no contingent assets as at 30 June 2016 or 31 December 2015.

## E.2 Change in the composition of the Group

Since the last annual reporting date, the below entities were incorporated:

- Woodside Energy (Senegal) Pty Ltd – a wholly owned subsidiary incorporated in Australia.
- Woodside Energy Holdings (Senegal) Limited – a wholly owned subsidiary incorporated in the United Kingdom.
- North West Shelf Lifting Coordinator Pty Ltd – a company incorporated in Australia of which the Group holds a 16.67% interest in, together with each of the other NWS joint venture partners.

## E.3 Events after the end of the reporting period

On 14 July 2016, Woodside announced it had entered into a binding Purchase and Sale Agreement (PSA) with ConocoPhillips to acquire all of ConocoPhillips' exploration interests in Senegal for the purchase price of US$350 million, based on an effective date of 1 January 2016, plus a completion adjustment of approximately US$80 million. Completion of the PSA is subject to Government of Senegal approval and any applicable pre-emption.

Refer to Business Opportunities on page 17 for further detail on the transaction.

# DIRECTORS' DECLARATION

In accordance with a resolution of directors' of Woodside Petroleum Ltd, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that Woodside Petroleum Ltd will be able to pay its debts as and when they become due and payable.

On behalf of the Board

| | |
|---|---|
| **M A Chaney, AO**<br>Chairman | **P J Coleman**<br>Chief Executive Officer and Managing Director |
| Perth, Western Australia<br>19 August 2016 | Perth, Western Australia<br>19 August 2016 |

# INDEPENDENT REVIEW REPORT

## Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Woodside Petroleum Ltd, which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 30 June 2016 or from time to time during the half-year.

## Directors' responsibility for the half year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Woodside Petroleum Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, 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.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Woodside Petroleum Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst + Young

**Ernst & Young**

**T S Hammond**
Partner

Perth
19 August 2016

*Liability limited by a scheme approved under Professional Standards Legislation.*

# Appendix 4D

## HALF-YEAR REPORT

For 'Results for Announcement to the Market', refer to the inside cover of this half-year report.

## DIVIDENDS

| | | | |
|---|---|---|---|
| Ex-dividend date | 29 August 2016 | | |
| Record date for the interim dividend | 30 August 2016 | | |
| Date the dividend is payable | 30 September 2016 | | |
| | | Current period | Previous corresponding period[1] |
| Interim dividend – fully franked | US cents per share | 34 | 66 |

None of these dividends are foreign sourced.

### Dividend Reinvestment Plan

The Board has decided to suspend the Dividend Reinvestment Plan for the 2016 interim dividend.

## NET TANGIBLE ASSETS

| NTA backing | Current period US$ | Previous corresponding period US$[1] |
|---|---|---|
| Net tangible assets (US$ per ordinary security) | 17.34 | 20.75 |

## DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

| Name of entity | Percentage of ownership interest held at end of period or date of disposal | |
|---|---|---|
| | Current period | Previous corresponding period[1] |
| North West Shelf Gas Pty Ltd | 16.67% | 16.67% |
| North West Shelf Liaison Company Pty Ltd | 16.67% | 16.67% |
| China Administration Company Pty Ltd (formerly North West Shelf Australia LNG) | 16.67% | 16.67% |
| International Gas Transportation Company Limited | 16.67% | 16.67% |
| North West Shelf Shipping Service Company Pty Ltd | 16.67% | 16.67% |
| North West Shelf Lifting Coordinator Pty Ltd[2] | 16.67% | - |

*1. Comparisons are to the half-year period ended 30 June 2015.*
*2. Created as part of equity lifting arrangements.*

# Shareholder information

## 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**
3747 Balmoral Road
Karratha, WA 6714
Telephone: 1800 634 988

### Share registry: Enquiries

Investors seeking information about their shareholdings should contact the company's share registry:

**Computershare Investor Services Pty Limited**

Level 11, 172 St Georges Terrace
Perth, WA 6000

**Postal address:** GPO Box D182
Perth, WA 6840

**Telephone:** 1300 558 507 (within Australia)
+61 3 9415 4632 (outside Australia)

**Facsimile:** +61 3 9473 2500

**Email:** web.queries@computershare.com.au
**Website:** www.investorcentre.com/wpl

The share registry can assist with queries on share transfers, dividend payments, the Dividend Reinvestment Plan, notification of tax file numbers and changes of name, address or bank details.

## 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

## KEY ANNOUNCEMENTS 2016

| | |
|---|---|
| January | Woodside discovers gas offshore Myanmar |
| February | Update on Wheatstone schedule |
| | Woodside makes second gas discovery offshore Myanmar |
| March | Browse Development update |
| April | Woodside signs HOA for long-term supply to Pertamina |
| May | Woodside books contingent resource in Myanmar |
| | 2016 Investor Briefing Day |
| June | Greater Enfield Oil Development approved |
| July | Woodside agrees to acquire ConocoPhillips' interests in Senegal |

## EVENTS CALENDAR 2016–2017

Key calendar dates for Woodside shareholders in 2016–2017.
Please note dates are subject to review.

| | | |
|---|---|---|
| July | 21 | Second Quarter 2016 report |
| August | 29 | Ex-dividend date for interim dividend |
| | 30 | Record date for interim dividend |
| September | 30 | Payment date for interim dividend |
| October | 20 | Third Quarter 2016 report |
| December | 31 | Woodside financial year end |
| January | 19 | Fourth Quarter 2016 report |

# Glossary

| TERM | DEFINITIONS |
|---|---|
| $, $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) |
| 2C | Best estimate of contingent resources |
| 2P | Proved plus Probable reserves |
| AGM | Annual General Meeting |
| ASX | Australian Securities Exchange |
| 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 |
| cps | Cents per share |
| Crude oil | Oil that is produced from a reservoir after any associated gas has been removed |
| EPS | Earnings per share |
| Exploration licence | A licence to explore for oil or gas in a particular area issued to a company by a governing state |
| Farm-in | Where one company acquires an interest in an exploration permit or production licence by paying some of the past or future costs of another company which is relinquishing its interest |
| Front-end engineering and design (FEED) | Preliminary design and cost and schedule confirmation before a final investment decision |
| Flaring | Flaring is the term used to describe the controlled burning of gas found in oil and gas reservoirs |
| FID | Final investment decision |
| FLNG | Floating liquefied natural gas |
| FPSO | Floating production storage and offloading vessel |
| Gearing | Net debt divided by (net debt + equity) |
| JCC | The Japan Customs-cleared Crude is the average price of customs-cleared crude oil imports into Japan as reported in customs statistics (also known as 'Japanese Crude Cocktail') and is used as the reference price for long-term supply LNG contracts. |
| JV | Joint Venture |
| KGP | Karratha Gas Plant |
| LNG | Liquefied natural gas |
| LPG | Liquefied petroleum gas |
| Net debt | Total debt less cash and cash equivalents |
| NPAT | Net profit after tax |
| NRC | North Rankin Complex |
| NWS | North West Shelf |
| PRRT | Petroleum Resources Rent Tax |
| PSA | Purchase and Sale Agreement |
| 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) |
| SPA | Sales and purchase agreement |
| TRIR | The number of recordable injuries (fatalities + lost workday cases + restricted workday cases + medical treatment cases) per 1,000,000 hours worked |
| US | United States |
| USD | US dollars |

## CONVERSION FACTORS[1]

| | | |
|---|---|---|
| Australian Pipeline Natural Gas | 1 TJ | 163.6 boe |
| Canadian Pipeline Natural Gas | 1 TJ | 172.0 boe |
| Liquefied Natural Gas (LNG) | 1 tonne | 8.9055 boe |
| Condensate | 1 bbl | 1.000 boe |
| Oil | 1 bbl | 1.000 boe |
| Liquefied Petroleum Gas (LPG) | 1 tonne | 8.1876 boe |
| Natural Gas | 1 MMBtu | 0.1724 boe |

1. *Minor changes to some conversion factors can occur over time due to gradual changes in the process stream.*

## UNITS

| | |
|---|---|
| bbl | barrel |
| Bcf | billion cubic feet |
| boe | barrel of oil equivalent |
| kt | kilotonne |
| MMbbl | million barrels |
| MMboe | million barrels of oil equivalent |
| MMBtu | million British thermal units |
| mtpa | million tonnes per annum |
| t | tonnes |
| Tcf | trillion cubic feet |
| TJ | terajoules |

# HALF-YEAR REPORT 2016

INCORPORATING APPENDIX 4D 30 JUNE 2016

**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

woodside

Follow us

www.woodside.com.au

#expo design