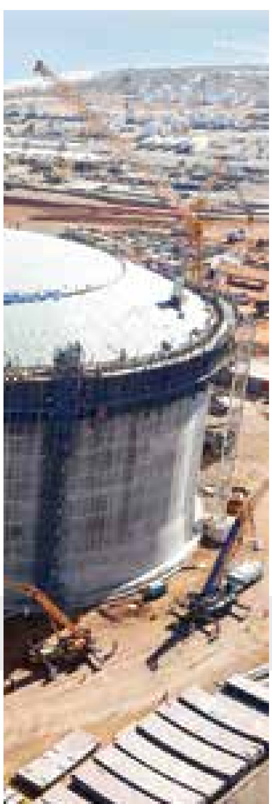
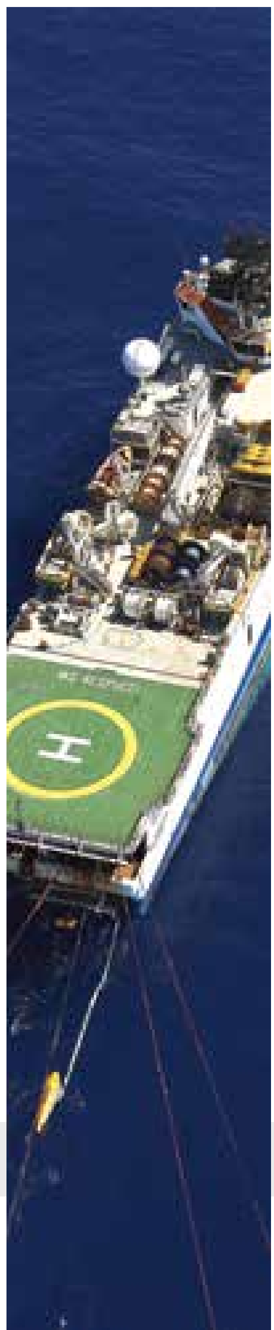
ANNUAL REPORT **2014**

REALISING OUR **GLOBAL VISION**




On the cover

By capitalising on our strengths, strong local operations and emerging new opportunities, we are well positioned to achieve our aim of being a global leader in upstream oil and gas.

Working sustainably

We are here for the long term. We keep each other safe. We look after the communities and environments in which we operate.

Woodside has achieved a total recordable injury rate of 1.9 per million hours worked, a 37% improvement from 2013. We are on track to achieve global top-quartile health and safety performance by 2017.

Read more on 28

Growing our portfolio

We continue to evaluate commercial transactions that have the potential to deliver significant shareholder value.

In December 2014, Woodside entered into a binding transaction to acquire Apache's Wheatstone LNG, Balnaves oil and Kitimat LNG project interests. The acquisition[1] is a natural fit with our current portfolio, building our development pipeline and increasing our LNG production profile.

Read more on 43

Wheatstone LNG, image courtesy of Chevron Australia.

1. The acquisition is subject to transaction close.

Sustaining a diverse and proud workforce

Delivering superior shareholder returns is built upon attracting and retaining a diverse, capable and engaged workforce – the people who live the Woodside values every day.

With a focus on growing talent from within, we increased our graduate intake by 45% in 2014. This supports long-term development of our culture for a sustainable future.

Read more on 26

Exploration and innovation

We will continue to apply our skills and technology to help identify and develop new opportunities.

Throughout 2014, we continued to rebalance and grow our global exploration portfolio, increasing our exposure to emerging and frontier petroleum provinces. Woodside acquired new exploration acreage in Cameroon, Canada (Nova Scotia), Gabon, Morocco, Myanmar and Tanzania, and recommenced drilling in Australia.

Read more on 40

Maximising our core business

As part of our focus on performance excellence, we are concentrating on extending the life of our producing assets and developing our contingent resources.

In our 60th year, we delivered record production of 95.1 MMboe, a 9% increase on 2013. Improved reliability at our North West Shelf and Pluto LNG assets underpinned this achievement.

Read more on 20

Information available online

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

60 YEARS OF ACHIEVEMENT

About Woodside

Woodside is an Australian oil and gas company with a global presence, recognised for its 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.

Wherever we work, we are committed to living our values of integrity, respect, discipline, excellence, and working together for a sustainable future.

Our operations are characterised by strong safety and environmental performance in remote and challenging locations.

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 across all locations where we are active.

Our producing LNG assets in the north west of Australia are among the world's best facilities. Today, our exploration portfolio includes emerging and frontier provinces in Australasia, the Atlantic margins and Sub-Saharan Africa. We have significant equity interests in high-quality development opportunities.

We are Australia's most experienced LNG operator and largest independent oil and gas company.

Our proven track record and distinctive capabilities are underpinned by 60 years of experience, making us a partner of choice. Through collaboration we leverage our capabilities to progress our growth strategy.

Since 1984, we have been operating the landmark Australian project, the North West Shelf, and it remains one of the world's premier LNG facilities. In 2012, we added our Pluto LNG Plant to our onshore operating facilities.

We operate four floating oil production, storage and offloading vessels in the Carnarvon Basin, the North West Shelf and the Timor Sea. This is the largest owner-operated fleet in Australia and we have an excellent track record of efficiently and safely producing from current fields.

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

We also have interests in Canada and Timor-Leste and a dedicated office in Singapore to support our growing LNG marketing, trading and shipping activities.

Known as a reliable and safe energy supplier, our enduring relationships with foundation customers throughout the Asia-Pacific region span more than 25 years.

We believe technology and innovation are essential to unlocking future growth. We continually expand our technical knowledge, discover new solutions and learn valuable lessons. Our knowledge has been built through decades of experience, dating back to the world-record water depths of wells we have drilled in offshore southern Australia in the 1950s.

We are open and honest in our relationships. Sharing ideas and aspirations we have the courage to always do the right thing for our people, partners, customers and communities.

About this report

This Annual Report 2014 is a summary of Woodside's operations, activities for the 12–month period ended 31 December 2014, and financial position as at 31 December 2014.

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

References in this report to a year are to the calendar and financial year ended 31 December 2014 unless otherwise stated. All dollar figures are expressed in US currency unless otherwise stated.

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

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

Report objectives

This report meets our compliance and governance requirements, and is designed to provide easy to read information on how Woodside performed in 2014 for our stakeholders, including shareholders, staff, customers and the community.

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

Contents

Our 2014 Sustainable Development Report

This report is a summary of Woodside's sustainability approach, actions and performance for the 12-month period ending 31 December 2014.

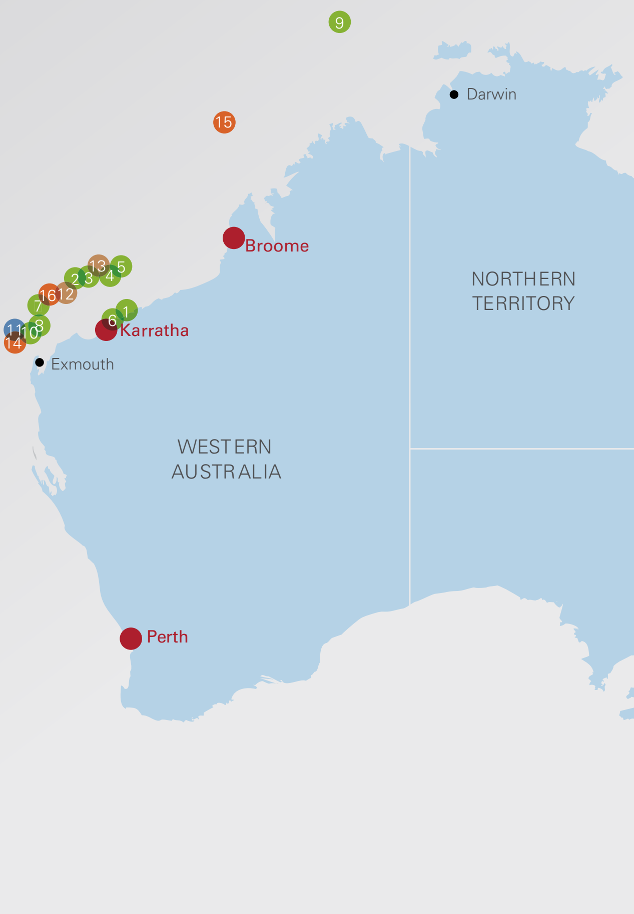
This report will be available in March 2015.

Further information at woodside.com.au

OUR AREAS OF ACTIVITY

Our focus on performance excellence has delivered strong operational results and growth opportunities.

Our Australian business



	Our producing assets (operated)	
1	Karratha Gas Plant	NWS
2	Goodwyn A platform	NWS
3	North Rankin Complex	NWS
4	Okha FPSO	NWS oil
5	Angel platform	NWS
6	Pluto LNG Plant	Pluto LNG
7	Pluto LNG platform	Pluto LNG
8	Ngujima-Yin FPSO	Vincent oil
9	Northern Endeavour FPSO	Laminaria-Corallina oil
10	Nganhurra FPSO	Enfield oil
	Our producing assets (non-operated)	
11	Stybarrow Venture MV16 FPSO	Stybarrow oil
	Our projects	
12	Greater Western Flank Phase 1	NWS
13	Persephone	NWS
	Our developments	
14	Greater Enfield Oil	Enfield
15	Browse FLNG	Browse
16	Greater Western Flank Phase 2	NWS
	Our offices and representative offices	

Our global business

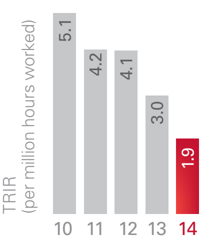
PERFORMANCE SUMMARY

In 2014, we achieved a 37% improvement in safety performance and a 9% increase in production.

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

Safety

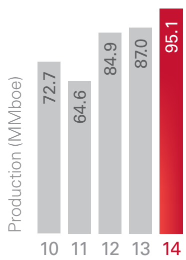
37%
Improvement



Our total recordable injury rate (TRIR) was a 37% improvement on 2013. It has significantly improved over the past four years, demonstrating solid progress towards our goal of global top-quartile health and safety performance by 2017.

Production

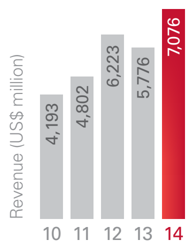
9%



2014 delivered record annual production, up 9% on 2013. This was underpinned by higher reliability at Pluto LNG (Pluto) and NWS, a full year of production from the Vincent floating production storage and offloading vessel (FPSO) and reduced cyclone impact across our assets.

Sales revenue

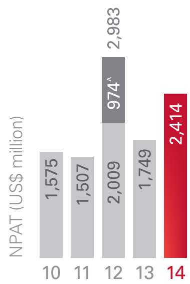
23%



We reported a 23% increase in sales revenue. This reflects higher LNG and oil sales (with a full year of production from the Vincent FPSO), and higher LNG realised pricing at Pluto.

Reported NPAT

38%

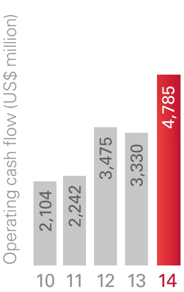


^ Normalised to remove Browse partial equity sale

2014 delivered reported NPAT of US$2,414 million, an increase of 38% compared to 2013. This was supported by higher production, higher realised prices and lower expenses, partly offset by higher depreciation and impairments.

Operating cash flow

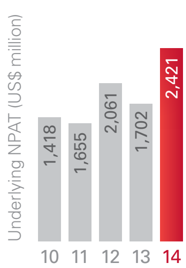
44%



Operating cash flow increased by 44%, largely attributable to higher sales receipts.

Underlying NPAT[1]

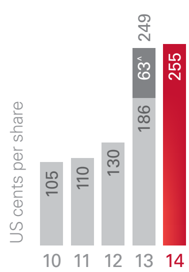
42%



2014 saw a record underlying NPAT of US$2,421 million, 42% higher compared to 2013.

Dividends per share

2%

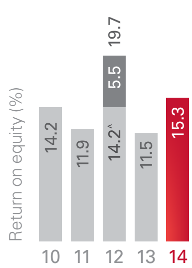


^ Special dividend

Record production and underlying net profit after tax (NPAT), coupled with disciplined capital management, has delivered a record full year dividend of US255 cents per share (cps) (interim dividend US111 cps, final dividend US144 cps).

Return on equity

33%



^ Normalised to remove Browse partial equity sale

Return on equity was 15.3%, up from 11.5%, reflecting higher reported NPAT.

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

Additional summary charts can be found on 140.

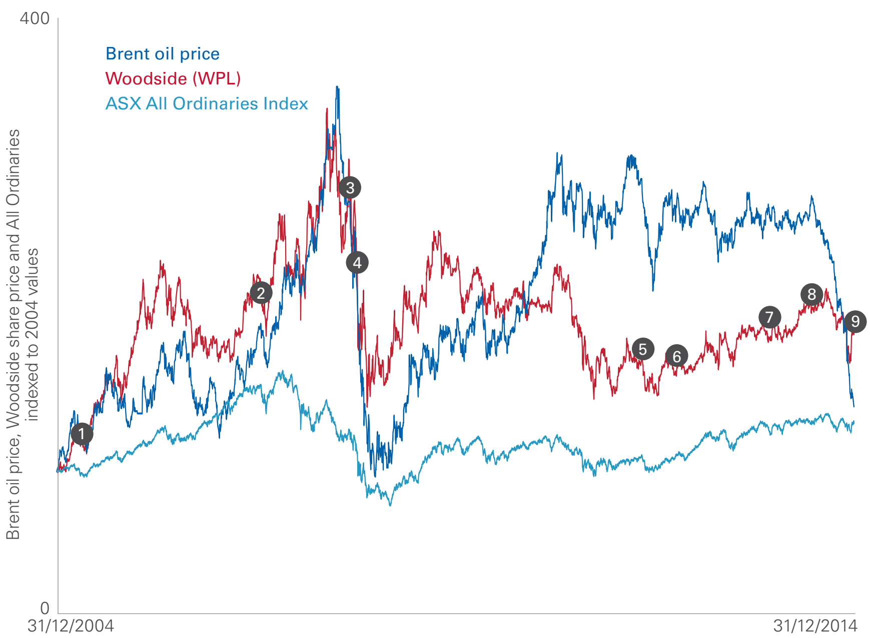
Results for the year

		2013	2014	% change
Reported net profit after tax	(US$ million)	1,749	2,414	38
Sales revenue	(US$ million)	5,776	7,076	23
Cash flow from operating activities	(US$ million)	3,330	4,785	44
Reported earnings per share	(US cents)	213	293	38
Total recordable injury rate[1]	(TRIR)	3.00	1.90	(37)
Ten-year total shareholder return[2] (TSR)	(TSR, %)	14.3	10.6	(26)
Ten-year TSR[2] quartile ranking[3]	(Quartile)	3rd	2nd	n.m[4]
Production	(MMboe)	87.0	95.1	9
Proved reserves	(MMboe)	1,143	1,048	(8)
Proved plus probable reserves	(MMboe)	1,437	1,339	(7)
Contingent resources	(MMboe)	1,692	1,743	3

1. *In 2013, Woodside adjusted the calculation of the total recordable case frequency to exclude illness. This metric is now called TRIR.*
2. *Source: Bloomberg, TSR is the compounded annual return over the specified period.*
3. *Against Woodside peer group see page 8.*
4. *Not meaningful.*

Indexed ten-year performance

Over the past ten years, Woodside has outperformed the Australian Securities Exchange (ASX). All Ordinaries Index (values are indexed to base 100 from 31 December 2004).



1. April 2005 Pluto gas discovery.
2. July 2007 Pluto final investment decision.
3. Global financial crisis impact.
4. September to October 2008 NWS Train 5, Angel start-up.
5. April 2012 Pluto LNG production.
6. September 2012 sale of Browse equity completed.
7. October 2013 North Rankin Redevelopment Project achieves start-up.
8. June 2014 execution of an agreement which resulted in Shell's sell-down of 9.5% of issued capital to institutional investors.
9. December 2014 entered into a binding transaction to acquire Apache's Wheatstone LNG, Balnaves oil and Kitimat LNG project interests.

Additional financial details can be found on 14 140.

REALISING OUR GLOBAL VISION

Record production of 95MMboe up 9%.

Record full-year dividend of US255 cps.

Record final dividend of US144 cps.

37% improvement in our total recordable injury rate.

49% improvement in our lost time injury frequency.

Completed basis of design for the Browse FLNG development.

New exploration acreage acquired in Cameroon, Canada (Nova Scotia), Gabon, Morocco, Myanmar and Tanzania.

Gas discovery at the Toro-1 well in the Exmouth sub-basin.

Completed six 3D marine seismic surveys, covering 11,678 km^2.

Final investment decision for Persephone was taken.

Acquired Apache's Wheatstone LNG, Balnaves oil and Kitimat LNG project interests[1].

Shell's shareholding in Woodside reduced from 23.1% to 13.6%.

LNG Sale and Purchase Agreement signed with Chubu Electric Power Co. Inc., Korea Gas Corporation and Cheniere Energy.

1. *The acquisition is subject to transaction close.*

CHAIRMAN'S REPORT

Woodside starts 2015 with a strong balance sheet and is well positioned for growth.

Michael Chaney AO
Chairman

During 2014, a challenging year for the oil and gas industry, Woodside maintained an unwavering focus on our mission – to deliver superior shareholder returns.

The acquisition[1] of key Apache assets and new exploration permits around the world demonstrated an ongoing commitment to pursuing opportunities where there is alignment between our capabilities and future value.

These acquisitions also highlighted Woodside's ability to use its strong balance sheet to take advantage of challenging market conditions in the pursuit of growth opportunities.

A strong base business

During 2014, productivity and reliability initiatives saw the company achieve a record production result of 95.1 million barrels of oil equivalent.

Combined with strong demand in the Asia-Pacific region and robust realised prices, our underlying net profit after tax was US$2.421 billion. This was a record and a 42% increase on the previous year.

Full year dividends increased 2% to US255 cents per share.

The dramatic fall in oil prices seen over the last few months will, if maintained, result in a significant reduction in the company's reported profit and cash flows. Fortunately, Woodside is in a strong financial position and the Board expects to maintain the current 80% dividend payout ratio for the foreseeable future, subject to the demands of significant new capital investments or further material changes in the business environment.

During the year, we pursued what we considered to be an important capital management initiative – the Shell sell-down and buy-back. In accordance with our agreement, Shell sold a 9.5% interest in the company, and we sought shareholder approval to repurchase a further 9.5% from Shell. This would have left Shell with a shareholding in the company of less than 5%.

Whilst 72% of votes cast at the General Meeting were in favour of the proposal, this fell short of the required 75%. Notwithstanding this result, the overall proposal did at least partly satisfy Shell's stated desire to decrease its shareholding and thus reduce the overhang on our shares.

1. The acquisition is subject to transaction close.

Growth opportunities

In December, we were pleased to announce that Woodside had entered into a binding transaction to acquire Apache's Wheatstone LNG and Balnaves oil interests in Australia and Kitimat LNG project interests in Canada for US$2.75 billion. This investment is a natural fit for Woodside's portfolio.

This investment complements our pursuit of organic growth opportunities through the global exploration strategy. During the year, we were successful in bidding for four new blocks in Myanmar and acquired exploration interests in Cameroon, Canada (Nova Scotia), Gabon, Morocco and Tanzania. These will be evaluated through seismic studies and drilling over the next few years.

Closer to home, in December we announced a revised schedule for front-end engineering and design on the Browse project, with the joint venture now targeting a mid-2015 FEED commencement. This revised schedule should allow us to achieve lower cost outcomes in the current subdued market conditions.

Internationally, we continue to engage with the Timor-Leste and Australian governments to facilitate the timely progression of the Sunrise development, including discussions on multiple development concepts including both on and offshore options.

Competitiveness

The successful development of projects like Browse and Sunrise will depend on acceptable petroleum price outcomes and, importantly, a competitive cost structure. Australia has the potential to become the world's largest exporter of LNG, but the achievement of this is not guaranteed. Productivity and innovation will be key. These are very much a focus for Woodside.

During 2014, the company continued its productivity programs aimed at boosting production on existing assets, saving on external spending and improving organisation efficiency. We are tracking well with this approach, and we have already seen benefits flowing through. The commitment to innovation and technology includes developing our ideas on concepts like floating LNG, nearshore technology and future plant design.

Clearly, State and Federal governments also have an important role to play in boosting productivity and innovation through getting the regulatory settings right, maintaining consistency in policy and ensuring appropriate labour regulation. In relation to labour regulation, it is clear that changes need to be made in the workplace relations system to allow more flexibility.

Leadership

In December, Gene Tilbrook was appointed to the Woodside Board. I welcome Gene, who brings with him a wealth of experience, particularly in relation to commercial investment analysis.

Rob Cole resigned as a director during the year. Rob served Woodside in a range of roles over eight years, including for the past two years as executive director. On behalf of the Board, we thank him for his significant contribution and wish him well in his future endeavours.

We have an outstanding CEO in Peter Coleman and we thank him, the executive team and all Woodside employees for their hard work and dedication throughout the year.

2014 was a year in which the company celebrated 60 years of operations; it also marked 30 years of reliable domestic gas production and 25 years of LNG exports to Asia, a record of which we are very proud.

We look forward to the company's continued success.

Michael Chaney AO
18 February 2015

Woodside celebrates 60 years of achievement with Chairman Michael Chaney (far left), former chairmen Charles Goode and Bill Rogers, former prime minister John Howard, current CEO Peter Coleman and former Managing Director Charles Allen.

CHIEF EXECUTIVE OFFICER'S REPORT

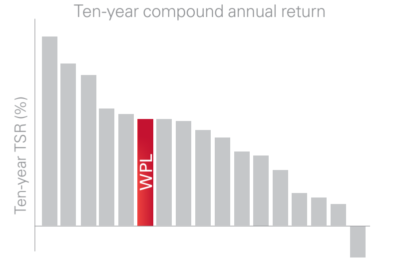
In 2014, we focused on rebuilding our portfolio, improving our productivity and positioning the company to become a global leader.

Peter Coleman
Chief Executive Officer and Managing Director

2014 Key performance highlights

- Total recordable injury rate (TRIR) of 1.9, a 37% improvement from 2013.
- Record production of 95.1 MMboe, and top-quartile LNG reliability at North West Shelf (NWS) and Pluto LNG (Pluto).
- Recommenced exploration drilling in Australia, with the Toro-1 well in the Exmouth sub-basin resulting in a gas discovery.
- New exploration acreage in Cameroon, Canada (Nova Scotia), Gabon, Morocco, Myanmar and Tanzania.
- Positive final investment decision (FID) for Persephone.
- Entered into a binding transaction to acquire Apache's Wheatstone LNG, Balnaves oil and Kitimat LNG project interests[1].
- Celebrated 30 years of domestic gas production and 25 years of LNG exports at NWS.

TSR performance against peers



The ten-year TSR reflects the long-term sustainability of our business relative to our peer group which includes: Anadarko, Apache, BG, Conoco Philips, ENI, Hess, Marathon, Murphy, Oil Search, Origin Energy, Pioneer, Santos, Statoil, Talisman, Repsol and Tullow Oil [2].

Future objectives

- Achieve global top-quartile health and safety performance by 2017.
- Browse front-end engineering and design (FEED) phase entry in mid-2015 and a FID in 2016.
- Progress our projects:
  - Xena field tie-in project for Pluto LNG, with first gas expected in the second half of 2015;
  - Greater Western Flank Phase 1 project, scheduled for first gas in early 2016;
  - Persephone project, scheduled for first gas in first half of 2018; and
  - Wheatstone LNG project[1], with first gas expected in late 2016.
- Continue Greater Western Flank Phase 2 development.
- High impact exploration activities including further drilling in Australia, and up to three international wells in 2015.
- Concentrate on aggregating positions around our existing exploration focus areas in Australasia, the Atlantic margins and Sub-Saharan Africa.
- Continue to evaluate commercial transactions that have the potential to deliver significant shareholder value.
- Leverage technology to deliver sustainable growth through cost reductions and commercialisation of stranded resources.

1. The acquisition is subject to transaction close.

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

Strategic statement

In 2014, our company's 60th year, Woodside focused on establishing a strong foundation for its next phase of growth, in which we aim to become a global top-quartile performer. We remained committed to our values led approach to create a high performance culture and maximise shareholder returns.

We delivered against the three key elements of our corporate strategy – maximising our core business, leveraging our capabilities and growing our portfolio.

Our operations delivered record production and strong reliability. Productivity improvement initiatives and willingness to embrace new ways of working played their part in this very sound result.

In turn, these demonstrated capabilities not only supported current efforts but also set the scene for future development. Our expertise and experience were recognised as we formed partnerships enabling progress in Australia and overseas. They underpinned our growing international marketing interests, and were a driver in our decision to acquire key Apache assets in Australia and Canada.

We were diligent and rigorous about growing and consolidating our global footprint, acquiring high quality acreage in emerging and frontier basins. We have focused on oil-prone provinces, as we re-build and re-balance our exploration portfolio. We take a long term view, creating a culture of performance excellence and adopting a mindset of continuous improvement. We are making solid progress towards our aspiration to be a global leader.

Safety

Woodside achieved outstanding safety results in 2014, with a 50% reduction in both lost time injuries and Tier 2 process safety events. We recorded a total recordable injury rate of 1.9, a 37% improvement from 2013. These results evidence substantial progress towards top-quartile performance across the business and bodes well for the success of our health and safety road map.

Production

We delivered record production, reflecting our focus on reliability. We produced 95.1 MMboe, a 9% increase from last year's record result of 87.0 MMboe. In August, the Karratha Gas Plant loaded its 4,000th cargo of LNG, an impressive milestone reached in its 25th year of LNG production. NWS and Pluto achieved top-quartile LNG reliability of 97.4% and 97.1% respectively.

Capital management

Higher production volumes drove record operating revenue of US$7,435 million, up 25% on our 2013 result. Our net profit after tax was up 38% at US$2,414 million and underlying net profit up 42% at US$2,421 million. Our strong balance sheet means we are well positioned to fund growth.

We remain focused on a rigorous capital allocation process and disciplined investment decision making. We continue to do what is right for the long-term future of our business. This is evident in what we choose to do, as demonstrated by our acquisition[1] of Apache's interests in the Australian Wheatstone LNG and Balnaves oil projects, and the Kitimat LNG project in Canada. It is also evident in what we choose not to do, as shown by the termination of the Leviathan Memorandum of Understanding when a commercially acceptable outcome could not be reached.

We are committed to improving our productivity, becoming more efficient and effective, lowering costs and enabling our people in the process. Each part of the business was challenged to consider ways in which they could streamline their work. The response has been a series of initiatives that will help us reach our target of US$800 million in recurring benefits by the end of 2016. We have worked proactively, and are ahead of the curve, having already delivered significant value in 2014.

Growth opportunities

In 2014, we bolstered our portfolio of growth opportunities, both in Australia and overseas. Again, we took a disciplined approach, focusing on opportunities that complement our capabilities and strategic aims.

Our efforts to rebuild and rebalance our exploration portfolio were significant. We acquired acreage in Cameroon, Canada (Nova Scotia), Gabon, Morocco and Tanzania, focusing on emerging and frontier basins with significant potential and were awarded another four permits in Myanmar. In 2015, seismic will be shot in Morocco, Myanmar, New Zealand, Peru and Tanzania. Drilling has also taken place in the Outer Canning frontier basin, and Exmouth sub-basin, where the Toro-1 well discovered gas. Our drilling and seismic activities demonstrate strategy execution.

Our development projects continue to progress. Within the NWS, plans for the Greater Western Flank 1 and Persphone subsea tiebacks, to the Goodwyn and North Rankin Complex platforms respectively, remain on schedule. Drilling activities for Xena have been completed and the project remains on track for first gas in 2015. The Browse team is working towards a FEED recommendation for a floating LNG option. We have also begun feasibility studies for the construction of a LNG export facility at Grassy Point in Canada.

The acquisition of the Apache assets, targeted for completion by end Q1 2015, delivers immediate production in the case of Balnaves, near-term production with Wheatstone and great potential in a promising precinct with Kitimat. The acquisition will build our development pipeline and increase our production profile.

Marketing also made gains, achieving positive outcomes from LNG price negotiations, signing sales contracts with Chubu and KOGAS, entering into a sale and purchase agreement with Cheniere Energy, and signing a Heads of Agreement with Singapore based Pavillion Gas. We have also opened a trading office in Singapore. Core capabilities in marketing, trading and shipping are key to expanding our global LNG supply portfolio.

Global industry outlook

It is undoubtedly a challenging time for the global oil and gas industry. During the second half of 2014, oil prices declined by approximately 50%. At the same time, our industry faced escalating costs and heightened risks of developing new supply. It is not surprising that oil and gas investments around the world have slowed. In this environment, investors increasingly demand capital discipline.

In response, industry is looking closely at existing cost structures, challenging norms and cutting capital expenditure. The productivity challenge we launched in 2014 allowed the company to proactively reduce costs ahead of the decline in oil price, and provides a solid foundation for further improvements in 2015.

The substantial shift in market conditions has also presented Woodside with an opportunity to seek structurally lower costs in our business, drawing on lessons learned.

Woodside is in the strong position of being able to consider new investment opportunities in an environment where lower oil prices have re-set expectations about the sale price of assets. In 2015, we will continue to carefully examine growth opportunities that meet our strict investment criteria and ultimately deliver shareholder value.

Capability

Woodside has an enviable reputation for its ability to develop and produce oil and gas within Australia, and a determination to be a valued player in the international arena. We do not rest on our laurels. Our people work hard to get ever better at what they do, introducing innovations that allow us to streamline our efforts.

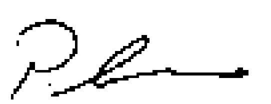
The business seeks to create the right environment to support employees to succeed, which is why a focus of our productivity program is enabling staff to do the work that delivers the most benefit to the business. We are also committed to growing talent from within. As well as providing the necessary training and support to develop the skills and capability of our workforce, we want to ensure our people have the opportunity to enjoy increasingly challenging roles. Our succession, diversity and recruitment programs reflect this. We continue to increase the number of graduates we recruit. As we embed our values-led culture by promoting from within we grow our talent pool by supporting graduates into and through our business.

Outlook

In 2014, Woodside has delivered a firm foundation to launch its next phase of growth. We have put a lot of hard work into building a robust and resilient business that will allow us to thrive in a tough commodities market. Our mindset of continuous improvement delivered a sustainable model of driving innovation, which in turn allows us to build a competitive edge.

In 2015, we will continue to build on the productivity initiatives which are already well-established in our business; enhancing the reliability of our assets, reducing our external spending and bolstering our organisational efficiency. These initiatives mean that we are well-placed to withstand the impact of a lower oil price.

This will undoubtedly be a tough year for our industry, but we start the year in a strong position. We look forward to maximising our shareholder return and concentrating on aggregating positions around our existing focus areas, as we increase our efforts to become a global top-quartile performer that is respected for its values-led approach to business.



Peter Coleman
18 February 2015

WOODSIDE EXECUTIVES

Peter Coleman

BEng (Civil and Computing), MBA, FATSE

Chief Executive Officer and Managing Director

Peter was appointed as Chief Executive Officer and Managing Director in May 2011, and has over 30 years' experience in the global oil and gas industry.

Peter is the Chairman of the Australian-Korea Foundation, a Fellow of the Australian Academy of Technological Sciences and Engineering and, in 2012, was awarded the honorary title of Adjunct Professor in Corporate Strategy from the University of Western Australia. In 2013, he received the Distinguished Alumni Lifetime Achievement Award from Monash University.

Following graduation from Monash University, he began his career at Esso Australia (which became part of the ExxonMobil group) and stayed with ExxonMobil until joining Woodside.

Lawrie Tremaine

BBus, FCPA

Executive Vice President Finance and Commercial and Chief Financial Officer

Lawrie was appointed as Chief Financial Officer in 2010. In 2014, leadership of the Commercial function was also added to his remit.

He joined Woodside in 2006 and has over 30 years of finance leadership experience, predominantly in the resource and minerals processing industry.

Lawrie is responsible for a range of functions including finance, investor relations, commercial, contracting and procurement, information technology and performance excellence.

Prior to joining Woodside, he worked for Alcoa for 17 years. He is a National Executive Member of the Group of 100.

Michael Utsler

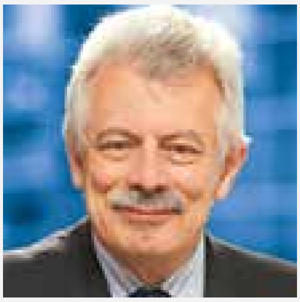
BSc (Petroleum Engineering)

Chief Operations Officer

Michael was appointed as Chief Operations Officer in 2013, following an extensive career in upstream oil and gas spanning 36 years.

He is responsible for Woodside's producing facilities and stewardship of programs in health, safety, environment and security and emergency management.

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



Dr Robert Edwardes

BSc (Eng), PhD

Executive Vice President Development

Robert was appointed as Executive Vice President Development in 2012. He has over 37 years of resources industry experience, spanning the full breadth of operations and projects.

In his current role, he is accountable for front-end planning and execution of onshore and offshore capital projects, reservoir management, engineering and subsea.

Prior to joining Woodside, Robert's roles included Managing Director of Worley Parsons (US and Latin America) and Project Director of the Kizomba deepwater oil development in Angola with ExxonMobil.

Phil Loader

BSc (Geology), MBA, MSc, DIC

Executive Vice President Global Exploration

Phil was appointed as Executive Vice President Global Exploration in 2013, following an extensive career in the upstream sector spanning over 30 years.

Phil is responsible for the company's global exploration activities.

Prior to joining Woodside, Phil's roles included Senior Vice President Exploration at Mubadala Petroleum in the United Arab Emirates and Vice President Exploration at Anadarko Petroleum.

Shaun Gregory

BSc (Hons), MBT

Senior Vice President Strategy, Science and Technology

Shaun was appointed as Senior Vice President Strategy, Science and Technology in 2014, and has worked in the oil and gas industry for over 24 years.

Shaun leads the company's efforts in advancing oil and gas science and technology, as well as strategic planning. He joined Woodside in 1996 and has held a variety of roles in areas including geophysics, mergers and acquisitions, corporate strategy, exploration, and new ventures.

Dr Greg Roder

BSc (Hons), PhD, MBL

Executive Vice President Business Development and Growth

Greg was appointed as Executive Vice President Business Development and Growth in 2011. He has over 35 years' experience in energy resources, infrastructure investment, funds management, capital markets and operational asset management.

Greg leads Woodside's strategic business growth particularly through corporate and asset transactions.

Prior to joining Woodside, Greg held leadership positions at ExxonMobil, Macquarie Bank, Standard Bank of South Africa and AMP Capital Investors.

Reinhardt Matisons

BEng, MBA, MIE Aust, CPEng, CPA

Executive Vice President Marketing, Trading and Shipping

Reinhardt was appointed as Executive Vice President Marketing, Trading and Shipping in 2014. He has over 33 years' experience in the energy industry.

In his current position, he is accountable for the newly formed marketing, trading and shipping function. Reinhardt joined Woodside in 1996 and has held various marketing and commercial roles.

Prior to this, he held senior leadership roles with Poten & Partners, Alinta Gas, Western Power and the State Energy Commission of Western Australia.

Michael Abbott

BJuris, LLB, BA, MBA

Senior Vice President Corporate and Legal and General Counsel

Michael was appointed as Senior Vice President Corporate and Legal in 2014. He has over 25 years of legal experience, with ten years of senior leadership in the oil and gas industry.

Michael is accountable for legal, company secretariat, risk, compliance and corporate and government affairs.

Michael joined Woodside in 2005 and has held a variety of roles including Mergers and Acquisitions lawyer, head of the Procurement Legal Team and Vice President Legal and General Counsel.

OPERATING AND FINANCIAL REVIEW

OPERATING AND FINANCIAL REVIEW HIGHLIGHTS

Financial position

12%

Reduction in total unit production costs

We achieved an 11% decrease in gas unit production costs and a 24% reduction in oil unit production costs. This reflects our increased focus on cost efficiencies and reliability.

Read more on 15

North West Shelf (NWS)

97.4%

Reliability

NWS achieved top-quartile LNG reliability averaging 97.4% and exceeded its production targets. Final investment decision (FID) was taken for the Persephone project.

Read more on 20

Pluto LNG (Pluto)

97.1%

Reliability

Pluto achieved top-quartile LNG reliability averaging 97.1% and exceeded its production targets. The Perth-based Pluto Support Centre was established to deliver efficiencies and innovations.

Read more on 22

Australia Oil

8.4

MMboe

After returning from planned shipyard maintenance and refurbishment in late 2013, the Vincent floating production storage and offloading vessel (FPSO) delivered a full year of production and contributed 5.0 MMboe of Australia Oil's production (8.4 MMboe).

Read more on 24

Our people

45%

Increase in graduate intake

Consistent with our strategy of growing our culture for a long-term sustainable future, our 2015 intake of 103 graduates is a 45% increase on 2014. Women represent 43% of this intake.

Read more on 26

Health, safety, security and emergency management

50%

Reduction in Tier 2 PSEs

We recorded a 50% reduction in the number of reported Tier 2 process safety events (PSEs). This result reflects our focus on performance excellence to improve process safety management.

Read more on 28

Environment

29%

Decrease in flared gas intensity

2014 saw a 29% reduction in flared gas intensity through improvements to facility start-up processes and high reliability in facility operation.

Read more on 30

Community engagement

A$22.6

Million

We contributed A$22.6 million worth of social investment to our host communities, and our staff contributed 6,300 volunteering hours. We were named West Australian Corporate Volunteer of the Year.

Read more on 31

LNG marketing update

321

LNG cargoes delivered

Our NWS and Pluto projects delivered 256 and 65 cargoes (100% project) respectively.

Read more on 32

FINANCIAL POSITION

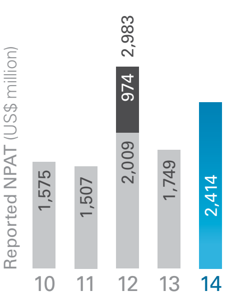
Woodside enters a low oil price environment in a strong financial position, underpinned by record production of 95.1 MMboe. We have maintained our 80% dividend payout ratio, and our balance sheet is well positioned to support our future growth.

Key metrics

US$ million unless stated otherwise		2013	2014
Operating revenue		5,926	7,435
Costs of production		1,242	1,112
EBITDA[1]		4,188	5,568
Depreciation and amortisation[2]		1,263	1,462
Impairments		387	434
EBIT		2,538	3,672
Reported NPAT		1,749	2,414
Non-recurring items		47	(7)
Underlying NPAT		1,702	2,421
Net cash from operating activities		3,330	4,785
Capital expenditure		590	561
Exploration expenditure		261	410
Free cash flow		2,271	4,168
Dividends paid		1,738	1,764
Net debt		1,541	(682)
Key ratios			
Gearing	%	9.2	(4.5)
Earnings	US cps	213	293
Underlying earnings	US cps	207	294
Return on equity	%	11.5	15.3
Effective income tax rate	%	29.8	30.1
Sales volumes			
Gas	MMboe	67.4	72.4
Liquids	MMbbl	18.3	20.8

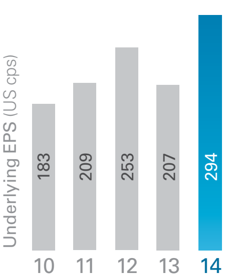
1. EBITDA excludes impairment and amortisation of permit acquisition costs. EBITDA has been restated for 2013.
2. Includes depreciation of other plant and equipment and amortisation of licence acquisition costs.

Reported NPAT

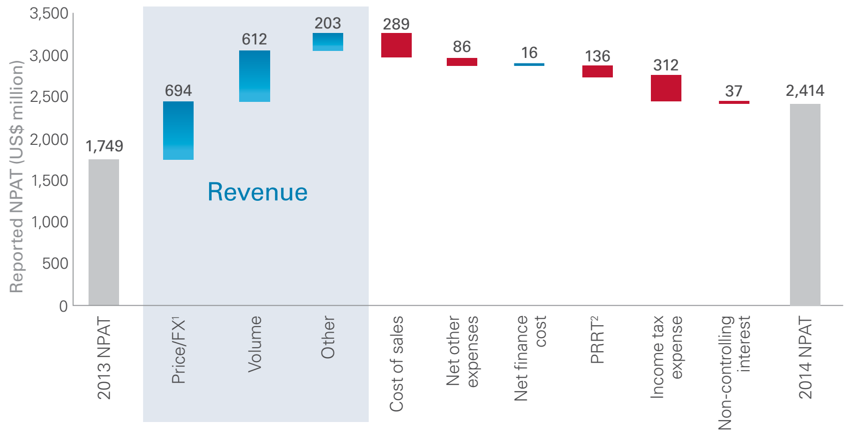


2014 delivered reported NPAT of US$2,414 million, an increase of 38% compared to 2013. This was supported by higher production, higher realised prices and lower expenses, partly offset by higher depreciation and impairments.

Underlying earnings per share (EPS)



2014 reported net profit after tax (NPAT) versus 2013



2014 NPAT was higher than in 2013 largely due to increased revenue associated with the Pluto second pricing period, higher production as a result of the Vincent FPSO returning to production from refurbishment and higher reliability at Pluto and NWS.

1. Foreign exchange rates.
2. Petroleum Resource Rent Tax.

We delivered a reported net profit of US$2,414 million in 2014.

Key differences relative to 2013

Revenue

Price: The US$694 million increase was a result of the Pluto second pricing period, partially offset by lower oil prices experienced in the second half of the year.

Average realised prices

All in US$/boe	2013	2014	Variance
Pipeline natural gas	26.31	28.18	1.87
NWS LNG	77.43	73.46	(3.97)
Pluto LNG	54.52	81.31	26.79
Condensate	105.04	96.57	(8.47)
LPG	101.71	100.40	(1.31)
Oil	111.29	100.77	(10.52)
Volume weighted average realised prices	67.43	75.89	8.46
Brent average price	109	99	(10)

Volume: Record production of 95.1 MMboe resulted in increased revenue of US$612 million. This was driven by higher reliability at Pluto and NWS, coupled with a full year of production from the Vincent FPSO (which returned from refurbishment in Q4 2013).

Other: Other revenue increased, predominantly due to increasing trading activities.

Net other expenses

Increased by US$86 million largely due to recognition of additional impairments and a loss on the sale of assets in 2014.

Impairments

US$ million	2013	2014
Enfield[1,2]	154	179
Stybarrow[1,3]	87	60
Neptune[2,3]	54	-
Laminaria-Corallina[1,3]	34	64
Vincent[1,4]	-	90
NWS Oil[1]	-	41
Pluto Train 2/3 front-end engineering and design (FEED)[5]	58	-
Total	387	434

1. Lower forward price assumption.
2. Assessment of the ultimate reserve recovery.
3. Increase in the carrying amount associated with restoration estimate.
4. Lower facility reliability assumption.
5. Decline in value of expansion costs.

Cost of sales

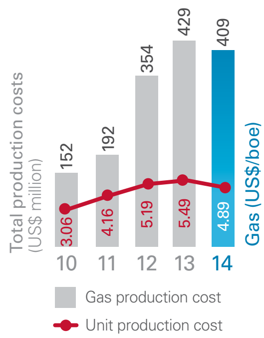
Cost of sales have increased largely due to the volume impact on depreciation and amortisation expense. Costs also reflect increased trading activities.

US$ million	2013	2014	Variance
Production costs	732	705	(27)
Royalties and excise	461	400	(61)
Carbon costs	36	24	(12)
Insurance	41	23	(18)
Inventory movement	(28)	(40)	(12)
Shipping and direct sales costs	145	185	40
Trading costs	-	160	160
Oil and gas properties depreciation and amortisation	1,207	1,426	219
Total	2,594	2,883	289

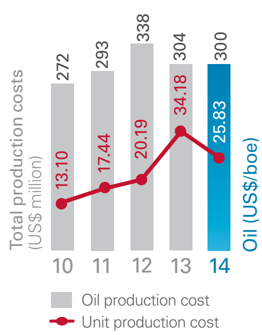
Unit production costs

We achieved an overall 12% reduction in unit production costs relative to 2013, with an 11% decrease in gas unit production costs and a 24% reduction in oil unit production costs. This predominantly reflects favourable exchange rate impacts across all Australian assets, our increased focus on reliability and cost reduction activities.

Gas production cost: Gas production costs decreased by US$20 million to US$409 million in 2014 predominantly due to lower production costs at Pluto driven by higher plant reliability and favourable exchange rates.

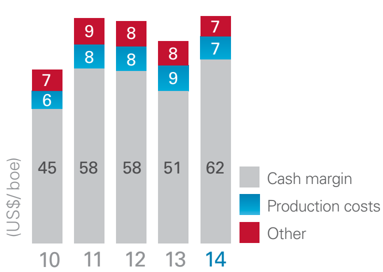


Oil production cost: Oil production costs decreased by US$4 million to US$300 million. This was predominantly due to favourable exchange rates partially offset by a full year of production from the Vincent FPSO.



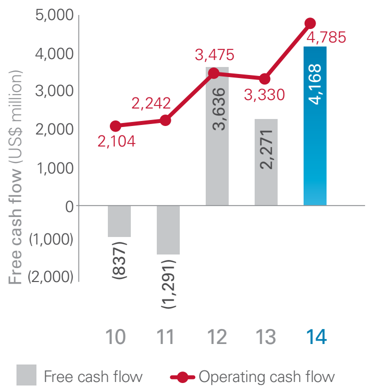
Cash margins

Cash margins have increased with higher realised pricing at Pluto, and a full year of production from Vincent.



Free cash flow

Free cash flow has increased to US$4,168 million, reflecting strong operating performance. Three year cumulative free cash flow is over US$10 billion.



Investment

In 2014 we invested US$971 million in our business comprising US$561 million in capital expenditure (down from US$590 million in 2013) and US$410 million in exploration (up from US$261 million in 2013).

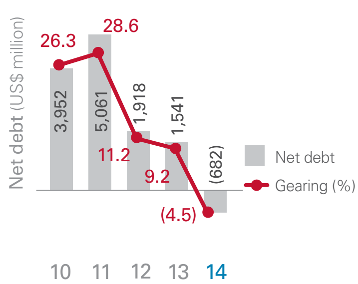
Our 2014 investment spend reflects increasing exploration activity. The composition of this expenditure was approximately one half to drilling (in Australia), one quarter to seismic (globally) and one quarter to general permit activity.

Capital expenditure has largely been on Xena, Browse, Greater Western Flank Phase-1, Vincent and Karratha Life Extension.

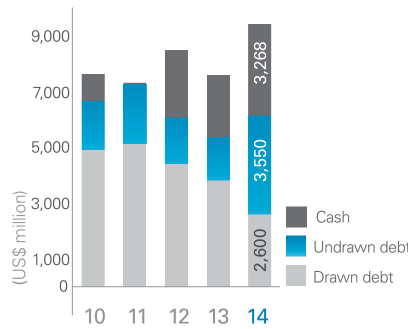
Our investment expenditure outlook is on 17.

Balance sheet and liquidity

Strong cash flows from our underlying business combined with low capital and exploration expenditures have allowed us to pay down debt, resulting in a net cash position of US$682 million.



Following the execution of US$2,000 million in undrawn short term bilateral facilities in December, we ended 2014 with available funds of US$6,818 million, comprising cash of US$3,268 million and available undrawn debt facilities of US$3,550 million.



Demonstrating our effective use of capital, we achieved Return on Equity (ROE) of 15.3% and Return on Average Capital Employed (ROACE) of 17.5%, up from 11.5% and 12.0% respectively in 2013.

Woodside's credit ratings have been affirmed by Standard & Poor's (BBB+) and Moody's (Baa1) following the announcement of our transaction to acquire Apache's interests in key assets, and the recent decline in oil prices.

Our strong balance sheet, and confirmation of our credit ratings, ensures we are well positioned to fund our existing commitments and future growth. In addition, our producing assets continue to generate positive operating cashflows, even at current low oil prices. We will continue to assess our current development portfolio, and growth opportunities, in line with our rigorous approach to investment decision making.

NPAT sensitivities

For 2015, a US$1 movement in the Brent oil price is expected to impact NPAT by US$25 million, and a US$0.01 decrease in the AUD/USD exchange rate is expected to increase NPAT by US$5 million.

Productivity progress

We announced a multi-year productivity program in May 2014, and have worked proactively to reduce our cost structure. Through a rigorous diagnostic and design process we identified key improvement opportunities. We are targeting at least US$800 million in incremental benefits by the end of 2016 through a:

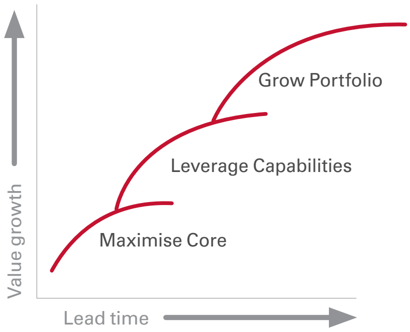
- 3–5% uplift in production volumes from our existing assets;
- 10–20% reduction in external spend; and
- 10–20% improvement in our organisational and process efficiencies.

In 2014, we delivered in excess of US$560 million of benefits against our 2014 target of US$400 million. We are living our values by finding ways to work more efficiently, reduce waste and lower costs. During the year we completed numerous small improvement projects and trained over 800 people in continuous improvement.

STRATEGY, OUTLOOK AND RISKS

Strategic direction

Our vision is to deliver superior shareholder returns by becoming a global leader in upstream oil and gas. Our strategy to achieve this is built upon three related themes: maximising the value of our core assets, leveraging our capabilities and growing our portfolio.



Woodside is uniquely positioned with a reliable asset base, distinctive capabilities and strong relationships to develop world-class projects. This is underpinned by our strong balance sheet and cash flow.

Maximise our core

Woodside operates world-class producing assets including the NWS Project and Pluto. We will continue to create substantial near-term value by maximising operational effectiveness, extending the life of our producing assets and developing our contingent resources.

We are maximising operational effectiveness through a culture of continuous improvement. Woodside proactively reduced its cost structure before the decline in oil prices in the second half of the year. We are currently executing a range of improvement projects to further lower our costs, increase production reliability and improve our overall competitiveness.

We intend to extend the producing life of our existing assets by developing our own resources, and processing nearby resources of others, for example, third party gas through the NWS.

Our priority is to unlock value from the Browse resource using floating LNG (FLNG) technology. Woodside has long-standing relationships with key technology partners and a strong technology pedigree, dating back to the original NWS development.

Our ongoing focus on health, safety and environment (HSE), indicates that we are on track to achieve global top-quartile HSE performance by 2017.

Leverage our capabilities

Woodside is building distinctive capabilities across the oil and gas value chain and has a proven track record in the design, construction and operation of world-class LNG plants, FPSO operations, subsea technology, seismic acquisition and processing and deepwater drilling. Our capabilities provide a competitive advantage when applied to world-class resources in challenging environments, for example, large-scale projects executed in offshore, coastal and remote locations.

Woodside has its own FLNG, near-shore liquefaction, modular liquefaction technologies and a range of subsea processing and seismic processing technologies ready for use. We have established remote operations from the Perth-based Pluto Support Centre to lower operating costs and improve maintenance outcomes.

Woodside is growing its marketing, shipping and trading capabilities. For example, in 2014, we agreed to purchase approximately 0.85 mtpa of LNG from the Corpus Christi Liquefaction Project for a period of 20 years starting in 2019. This purchase will provide a new geographic source of LNG and diversify our product offering on the basis of specification and pricing.

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

Grow our portfolio

Woodside's robust balance sheet, distinctive capabilities and partnerships create a strong foundation for future growth.

We are growing and rebalancing our exploration portfolio, with a focus on increasing our exposure to emerging petroleum provinces, while also concentrating on aggregating positions around our existing focus areas in Australasia, the Atlantic margins and Sub-Saharan Africa. In 2014, we acquired interests in Cameroon, Canada (Nova Scotia), Gabon, Morocco, Myanmar and Tanzania.

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

Our purchase[1] of Apache's interests in three key assets delivers growth in the immediate, near and medium term. Balnaves delivers immediate production and leverages synergies with our existing FPSO operations. Wheatstone delivers material near-term production and cash flow. It is a world-class asset with 8.9 mtpa (1.16 mtpa Woodside share) LNG production capacity, with first gas targeted from late 2016. Kitimat LNG offers a ground floor entry position in the most advanced LNG opportunity in Western Canada. These assets will provide value-enhancing opportunities and leverage our subsea, FPSO operations and LNG capabilities.

We continue to evaluate further acquisition opportunities that meet our target investment criteria.

1. The acquisition is subject to transaction close.

Outlook

Market outlook

The LNG market will be impacted by volatility in oil price, effects of world economic growth, energy demand and more directly through oil-linked LNG pricing. Price trends in the short-term market reflect demand and supply factors including but not limited to weakening oil prices. Key uncertainties for LNG in the medium term include the potential restart of some nuclear reactors in Japan and the ramp-up timing of new supply from Australia and the United States of America (USA). There is significant risk of delay for some projects under construction, therefore the LNG market has the potential to be tighter in the period to 2020.

For more information on the LNG marketing updates, please refer to 32.

Production range

Woodside's production target range for 2015 is 84 to 91 MMboe, comprising a product split of approximately 38% Pluto LNG, 26% NWS LNG, 15% NWS domestic gas and 21% condensate, oil and LPG. This range does not include production from the Apache asset purchase which is expected to be 3 to 4 MMboe[2] based on a targeted transaction close date of 31 March 2015. The additional range reflects the inclusion of Balnaves oil production and Kitimat pipeline natural gas production, split approximately 55% Balnaves oil and 45% Kitimat pipeline natural gas. An updated production target range will be issued after the transaction has closed.

Exploration activities

In 2015, our planned drilling activities include:

- up to three wells in Australia (Outer Canning, Pluto and Exmouth regions);
- up to three international wells (Cameroon, Korea and Myanmar); and
- seismic surveys in Morocco, Myanmar, New Zealand, Peru and Tanzania.

2 Estimates of Apache asset production is based on Woodside's analysis of Apache's production data, Woodside will issue a consolidated production range after the transaction has closed.

Our focus in 2015 is to continue to grow and high-grade our global exploration portfolio with an emphasis on emerging petroleum provinces that offer materiality (see *Chart 1*).

To read more about our exploration growth, go to 40.

Development activities

Our key future development activities include Browse, Greater Western Flank (GWF) Phase 1, Persephone, GWF-2, Lambert Deep and Xena (***see Chart 2***).

Persephone is the next major development for the NWS Project, with FID taken in 2014. It involves a two-well subsea tieback to the North Rankin Complex. The NWS Proved plus Probable (2P) reserves (see *Chart 2*) will be developed in the period up to 2019, at an expected cost of between approximately US$6.40/boe and US$12.80/boe.

Woodside has completed basis of design and key pre-FEED work for the proposed Browse FLNG development. The revised schedule for Browse provides an opportunity to seek significantly lower cost outcomes. Woodside is targeting FEED phase entry in mid-2015, and a FID decision in 2016.

To read more about Browse, go to 38.

Woodside remains committed to developing Greater Sunrise once alignment on a commercial development concept is achieved.

To read more about Sunrise, go to 39.

Investment expenditure

Woodside's total investment expenditure in 2015 is expected to be approximately US$6.2 billion (see *Chart 3*). This expenditure relates to activities including exploration, Karratha life extension, Phase 1 of the Xena field tie-in project, the GWF Phase 1 project, Persephone, Browse FLNG, Vincent Phase IV well, Wheatstone[1] and Kitimat[1].

1. The acquisition is subject to transaction close.

Woodside's share of sustaining capital expenditure[2] in 2015 is expected to be as follows:

- NWS: approximately US$30 million (combined onshore and offshore);
- Pluto: approximately US$20 million (combined onshore and offshore); and
- Australia Oil: approximately US$10 million.

Exploration expenditure in 2015 will comprise approximately one half to drilling, one quarter to seismic and lease acquisition costs and one quarter to general permit activity.

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

To read more about Woodside's acquisitions in 2014, go to 43.

Chart 1 – 2015/2016 planned drilling and seismic activities

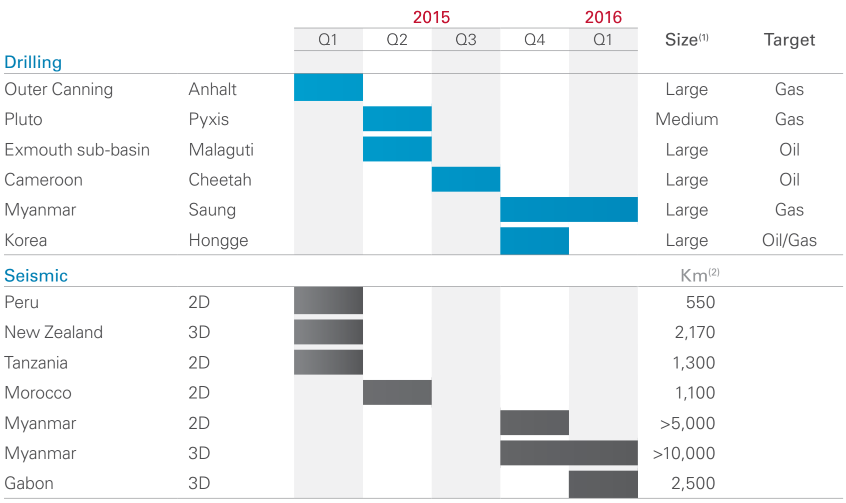


Chart 1 footnotes:

1. Target size: Gross mean success volume 100%, un-risked. Small <20MMboe, Medium >20 MMboe and <100MMboe and Large >100MMboe.

2. 2D seismic is in line km. 3D seismic is in sq km.

Note: Forecast activity plan as at 18 February and subject to change.

Chart 2 – Development pipeline

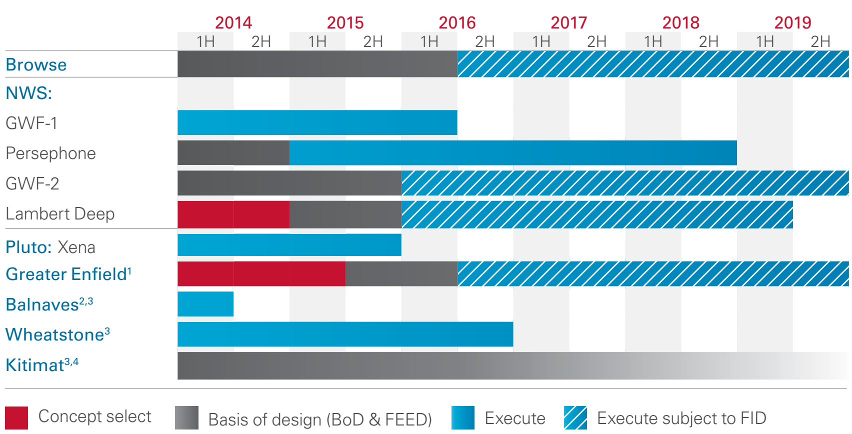


Chart 3 – Woodside's investment expenditure outlook

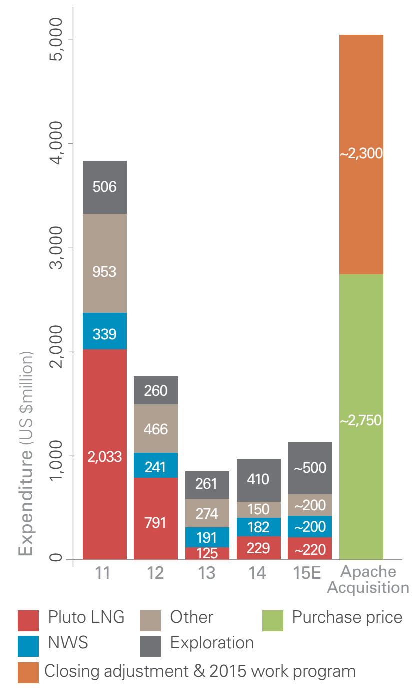


Chart 3 footnotes:

Figures include capital and all exploration expenditure less capitalised interest.

The 'Purchase price' and 'Closing adjustment & work program' expenditure is subject to the transaction closing.

'Other' includes Australia Oil, Browse, International, Sunrise and Corporate.

2015 estimate includes restoration expenditure.

All figures are Woodside share.

Chart 2 footnotes:

1. Phase 1 of Greater Enfield area development (Laverda, Norton and Cimatti) is being re-assessed in light of the current low oil price environment.

2. Balnaves commenced production in August 2014.

3. Balnaves, Wheatstone and Kitimat are subject to transaction close. Reserves and resources estimates will be provided after the transaction has closed. Woodside will supply gas from the Julimar-Brunello fields to the Wheatstone platform.

4. FID timing to be advised after the transaction has closed.

Risk

Woodside's approach to risk focuses on enhancing opportunities, reducing threats to our existing and potential business and sustaining a competitive advantage. We do this through the consistent application of our process for the recognition and management of risk across the organisation. Woodside's risk management process (***Figure-1***) is aligned to ISO 31000, the international standard for risk management. It is part of our overall management system and sets out clearly defined criteria to evaluate and report on material risk. We systematically assess the consequence of risk in areas such as health and safety, environmental, financial, legal and compliance, reputation and brand, and social and cultural impacts. A range of material risks have been identified which could adversely impact Woodside.

These risks are not listed in order of significance, nor are they all encompassing. Rather, they reflect the most significant risks identified at a whole-of-entity level.

Operational risk

Our ability to achieve superior shareholder returns is substantially influenced by our capability to safely and reliably produce and deliver hydrocarbon products to our customers.

A sustained and unplanned interruption to Woodside's production could significantly impact our financial performance. Such an event could occur for a number of reasons, including loss of facility integrity, sub-optimal reservoir performance, critical process failures or a significant weather event. Pluto LNG will provide approximately 38% of Woodside's production in 2015 from Pluto's one LNG train. Therefore, a sustained interruption in Pluto's ability to produce and export LNG would have an adverse effect on Woodside's financial performance. Woodside has an extensive framework of controls in place to manage such risks. These controls include our overall production processes, inspection and maintenance procedures and marine assurance processes.

Additionally, our facilities are designed and operated in accordance with the overall environmental and climatic conditions applicable to each facility. Offshore and marine-related activities require specific consideration from a risk perspective. These activities have the potential to interrupt our ability to produce hydrocarbons. The removal by a regulator of Woodside's approval to produce could also impact production on a sustained basis. Woodside's processes focus on compliance with legal and regulatory obligations, which are complemented by the ongoing engagement we have with regulators.

A cyber security attack may also potentially disrupt Woodside's business activities, and effective management of this risk remains a priority for the company. Our exposure to cyber security risk is managed by an appropriate control framework and the continuing focus on system control improvements, complemented by an established and embedded security strategy across the organisation.

Loss of containment risk

A loss of hydrocarbon containment from a Woodside-operated facility or well could be significant, resulting in personnel, environmental, social, reputation and financial loss.

This risk is addressed by an extensive control framework designed to prevent the loss of hydrocarbon containment in the first instance, and by maintaining an appropriate capability to minimise the impact of an event should it occur. We maintain specialised oil spill contingency and response teams to further enhance our emergency response capabilities in this area.

Exploration risk

The ability to identify, acquire and commercialise hydrocarbons will be an ongoing contributor to Woodside's success. However, there is a risk that Woodside's exploration activities may be unsuccessful, thereby reducing or limiting future growth.

Our overall exposure to exploration risk is addressed by a comprehensive exploration strategy and a rigorous and disciplined review of opportunities, complemented by the company's capabilities in geosciences and deepwater exploration.

Commercial transaction risk

Commercial transactions undertaken with the objective of growing Woodside's portfolio are associated with a number of risks.

These include the risk of a suboptimal commercial outcome which fails to deliver the value to Woodside anticipated by the transaction, the imposition of unfavourable conditions or obligations as part of the regulatory approval process which affect the value of the transaction, or the eventual operational performance of any acquired asset not meeting our expectations.

Our commercial processes are designed to reduce the likelihood of these risks materialising as a result of a commercial transaction.

Commercialisation of hydrocarbons risk

The company is focused on ensuring the commercialisation of hydrocarbons to deliver superior shareholder returns.

A failure to do so may occur as a result of choosing a sub-optimal development option or failing to execute a project in a way that achieves Woodside's objectives in relation to cost, schedule and quality. If we are unsuccessful in managing cost and productivity, the value we can secure from future developments will be reduced. We are actively pursuing strategies to reduce unit costs for developments. Creating effective commercial arrangements with a range of partners, stakeholders and contractors is an important mechanism to offset this risk. Our historic and ongoing investment in robust and high-quality opportunity development and project management systems is also central to the management of such risks.

The agreement of Woodside's joint venture partners to a particular course of action is often required in order to commercialise hydrocarbons, and we may have limited influence or control over these decisions. We address this risk by actively engaging with our joint venture partners to promote alignment on significant decisions.

Government and regulatory risk

Given that Woodside's business activities are subject to extensive regulation, unforeseen change introduced by government may adversely impact the company's financial standing.

Government action, or conversely inaction, may also negatively affect our ability to undertake future development activities or maximise value from existing assets. For example, Woodside's financial performance and its ability to deliver value from existing assets and proposed developments is exposed to changes in governmental approach to carbon pricing. With Woodside increasing its global footprint, the company is proactively maintaining ongoing and constructive relationships with both domestic and international governments and regulators.

Market risk

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

Commodity prices are variable and are impacted in part by global economic factors beyond Woodside's control. Adverse commodity impacts are managed in a number of ways. For example, any reductions in global LNG prices are managed through our diversified portfolio of long-term sale and purchase agreements. In practical terms, this provides some downside price protection. Uncontracted LNG volumes are sold at the prevailing LNG spot price, which is subject to greater price volatility.

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

We are also exposed to fluctuations in currency exchange rates and, as a result, Woodside's financial results can be negatively impacted. The impact of this risk is mitigated because the majority of Woodside's hydrocarbon sales, and a portion of debt costs, are denominated in US dollars. Our exposure to volatility in the Australian dollar is partially offset by our domestic gas revenue, which is priced in Australian dollars. The impact of currency volatility becomes more pronounced when Woodside is undertaking new domestic, onshore developments. Our current exposure to these new projects is low. Woodside generally considers that active commodity and currency hedging does not provide value to our shareholders, but does consider the appropriateness of such hedging from time to time and in specific circumstances. Any hedging activity is only undertaken in accordance with limits approved by the Woodside Board. For the estimated impact of a change in oil price or exchanges rates on NPAT, please go to 17.

Unreasonable prejudice

As permitted by sections 299(3) and 299A(3) of the Corporations Act 2001, we have omitted certain information from this operating and financial review in relation to our business strategy, future prospects and likely developments in our operations and the expected results of those operations in future financial years. We have done this on the basis that such information, if disclosed, would be likely to result in unreasonable prejudice to Woodside (for example, because the information is premature, commercially sensitive, confidential or could give a third party a commercial advantage). The omitted information relates to our internal budgets, forecasts and estimates, details of our business strategy, and LNG contractual pricing.

Forward looking statements

This report contains forward looking statements, including statements of current intention, statements of opinion and expectations regarding Woodside's present and future operations, possible future events and future financial prospects. Such statements are not statements of fact and may be affected by a variety of known and unknown risks, variables and changes in underlying assumptions or strategy which could cause Woodside's actual results or performance to differ materially from the results or performance expressed or implied by such statements. There can be no certainty of outcome in relation to the matters to which the statements relate, and the outcomes are not all within the control of Woodside.

Further information on some important factors that could cause actual results or performance to differ materially from those projected in such statements is contained in the "Risk" section above. Woodside makes no representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statement. The forward looking statements in this report reflect expectations held at the date of this report. Except as required by applicable law or the ASX Listing Rules, Woodside disclaims any obligation or undertaking to publicly update any forward looking statements, or discussion of future financial prospects, whether as a result of new information or of future events.

Figure 1 – Woodside risk management process

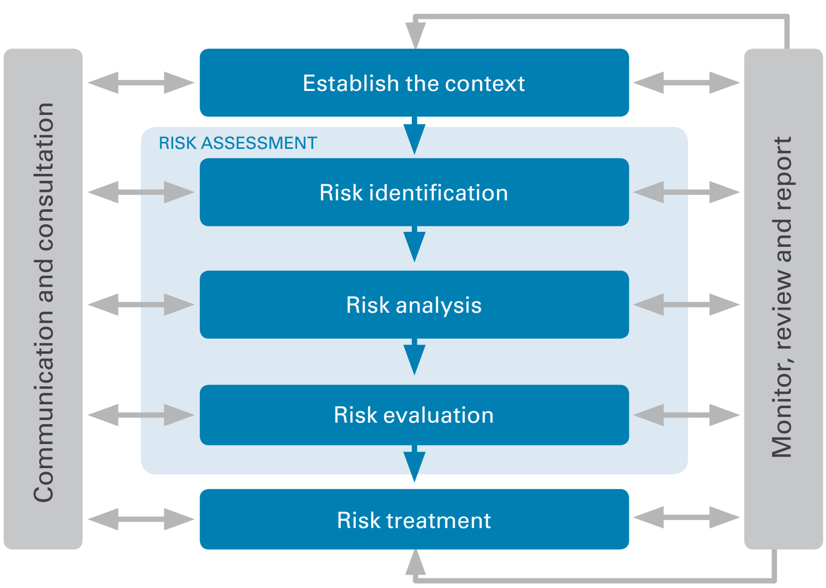


Figure 1 displays the Woodside risk management process. It applies clearly defined criteria to evaluate and report on risk and considers the potential impact of risk across six categories of consequence.

NORTH WEST SHELF

The North West Shelf Project recognised several major milestones in 2014 as it achieved 30 years of domestic gas operations and 25 years of LNG exports.

2014 Key performance highlights

- Top-quartile LNG reliability, averaging 97.4%.
- FID for Persephone was taken.
- Execution of two major LNG turnarounds and refurbishment activities at the Karratha Gas Plant (KGP).
- Exceeded production expectations following start-up of the North Rankin Redevelopment Project.
- Signed a non-binding Letter of Intent with Hess Exploration Australia (Hess) to process resources from its permits in the Carnarvon Basin.

Future objectives

- Focus on continuous improvement to achieve cost savings across our operating assets.
- Progress the GWF-1 and Persephone Projects.
- Complete Fortuna 3D seismic data evaluation.
- Consider FID on GWF-2.
- Continue evaluation of additional third-party gas processing opportunities at KGP.

NWS Project

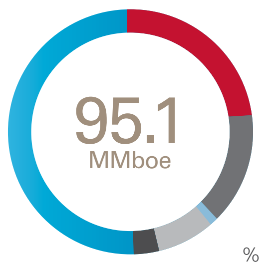
Interest	NWS Venture	16.67%
	Domestic Gas joint venture (JV)	
	Incremental Pipeline JV	50.00%[1]
	China LNG JV	16.67%[1]
	Cossack Wanaea	12.50%
	Lambert and Hermes (crude oil)	33.33%
Operator	Woodside	
Facilities	North Rankin Complex Goodwyn A platform Angel platform Okha FPSO Karratha Gas Plant	
Location	Offshore facilities ~135 km north-west of Karratha, WA	
Water depth	80 – 130 metres	
Products	LNG, pipeline gas, condensate, crude oil and LPG	
First production	1984 (pipeline gas)	

1. During 2014 Woodside's average share of pipeline gas production was approximately 47%. Woodside's exact share of domestic gas production depends on the quantities and aggregate rate of production.

NWS key metrics (Woodside share)

		2013	2014
Sales revenue	(US$ million)	3,230	2,986
EBIT	(US$ million)	2,170	1,922
Net gas production	(MMboe)	36.3	37.2
Net liquids production	(MMbbl)	10.4	9.1
Proved plus probable developed and undeveloped reserves	(MMboe)	506.9	462.9

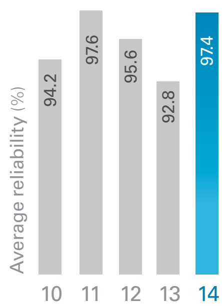
NWS contribution to Woodside's net production



	%
NWS LNG	24
NWS domestic gas	14
NWS LPG	1
NWS condensate	7
NWS oil	3
Rest of business	51

In 2014, NWS contributed 46.3 MMboe to Woodside's net production of 95.1 MMboe.

NWS LNG reliability



In 2014, our focus on operational excellence delivered top-quartile LNG reliability at NWS.

In 2014, the Woodside-operated NWS Project continued its journey to operational excellence, delivering top-quartile reliability and health and safety performance. This year, we exceeded our production targets and achieved an LNG reliability of 97.4%.

In the second half of the year, the NWS Project celebrated 30 years of domestic gas production from the KGP and 25 years of LNG exports. These significant achievements are testament to our long track record of reliable production and delivery.

Production performance

Our share of production from the NWS Project was 46.3 MMboe, comprising 37.2 MMboe of gas and 9.1 MMbbl of liquids. Pipeline gas production continued to meet customer demand, with 13.3 MMboe delivered in Western Australia with 99.7% reliability.

LNG marketing

We delivered 256 cargoes (total project) of LNG in 2014, of which 18 were sold on the spot market. In August, we delivered our 4,000th cargo of LNG – reinforcing our long-term relationships in the Asia-Pacific region.

Financial contribution

Our share of sales revenue from the NWS Project was US$2,986 million in 2014, approximately 40% of Woodside's total operating revenue.

To ensure a focus on continuous improvement, an efficiency challenge was launched in early 2014. As a result, we undertook around 300 initiatives across all onshore and offshore operating assets. For further information on our productivity program, see 15.

Operations excellence and delivery of committed projects

We remain committed to maximising value from NWS Project operating assets and sanctioned projects with a focus on top-quartile asset utilisation and streamlined operations and maintenance.

In 2014, we delivered top-quartile LNG reliability and have maintained our performance through high activity levels on our assets.

We successfully completed two major turnarounds at KGP. We delivered a turnaround of LNG Train 3 in May, and LNG Train 1 in October, with major maintenance and refurbishment scopes delivered on schedule and within budget.

In 2014, the Karratha Life Extension Program delivered three major refurbishment scopes as part of turnaround activity on LNG Train 1, Domgas Train 1 and Domgas Train 2. Next year, the Program will continue its focus on the long-term technical integrity and reliability of KGP with further refurbishment scopes on the domestic gas plant, stabilisation units and fractionation units.

At the end of 2014, the GWF-1 Project was 86% complete. The A$2.5 billion (100% project). GWF-1 Project will develop the Goodwyn and Tidepole fields via a subsea tieback to the existing Goodwyn A platform. Subsea installation was completed in December. The Project remains on budget and on schedule for start-up in early 2016.

Efficient development of NWS reserves

The development of existing NWS Project reserves remains a key objective and will assist in extending our production plateau.

In November, the NWS Project participants approved the A$1.2 billion (100% project) Persephone Project. Persephone is the next major development for the NWS Project and will involve a two-well, 7 km subsea tieback from the Persephone field to the existing North Rankin Complex.

The Project will access approximately 140 MMboe (100% project) to maintain offshore supply to the KGP. Start-up is expected in early 2018.

Following constructive engagement with the State Government, an agreement was made to enable the NWS Project to export an additional 86 million tonnes of LNG over the life of the project. This will take the form of a variation to the NWS State Agreement, which is subject to ratification by State Parliament.

The GWF-2 Project commenced FEED in September. Since entering FEED, we have issued and received tenders for major project packages relating to pipeline installation and subsea installation. The Project will develop the Keast, Dockrell, Sculptor, Rankin, Lady Nora and Pemberton fields via a subsea tieback to the existing Goodwyn A platform. It continues to progress towards a FID in the second half of 2015.

We continue to evaluate Lambert Deep as a potential tieback to the existing Angel platform.

Extend our business beyond known reserves

We continue to seek ways to enhance value and extend the life of the NWS Project.

In May, we successfully completed the Fortuna 3D Marine Seismic Survey following more than five months of data acquisition. The information acquired will be used to maximise hydrocarbon recovery and use of our existing infrastructure. Data processing has commenced, with preliminary results expected in the second half of 2015.

During December, the NWS Project participants signed a non-binding Letter of Intent with Hess to process resources from its permits in the Carnarvon Basin. It is intended that, subject to the parties entering into binding agreements, Hess will deliver gas to the Project's offshore infrastructure for processing at the KGP and will market and deliver its own volumes. A tie-in and operational integration FEED studies agreement is expected to be executed in early 2015.

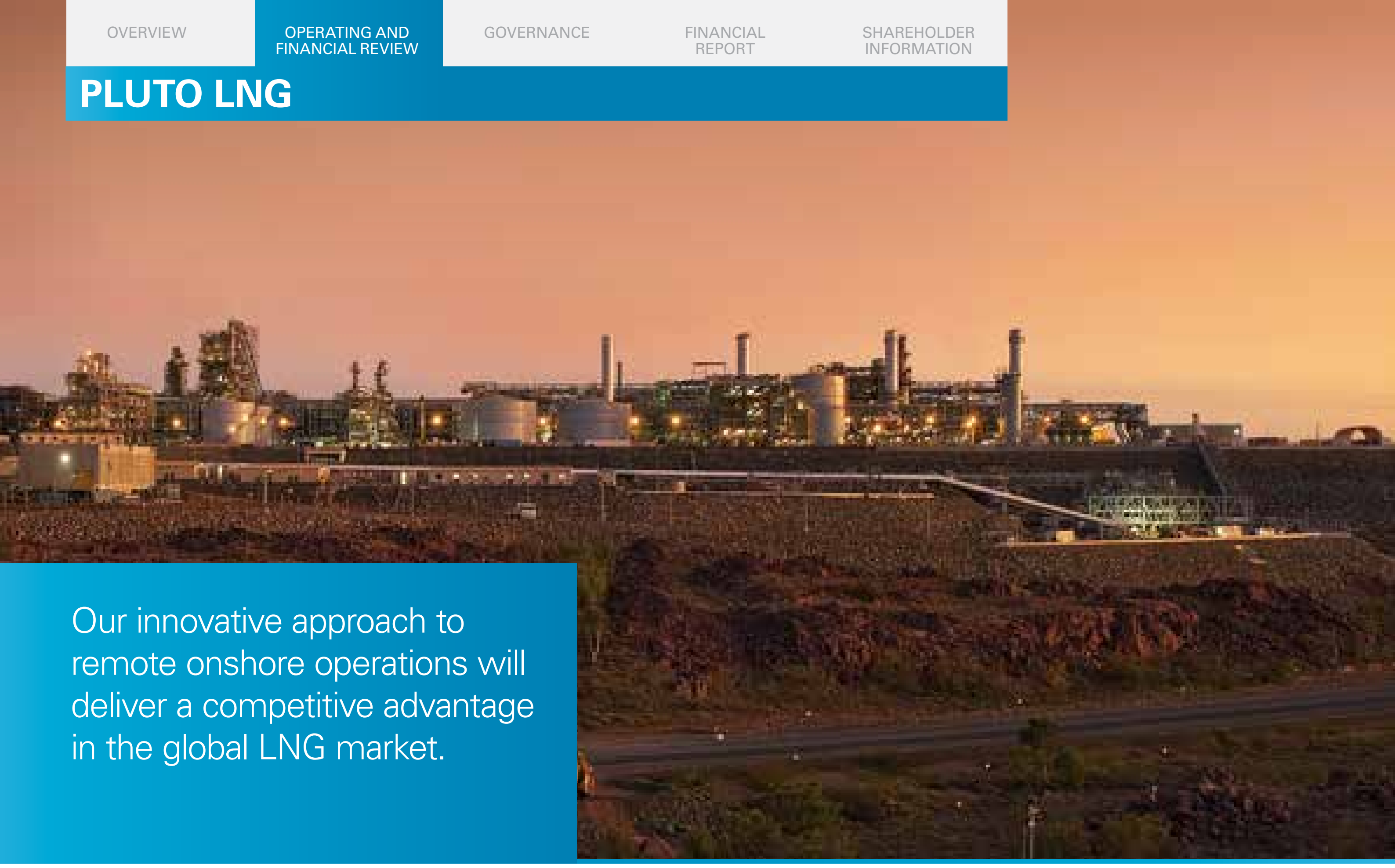
Outlook

In 2015, Woodside will leverage its reputation as a safe and reliable operator to maximise value from exisiting infrastructure and extend the production plateau of the Project.

We will continue to focus on performance excellence initiatives in order to achieve our goals in safety, reliability and efficient operations.

Success in operations excellence and delivery of committed projects will underpin the NWS Project's value and allow us to deliver our future growth potential.

PLUTO LNG



Our innovative approach to remote onshore operations will deliver a competitive advantage in the global LNG market.

2014 Key performance highlights

- Top-quartile LNG reliability, averaging 97.1%.
- Established the Perth-based Pluto Support Centre to provide remote support to operations for the new Pluto organisational model.
- Drilling activities completed for Xena Phase 1.

Future objectives

- Continue to support remote operations from the Pluto Support Centre to deliver improved operational efficiency in a competitive LNG market.
- Undertake the first planned major turnaround, scheduled for Q2 2015 for inspection, maintenance and minor debottlenecking.
- Xena first gas is expected in the second half of 2015.
- Undertake drilling activities including production wells and the Pyxis exploration well.
- Maintain safe and reliable production.

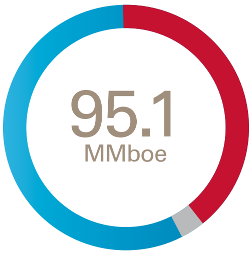
Pluto

Interest	WA-34-L	90%
	WA-350-P	90%
	WA-404-P	100%
Operator	Woodside	
Facilities	Pluto platform Pluto Gas Plant	
Location	Pluto and Xena fields, 190 km north-west of Karratha, WA (the location of the gas plant)	
Water depth	400 – 1,000 metres	
Products	LNG and condensate	
First production	2012	

Pluto key metrics
(Woodside share)

		2013	2014
Operating revenue	(US$ million)	2,098	3,440
EBIT	(US$ million)	954	2,310
Net gas production	(MMboe)	32.2	37.3
Net liquids production	(MMbbl)	2.6	2.9
Proved plus probable developed and undeveloped reserves	(MMboe)	884.6	842.4

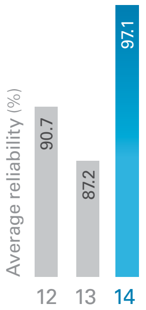
Pluto contribution to Woodside's net production



	%
Pluto LNG	39
Pluto condensate	3
Rest of business	58

In 2014, Pluto contributed 40.2 MMboe to Woodside's net production of 95.1 MMboe.

Pluto LNG reliability



In 2014, our focus on operational excellence delivered top-quartile LNG reliability at Pluto.

Pluto continued to make a strong contribution to Woodside's production and enhanced its reputation as a reliable and dependable supplier of LNG.

Operational performance

Production results were significantly above plan, primarily due to strong reliability and system optimisation. Woodside's share of production from Pluto was 40.2 MMboe in 2014, comprising 37.3 MMboe of LNG and 2.9 MMbbl of condensate.

In April, a planned maintenance turnaround of five days was completed on schedule, on budget, and without a recordable safety incident. The turnaround scope included activities at the plant, the offshore platform and intelligent pigging of the trunkline.

Production remained at full rates with three of the five Pluto production wells at maximum capacity, following shutting in of PLA03 in late 2014.

LNG marketing

Pluto delivered 65 cargoes of LNG in 2014 and, since start-up in 2012, we have delivered a total of 163 cargoes[1] (total project).

Three Sales and Purchase Agreements (SPAs) were executed during 2014 which build on our long-term relationships with major Japanese and Korean energy buyers. Woodside signed a three-year SPA with Chubu Electric in January for the sale of up to approximately 1.5 million tonnes of LNG and another with Korea Gas in February for the sale of up to approximately 2.2 million tonnes of LNG. Both SPAs commenced in April, and LNG delivered under these agreements will primarily be sourced from Pluto.

1. Includes some partial cargoes.

In addition an SPA for three years and up to six cargoes was executed with Kansai Electric in March.

Financial contribution

Our share of operating revenue from Pluto production performance was US$3,440 million, approximately 46% of Woodside's total operating revenue.

Pluto organisational model

In 2014, work progressed to support the new organisational operating model for Pluto operations. This aims to deliver efficiencies and innovations in a rapidly changing and competitive LNG market. A key component of the new model is the Pluto Support Centre which commenced operation in December 2014.

The Pluto Support Centre is a purpose-built facility designed around the functional needs required to support Pluto remotely. It will facilitate a strong link between the Pluto site-based staff and those providing asset support from Perth. Extensive change management and rigorous project assurance plans were undertaken throughout 2014 to ensure that the workforce embraced the new technology and work environment.

The operating model is similar to a floating LNG facility. This creates an opportunity for Woodside to gain practical experience in remote support, with the aim of transferring concepts and technologies to other assets. Long-term benefits of the Pluto Support Centre will see lower operating costs and improved maintenance outcomes for Pluto.

Xena development

Xena is part of the Pluto foundation project. Phase 1 of the development is expected to cost approximately US$370 million (100% project) and access 250 billion cubic feet of reserves (100% project) while providing increased well capacity. Drilling and completion of the Xena phase 1 well was finalised in December. Activities planned for 2015 include installing the subsea hardware and connecting it to the Pluto system. The project is on budget and schedule for first gas in the second half of 2015.

Conservation Agreement

We continued to support various projects under our Conservation Agreement with the Australian Government. The agreement commits up to A$34 million (100% project) towards protecting and promoting the living culture and National Heritage values of the Burrup Peninsula, Western Australia. To date, we have contributed more than A$15 million (100% project) to Conservation Agreement related projects.

A key initiative we supported in 2014 was the Murujuga Ranger Project. This project employs Aboriginal men and women as rangers to conduct land and sea patrols, record flora and fauna species and, with cultural integrity, manage the protection of the cultural, natural and marine conservation areas. In 2015, we will continue to progress current projects under the Conservation Agreement and build on our strong relationships with the Roebourne community and project proponents.

Further information on Woodside's engagement with the Indigenous community will be available in the 2014 Sustainable Development Report on 38.

Outlook

The first planned major turnaround of approximately one month duration is scheduled for Q2 2015. The turnaround scope involves onshore plant activities to maintain the integrity of plant equipment and also presents an opportunity to address outstanding foundation project items, as well as minor debottlenecking and offshore work to support the Xena tie-in.

To support current production and future growth, we plan to undertake drilling activities in 2015, including intervention to restore production at PLA05, the Pyxis exploration well and a potential sixth production well. We also plan seismic and development studies to support future development of Pluto.

Woodside is committed to supporting and working with its people to ensure that the newly established Pluto Support Centre delivers operational efficiencies and long-term economic benefits, while maintaining high standards of health, safety and environmental management. We will also continue to deliver innovative improvement programs under the new organisational model.

Reinforcing our focus on operational efficiency, Woodside harnessed the latest technologies to support its Pluto operations in Karratha with the establishment of the Pluto Support Centre.

AUSTRALIA OIL

The standardised operating model for our FPSO fleet will deliver long-term value and best practice operations for Woodside's oil assets.

2014 Key performance highlights

- A full year of production and improved facility uptime from the Vincent FPSO, which returned in Q4 2013 from planned shipyard maintenance and refurbishment.
- The Northern Endeavour FSPO achieved 15 years of oil production in November.

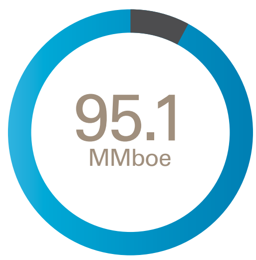
Future objectives

- Capture synergies across our FPSO fleet to efficiently manage a portfolio of assets producing from declining fields.
- Focus on continuous improvement to capture value-adding oil opportunities through maximising existing infrastructure.
- Apply a standardised operating model to ensure reliability and productivity from our FPSO fleet.
- Integrate the Balnaves production facility, subject to transaction close.
- Increased focus on productivity improvements to deliver cost savings in a lower oil price environment.
- Prepare for end of field activities on producing assets. We expect end of field life for Stybarrow in the second half of 2015 and for Laminaria Corallina from the end of 2016.

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

		2013	2014
Sales revenue	(US$ million)	519	825
EBIT	(US$ million)	(154)	(163)
Net liquids production	(MMbbl)	4.7	8.4
Proved plus probable developed and undeveloped reserves	(MMboe)	41.6	33.2

Australia Oil (non-NWS) contribution to Woodside's net production



	%
Enfield	<2
Laminaria-Corrallina	1
Stybarrow	>1
Vincent	5
Rest of business	91

In 2014, Australia Oil (non-NWS) contributed 8.4 MMbbl to Woodside's net production of 95.1 MMboe, up from 4.7 MMbbls in 2013.

Enfield oil field

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

Enfield has produced 74.3 MMbbl (100% project) of oil since start-up in 2006. Annual production at Enfield of 2.2 MMbbl (1.3 MMbbl Woodside share) for 2014 continued to reflect reliable performance. Production was consistent with anticipated natural field decline in 2014.

Vincent oil field

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

Vincent has produced 46.2 MMbbl (100% project) of oil since start-up in 2008. Annual production at Vincent was 8.4 MMbbl (5.0 MMbbl Woodside share), reflecting an entire year of production from the Ngujima-Yin FPSO (which returned from planned shipyard maintenance and refurbishment in Q4 2013).

Vincent has demonstrated improved facility uptime in 2014 and delivered an increased Australia Oil contribution to total production in 2014. Phase IV in-fill drilling commenced on plan in Q4 2014 and is on track for start-up in 2015.

Stybarrow oil field

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

Stybarrow has produced 59.9 MMbbl (100% project) of oil since start-up in 2007. Production of 2.0 MMbbls (1.0 MMbbl Woodside share) in 2014 reflects natural reservoir decline. We expect end of field life for Stybarrow in the second half of 2015.

Laminaria-Corallina oil fields

Interest	Laminaria Corallina	59.90%[1]
	AC/L5	66.67%
Operator	Woodside	
Facilities	Northern Endeavour FPSO	
Location	Timor Sea, 550 km north-west of Darwin	
Water depth	~340 metres	
Products	Crude oil	
First production	1999	

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

Laminaria-Corallina oil fields have delivered over 200 MMbbl (100% project) of oil production since commencement in 1999. Lower production of 1.6 MMbbl (1.0 MMbbl Woodside share) for 2014 was consistent with anticipated natural field decline.

End of field life is expected from the end of 2016, though exact timing will depend on future oil prices, production performance and ongoing operational expense. As with all Woodside assets, we will seek to maximise the residual value of our investment in the Northern Endeavour FPSO and associated infrastructure.

Greater Enfield

In 2014, our studies focused on aggregating undeveloped oil resources in the Exmouth sub-basin, including Laverda and Cimatti, focusing on maximising the use of existing infrastructure. Phase 1 of Greater Enfield area development (Laverda, Norton and Cimatti) is being re-assessed in light of the current low oil price environment.

Laverda

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

Outlook

We will continue to focus on improving reliability and productivity from our fleet of FPSOs and identifying value-adding oil opportunities. In 2015, we will integrate the way we work across our FPSO fleet to deliver consistency to improve operational efficiencies and cost performance as we prepare for end of field activities on producing assets.

We believe Woodside holds an advantageous position, with an oil operating model developed and refined over years of operating experience. This will create and deliver long-term value to our Australian oil operations and can also be leveraged for global opportunities.

Northern Endeavour achieved 15 years of oil production in November 2014.

OUR PEOPLE

Delivering superior shareholder returns is built upon our values-led culture, which enables the attraction and retention of an engaged, diverse and high performing workforce.

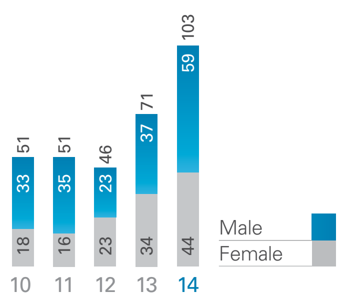
2014 Key performance highlights

- Our 2015 graduate intake of 103, is a 45% increase on 2014.
- Over 890 formal and informal leaders attended the Leader-led Development Program.
- Broadened the leadership development curriculum, introducing 27 new or refreshed programs.
- Implemented the enhanced Graduate Development Program for the 2015 intake.
- Awarded eight community cadetships and seven Indigenous scholarships, in support of our Reconciliation Action Plan (RAP).

Future objectives

- Continue to embed the Leadership Development and Management Framework through the application of assessment and development tools.
- Commence delivery of a further three-year Gender Diversity Strategy.
- Establish a working parents program to further enable effective transition for employees returning from parental leave.
- Conduct an employee engagement survey every two years to assist with future strategic planning.
- Refresh our existing Indigenous Employment Strategy to enhance Indigenous employment and retention.

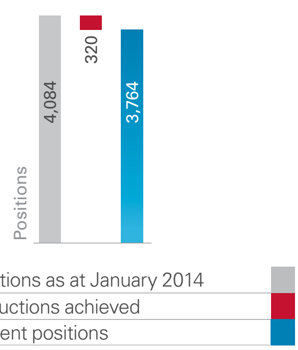
Graduate recruitment[1]



Woodside has increased its graduate intake, with a focus on sustaining a diverse workforce. We recruited 103 graduates in 2014, up from 71 in 2013.

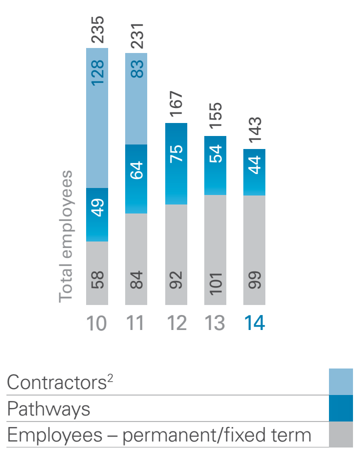
1. Offers and acceptances.

2014 resourcing levels



In 2014, we achieved a 8% reduction in positions.

Indigenous employment



The number of Indigenous employees (permanent/fixed term) remained stable during 2014. Woodside continued supporting Indigenous pathways, with 13 participants successfully converting to Woodside employment in 2014.

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

Building capability

In 2014, we continued to focus on growing our workforce for a long-term sustainable future. Our key strategy is to increase entry level opportunities year on year, developing and promoting from within and emphasising our values-led culture.

We revised our remuneration model to provide greater differentiation in financial rewards for high performance. Our employee value proposition includes above-industry superannuation contributions and globally competitive training and development programs.

The objective of our Graduate Development Program is to recruit and develop future leaders and build our values-based culture. The Program was further enhanced in 2014, focusing on both technical and leadership skills to ensure that our graduates reach professional independence in an industry leading timeframe. The 2015 graduate intake (recruited in 2014) was a 45% increase on the 2014 graduate intake, and includes 12 international graduates. Women represent 43% of this intake.

In 2014, 149 participants undertook technical development through the Woodside production training academy. A testament to the quality of the training received, 85% of all trainees and apprentices secured employment at the successful conclusion of their programs.

We are committed to developing our people so we can meet our own leadership and technical talent requirements from within. Throughout the year, we focused specific effort on training 894 leaders, both formal and informal, in leader-led development. This approach will enable our current leaders to identify and develop our future leaders from within our business.

Our Leadership and Management Development Framework was further embedded in 2014, with the introduction of new tools to assess leader effectiveness and expansion of our leadership development curriculum. More than 1,900 people participated in leadership development programs.

Productivity progress

As part of our productivity program we aim to improve organisational efficiency by 10 to 20% by end 2016. This will be achieved through managing our resources more efficiently and working smarter. At the end of 2014, we are on track to deliver against the target. We achieved a 8% reduction in positions and are confident of continued progress in 2015.

Some of our graduate community at the annual away day.

Developing a diverse workforce

Woodside is committed to developing a values-led culture that supports diversity. This is evident through the development and use of gender diversity and Indigenous employment strategies. Progress in this area includes the application of a flexible working toolkit and awarding Indigenous cadetships and scholarships.

In 2014, women held 12.4% of middle and senior management roles, unchanged from 2013. Female turnover is approximately 7.5%, an improvement on the 2013 turnover of 9.4%. We continue to sponsor university scholarships for talented women and support industry bodies to advocate for, and raise the profile of women in the resources sector. Women comprise 27.5% of our workforce, a slight increase on 2013.

Our updated gender diversity strategy will commence in 2015. The measurable objectives acknowledge that future increases in female representation will be gradual while we continue to increase the ratio of graduates to experienced hires. Our performance against the 2014 measurable objectives is set out on 58.

At the end of 2014, Woodside had 99 Indigenous employees, which equates to 2.6% of our Australian workforce. We continued community engagement, strengthening existing relationships, and developing new relationships with schools and universities, community organisations and industry bodies. In support of our Reconciliation Action Plan commitments, we hosted 12 work experience students and awarded eight community cadetships, seven scholarships, five new cadetships and three graduate places to Indigenous university students. There were 44 participants in our trainee and apprentice programs, with 68% of those finishing the program converting to Woodside employment.

Education and training remained a focus to improve diversity outcomes in 2014, with the implementation of a new diversity program for leaders. The diversity awareness for leaders training outlines steps that can be taken to minimise and manage unconscious bias. Cultural awareness training has been embedded into our induction program to raise awareness and build an understanding of Indigenous traditional societies and contemporary issues.

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

Additional information on our people will be available in our 2014 Sustainable Development Report on 17.

Outlook

In support of future growth, we will focus on building long-term sustainable capability from within and continue to enhance our Graduate Development Program to industry-leading standards. Supported by the Leadership and Management Development Framework, our leaders will model how we work together to achieve our corporate goals and develop future leaders from within. Woodside is committed to further embedding a values-led culture to promote a diverse and engaged workforce.

HEALTH, SAFETY, SECURITY AND EMERGENCY MANAGEMENT

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

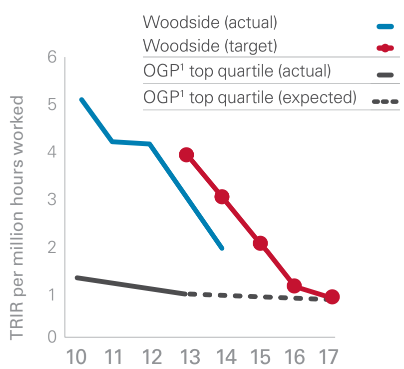
2014 Key performance highlights

- Reduced lost time injury frequency (LTIF) by 49% to 0.22.
- Recorded a 37% improvement in total recordable injury rate (TRIR).
- Recorded 50% reduction on Tier 2 process safety events (PSEs).
- Launched the 'Fit for Life' health program.
- Refreshed the 'Our Safety Culture' framework to provide examples of practical ways the framework can be used.
- Developed and implemented Major Accident Event and Major Environment Event Dashboards.
- Completed a pilot program to streamline our health and safety management system, which reduced documentation by over 50%, thereby improving internal efficiencies.
- Woodside's Fraud and Corruption Control Program was rated among the highest in its peers by Citi and Dow Jones Sustainability Index.
- Implemented a travel security management and training framework.

Future objectives

- Progress towards achieving global top-quartile health and safety performance by 2017.
- Focus on human factors and excellence in leadership to continually improve our health and safety culture.
- Enhance Woodside's 'Our Safety Culture' framework with improved support materials.
- Continue to:
  - improve staff health and personal wellbeing through awareness and training programs;
  - increase emergency management and response competencies across the organisation to ensure high levels of prevention, preparedness and response; and
  - improve and embed process safety through a focus on people, plant and processes.

Total recordable injury rate performance



1 Woodside has benchmarked its TRIR against global top-quartile performance of the International Association of Oil & Gas Producers (IOGP).

Tier 2 Process safety events

In 2012, Woodside commenced classifying PSEs in accordance with American Petroleum Institute Recommended Practice 754, to enable global benchmarking.

A typical Tier 1 PSE is loss of containment of hydrocarbons greater than 500 kg (in any one-hour period).

A typical Tier 2 PSE is loss of containment of hydrocarbons greater than 50 kg but less than 500 kg (in any one-hour period).

Our approach

During 2014, we continued to implement our strategic health and safety roadmap, making solid progress towards delivering on our aspiration of global top-quartile health and safety performance. We benchmarked our performance and maturity of our health and safety management systems against our peers in the International Association of Oil & Gas Producers (IOGP). This verified that our strategy to achieve top-quartile performance by 2017 is sound. Focus areas in 2014 included:

- streamlining our health and safety management systems and processes;
- embedding process safety management systems into our business;
- improving contract management processes for health, safety and environment; and
- improving employee health and wellbeing programs.

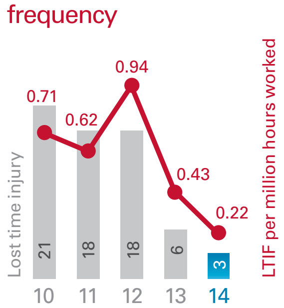
2014 performance

There were zero work-related fatalities in 2014. Our lost time injury frequency (LTIF) reduced by 49% to 0.22 per million work hours. We also improved our overall total recordable injury rate (TRIR) by 37% and reduced recordable injuries by 38% compared to 2013. Shoulder or hand injuries featured in 58% of total recordable injuries (medical treatment, and restricted or lost workday cases).

While our employee TRIR remained steady, the significant improvement in personal safety performance is attributed to increased engagement with our contractors, resulting in a 41% improvement in our contractor TRIR on 2013.

We recorded zero Tier 1 process safety events (PSEs) and two Tier 2 PSEs during the year.

Lost time injury and lost time injury frequency



Key initiatives delivered

Process safety

During 2014, we launched a new performance excellence initiative to improve the delivery of Woodside's process safety management requirements. We continually measure and assess our process safety management system to ensure that it remains effective and continues to drive improvements in performance.

Health and wellbeing

The 'Fit for Life' health program was rolled out in 2014 to raise awareness and provide the foundation for positive behaviour change by staff under three themes: healthy bodies, healthy living and healthy minds. As part of the program, an online health portal was developed to provide staff with access to confidential health assessment tools and health information.

Contractor engagement

Woodside continues to engage with our Australian and international contractors through activities such as health and safety forums which build our relationships, improve contractor understanding of Woodside performance expectations and ensure alignment with our health and safety culture. Our internal contracting processes were revised during 2014 as part of streamlining Woodside's management system to better communicate our performance expectations with contractors.

Stand Together for Safety

A strong focus in 2014 was on enhancing Woodside's safety culture. We celebrated this year's Stand Together for Safety week with a number of companywide activities around the theme 'when it comes to safety we're all connected'. This helped all employees to consider how everyone's day-to-day work is interlinked, and the need to continue to work together to maintain a safe working environment.

Our crisis and emergency management preparedness was enhanced, with local training complementing regular training at all Incident Coordination Centres and facilities. Competency and capabilities were increased to deal with all major hazard events, including oil spill.

Security and emergency management

In a dynamic domestic and international security environment, Woodside's security and emergency management team worked to ensure that the company's travel and operations globally remain protected from new, emerging and existing security threats.

Woodside's exposure to fraud and corruption was further controlled through the completed roll-out of the Fraud and Corruption Control Program. This included a range of mechanisms such as third-party audits, anti-bribery, corruption and fraud training and a new due diligence process. The company has a dedicated anti-bribery and corruption lawyer to complement existing anti-fraud and corruption resources.

Outlook

In 2015, our focus will be on continuing to embed the key elements of our health and safety strategy, including process safety, human factors, mental health and contractor performance, in order to consistently deliver outstanding health and safety performance in all areas of our business. Additionally, we will maintain a robust platform for protection of Woodside's people and assets in all national and international locations.

Major Accident Event and Major Environment Event Dashboards

Ensuring the integrity of our technical barriers in managing major hazards present within our facilities is vital.

In 2014, we adopted and implemented industry best practice in the management of process safety by developing dashboards that provide an overview of the condition of technical barriers at our facilities.

The Major Accident Event and Major Environmental Event Dashboards provide a clear basis for understanding and interpreting the potential cumulative risk based on the status of technical barriers on our facilities. The dashboards support decision making, planning of activities and provide a means of monitoring and reporting in line with the governing safety case.

Additional information will be available in our 2014 Sustainable Development Report on 17.

ENVIRONMENT

We are committed to reducing adverse effects on the environment and aim to be recognised as an industry leader in environmental management and protection.

Woodside's risk-based approach to the management of marine biofouling (marine pests) on our contracted vessels and rigs was recognised in 2014 with the inaugural Western Australia Department of Fisheries Excellence in Marine Biosecurity Award. The award recognises our leadership, innovation and commitment to excellence in marine biosecurity. This work has established Woodside as an industry leader in the risk-based management of biofouling.

2014 Key performance highlights

- Reduced flaring by 29% attributable to facility start-up improvements and high reliability in facility operation.
- Awarded the inaugural Western Australian Department of Fisheries Excellence in Marine Biosecurity Award.
- Delivered robust science in partnership with researchers and stakeholders to support environment risk management and decision making for new country entry.

Future objectives

- Deliver global top-quartile environmental performance to support our Australian and global activities.
- Improve energy and flare efficiency to reduce greenhouse gas emissions.
- Embed a high performance environmental culture in frontline supervisors and workforce.

Our approach

Woodside's approach to environmental management is outlined in our Health, Safety and Environment Policy and the mandatory environmental operating standards that apply to all facilities and operations. We manage environment risk and make decisions based on robust science delivered in part through our strategic partnerships with researchers and stakeholders.

Environmental performance

During 2014, we achieved a 29% reduction in flared gas intensity and recorded a 1% increase in total greenhouse gas emissions.

Four environmental incidents were reported to State and Commonwealth regulators as part of our licence approval conditions. Two incidents occurred on the Northern Endeavour FPSO: a spill to ocean (4.4 bbl of diesel) and the discharge to ocean of cooling water contaminated with light condensate.

There were also two flaring events that resulted in dark smoke emissions following equipment trips and re-starts at the Karratha and Pluto gas plants. No environmental fines or penalties in relation to environmental incidents were received.

Information on Woodside's Health, Safety and Environment Policy can be found on our website.

Controlling environmental impacts

In 2014, Woodside undertook a dedicated improvement project to enhance its oil spill response capabilities. The project delivered significant improvements in several areas, including more comprehensive contingency plans, expanded mutual aid agreements with other industry operators and additional contracts with spill response services that support our Australian and international operations. In addition, environmental baseline surveys were undertaken offshore Western Australia at Rankin Banks, Glomar Shoals and Ningaloo Reef to better understand these regions.

Global biodiversity

During 2014, environmental management support was provided for our activities in Africa, Canada, Ireland, Myanmar and New Zealand.

We worked with joint venture participants to deploy six noise loggers as part of a research project to record whale activity in the offshore waters of Ireland. The results will provide a better understanding of the abundance and seasonality of whales and will support environmental approvals required for our exploration activities in Ireland.

Climate change

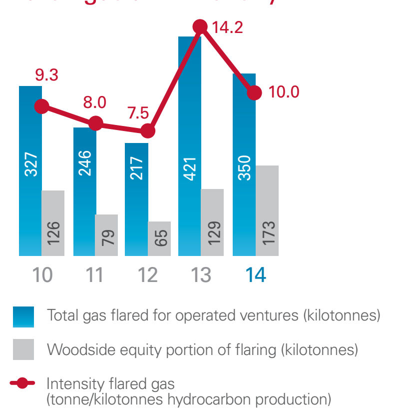
Changes in the Australian Government's climate action policy led to the repeal of the Clean Energy Act 2011 and passage of legislation to implement the Emissions Reduction Fund. We support an effective greenhouse gas regulatory regime that can achieve Australia's international climate action commitments.

Outlook

In 2015, we will seek to minimise our impacts on land, sea, air and wildlife while remaining focused on avoiding loss of containment events or adverse effects to the environment in and adjacent to our areas of operation. We will strive to continually improve energy and flare efficiency to reduce greenhouse gas emissions.

Woodside will continue to utilise robust science to support the management of environment risks associated with our activities and position ourselves as a partner of choice across our growing global portfolio.

Flared gas and intensity[1]



1. Excludes commissioning.

The intensity of flared gas in 2014 showed a decline from the peak in 2013 due to improved plant performance.

Further information on environmental management will be available in our 2014 Sustainable Development Report on 28.

COMMUNITY ENGAGEMENT

Our ability to maintain and protect our social licence to operate relies on Woodside engaging proactively with communities and key stakeholders.

2014 Key performance highlights

- Contributed A$22.6 million worth of social investment[1] to our host communities.
- Our staff contributed 6,300 volunteering hours, valued at A$1.1 million, and we were named Western Australian Corporate Volunteer of the Year.
- Our voluntary social investment contribution equated to 0.70% of a three-year averaged profit before tax from 2012 to 2014.
- Launched the Woodside Development Fund – a ten year, A$20 million commitment to early childhood development and funded more than A$1.7 million of programs.

Future objectives

- Implement and report on outcomes achieved to date through the Woodside Development Fund and support new initiatives.
- Maintain our target of contributing 0.5% profit before tax (on a three-year rolling basis) to community programs.
- Continue to invest in initiatives that enable increased spending on contracts with Indigenous-owned businesses.
- Strengthen connections between our social and cultural contributions to create continuous pathways leading to employment and leadership.

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

Our approach

Woodside is guided by its Sustainable Communities and Indigenous Communities policies to support the economic and social development of local communities and maintain long-term relationships.

Our social investment is focused on creating long-term capacity and capability to ensure that host communities benefit from Woodside's presence. It generates business value in the form of community support and reputational benefits; risk reduction; productivity gains; job creation; and competitive advantage. It is directly linked to our profitability with a target of 0.5% profit before tax.

We take into account a community's interests and concerns when establishing social contribution plans. Three priority areas have been selected to align stakeholder interests across the broad geographical spread of our business activities:

- education and early childhood development within host communities;
- cultural values and community identity of host communities; and
- environmental initiatives, in particular marine and coastal programs.

In Western Australia, we maintain relationships with Aboriginal communities in the Pilbara, Kimberley and South-West regions. Our relationships with Aboriginal people in these regions are framed by our 2011–2015 Reconciliation Action Plan.

The implementation of the new Community Relations Framework and practice guides has supported improved performance in community relations. This is particularly important as we enter new countries.

In 2014, we initiated early engagements with First Nations groups in Canada to support proposals in north-west British Columbia; and with Maori in New Zealand relating to our exploration interests in the Taranaki and Great South Basins.

Woodside facilitated and funded the largest Aboriginal heritage restoration project in Western Australia's history which concluded in 2014. More than 1,700 boulders engraved with Aboriginal rock art were relocated back to country and the site was successfully rehabilitated. Senior Aboriginal Law holders have expressed their satisfaction regarding the process and the outcome.

Our performance

Woodside is a member of the London Benchmarking Group and uses its methodology to track, measure, benchmark and report on our social investment performance.

In 2014, our direct social contribution was A$22.6 million[1]. This includes donations of A$10 million to the Australia New Zealand Army Corps Centenary Public Fund.

Our employees contributed 6,300 volunteering hours, valued at A$1.1 million. As a recognition of our significant volunteering efforts, Woodside was named Western Australian Corporate Volunteer of the Year 2014.

Woodside Development Fund

In February 2014, we announced the establishment of the Woodside Development Fund, which commits A$20 million over the next ten years to early childhood development. The Fund's principles are based on supporting collaborative efforts through aligned measurable outcomes.

In developing the Fund, we consulted extensively with more than 20 government, community and academic organisations, and more than 100 individual expert stakeholders. Our focus will be reducing developmental vulnerability of children in communities of interest by 2025.

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

Further information on the Woodside Development Fund and our approach to social investment can be found on our website and will be available in the 2014 Sustainable Development Report 36.

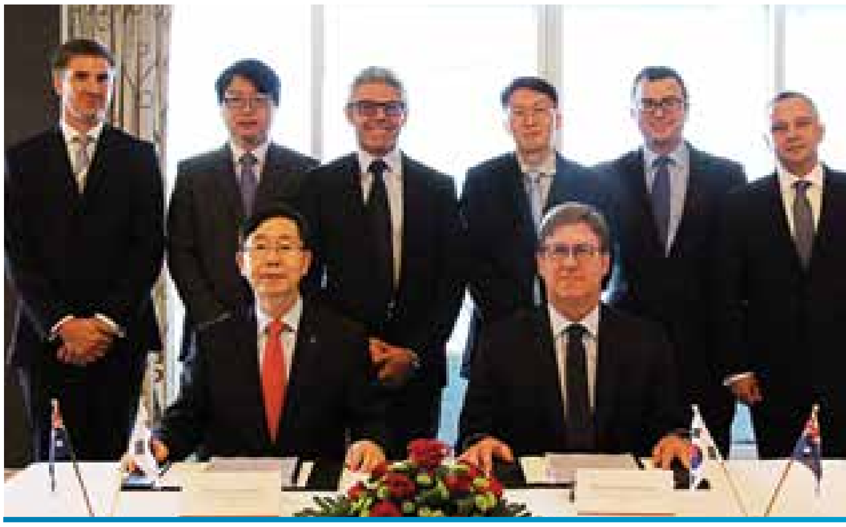
Outlook

In 2015, we will focus on the delivery of social investment priority areas to align with stakeholder interests across the broad geographical spread of our business activities.

We will also continue to apply the Community Relations Framework to support Woodside's current business and growth opportunities.

LNG MARKETING UPDATE

Core capabilities in marketing, trading and shipping are key to the expansion of our global LNG supply portfolio.



Woodside's Executive Vice President (EVP) Marketing, Trading and Shipping Reinhardt Matisons (front right) and Kogas EVP and Chief Operating Officer LNG Procurement and Marketing Division Young Sik Kwon (front left), witnessed by executives of both companies, sign an LNG supply agreement in Singapore in February 2014.

LNG is a growth industry

In 2014, net global LNG imports remained at about 240 million tonnes. The market is expected to rapidly expand, with more than 100 mtpa of additional supply capacity currently under construction and expected to be online by 2020. Much of this incremental supply has already been contracted under long-term off-take agreements.

From 2020, the expected annual average growth rate for global LNG demand is about 3%[1]. Key demand drivers include power generation, industry and the emerging transport sector. The robust outlook for LNG sits within the wider context of long-term annual growth for gas of about 2%[2] and global primary energy demand of about 1%[2].

Long-term LNG growth

The Asia-Pacific region will continue to account for 70–80% of global demand. In this region, demand growth is shifting away from the cornerstone markets of Japan, Korea and Taiwan and shifting towards China, India and South-East Asia. In many developing LNG markets, ongoing regulatory reforms of gas pricing are resulting in higher prices for the end-user. This is positive for the role of LNG in the gas supply mix.

The global LNG market is becoming more diverse, with Singapore, Malaysia and Lithuania entering the market as buyers in the last two years. It is anticipated that Poland, Egypt, Jordon and Uruguay will begin importing LNG in the next two years. Some growth in new markets is being facilitated by floating storage and regasification terminals, which enable faster market entry.

Near-term volatility in the global demand and supply balance

In 2014, changing market dynamics resulted in a reduction in spot prices of about 50%, from approximately US$19 per million British thermal units (MMBtu) to US$10 per MMBtu. The short-term sales sector accounts for about one quarter of total global trade. These 2014 price trends in the short-term market reflected demand and supply factors including:

- weakening oil prices;
- mild weather in key Asian markets;
- return to higher utilisation of nuclear capacity in South Korea;
- subdued South American demand;
- continuation of low gas demand in Europe;
- incremental new supply, notably mid-year start-up of Papua New Guinea (PNG) LNG; and
- globally, higher average availability of existing plant relative to 2013.

Key uncertainties in the medium term include the potential restart of some nuclear reactors in Japan, all of which are currently offline following the Fukushima nuclear disaster in March 2011, and the ramp-up timing of new supply from Australia and the USA. There is significant risk of delay for some projects under construction, therefore the market has the potential to be tighter in the period to 2020. The LNG market will be impacted by volatility in oil price, effects of world economic growth, energy demand and more directly through oil-linked LNG pricing, which is the basis for most long-term sales in Asia.

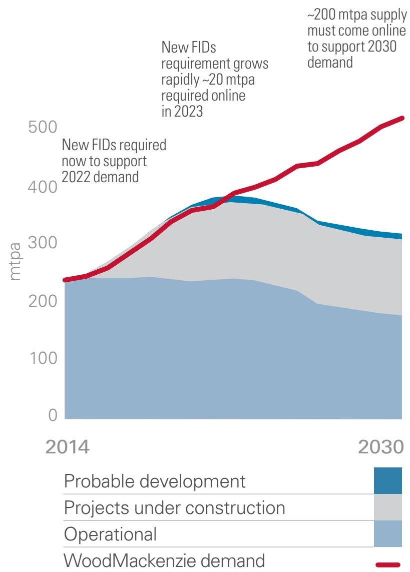
Risk of longer-term supply shortage

Long-term projects that offer new supply are necessary to meet forecast demand and replace declining production from current operations. There is an ongoing need for investment in order for these projects to be online in time. This can be challenging in a climate of oil price volatility. The WoodMackenzie outlook suggests that without commitment to new supply, there will be a shortfall from approximately 2022, and the need for LNG will increase to more than 200 mtpa by the end of the next decade. A prolonged oil price slump will threaten future project development and impact returns on existing LNG projects.

1. WoodMackenzie, LNG Tool, December 2014.
2. International Energy Agency (IEA) (World Energy Outlook – 2014).

With US LNG expected to represent about 15–20% of the global market, it is likely that additional US LNG will meet some of the global demand post 2022. However, for demand to be met, new projects in other supply regions are required. Globally, there are a number of proposals for new non-US projects, both brownfield expansion and greenfield. There is strong competition between proposed projects in Australia, East Africa and Canada to secure foundation sales from 2022 and proceed to a FID. Australia and Canada have the advantage of offering political and fiscal stability, established oil and gas infrastructure and proximity to premium Asian markets.

Global LNG supply and demand



Diversity in pricing mechanisms

The recent introduction of US LNG has contributed to new pricing mechanisms in the Asian market. It is expected that oil-linked pricing will continue to be dominant in long-term sales arrangements. In a high oil price environment, US LNG prices linked to the US-traded Henry Hub (HH) gas price may be lower than oil-linked prices. However, the drop in oil prices in the second half of 2014 has highlighted that this may not be the case when US LNG starts to be delivered.

Some recent negotiations have involved hybrid LNG price mechanisms, featuring a mix of oil-linkage and some component linked to traded gas prices, such as HH or the United Kingdom National Balancing Point. Fundamentally, most end-buyers and governments from LNG importing countries desire competitively priced LNG, while also pursuing greater LNG supply diversification. Regardless of the indexing regime, long-term off-take commitments at robust prices above the average long-term cost of supply are required to underpin investment in new greenfield projects.

Global shipping fleet growth

The increase in LNG shipping demand can be attributed to the growing LNG demand in Asia-Pacific, South America and the Middle East. In 2014, there were more than 100[3] spot charters and more than ten[3] short-term charters; this is an unprecedented level of activity for the industry. Modern tri-fuel diesel electric vessels with low boil-off, such as the Woodside Goode and Woodside Rogers, are the industry preference. Shipping demand is expected to grow in line with supply, with new ships representing 35%[3] of the current fleet on the water.

Customer-valued production

Over the last two years, Woodside completed price review negotiations for existing sales agreements for the Pluto and NWS projects. Pluto foundation sale negotiations were concluded in 2013, while only one price review for NWS was concluded during the year, with others continuing into 2015. Further NWS Sales and Purchase Agreements will be subject to price review in 2015. Therefore, Woodside's share of NWS LNG production, subject to price review in 2015, equates to approximately 1.75 mtpa. Price outcomes for Pluto and NWS in the last two years confirm that production from these projects is highly valued by our long-term customers. Price review outcomes for Pluto foundation sales came into effect in the first half of 2014. Woodside also concluded three mid-term sales agreements underpinned by Pluto volumes, which reflects strong relationships with Asian customers.

Browse equity volumes will play a significant role in Woodside's LNG portfolio growth. We will seek to underpin a Browse FID with long-term contracts at competitive market prices. Browse LNG will be a high-heating value product and is expected to appeal to customers in Japan, Korea and Taiwan. Woodside's Australian LNG is also attractive to new markets such as India, China, Kuwait, Vietnam, Indonesia and Singapore, which require Australian LNG to balance their supply portfolios.

LNG additions to the Woodside portfolio

In 2014, we diversified our sources of supply with the purchase of approximately 0.85 mtpa of US LNG from the proposed Corpus Christi project in south Texas. The supply term is a base period of 20 years from about 2019[4]. This purchase adds a differentiated pricing basis, geographical source and heating value to the Woodside LNG supply portfolio. It enables Woodside to offer pricing regimes to match customers' specific requirements.

During 2014, our dedicated trading office in Singapore continued chartering of our trading vessel (the Woodside Goode), secured long-term US LNG supply from Cheniere and executed mid-term supply contracts and numerous third-party LNG trades.

In 2014, we managed excess LNG from equity production at Pluto and NWS. The benefits of this optimisation activity were attributed to the business units and totalled over US$40 million.

Increasing volatility in both oil and spot LNG pricing and at times limited physical liquidity is making this optimisation function even more critical to ensuring individual assets extract maximum value for their molecules and minimise market risk. Activities include the management of price spreads, volume flexibilities, cargo storage and shipping.

The Woodside Goode has been fully utilised throughout 2014 with the majority of its activity in the Far East. It has also loaded cargoes from Europe and the Middle East.

Future growth and diversification

Woodside continues to nurture and grow customer relationships across the increasing base of LNG buyers in the Asia-Pacific region. Our focus is on expanding the range of marketing volumes, activities and customer offerings. With existing long-term sales, Woodside is pursuing near-term value accretive arrangements with both existing and new customers through LNG spot and mid-term sales and LNG shipping transactions.

We will continue to build a diverse supply portfolio, underpinned by reliable Australian LNG and supplemented by US-sourced volumes to pursue additional long-term sales arrangements. Key growth initiatives include progressing the Browse FLNG Project, a move to equity lifting of uncommitted LNG production from Pluto and NWS, and the acquisition[5] of equity in the Wheatstone and Kitimat LNG projects.

3. Source Poten & Partners Industry Market update, December 2014.
4. Purchase remains subject to conditions precedent.
5. The acquisition is subject to transaction close.

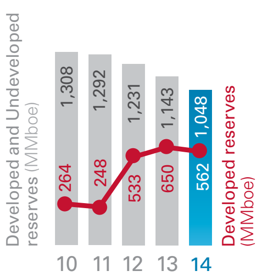
RESERVES STATEMENT

Developed reserves decreased by 13.6% (Proved) and 10.6% (Proved plus Probable) following annual production and updated reservoir studies for a number of assets.

2014 Key performance highlights

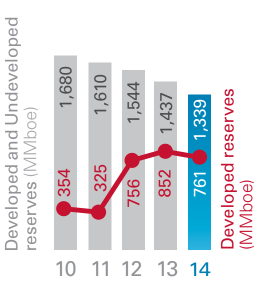
- Strong reservoir performance at Angel resulted in a revision which positively affected both production and reserves.
- The Contingent Resource (2C) estimate of Browse increased by 159 Bcf dry gas following integration of the Tridacna seismic data.
- The Toro discovery was booked as a new Contingent resource.

Proved reserves*



Proved Developed and Undeveloped reserves decreased by 94.9 MMboe due to production, divestment of Neptune and annual reserves revision.

Proved plus Probable reserves*



Proved plus Probable Developed and undeveloped reserves decreased by 98.1 MMboe due to production, divestment of Neptune and annual reserves revision.

Woodside's reserves[1,2,3,4] and Contingent resources[5] overview*

	Dry gas[6] Bcf[8]	Condensate[7] MMbbl[9]	Oil MMbbl	Total MMboe[10]
Proved[11] Developed[12] and Undeveloped[13]	5,263.3	94.9	30.0	1,048.3
Proved Developed	2,799.2	44.7	26.0	561.9
Proved Undeveloped	2,464.1	50.2	3.9	486.4
Proved plus probable[14] Developed and Undeveloped	6,653.6	117.1	54.1	1,338.5
Proved plus probable Developed	3,723.7	58.8	49.1	761.1
Proved plus probable Undeveloped	2,929.9	58.3	5.0	577.3
Contingent resources	7,766.9	235.6	144.6	1,742.9

Key metrics

		Proved	Proved plus probable
2014 reserves replacement ratio[15]	%	4	1
Organic 2014 reserves replacement ratio[16]	%	6	4
Three-year reserves replacement ratio	%	12	2
Organic three-year reserves replacement ratio	%	13	4
Reserves life[17]	Years	10.6	13.5
Annual production[18]	MMboe	99.1	99.1
Net acquisitions and divestments	MMboe	(1.5)	(3.1)

Proved (1P) Developed and Undeveloped reserves annual reconciliation by product*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Reserves at 31 December 2013	5,707.8	102.9	38.9	1,143.2
Revision of previous estimates[19]	6.7	0.5	4.0	5.7
Extensions and discoveries[20]	0.0	0.0	0.0	0.0
Acquisitions and divestments	(0.9)	0.0	(1.3)	(1.5)
Annual production	450.2	8.5	11.6	99.1
Reserves at 31 December 2014	5,263.3	94.9	30.0	1,048.3

Proved plus probable (2P) Developed and Undeveloped reserves annual reconciliation by product*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Reserves at 31 December 2013	7,092.4	125.2	67.0	1,436.5
Revision of previous estimates	13.3	0.4	1.4	4.1
Extensions and discoveries	0.0	0.0	0.0	0.0
Acquisitions and divestments	(1.8)	0.0	(2.8)	(3.1)
Annual production	450.2	8.5	11.6	99.1
Reserves at 31 December 2014	6,653.6	117.1	54.1	1,338.5

Best Estimate Contingent resources (2C) annual reconciliation by product*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Contingent resources at 31 December 2013	7,488.6	230.9	147.6	1,692.3
Transfer to reserves	0.0	0.0	0.0	0.0
Revision of previous estimates	174.2	3.0	(1.5)	32.1
Extensions and discoveries	105.0	1.8	0.0	20.2
Acquisitions and divestments	(0.9)	0.0	(1.5)	(1.7)
Contingent resources at 31 December 2014	7,766.9	235.6	144.6	1,742.9

*Small differences are due to rounding.

Refer to 36 for notes to the reserves statement.

Proved Developed and Undeveloped reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto[21]	3,212.2	49.0	0.0	612.6
North West Shelf[22]	2,051.1	45.9	13.4	419.0
Greater Exmouth[23]	0.0	0.0	15.1	15.1
Other Australia[24]	0.0	0.0	1.5	1.5
Reserves	5,263.3	94.9	30.0	1,048.3

Proved Developed reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	1,399.5	18.4	0.0	264.0
North West Shelf	1,399.7	26.3	11.8	283.6
Greater Exmouth	0.0	0.0	12.7	12.7
Other Australia	0.0	0.0	1.5	1.5
Reserves	2,799.2	44.7	26.0	561.9

Proved Undeveloped reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto[25]	1,812.7	30.6	0.0	348.6
North West Shelf[25]	651.3	19.6	1.6	135.4
Greater Exmouth	0.0	0.0	2.4	2.4
Other Australia	0.0	0.0	0.0	0.0
Reserves	2,464.1	50.2	3.9	486.4

Proved plus Probable Developed and Undeveloped reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	4,427.2	65.7	0.0	842.4
North West Shelf	2,226.4	51.4	20.9	462.9
Greater Exmouth	0.0	0.0	31.5	31.5
Other Australia	0.0	0.0	1.7	1.7
Reserves	6,653.6	117.1	54.1	1,338.5

Proved plus Probable Developed reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	2,226.2	29.1	0.0	419.6
North West Shelf	1,497.6	29.7	18.7	311.1
Greater Exmouth	0.0	0.0	28.7	28.7
Other Australia	0.0	0.0	1.7	1.7
Reserves	3,723.7	58.8	49.1	761.1

Proved plus Probable Undeveloped reserves summary by region*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	2,201.0	36.6	0.0	422.7
North West Shelf	728.9	21.7	2.2	151.8
Greater Exmouth	0.0	0.0	2.8	2.8
Other Australia	0.0	0.0	0.0	0.0
Reserves	2,929.9	58.3	5.0	577.3

Best Estimate Contingent resources summary by region*

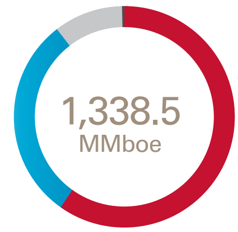
	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Browse[26]	4,819.0	141.8	0.0	987.2
Greater Sunrise[27]	1,716.8	75.6	0.0	376.7
Greater Pluto	659.6	10.6	0.0	126.4
Greater Exmouth	357.2	2.6	114.1	179.4
North West Shelf	148.7	4.7	20.3	51.0
Other Australia	65.5	0.5	10.2	22.1
Contingent resources	7,766.9	235.6	144.6	1,742.9

*Small differences are due to rounding.

Refer to 36 for notes to the reserves statement.

Proved plus Probable reserves

(Developed and Undeveloped)

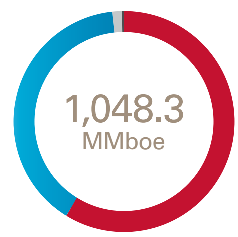


	%
Developed	57
Greater Pluto Undeveloped	32
NWS Undeveloped	11
Other Undeveloped	<1

At year-end 2014, 57% of the Proved plus Probable reserves were categorised as Developed, down from 59% in 2013.

1P Reserves by region

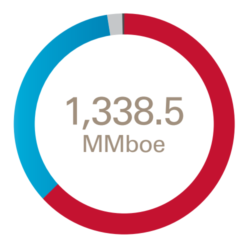
(Developed and Undeveloped)



	%
Greater Pluto	58
NWS	40
Greater Exmouth	1
Other Australia	<1

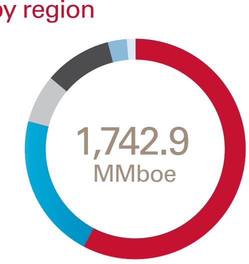
2P Reserves by region

(Developed and Undeveloped)



	%
Greater Pluto	63
NWS	35
Greater Exmouth	2
Other Australia	<1

2C Contingent resource by region



	%
Greater Browse	57
Greater Sunrise	22
Greater Pluto	7
Greater Exmouth	10
NWS	3
Other Australia	1

Governance and assurance

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

Woodside has several processes to provide assurance for reserves reporting, including the Woodside Reserves Policy, the Petroleum Resources Management Operating Standard, staff training and minimum competency levels and external reserves audits. On average, more than 96% of Woodside's Proved reserves have been externally verified by independent review over the past four years.

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

Qualified petroleum reserves and resources evaluator statement

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

Notes to the reserves statement

1 'Reserves' are estimated quantities of petroleum that have been demonstrated to be producible from known accumulations in which the company has a material interest from a given date forward, at commercial rates, under presently anticipated production methods, operating conditions, prices and costs.

2 Assessment of the economic value of a project, in support of a reserves booking, uses Woodside Portfolio Economic Assumptions (PEAs). The PEAs are reviewed on an annual basis or more often if required. The review is based on historical data and forecast estimates for economic variables such as product prices and exchange rates. The PEAs are approved by the Woodside Board. Specific contractual arrangements for individual projects are also taken into account.

3 Woodside uses both deterministic and probabilistic methods for estimation of petroleum resources at the field and project levels. Unless otherwise stated, all petroleum estimates reported at the company or region level are aggregated by arithmetic summation by category. Note that the aggregated Proved level may be a very conservative estimate due to the portfolio effects of arithmetic summation.

4 Woodside reports reserves net of the fuel and flare required for production, processing and transportation up to a reference point. For offshore oil projects, the reference point is defined at the outlet of the FPSO. For onshore LNG projects, the reference point is defined as the inlet to the downstream (onshore) processing facility. Downstream fuel and flare represents 12.4% of Woodside's Proved (Developed and Undeveloped) reserves, and 12.4% of Proved plus Probable (Developed and Undeveloped) reserves.

5 'Contingent resources' are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Woodside reports Contingent resources net of the fuel and flare required for production, processing and transportation up to a reference point and non-hydrocarbons not present in sales products. Contingent resources estimates may not always mature to reserves and do not necessarily represent future reserves bookings. All Contingent resource volumes are reported at the 'Best Estimate' (P50) confidence level.

6 'Dry gas' is defined as 'C4 minus' petroleum components including non-hydrocarbons. These volumes include LPG (propane and butane) resources. Dry gas reserves and Contingent resources include 'C4 minus' hydrocarbon components and non-hydrocarbon volumes that are present in sales product.

7 'Condensate' is defined as 'C5 plus' petroleum components.

8 'Bcf' means billions (10^9) of cubic feet of gas at standard oilfield conditions of 14.696 psi (101.325 kPa) and 60 degrees Fahrenheit (15.56 degrees Celsius).

9 'MMbbl' means millions (10^6) of barrels of oil and condensate at standard oilfield conditions of 14.696 psi (101.325 kPa) and 60 degrees Fahrenheit (15.56 degrees Celsius).

10 'MMboe' means millions (10^6) of barrels of oil equivalent. Consistent with international practice, dry gas volumes are converted to oil equivalent volumes via a constant conversion factor, which for Woodside is 5.7 Bcf of dry gas per 1 MMboe. Volumes of oil and condensate are converted from MMbbl to MMboe on a 1:1 ratio.

11 'Proved reserves' are those reserves which analysis of geological and engineering data suggests, to a high degree of certainty (90% confidence), are recoverable. There is relatively little risk associated with these reserves.

12 'Developed reserves' are those reserves that are producible through currently existing completions and installed facilities for treatment, compression, transportation and delivery, using existing operating methods and standards.

13 'Undeveloped reserves' are those reserves for which wells and facilities have not been installed or executed but which are expected to be recovered through future investments.

14 'Probable reserves' are those reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. There is at least a 50% probability that the quantities actually recovered will exceed the sum of estimated Proved plus Probable reserves.

15 The 'reserves replacement ratio' is the reserves (Developed and Undeveloped) change during the year, before the deduction of production, divided by production during the year. The 'three-year reserves replacement ratio' is the reserves (Developed and Undeveloped) change over three years, before the deduction of production for that period, divided by production during the same period.

16 The 'organic annual reserves replacement ratio' is the reserves (Developed and Undeveloped) change during the year, before the deduction of production and adjustment for acquisition and divestments, divided by production during the year.

17 The 'reserves life' is the reserves (Developed and Undeveloped) divided by production during the year.

18 'Annual production' is the volume of dry gas, condensate and oil produced during the year and converted to MMboe for the specific purpose of reserves reconciliation and the calculation of reserves replacement ratios. The reserves statement annual production differs from production volumes reported in the company's annual and quarterly reports due to differences between sales and reserves product definitions, reserves reported gross of downstream fuel and flare and the MMboe conversion factors applied.

19 'Revision of previous estimates' shows changes in previous estimates of reserves or Contingent resources, either up or down, resulting from new information normally obtained from development drilling and production history or resulting from a change in economic factors.

20 'Extensions and discoveries' represent additions to reserves or Contingent resources that result from increased areal extensions of previously discovered fields, discovery of reserves in new fields or new reservoirs in old fields.

21 The 'Greater Pluto' region comprises the Pluto-Xena, Larsen, Martell, Martin, Noblige, Remy, Alaric and Cadwallon fields.

22 The 'North West Shelf' (NWS) includes all oil and gas fields within the North West Shelf Project Area. As the NWS consists of a portfolio of fields, probabilistic aggregation is more appropriate than arithmetic summation, as inter-field dependencies reflecting different reservoir characteristics between fields are incorporated. Probabilistic aggregation of individual fields in the NWS accounts for 13.5% of NWS Proved (Developed and Undeveloped) dry gvas reserves, and 17.2% of NWS Proved (Developed and Undeveloped) condensate reserves.

23 The 'Greater Exmouth' region comprises Vincent, Enfield, Stybarrow-Eskdale, Greater Laverda, Cimatti, Ragnar and Toro fields.

24 'Other Australia' includes the Laminaria-Corallina and Argus fields.

25 Material concentrations of reserves in the Greater Pluto and North West Shelf regions have remained undeveloped for longer than 5 years from the date they were initially reported as the incremental reserves are expected to be recovered through future developments to meet long term contractual commitments. The incremental projects are included in the company business plan, demonstrating the intent to proceed with the developments.

26 'Greater Browse' comprises the Brecknock, Calliance and Torosa fields. For the Browse FLNG development, the reference point is defined as the outlet of the FLNG facility, which means that Contingent resources are reported excluding the fuel and flare required for production and processing up to the reference point.

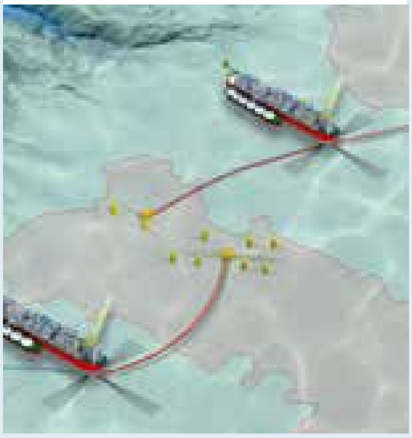
27 'Greater Sunrise' comprises the Sunrise and Troubadour fields.

GROWTH

We are concentrating on aggregating positions around existing focus areas.

ORGANIC

DEVELOPMENTS



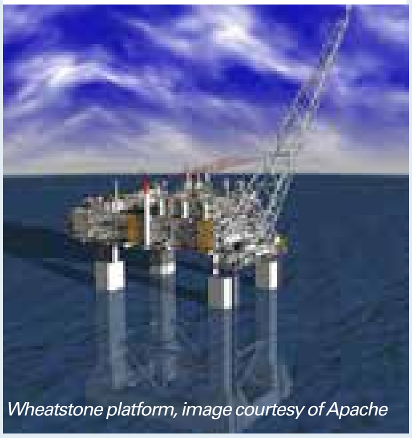
In our pursuit of organic growth opportunities, we are focused on maturating our existing resources into reserves. Our world-class resource base includes Browse and Sunrise.

GLOBAL EXPLORATION

We are growing and rebalancing our global exploration portfolio to generate future growth opportunities for the company. Our focus is on consolidating our portfolio in Australasia, the Atlantic margins and Sub-Saharan Africa.

IN-ORGANIC

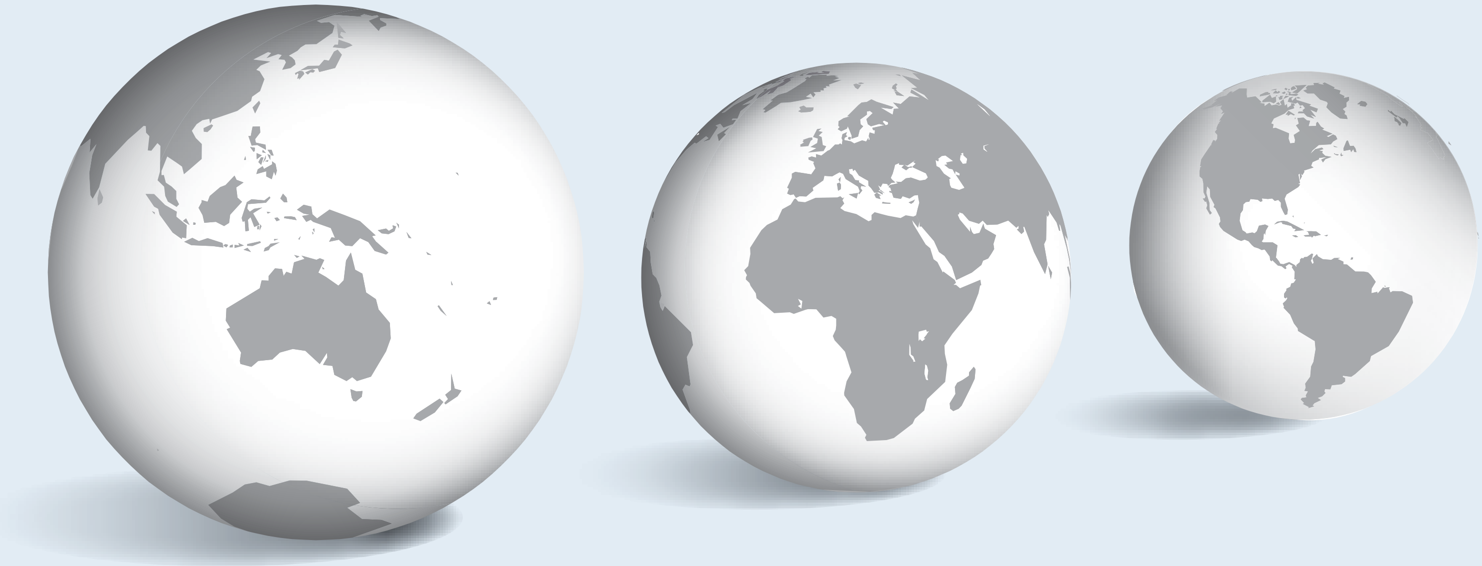
BUSINESS OPPORTUNITIES



Wheatstone platform, image courtesy of Apache

We continually evaluate commercial opportunities which meet our target investment criteria. Recent examples of our inorganic growth include the acquisition of key Apache assets and LNG feasibility studies in British Columbia.

The acquisition is subject to transaction close.



DEVELOPMENTS

Commercialisation of the world-class Browse resources using FLNG technology will enhance our core business by leveraging our extensive floating and subsea operations experience.

Image courtesy of Shell

BROWSE

Key performance highlights

- Technical elements of the basis of design (BOD) phase completed.
- Key pre-front-end engineering and design (FEED) work completed.
- Primary approvals significantly progressed.
- Additional strategic activities and technical work to de-risk the development underway.

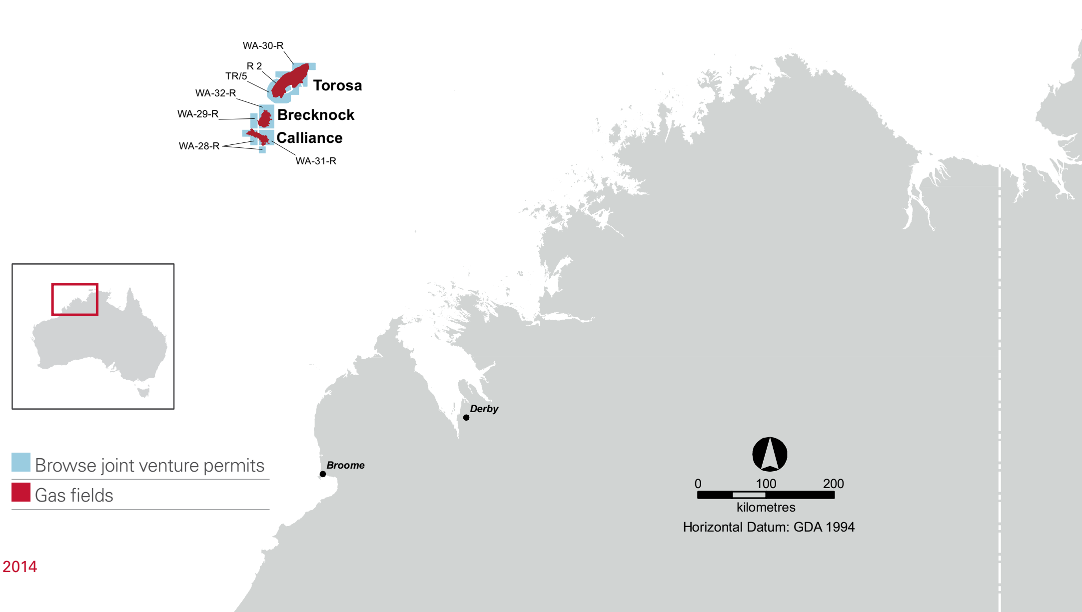
Future objectives

- Pursue cost efficiencies for the development as a result of the substantial shift in market conditions.
- Complete technical work to de-risk the development.
- Complete additional strategic activities (including securing primary approvals and managing the impacts of the maritime boundary change).
- FEED phase entry in mid-2015.
- Woodside is targeting a final investment decision (FID) in 2016.

Interest	TR/5; R2; WA-30-R WA-31-R; WA-32-R WA-28-R; WA-29-R	34% 34% 17%
Operator	Woodside	
Location	Offshore 425 km north of Broome, WA	
Water depth	350–700 metres	
Contingent Resources[1]	4.8 trillion cubic feet (Tcf) of dry gas 141.8 MMbbl condensate	

1 *Woodside share. Net resources are subject to unitisation outcomes.*

Location of joint venture permits in the Browse area



Browse FLNG Development update

Woodside, as operator of the Browse FLNG Development, is progressing floating liquefied natural gas (FLNG) as the preferred development concept to commercialise globally significant resources in the Browse Basin, located offshore approximately 425 km north of Broome in Western Australia (WA).

The Brecknock, Calliance and Torosa fields – collectively known as the Browse resources – are estimated to contain gross (100%) contingent resources (2C) of 15.4 Tcf of dry gas and 453.0 million barrels of condensate (net Woodside assumed unitised share of 4.8 Tcf of dry gas and 141.8 million barrels of condensate).

The BOD phase determines the major design parameters and execution methodologies to enable optimal development of the Browse gas fields. The technical elements of BOD, as well as key pre-FEED work, were completed in December. Additional strategic activities and technical work to de-risk the development ahead of FEED phase entry are now in progress. Woodside anticipates FEED phase entry in mid-2015 and is targeting a FID in 2016.

We are taking advantage of the substantial shift in market conditions to pursue cost efficiencies for the Browse FLNG Development.

Approvals

In May, the National Offshore Petroleum and Titles Administrator advised that proposed changes to the coastal waters boundary of WA around North Scott Reef would potentially impact one of the Commonwealth retention leases covering the Torosa field, with part of the area of the retention lease moving into State jurisdiction. Legislation was subsequently passed by the WA Parliament in November to accommodate the coastal waters boundary change. This boundary change will not affect the Browse retention leases until they are renewed by the Joint Authority and WA Minister for Mines and Petroleum.

The Australian Industry Participation Plan (AIPP) was approved in May by the Commonwealth Australian Industry Participation Authority. The AIPP outlines the Browse joint venture participants' commitment to providing full, fair and reasonable opportunity for local industry to contribute to activities and to maximise local industry participation where it is capable and competitive on the basis of health, safety, environment, quality, cost and delivery.

In June, the Browse joint venture participants submitted renewal applications for the State and Commonwealth Browse retention leases in line with the requirements of the relevant State and Commonwealth legislation. Discussions are ongoing with the State and the Commonwealth on retention lease renewal.

Cooperative work continues with the State in relation to the State's Domestic Gas Policy and the Browse joint venturers' commitment to a WA-anchored supply chain.

The draft Environmental Impact Statement (EIS) was released for a period of public comment in November, which concluded in December. Responses to public comments are being prepared for inclusion in the final EIS document, which is due for submission to the Commonwealth Minister for Environment in mid-2015. A State environmental referral was submitted to the WA Environmental Protection Authority in December to determine whether or not to assess the referral and, if so, the level of assessment.

The preliminary Field Development Plan outlining the nature of the proposed development, and the method of operation and production, was submitted to the Commonwealth and State regulators for review in January 2015. We anticipate submitting the final Field Development Plan in the second half of 2015.

Marketing

We will seek to underpin a Browse FLNG Development FID with long-term contracts at competitive market prices. Browse LNG will be a high heating value product that is expected to be appealing to customers in Japan, Korea and Taiwan. Woodside's Australian LNG is also attractive to new and growing markets such as India, Kuwait, Vietnam, Indonesia and Singapore, which will require Australian LNG to balance its supply portfolios. Solid marketing progress is being made towards a target for customer commitments to Browse in 2015.

Outlook

We remain well placed to complete additional strategic activities and technical work to de-risk the development ahead of FEED phase entry. We have proposed a work program (subject to renewal of the Browse retention leases) that includes completing:

- all technical and commercial activities;
- project and operations readiness activities; and
- the securing of the remaining primary and long-lead secondary approvals required to support a positive FID.

SUNRISE

Woodside 33.44% (operator)

The Greater Sunrise fields hold a contingent resource of 5.13 Tcf of dry gas and 225.9 million barrels of condensate (net Woodside share of 1.7 Tcf of dry gas and 75.6 million barrels of condensate).

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

In September 2014, both governments agreed to defer CMATS arbitration and work towards a settlement.

We continue to engage with both governments to facilitate the timely progression of the development, including discussions on multiple development concepts, both on and offshore options.

Woodside hosted Timor-Leste interns as part of the Timor-Leste Professional Development Program. Interns met with CEO Peter Coleman and Timor-Leste Minister for Petroleum and Natural Resources, Alfredo Pires, during their placement.

GLOBAL EXPLORATION

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

2014 Performance highlights

- Continued to rebalance and grow our global exploration portfolio, with new entries into Cameroon, Canada (Nova Scotia), Gabon, Morocco and Tanzania.
- Consolidated positions in Myanmar and Morocco, with a successful bid in March for an additional four blocks in Myanmar. We finalised an agreement for a reconnaissance licence in Morocco in November.
- The Toro-1 well discovered gas in Exmouth sub-basin permit WA-430-P.
- Acquired 11,678 km^2 of 3D seismic data in six regions: NWS Fortuna, Centaurus (Exmouth sub-basin), Babylon (Exmouth sub-basin), Lord (Browse basin), Muneo (Korea) and Block AD-7 (Myanmar).
- Established new offices in Dublin (Ireland), Wellington (New Zealand) and Yangon (Myanmar) to support our exploration activities in these regions.

Future objectives

- High impact exploration activities in 2015, including:
  - up to three wells in Australia (Outer Canning, Pluto and Exmouth regions);
  - up to three international wells (Cameroon, Korea and Myanmar); and
  - conduct seismic surveys in Morocco, Myanmar, New Zealand, Peru and Tanzania.
- Continue to:
  - pursue opportunities that leverage our deepwater skills and technology capabilities; and
  - grow and high-grade our global exploration portfolio with an emphasis on emerging petroleum provinces that offer materiality.
- Concentrate on aggregating positions around our existing focus areas in Australasia, the Atlantic margins and Sub-Saharan Africa.

Exploration strategy in 2014

During 2014, we remained focused on our strategy to rebalance and grow the materiality and depth of our exploration portfolio. We continued to acquire acreage in new basins, based on our in-depth studies of three key focus regions – Australasia, sub-Saharan Africa and the Atlantic margins. We increased our exposure to emerging and frontier petroleum provinces, including oil-prone basins, providing balance to the predominantly mature basin position held in Australia.

As a strategic driver of future value creation, the growth of Woodside's exploration portfolio has been a key priority for the business throughout the year. The success of our strategy is demonstrated by new entries into emerging and frontier acreage in Cameroon, Canada (Nova Scotia), Gabon, Morocco and Tanzania. This continues the portfolio building achievements of 2013, which added Ireland, Myanmar and New Zealand, and provides further opportunity to leverage the company's deepwater and technology capabilities.

Australian exploration activity

Drilling activity in 2014 included two exploration wells in the Exmouth sub-basin. In WA-255-P, the Rydal-1 well (non-operated) resulted in a non-commercial oil discovery.

In WA-430-P, the Toro-1 well was spudded in May 2014, resulting in a gas discovery announced in July 2014. Well results continue to be evaluated as part of a potential greater Ragnar Hub development opportunity.

During the second half of 2014, the Outer Canning drilling campaign commenced, marking the first test of new plays in this frontier basin. The Hannover South-1 well in WA-466-P was spudded in July 2014, and Steel Dragon-1 in WA-464-P was spudded in November 2014. Both wells resulted in dry holes. The Anhalt-1 top hole was spudded in November and conductor set, prior to returning to the Steel Dragon-1 location in November to complete the well. Anhalt-1 drilling recommenced in November with results expected during Q1 2015.

Seismic activity in 2014 included the NWS Fortuna Survey (4,058 km^2), which was completed in May and will provide the foundation for future NWS exploration and appraisal programs. Preliminary results from seismic interpretation are expected in the second half of 2015.

In the Exmouth sub-basin, the Centaurus (1,240 km^2) and Babylon (1,306 km^2) 3D seismic surveys were completed. In the Browse permit WA-495-P, the Lord 3D marine seismic survey (3,366 km^2) was completed. Seismic processing for these surveys is expected to be finalised in the first half of 2015 and followed by interpretation.

Active portfolio management remained a key focus for the Australian portfolio in 2014, with the company surrendering four lower prospectivity permits during 2014 (AC/P48, WA-451-P, WA-269-P, WA-275-P). In addition, Woodside farmed down 11.1% in Outer Canning permits WA-462-P and WA-466-P to BP Developments Australia Pty Ltd.

This reduced our equity in both permits to 43.9%[1]. Partial divestment supports our disciplined approach to portfolio management in frontier provinces.

In December, Woodside farmed into WA-358-P, extending our exploration position in the Exmouth sub-basin offshore Western Australia. During the same month, Woodside also secured an operating interest in WA-356-P as part of the acquisition of Apache assets[2].

1. BP can elect to withdraw from the acreage after the first well in each permit has been drilled.

2. The acquisition is subject to transaction close.

International exploration activity

Cameroon

Woodside 30% (non-operator)

In October, Woodside entered into an agreement with Noble Energy and Glencore to obtain a 30% participating interest in the Tilapia Production Sharing Contract (PSC) off the coast of Cameroon.

The 3,875 km² block is located in the Douala Basin. The joint venture plans to drill the Cheetah exploration well in 2015.

Canada (Nova Scotia)

Woodside 20% (non-operator)

In December, Woodside finalised an agreement with BP to farm in to offshore blocks in the Scotian Basin, located off the coast of Nova Scotia, Canada. Woodside has a 20% participating interest in exploration licences 2431, 2432, 2433 and 2434, which cover 14,100 km². The future work program is anticipated to include the drilling of exploration wells from 2017.

Gabon

Woodside 40% (non-operator)

In August, Woodside acquired a 40% participating interest in a PSC for Block F15 (now named Doukou Dak) in the Gabon Coastal Basin. The block covers 2,700 km² and is located in the south-western offshore area of Gabon.

Ireland

FEL 5/13
Woodside 90% (operator)

FEL 3/14
Woodside 85% (operator)

FEL 4/14
Woodside 85% (operator)

FEL 5/14
Woodside 60% (operator)

During 2014, Woodside was granted Frontier Exploration Licences (FELs) 3/14, 4/14 and 5/14 (FEL 5/13 had previously been granted at the end of 2013). In early 2014, an office was established in Dublin.

We also made progress on work program commitments, including seismic reprocessing and environmental studies involving the deployment of passive acoustic loggers for monitoring cetacean activity.

Morocco

Rabat Deep Offshore permits I-VI
Woodside 25% (non-operator)

Rabat Ultra Deep Offshore Reconnaissance Licence
Woodside 75% (operator)

In July, Woodside finalised an agreement with Chariot Oil and Gas to farm in to the Rabat Deep Offshore permits I-VI offshore north-western Morocco. Under the agreement, Woodside acquired an initial 25% participating interest in the permits with an option to increase its participating interest to 50% and take operatorship. The interpretation of seismic data acquired in 2014 is now underway ahead of a future decision to drill.

In November, Woodside entered into a contract for an exclusive Reconnaissance Licence with the Office National des Hydrocarbures et des Mines (ONHYM). The licence covers a block known as the Rabat Ultra Deep Offshore area, located just west of the Rabat Deep Offshore permits I-VI, and covers an area of 36,737 km². Woodside is planning to acquire a 2D seismic survey in 2015. The joint venture comprises Woodside, (75%) and ONHYM (25%).

Our areas of activity – global exploration

Myanmar Country Manager Daniel Clery (right), leads the Yangon office established in early 2014.

Myanmar

A-6 Woodside 50% (joint operator)
MPRL 50% (joint operator)

AD-7 Woodside 40% (operator for drilling)
Daewoo International 60% (overall operator)

A-7 Woodside 45% (operator)

AD-5 Woodside 55% (operator)

A-4 Woodside 45% (non-operator)

AD-2 Woodside 45% (non-operator)

In early 2014, Woodside established an office in Yangon to support future exploration activities.

The Padauk 3D seismic survey data was acquired in Block A-6 in early 2013. Following the interpretation of 3D data, the joint venture will decide on the location and drilling of a commitment well in late 2015.

In March 2014, 3D seismic acquisition (1,204 km^2) was completed with our venture participant in AD-7. In 2015, interpretation will be completed and the joint venture will make a decision on whether to drill an exploration well in the block.

During Q1 2014, Woodside was successful in bidding on four new blocks (A-7, AD-5, A-4 and AD-2) in the Myanmar Government 2013 Offshore Bid Round. The addition of these new blocks provides a material position in the underexplored Rakhine Basin off north-west Myanmar. Following the expected execution of PSCs for these blocks in Q1 2015, the joint venture will commence its work obligations.

New Zealand

Woodside 70% (operator)

Woodside is in a joint venture with New Zealand Oil & Gas Ltd in two offshore permits – PEP 55793 in the Taranaki Basin and PEP 55794 in the Great South Basin. The permits came into force on 1 April 2014.

A comprehensive program of stakeholder engagement has supported environmental approvals received from the New Zealand Department of Conservation. Seismic operations for the Vulcan 3D seismic survey (1,030km^2) in the Taranaki Basin commenced in January 2015. The Toroa 3D seismic survey (1,140km^2) in the Great South Basin is due to commence in Q1 2015. During 2014, Woodside established an office in Wellington to assist with managing exploration interests in New Zealand.

Peru

Woodside 35% (non-operator)

During the second half of 2014, the joint venture commenced a 2D seismic survey over block 108. This survey is expected to be completed in Q1 2015, having acquired 550 km of 2D seismic data. During 2015, the seismic data will be processed and interpreted.

Republic of Korea

Woodside 50% (operator exploration)

In the Ulleung Basin Block 8/6-1N, the 504 km^2 Muneo 3D seismic survey was completed in June 2014. Planning is underway to drill a well in the deepwater part of the basin in Q4 2015.

Spain (Canary Islands)

Woodside 30% (non-operator)

Woodside elected not to participate in the Sandia-1X well that was spudded by the operator (Repsol) in Q4 2014. Woodside continues to work with the joint venture on the future exploration work program.

Tanzania

Woodside 70% (non-operator)

In July 2014, an agreement was finalised with Beach Energy to farm in to the prospective rift basin of Lake Tanganyika in western Tanzania. Under the agreement, Woodside acquired an initial 70% participating interest in the Lake Tanganyika South Block and the respective Production Sharing Agreement (PSA). The agreement is subject to required government and regulatory approvals.

In November, an infill 2D seismic program commenced to firm up drillable prospects for possible drilling in future phases of the PSA. Subsequent to year-end, the 2D seismic program was completed. The survey program acquired 1,333 full fold line km of marine data on the lake and 116 full fold line km on the land, including transition zone data.

Outlook

In 2015, we will continue to grow and high-grade our global exploration portfolio with an emphasis on emerging petroleum provinces, while also concentrating on aggregating positions around our existing focus areas in Australasia, the Atlantic margins and Sub-Saharan Africa. We will execute work programs across our new acreage portfolio, including seismic studies and drilling to deliver on our key strategic objective of finding commercial oil and gas.

In 2015, drilling activity in Australia will continue in the Outer Canning permits, with Anhalt-1 in WA-462-P due to reach its objective in Q1. The rig will then mobilise to the Carnarvon Basin to drill the Pyxis exploration well in the Pluto Production Licence (WA-34-L) and the Malaguti (WA-271-P) exploration well in the Exmouth sub-basin.

Internationally, drilling activities in 2015 will include up to three wells – one in Cameroon, one in Myanmar, and one in Republic of Korea. Seismic surveys are planned in Morocco, Myanmar, New Zealand, Peru and Tanzania.

BUSINESS OPPORTUNITIES

We are committed to expanding our global portfolio through premium developments and securing significant new growth opportunities.

Apache acquisition

In line with the company's strategy to grow our portfolio, we entered into a binding transaction with Apache Corporation to acquire their Wheatstone LNG, Balnaves oil and Kitimat LNG project interests. The acquisition was made at an aggregate purchase price of US$2.75 billion, which is a discount to sunk costs. A closing adjustment for working capital and net cash flows from effective date to closing, representing the estimated subsequent investment in the acquired assets, primarily Wheatstone will be incurred.

The acquisition leverages our LNG operating and marketing, FPSO operations and subsea capabilities, while providing increased growth options and opportunities for synergies with existing operations. It is a natural fit with our current portfolio, and will build our development pipeline and increase our LNG production profile. The transaction process followed detailed due diligence and met our internal investment criteria.

The acquisition has an effective date of 1 July 2014, and is subject to regulatory approvals, and joint venture participant consent for the Kitimat LNG project. Woodside and Apache have commenced the process of obtaining the necessary regulatory approvals and joint venture participant consents, and are targeting financial close by end Q1 2015. The transaction will have no material impact on Woodside's 2014 financial accounts.

Wheatstone LNG project

Wheatstone is a world-class asset that delivers material near-term production and cash flow. The project comprises:

- Wheatstone facilities: 8.9 mtpa two-train LNG development (1.16 mtpa Woodside share) and a 200 TJ/d domestic gas plant (26 TJ/d Woodside share); final investment decision was taken in 2011, and is 55% complete[1], with first gas expected in late 2016; approximately 80% of LNG volumes are under long-term contracts; and
- Julimar-Brunello resource: Woodside will supply gas from the Julimar-Brunello fields to Wheatstone.

Balnaves oil project

Balnaves is a light oil field adjacent to the Brunello gas field in the Carnarvon basin and will deliver immediate production to Woodside. It commenced production in August 2014 through the leased Armada Claire FPSO.

Kitimat LNG project

Kitimat offers a ground floor entry position in the most advanced LNG opportunity in Western Canada. Woodside will work with Chevron to finalise transitional and operatorship arrangements.

The Liard basin holds significant potential. Our focus over the next 12 months is on drilling in this basin to underpin an LNG development, while maintaining our strong upstream position.

The current development concept comprises:

- downstream infrastructure with initial capacity of ~10 mtpa[2] (5 mtpa Woodside share); and
- upstream resource in Horn River and Liard, covering approximately 320,000 net acres.

In the current oil price environment it is prudent to review our rate of capital expenditure on Kitimat.

	Wheatstone		Balnaves	Kitimat	
	Project facilities	Julimar-Brunello		Downstream	Horn River and Liard acreage
Basin	Carnarvon		Carnarvon	Horn River and Liard	
Equity	13%[4]	65%[3]	65%[3]	50%[4]	50%[3]
Product	Gas and liquids capacity	Gas and liquids	Oil	Gas capacity	Gas

Note: Reserves and resources of acquired assets will be provided upon transaction close.
1. Source: Chevron Wheatstone Project Update, 30 January 2015.
2. National Energy Board approval for export of 10 mtpa LNG.
3. Woodside operator.
4. Non-operator

Wheatstone LNG, image courtesy of Chevron Australia

Woodside is assessing the feasibility of constructing an LNG export facility in the Prince Rupert region of British Columbia, Canada.

Canada

In January 2014, Woodside signed a Sole Proponent Agreement with the Government of British Columbia to access land at Grassy Point to undertake feasibility studies for a potential LNG development.

The three-year agreement is subject to meeting key milestones including annual payments, obtaining an export licence and commencing an environmental assessment process.

During the year, Woodside initiated an assessment of the economic and technical feasibility of the Grassy Point opportunity, including geotechnical surveys on the site. In parallel, we commenced consultation activities with First Nations, government and community stakeholders.

Woodside initiated the environmental assessment process in August 2014, following submission of a Project Description to the British Columbia Environmental Assessment Office. The proposed Grassy Point LNG development was subsequently deemed reviewable by the regulator. Woodside continues to progress the required environmental approvals under this process, including a multi-round consultation process with First Nations and other stakeholders.

Subsequent to year end, Woodside was granted a licence from the National Energy Board to export up to 20 mtpa of natural gas from the Grassy Point site for a period up to 25 years. The licence is a key obligation under the Sole Proponent Agreement and will be effective upon endorsement by the Governor in Council.

While Woodside has progressed the environmental assessment process, any decision to proceed with an LNG development at Grassy Point remains subject to a variety of internal and external approvals.

United States – Gulf of Mexico

In May 2014, Woodside sold its 20% non-operated working interest in the producing Neptune Field – Atwater Valley (blocks 574, 575 and 618, along with an interest in the associated tension platform) to W & T Energy.

Woodside is committed to continuing its presence in the USA and utilising its USA-based infrastructure to provide technical and asset-management services for other companies within the Woodside group.

Israel

In May 2014, Woodside advised that it had elected to terminate the Memorandum of Understanding entered into with the Leviathan joint venture. We had sought to acquire a 25% participating interest in each of the 349/Rachel and 350/Amit petroleum licences located offshore in Israeli waters.

Negotiations between the parties failed to reach a commercially acceptable outcome that would have allowed fully-termed agreements to be executed. Our decision not to proceed highlights our disciplined capital management and decision making.

GOVERNANCE

BOARD OF DIRECTORS

a) MICHAEL A CHANEY, AO

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

Director since November 2005
Chairman since July 2007
Independent: Yes
Age: 64
Residence: Perth, Australia

Experience

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

Committee membership

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

Current directorships/other interests

Chair: National Australia Bank Limited (director since 2004) and Gresham Partners Holdings Limited (director since 1985).

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

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

Member: Prime Minister's Business Advisory Council (since 2013) and Commonwealth Science Council (since November 2014).

b) PETER J COLEMAN

CEO and Managing Director –BEng, MBA, FATSE

Director since May 2011
Independent: No
Age: 54
Residence: Perth, Australia

Experience

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

Committee membership

Attends Board committee meetings.

Current directorships/other interests

Chair: Australia-Korea Foundation (since December 2014).

Member: The University of Western Australia Business School Board (since 2011), Executive Committee of the Australia Japan Business Co-operation Council (since 2011), Australian Institute of Company Directors, Australia-India Chief Executive Officers' (CEO) Forum and Monash Engineering Foundation.

c) MELINDA A CILENTO

BA, BEc (Hons), MEc
Director since December 2008
Independent: Yes
Age: 49
Residence: Melbourne, Australia

Experience

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

Committee membership

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

Current directorships/other interests

Director: Australian Unity Limited (since 2014).

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

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

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

d) FRANK C COOPER, AO

BCom, FCA
Director since February 2013
Independent: Yes
Age: 59
Residence: Perth, Australia

Experience

More than 35 years' experience in corporate tax, specialising in the mining, energy and utilities sector, including most recently as a partner of PricewaterhouseCoopers. Director of Alinta Infrastructure Limited and Alinta Funds Management Limited (2005 to 2006).

Committee membership

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

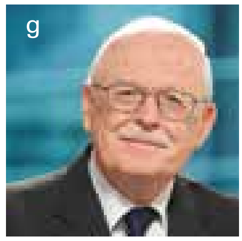
Current directorships/other interests

Director: The Fathering Project Pty Ltd and St John of God Australia Ltd (since January 2015).

Chair: Insurance Commission of Western Australia, University of Western Australia Strategic Resources Committee and West Australian Football Commission.

Member: Senate of the University of Western Australia, State Health Research Advisory Council and State Council of the Australian Institute of Company Directors.

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



e) CHRISTOPHER M HAYNES, OBE

BSc, DPhil, CEng, FIMechE
Director since June 2011
Independent: Yes
Age: 67
Residence: United Kingdom

Experience

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

Committee membership

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

Current directorships/other interests

Director: WorleyParsons Limited (since 2012).

f) ANDREW JAMIESON, OBE

FREng, CEng, FIChemE
Director since February 2005
Independent: Yes
Age: 67
Residence: United Kingdom

Experience

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

Committee membership

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

Current directorships/other interests

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

Director: Hoegh LNG Holdings Ltd (since 2009) and Velocys PLC (since 2010).

Non-Executive Director: Hoegh LNG Partners (since 2014).

g) DAVID I McEVOY

BSc (Physics), Grad Dip (Geophysics)
Director since September 2005
Independent: Yes
Age: 68
Residence: Sydney, Australia

Experience

34-year career with ExxonMobil involving extensive international exploration and development experience.

Committee membership

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

Current directorships/other interests

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

h) SARAH E RYAN

PhD (Petroleum and Geophysics), BSc (Geophysics) (Hons 1), BSc (Geology)
Director since December 2012
Independent: Yes
Age: 48
Residence: Sunshine Coast, Australia

Experience

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

Committee membership

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

Current directorships/other interests

Director: Akastor ASA (since 2011).

i) GENE T TILBROOK

BSc, MBA
Director since December 2014
Independent: Yes
Age: 63
Residence: Perth, Australia

Experience

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

Committee membership

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

Current directorships/other interests

Director: Aurizon Holdings Limited, Orica Limited, Fletcher Building Limited (until Q1 2015), GPT Group Limited and the Bell Shakespeare Company.

President: Australian Institute of Company Directors (Western Australia division).

Councillor: Curtin University.

NOT PICTURED

ROB COLE

BSc, LLB (Hons)

Mr Rob Cole resigned effective on 26 November 2014 after two years of service on Woodside's Board of Directors as Executive Director. Mr Cole also resigned as Executive Vice President Corporate and Commercial.

CORPORATE GOVERNANCE STATEMENT

We believe high standards of governance and transparency are essential.

1 Corporate governance at Woodside

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

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

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

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

In March 2014, the ASX Corporate Governance Council released the third edition of its Corporate Governance Principles and Recommendations (ASXCGC Recommendations), which Woodside has chosen to early adopt. Throughout the year, Woodside continued the corporate governance practices disclosed in our 2013 Corporate Governance Statement (which complied with the second edition of the ASXCGC Recommendations) and, where appropriate, has updated its arrangements and reporting to reflect the new ASXCGC Recommendations.

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

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

2 Board of directors

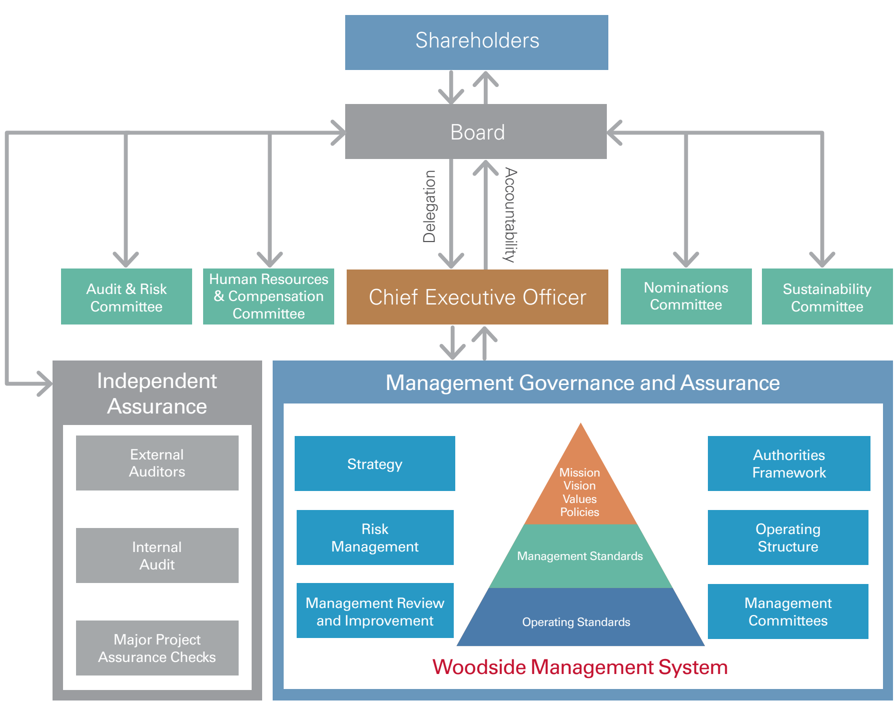
2.1 Board role and responsibilities

The Constitution provides that the business and affairs of the company are to be managed by or under the direction of the Board. The Board has approved a formal Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Woodside's business activities is delegated to the Chief Executive Officer (CEO) who is accountable to the Board. The Board Charter and the delegation of Board authority to the CEO are reviewed regularly.

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

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

- the appointment and removal of the CEO, any other executive directors and the Company Secretary and determination of their remuneration and conditions of service;



- approving senior management succession plans and significant changes to organisational structure;
- authorising the issue of shares, options, equity instruments or other securities;
- authorising borrowings, other than in the ordinary course of business, and the granting of security over the undertaking of the company or any of its assets;
- authorising expenditures which exceed the CEO's delegated authority levels;
- approving strategic plans and budgets;
- approving the acquisition, establishment, disposal or cessation of any significant business of the company;
- approving dividends;
- approving annual and half-year reports and disclosures to the market that contain or relate to financial projections, statements as to future financial performance or changes to the policy or strategy of the company;
- approving policies of company-wide or general application;
- appointing the Chairman of the Board;
- the appointment of directors who will come before shareholders for election at the next annual general meeting (AGM); and
- establishing procedures which ensure that the Board is in a position to exercise its powers and to discharge its responsibilities as set out in the Board Charter.

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

2.2 Board composition

The Board is comprised of eight non-executive directors and the CEO. Details of the directors, including their qualifications, experience, date of appointment and independent status, are set out in *Table 1*. Detailed biographies are available on 46 and 47.

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

- the Chairman should be non-executive and independent;
- the role of the Chairman and the CEO should not be filled by the same person;
- the CEO should be a full-time employee of the company;
- the majority of the Board should comprise directors who are both non-executive and independent;
- the Board should represent a broad range of qualifications, diversity, experience and expertise considered of benefit to the company; and
- the number of Shell-nominated directors, as a proportion of the Board, should normally be in the proportion that Shell's holding of fully paid ordinary shares in the company bears to all of the issued fully paid ordinary shares in the company.

The directors on the Board collectively have a combination of skills and experience in the competencies set out in *Table 2*. These competencies are set out in the skills matrix that the Board uses to assess the skills and experience of each director and the combined capabilities of the Board.

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

Table 1 – Details of directors

Name of director	Term in office	Qualifications	Status (Independent or Executive)
M Chaney (Chairman)	Director since November 2005 Chairman since July 2007	BSc, MBA, Hon LLD (UWA), FAICD	Independent
P Coleman (CEO and Managing Director)	Director since May 2011	BEng, MBA	Executive
M Cilento	Director since December 2008	BA, BEc (Hons), MEc	Independent
F Cooper	Director since February 2013	BCom, FCA	Independent
C Haynes	Director since June 2011	BSc, DPhil, CEng, FIMechE	Independent
A Jamieson	Director since February 2005	F.R.Eng., C.Eng., F. Inst Chem E	Independent
D McEvoy	Director since September 2005	BSc (Physics), Grad Dip (Geophysics)	Independent
S Ryan	Director since December 2012	PhD (Petroleum and Geophysics), BSc (Geophysics) (Hons 1), BSc (Geology)	Independent
G Tilbrook	Director since December 2014	BSc, MBA	Independent

Table 2 – Areas of competence and skills of the Board of directors

Area	Competence
Leadership	Business Leadership, Public Listed Company Experience
Business and Finance	Accounting, Audit, Business Strategy, Competitive Business Analysis, Corporate Financing, Financial Literacy, Gas/LNG Marketing, Legal, Mergers & Acquisitions, Petroleum Agreements / Fiscal Terms, Risk Management, Tax – Petroleum
Sustainability and Stakeholder Management	Community Relations, Corporate Governance, Environmental Issues, Government Affairs, Health & Safety, Human Resources, Industrial Relations, Remuneration
Technical	Oil & Gas Technology, Petroleum Exploration, Petroleum Development, Petroleum Production Operations
International	International Exploration and Production

The Board considers that collectively the directors have the range of skills, knowledge and experience necessary to direct the company. The non-executive directors contribute operational and international experience, an understanding of the industry in which Woodside operates, knowledge of financial markets and an understanding of the health, safety, environmental and community matters that are important to the company. The CEO brings an additional perspective to the Board through a thorough understanding of Woodside's business.

The directors on the Board represent a diverse range of nationalities and backgrounds. There are two women on the Board. The Board recognises that there is a gender imbalance, and that opportunities exist to address this upon future retirements of non-executive directors. The Board has adopted an objective of having at least 30% female representation on the Board by 2016.

The Constitution provides that the company is not to have more than 12, nor less than three, directors.

2.3 Chairman

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

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

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

Mr Chaney is also chairman of National Australia Bank Limited (NAB). The Board considers that neither his chairmanship of NAB, nor any of his other commitments (listed on 46), interfere with the discharge of his duties to the company. The Board is satisfied that Mr Chaney commits the time necessary to discharge his role effectively.

2.4 Director independence

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

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

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

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

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is employed, or has previously been employed in an executive capacity by the company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is, or has within the last three years been, a partner, director or senior employee of a material professional adviser to the company or another Group member;
- is, or has been within the last three years, in a material business relationship with the company or another Group member, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with the company or another Group member other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the company for such a period that his or her independence may have been compromised.

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

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

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

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

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

Dr Haynes serves on the board of directors of WorleyParsons Limited, a supplier of engineering services to Woodside. The value of services provided by the WorleyParsons Limited group of companies to Woodside in 2014 was under the Board's materiality threshold relating to suppliers. The Board, having regard to the nature and value of the commercial relationship between Woodside and WorleyParsons Limited, is satisfied that Dr Haynes remains independent. Where a matter involving WorleyParsons Limited comes before the Board, the Directors' Conflict of Interest Guidelines apply (refer ***section 2.5***).

Certain non-executive directors hold directorships or executive positions in companies with which Woodside has commercial relationships. Details of other directorships and executive positions held by non-executive directors are set out on 46 and 47.

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

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

2.5 Conflicts of interest

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

A director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter and when the matter comes before the Board for discussion, the director withdraws from the meeting for the period the matter is considered and takes no part in the discussions or decision-making process.

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

2.6 Board succession planning

The Board manages its succession planning with the assistance of the Nominations Committee. The committee annually reviews the size, composition and diversity of the Board and the mix of existing and desired competencies across members and reports its conclusions to the Board. In conducting the review, the skills matrix referred to in ***section 2.2*** is used to enable the committee to assess the skills and experience of each director and the combined capabilities of the Board. The results of this review are considered in the context of Woodside's operations and strategy. Where the committee identifies existing or projected competency gaps, it recommends a succession plan to the Board that addresses those gaps. The Board does not currently consider that there are any existing or projected competency gaps.

Recognising the importance of Board renewal, the committee takes each director's tenure into consideration in its succession planning. As a general rule, a director would not usually be expected to nominate for re-election once he or she has served ten years on the Board.

Exceptions to this principle may be made where the Nominations Committee considers that an individual director brings special skills to the Board which are difficult to replace at the time and the Board has assessed the director as remaining independent.

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

In its evaluation of candidates for the Board, the Nominations Committee will have regard to normally accepted nomination criteria, including:

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

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

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

Woodside undertakes appropriate background and screening checks prior to nominating a director for election by shareholders, and provides to shareholders all material information in its possession concerning the director standing for election or re-election in the explanatory notes accompanying the notice of meeting.

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

During 2014, the Board conducted an extensive search for suitable candidates for the Board. The search culminated in the appointment by the Board of Mr Gene Tilbrook with effect on 4 December 2014.

Mr Rob Cole resigned as an executive director with effect on 26 November 2014.

2.7 Directors' retirement and re-election

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

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

2.8 Directors' appointment, induction training and continuing education

All new non-executive directors are required to sign and return a letter of appointment which sets out the key terms and conditions of their appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work. Executive directors and senior executives enter into employment agreements which govern the terms of their employment.

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

All directors are expected to maintain the skills required to discharge their obligations to the company. Woodside provides professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively. Directors attend continuing professional education sessions including industry seminars and approved education courses which are paid for by the company, where appropriate. In addition, the company provides the Board with regular educational information papers and presentations on industry-related matters and new developments with the potential to affect Woodside.

2.9 Board performance evaluation

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

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

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

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

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

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

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

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

The Remuneration Report on pages 64 to 77 discloses the process for evaluating the performance of senior executives, including the CEO. In 2014, performance evaluations for the Board, its committees, directors and senior executives took place in accordance with the process disclosed above and in the Remuneration Report.

2.10 Board access to information and independent advice

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

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

2.11 Directors' remuneration

Details of remuneration paid to directors (executive and non-executive) are set out in the Remuneration Report on pages 64 to 78. The Remuneration Report also contains information on the company's policy for determining the nature and amount of remuneration for directors and senior executives and the relationship between the policy and company performance.

Shareholders will be invited to consider and approve the Remuneration Report at the 2015 AGM.

2.12 Board meetings

During the year ended 31 December 2014, the Board held seven Board meetings. In addition, a strategic planning session was held in conjunction with the April Board meeting. A number of directors also made site visits during the year. Details of directors' attendance at Board meetings are set out in *Table 3* on 55.

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

Typically at Board meetings the agenda will include:

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

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

The CFO and the Company Secretary attend meetings of the Board by invitation. Other members of senior management attend Board meetings when a matter under their area of responsibility is being considered or as otherwise requested by the Board.

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

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

2.13 Company secretaries

Details of the Company Secretaries are set out on 62 in the Directors' Report. The appointment and removal of a Company Secretary is a matter for decision by the Board. The Company Secretaries are responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All directors have direct access to the Company Secretaries who are accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

3 Committees of the Board

3.1 Board committees, membership and charters

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

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

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

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

Each committee has a charter, detailing its role, duties and membership requirements. The committee charters are reviewed regularly and updated as required. Prior to the commencement of each year, the committees set an annual agenda for the coming year with reference to the committee charters and other issues the committee members or Board consider appropriate for consideration by the committees.

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

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

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

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

The composition of each committee and details of the attendance of members at meetings held during the year are set out in *Table 3* on 55.

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

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

Each standing committee participates in a regular review of its performance and effectiveness. As a result of the 2014 review, the Board is satisfied that the committees have performed effectively with reference to their charters.

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

3.2 Audit & Risk Committee

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

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

It is intended that the members of the Audit & Risk Committee between them should have the accounting and financial expertise, and a sufficient understanding of the industry in which Woodside operates, to be able to effectively discharge the committee's responsibilities.

The chairman of the Audit & Risk Committee cannot be the Chairman of the company.

Members of the Audit & Risk Committee are identified in *Table 3* on 55 which sets out their attendance at meetings. Their qualifications are listed on 46 and 47.

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

- monitoring developments in accounting, financial reporting and taxation relevant to Woodside;
- approval of the scope, plan and fees for the 2014 external audit;
- reviewing the independence and performance of the external auditor;
- reviewing significant accounting policies and practices;
- reviewing Internal Audit reports and approval of the 2015 Internal Audit plan;
- reviewing the Group's key risks and risk management framework and confirming that the framework was sound;
- reviewing reports from management on the effectiveness of the Group's management of its material business risks;
- monitoring matters arising under the Code of Conduct and the Whistleblower Policy;
- reviewing and making recommendations to the Board on amendments to the committee's charter; and
- reviewing and making recommendations to the Board for the adoption of the Group's half-year and annual financial statements.

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

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

3.3 Nominations Committee

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

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

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

Table 3 on 55 sets out their attendance at committee meetings.

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

- review of the size and composition of the Board;
- Board succession planning;
- making recommendations to the Board regarding the directors seeking re-election at the 2015 AGM; and
- approval of the process for the annual Board performance evaluation.

3.4 Human Resources & Compensation Committee

The role of the Human Resources & Compensation Committee is to assist the Board in establishing human resources and compensation policies and practices which:

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

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

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

Members of the Human Resources & Compensation Committee are identified in *Table 3* on 55 which sets out their attendance at meetings.

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

- monitoring legislative and corporate governance developments in relation to employment and remuneration matters relevant to Woodside;
- reviewing the company's remuneration policies and practices, approving the use of remuneration consultants to provide recommendations in respect of the remuneration of Woodside's key management personnel and considering advice on the remuneration of Woodside's key management personnel;
- reviewing the company's recruitment and retention strategies;
- approval of the appointment and remuneration packages of executives reporting directly to the CEO;
- monitoring progress against measurable objectives in respect of gender diversity; and
- reviewing and making recommendations to the Board on:
  - remuneration for non-executive directors;
  - the remuneration of the CEO;
  - the criteria for the evaluation of the performance of the CEO;
  - incentives payable to the CEO;
  - employee-equity based plans; and
  - the annual Remuneration Report.

Review of the 2014 performance of the CEO and executive succession planning was conducted by the Board.

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

Woodside's guidelines on the use of remuneration consultants set out requirements to ensure the independence of remuneration consultants from Woodside's management, including the process for the selection of consultants and their terms of engagement. Remuneration consultants are engaged by, and report directly to, the committee. Further information on the activities of the Human Resources & Compensation Committee in relation to the use of remuneration consultants during 2014 is provided in the Remuneration Report on 71.

The Chairman, the CEO and the head of the Human Resources function are regular attendees at the Human Resources & Compensation Committee meetings. The CEO was not present during any committee or Board agenda item where his remuneration was considered or discussed.

3.5 Sustainability Committee

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

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

Members of the Sustainability Committee are identified in *Table 3* on 55 which sets out their attendance at meetings.

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

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

> *Further information on the activities of the Sustainability Committee will be provided in the Sustainable Development Report to be released in March 2015, which will be made available in the sustainable development section of Woodside's website.*

The Chairman, the CEO, the Chief Operating Officer and the head of the Health, Safety, Environment and Quality function are regular attendees at Sustainability Committee meetings.

4 Shareholders

4.1 Shareholder communication

Directors recognise that shareholders, as the ultimate owners of the company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares. Woodside has an investor relations program to facilitate effective two-way communication with investors.

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

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

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

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

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

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

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

Woodside encourages direct electronic contact from shareholders – Woodside's website has a "Contact Us" section which allows shareholders to submit an electronic form with questions or comments directly, as well as a "Shareholder Services" section which, among other things, clearly sets out the email address for Woodside's share registry, Computershare, so that Computershare can be contacted directly.

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

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

All of Woodside's directors attended the company's 2014 AGM and are expected to attend the 2015 AGM.

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

4.2 Continuous disclosure and market communications

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

A Disclosure Committee manages compliance with market disclosure obligations and is responsible for implementing and monitoring reporting processes and controls and setting guidelines for the release of information.

The Disclosure Committee is comprised of senior executives. The Disclosure Committee reports at least annually to the Board on the performance of Woodside's reporting processes and controls. Continuous disclosure matters are considered at each Board meeting.

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

Woodside's Continuous Disclosure and Market Communications Policy, referred to in ***section 4.1***, and associated guidelines reinforce Woodside's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

Table 3 – Directors in office, committee membership and directors' attendance at meetings during 2014.

Director	Board		Audit & Risk Committee		Human Resources & Compensation Committee		Sustainability Committee		Nominations Committee	
[1, 2]	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Executive directors										
P Coleman	7	7		6		5		6		2
R Cole[3]	6	6		5		4		5		1
Non-executive directors										
M Chaney	7	7		6		4		5	2	2
M Cilento	7	7		5	5	5	6	6	2	2
F Cooper	7	7	6	6	5	5		5	2	2
C Haynes	7	7	6	6		5	6	6	2	2
A Jamieson	7	7		6	5	5	6	6	2	2
D McEvoy	7	7	6	5		3	6	5	2	2
S Ryan	7	7	6	6		4	6	6	2	2
G Tilbrook[4]	1	1	1	1	1	1		1	1	1

Legend:

- Current Chairman
- Current member
- Prior member

Notes:

1 'Held' indicates the number of meetings held during the period of each director's tenure. Where a director is not a member but attended meetings during the period, then only the number of meetings attended, rather than held, is shown.

2 'Attended' indicates the number of meetings attended by each director.

3 Mr Cole retired as a director with effect on 26 November 2014.

4 Mr Tilbrook was appointed a director on 4 December 2014.

The policy also describes Woodside's guiding principles for market communications. Each Woodside employee is required to ensure potentially price-sensitive information concerning Woodside is assessed with reference to the Continuous Disclosure and Market Communications Policy and associated guidelines as soon as the employee becomes aware of the information.

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

5 Promoting responsible and ethical behaviour

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

Woodside's Compass sets out the company's core values of integrity, respect, working sustainably, working together, discipline and excellence. Everyone who works for Woodside is expected to behave in a manner consistent with the values.

The Compass is promoted through many communication channels, including posters, intranet campaigns, booklets and key messaging, to maintain its visibility and encourage self-reflection. Behaviour and conduct is formally assessed with respect to the Compass values during performance reviews for each employee.

Woodside has a Code of Conduct and an ABC Policy which outline Woodside's commitment to appropriate and ethical corporate practices. The Code of Conduct and the ABC Policy cover matters such as compliance with laws and regulations, responsibilities to shareholders and the community, sound employment practices, confidentiality, privacy, conflicts of interest, giving and accepting business courtesies and the protection and proper use of Woodside's assets.

The Woodside Compass, Code of Conduct and ABC Policy are available in the corporate governance section of Woodside's website.

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

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

The Sustainable Development Report, which will be released in March 2015 and made available in the sustainable development section of Woodside's website, provides further information on the Woodside Compass, Code of Conduct and ABC Policy.

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

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

The purpose of the Whistleblower Policy is to:

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

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

5.2 Securities ownership and dealing

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

The policy prohibits directors and employees from dealing in the company's securities when they are in possession of price-sensitive information that is not generally available to the market. It also prohibits dealings by directors and certain restricted employees during "black-out" periods, including during the periods between the end of the financial half-year and the announcement of the half-year results and the end of the financial full-year and the announcement of the full-year results. Directors are required to seek the approval of the Chairman (or in the case of the Chairman, the CEO) before dealing in the company's securities or entering into any financial arrangement by which Woodside securities are used as collateral. Restricted employees are required to notify their manager and the General Counsel before dealing in the company's securities. In addition, executives reporting directly to the CEO, and the Company Secretaries, have notification requirements in respect of entering into any financial arrangement by which Woodside securities are used as collateral.

The Board has adopted a requirement for non-executive directors to have a minimum holding of 2,000 shares in Woodside. Non-executive directors who have less than the minimum holding are required to direct 25% of their net fees to the purchase of shares in Woodside until the minimum holding requirement is satisfied.

Non-executive directors (other than any directors who are both nominated and employed by Shell) are eligible to participate in Woodside's non-executive directors' share plan. Under the plan a proportion of the director's after tax remuneration is applied to the purchase of shares in Woodside. These shares are acquired on market at market value at predetermined intervals.

Any dealing in Woodside securities by directors is notified to the ASX within five business days of the dealing. It is a condition of the Securities Dealing Policy that directors, and executives participating in an equity-based incentive plan, are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any person the risk of any fluctuation in the value of any unvested entitlement in Woodside securities. This prohibition is also contained in the terms of the Executive Incentive Plan.

A copy of the Securities Dealing Policy is available in the corporate governance section of Woodside's website.

5.3 Political donations

Woodside's Code of Conduct prohibits donations to any political party, politician or candidate for public office in any country without prior Board approval. Woodside is required by law to report all political donations to the Australian Electoral Commission.

Details of Woodside's political donations are available on the Australian Electoral Commission's website.

In certain circumstances Woodside representatives may attend a party political function which charges an attendance fee without Board approval. Attendance at these functions must be approved by the Vice President of Corporate Affairs, and a register of attendances and the cost of attending each function is maintained by Woodside at a corporate level.

6 Risk management and internal control

6.1 Approach to risk management and internal control

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance.

Woodside's Risk Management Policy describes the manner in which Woodside:

- provides a consistent process for the recognition and management of risks across Woodside's business; and
- confers responsibility on Woodside staff at all levels to proactively identify, manage, review and report on risks relating to the objectives those staff are accountable for delivering.

A copy of the Risk Management Policy is available in the corporate governance section of Woodside's website.

Woodside recognises that risk is inherent to its business and that effective management of risk is vital to delivering on its objectives, success and continued growth. Woodside is committed to managing all risk in a proactive and effective manner. Woodside's approach to risk enhances opportunities, reduces threats and sustains Woodside's competitive advantage.

The Woodside Group operates a standardised enterprise-wide risk management process that provides an over-arching and consistent framework for the identification, assessment, monitoring and management of material business risks. Woodside has a Risk and Compliance function, separate to Internal Audit, and aligns the company's risk management process with the International Standard for risk management (ISO 31000 Risk Management). Risks are identified, assessed and prioritised using a common methodology. Assessed risk is escalated to increasingly senior levels of management based on corporate materiality thresholds.

6.2 Risk management roles and responsibilities

The Board is responsible for reviewing and approving Woodside's risk management strategy, policy and key risk parameters, including determining the Group's appetite for country risk and major investment decisions.

The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has delegated oversight of the Risk Management Policy, including review of the effectiveness of Woodside's internal control system and risk management process, to the Audit & Risk Committee.

Management is responsible for promoting and applying the Risk Management Policy. This responsibility involves identifying and assessing business and operational risks, developing and implementing appropriate risk treatment strategies and controls, monitoring the effectiveness of risk controls and reporting on risk management capability and performance. Within each major business and functional area there is a designated senior risk role, with specific responsibilities to ensure appropriate application of Woodside's risk management process and regular risk review and reporting.

The Risk and Compliance function is responsible for Woodside's risk management process, development of risk management capability, and providing risk management reports to the executive team and the Audit & Risk Committee on the corporate risk profile and the Group's risk management performance.

In 2014, both the Audit & Risk Committee and the Board reviewed the risk profile for the Group and received reports from management on the effectiveness of the Group's management of its material business risks. The reported risks considered Woodside's health and safety, environmental, financial, legal and compliance, social and cultural and reputational exposures. More information on Woodside's risks are set out on 18 19. In 2014, the Audit & Risk Committee reviewed the company's risk management framework and confirmed that the framework was sound.

Internal Audit is responsible for providing an independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control system.

6.3 Internal Audit

Internal Audit is independent of both business management and of the activities it reviews. Internal Audit provides assurance that the design and operation of the Group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the higher risk activities in each business unit or function are targeted by the audit program. Audits are conducted in a manner that conforms to international auditing standards. Internal Audit has all necessary access to management and information and is staffed by industry professionals including qualified accountants and engineers.

The Audit & Risk Committee oversees and monitors Internal Audit's activities and reviews Internal Audit's performance. It approves the annual audit program and receives reports from Internal Audit concerning the effectiveness of internal control and risk management. The Audit & Risk Committee approves the appointment of the head of Internal Audit. The head of Internal Audit is jointly accountable to the Audit & Risk Committee and the Senior Vice President Corporate & Legal & General Counsel. The committee members have access to Internal Audit without the presence of other management. Internal Audit has unfettered access to the Audit & Risk Committee and its chairman.

Internal Audit and external audit are separate and independent of each other.

6.4 CEO and CFO assurance

The Board receives regular reports on the Group's financial and operational results.

Before the adoption by the Board of the 2014 half-year and full-year financial statements, the Board received written declarations from the CEO and the CFO that the financial records of the company have been properly maintained in accordance with section 286 of the Corporations Act, and the company's financial statements and notes comply with accounting standards and give a true and fair view of the consolidated entity's financial position and performance for the financial period.

The CEO and the CFO have also stated in writing to the Board that the statement relating to the integrity of Woodside's financial statements is founded on a sound system of risk management and internal control which is operating effectively.

In addition, all executives and key finance managers complete a questionnaire from the directors on a half-yearly basis. The questions relate to the financial position of the company, market disclosure, the application of company policies and procedures (including the Risk Management Policy), compliance with external obligations and other governance matters. This process assists the CEO and the CFO in making the declarations to the Board referred to above.

7 External auditor relationship

In accordance with Woodside's External Auditor Policy, the Audit & Risk Committee oversees detailed External Auditor Guidelines covering the terms of engagement of Woodside's external auditor. The guidelines include provisions directed to maintaining the independence of the external auditor and assessing whether the provision of any non-audit services by the external auditor that may be proposed is appropriate. Such provisions are referenced to the Code of Ethics published by the International Federation of Accountants.

The External Auditor Guidelines contain a set of controls which address threats to the independence of the external auditor including, in particular, any threat which may arise by reason of self-interest, self-review, advocacy, familiarity or intimidation.

The External Auditor Guidelines classify a range of non-audit services which could potentially be provided by the external auditor as:

- acceptable within limits;
- requiring the approval of the CFO;
- requiring the approval of the Audit & Risk Committee; or
- not acceptable.

The services considered not acceptable for provision by the external auditor include:

- internal audit;
- acquisition accounting due diligence where the external auditor is also the auditor of the other party;
- transactional support for acquisitions or divestments where the external auditor is also the auditor of the other party;
- book-keeping and financial reporting activities to the extent such activities require decision-making ability and/or posting entries to the ledger;
- the design, implementation, operation or supervision of information systems and provision of systems integration services;
- independent expert reports;
- financial risk management; and
- taxation planning and taxation transaction advice.

The External Auditor Guidelines require rotation of the audit partner and audit review partner at least every five years and prohibit the reinvolvement of a previous audit partner in the audit service for two years following rotation.

In addition to incorporating safeguards to ensure compliance with sections 324CI and 324CK of the Corporations Act in respect of employment of a former partner of the audit firm or member of the audit team as a director or senior employee of Woodside, the Guidelines also require assessment of the significance of a potential threat to the external auditor's independence before any employment of a former partner or audit team member. Any employment of a member of the audit team or a partner of the audit firm also requires the approval of the Audit & Risk Committee.

Information on the procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners is available in the corporate governance section of Woodside's website.

8 Diversity

Woodside recognises that workforce diversity provides a key competitive advantage and our success is a reflection of the quality and skills of our people. To this end, Woodside leadership continues to focus on the development of a workplace climate that promotes diversity as a key contributor to our business.

For further information on our Diversity Policy and Reconciliation Action Plan commitments, visit our website.

Woodside's policy is to recruit and manage on the basis of competence and performance regardless of age, nationality, race, gender, religious beliefs, sexuality, physical ability or cultural background.

Woodside aims to meet its ongoing commitment to diversity by, among other things:

- respecting the unique attributes that each individual brings to the workplace and fostering an inclusive values-led culture;
- providing diversity education and training as well as undertaking diversity initiatives and measuring their effectiveness;
- the Board reviewing Woodside's diversity strategy; and
- the Board annually reviewing the measurable objectives it has set for achieving improvement in the diversity mix of Woodside and the progress in achieving those objectives.

In 2014 Woodside progressed activities contained within its three year Indigenous Employment Strategy. In order to provide a pipeline of future Indigenous talent, Woodside hosted 12 Indigenous work experience students and awarded 15 scholarships, five new cadetships, and three graduate places to university students. Woodside had 44 Indigenous trainees and apprentices participating in programs in 2014. We are pleased that of the 44 participants, 13 successfully transitioned to Woodside employment in 2014, and 21 will continue on the programs in 2015. As at the end of 2014, Woodside employed 99 Indigenous people, which equates to 2.6% of Woodside's Australian-based workforce. This is a decrease from 101 people in 2013. Women comprise 38% of our Indigenous workforce. Turnover of Woodside's Indigenous employees is 14%. We promoted cultural awareness training to the whole organisation in 2014, with 241 employees attending. Cultural awareness training is embedded into the company's induction program, ensuring that employees are trained early in their Woodside career.

Woodside continued to undertake initiatives in 2014 aimed at improving gender diversity across the organisation. Key activities carried out to support the 2012-2014 Gender Diversity Strategy included a continued focus on improving gender diversity outcomes through graduate recruitment and development. We are pleased to see females representing 39% of our 2015 technical graduate intake, a 3% increase on 2014 and above our target of 35%. The implementation of graduate development program improvements will also enable earlier operational site experience and improve long term development and succession preparedness of female graduates.

To further support the development of part-time employees a 'Working Flexibly at Woodside' toolkit was implemented in 2014 enabling effective design and management of part-time and flexible roles.

The annual remuneration review continues to demonstrate effective pay parity for males and females doing similar roles.

Education remains a focus to improve diversity outcomes. In 2014, Woodside's development curriculum was supplemented by a new program.

"Diversity Awareness for Leaders" outlines how to minimise and manage unconscious bias in making decisions and managing people.

Community engagement continued in 2014, with Woodside sponsoring university scholarships for talented women, presenting at internal and external forums focused on diversity and continuing support to industry bodies to advocate for and raise the profile of women in the resources sector.

Females comprise 27.5% of our workforce, a slight increase from 27% in 2013. In 2014, women held 12.4% of middle and senior management roles.

Female turnover is approximately 7.5%, an improvement on the 2013 turnover of 9.4%.

Woodside's updated three year Gender Diversity Strategy will start in 2015. The measurable objectives acknowledge that future increases in the representation of women will be gradual as we continue to increase the ratio of graduates to experienced hires.

2015 measurable objectives

- Increase the overall percentage of women employed by Woodside;
- Maintain overall female turnover that is equal to or less than organisational turnover;
- Achieve gender balance in Woodside's graduate intake and increase female representation in trainee and apprentice pathways;
- Increase the percentage of women in mid-level professional roles;
- Achieve mid-level professional female turnover that is equal to or less than total mid-level professional turnover;
- Increase the percentage of women in middle and senior management roles;
- Maintain senior female turnover that is equal to or less than total senior management turnover;
- Increase the number of senior women who are ready to move into executive leadership roles;
- Increase the percentage of women in executive roles; and
- Increase the percentage of women on the Board.

Woodside will report on progress against these objectives in its 2015 Annual Report.

Further information regarding Woodside's commitment to diversity will be available in Woodside's 2014 Sustainable Development Report which will be released in March 2015 and made available in the sustainable development section of Woodside's website.

2014 measurable objectives	Progress
Achieve gender balance in Woodside's graduate intake	Of the 2015 graduate intake in total, 43% were female with 39% of our technical intake being female.
Increase the percentage of women in senior management roles	Senior female representation remained at 12.4% in 2014.
Maintain remuneration equity between men and women in the same role at the same level	The annual remuneration review process continued to demonstrate that effective remuneration parity exists between men and women in the same role.
Achieve female senior management turnover that is equal to or less than total senior management turnover	An increase in senior female voluntary turnover with an actual result of 7.1% which is still significantly below total senior management turnover of 8.8%.
Achieve overall female turnover that is equal to or less than organisational turnover	Overall female voluntary turnover has decreased from 9.4% in 2013 to 7.5% in 2014, slightly above the total organisational voluntary turnover of 7.3%.
Increase the overall percentage of females employed by Woodside	Gender representation has increased slightly with females representing 27.5% of Woodside's workforce.
Deliver Diversity development programs, including Equal Employment Opportunity training, recruitment and promotion training and 'Leading Diverse Teams' programs.	'Recruitment Selection' training ran throughout 2014 with 96 managers attending. 'Diversity – we give everyone a fair go' (Equal Employment Opportunity) program was provided online through 2014 and completed by 447 employees. 'Diversity Awareness for Leaders' workshops were attended by 50 managers.

Table 4 – Woodside workforce gender profile

	Female	Female %	Male	Male %
Administration	186	62.4	112	37.6
Technical	392	26.8	1,068	73.2
Supervisory/Professional	386	27.9	997	72.1
Middle Management	78	12.6	543	87.4
Senior Management	4	9.8	37	90.2
Total	1,046	27.5	2,757	72.5
Board Members	2	22.2	7	77.8

Senior management and other categories above are defined by reference to Woodside's internal remuneration bands.

9 ASX Corporate Governance Council recommendations checklist

The Corporate Governance Statement was approved by the Board and is current as at 18 February 2015.

Woodside has chosen to early adopt the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASXCGC Recommendations). This table cross-references the ASXCGC Recommendations to the relevant sections of the Corporate Governance Statement and the Remuneration Report.

ASX Corporate Governance Council Recommendations		Reference	Comply
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	A listed entity should disclose: a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.	2.1	✓
1.2	A listed entity should: a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	2.6	✓
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	2.8, Remuneration Report	✓
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	2.13	✓
1.5	A listed entity should: a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary of it; and c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.	8	✓
1.6	A listed entity should: a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	2.9	✓
1.7	A listed entity should: a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Remuneration Report	✓
Principle 2:	**Structure the board to add value**		
2.1	The board of a listed entity should: a) have a nomination committee which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	3.1, 3.3	✓
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	2.2	✓
2.3	A listed entity should disclose: a) the names of the directors considered by the board to be independent directors; b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (which appears on page 16 of the ASXCGC Recommendations and is entitled "Factors relevant to assessing the independence of a director"), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and c) the length of service of each director.	2.2, 2.4	✓
2.4	A majority of the board of a listed entity should be independent directors.	2.2, 2.4	✓
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	2.2, 2.3, 2.4	✓
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	2.8	✓
Principle 3:	**Act ethically and responsibly**		
3.1	A listed entity should: a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it.	5.1	✓

Principle 4:	**Safeguard integrity in corporate reporting**		
4.1	The board of a listed entity should: a) have an audit committee which: 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2. is chaired by an independent director, who is not the chair of the board, and disclose: 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and 5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	3.1, 3.2	✓
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	6.4	✓
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	4.1	✓
Principle 5:	**Make timely and balanced disclosure**		
5.1	A listed entity should: a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and b) disclose that policy or a summary of it.	4.2	✓
Principle 6:	**Respect the rights of security holders**		
6.1	A listed entity should provide information about itself and its governance to investors via its website.	4.1	✓
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	4.1	✓
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	4.1	✓
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	4.1	✓
Principle 7:	**Recognise and manage risk**		
7.1	The board of a listed entity should: a) have a committee or committees to oversee risk, each of which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a risk committee or committees that satisfy a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	3.1, 3.2	✓
7.2	The board or a committee of the board should: a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and b) disclose, in relation to each reporting period, whether such a review has taken place.	3.2, 6.2	✓
7.3	A listed entity should disclose: a) if it has an internal audit function, how the function is structured and what role it performs; or b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	6.3	✓
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	6.1, 6.2, 6.4	✓
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board of a listed entity should: a) have a remuneration committee which: 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	3.1, 3.4	✓
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Remuneration Report	✓
8.3	A listed entity which has an equity-based remuneration scheme should: a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and b) disclose that policy or a summary of it.	5.2, Remuneration Report	✓

DIRECTORS' REPORT (including Remuneration Report)

The directors of Woodside Petroleum Ltd present their report (including the Remuneration Report) together with the financial report of the consolidated entity, being Woodside Petroleum Ltd and its controlled entities, for the year ended 31 December 2014.

Directors

The directors of Woodside Petroleum Ltd in office at any time during or since the end of the 2014 financial year and information on the directors (including qualifications and experience and directorships of listed companies held by the directors at any time in the last three years), is set out on 46 and 47.

The number of directors' meetings held (including meetings of committees of the Board) and the number of meetings attended by each of the directors of Woodside Petroleum Ltd during the financial year are shown in *Table 3* on 55.

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

The particulars of directors' interests in shares of the company as at the date of this report are set out on 78.

Principal activities

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

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

Consolidated results

The consolidated operating profit attributable to the company's shareholders after provision for income tax was US$2,414 million (US$1,749 million in 2013).

Review of operations

A review of the operations of the Woodside Group during the financial year and the results of those operations are set out on 1 to 44.

Significant changes in state of affairs

The review of operations (1 to 44) sets out a number of matters which have had a significant effect on the state of affairs of the consolidated entity. Other than those matters, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

Events subsequent to end of financial year

Dividends

Since the reporting date, the directors have declared a fully franked dividend of US144 cents (2013: US103 cents), payable on 25 March 2015. The amount of this dividend will be US$1,186 million (2013: US$849 million). No provision has been made for this dividend in the financial report as the dividend was not declared or determined by the directors on or before the end of the financial year.

Likely developments and expected results

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

Environmental compliance

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

Details of Woodside's environmental performance are provided on 30.

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

Woodside did not incur any environmental fines or penalties during 2014.

Dividends

The directors have declared a final dividend out of profits of the company in respect of the year ended 31 December 2014 of US144 cents per ordinary share (fully franked) payable on 25 March 2015.

A fully franked final dividend of US103 cents per ordinary share was paid to shareholders on 26 March 2014 in respect of the year ended 31 December 2013. Together with the fully franked interim dividend of US111 cents per share paid to shareholders on 24 September 2014, the total dividend paid during the 2014 year was US214 cents per share fully franked.

Woodside's dividend reinvestment plan remained suspended during the year.

Company secretaries

The following individuals have acted as company secretary during 2014:

Michael Abbott

BJuris, LLB, BA, MBA

Senior Vice President Corporate & Legal & General Counsel and Joint Company Secretary

Mr Abbott joined Woodside in 2007 and was appointed to the role of Senior Vice President Corporate & Legal & General Counsel in December 2014. He was appointed Joint Company Secretary effective 3 May 2012. Mr Abbott holds Bachelor of Laws and Bachelor of Arts degrees and a Masters of Business Administration.

More information on Mr Abbott can be found on 11.

Warren Baillie

LLB, BCom, Grad. Dip. CSP

Company Secretary

Mr Baillie joined Woodside in 2005 and was appointed Company Secretary effective 1 February 2012. Mr Baillie holds Bachelor of Laws and Bachelor of Commerce degrees and is a solicitor and chartered secretary. He is a member of the National Board and WA State Council of the Governance Institute of Australia.

REMUNERATION REPORT (audited)

Contents

Summary index of tables

Overview

Guide to this report

This Remuneration Report outlines the remuneration arrangements in place and outcomes achieved for Woodside's key management personnel (KMP) during 2014. Woodside's KMP are those people who have a meaningful capacity to shape and influence the Group's strategic direction and performance through their actions, either collectively (in the case of the Board) or as individuals acting under delegated authorities (in the case of the CEO and his direct reports). The names and positions of the individuals who were KMP during 2014 are set out in *Table 1* below.

Given the capacity KMP have in affecting Woodside's performance and the returns delivered to shareholders, it is critical to design and implement remuneration policies for KMP that support the business strategy and align the interests of executive KMP with those of shareholders. This report explains the manner in which the Board, assisted by the Human Resources & Compensation Committee (Committee), achieves this objective.

In preparing this report, the Board has endeavoured to provide sufficient detail and transparency so that investors can form their own views about the appropriateness of the remuneration arrangements in place at Woodside. While remuneration arrangements for executives are complex and involve a variety of components and performance measures, the report contains summaries intended to give investors an understanding of how these components fit together. There is also a ***Glossary*** at the back of the report (on 136) which explains many of the terms and abbreviations used throughout the report.

Linking remuneration to strategy and performance

The Board believes that appropriate remuneration policies motivate executives to strive for better performance outcomes for the Company and shareholders, while at the same time ensuring Woodside retains key talent. The Company's executive incentive arrangements are designed to ensure ongoing alignment with Woodside's strategic direction and values.

The key terms of the executive incentive arrangements are:

- a short-term award (STA) delivered two-thirds as cash and one-third as deferred equity subject to a three year service condition; and
- a long-term award (LTA), the vesting of which is linked to service and relative total shareholder return:
  - tested over a minimum 4-year performance period;
  - one-third (33%) tested against a peer group of top 50 ASX-listed companies; and
  - two-thirds (67%) tested against a peer group of 17 oil and gas companies.

Table 2 shows the key financial measures of company performance over the past five years.

Outcomes

The key remuneration outcomes for Woodside executives in 2014 were as follows:

- The value of the STA corporate scorecard for 2014 was 1.8 out of a maximum possible result of 2. *For more detail go to* 67.

Table 1 – Woodside's KMP during 2014

Executive directors	Non-executive directors
P Coleman (Managing Director and Chief Executive Officer) (CEO)	M A Chaney (Chairman)
R Cole (Executive Director and Executive Vice President, Corporate and Commercial) (ceased to be an executive director and KMP on 26 November 2014)	M A Cilento
Senior executives	F Cooper
R Edwardes (Executive Vice President Development)	C M Haynes
S Gregory (Senior Vice President Sustainability & Technology)	A Jamieson
P Loader (Executive Vice President Global Exploration)	D I McEvoy
G Roder (Executive Vice President Business Development & Growth)	S Ryan
L Tremaine (Executive Vice President and Chief Financial Officer)	G Tilbrook
M Utsler (Chief Operations Officer)	

Table 2 – Woodside five-year performance

Year ended 31 December		2014	2013	2012	2011	2010[3]
Net Profit After Tax	(US$ million)	2,414	1,749	2,983	1,507	1,575
Earnings Per Share[1]	(US cents)	293	213	366	190	204
Dividends Per Share	(US cents)	255	249	130	110	105
Production	(MMboe)	95.1	87.0	84.9	64.6	72.7
Share closing price (last trading day of the year)	(A$)	38.01	38.90	33.88	30.62	42.56
Relative TSR[2]	(1 year)	1st Quartile	4th Quartile	2nd Quartile	4th Quartile	4th Quartile

1. Basic and diluted earnings per share from total operations.
2. As discussed under the STA component of EIP on 67.
3. Amounts were translated to US dollars using monthly average exchange rates. The share closing price (last trading day) for 2009 was $47.20.

- The STA pool for 2014 was A$28,960,223 for 89 participants including the executive KMP and the CEO.
  Refer to 67.
- Time-tested Variable Pay Rights (VPRs) that were allocated in 2011 as deferred STA in respect of the 2010 performance year vested during 2014.
- The LTA allocated in 2010 was subject to performance testing during 2014 and failed to reach the vesting hurdle. As such, this award will be subject to a second performance test in 2015.
- The LTA allocated in 2009 was subject to a second test in 2014 and failed to reach the vesting hurdle and lapsed.
- Awards of Equity Rights (ERs) were made under the Woodside Equity Plan (WEP) in October 2014 and the first vesting under the WEP took place on 30 November 2014. The CEO did not receive awards under this plan.
  For more detail go to 69.
- Awards of ERs were made under the Supplementary Woodside Equity Plan (SWEP) in October 2014. The CEO did not receive awards under this plan.
  For more detail go to 69.

2013 Remuneration Report

Woodside's Remuneration Report for 2013 was adopted at the Annual General Meeting (AGM) on 30 April 2014 with a clear majority of 469,090,547 votes in favour of the motion (representing 95.19% of the votes received).

Executive remuneration

Remuneration Policy

Woodside's Remuneration Policy aims to reward executives fairly and responsibly in accordance with the regional (and in some instances, international) market and ensure that Woodside:

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- sets demanding levels of performance which are clearly linked to an executive's remuneration;
- structures remuneration at a level that reflects the executive's duties and accountabilities;
- benchmarks remuneration against appropriate comparator groups;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

Executive remuneration is reviewed annually having regard to individual and business performance and relevant comparative information.

Executive remuneration structure

Woodside's remuneration structure for executives, including executive KMP, has several components, which are explained in the table below:

Table 3 – Summary of executive remuneration structure

Component		How is it determined?	When is it paid?
Fixed remuneration		Fixed remuneration is determined on the basis of the scope of the executive's role and their individual level of knowledge, skill and experience.	Regularly throughout the year
Variable Annual Reward (VAR)	STA	STA payments are based on performance against a corporate scorecard and individual performance against KPIs. The corporate scorecard is based on relative total shareholder return (RTSR), production, safety and delivery against business plan commitments. Individual KPIs vary but can include measures relating to health and safety, environment, human resources, financial and operational measures.	Subject to performance, two-thirds is paid in cash in March of the following year. The remaining third is delivered as a deferred equity award of Restricted Shares that vests after three years' further continuous service.
	LTA	Vesting of LTA is subject to achievement of RTSR targets, with 33% measured against the ASX 50 and the remaining 67% tested against an international group of oil and gas companies. LTA is granted in the form of Variable Pay Rights (VPRs).	Subject to performance, LTA may vest after a four year performance period. If the LTA does not vest it will be re-tested on the fifth anniversary, but will only vest if RTSR exceeds the ranking achieved in the prior year and is at or above the median of the relevant comparator group.
Other equity plans		Executives may receive awards under other equity plans for various reasons including to: ▪ provide executives with the opportunity to participate in ownership of shares; ▪ support a competitive base remuneration position having regard to internal and external relativities; and ▪ retain key talent. Generally, awards are calculated with reference to salary and performance as assessed under Woodside's performance review process.	Awards under the Woodside Equity Plan (WEP) and Supplementary Woodside Equity Plan (SWEP) are subject to a three year vesting period.

Proportion of remuneration at risk

The target allocation of remuneration between fixed remuneration and VAR for Woodside's executives is shown in *Table 4*. The actual percentages received will vary from year to year for each executive depending on performance outcomes. Participation in other equity plans is not taken into account for the calculation of the percentages shown in the table.

Table 4 – Allocation of executive remuneration between fixed and Variable Annual Reward

	Not at risk	At risk	
Position	Fixed Annual Reward	Variable Annual Reward	
		STA	LTA
	%	%	%
CEO	30	30	40
Executive KMP	45–50	30–33	20–22

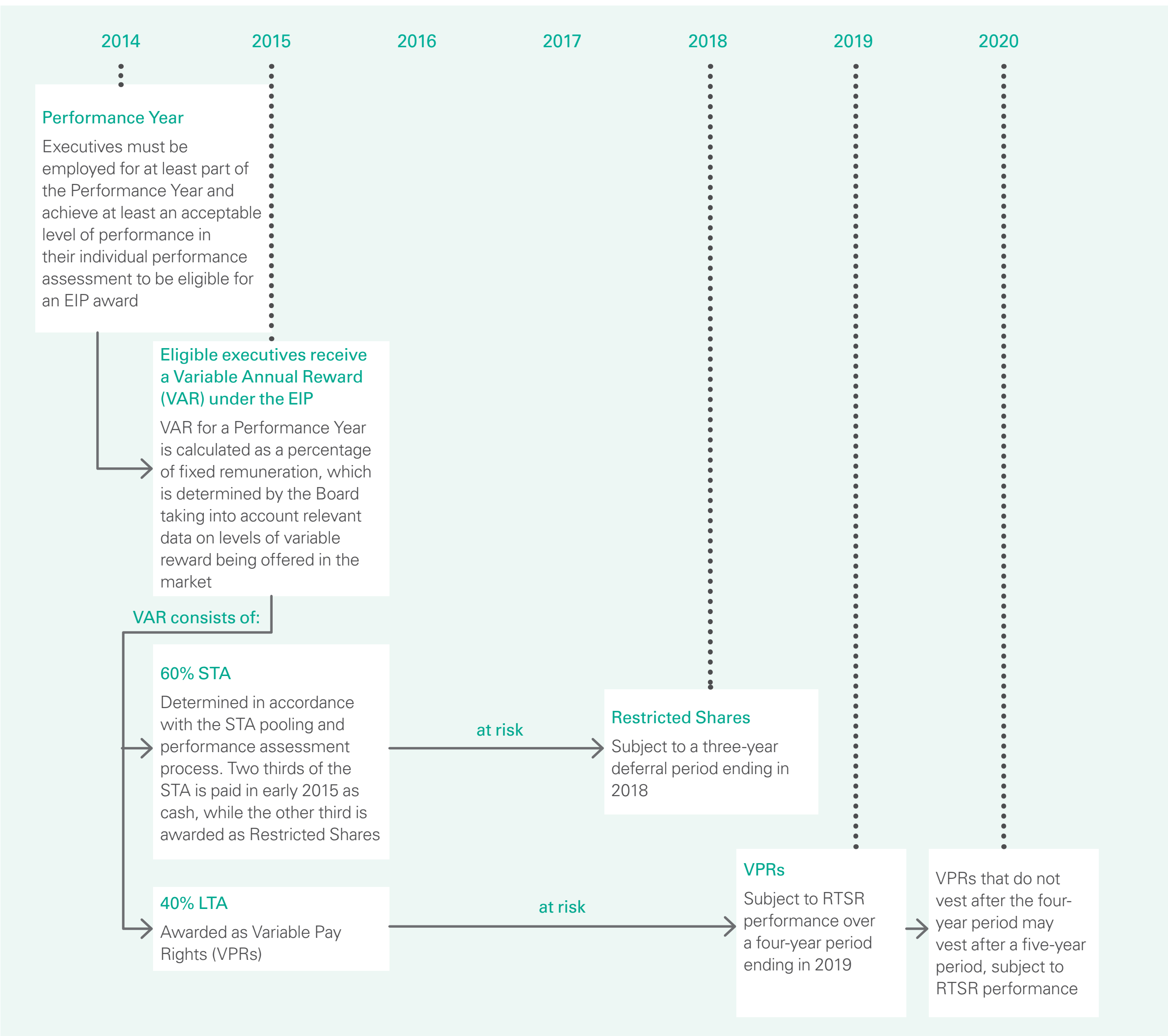
Executive Incentive Plan (EIP)

The Executive Incentive Plan (EIP) is used to deliver Short Term Awards and Long Term Awards to executives, other than the CEO. The CEO's individual arrangements are described on 68.

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

Table 5 illustrates how EIP awards will be determined for the 2014 Performance Year, as well as their lifecycle in future years. A more detailed explanation of each component is provided later in this report on 67 to 69.

Table 5 – Overview of the EIP awards



Short-term award (STA)

Key features of STA

Who participates? Executives, including all executive KMP, other than the CEO, participate in the EIP. The CEO has similar arrangements under his contract.

What are the performance conditions? STA outcomes are determined based on performance against the corporate scorecard and performance against individual KPIs.

How is performance assessed? The Board assesses performance against the corporate scorecard. For executive KMP, individual performance assessments are conducted by the CEO against their agreed KPIs and demonstrated values and behaviour, and are approved by the Committee.

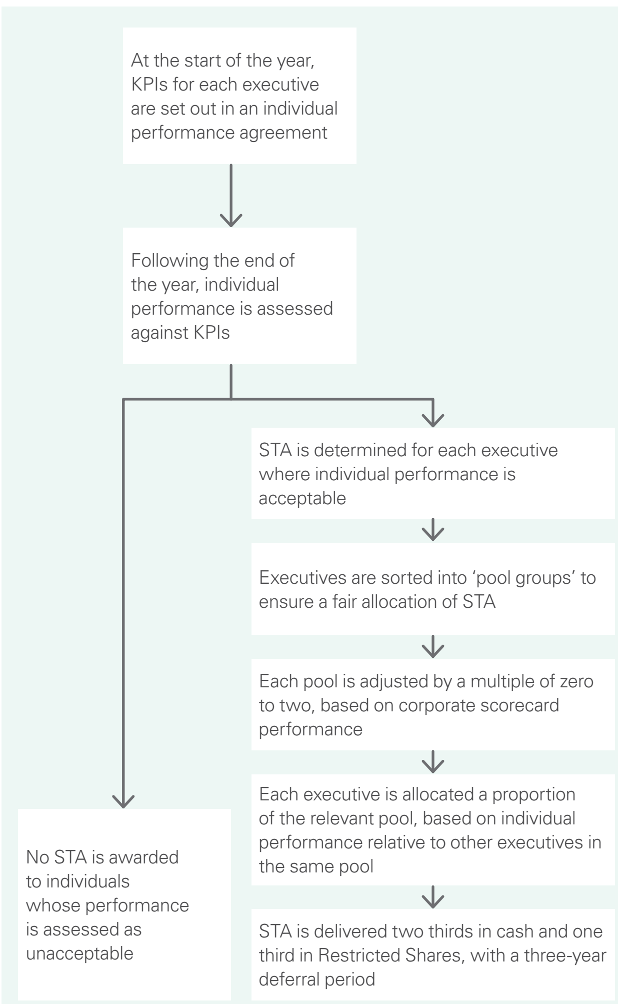
How is it delivered? Two-thirds is paid in cash and one-third is awarded as Restricted Shares subject to a three year deferral period. The number of Restricted Shares is calculated by dividing the deferred STA value by the Pricing Date Volume Weighted Average Price (VWAP).

What were the outcomes in 2014? The value of the STA corporate scorecard for 2014 was 1.8 out of a maximum possible result of two.

The STA pool for 2014 was A$28,960,223 for 89 participants including the executive KMP.

Time-tested Variable Pay Rights (VPRs) that were allocated in 2011 as deferred STA in respect of the 2010 performance year vested during 2014.

Table 6 – How STAs are determined



Individual KPIs for 2014 STAs

A range of individual key performance indicators (KPIs) were adopted for 2014 reflecting the varied responsibilities of executives who participate in the STA. KPIs are chosen to align individual performance with the achievement of Woodside's business plan and objectives. Examples of KPIs adopted for 2014 include the following:

- health and safety (e.g. total recordable case frequency, high potential incident frequency);
- environment (e.g. greenhouse gas emissions, flared gas);
- human resources (e.g. voluntary turnover);
- financial (e.g. revenue, operating costs, earnings before interest and tax, return on average capital employed, production costs, drilling costs); and
- operational (e.g. production volumes, project progress).

Corporate scorecard measures and outcomes for 2014 STAs

Company performance is assessed against a corporate scorecard of key measures that align with Woodside's overall business performance.

At the start of 2014, the Board adjusted Woodside's corporate scorecard to provide a more balanced assessment of performance. The 2014 scorecard is based on four equally weighted measures:

- **Relative total shareholder return (RTSR)**: Indicator of overall company performance relative to the performance of 17 oil and gas peer companies (see *Table 14* on 73) and the ASX 50.
- **Production**: Underpins the company's revenue and profit.
- **Safety**: A strong safety performance is required to maintain a licence to operate and retain the company's position as a partner and employer of choice.
- **Delivery against business plan commitments**: This measures the company's delivery of commitments made to market and progress towards securing future growth.

The measures for the scorecard were chosen because of the impact they have on shareholder value.

For the 2014 Performance Year, the Board determined a scorecard outcome of 1.8 out of a maximum of two. In summary, for 2014:

- Woodside achieved an RTSR result of third position against the peer companies and 31st position against the ASX 50.
- Annual production of 95.1 million barrels of oil equivalent was achieved - this was substantially above the range set in the scorecard (of 84 to 93 MMboe);
- Woodside achieved its lowest ever recordable injury rate (TRIR) of 1.90, well below the KPI range (of 3.2 to 2.8 per million man hours). Two Tier 1 and Tier 2 process safety event's (PSEs) occurred in the year.
- Woodside has delivered strong operational and financial performance and has exceeded the majority of 2014 business plan commitments. In particular, production, asset utilisation, opex and flaring are all ahead of targets. Portfolio balance has improved through increased acreage. The performance excellence improvement effort across the company has delivered total benefits of over US$560 million.

This performance outcome resulted in a total available STA of A$28,960,223 across all pools.

Deferral of STAs

The STA for a Performance Year is delivered two-thirds in cash, and one-third is made as an award of Restricted Shares subject to a three year deferral period.

Generally, vesting of the deferred STA is subject to the executive's employment not being terminated with cause, or by resignation, for three years after allocation. The deferred STA may vest prior to the expiry of the three years upon a change of control event, or on the death or total and permanent disablement of the executive. Deferred STA will also generally vest upon redundancy, retirement or the cessation of a fixed term employment contract with effect from a date determined by the Board. There are no further performance conditions for vesting of deferred STA.

A summary of the terms of unvested deferred STA awarded to KMP is provided in *Table 16* on 74. Details of Restricted Shares awarded to KMP are provided in *Table 18* on 74.

Long-term award (LTA)

Key features of LTA

Who participates? Executives, including executive KMP other than the CEO, participate in the EIP. The CEO has similar arrangements under his contract.

What are the performance conditions? Vesting of 33% of the LTA is subject to relative total shareholder return (RTSR) performance against the ASX 50. Vesting of the remaining 67% is subject to RTSR performance against an international group of oil and gas companies.

What is the performance period? Performance is initially tested over a four year performance period.

How is performance assessed? RTSR performance is calculated by an external adviser.

What were the outcomes in 2014? The LTA allocated in 2011 was subject to performance testing during 2014 and failed to reach the vesting hurdle. As such, this award will be subject to a second performance test in 2015. The LTA allocated in 2010 was subject to a second test in 2014 and failed to reach the vesting hurdle and lapsed.

LTA – valuation

LTA for the 2014 Performance Year is granted in the form of VPRs. The number of VPRs awarded is calculated by dividing the value of the executive's LTA by the fair value of a VPR (as calculated in accordance with the relevant accounting standards).

This valuation methodology is used because it takes into account factors such as non-payment of dividends, share price volatility and the possibility that the VPRs may not ultimately vest, and so better reflects the true value of a VPR at the time of grant.

LTA performance hurdles

Once the number of VPRs is determined, the VPRs are divided into two portions with each portion subject to a separate RTSR performance hurdle tested over an initial four year period.

For the 2014 Performance Year, one-third (33%) of the VPRs will be tested against a comparator group that comprises the entities within the ASX 50 index at 1 December 2014. The remaining two-thirds (67%) of the VPRs will be tested against an international group of oil and gas companies. The oil and gas companies used for the 2012, 2013 and 2014 Performance Years are set out in *Table 14* on 73. This international peer group was chosen as Woodside competes globally for resources, market and people; operating in an international commodity business.

How LTAs align with strategy

The LTA has been designed to align with our company strategy through carefully chosen peer groups that include both competitors for investor funds, and domestic and overseas oil and gas players. RTSR was chosen as the LTA performance measure in order to ensure that Woodside's executives' remuneration is aligned with the company's performance in relation to the performance of the two peer groups. The Board believes that this parameter best reflects creation of shareholder wealth and is both transparent and widely understood.

The LTA performance period is initially tested after four years as Woodside operates in a capital intensive industry with investment timelines averaging five to ten years. This makes it imperative that executives take decisions that are in the long term interest of shareholders focused on value creation taking into account the commodity price cycles of the oil and gas industry.

Measurement of LTAs

The total shareholder return in respect of Woodside and both peer groups is calculated by an external adviser in accordance with the EIP rules on the fourth anniversary of the allocation of these VPRs. The outcome of the test is measured against the schedule below:

Table 7 – Vesting schedule for VPRs[1]

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

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

1. Schedule used for RTSR tested VPRs awarded for 2012 – 2014 Performance Years.

Any VPRs which do not vest at this time are subject to a second RTSR test on the fifth anniversary of the allocation date, but further vesting in accordance with the schedule will only occur if Woodside achieves a superior RTSR ranking at the second test date compared to that achieved on the first test date and equals or exceeds the 50th percentile threshold. Any VPRs that do not vest on the fifth anniversary lapse.

LTA – other terms

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

VPRs may vest prior to the satisfaction of the vesting conditions upon a change of control event, or on the death or total and permanent disablement of the executive. In the event of redundancy, retirement or the cessation of a fixed term employment contract of a participant, VPRs continue in the plan and remain subject to the normal performance measures.

A summary of the terms and conditions of unvested VPRs under each award made to executives under the EIP is provided in *Table 15* on 73. A summary of executive KMP interests in VPRs is provided in *Table 19* on 75.

CEO remuneration

Mr Coleman's remuneration is governed by his contract of employment which, in summary, for 2014 is comprised of:

- 30% fixed remuneration;
- 30% STA component; and
- 40% LTA component.

STA

The grant of an STA to the CEO is determined based on the scorecard and individual performance as determined by the Board. The scorecard and performance against the scorecard measures is described on 67 of this report under the section titled 'Corporate scorecard measures and outcomes for 2014 STAs'.

Each year the Board determines and documents the factors which will be used to assess the annual individual performance of the CEO. The individual performance of the CEO is reviewed by the Board against the following factors which were chosen because of their impact on shareholder value:

- setting and pursuing the growth agenda;
- achieving effective execution;
- building enterprise and organisational capacity;
- enhancing culture and reputation; and
- ensuring shareholder focus.

At the completion of the Performance Year each non-executive director contributes to the documented review of the CEO's performance for that year. This is used to determine the CEO's individual performance factor for the Performance Year.

The STA for the CEO is calculated by multiplying the CEO's fixed remuneration by the scorecard multiple and the CEO's individual performance factor. Restricted Shares have the same terms and conditions as those awarded to other executives as described on 67.

LTA

The LTA entitlement for the 2014 Performance Year will be allocated in February 2015 and will be subject to RTSR testing for the first time in February 2019. The vesting conditions for the LTA allocation reflect those outlined on 68 and summarised in *Table 15* on 73 in respect of the 2014 LTA allocation for other executives.

A summary of the CEO's equity awards is provided in *Tables 17* to *19* on pages 74 to 75.

Sign-on bonus

In the year when he commenced as CEO, Mr Coleman was awarded a one-off sign-on incentive with a grant date of 30 May 2011 to recognise certain rights he was giving up with his former employer. Woodside acquired 66,004 Woodside shares on trust for Mr Coleman. The sign-on award was structured such that one-third of these shares vested on each anniversary after the date of his appointment. In accordance with the award rules, the final tranche of one-third of the shares vested on 30 May 2014 being the third anniversary of Mr Coleman's employment.

This was the final vesting of entitlements under this award.

Other Equity Plans

Woodside Equity Plan (WEP)

Woodside has a history of providing employees with the opportunity to participate in ownership of shares in the company. This has supported staff retention and alignment of employees with shareholder interests. As part of the strategy to attract, retain and motivate employees, the Board approved the introduction from November 2011 of a broad-based, long-term equity plan called the WEP to recognise and reward the commitment of eligible employees.

The WEP is available to all Australian based permanent employees including executives, other than the CEO and any other Executive Director.

Woodside's intention is to enable eligible employees to build up a holding of equity in the Company as they progress through their career at Woodside.

The number of Equity Rights (ERs) offered to each eligible employee is calculated with reference to salary and performance as assessed under the performance review process as described for STA at 67. There are no further ongoing performance conditions upon allocation of each individual's ERs. The linking of performance to an allocation allows Woodside to recognise and reward eligible employees for high performance.

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

The first vesting under the WEP took place on 30 November 2014.

Table 20 on 75 provides a summary of executive KMP interests in ERs under the WEP.

Supplementary Woodside Equity Plan (SWEP)

In October 2011, the Board approved a remuneration strategy which includes the use of equity to support a competitive base remuneration position. To this end, the Board approved the establishment of the Supplementary Woodside Equity Plan (SWEP) to enable the offering of targeted retention awards of ERs for key capability. The SWEP was designed to be offered to a small number of employees identified as being retention critical. The SWEP awards have service conditions and no performance conditions.

Consistent with this strategy, the Board approved an award of ERs under the SWEP for four of the executive KMP, in order to address imbalances in external and internal relativities.

This is the first time awards have been issued under the SWEP since the Board approved the plan in October 2011.

Each ER entitles the participant to receive a Woodside share on the vesting date three years after the effective grant date of 1 October 2014.

Table 21 on 76 provides a summary of executive KMP's interests in ERs under the SWEP.

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

Legacy plans – STAs and LTAs 2009 to 2011

The deferred portion of STA for the Performance Years from 2009 to 2011 inclusive was delivered in the form of time-tested VPRs. Details of time-tested VPRs awarded for previous performance periods are provided in *Table 17* on 74.

The LTA for the Performance Years from 2009 to 2011 inclusive was granted in the form of VPRs, the vesting of which is linked to service and relative total shareholder return. Performance is initially tested over a three year performance period.

Peer groups for all VPRs tested against an RTSR hurdle are set out in *Tables 13* and *14* on 73.

Securities Dealing Policy

Woodside's Securities Dealing Policy prohibits executives who participate in an equity-based plan from hedging any of their unvested Woodside securities, including VPRs, ERs and Restricted Shares.

Directors proposing to enter into arrangements to limit the economic risk of a vested holding in Woodside securities must obtain the approval of the Chairman (or, where the notifying director is the Chairman, the CEO) prior to entering into the arrangement and immediately provide details of the arrangements entered into.

Executives who report directly to the CEO and the Company Secretaries must submit a completed compliance certificate in respect of arrangements to limit the economic risk of a vested holding in Woodside securities to their direct manager and then to the General Counsel for acknowledgement.

Adherence to this policy by executives is monitored by six monthly directors' questionnaires to management. Further information on Woodside's Securities Dealing Policy is provided in ***section 5.2*** of the Corporate Governance Statement on 56.

In addition to the restrictions imposed under the Securities Dealing Policy, KMP are prohibited by law from hedging any of their unvested entitlements or any of their vested entitlements that remain subject to a holding lock.

Contracts for executive KMP

All KMP have a contract of employment. *Table 8* below contains a summary of the key contractual provisions of the contracts of employment for the executive KMP.

Related Party Transactions

During the year, as part of the CEO's relocation costs, A$200,000 was paid in connection with transfer duty in Western Australia.

Non-executive directors (NEDs)

Key features of NEDs remuneration

What remuneration do NEDs receive? NEDs receive Board and Committee fees, which are inclusive of statutory superannuation (or payments in lieu for overseas based NEDs).

Does the Chairman receive higher fees? The Chairman receives a higher Board fee than other NEDs, but does not receive extra fees for Committee work. Committee Chairs receive higher base Committee fees than other Committee members.

Do NEDs receive performance-based remuneration or retirement benefits? No.

Were there any changes in 2014? Following peer analysis and independent advice, the Board determined that there would be a 3% increase to fees for NEDs and a 6.5% increase to the Chairman's fees in 2014. These increases have been accommodated within the aggregate fee limit of A$3.75 million approved by shareholders at the 2014 AGM.

Remuneration Policy

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

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

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

During the year, the Board sought independent advice regarding director fee levels among peer companies. Having regard to the information and recommendations received from its independent remuneration consultant, and based on comparison to peers, the Board determined that there would be a 3% increase to fees for NEDs and a 6.5% increase to the Chairman's fees in 2014. These increases have been accommodated within the aggregate fee limit approved by shareholders.

Table 8 – Summary of contractual provisions for executive KMP

Name	Employing company	Contract duration	Termination notice period company[1,2]	Termination notice period executive
P Coleman	Woodside Petroleum Ltd	Unlimited	12 months	6 months
R Cole[3]	Woodside Energy Ltd	Unlimited	12 months	6 months
R Edwardes	Woodside Energy Ltd	Fixed Term Contract until 31 December 2016	6 months	6 months
S Gregory	Woodside Energy Ltd	Unlimited	12 months	6 months
P Loader	Woodside Energy Ltd	Fixed Term Contract until 1 July 2018	6 months	6 months
G Roder	Woodside Energy Ltd	Fixed Term Contract until 31 August 2017	6 months	6 months
L Tremaine	Woodside Energy Ltd	Unlimited	12 months	6 months
M Utsler	Woodside Energy Ltd	Fixed Term Contract until 2 December 2018	6 months	3 months

1. Termination provisions – Woodside may choose to terminate the contract immediately by making a payment in lieu of notice equal to the fixed remuneration the executive would have received during the 'Company Notice Period'. In the event of termination for serious misconduct or other nominated circumstances, executives are not entitled to this termination payment. Any payments made in the event of a company-initiated termination of an executive contract will be consistent with the Corporations Act 2001.

2. On termination of employment, executives will be entitled to the payment of any fixed remuneration calculated up to the termination date, any leave entitlement accrued at the termination date and any payment or award permitted under the EIP Rules. Executives are restrained from certain activities for specified periods after termination of their employment in order to protect Woodside's interests.

3. Mr Cole departed Woodside on 5 December 2014.

The Woodside shareholding guideline for NEDs requires NEDs to hold a minimum holding of 2,000 Woodside shares and NEDs who have less than the minimum holding are required to direct 25% of net (after tax) fees to the purchase of Woodside shares until the minimum holding requirement is satisfied. The NEDs may utilise the Non-Executive Directors' Share Plan (NEDSP) to acquire the shares on market at market value. As the shares are acquired with net fees the shares in the NEDSP are not subject to any forfeiture conditions.

NED remuneration structure

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

Table 9 below shows the annual base Board and committee fees for NEDs.

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

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

The total remuneration paid to, or in respect of, each NED in 2014 is set out in *Table 22* on 76.

Human Resources & Compensation Committee

The Committee assists the Board to determine appropriate remuneration policies and structures for NEDs and executives. Further information on the role of the Committee is described in *section 3.4* of the Corporate Governance Statement set out in this Annual Report on 53.

Use of remuneration consultants

The Committee directly engages independent external advisers to provide input to the process of reviewing NED and executive remuneration. The Committee receives executive remuneration recommendations directly from external independent remuneration consultants. *Table 10* shows the fees payable to independent external remuneration consultants during 2014.

Under communications and engagement protocols adopted by the Company, the market data reports and the recommendations were provided directly to the Committee chairman, and the consultants provided a statement to the Committee that the reports and recommendations had been prepared free of undue influence from KMP. The Committee had full oversight of the review process and therefore it, and the Board, were satisfied that the recommendations made by Egan Associates were free from undue influence by KMP.

Table 10 – Fees paid to remuneration consultants

Remuneration consultant	Services provided	Fees
Egan Associates	Market data and remuneration recommendations (NED fees)	A$25,410
Egan Associates	Market data and remuneration recommendations (2015 CEO remuneration)	A$27,720

Table 9 – Annual base Board and committee fees for NEDs

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

1. Inclusive of committee work.
2. Board fees paid to non-executive directors, other than the Chairman.
3. Annual fee from 1 July 2014.

Reporting notes

Reporting in United States dollars

In this report, the remuneration and benefits reported have been presented in US dollars, unless otherwise stated. This is consistent with the change in functional currency of the company from Australian dollars to US dollars from 1 January 2010.

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

Table 11 – Compensation of executive KMP for the year ended 31 December 2014 and 2013

The following table provides a detailed breakdown of the components of remuneration for each of the executive KMP, calculated in accordance with accounting standards.

		Fixed Annual Reward			Variable Annual Reward					
		Short Term		Post employment	Short Term	Share based payments				
Executives	Year	Salaries, fees & allowances	Benefits & allowances (inc non-monetary)[1]	Company contributions to superannuation	Short-term award (cash)[2]	Share Plans[3]	Long service leave	Termination benefits	Total remuneration	Performance related
		$	$	$	$	$	$	$	$	%
P Coleman, Chief Executive Officer[4]	2014	2,174,957	146,653	16,479	2,950,283	3,092,961	76,423		8,457,756	71
	2013	2,227,583	194,687	16,516	1,456,904	2,579,669	75,147		6,550,506	62
R Edwardes, Executive Vice President Development[5]	2014	883,779	57,569	16,479	632,382	334,964	25,762		1,950,935	50
	2013	807,319	71,936	16,516	371,151	368,746	25,602		1,661,270	45
S Gregory, Senior Vice President Sustainability and Technology	2014	479,811	23,836	16,479	338,304	277,773	31,428		1,167,631	53
	2013	213,922	16,551	7,949	179,149	161,602	80,014		659,187	52
P Loader, Executive Vice President Global Exploration[6,7]	2014	743,085	36,085		484,543	204,099	17,290		1,485,102	46
	2013	402,476	24,369	921	101,260	24,028	9,432		562,486	22
G Roder, Executive Vice President Business Development and Growth[8]	2014	808,791	10,414	38,224	568,012	346,443	22,710		1,794,594	51
	2013	797,230	10,845	75,722	336,625	173,707	22,637		1,416,766	36
L Tremaine, Executive Vice President and Chief Financial Officer	2014	681,326	52,779	20,555	676,415	556,717	23,838		2,011,630	61
	2013	720,197	35,137	10,996	310,731	363,868	68,804		1,509,733	45
M Utsler, Chief Operations Officer[6,9]	2014	1,072,898	34,639		795,782	227,228	24,872		2,155,419	47
	2013	130,274	2,069	7,232	21,967	966	2,007		164,515	14
R Cole, Executive Director and Executive Vice President Corporate and Commercial[10]	2014	758,898	24,729	26,193		(859,846)	(107,112)	519,090	361,952	
	2013	854,144	40,203	17,362	375,466	441,858	54,793		1,783,826	46
F Ahmed, Executive Vice President Technology[11]	2014									
	2013	597,749	279,256			765,099	(141,452)	890,113	2,390,765	32
P Moore, Executive Vice President Exploration[12]	2014									
	2013	235,960	37,897	51,840		524,353	(127,990)	436,787	1,158,847	45
V Santostefano, Chief Operations Officer[13]	2014									
	2013	593,284	35,420	122,308	267,259	1,178,326	(82,019)	923,504	3,038,082	48

1. *Reflects the value of allowances and non- monetary benefits (including travel, health insurance, car parking and any associated fringe benefit tax).*
2. *The amount represents the short-term incentive earned in the respective year, which is actually paid in the following year.*
3. *'Share plan' incorporates all equity based plans. In accordance with the requirements of AASB 2 Share-based Payment, the fair value of rights as at their date of grant has been determined by applying the Black-Scholes option pricing technique or binomial valuation method combined with a Monte Carlo simulation with the exception of Mr Gregory's 2009 VPRs which are to be settled in cash as a result of his international secondment. The fair value of rights is amortised over the vesting period, such that 'total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.*
4. *On Mr Coleman's commencement, 66,004 Woodside Petroleum Limited shares were acquired and held in trust for Mr Coleman. Details were provided under the heading sign-on bonus in the 2011 Remuneration Report. The proportionate fair value for the shares is included in the Share-based Payments.*
5. *Mr Edwardes' 2013 share based payment amortisation expense has been accelerated based on his contract end date of 6 May 2015 and his 2014 share based payment amortisation expense has been accelerated based on his contract end date of 31 December 2016.*
6. *As non-residents for Australian tax purposes Mr Loader and Mr Utsler have elected to receive a cash payment in lieu of all superannuation contributions, in accordance with the Superannuation Guarantee (Administration) Act 1992. The cash payment is subject to (PAYG) income tax and paid as part of their normal monthly salary. The amount is included in salaries, fees and allowances.*
7. *Mr Loader's 2014 share based payment amortisation expenses have been accelerated based on his contract end date of 1 July 2018.*
8. *Mr Roder's 2013 and 2014 share based payment amortisation expenses have been accelerated based on his contract end date of 31 August 2017.*
9. *Mr Utsler's 2014 share based payment amortisation expense has been accelerated based on his contract end date of 2 December 2018.*
10. *Mr Cole ceased being KMP on 26 November 2014 and departed Woodside on 5 December 2014. Mr Cole's Long Service Leave has been adjusted in accordance with the Accounting Standards to reflect his departure. As required by the Accounting Standards, the figure reported as 'termination benefits' for Mr Cole includes the value of accrued statutory leave entitlements. These are not termination benefits for the purposes of the statutory cap on termination benefits. The 'termination benefits' figure also includes payment in lieu of notice.*
11. *On 31 July 2013, Mr Ahmed departed Woodside. Mr Ahmed's Long Service Leave has been adjusted in accordance with the Accounting Standards to reflect his departure. As required by the Accounting Standards, the figure reported as 'termination benefits' for Mr Ahmed includes the value of accrued statutory leave entitlements. These are not termination benefits for the purposes of the statutory cap on termination benefits. The 'termination benefits' figure also includes the accelerated costs of a payment in lieu of 11 months' notice.*
12. *On 1 August 2013, Mr Moore departed Woodside. Mr Moore's Long Service Leave has been adjusted in accordance with the Accounting Standards to reflect his departure. As required by the Accounting Standards, the figure reported as 'termination benefits' for Mr Moore includes the value of accrued statutory leave entitlements. These are not termination benefits for the purposes of the statutory cap on termination benefits. The 'termination benefits' figure also includes the accelerated costs of a payment in lieu of nine months' notice.*
13. *Mr Santostefano ceased being KMP on 30 November 2013 and departed Woodside on 30 June 2014. Mr Santostefano's Long Service Leave has been adjusted in accordance with the Accounting Standards to reflect his departure. As required by the Accounting Standards, the figure reported as 'termination benefits' for Mr Santostefano includes salary due in 2014 through to when Mr Santostefano ceased employment in June and the value of accrued statutory leave entitlements. These are not termination benefits for the purposes of the statutory cap on termination benefits. The 'termination benefits' figure also includes the accelerated costs of a payment in lieu of four months' notice.*

Table 12 – Vesting schedule for RTSR-tested VPRs awarded for the Performance Years 2009 to 2011

The table below sets out the relative TSR rankings that are required for vesting of the VPRs that were granted in respect of the 2009 to 2011 Performance Years.

Woodside RTSR percentile position within Peer Group	Vesting of RTSR-tested VPRs
Less than 50th percentile	no vesting
Equal to 50th percentile	50% vest
Equal to 75th percentile	100% vest
Equal to 100th percentile	150% vest (i.e. 50% uplift for topping LTA Peer Group)

Vesting between these percentile points is on a pro rata basis. While a VPR generally only confers an entitlement to a single share on vesting (or its cash value), when greater than 100% vesting is achieved additional shares are allocated in respect of each RTSR-tested VPR to achieve the necessary uplift.

When testing occurs in relation to awards that are subject to an RTSR hurdle (being the LTA for the 2009 to 2011 Performance Years and both the STA and LTA for the 2012 to 2014 Performance Years), Woodside's total shareholder return will be ranked against the total shareholder returns of the relevant list of companies set out below. For 2012 to 2014 STA and LTA awards, it will also be ranked against the total shareholder returns of the ASX 50.

Table 13 – LTA Peer Group for Performance Years 2009 to 2011

Apache Corporation
Anadarko Petroleum Corporation
BG Group PLC
CNOOC Limited
Inpex Corporation
Marathon Oil Company
Murphy Oil Corporation
Pioneer Natural Resources Company
Repsol YPF, S.A.
Santos Ltd
Talisman Energy Inc

Table 14 – STA Peer Group and LTA Peer Group Performance Years 2012 to 2014 – International Oil and Gas Companies

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

Table 15 and *Table 16* summarise the terms and conditions of the equity instruments granted under the LTA and STA for Performance Years 2009 to 2014.

Table 15 – Summary of LTA terms for Performance Years 2009 to 2014

Terms and conditions	2014 VPR allocation	2013 VPR allocation	2012 VPR allocation	2011 VPR allocation	2010 VPR allocation	2009 VPR allocation
Allocation Date	20 February 2015	21 February 2014	22 February 2013	1 March 2012	25 February 2011	5 March 2010
Pricing Date	1 January 2014	1 January 2013	7 December 2012	31 December 2011	31 December 2010	31 December 2009
Grant Date	1 January 2014	1 January 2013	1 January 2012	1 January 2011	1 January 2010	1 January 2009
Allocation Price[1]	A$19.51	A$20.00	A$19.65	A$31.93	A$42.78	A$47.86
Vesting Date[2]	20 February 2019	21 February 2018	22 February 2017	1 March 2015	25 February 2014	5 March 2013
Retesting Date	20 February 2020[3]	21 February 2019[3]	22 February 2018[3]	1 March 2016[4]	25 February 2015[4]	5 March 2014[5]

1. *For allocations made for the years prior to 2012, the allocation price was determined by calculating the Volume Weighted Average Price of Woodside shares for the trading days in the month of December of the respective Performance Year. For the 2014 Performance Year, the allocation price is the fair value of a variable pay right as at 1 January 2014.*
2. *Provision is made for accelerated vesting in certain events such as total and permanent disability, death or a change in control of Woodside.*
3. *Any VPRs that do not vest as a result of the first test will be retested over a five-year performance period.*
4. *Retesting is applied to the RTSR-tested VPRs if the RTSR threshold is not achieved at the vesting date.*
5. *2009 allocation failed the retest in 2014 and this allocation has now lapsed.*

Table 16 – Summary of deferred STA terms for Performance Years 2010 to 2014

Terms and conditions	2014 allocation	2013 allocation	2012 allocation	2011 allocation	2010 allocation
Deferral Instrument	Restricted Shares	Restricted Shares	Restricted Shares	Time-tested VPRs	Time-tested VPRs
Allocation Date	20 February 2015	21 February 2014	22 February 2013	1 March 2012	25 February 2011
Pricing Date	31 December 2014	31 December 2013	31 December 2012	31 December 2011	31 December 2010
Grant Date	1 January 2014	1 January 2013	1 January 2012	1 January 2011	1 January 2010
Volume Weighted Average Price	A$36.09	A$37.90	A$34.09	A$31.93	A$42.78
Vesting Date[1]	20 February 2018	21 February 2017	22 February 2016	1 March 2015	25 February 2014

1. *Provision is made for accelerated vesting in certain events such as total and permanent disability, death or a change in control of Woodside.*

Table 17 and *Table 18* summarise the interests of executive KMP in deferred STA that were granted as VPRs (for the 2009 to 2011 Performance Years) and Restricted Shares (for the 2012 to 2014 Performance Years).

Table 17 – Summary of executive KMPs' interests in Time-tested VPRs[1]

Name	Allocation date	Vesting date[2]	Awarded but not vested	Vested in 2014	% of total vested	Lapsed in 2014	Fair value[3] of VPRs by Performance Year
P Coleman	March 2012	March 2015	14,791				38.87
R Cole[4]	February 2011	February 2014		4,302	100		38.32
	March 2012	March 2015	6,301			6,301	38.87
S Gregory[5]	February 2011	February 2014		661	100		38.32
L Tremaine	February 2011	February 2014		1,924	100		38.32
	March 2012	March 2015	4,470				38.87

1. *For valuation purposes all VPRs are treated as if they will be equity settled. The fair value for the cash settled awards is recalculated at the end of every reporting period.*
2. *Vesting date and exercise date are the same. Vesting is subject to a three-year service condition. The minimum total value of the grants for future financial years is nil if relevant vesting conditions are not satisfied. An estimate of the maximum possible total value in future financial years is the fair value as shown above multiplied by the number of VPRs awarded.*
3. *In accordance with the requirements of AASB 2 Share-based Payment, the fair value of rights as at their date of grant has been determined by applying the Binomial or Black Scholes option pricing technique. The fair value of rights is amortised over the vesting period, such that 'total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.*
4. *A total of 6,301 Time-tested VPRs were forfeited on Mr Cole's departure on 5 December 2014.*
5. *Mr Gregory did not meet the definition of KMP under AASB 124 for years prior to 2013. Previous years comparative figures are not shown.*

Table 18 – Summary of executive KMPs' interests in Restricted Shares

Name	Allocation date	Vesting date[1]	Awarded but not vested	Vested in 2014	% of total vested	Lapsed in 2014	Value of Restricted Shares by Performance Year
P Coleman	February 2013	February 2016	33,720				30.98
	February 2014	February 2017	19,924				35.18
	February 2015	February 2018	45,334				34.80
R Cole[2]	February 2013	February 2016	7,882			7,882	30.98
	February 2014	February 2017	5,134			5,134	35.18
R Edwardes	February 2013	February 2016	4,710				30.98
	February 2014	February 2017	5,075				35.18
	February 2015	February 2018	9,717				34.80
S Gregory[3]	February 2014	February 2017	2,566				35.18
	February 2015	February 2018	5,198				34.80
P Loader	February 2014	February 2017	1,450				35.18
	February 2015	February 2018	7,445				34.80
G Roder	February 2013	February 2016	3,829				30.98
	February 2014	February 2017	4,603				35.18
	February 2015	February 2018	8,728				34.80
L Tremaine	February 2013	February 2016	6,933				30.98
	February 2014	February 2017	4,249				35.18
	February 2015	February 2018	10,393				34.80
M Utsler	February 2014	February 2017	322				35.18
	February 2015	February 2018	12,228				34.80

1. *Vesting date and exercise date are the same. Vesting is subject to satisfaction of vesting conditions. The minimum total value of the grants for future financial years is nil if relevant vesting conditions are not satisfied. An estimate of the maximum possible total value in future financial years is the fair value at grant date multiplied by the number of Restricted Shares awarded.*
2. *A total of 13,016 Restricted Shares were forfeited on Mr Cole's departure on 5 December 2014.*
3. *Mr Gregory did not meet the definition of KMP under AASB 124 for years prior to 2013. Previous years comparative figures are not shown.*

Table 19 – Summary of executive KMPs' interests in RTSR-tested VPRs[1]

The following table summarises the interests of executive KMP in RTSR-tested VPRs that were granted as LTA for the 2009 to 2014 Performance Years.

Name	Allocation date	Final vesting date[2,3]	Awarded but not vested	Vested in 2014	% of total vested	Lapsed in 2014	Fair value[4] of VPRs
P Coleman	March 2012	March 2016	51,769				21.36
	February 2013	February 2018	150,665				15.90
	February 2014	February 2019	156,940				20.77
	February 2015	February 2020	167,316				17.45
R Cole[5]	March 2010	March 2014	6,305			6,305	14.82
	February 2011	February 2015	7,526			7,526	20.02
	March 2012	March 2016	10,661			10,661	21.36
	February 2013	February 2018	19,430			19,430	15.90
	February 2014	February 2019	20,010			20,010	20.77
R Edwardes	February 2013	February 2018	11,923				15.90
	February 2014	February 2019	19,780				20.77
	February 2015	February 2020	21,078				17.45
S Gregory[6]	March 2010	March 2014	1,064			1,064	14.82
	February 2014	February 2019	10,000				20.77
	February 2015	February 2020	11,276				17.45
P Loader	February 2014	February 2019	7,536				20.77
	February 2015	February 2020	16,150				17.45
G Roder	February 2013	February 2018	5,774				15.90
	February 2014	February 2019	17,940				20.77
	February 2015	February 2020	18,932				17.45
L Tremaine	March 2010	March 2014	1,641			1,641	14.82
	March 2012	March 2016	7,564				21.36
	February 2013	February 2018	14,631				15.90
	February 2014	February 2019	16,560				20.77
	February 2015	February 2020	18,036				17.45
M Utsler	February 2014	February 2019	1,676				20.77
	February 2015	February 2020	21,219				17.45

1. *For valuation purposes all VPRs are treated as if they will be equity settled.*
2. *Vesting date and exercise date are the same. Vesting is subject to satisfaction of vesting conditions. The minimum total value of the grants for future financial years is nil if relevant vesting conditions are not satisfied. An estimate of the maximum possible total value in future financial years is the fair value at grant date multiplied by the number of VPRs awarded.*
3. *Vesting date is 5 March 2014 (re-test date) in respect of March 2010 allocations, 25 February 2014 or 25 February 2015 in respect of February 2011 allocations and 1 March 2015 or 1 March 2016 in respect of March 2012 allocations. Vesting date is 22 February 2017 or 22 February 2018 in respect of February 2013 allocations, 21 February 2018 or 21 February 2019 in respect of February 2014 allocations and 20 February 2019 or 20 February 2020 in respect of the February 2015 allocations.*
4. *In accordance with the requirements of AASB 2 Share-based Payment, the fair value of rights as at their date of grant has been determined by applying the Binomial or Black Scholes option pricing technique. The fair value of rights is amortised over the vesting period, such that 'total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.*
5. *A total of 57,627 RTSR-tested VPRs were forfeited on Mr Cole's departure on 5 December 2014.*
6. *Mr Gregory did not meet the definition of KMP for the years prior to 2013. Comparative figures are not shown.*

Table 20 and *Table 21* summarise the interests of executive KMP in Equity Rights granted under the WEP and SWEP, respectively.

Table 20 – Summary of executive KMPs' interests in Equity Rights under the WEP

Name	Grant date	Number of Equity Rights granted	Number of Equity Rights which have lapsed/forfeited	Number of Equity Rights which have vested during 2014	Fair value of Equity Rights[1]
R Cole	30 November 2011	1,830		1,830	30.49
S Gregory[2]	30 November 2011	1,370		1,370	30.49
	1 October 2013	3,100			30.47
	1 October 2014	2,300			31.26
L Tremaine	30 November 2011	1,830		1,830	30.49
	1 October 2012	2,000			31.99
	1 October 2013	3,100			30.47
	1 October 2014	2,300			31.26

1. *Vesting date and exercise date are the same. Vesting is subject to a three-year service condition. The fair value of Equity Rights as at their date of grant has been determined by reference to the share price at acquisition. The fair value of Equity Rights is amortised over the vesting period, such that 'total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest. The minimum total value in future financial years is nil if relevant vesting conditions are not satisfied. An estimate of the maximum possible total value in future financial years is the fair value as shown above multiplied by the number of Equity Rights awarded.*
2. *Mr Gregory did not meet the definition of KMP for the years prior to 2013. Comparative figures are not shown.*

Table 21 – Summary of executive KMPs' interests in Equity Rights under the SWEP

Name	Grant date	Number of Equity Rights granted	Number of Equity Rights which have lapsed/forfeited	Number of Equity Rights which have vested during 2014	Fair value of Equity Rights[1]
R Cole[2]	1 October 2014	14,350	14,350		31.26
P Loader	1 October 2014	11,960			31.26
L Tremaine	1 October 2014	11,960			31.26
M Utsler	1 October 2014	14,350			31.26

1. *Vesting date and exercise date are the same. Vesting is subject to a three-year service condition. The fair value of Equity Rights as at their date of grant has been determined by reference to the share price at acquisition. The fair value of Equity Rights is amortised over the vesting period, such that 'total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest. The minimum total value in future financial years is nil if relevant vesting conditions are not satisfied. An estimate of the maximum possible total value in future financial years is the fair value as shown above multiplied by the number of Equity Rights awarded.*
2. *A total of 14,350 Equity Rights were forfeited on Mr Cole's departure on 5 December 2014.*

Table 22 – Total remuneration paid to non-executive directors in 2014 and 2013

The following table provides a detailed breakdown of the components of remuneration for each of the company's non-executive directors.

		Cash salary and fees	Pension super	
		Salaries, fees and allowances	Company contributions to superannuation	Total
		$	$	$
M A Chaney	2014	632,197	59,294	691,491
	2013	655,144	59,782	714,926
M A Cilento	2014	231,062	21,666	252,728
	2013	243,557	22,225	265,782
F C Cooper	2014	265,694	18,440	284,134
	2013	247,113	22,580	269,693
C Haynes	2014	256,820		256,820
	2013	270,387		270,387
A Jamieson	2014	275,752		275,752
	2013	289,991		289,991
D I McEvoy	2014	255,854	23,991	279,845
	2013	269,697	24,609	294,306
S Ryan	2014	234,803	22,017	256,820
	2013	247,512	22,586	270,098
G Tilbrook[1]	2014	16,685	1,275	17,960
	2013			
E Fraunschiel[2]	2014			
	2013	49,133	4,421	53,554

1. *Effective 4 December 2014, Mr Tilbrook was appointed as a non-executive director of Woodside.*
2. *On 28 February 2013, Mr Fraunschiel retired as a non-executive director of Woodside.*

Table 23 – KMP shareholdings

The following table summarises the movements in the shareholdings of KMP (including their personally related entities[1])for the 2014 financial year.

	2014					2013				
Name	Opening holding[2]	NEDSP[3]	Acquisition/ (disposal)	Net change –other	Closing holding	Opening holding[2]	NEDSP[3]	Acquisition/ (disposal)	Net change –other	Closing holding
Non-executive Directors										
M A Chaney	20,000				20,000	20,000				20,000
M A Cilento	2,086				2,086	2,086				2,086
F C Cooper	860	1,100			1,960		860			860
C Haynes	2,397	1,002			3,399	1,333	1,064			2,397
A Jamieson	5,380	1,080			6,460	4,235	1,145			5,380
D I McEvoy	8,040				8,040	8,040				8,040
S Ryan	918	957			1,875		918			918
E Fraunschiel[4]						81,930			(81,930)	
G Tilbrook[5]				4,751	4,751					
Executives										
P Coleman	88,724		19,924		108,648	55,004		33,720		88,724
R Cole[6]	40,983		11,266	(52,249)		28,502		12,481		40,983
R Edwardes	5,253		5,075		10,328	543		4,710		5,253
S Gregory	4,994		927		5,921	2,300		2,694		4,994
P Loader			1,450		1,450					
G Roder	3,829		4,603		8,432			3,829		3,829
L Tremaine	14,350		8,003		22,353	5,972		8,378		14,350
M Utsler			322		322					
F Ahmed[7]						6,886		7,670	(14,556)	
P Moore[8]						13,149		6,835	(19,984)	
V Santostefano[9]						38,164		12,512	(50,676)	

1. *Personally related entities include a KMP's spouse, dependants or entities over which they have direct control or significant influence.*
2. *Opening holding represents amounts carried forward in respect of KMP or amounts held by KMP who commenced during the year.*
3. *Related to participation in the Non-executive Directors' Share Plan (NEDSP).*
4. *Mr Fraunschiel departed Woodside on 28 February 2013.*
5. *Mr T ilbrook commenced with Woodside on 4 December 2014.*
6. *Mr Cole departed Woodside on 5 December 2014.*
7. *Mr Ahmed departed Woodside on 31 July 2013.*
8. *Mr Moore departed Woodside on 1 August 2013.*
9. *Mr Santostefano departed Woodside on 30 June 2014.*

Table 24 – Executive KMPs' interests in VPR and ER

The following table summarises the movements in the interests of KMP in VPRs and ERs during the 2014 financial year.

	2014					2013				
Name	At 1 January 2014	Allocated in 2014	Vested in 2014	Net change –other	At 31 December 2014	At 1 January 2013	Allocated in 2013	Vested in 2013	Net change –other	At 31 December 2013
Executives										
P Coleman	217,225	156,940			374,165	66,560	150,665			217,225
R Cole[1]	56,355	34,360	(6,150)	(84,565)		41,524	19,430	(4,599)		56,355
R Edwardes	11,923	19,780			31,703		11,923			11,923
S Gregory	18,826	12,300	(2,031)	(1,064)	28,031	12,016	7,747	(937)		18,826
P Loader[2]		19,496			19,496					
G Roder	5,774	17,940			23,714		5,774			5,774
L Tremaine	41,403	30,820	(3,754)	(1,677)	66,792	25,117	17,731	(1,445)		41,403
M Utsler[3]		16,026			16,026					
F Ahmed[4]						33,264	16,503	(3,692)	(46,075)	
P Moore[5]						25,688	10,788	(4,269)	(32,207)	
V Santostefano[6]						36,542	21,359	(3,786)	(54,115)	

1. *Mr Cole departed Woodside on 5 December 2014.*
2. *Mr Loader commenced with Woodside on 1 July 2013.*
3. *Mr Utsler commenced with Woodside on 2 December 2013.*
4. *Mr Ahmed departed Woodside on 31 July 2013.*
5. *Mr Moore departed Woodside on 1 August 2013.*
6. *Mr Santostefano departed Woodside on 30 June 2014.*

DIRECTORS' REPORT (continued)

Indemnification and insurance of directors and officers

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

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

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

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

Non-audit services and auditor independence declaration

Details of the amounts paid or payable to the external auditor of the company, Ernst & Young, for audit and non-audit services provided during the year are disclosed in *note 26* to the Financial Report.

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

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

Further information on Woodside's policy in relation to the provision of non-audit services by the auditor is set out in *section 7* of the Corporate Governance Statement on 58.

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

Proceedings on behalf of the company

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

Rounding of amounts

The amounts contained in this report have been rounded to the nearest million dollars under the option available to the company under Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998.

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

Director	Relevant interest in shares
MA Chaney	20,000
MA Cilento	2,086
PJ Coleman[1,2]	108,648
F Cooper	1,960
CM Haynes	3,399
A Jamieson	6,460
DI McEvoy	8,040
SE Ryan	1,875
GT Tilbrook	7,153

1. Mr Coleman holds variable pay rights under Woodside's Executive Incentive Plan, details of which are set out in the Remuneration Report on pages 68 to 69.
2. Mr Coleman will be allocated restricted shares and variable pay rights under Woodside's Executive Incentive Plan on 20 February 2015, as set out in the Remuneration Report on pages 74 to 75.

Signed in accordance with a resolution of the directors.

M A Chaney, AO
Chairman

Perth, Western Australia
18 February 2015

P J Coleman
Chief Executive Officer and Managing Director

Perth, Western Australia
18 February 2015

Auditor's Independence Declaration to the Directors of Woodside Petroleum Ltd

In relation to our audit of the financial report of Woodside Petroleum Ltd for the financial year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R J Curtin
Partner

Perth, Western Australia
18 February 2015

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2014 FINANCIAL REPORT

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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 US$m	2013 US$m
Operating revenue	3(a)	7,435	5,926
Cost of sales	3(b)	(2,883)	(2,594)
Gross profit		4,552	3,332
Other income	3(c)	44	41
Other expenses	3(d)	(924)	(835)
Profit before tax and net finance costs		3,672	2,538
Finance income		15	10
Finance costs		(178)	(189)
Profit before tax		3,509	2,359
Petroleum resource rent tax benefit	4(a)	88	224
Income tax expense	4(a)	(1,081)	(769)
Profit after tax		2,516	1,814
Profit attributable to:			
Equity holders of the parent		2,414	1,749
Non-controlling interest		102	65
Profit for the year		2,516	1,814
Basic and diluted earnings per share attributable to equity holders of the parent (US cents)	5	293	213

The accompanying notes form part of the financial report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 US$m	2013 US$m
Profit for the year	2,516	1,814
Other comprehensive income		
Items that may be reclassified to profit or loss in subsequent periods:		
Net change in fair value of available-for-sale financial assets	-	1
Items that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement (losses)/gains on defined benefit plan	(6)	15
Other comprehensive income for the period, net of tax	(6)	16
Total comprehensive income for the year	2,510	1,830
Total comprehensive income attributable to:		
Equity holders of the parent	2,408	1,765
Non-controlling interest	102	65
Total comprehensive income for the year	2,510	1,830

The accompanying notes form part of the financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 US$m	2013 US$m
Current assets			
Cash and cash equivalents	7	3,268	2,223
Receivables	8(a)	478	453
Inventories	9(a)	247	192
Other financial assets		-	4
Other assets		49	23
Total current assets		4,042	2,895
Non-current assets			
Receivables	8(b)	63	-
Inventories	9(b)	12	8
Other financial assets		30	32
Other assets		2	32
Exploration and evaluation assets	10(a)	1,268	1,063
Oil and gas properties	11(a)	17,534	18,490
Other plant and equipment		79	80
Deferred tax assets	4(c)	1,052	1,170
Total non-current assets		20,040	20,875
Total assets		24,082	23,770
Current liabilities			
Payables	12	605	575
Interest-bearing liabilities	13(a)	629	1,177
Tax payable	14	440	317
Other financial liabilities		2	10
Other liabilities	15(a)	76	30
Provisions	16	189	255
Total current liabilities		1,941	2,364
Non-current liabilities			
Interest-bearing liabilities	13(b)	1,957	2,587
Deferred tax liabilities	4(c)	1,637	1,533
Other financial liabilities		10	10
Other liabilities	15(b)	123	114
Provisions	16	1,755	1,204
Total non-current liabilities		5,482	5,448
Total liabilities		7,423	7,812
Net assets		16,659	15,958
Equity			
Issued and fully paid shares	17(a)	6,547	6,547
Shares reserved for employee share plans	17(b)	(38)	(42)
Other reserves	18	920	923
Retained earnings		8,395	7,797
Equity attributable to equity holders of the parent		15,824	15,225
Non-controlling interest		835	733
Total equity		16,659	15,958

The accompanying notes form part of the financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 US$m	2013 US$m
Cash flows from/(used in) operating activities			
Profit after tax for the year		2,516	1,814
Adjustments for:			
Non-cash items			
Depreciation and amortisation		1,462	1,266
Impairment of oil and gas properties and other assets		434	387
Loss/(gain) on disposal of exploration and evaluation assets		13	(13)
Loss/(gain) on disposal of oil and gas properties		13	(39)
Change in fair value of derivative financial instruments		-	47
Net finance costs		163	179
Tax expense		993	545
Exploration and evaluation written off		5	6
Other		68	39
Changes in assets and liabilities			
Decrease in trade and other receivables		33	101
(Increase)/decrease in inventories		(65)	48
Decrease in provisions		(18)	(118)
Increase in other assets and liabilities		21	11
Increase/(decrease) in trade and other payables		69	(163)
Cash generated from operations		5,707	4,110
Purchases of shares and payments relating to employee share plans		(55)	1
Interest received		14	13
Dividends received		6	4
Interest paid		(163)	(186)
Income tax paid		(550)	(506)
Petroleum resource rent tax paid		(95)	(86)
Payments for restoration		(27)	(4)
Payments for carbon tax		(52)	(16)
Net cash from operating activities		4,785	3,330
Cash flows from/(used in) investing activities			
Payments for capital and exploration expenditure		(697)	(710)
Proceeds from disposal of exploration and evaluation assets		35	17
Proceeds from disposal of oil and gas properties		45	39
Income taxes paid on disposal of exploration and evaluation assets		-	(405)
Net cash used in investing activities		(617)	(1,059)
Cash flows from/(used in) financing activities			
Repayments of borrowings		(1,184)	(583)
Contributions to non-controlling interests		(182)	(139)
Dividends paid		(1,753)	(1,748)
Net cash used in financing activities		(3,119)	(2,470)
Net increase/(decrease) in cash held		1,049	(199)
Cash and cash equivalents at the beginning of the year		2,223	2,422
Effects of exchange rate changes		(4)	-
Cash and cash equivalents at the end of the year	7	3,268	2,223

The accompanying notes form part of the financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Issued and fully paid shares	Shares reserved for employee share plans	Employee benefits reserve	Foreign currency translation reserve	Hedge of net investment reserve	Investment fair value reserve	Retained earnings	Equity holders of the parent	Non-controlling interest	Total equity
	Note 17 (a)	Note 17 (b)	Note 18	Note 18	Note 18	Note 18				
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
At 1 January 2014	6,547	(42)	164	663	110	(14)	7,797	15,225	733	15,958
Profit for the year	-	-	-	-	-	-	2,414	2,414	102	2,516
Other comprehensive income	-	-	(6)	-	-	-	-	(6)	-	(6)
Total comprehensive income for the year	-	-	(6)	-	-	-	2,414	2,408	102	2,510
Non-controlling interest	-	-	-	-	-	-	(52)	(52)	-	(52)
Employee share plan purchases	-	(55)	-	-	-	-	-	(55)	-	(55)
Employee share plan redemptions	-	59	(59)	-	-	-	-	-	-	-
Share-based payments	-	-	62	-	-	-	-	62	-	62
Dividends paid	-	-	-	-	-	-	(1,764)	(1,764)	-	(1,764)
At 31 December 2014	6,547	(38)	161	663	110	(14)	8,395	15,824	835	16,659

	Issued and fully paid shares	Shares reserved for employee share plans	Employee benefits reserve	Foreign currency translation reserve	Hedge of net investment reserve	Investment fair value reserve	Retained earnings	Equity holders of the parent	Non-controlling interest	Total equity
At 1 January 2013	6,547	(44)	101	663	110	(15)	7,786	15,148	679	15,827
Profit for the year	-	-	-	-	-	-	1,749	1,749	65	1,814
Other comprehensive income	-	-	15	-	-	1	-	16	-	16
Total comprehensive income for the year	-	-	15	-	-	1	1,749	1,765	65	1,830
Non-controlling interest	-	-	-	-	-	-	-	-	(11)	(11)
Employee share plan purchases	-	(2)	-	-	-	-	-	(2)	-	(2)
Employee share plan redemptions	-	4	(4)	-	-	-	-	-	-	-
Share-based payments	-	-	52	-	-	-	-	52	-	52
Dividends paid	-	-	-	-	-	-	(1,738)	(1,738)	-	(1,738)
At 31 December 2013	6,547	(42)	164	663	110	(14)	7,797	15,225	733	15,958

The accompanying notes form part of the financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

1. Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

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

The financial report is presented in US dollars. The amounts contained in this report have been rounded to the nearest million dollars under the option available to the Group under Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998, unless otherwise stated.

The financial report was authorised for issue in accordance with a resolution of the directors on 18 February 2015.

Woodside Petroleum Ltd is a for-profit entity. The nature of the operations and principal activities of the Group are described in the directors' report.

Except as disclosed below, the accounting policies adopted are consistent with those disclosed in the Annual Financial Report for the year ended 31 December 2013. Certain comparative information has been reclassified to be presented on a consistent basis with the current year's presentation.

Changes in accounting policy and disclosures

The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective from 1 January 2014 including:

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124];*
- AASB 2012-3 *Amendments to Australian Accounting Standards — Offsetting Financial Assets and Financial Liabilities;*
- AASB 2013-3 *Amendments to AASB 136 — Recoverable Amount Disclosures for Non-Financial Assets;*
- AASB 2013-4 *Amendments to AASB 139 — Novation of Derivatives and Continuation of Hedge Accounting;*
- AASB 1031 (2013) *Materiality;*
- AASB 1048 (2013) *Interpretation of Standards;*
- AASB 2013-9 (part B) *Amendments to Australian Accounting Standards - Materiality*; and
- Interpretation 21 *Levies*.

New and amended Standards and Interpretations did not result in any significant changes to the Group's accounting policies.

The Group has not elected to early adopt any other new or amended Standards or Interpretations that are issued but not yet effective (refer Note 1(ab)).

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards, as issued by the International Accounting Standards Board.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December each year.

Subsidiaries are all those entities over which the Group has power over the investee such that the Group is able to direct the relevant activities, has exposure or rights to variable returns from its involvements with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which control is transferred out of the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. At acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

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

A change in ownership of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

On loss of control of a subsidiary, all carrying amounts of assets, liabilities and non-controlling interests are derecognised. Any retained interest in the subsidiary is remeasured to its fair value and a gain or loss is recognised in the income statement.

Investments in subsidiaries are carried at cost less impairment charges in the separate financial statements of the parent company. Dividends received from subsidiaries are recorded as other income in the separate income statement of the parent company and do not impact the recorded cost of investment. The parent company will assess whether any indicators of impairment of the carrying amount of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying amount of the investment in the subsidiary exceeds its recoverable amount, an impairment loss is recognised.

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

(d) Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Operating revenue

Revenue earned from the sale of oil, gas and condensate produced is recognised when the risks and rewards of ownership of the products are transferred to the customer. This policy is applied to the Group's different operating arrangements as follows:

- revenue earned under a lease or licence conferring ownership rights to production, in which the Group has a working interest with other producers, is recognised in earnings on the basis of the Group's interest in the relevant lease or licence (entitlements method). Revenue is not reduced for royalties and other taxes payable from production, except where royalties are payable in kind;
- revenue from take or pay contracts is recognised in earnings when the product has been drawn by the customer or recorded as unearned revenue when not drawn by the customer;
- revenue earned under a risk service contract is recognised when the Group has a legally enforceable entitlement to the proceeds;
- revenue earned under a production service contract is recognised on the basis of the Group's share of oil, gas or condensate allocated to the contractor party or parties under the contract;
- revenue earned from LNG processing services is recognised when the services are rendered; and
- revenue earned from sales of third party products (referred to as trading revenue) is recognised when the risks and rewards of ownership of the products are transferred to the customer.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(e) Exploration and evaluation

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method.

The Group's application of the accounting policy for the cost of exploring and of evaluating discoveries is closely aligned to the US GAAP-based successful efforts method.

Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing.

All exploration and evaluation expenditure, including general permit activity, geological and geophysical costs and new venture activity costs, is expensed as incurred except where:

- the expenditure relates to an exploration discovery that, at the reporting date, has not been recognised as an area of interest, as an assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or
- an area of interest is recognised and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons and the recognition of an area of interest. Areas of interest are recognised at the field level. Subsequent to the recognition of an area of interest, all further evaluation costs relating to that area of interest are capitalised.

Each potential or recognised area of interest is reviewed half-yearly to determine whether economic quantities of reserves have been found, or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil and gas properties.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Where a potential impairment is indicated, assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

In the statement of cash flows, those cash flows associated with capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities. Exploration and evaluation expenditure expensed is classified as cash flows used in operating activities.

(f) Oil and gas properties

Oil and gas properties are stated at cost less accumulated depreciation and impairment charges. Oil and gas properties include construction, installation or completion of production and infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation assets, development wells and the cost of dismantling and restoration.

Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Otherwise costs are charged to the income statement during the financial year in which they are incurred.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(g) Depreciation and amortisation

Oil and gas properties and other plant and equipment are depreciated to their estimated residual values at rates based on their expected useful lives. The major categories of assets are depreciated as follows:

Category	Method	Estimated useful lives (years)
Oil and gas properties		
Land	Not depreciated	–
Buildings	Straight-line over useful life	24–40
Transferred exploration and evaluation assets and offshore plant and equipment	Unit of production basis over proved reserves or proved plus probable reserves	5–50
Onshore plant and equipment	Straight-line over the lesser of useful life and the life of proved plus probable reserves	5–50
Marine vessels and carriers	Straight-line over useful life	10–40
Other plant and equipment	Straight-line over useful life	5–15

(h) Impairment of assets

The carrying amounts of all assets, other than inventory, financial assets and deferred tax assets, are assessed half-yearly to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is determined as the higher of its value in use and fair value less costs of disposal. Value in use is determined by estimating future cash flows after taking into account the risks specific to the asset and discounting them to its present value using a pre-tax discount rate that reflects current market assessment of the time value of money.

For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is written down.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Derivative financial instruments and hedge accounting

From time to time, the Group uses derivative financial instruments such as swaps, options, futures and forward contracts to hedge its risks associated with commodity price, interest rate and foreign currency fluctuations.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair values in line with market fluctuations. The unrealised gain or loss on remeasurement is immediately recognised in the income statement, except where hedge accounting applies.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(i) Derivative financial instruments and hedge accounting (continued)

The fair values of derivative financial instruments that are traded on an active market are based on quoted market prices at the reporting date. The fair values of financial instruments not traded on an active market are determined using a valuation technique based on cash flows discounted to present value using current market interest rates.

Hedge accounting

When a derivative is designated as a hedge for accounting purposes, the relationship between the derivative and the hedged item is documented, as is its risk management objective and strategy for undertaking the hedge transaction. Also documented is the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

For the purposes of hedge accounting, hedges are classified and accounted for as follows:

Hedge type and risk	Accounting treatment
Fair value hedge	
Exposure to changes in the fair value of a recognised asset, liability or committed transaction	Changes in fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged risk that are attributable to the asset, liability or committed transaction.
Cash flow hedge	
Exposure to variability in cash flows associated with a highly probable forecasted transaction or a committed foreign currency transaction	The effective portion of changes in the fair value of derivatives is recognised in other comprehensive income and in the hedging reserve in equity. The gain or loss relating to any ineffective portion is recognised in the income statement immediately. Amounts accumulated in equity are taken to the income statement in the periods when the hedged item affects income, for instance, when the forecast sale that is hedged takes place.
Hedge of net investment	
Exposure to changes in the net assets of foreign operations from foreign exchange movements	The accounting treatment is substantially similar to a cash flow hedge. Gains or losses accumulated in the hedge of net investment reserve in equity are taken to the income statement on disposal of the foreign operation.

Hedge accounting is discontinued when the hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecasted transaction occurs.

If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

Embedded derivatives

Derivatives embedded in the Group's contracts, that change the nature of a host contract's risk and are not clearly and closely related to the host contract are initially recognised at fair value on the date the contract is entered into. Subsequent fair value movements of the derivative are recognised in the income statement.

(j) Provision for restoration

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

A restoration provision is recognised and updated at different stages of the development and construction of a facility and then reviewed on an annual basis. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related exploration and evaluation assets or oil and gas properties.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(j) Provision for restoration (continued)

Over time, the liability is increased for the change in the present value based on a pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer to Note 1(g)).

Costs incurred that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

(k) Joint arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such the Group recognises its:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Group's share of the net assets of the venture. Refer to Note 1(r) for further details of the equity method.

(l) Borrowing costs

Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial (usually greater than 12 months).

The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average effective interest rate applicable to the Group's outstanding borrowings during the year.

(m) Foreign currency

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

Translation of foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency of the transacting entity at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling at that date. Exchange differences in the consolidated financial statements are taken to the income statement, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in subsidiaries, which are taken directly to the hedge of net investment reserve until the disposal of the net investment, at which time they are recognised in the income statement.

Disposal of foreign operations

On disposal of a foreign operation, the proportionate share of exchange differences recognised in the foreign currency translation reserve relating to the particular foreign operation is recognised in the income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(n) Leases

The determination of whether an arrangement is or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Assets held under leases that transfer to the Group substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease, at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement over the lease term.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease assets are not capitalised and payments are recognised in the income statement as an expense over the lease term. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(o) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are stated at face value in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents are reported net of outstanding bank overdrafts.

(p) Trade and other receivables

Trade and other receivables, including receivables from related parties, are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectible amounts. Collectability and impairment are assessed on a regular basis. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(q) Inventories

Inventories include hydrocarbon stocks, consumable supplies and maintenance spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable. Inventories determined to be obsolete or damaged are written down to net realisable value.

(r) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and is neither a subsidiary nor a joint arrangement.

The financial statements of associates, prepared for the same reporting period as the Group and applying consistent accounting policies, are used by the Group to apply the equity method. The investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate less any impairment. The income statement reflects the Group's share of the associate's after tax profit or loss from operations.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, where applicable, in the consolidated statement of changes in equity.

On loss of significant influence of an associate, any retained investment in the former associate is recognised at its fair value. A gain or loss, on loss of significant influence, is recognised in the income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(s) Employee provisions

Provision is made for employee benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages, salaries, annual leave and long service leave.

Liabilities in respect of employees' services rendered that are not expected to be wholly settled within one year after the end of the period in which the employees render the related services are recognised as long-term employee benefits. These liabilities are measured at the present value of the estimated future cash outflow to be made to the employees using the projected unit credit method. In determining the present value of the estimated future cash outflow, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Estimated future payments are discounted using appropriate discount rates. Liabilities expected to be wholly settled within one year after the end of the period in which the employees render the related services are classified as short-term benefits and are measured at the amount due to be paid.

(t) Share-based payments

Equity-settled transactions

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments whereby employees render services for shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured by reference to the fair values of the equity instruments at the date at which they are granted. The fair value is determined by using a Binomial or Black-Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the awards (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the result of:

- the grant date fair value of the award;
- the current best estimate of the number of awards that will vest, taking into account the likelihood of employee turnover; and
- the expired portion of the vesting period less amounts charged to capital projects.

The charge to the income statement for the year is the cumulative amount, as calculated above, less the amounts charged in the previous years. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated.

An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

Shares in the Group reacquired on-market are classified and disclosed as reserved shares and deducted from equity (refer to Note 1(y)). No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash-settled transactions

The Group provides benefits to employees who have been on international assignment or secondment at any time during the vesting period in the form of cash-settled share-based payments. Employees render services in exchange for cash, the amounts of which are determined by reference to the price of the shares of Woodside Petroleum Ltd.

The ultimate cost of these cash-settled share-based payments will be equal to the actual cash paid to the employees which will be the fair value at settlement date. The cumulative cost recognised until settlement is held as a liability. All changes in the liability are recognised in the income statement for the year.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by using a Binomial or Black-Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(u) Financial liabilities

Borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost, except for those designated in a fair value hedge relationship as described previously. Any difference between the proceeds received and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Trade and other payables are carried at amortised cost when goods and services are received, whether or not billed to the Group, prior to the end of the financial year.

Dividends payable are recognised when declared by the Group.

(v) Tax

Income tax

Income tax expense on the profit or loss for the year comprises current and deferred tax expense.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax expense is determined based on changes in temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, unused tax losses and unused tax credits only if it is probable that sufficient future taxable income will be available to utilise those temporary differences and losses. Such deferred tax liabilities and assets are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit or loss nor the accounting profit or from investments in subsidiaries, associates and interests in joint ventures. This is to the extent that the Group is able to control the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax expenses are recognised in the income statement, except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Petroleum Resource Rent Tax (PRRT)

PRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

Tax consolidation

The parent and its wholly owned Australian controlled entities have elected to enter into tax consolidation, with Woodside Petroleum Ltd as the head entity of the tax consolidated group.

The tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group, using the stand alone approach.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(w) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

(x) Royalties and excise duty

Royalties and excise duty under existing regimes are considered to be production-based taxes and are therefore accrued on the basis of the Group's entitlement to physical production.

(y) Issued capital

Ordinary shares are classified as equity and recorded at the value of consideration received. The cost of issuing shares is shown in share capital as a deduction, net of tax, from the proceeds.

Reserved shares

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements (reserved shares), are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(z) Carbon emissions

Carbon emission units purchased for compliance purposes under the Australian Carbon Pricing Mechanism are recognised at cost as an intangible asset. Carbon emission units granted by the Australian Government are recognised at nominal value (nil value).

An emissions liability is recognised as a provision when actual emissions exceed the emission units granted by the Australian Government. Any provision recognised is measured at the value of purchased units held, with any excess measured at the current market value of carbon units at the reporting date. The movement in the provision is recognised in the income statement.

(aa) Critical accounting estimates, assumptions and judgements

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

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of future cash flows. For oil and gas properties, expected future cash flow estimation is based on management's best estimate on the following assumptions: reserves, future production profiles, future commodity prices, exchange rates and costs. These estimates are subject to risk and uncertainty, and hence changes in economic conditions can also affect the assumptions used and the rates used to discount future cash flow estimates. The basis for the estimates used for value-in-use assessments are set out on the following page.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(aa) Critical accounting estimates, assumptions, and judgements (continued)

Impairment of assets (continued)

Future commodity pricing

- LNG is priced based on the terms set out in the relevant contracts between the Company and its customers. The majority of LNG sales contracts are linked to an oil price marker, accordingly the LNG prices used are consistent with oil price assumptions; and
- Natural gas is priced to the terms set out in the relevant contracts between the Company and its customers.

Discount rates

The Company uses current market information to determine the appropriate discount rate and then adjusts this position where relevant for other factors including risks specific to the asset or Cash Generating Unit (CGU) being assessed except where such risks have been incorporated in the cash flows.

Operating and Capital costs

Operating and capital cost assumptions are based on the Company's latest budget, five year plan and project economic plans consistent with the basis used to estimate a project's reserves and resources, commercial decision making and planning. These costs are escalated at the estimated inflation rate and converted to USD using foreign exchange rate assumptions. For more detail regarding these specific assumptions refer to Note 11(b).

In testing for impairment, assets are assessed as the cash generating unit to which it belongs. The cash generating units assessed are on a field by field basis, apart from North West Shelf which is split into two cash generating units – oil and gas, and Pluto which is assessed as an individual cash generating unit.

Restoration obligations

The Group estimates the future removal costs of offshore oil and gas platforms, production facilities, wells and pipelines at different stages of the development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and liability specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of provision for restoration refer to Note 1(j).

Reserve estimates

Estimation of reported recoverable quantities of proved and probable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

Changes in reported reserves can impact assets' carrying amounts, provision for restoration and recognition of deferred tax assets due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, amortisation and impairment charged to the income statement. Reserve estimates are prepared in accordance with Woodside's Hydrocarbon Resource Inventory Management Process and guidelines prepared by the Society of Petroleum Engineers.

Exploration and evaluation

The Group's accounting policy for exploration and evaluation assets is set out in Note 1(e). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

1. Summary of significant accounting policies (continued)

(ab) New and amended Accounting Standards and Interpretations issued but not yet effective

The following Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group as at the financial reporting date.

Title	Application date of the Standard	Summary
AASB 9 *Financial Instruments*	Periods beginning on or after 1 January 2018	A finalised version of AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 *Financial Instruments: Recognition and Measurement*. The Standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition.
AASB 15 *Revenue from Contracts with Customers*	Periods beginning on or after 1 January 2017	AASB 15 provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations*	Periods beginning on or after 1 January 2016	This Standard sets out the guidance on the accounting for acquisition of interests in joint operations in which the activity constitutes a business.
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]*	Periods beginning on or after 1 January 2015	This Standard makes amendments to other Australian Accounting Standards and Interpretations arising from the introduction of AASB 9 *Financial Instruments*.
AASB 119 - *Defined Benefit Plans: Employee contributions*	Periods beginning on or after 1 July 2014	This Standard makes amendments relating to the requirement for contributions from employees or third parties that are linked to service.
AASB 2014-3 *Clarification of acceptable methods of depreciation and amortisation (amendments to AASB 116 and AASB 138)*	Periods beginning on or after 1 January 2016	This Standard clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
Annual Improvements to IFRSs 2010–2012 Cycle	Periods beginning on or after 1 July 2014	This Standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.
Annual Improvements to IFRSs 2011–2013 Cycle	Periods beginning on or after 1 July 2014	This Standard provides clarification amendments to IFRS 1, IFRS 3, IFRS 13 and IFRS 40.
Annual Improvements to IFRSs 2012–2014 Cycle	Periods beginning on or after 1 July 2014	This Standard provides clarification amendments to IFRS 5, IFRS 7, IFRS 9 and IFRS 134.
Disclosure Initiative Amendments to IAS 1	Periods beginning on or after 1 January 2016	This initiative amends AASB 101 *Presentation of Financial Statements* to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: • clarification that information should not be obscured by aggregating or by providing immaterial information; • clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant; and • additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes.

The potential effect of these Standards is yet to be fully determined. However, it is not expected that the new or amended Standards will significantly affect the Group's accounting policies, financial position or performance.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the year ended 31 December 2014

2. Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The following operating segments are identified by management based on the nature and geographical location of the business or venture.

North West Shelf Business Unit

Exploration, evaluation, development, production and sale of liquefied natural gas, pipeline natural gas, condensate, liquefied petroleum gas and crude oil from the North West Shelf ventures.

Pluto Business Unit

Exploration, evaluation, development, production and sale of liquefied natural gas and condensate in assigned permit areas.

Australia Oil Business Unit

Exploration, evaluation, development, production and sale of crude oil in assigned permit areas including Laminaria-Corallina, Enfield, Vincent and Stybarrow ventures.

Browse Business Unit

Exploration, evaluation and development of liquefied natural gas and condensate in assigned permit areas.

Other

This segment comprises the activities undertaken by Trading and Shipping, United States, Exploration, International, and Sunrise Business Units.

Unallocated items

Unallocated items comprise non-segmental items of revenue and expenses and associated assets and liabilities not allocated to operating segments as they are not considered part of the core operations of any segment.

Performance monitoring and evaluation

Management monitors the operating results of the Business Units separately for the purpose of making decisions about resource allocation and performance assessment. The performance of operating segments is evaluated based on profit before tax and net finance costs (profit before tax and interest) and is measured in accordance with the Group's accounting policies.

Financing requirements, finance income, finance costs and taxes are managed at a Group level.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the year ended 31 December 2014

2. Operating segments (continued)

(a) Revenue and profit after tax for the year ended 31 December 2014

	North West Shelf Business Unit	Pluto Business Unit	Australia Oil Business Unit	Browse Business Unit	Other	Unallocated Items	Consolidated
	2014 US$m	2014 US$m	2014 US$m	2014 US$m	2014 US$m	2014 US$m	2014 US$m
Revenue							
Operating revenue	2,986	3,440	825	-	184	-	7,435
Cost of sales							
Costs of production	(661)	(195)	(261)	-	(5)	10	(1,112)
Shipping and direct sales costs	(47)	(124)	(3)	-	(1)	(10)	(185)
Trading costs	-	-	-	-	(160)	-	(160)
Oil and gas properties depreciation and amortisation	(314)	(821)	(275)	-	(16)	-	(1,426)
Total costs of sales	(1,022)	(1,140)	(539)	-	(182)	-	(2,883)
Gross profit	1,964	2,300	286	-	2	-	4,552
Other fees and recoveries	9	3	6	-	1	6	25
Share of associates net profit	4	-	-	-	-	-	4
Other exchange gain/(loss)	(1)	1	-	-	-	15	15
Exploration and evaluation	(12)	(2)	(24)	-	(268)	-	(306)
Net defined benefit plan expense	-	-	-	-	-	(2)	(2)
Change in fair value of derivative financial instruments	-	-	-	-	-	-	-
Depreciation of other plant and equipment	-	-	-	-	(1)	(14)	(15)
General, administrative and other costs	4	8	(38)	-	(35)	(80)	(141)
(Loss) on disposal of oil and gas properties	(5)	-	-	-	(8)	-	(13)
(Loss) on disposal of exploration and evaluation assets	-	-	-	-	(13)	-	(13)
Impairment of oil and gas properties	(41)	-	(393)	-	-	-	(434)
Profit before tax and net finance costs[1]	1,922	2,310	(163)	-	(322)	(75)	3,672
Finance income							15
Finance costs							(178)
Profit before tax							3,509
Taxes							(993)
Profit after tax							2,516

1. *The performance of operating segments is evaluated based on profit before tax, finance income and finance costs. Financing requirements, finance income, finance costs and taxes are managed on a Group basis.*

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the year ended 31 December 2014

2. Operating segments (continued)

(a) Revenue and profit after tax for the year ended 31 December 2013

	North West Shelf Business Unit	Pluto Business Unit	Australia Oil Business Unit	Browse Business Unit	Other	Unallocated Items	Consolidated
	2013 US$m	2013 US$m	2013 US$m	2013 US$m	2013 US$m	2013 US$m	2013 US$m
Revenue							
Operating revenue	3,230	2,098	519	-	79	-	5,926
Cost of sales							
Costs of production	(718)	(245)	(265)	-	(10)	(4)	(1,242)
Shipping and direct sales costs	(41)	(88)	(1)	-	(4)	(11)	(145)
Oil and gas properties depreciation and amortisation	(267)	(779)	(123)	-	(36)	(2)	(1,207)
Total costs of sales	(1,026)	(1,112)	(389)	-	(50)	(17)	(2,594)
Gross profit	2,204	986	130	-	29	(17)	3,332
Other fees and recoveries	15	-	5	-	-	1	21
Share of associates net profit	4	-	-	-	-	-	4
Other exchange gain/(loss)	(1)	3	(3)	(1)	-	18	16
Exploration and evaluation	(17)	12	(35)	(1)	(276)	-	(317)
Net defined benefit plan expense	-	-	-	-	-	(3)	(3)
Change in fair value of derivative financial instruments	(37)	-	-	-	-	(10)	(47)
Depreciation of other plant and equipment	-	-	-	-	-	(11)	(11)
General, administrative and other costs	2	5	(1)	1	(19)	(116)	(128)
Pluto mitigation and initial start-up costs	-	6	-	-	-	-	6
Gain on disposal of oil and gas properties	-	-	25	-	14	-	39
Gain on disposal of exploration and evaluation assets	-	-	-	-	13	-	13
Impairment of oil and gas properties	-	(58)	(275)	-	(54)	-	(387)
Profit before tax and net finance costs[1]	2,170	954	(154)	(1)	(293)	(138)	2,538
Finance income							10
Finance costs							(189)
Profit before tax							2,359
Taxes							(545)
Profit after tax							1,814

1. *The performance of operating segments is evaluated based on profit before tax, finance income and finance costs. Financing requirements, finance income, finance costs and taxes are managed on a Group basis.*

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

2. Operating segments (continued)

(b) Segment assets and liabilities and other segment information

	North West Shelf Business Unit	Pluto Business Unit	Australia Oil Business Unit	Browse Business Unit	Other	Unallocated Items[1]	Consolidated
	2014 US$m	**2014 US$m**	**2014 US$m**	**2014 US$m**	**2014 US$m**	**2014 US$m**	**2014 US$m**
Segment assets	4,008	14,046	935	233	485	4,375	24,082
Segment liabilities	(1,875)	(484)	(842)	(35)	(89)	(4,098)	(7,423)
Other segment information							
Investment in associates	2	-	-	-	-	-	2
Additions to oil and gas properties	408	396	163	-	-	-	967
Additions to exploration and evaluation assets	24	(2)	14	85	135	12	268
Additions to other plant and equipment	-	-	-	-	-	14	14
	2013 US$m	2013 US$m	2013 US$m	2013 US$m	2013 US$m	2013 US$m	2013 US$m
Segment assets	3,931	14,303	1,450	149	451	3,486	23,770
Segment liabilities	(1,628)	(422)	(577)	(34)	(85)	(5,066)	(7,812)
Other segment information							
Investment in associates	2	-	-	-	-	-	2
Additions to oil and gas properties	218	96	263	-	14	-	591
Additions to exploration and evaluation assets	11	6	24	79	39	2	161
Additions to other plant and equipment	-	-	-	-	-	30	30

1 *Unallocated assets comprise mainly of Group cash and cash equivalents and unallocated liabilities comprise mainly of the Group's interest bearing liabilities.*

(c) Geographical information

Revenue from external customers and non-current assets by geographical locations is detailed below. Revenue is attributable to geographic location based on the location of the customers.

	Australia		Asia		United States of America		Other		Consolidated	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m	**2014 US$m**	2013 US$m	**2014 US$m**	2013 US$m	**2014 US$m**	2013 US$m
Revenue from external customers	586	446	6,705	5,377	103	78	41	25	7,435	5,926
Non-current assets[1]	18,957	19,530	11	-	-	154	20	21	18,988	19,705

1. *Non-current assets exclude deferred tax of US$1,052 (2013: US$1,170).*

(d) Major customer information

The Group has two major customers which account for 19% and 14% of external revenue within the Pluto and North West Shelf Business Units (2013: two customers; 18% and 12%).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the year ended 31 December 2014

3. Revenue and expenses

		2014 US$m	2013 US$m
(a)	**Operating revenue**		
	Revenue from sale of goods		
	Liquefied natural gas		
	North West Shelf	1,654	1,645
	Pluto	2,909	1,702
		4,563	3,347
	Pipeline natural gas		
	North West Shelf	376	366
	United States of America	1	5
		377	371
	Condensate		
	North West Shelf	568	754
	Pluto	333	246
		901	1,000
	Oil		
	North West Shelf	308	377
	Laminaria	85	99
	Enfield	146	200
	Vincent	511	25
	Stybarrow	83	195
	United States of America	22	74
		1,155	970
	Liquefied petroleum gas		
	North West Shelf	80	88
		80	88
	Total revenue from sale of goods	7,076	5,776
	Other operating revenue		
	Processing and services revenue	198	150
	Trading revenue	161	-
	Total other operating revenue	359	150
	Total operating revenue	7,435	5,926
(b)	**Cost of sales**		
	Cost of production		
	Production costs	(705)	(732)
	Royalties and excise	(400)	(461)
	Carbon costs	(24)	(36)
	Insurance	(23)	(41)
	Inventory movement	40	28
		(1,112)	(1,242)
	Shipping and direct sales costs	(185)	(145)
	Trading costs	(160)	-
		(345)	(145)
	Oil and gas properties depreciation and amortisation		
	Land and buildings	(58)	(61)
	Transferred exploration and evaluation	(46)	(42)
	Plant and equipment	(1,315)	(1,099)
	Marine vessels and carriers	(7)	(5)
		(1,426)	(1,207)
	Total cost of sales	(2,883)	(2,594)
	Gross profit	4,552	3,332

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

3. Revenue and expenses (continued)

		2014 US$m	2013 US$m
(c)	**Other income**		
	Other fees and recoveries	25	21
	Share of associates net profit	4	4
	Other exchange gain	15	16
	Total other income	44	41
(d)	**Other expenses**		
	Exploration and evaluation		
	Exploration expensed in current year	(269)	(241)
	Exploration expensed previously capitalised	(5)	(4)
	Amortisation of licence acquisition costs	(21)	(45)
	Evaluation	(11)	(27)
	Total exploration and evaluation	(306)	(317)
	Other costs		
	Net defined benefit plan expense	(2)	(3)
	Change in fair value of derivative financial instruments	-	(47)
	Depreciation of other plant and equipment	(15)	(11)
	General, administrative and other costs	(141)	(128)
	Pluto mitigation and initial start-up costs	-	6
	(Loss)/gain on disposal of oil and gas properties	(13)	39
	(Loss)/gain on disposal of exploration and evaluation assets	(13)	13
	Impairment of oil and gas properties[1]	(434)	(387)
	Total other costs	(618)	(518)
	Total other expenses	(924)	(835)
	Profit before tax and net finance costs	3,672	2,538

1. *Details regarding impairment of oil and gas properties are contained in Note 11(b).*

4. Taxes

		2014 US$m	2013 US$m
(a)	**Tax expense comprises**		
	PRRT		
	Current tax (benefit)/expense	(83)	176
	Deferred tax expense related to movement in deferred tax balances	(5)	(400)
		(88)	(224)
	Income tax		
	Current tax expense	1,018	521
	Over provided in prior years	(11)	(11)
	Deferred tax expense related to movement in deferred tax balances	74	259
		1,081	769
	Total tax expense reported in the income statement	993	545
(b)	**Reconciliation of tax expense to prima facie tax payable**		
	Profit before tax	3,509	2,359
	PRRT benefit	88	224
	Profit before income tax	3,597	2,583
	Tax expense calculated at 30%	1,079	775
	Tax effect of items which are non-deductible/(assessable)		
	Research and development	(5)	(6)
	Other	(15)	(5)
	Foreign expenditure not brought to account	63	51
	Over provided in prior years	(11)	(11)
	Foreign exchange impact on tax expense	(30)	(35)
	Income tax expense	1,081	769
	PRRT benefit	(88)	(224)
	Tax expense	993	545

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

4. Taxes (continued)

	As at 1 January	Charged/ (credited) to income statement	Charged/ (credited) to equity	Acquisition/ (disposal)	As at 31 December
	US$m	US$m	US$m	US$m	US$m
(c) Deferred tax					
2014					
Deferred tax assets					
Arising from temporary differences					
Foreign jurisdiction	11	-	-	(11)	-
Domestic jurisdiction	-	-	-	-	-
Arising from PRRT	1,159	(107)	-	-	1,052
	1,170	(107)	-	(11)	1,052
Deferred tax liabilities					
Arising from temporary differences					
Exploration and evaluation assets	207	95	-	-	302
Oil and gas properties	1,149	272	-	-	1,421
Financial instruments	1	(2)	-	-	(1)
Other liabilities	128	55	-	-	183
Provisions	(432)	(189)	-	-	(621)
Other	(45)	(12)	(3)	-	(60)
Arising from PRRT	525	(112)	-	-	413
	1,533	107	(3)	-	1,637
2013					
Deferred tax assets					
Arising from temporary differences					
Foreign jurisdiction	11	-	-	-	11
Domestic jurisdiction	-	-	-	-	-
Arising from PRRT	881	290	-	(12)	1,159
	892	290	-	(12)	1,170
Deferred tax liabilities					
Arising from temporary differences					
Exploration and evaluation assets	184	23	-	-	207
Oil and gas properties	915	229	-	5	1,149
Financial instruments	33	(32)	-	-	1
Other liabilities	36	97	-	(4)	129
Provisions	(427)	(8)	-	3	(432)
Other	(20)	(31)	6	(1)	(46)
Arising from PRRT	647	(122)	-	-	525
	1,368	156	6	3	1,533

	2014 US$m	2013 US$m
(d) Unrecognised deferred tax assets		
Tax loss not recognised		
Revenue loss	287	259
Deductible temporary difference[1]	3,389	3,469
Temporary differences associated with investments	5	4
	3,681	3,732

1. *Includes a deductible temporary difference of US$3,000 million related to the transition of the North West Shelf Project to the PRRT regime.*

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4. Taxes (continued)

(e) Tax losses

At the reporting date the Group has unused and unrecognised tax losses of US$867 million (2013: US$774 million) that are available for offset against future taxable profits.

No deferred tax asset has been recognised in respect of tax losses due to the uncertainty of future profit streams (2013: Nil).

(f) Tax consolidation

The parent and its wholly owned Australian controlled entities have elected to enter tax consolidation, with Woodside Petroleum Ltd as the head entity of the tax consolidated group. The members of the tax consolidated group are identified at Note 29(a).

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Woodside Petroleum Ltd and each of the entities in the tax consolidated group have agreed to make a tax equivalent payment to or from the head entity calculated on a stand alone basis based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the tax consolidated group.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

5. Earnings per share

	2014	2013
Profit attributable to equity holders of the parent (US$m)	2,414	1,749
Weighted average number of shares on issue	822,771,118	822,983,715
Basic and diluted earnings per share (US cents)[1]	293	213

1. *Earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parents by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares makes allowance for shares reserved for employee share plans. Diluted earnings per share is not significantly different from basic earnings per share.*

There have been no transactions involving ordinary shares between the reporting date and the date of completion of this financial report.

6. Dividends paid and proposed

		2014 US$m	2013 US$m
(a)	**Dividends paid during the financial year**		
	Prior year fully franked final dividend US$1.03, paid on 26 March 2014 (2013: US$0.65, paid on 3 April 2013)	849	536
	Fully franked special dividend: nil (2013: US$0.63, paid on 29 May 2013)	-	518
	Current year fully franked interim dividend US$1.11, paid 24 September 2014 (2013: US$0.83, paid on 25 September 2013)	915	684
		1,764	1,738
(b)	**Dividend declared (not recorded as liability)**		
	Final dividend US$1.44 to be paid on 25 March 2015 (2013: US$1.03, paid on 26 March 2014)	1,186	849

	2014 (US cents)	2013 (US cents)
Dividend per share in respect of financial year	255	249

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For the year ended 31 December 2014

6. Dividends paid and proposed (continued)

		2014 US$m	2013 US$m
(c)	**Franking credit balance**		
	Franking credits available for the subsequent periods	2,257	2,545

7. Cash and cash equivalents

	2014 US$m	2013 US$m
Components of cash and cash equivalents		
Cash at bank	126	132
Money market deposits	3,142	2,091
Total cash and cash equivalents[1]	3,268	2,223

1. *Reconciles to statement of cash flows.*

8. Receivables

		2014 US$m	2013 US$m
(a)	**Receivables (current)**		
	Trade receivables[1]	300	284
	Other receivables[2]	174	167
	Dividend receivable[3]	3	2
	Interest receivable[3]	1	-
		478	453
(b)	**Receivables (non-current)**		
	Loans receivable[4]	63	-
		63	-

1. *Denominated in a mixture of Australian dollars and US dollars, interest free and settlement terms between 7 and 30 days.*
2. *Other receivables are interest-free with various maturities.*
3. *Dividends and interest receivables are receivable within 30 days of period end.*
4. *Loans are receivable from non-controlling interests.*

9. Inventories

		2014 US$m	2013 US$m
(a)	**Inventories (current)**		
	Petroleum products		
	Goods in transit	67	32
	Finished stocks	86	81
	Warehouse stores and materials (at cost)	94	79
		247	192
(b)	**Inventories (non-current)**		
	Warehouse stores and materials (at cost)	12	8

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10. Exploration and evaluation assets

	2014 US$m	2013 US$m
(a) Reconciliations of the carrying amounts of exploration and evaluation assets		
Carrying amount at 1 January	1,063	1,120
Additions	268	161
Disposals at written down value	(17)	(34)
Amortisation of licence acquisition costs	(21)	(45)
Expensed (previously capitalised):		
Exploration	(5)	(4)
Evaluation	-	(2)
Transferred exploration and evaluation	(20)	(133)
Carrying amount as at 31 December	1,268	1,063
(b) Carrying amounts of exploration and evaluation assets		
Regions		
Australasia		
Carnarvon basin	783	686
Browse basin	247	162
Outer Canning basin	37	7[1]
Bonaparte basin	164	161
Asia		
Myanmar	10	16
Africa		
Morocco	10	-
Gabon	3	-
The Americas		
Peru	4	-
Gulf of Mexico	-	31
Europe		
Ireland	7	-
Canary Islands	3	-
	1,268	1,063

1. *Carrying amounts relating to Outer Canning basin have been reclassified from the Carnavon basin in 2013.*

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11. Oil and gas properties

(a) Oil and gas properties

	Land and buildings	Transferred exploration and evaluation	Plant and equipment	Marine vessels and carriers	Projects in developments	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Year ended 31 December 2014						
Carrying amount at 1 January 2014	712	474	16,620	115	569	18,490
Additions[1]	-	-	534	-	433	967
Disposals at written down value	(2)	(9)	(72)	-	-	(83)
Depreciation and amortisation	(59)	(45)	(1,315)	(7)	-	(1,426)
Impairment loss	-	-	(434)	-	-	(434)
Completions and transfers	1	-	228	27	(236)	20
Carrying amount at 31 December 2014	652	420	15,561	135	766	17,534
At 31 December 2014						
Historical cost	1,091	801	24,485	400	824	27,601
Accumulated depreciation and impairment	(439)	(388)	(8,917)	(265)	(58)	(10,067)
Net carrying amount	652	413	15,568	135	766	17,534
Year ended 31 December 2013						
Carrying amount at 1 January 2013	785	522	16,825	120	1,123	19,375
Additions	-	-	167	-	424	591
Disposals at written down value	-	(1)	(14)	-	-	(15)
Depreciation and amortisation	(61)	(42)	(1,099)	(5)	-	(1,207)
Impairment loss	-	(4)	(325)	-	(58)	(387)
Completions and transfers	(12)	(1)	1,066	-	(920)	133
Carrying amount at 31 December 2013	712	474	16,620	115	569	18,490
At 31 December 2013						
Historical cost	1,100	835	24,110	373	627	27,045
Accumulated depreciation and impairment	(388)	(361)	(7,490)	(258)	(58)	(8,555)
Net carrying amount	712	474	16,620	115	569	18,490

1. *Borrowing costs capitalised in oil and gas properties during the year were US$13 million (2013: US$29 million) at a weighted average interest rate of 4.1% (2013: 4.5%).*

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

11. Oil and gas properties (continued)

(b) Impairment of oil and gas properties

At 31 December 2014 the Group assessed each cash generating unit to determine whether an indicator of impairment existed. Indicators of impairment include changes in future selling prices, future costs and reserves. As a result, the recoverable amounts of the cash generating units and some specific oil and gas assets were formally estimated, resulting in an impairment loss of US$434 million (2013: US$387 million) being recognised for the year.

The following assumptions were used in the assessment of the cash generating units' recoverable amounts:

- Discount rate – a range of pre-tax discount rates have been applied between 12% to 13% (2013: 12% to 13%);
- Oil price – as a result of the oil price volatility experienced late in 2014, the 2014 impairment calculations have adopted an oil price based on the forward curve price at the date of assessment for 5 years then reverting to US$85/bbl (real 2014). Prices are adjusted based on premiums and discounts applied to the oil price marker based on the nature and quality of the product produced at the field; and
- Inflation rate – an inflation rate of 2.5% has been applied (2013: 2.5%).
- Foreign exchange rates – based on the forward exchange rates at the date of assessment of 5 years then reverting to $0.90 AUD:USD.

			Asset class					
Cash generating unit (CGU)	Segment	Description	Land and buildings	Transferred exploration and evaluation	Property, plant and equipment	Marine vessels and carriers	Projects in development	Total
2014			(US$m)	(US$m)	(US$m)	(US$m)	(US$m)	(US$m)
Enfield	Australia Oil BU	Oil field	-	-	179	-	-	179
Stybarrow	Australia Oil BU	Oil field	-	-	60	-	-	60
Laminaria-Corallina	Australia Oil BU	Oil field	-	-	64	-	-	64
Vincent	Australia Oil BU	Oil field	-	-	90	-	-	90
NWS oil	NWS BU	Oil field	-	-	41	-	-	41
								434
2013								
Enfield	Australia Oil BU	Oil field	-	-	154	-	-	154
Stybarrow	Australia Oil BU	Oil field	-	-	87	-	-	87
Laminaria-Corallina	Australia Oil BU	Oil field	-	-	34	-	-	34
Pluto	Pluto BU	Studies and developments	-	-	-	-	58	58
Neptune	USA BU	Oil field	-	-	54	-	-	54
								387

An impairment charge of US$434 million (2013: US$387 million) was recognised following an assessment of the expected future production, an increase in the carrying amount associated with the revised restoration costs estimate and decline in forward commodity prices.

Sensitivity analysis

It is estimated that changes in the key assumptions would result in an additional prima facie impairment for only the following CGUs in 2014:

	Sensitivity		
Cash Generating Unit (CGU)	Discount rate: increase 1%	Long term oil price reduction of US$5 (real)	FX long term increase of US$0.05
NWS oil	20	19	11
Vincent	18	25	18
Enfield	2	3	8
Laminaria Corallina	1	-	-

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12. Payables

		2014 US$m	2013 US$m
(a)	**Payables**		
	Trade payables[1]	286	216
	Other payables[1]	295	253
	Loan payables	-	66
	Interest payables[2]	24	40
		605	575

1. *Trade and other payables are interest-free and normally settled on 30 day terms.*
2. *Details regarding interest-bearing liabilities are contained in Note 20(e).*

13. Interest-bearing liabilities

		2014 US$m	2013 US$m
(a)	**Interest-bearing liabilities (current)[1]**		
	Bonds	-	1,100
	Debt facilities	629	77
		629	1,177
(b)	**Interest-bearing liabilities (non-current)[1]**		
	Bonds	1,292	1,289
	Debt facilities	665	1,298
		1,957	2,587

1. *Details regarding interest-bearing liabilities are contained in Note 20(e).*

14. Tax payable

	2014 US$m	2013 US$m
PRRT payable	28	206
Income tax payable	412	111
	440	317

15. Other liabilities

		2014 US$m	2013 US$m
(a)	**Other liabilities (current)**		
	Unearned revenue	73	27
	Gas purchase commitments	3	3
		76	30
(b)	**Other liabilities (non-current)**		
	Unearned revenue	97	109
	Gas purchase commitments	12	14
	Defined benefit superannuation plan	14	(9)
		123	114

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For the year ended 31 December 2014

16. Provisions

	Restoration of operating locations[1]	Employee benefits[2]	Other	Total
	US$m	US$m	US$m	US$m
Year ended 31 December 2014				
At 1 January 2014	1,191	176	92	1,459
Change in provision	499	(4)	(44)	451
Unwinding of present value discount	34	-	-	34
At 31 December 2014	1,724	172	48	1,944
Current	4	138	47	189
Non-current	1,720	34	1	1,755
	1,724	172	48	1,944
Year ended 31 December 2013				
At 1 January 2013	1,038	200	169	1,407
Change in provision	128	(24)	(77)	27
Unwinding of present value discount	25	-	-	25
At 31 December 2013	1,191	176	92	1,459
Current	24	139	92	255
Non-current	1,167	37	-	1,204
	1,191	176	92	1,459

1. *Details regarding restoration of operating locations are contained in Note 1(j) and Note 1(aa).*
2. *Details regarding employee benefits are contained in Note 1(s) and Note 22.*

17. Contributed equity

		2014 US$m	2013 US$m
(a)	**Issued and fully paid shares**		
	823,910,657 (2013: 823,910,657) ordinary shares[1]	6,547	6,547
(b)	**Shares reserved for employee share plans**		
	937,442 (2013: 902,040) ordinary shares	(38)	(42)

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

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18. Other reserves

	Employee benefits reserve	Foreign currency translation reserve	Hedge of net investment reserve	Investment fair value reserve	Total
	US$m	US$m	US$m	US$m	US$m
Year ended 31 December 2014					
At 1 January 2014	164	663	110	(14)	923
Share-based payments	62	-	-	-	62
Share plan redemptions	(59)	-	-	-	(59)
Available-for-sale financial assets	-	-	-	-	-
Defined benefits remeasurements	(6)	-	-	-	(6)
At 31 December 2014	161	663	110	(14)	920
Year end 31 December 2013					
At 1 January 2013	101	663	110	(15)	859
Share-based payments	52	-	-	-	52
Share plan redemptions	(4)	-	-	-	(4)
Available-for-sale financial assets	-	-	-	1	1
Defined benefits remeasurements	15	-	-	-	15
At 31 December 2013	164	663	110	(14)	923

Nature and purpose of reserves

Employee benefits reserve

Used to record share-based payments associated with the employee share plans and remeasurement adjustments relating to the defined benefit plan.

Foreign currency translation reserve

Used to record foreign exchange differences arising from the translation of the financial statements of foreign entities from their functional currency to the Group's presentation currency.

Hedge of net investment reserve

Used to record gains and losses on hedges of net investments in foreign operations.

Investment fair value reserve

Used to record changes in the fair value of the Group's available-for-sale financial assets.

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For the year ended 31 December 2014

19. Parent entity information

	2014 US$m	2013 US$m
Information relating to Woodside Petroleum Ltd		
Current assets	128	62
Non-current assets	7,512	7,444
Current liabilities	(271)	(51)
Non-current liabilities	(355)	(530)
Net assets	7,014	6,925
Issued and fully paid shares	6,547	6,547
Share reserved for employee share plans	(38)	(42)
Employee benefits reserves	121	115
Foreign currency translation reserve	303	303
Retained earnings	81	2
Total shareholders' equity	7,014	6,925
Profit of the parent entity	1,842	1,760
Total comprehensive income of the parent entity	1,842	1,760

Guarantees

Woodside Petroleum Ltd and Woodside Energy Ltd (a subsidiary company) are parties to a Deed of Cross Guarantee as disclosed in Note 29(b). The effect of the Deed is that Woodside Petroleum Ltd has guaranteed to pay any deficiency in the event of winding up of the subsidiary company under certain provisions of the *Corporations Act 2001*. The subsidiary company has also given a similar guarantee in the event that Woodside Petroleum Ltd is wound up.

Woodside Petroleum Ltd has guaranteed the discharge by a subsidiary company of its financial obligations under debt facilities disclosed in Note 20(e).

20. Financial and capital risk management

(a) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing debt, cash and short-term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

Market (including foreign exchange, commodity price and interest rate risk), liquidity and credit risks arise in the normal course of the Group's business. Primary responsibility for identification and control of financial risk rests with a central treasury department (Treasury) under directives approved by the Board.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

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

The Group monitors and tests its forecast financial position against these criteria and, in general, will undertake hedging activity only when necessary to ensure that these objectives are achieved. Other circumstances that may lead to hedging activities include the management of exposures relating to trading activities, the purchase of reserves and the underpinning of the economics of a new project.

It is, and has been throughout the period, the Group Treasury policy that no speculative trading in financial instruments shall be undertaken. The Group's forecast financial risk position with respect to key financial objectives and compliance with Treasury policy is regularly reported to the Board. The Audit & Risk Committee oversees the internal auditor review of the treasury function.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

20. Financial and capital risk management (continued)

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency in which they are measured. The functional currency of all entities with the Group is US dollars.

Currency exposure relates to transactions and balances in currencies other than US dollars. The majority of the operations' revenue is denominated in US dollars whereas the majority of operating expenditure and capital expenditure is incurred in currencies other than US dollars (including Australian dollars). As a result, most operations within the Group are exposed to foreign currency risk arising from costs denominated in Australian dollars. Monetary items denominated in currencies other than the functional currency are translated into US dollar equivalents and any associated gain or loss is taken to the income statement.

Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Group's financial position. Currently there are no foreign exchange hedge programs in place. Group Treasury manages the purchase of foreign currency to meet operational requirements.

The following table shows financial instruments by currency. The Group is principally exposed to foreign exchange risk on those financial instruments denominated in Australian dollars.

	2014				2013			
	USD US$m	AUD US$m	Other US$m	Total US$m	USD US$m	AUD US$m	Other US$m	Total US$m
Financial assets								
Cash	3,170	91	7	3,268	2,147	65	11	2,223
Receivables	461	79	1	541	344	110	(1)	453
Other financial assets	28	2	-	30	28	8	-	36
	3,659	172	8	3,839	2,519	183	10	2,712
Financial liabilities								
Payables	195	396	14	605	168	373	34	575
Interest-bearing liabilities [1]	2,600	-	-	2,600	3,783	-	-	3,783
Other financial liabilities	10	2	-	12	17	3	-	20
	2,805	398	14	3,217	3,968	376	34	4,378

1. *Excludes transaction costs.*

The following table summarises the sensitivity of the balance of financial instruments held at the reporting date to movement in the exchange rate of the US dollar to the Australian dollar, with all other variables held constant. The 10% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding five-year period.

	Post tax profits (decrease)/increase		Other comprehensive income (decrease)/increase	
Judgements of reasonably possible movements	**2014 US$m**	2013 US$m	**2014 US$m**	2013 US$m
US$:A$ +10% (2013: +11%)	14	14	-	-
US$:A$ -10% (2013: -11%)	(18)	(17)	-	-

(ii) Commodity price risk

The Group's revenue is exposed to commodity price fluctuations, in particular oil and gas prices. As at reporting date, the Group had no financial instruments with material exposure to commodity price risk.

Group Treasury measures exposure to commodity price risk by monitoring and stress testing the Group's forecast financial position to sustained periods of low oil and gas prices. This analysis is regularly performed on the Group's portfolio and, as required, for discrete projects and acquisitions.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

20. Financial and capital risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to financial instruments with floating interest rates including long-term debt obligations and cash and short-term deposits.

The Group aims to manage its interest rate risk by maintaining an appropriate mix of fixed and floating rate debt. To manage the ratio of fixed rate debt to floating rate debt, the Group may enter into interest rate swaps. Derivatives are entered into against specific rate exposures only, as disclosed in Note 20(f). No hedging programs were placed during 2014 (2013: nil).

Cash and short-term deposits are short-term in nature and are therefore monitored by Group Treasury to achieve the optimal outcome.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to various benchmark interest rates that were not designated in cash flow hedges:

	2014 US$m	2013 US$m
Financial assets		
Cash and cash equivalents	3,268	2,223
Financial liabilities		
Interest-bearing liabilities [1]	(1,300)	(1,383)

1. Excludes transaction costs.

The following table summarises the sensitivity of the balance of financial instruments held at the reporting date, following a movement in the London Interbank Offered Rate (LIBOR), with all other variables held constant. The LIBOR +1.0%/-0.36% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding five-year period, bound by a lower limit of 0%.

	Post tax profits (decrease)/increase		Other comprehensive income (decrease)/increase	
	2014 US$m	2013 US$m	2014 US$m	2013 US$m
Judgements of reasonably possible movements				
LIBOR +1.0% (2013: +1.0%)	17	10	-	-
LIBOR -0.36% (2013: -0.35%)	(6)	(4)	-	-

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For the year ended 31 December 2014

20. Financial and capital risk management (continued)

(c) Liquidity risk

Liquidity risk arises from financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay financial liabilities as and when they fall due.

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost-effective manner.

Group Treasury continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. At 31 December 2014, the Group has a total of US$6,818 million available undrawn facilities and cash at its disposal. Financing facilities available to the Group are disclosed in Note 20(e). Refer to Note 20(g) for details of the repayment obligations in respect of the amount of drawn facilities.

	2014 Payables maturity analysis				2013 Payables maturity analysis			
	< 30 days US$m	30 - 60 days US$m	> 60 days US$m	Total US$m	< 30 days US$m	30 - 60 days US$m	> 60 days US$m	Total US$m
Trade payables	149	-	137	286	139	76	1	216
Other payables	294	-	-	294	253	-	-	253
Loan payables	-	-	-	-	-	-	66	66
Interest payable	2	-	23	25	2	-	38	40
Total payables	445	-	160	605	394	76	105	575

(d) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument, resulting in a financial loss to the Group. Credit risk arises from the financial assets of the Group, which comprise trade and other receivables and deposits with banks and financial institutions.

The Group manages its credit risk on trade receivables and financial instruments by predominantly dealing with counterparties with an investment grade credit rating. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. As a result, the Group's exposure to bad debts is not significant. The Group's maximum credit risk is limited to the carrying amount of its financial assets. The amounts held with these institutions are within the counterparty limits as approved by the Chief Financial Officer and the Board approved Group Treasury Policy.

	2014 Receivables maturity analysis				2013 Receivables maturity analysis			
	< 30 days US$m	30 - 60 days US$m	> 60 days US$m	Total US$m	< 30 days US$m	30 - 60 days US$m	> 60 days US$m	Total US$m
Trade receivables	300	-	-	300	284	-	-	284
Other receivables	167	3	4	174	166	-	1	167
Dividends receivable	1	-	2	3	2	-	-	2
Loans receivable	-	-	63	63	-	-	-	-
Interest receivable	1	-	-	1	-	-	-	-
Total receivables	469	3	69	541	452	-	1	453

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

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20. Financial and capital risk management (continued)

(e) Financing facilities

364-day revolving credit facilities

The Group has one dual currency (US and Australian dollars) 364-day revolving credit facility totalling US$50 million. Interest rates are based on LIBOR and are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. The 364-day revolving credit facility is subject to various covenants and a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledges have been breached at any time during the reporting year.

Bi-lateral loan facilities

The Group has 12 bi-lateral loan facilities totalling US$950 million. Details of bi-lateral loan facilities at the reporting date are as follows:

Number of facilities	Term (years)	Currency	Extension option
6	5	AUD, USD	Evergreen
2	5	Multiple	Evergreen
1	5	USD	Not evergreen
1	4	AUD, USD	Evergreen
1	3	AUD, USD	Evergreen
1	4	USD	Evergreen

Interest rates are based on LIBOR and are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. Evergreen facilities may be extended continually by a year subject to the bank's agreement. The bi-lateral loan facilities are subject to various covenants and a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledges have been breached at any time during the reporting year.

Bridging facilities

The Group entered into five 12-month bridging facilities in December 2014 totalling US$2,000 million. Interest rates are based on LIBOR and are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. The bridging facilities are subject to various covenants and a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledges have been breached at any time during the reporting year.

Bonds

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

- the 2019 US$600 million bond has a fixed rate coupon of 8.75% p.a. and matures on 1 March 2019; and
- the 2021 US$700 million bond has a fixed rate coupon of 4.60% p.a. and matures on 10 May 2021.

Interest on the bonds is payable semi-annually in arrears. The bonds are subject to various covenants and a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledges have been breached at any time during the reporting year.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the year ended 31 December 2014

20. Financial and capital risk management (continued)

(e) Financing facilities (continued)

Japan Bank for International Cooperation (JBIC) Facility

On 24 June 2008, the Group entered into a committed loan facility totalling US$1,500 million (JBIC Facility). The JBIC facility comprises a 15-year, US$1,000 million tranche with JBIC (JBIC Tranche), and a five-year, US$500 million commercial tranche with a syndicate of eight Australian and international banks arranged by the Bank of Tokyo-Mitsubishi UFFJ, Ltd (Commercial Tranche). The Commercial Tranche has subsequently been repaid, with the final payment made on 28 February 2013. There is a prepayment option for the JBIC Tranche. Interest rates are based on LIBOR. Interest is payable semi-annually in arrears and the principal amortises on a straight-line basis, with equal instalments of principal due on each interest payment date (every six months) starting on 7 January 2012. Under the JBIC facility, 90% of the receivables from designated Pluto LNG Project Sale and Purchase Agreements, are secured in favour of the lenders through a trust structure, with a required reserve amount of US$30 million. To the extent that this reserve amount remains fully funded and no default notice or acceleration notice has been given, the revenue from the Pluto LNG Project continues to flow directly to the Group from the trust account. The JBIC Facility is subject to various covenants and a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledge has been breached at any time during the reporting year.

Asian syndicated facility

On 8 December 2010, the Group executed a five-year US$1,100 million syndicated loan facility with 34 banks. Funds from the loan were used to repay the US$1,100 million syndicated loan facility executed in May 2009. The loan is composed of a US$550 million term facility (Facility A) and a US$550 million revolving facility (Facility B). Interest rates are based on LIBOR for both facilities and are fixed at the commencement of the drawdown periods. Interest is paid at the end of the drawdown period. The syndicated loan is subject to various covenants, including a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledge has been breached at any time during the reporting year.

(f) Hedging and derivatives

Interest rates

The Group manages its exposure to interest rate risk by maintaining a mix of fixed rate and floating rate debt. In general, the fixed rate debt and floating rate debt ratio is managed through an appropriate choice of debt instrument. The Group may enter into interest rate swaps to manage the ratio of fixed rate debt to floating rate debt.

The interest rate swaps expired on 15 November 2013. As at reporting date the Group had no further interest rate swaps.

(g) Maturity profile of interest-bearing liabilities

The maturity profile of the Group's interest-bearing liabilities is as follows:

	Due for payment in						
	1 year or less US$m	1-2 years US$m	2-3 years US$m	3-4 years US$m	4-5 years US$m	More than 5 years US$m	Total US$m
2014							
Interest-bearing liabilities [1]	734	172	171	171	744	1,086	3,078
2013							
Interest-bearing liabilities [1]	1,333	734	171	171	170	1,830	4,409

1. *Excludes transaction costs.*

The amounts disclosed in the table above are the undiscounted cash flows, representing principal and interest, and hence will not necessarily reconcile with the amounts disclosed in the consolidated statement of financial position.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

20. Financial and capital risk management (continued)

(h) Fair value of financial assets and financial liabilities

The carrying amount of financial assets and financial liabilities approximates their fair value, with the exception of the Group's two unsecured bonds which have a carrying amount of US$1,300 million (2013: US$2,400 million) and a fair value of US$1,500 million (2013: US$2,600 million). The Group's repayment obligations remain unchanged.

(i) Capital management

Group Treasury is responsible for the Group's capital management including cash, debt and equity. Capital management is undertaken to ensure that a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. This involves the use of corporate forecasting models, which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements.

Group Treasury maintains a stable capital base from which the Group can pursue its growth aspirations, whilst maintaining a flexible capital structure that allows access to a range of debt and equity markets to both draw upon and repay capital. An example of the Group's capital management is the activation of the Dividend Reinvestment Plan (DRP) during a period of high capital expenditure.

The DRP was approved by shareholders at the Annual General Meeting in 2003 for activation as required to fund future growth. The DRP was suspended by the Board in February 2013 until further notice.

Group Treasury monitors a range of financial metrics including gearing and cash flow leverage, and Treasury policy breaches and exceptions. The gearing ratio which is net debt divided by total equity (excluding non-controlling interest) plus net debt is negative 4% (2013: 9%) at reporting date.

21. Expenditure commitments

		2014 US$m	2013 US$m
(a)	**Operating lease commitments**		
	Rentals payable on non-cancellable operating leases, due:		
	within one year	453	433
	after one year but not more than five years	684	818
	later than five years	824	848
		1,961	2,099

The Group leases assets for operations including floating production, storage and off-take vessels, helicopters, supply vessels, cranes, land, mobile offshore drilling units, office premises and computers.

There are no restrictions placed upon the lessee by entering into these leases. Renewals are at the option of the specific entity that holds the lease. Certain leases contain a clause enabling upward revision of the rental charge on an annual basis based on the consumer price index. The Group made payments under operating leases of US$431 million during the year (2013: US$347 million). A portion of this amount relates to arrangements containing non-lease elements, which are not practicable to separate.

(b) Capital expenditure commitments

The Group has capital expenditure commitments contracted for but not provided for in the financial report of US$89 million (2013: US$103 million).

Woodside entered into a binding transaction with Apache Corporation to acquire Apache's Australian Wheatstone LNG and Balnaves oil interests and Kitimat LNG project interests in Canada, for an aggregate purchase price of US$2.75 billion. The acquisition has an effective date of 1 July 2014 and is subject to regulatory approvals, pre-emption for both Balnaves oil and Kitimat LNG projects and joint venture participant consent for the Kitimat LNG project. The transaction was not complete at 31 December 2014 and financial close is targeted by end Q1 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

21. Expenditure commitments (continued)

(c) Exploration commitments

The Group has exploration obligations for the following regions which are contracted for, but not provided for in the financial report.

	2014 US$m	2013 US$m
Australasia		
Browse basin	3	28
Outer Canning basin	83	110
Carnarvon basin	74	82
New Zealand	32	21
The Americas		
Gulf of Mexico	-	1
Peru	5	23
Asia		
Korea	-	8
Myanmar	68	12
Africa		
Morocco	13	-
Gabon	11	-
Europe		
Ireland	32	-
Canary Islands	50	149
Total	371	434

These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

22. Employee benefits

(a) Woodside employee share plans

(i) Woodside equity plan

In November 2011, Woodside introduced the Woodside Petroleum Ltd, Woodside Equity Plan (WEP) which is available to all Australian based employees including executives, other than the CEO and any executive directors. Woodside's intention is to enable eligible employees to build up a holding of equity in the company as they progress through their career at Woodside. The number of Equity Rights (ERs) offered to each eligible employee will be calculated with reference to salary and performance. The linking of performance to an allocation allows Woodside to recognise and reward eligible employees for high performance. The WEP is intended to provide an opportunity to share in the growth of the company as well as provide a retention mechanism for participating employees. Participants do not make any payment in respect of the ERs at grant or at vesting.

Eligible participants receive an allocation of ERs. Each ER entitles the participant to receive a Woodside share on the vesting date three years after the grant date. ERs may vest prior to the vesting date on a change of control or, at the discretion of the CEO, limited to the following circumstances; redundancy, retirement, death, termination due to medical illness or capacity or total and permanent disablement of a participating employee. An employee whose employment is terminated by resignation, cessation of an employment contract or for cause prior to the vesting date will forfeit all of their ERs.

Shares will either be issued by Woodside or acquired on market to satisfy vesting ER entitlements. The number of ERs that vest may be adjusted for any interruptions to an employee's service. Eligible participants who are on an international assignment may receive a cash amount subject to Board discretion.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
For the year ended 31 December 2014

22. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(i) Woodside equity plan (continued)

Participants in the WEP cannot dispose of or otherwise deal with an ER and do not receive any dividends or have voting rights in respect of an ER. Allocations of ERs to participants will be adjusted in the event of Woodside making a bonus issue of shares or upon reconstruction of the company's share capital.

The WEP is accounted for as a share-based payment to employees for services provided. The fair value of the benefit provided will be estimated using the Black-Scholes option pricing technique.

The WEP had 3,495 employees participating at 31 December 2014.

The number of equity rights and movements in each WEP offer are as follows:

	2014				
Grant date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year
1 October 2014	-	2,000,489	-	-	2,000,489
1 October 2013	2,874,030	5,868	(6,167)	(206,865)	2,666,866
1 October 2012	1,774,154	3,404	(11,760)	(146,751)	1,619,047
30 November 2011	1,350,137	6,917	(1,244,145)	(112,909)	-
	5,998,321	2,016,678	(1,262,072)	(466,525)	6,286,402

	2013				
Grant date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year
1 October 2013	-	2,874,030	-	-	2,874,030
1 October 2012	1,912,965	41,497	(6,112)	(174,196)	1,774,154
30 November 2011	1,521,362	-	(12,079)	(159,146)	1,350,137
	3,434,327	2,915,527	(18,191)	(333,342)	5,998,321

The following table lists the inputs to the Black-Scholes option pricing technique used for each WEP offer:

				Valuation assumption	
Grant date	Vesting date	Share price at grant date	Employee benefit fair value	Expected dividend return	Expected life
		(A$/share)	(US$/ER)	(%)	(years)
1 October 2014	1 October 2017	40.78	31.26	4.5	3
1 October 2013	1 October 2016	37.77	30.47	5.0	3
1 October 2012	1 October 2015	33.20	31.99	2.5	3
30 November 2011	30 November 2014	32.80	30.49	2.5	3

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

22. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(ii) Supplementary Woodside equity plan

In October 2011, Woodside introduced the Woodside Petroleum Ltd, Supplementary Woodside Equity Plan (SWEP) which is available to a number of employees identified as being retention critical. Woodside's intention is to award ERs to address imbalances in external and internal relativities. October 2014 was the first time awards have been issued under the SWEP since the Board approved the plan in October 2011. Participants do not make any payment in respect of the ERs at grant or at vesting.

Eligible participants receive an allocation of ERs. Each ER entitles the participant to receive a Woodside share on the vesting date three years after the grant date. ERs may vest prior to the vesting date on a change of control or, at the discretion of the CEO, limited to the following circumstances; redundancy, retirement, death, termination due to medical illness or capacity or total and permanent disablement of a participating employee. An employee whose employment is terminated by resignation, cessation of an employment contract or for cause prior to the vesting date will forfeit all of their ERs.

Shares will either be issued by Woodside or acquired on market to satisfy vesting ER entitlements. The number of ERs that vest may be adjusted for any interruptions to an employee's service. Eligible participants who are on an international assignment may receive a cash amount subject to Board discretion.

Participants in the SWEP cannot dispose of or otherwise deal with an ER and do not receive any dividends or have voting rights in respect of an ER.

The SWEP is accounted for as a share-based payment to employees for services provided. The fair value of the benefit provided will be estimated using the Black-Scholes option pricing technique.

The SWEP had three employees participating at 31 December 2014.

The number of equity rights and movements in the SWEP offer are as follows:

	2014				
Grant date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/ lapsed during the year	On issue at end of year
1 October 2014	-	52,620	-	(14,350)	38,270
	-	52,620	-	(14,350)	38,270

The following table lists the inputs to the Black-Scholes option pricing technique used for the SWEP plan:

				Valuation assumptions	
Grant date	Vesting date	Share price at grant date	Employee benefit fair value	Expected dividend return	Expected Life
		(A$/share)	(US$/ER)	(%)	(years)
1 October 2014	1 October 2017	40.78	31.26	4.5	3

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

22. Employee benefits (continued)

(b) Executive share plans

Equity rights are granted on 1 January of each performance year. The Executive Incentive Plan (EIP) is accounted for as a share based payment to employees for services provided. The fair value of the benefit provided was estimated using the Binomial or Black-Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant. Historical volatility has been used to estimate the volatility of the share price.

On 7 December 2012, the Board approved a modification to the EIP rules for the 2012 performance year and each year thereafter. The modification affected both the Short Term Award (STA) and Long Term Award (LTA). There have been no further modifications.

For the 2012 performance year onwards, the STA deferred equity component will be delivered in the form of restricted shares. Participants will receive any dividends paid on their restricted shares after they have been allocated.

The LTA for the 2012 performance year onwards is granted in the form of Variable Pay Rights (VPRs), the vesting of which is linked to service and Relative Total Shareholder Return (RTSR). The vesting of RTSR-tested VPRs is conditional on satisfactory ranking of Woodside's RTSR, as calculated under the EIP rules, over a four or five-year period from allocation date in comparison with an international peer group and separately the ASX top 50. The international oil and gas LTA Peer Group for grant of the RTSR-tested VPRs for the 2012 performance year onwards is set out in ***Table 14*** of the Remuneration Report. This peer group has a weighting of 67%. The ASX 50 Index as at 1 December 2014 was taken as the second peer group. The selection of the ASX 50 as a second peer group with a weighting of 33% was made in order to reflect Woodside's performance against similar organisations traded on the Australian Securities Exchange. The RTSR in respect of Woodside and both peer groups is calculated by an external adviser in accordance with the EIP rules on the fourth anniversary of the allocation of these RTSR-tested VPRs. The outcome of the test is measured against the schedule shown in ***Table 7*** of the Remuneration Report. Any RTSR-tested VPRs which do not vest at this time are subject to a second RTSR test on the fifth anniversary of the allocation date. Any RTSR-tested VPRs that do not vest on the fifth anniversary lapse.

For further details regarding the 2008 to 2011 plans, refer to the Remuneration Report included in the 2014 Directors' Report.

EIP time-tested variable pay rights (VPRs)/restricted shares

Performance year	Grant date	Vesting date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year	Valuation assumption: Share price at grant date (A$/share)	Valuation assumption: Employee benefit fair value (US$/VPR or share)	Valuation assumption: Expected dividend yield (%)
Restricted shares										
2014	1 January 2014	20 February 2018	-	264,300	-	-	264,300	38.90	34.80	-
2013	1 January 2013	21 February 2017	116,244	-	(632)	(8,709)	106,903	33.88	35.18	-
2012	1 January 2012	22 February 2016	183,023	-	(3,150)	(17,137)	162,736	30.62	30.98	-
Variable pay rights										
2011	1 January 2011	1 March 2015	107,029	-	(1,192)	(13,653)	92,184	42.56	38.87	2.50
2010	1 January 2010	25 February 2014	50,571	-	(37,282)	(13,289)	-	47.20	38.32	2.50

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

22. Employee benefits (continued)

(b) Executive share plans (continued)

EIP relative total shareholder return (RTSR) tested VPRs

Performance year	Grant date	Vesting date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year	Share price at grant date	Employee benefit fair value	Valuation assumption: Expected volatility	Valuation assumption: Risk free interest rate	Valuation assumption: Expected dividend yield
								(A$/ share)	(US$/VPR or share)	(%)	(%)	(%)
2014	1 January 2014	20 February 2019 20 February 2020	-	623,872	-	-	623,872	38.90	17.45	22	3.5	4.5
2013	1 January 2013	21 February 2018 21 February 2019	651,488	-	-	(42,746)	608,742	33.88	20.77	30	2.9	5.0
2012	1 January 2012	22 February 2017 22 February 2018	582,698	-	-	(45,545)	537,153	30.62	15.90	36	3.9	2.5
2011	1 January 2011	1 March 2015 1 March 2016	309,582	-	-	(22,269)	287,313	42.56	21.36	36	5.7	2.5
2010	1 January 2010	25 February 2014 25 February 2015	189,591	-	-	(13,894)	175,697	47.20	20.02	38	5.3	2.5
2009	1 January 2009	5 March 2013 5 March 2014	152,084	-	-	(152,084)	-	36.70	14.82	36	3.6	2.5

Pay rights[1]

Pay rights are accounted for as a share-based payment, with fair value estimated using the Binominal or Black Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant. Historical volatility has been used to estimate the volatility of the share price.

Performance year	Grant date	Vesting date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year	Share price at grant date	Employee benefit fair value	Valuation assumption: Expected volatility	Valuation assumption: Risk free interest rate	Valuation assumption: Expected dividend yield
								(A$/ share)	(US$/VPR or share)[2]	(%)[2]	(%)[2]	(%)[2]
2010[3]	1 June 2010	15 March 2014	5,674	-	-	(5,674)	-	43.59	21.25	41	4.5	2.5
		15 March 2013	11,348	-	(5,674)	-	5,674	43.59	21.25	41	4.5	2.5
		15 March 2012	17,022	-	-	(5,674)	11,348	43.59	21.25	41	4.5	2.5

1. Refer to Remuneration Report 2011 for details of pay rights.
2. Valuation assumptions and employee benefit fair values are based on weighted averages.
3. Pay rights granted 1 June 2010 are RTSR-tested.

(c) CEO sign-on incentive shares

Mr Coleman gave up certain rights with his former employer to join Woodside as CEO. To recognise these interests, he was paid a one-off sign-on incentive. Woodside acquired Woodside shares to the value of US$3 million to be held in trust for Mr Coleman. One third of these shares vested each anniversary after the date of his appointment.

The number of equity rights and movements in the CEO sign-on incentive share offer was as follows:

Year	Grant date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year
2014	30 May 2011	22,002	-	(22,002)	-	-
2013	30 May 2011	44,003	-	(22,001)	-	22,002
2012	30 May 2011	66,004	-	(22,001)	-	44,003
2011	30 May 2011	-	66,004	-	-	66,004

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For the year ended 31 December 2014

22. Employee benefits (continued)

(c) CEO sign-on incentive shares (continued)

The following table lists the inputs to the Black-Scholes option pricing technique used for each tranche of the CEO sign-on incentive:

				Valuation assumptions	
Grant date	Vesting date	Share price at grant date (A$/share)	Employee benefit fair value (US$/ER) [1]	Expected dividend return (%)	Expected life (years)
30 May 2011	30 May 2012	45.97	49.19	-	1
30 May 2011	30 May 2013	45.97	49.19	-	2
30 May 2011	30 May 2014	45.97	49.19	-	3

1. *Fair value calculation is averaged over the vesting period.*

(d) Shares held for woodside share plans

Woodside holds shares for the purpose of vesting share plans. The following table illustrates the number of shares:

	2014		2013	
	Number of shares	Cost US$m	Number of shares	Cost US$m
Opening balance	902,040	42	961,799	44
Purchases during the year	1,366,933	55	41,602	2
Vested during the year	(1,331,531)	(59)	(101,361)	(4)
Closing shares held for Woodside share plans	937,442	38	902,040	42

(e) Employee benefits

Employee benefits for the financial year are as follows:

	2014 US$m	2013 US$m
Employee benefits	376	316
Defined contribution plan costs	38	31
Defined benefit plan expense	2	3
	416	350

(f) Compensation of key management personnel

Key management personnel compensation for the financial year is as follows:

	2014 US$	2013 US$
Short-term employee benefits	14,435,970	11,749,020
Post employment benefits	134,409	327,362
Share-based payments	4,180,339	6,582,222
Long-term employee benefits	115,211	(13,025)
Termination benefits	519,090	2,250,404
	19,385,019	20,895,983

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

23. Events after the end of the reporting period

Dividends

Since the reporting date, the directors have declared a fully franked dividend of US$1.44 (2013: US$1.03), payable on 25 March 2015. The amount of this dividend will be US$1,186 million (2013: US$849 million). No provision has been made for this dividend in the financial report as the dividend was not declared or determined by the directors on or before the end of the financial year.

24. Related party disclosures

(a) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Entities with significant influence over the Group		Sales to related parties US$m	Purchases from related parties US$m	Outstanding balances receivable from/ (payable to) related parties US$m	Commitments US$m
Royal Dutch Shell Group (Shell Group)					
Shell Company of Australia					
- Purchases	2014	-	25	-	-
	2013	-	39	2	-
Other members of Shell Group					
- Purchases	2014	-	4	-	-
	2013	-	24	-	7
Other members of Shell Group					
- Sales	2014	38	-	-	-
	2013	146	-	4	-

Royal Dutch Shell Group (Shell Group) is no longer deemed a related party effective from 17 June 2014. The transactions disclosed above relate to transactions that occurred when Shell Group was deemed a related party.

(b) Terms and conditions of transaction with related parties

Sales to and purchases from related parties are made at arm's length on normal market prices and on normal commercial terms. Applicable insurance premiums are negotiated at arm's length with lead insurers via Woodside's insurance brokers with Solen Versicherungen AG following the terms set by the lead insurers.

c) Transactions with directors

During the year, as part of the CEO's relocation costs, A$200,000 was paid in connection with transfer duty in Western Australia (2013: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

25. Contingent liabilities and contingent assets

		2014 US$m	2013 US$m
(a)	**Contingent liabilities at reporting date**		
	Not otherwise provided for in the financial report		
	Contingent liabilities[1]	46	18
	Guarantees[2]	8	7
		54	25
(b)	**Contingent assets at reporting date**		
	Not otherwise accounted for in the financial report		
	Contingent assets relating to claims made or pending[3]	9	-
		9	-

1. *Contingent liabilities relate predominantly to actual or potential litigation of the Group for which amounts are reasonably estimated but the liability is not probable and therefore the Group has not provided for such amounts in this financial report. Additionally, there are a number of other claims and possible claims that have arisen in the course of business against entities in the Group, the outcome of which cannot be foreseen at present and for which no amounts have been included in the table above.*
2. *The Group has issued guarantees relating to workers' compensation liabilities.*
3. *Contingent assets relate predominantly to claims receivable by the Group for which amounts are reasonably estimated but the receivables is not virtually certain and therefore the group has not provided for such amounts in this financial report.*

26. Auditor remuneration

	2014 US$'000	2013 US$'000
Fees of the auditors of the company for:		
Audit and review of financial reports		
Ernst & Young		
Audit	1,432	1,638
	1,432	1,638
Non-audit services		
Ernst & Young		
Other services	1,054	1,256
	1,054	1,256

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

27. Joint arrangements

(a) Joint operations

The Group's interest in joint operations as at 31 December 2014 is detailed below. Exploration, development and production of hydrocarbons are the principal activities performed across these assets. Related party interests are indicated where applicable (refer to Note 24).

Joint operations interests	Group Interest %
Australasia	
Producing and Developing Assets	
North West Shelf joint venture	12.5 - 50.0
Enfield and Vincent	60.0
Laminaria-Corallina	59.9 - 66.7
Stybarrow	50.0
Pluto	90.0
Exploration and Evaluation Assets	
Browse basin	17.0 - 75.0
Carnarvon basin	15.8 - 90.0
Bonaparte basin	26.7 - 35.0
Outer Canning basin	43.9 - 55.0
New Zealand	70.0
Africa	
Exploration and Evaluation Assets	
Morocco	25.0 - 75.0
Gabon	40.0
The Americas	
Exploration and Evaluation Assets	
Peru	35.0
Asia	
Exploration and Evaluation Assets	
Myanmar	40.0 - 50.0
Republic of Korea	50.0
Europe	
Exploration and Evaluation Assets	
Ireland	60.0 - 90.0
Canary Islands	30.0

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For the year ended 31 December 2014

27. Joint arrangements (continued)

(b) Joint operations

The aggregate of the Group's interest in all joint operations is as follows:

	2014 US$m	2013 US$m
Current assets		
Receivables	5	4
Inventories	54	50
Other assets	1	7
	60	61
Non-current assets		
Inventories	13	7
Exploration and evaluation	849	689
Oil and gas properties	8,725	9,369
	9,587	10,065
	9,647	10,126

(c) Commitments through joint operations

The aggregate of the Group's commitments through joint operations is as follows:

	2014 US$m	2013 US$m
Capital	89	95
Exploration commitments	331	434
	420	529

(d) Joint ventures

Interests in joint ventures are as follows:

		Group Interest %	
Entity	**Principal activity**	**2014**	**2013**
North West Shelf Gas Pty Ltd	Marketing services for ventures in the sale of gas to the domestic market.	16.67	16.67
North West Shelf Liaison Company Pty Ltd	Liaison for ventures in the sale of LNG to the Japanese market.	16.67	16.67
China Administration Company Pty Ltd (formerly North West Shelf Australia LNG)	Marketing services for ventures in the sale of LNG to international markets.	16.67	16.67
North West Shelf Shipping Service Company Pty Ltd	LNG vessel fleet adviser.	16.67	16.67

These entities exist as integrated components of the overall North West Shelf Joint Venture structure and are held proportionately with the other venturers. There have been no changes to the investment in these entities during the year.

28. Associated entities

		Group Interest %	
Entity	**Principal activity**	**2014**	2013
International Gas Transportation Company[1]	LNG vessel fleet management.	16.67	16.67

1. The associate is incorporated in Bermuda.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

29. Subsidiaries

(a) Subsidiaries

Name of entity	Notes	Country of incorporation
Parent Entity		
Woodside Petroleum Ltd	(1,2,3)	Australia
Subsidiaries		
Woodside Energy Ltd	(2,3,4)	Australia
Woodside Energy Holdings Pty Ltd	(2,4)	Australia
Woodside Energy Holdings (USA) Inc.	(4)	USA
Woodside Energy (USA) Inc.	(4)	USA
Gryphon Exploration Company	(4)	USA
Woodside Energy (Peru) Pty Ltd	(2,4)	Australia
Woodside Energy (Korea) Pte Ltd	(4)	Singapore
Woodside Energy (Myanmar) Pte Ltd	(4)	Singapore
Woodside Energy Mediterranean Pty Ltd	(2,4)	Australia
Woodside Energy (Ireland) Pty Ltd	(2,4)	Australia
Woodside Energy (New Zealand) Limited	(4,6)	New Zealand
Woodside Energy (New Zealand 55794) Limited	(4,7)	New Zealand
Woodside Energy (Morocco) Pty Ltd	(2,4,8)	Australia
Woodside Energy (Gabon) Pty Ltd	(2,4,9)	Australia
Woodside Energy (Tanzania) Limited	(10,11)	Tanzania
Woodside Energy (Cameroon) SARL	(4,12)	Cameroon
Woodside Energy Holdings International Pty Ltd	(2,4)	Australia
Woodside Energy International (Canada) Limited	(4,13)	Canada
Woodside Energy (Canada LNG) Limited	(4,14)	Canada
Woodside Energy (Algeria) Pty Ltd	(2,4)	Australia
Metasource Pty Ltd	(2,4)	Australia
Woodside Guangdong Shipping (One) Pty Ltd	(2,4)	Australia
Woodside Guangdong Shipping (Two) Pty Ltd	(2,4)	Australia
Woodside Energy Holdings (UK) Pty Ltd	(2,4)	Australia
Woodside Energy (UK) Ltd	(4)	UK
Woodside Energy Iberia S.A.	(4)	Spain
Woodside Energy (N.A.) Ltd	(4)	UK
Woodside Energy (Kenya) Pty Ltd	(2,4)	Australia
Woodside Energy (Carbon Capture) Pty Ltd	(2,4)	Australia
Woodside Energy (SL) Pty Ltd	(2,4)	Australia
Woodside West Africa Pty Ltd	(2,4)	Australia
Woodside Energy Technologies Pty Ltd	(2,4)	Australia
Woodside Energy (Norway) Pty Ltd	(2,4)	Australia
Woodside Energy (M.E.) Pty Ltd	(2,4)	Australia
Woodside Energy Middle East and Africa Pty Ltd	(2,4)	Australia
Woodside Browse Pty Ltd	(2,4)	Australia
Woodside Burrup Pty Ltd	(2,4)	Australia
Pluto LNG Pty Ltd	(5)	Australia
Burrup Facilities Company Pty Ltd	(5)	Australia
Burrup Train 1 Pty Ltd	(5)	Australia
Woodside Energy Australia Asia Holdings Pte Ltd	(4)	Singapore

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

29. Subsidiaries (continued)

(a) Subsidiaries (continued)

Subsidiaries	Notes	Country of Incorporation
Woodside Energy Trading Singapore Pte Ltd	(4)	Singapore
WelCap Insurance Pte Ltd	(4)	Singapore
Woodside Energy Shipping Singapore Pte Ltd	(4)	Singapore
Woodside Energy Holdings (South America) Pty Ltd	(2,4,15)	Australia
Woodside Energia (Brasil) Investimento em Exploracao de Petroleo Ltda.	(15)	Brazil
Woodside Finance Ltd	(2,4)	Australia
Woodside Petroleum Holdings Pty Ltd	(2,4)	Australia
Woodside Petroleum (Timor Sea 19) Pty Ltd	(2,4)	Australia
Woodside Petroleum (Timor Sea 20) Pty Ltd	(2,4)	Australia
Mermaid Sound Port and Marine Services Pty Ltd	(2,4)	Australia
Woodside Petroleum (Northern Operations) Pty Ltd	(2,4)	Australia
Woodside Petroleum (W.A. Oil) Pty Ltd	(2,4)	Australia

1. *Woodside Petroleum Ltd is the ultimate holding company and the head entity within the tax consolidated group.*
2. *These companies were members of the tax consolidated group as at 31 December 2014.*
3. *Pursuant to ASIC Class Order 98/1418, relief has been granted to the controlled entity, Woodside Energy Ltd, from the Corporations Act 2001 (Cth) requirements for the preparation, audit and publication of accounts. As a condition of the Class Order, Woodside Petroleum Ltd and Woodside Energy Ltd are parties to a Deed of Cross Guarantee.*
4. *All subsidiaries are wholly owned except those listed in Notes 5, 11 and 15 below.*
5. *Kansai Electric Power Australia Pty Ltd and Tokyo Gas Pluto Pty Ltd each hold 5% of the shares in these companies.*
6. *Woodside Energy (New Zealand) Limited was incorporated on 24 February 2014.*
7. *Woodside Energy (New Zealand 55794) Limited was incorporated on 24 February 2014.*
8. *Woodside Energy (Morocco) Pty Ltd was incorporated on 13 June 2014.*
9. *Woodside Energy (Gabon) Pty Ltd was incorporated on 21 July 2014.*
10. *Woodside Energy (Tanzania) Limited was incorporated on 6 August 2014.*
11. *As at 31 December 2014, Woodside Energy Holdings Pty Ltd and Woodside Energy Ltd held 99.9% and 0.1% of the shares in Woodside Energy (Tanzania) Limited respectively.*
12. *Woodside Energy (Cameroon) SARL was incorporated on 3 October 2014.*
13. *Woodside Energy International (Canada) Limited was incorporated on 9 December 2014.*
14. *Woodside Energy (Canada LNG) Limited was incorporated on 24 October 2014.*
15. *As at 31 December 2014, Woodside Energy Holdings (South America) Pty Ltd held 249,999,999 shares in Woodside Energia (Brasil) Investimento em Exploracao de Petroleo Ltda and Woodside Energy Ltd held the remaining one share.*

(b) Deed of Cross Guarantee and Closed Group

Woodside Petroleum Ltd and Woodside Energy Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the other. By entering into the Deed, the entities have been granted relief from the *Corporations Act 2001* requirements for the preparation, audit and publication of accounts, pursuant to Australian Securities and Investments Commission (ASIC) Class Order 98/1418. The two entities represent a Closed Group for the purposes of the Class Order.

The consolidated income statement and statement of financial position of the members of the Closed Group are set out below.

Closed Group consolidated income statement and statement of retained earnings	2014 US$m	2013 US$m
Profit before tax	1,349	1,221
Taxes	(304)	(276)
Profit after tax	1,045	945
Retained earnings at the beginning of the financial year	6,356	7,149
Dividends	(1,764)	(1,738)
Retained earnings at the end of the financial year	5,637	6,356

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

29. Subsidiaries (continued)

(b) Deed of Cross Guarantee and Closed Group (continued)

Closed Group consolidated statement of financial position	2014 US$m	2013 US$m
Current assets		
Cash and cash equivalents	93	64
Receivables	934	692
Inventories	120	112
Other assets	30	19
Total current assets	1,177	887
Non-current assets		
Receivables	4	-
Inventories	11	6
Other financial assets	19,414	18,216
Other assets	-	1
Exploration and evaluation assets	964	851
Oil and gas properties	4,235	4,673
Other plant and equipment	79	79
Deferred tax assets	107	-
Total non-current assets	24,814	23,826
Total assets	25,991	24,713
Current liabilities		
Payables	371	555
Tax payable	300	257
Other financial liabilities	18	37
Other liabilities	73	26
Provisions	184	151
Total current liabilities	946	1,026
Non-current liabilities		
Payables	10,178	8,334
Deferred tax liabilities	430	597
Other financial liabilities	10	10
Other liabilities	122	114
Provisions	1,349	950
Total non-current liabilities	12,089	10,005
Total liabilities	13,035	11,031
Net assets	12,956	13,682
Equity		
Issued and fully paid shares	6,547	6,547
Shares reserved for employee share plans	(38)	(42)
Other reserves	810	821
Retained earnings	5,637	6,356
Total equity	12,956	13,682

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

For the year ended 31 December 2014

29. Subsidiaries (continued)

(c) Interests in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries with material non-controlling interest:

Name of entity	Principal place of business	Interest held by NCI %	Profit allocated to NCI US$m	Accumulated NCI US$m	Dividends paid to NCI US$m
Burrup Train 1 Pty Ltd	Australia	10.0	40	309	23
Burrup Facilities Company Pty Ltd	Australia	10.0	62	526	29

The country of incorporation is the same as the principal place of business, unless stated otherwise.

Summarised financial information about subsidiaries with material non-controlling interest

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests is as follows:

Summarised statement of financial position

	Burrup Facilities Company Pty Ltd		Burrup Train 1 Pty Ltd	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m
Current assets	21	45	44	142
Non-current assets	5,461	5,113	3,205	3,283
Current liabilities	(181)	(71)	(158)	(175)
Non-current liabilities	(336)	(445)	(235)	(561)
Net assets	4,965	4,642	2,856	2,689

Summarised statement of comprehensive income

	Burrup Facilities Company Pty Ltd		Burrup Train 1 Pty Ltd	
	2014 US$m	2013 US$m	**2014 US$m**	2013 US$m
Revenue	1,212	877	1,990	1,498
Profit[1]	619	370	402	285

1. *Amount excludes finance costs which have been eliminated at Group consolidation level.*

The sale or disposal of all, or substantially all, of the assets of Burrup Facilities Company Pty Ltd and of Burrup Train 1 Pty Ltd require the unanimous resolution of the shareholders.

30. Corporate information

Woodside Petroleum Ltd is a company limited by shares incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
   (a) the financial statements and notes thereto, and the disclosures included in the audited 2014 Remuneration Report, comply with Australian Accounting Standards and the Corporations Act 2001;
   (b) the financial statements and notes thereto give a true and fair view of the financial position of the Group as at 31 December 2014 and of the performance of the Group for the financial year ended 31 December 2014;
   (c) the financial statements and notes thereto also comply with International Financial Reporting Standards as disclosed in Note 1(b);
   (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
   (e) there are reasonable grounds to believe that the members of the Closed Group identified in Note 29 will be able to meet any obligations or liabilities which they are or may become subject to, by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ended 31 December 2014.

For and on behalf of the Board

M A Chaney, AO	**P J Coleman**
Chairman	Chief Executive Officer and
Perth, Western Australia	Managing Director
	Perth, Western Australia
18 February 2015	18 February 2015

INDEPENDENT AUDIT REPORT

Independent auditor's report to the members of Woodside Petroleum Ltd

Report on the financial report

We have audited the accompanying financial report of Woodside Petroleum Ltd, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Opinion

In our opinion:

a. the financial report of Woodside Petroleum Ltd is in accordance with the Corporations Act 2001, including:
   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the remuneration report included in pages 63 to 77 of the Directors' Report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Woodside Petroleum Ltd for the year ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

R J Curtin, Partner
Perth, Western Australia
18 February 2015

Liability limited by a scheme approved under Professional Standards Legislation.

SHAREHOLDER INFORMATION

As at 12 February 2015

SHAREHOLDER STATISTICS

Number of shareholdings

There were 227,798 shareholders. All issued shares carry voting rights on a one for one basis.

Distribution of shareholdings

Size of shareholding	Number of holders	Number of shares	% of issued capital
1 - 1,000	167,629	65,041,151	7.89
1,001 - 5,000	53,408	107,860,318	13.09
5,001 - 10,000	4,607	31,866,261	3.87
10,001 - 100,000	2,049	41,296,883	5.01
100,001 and over	105	577,846,044	70.13
Total	**227,798**	**823,910,657**	**100.00***

*Small differences are due to rounding.

Unmarketable parcels

There were 2,817 members holding less than a marketable parcel of shares in the company.

Twenty largest shareholders	Shares held	% of issued capital
HSBC Custody Nominees (Australia) Limited	159,531,397	19.36
Shell Energy Holdings Australia Limited	111,847,852	13.58
JP Morgan Nominees Australia Limited	99,260,751	12.05
National Nominees Limited	73,105,422	8.87
Citicorp Nominees Pty Limited	56,270,918	6.83
BNP Paribas Noms Pty Ltd <DRP>	10,929,331	1.33
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	8,210,761	1.00
AMP Life Limited	3,407,501	0.41
Australian Foundation Investment Company Limited	3,282,886	0.40
HSBC Custody Nominees (Australia) Limited <Nt-Comnwlth Super Corp A/C>	3,274,124	0.40
UBS Wealth Management Australia Nominees Pty Ltd	3,211,022	0.39
Network Investment Holdings Pty Ltd	3,027,570	0.37
Citicorp Nominees Pty Limited <Citibank NY ADR Dep A/C>	2,866,290	0.35
Pacific Custodians Pty Limited <WPL Plans Ctrl A/C>	2,479,111	0.30
RBC Investor Services Australia Nominees Pty Limited <Bkcust A/C>	2,134,311	0.26
Argo Investments Limited	1,700,873	0.21
Navigator Australia Ltd <MLC Investment Sett A/C>	1,696,050	0.21
UBS Nominees Pty Ltd	1,561,426	0.19
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,388,371	0.17
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,226,761	0.15
Total	**550,412,728**	**66.80**

Substantial shareholders as disclosed in substantial shareholder notices given to the company are as follows:

Shell Energy Holdings Australia Limited[#]	111,847,852	13.58

[#]Shell Energy Holdings Australia Limited's most recent notice of change of interests of substantial shareholder was given on 23 June 2014.

Annual General Meeting

The 2015 Annual General Meeting (AGM) of Woodside Petroleum Ltd will be held at 10.00 am (AWST) on 16 April 2015, at the Perth Convention & Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia. Details of the business of the meeting will be provided in the AGM notice.

The AGM will be webcast live on the internet. An archive version of the webcast will be placed on the Woodside website to enable the proceedings to be viewed at a later time.

Copies of the Chairman's and the CEO's speeches will be available on the company's website.

Share registry: enquiries

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

Computershare Investor Services Pty Limited

Level 2, 45 St Georges Terrace
Perth, Western Australia 6000

Postal address: GPO Box D182
Perth, Western Australia 6840

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

Facsimile: +61 3 9473 2500

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

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

Details of shareholdings can be checked conveniently and simply by visiting the share registry website at www.investorcentre.com/wpl.

For security reasons, you will need your Security Reference Number (SRN) or Holder Identification Number (HIN) when communicating with the share registry.

The share registry website allows shareholders to make changes to address and banking details online.

Dividend payments

Woodside declares its dividends in US dollars as it is our functional and presentation currency. Woodside pays its dividends in Australian dollars unless a shareholder's registered address is in the United Kingdom (UK) where they are paid in UK pounds sterling, or in the United States of America (USA) where they are paid in US dollars.

Shareholders who reside outside of the USA can elect to receive their dividend in US dollars. Shareholders must make an election to alter their dividend currency by the record date for the dividend by contacting the share registry on 1300 558 507 (within Australia) or +61 3 9415 4632 (outside Australia).

Shareholders may have their dividends paid directly into any bank or building society account in Australia, the USA, or the UK. Payments are electronically credited on the dividend payment date and confirmed by payment advice. To request direct crediting of dividend payments, please contact the share registry or visit the share registry website (www.investorcentre.com/wpl).

The history of dividends paid by the company can be found on the company's website.

Dividend reinvestment plan

Woodside's Dividend Reinvestment Plan (DRP) was suspended by the Board in February 2013 until further notice. However, shareholders with registered addresses in Australia and New Zealand can still elect to participate in the DRP, pending a decision by the Board to recommence the DRP at some future date. If the DRP is recommenced in the future, the Australian Securities Exchange (ASX) will be notified via an announcement lodged with the ASX Market Announcements Platform. If the DRP is recommenced, shareholders who have elected to participate in the DRP will have the dividends on some or all of their shares automatically reinvested in additional shares. Information on the DRP is available on the company's website. Election forms are available from the company's website or from the share registry.

Change of address or banking details

Shareholders should immediately notify the share registry of any change to their address or banking arrangements for dividends electronically credited to a bank account.

Changes can be made online at the share registry website www.investorcentre.com/wpl.

Australian Securities Exchange listing

Woodside Petroleum Ltd securities are listed on the ASX under the code WPL.

Share price information can be accessed on the company's website.

American Depositary Receipts

Citbank (Citi) sponsors a level one American Depositary Receipts (ADR) program in the USA. One Woodside share equals one ADR and trades over the counter under the symbol 'WOPEY'.

ADR holders should deal directly with Citi on all matters related to their ADRs.

Enquiries should be directed to:
Citibank Shareholder Services
P.O. Box 43077
Providence, Rhode Island 02940-3077

Contact information

USA Toll Free Number: 1-877-CITI-ADR

Number for international callers: 1-781-575-4555

Fax 1-201-324-3284

E-mail: Citibank@shareholders-online.com

Investor Relations: enquiries

Requests for specific information on the company can be directed to Investor Relations at:

Investor Relations
Woodside Petroleum Ltd
Woodside Plaza
240 St Georges Terrace,
Perth, WA 6000

Postal address: GPO Box D188
Perth, WA 6840

Telephone: +61 8 9348 4000
Facsimile: +61 8 9214 2777

Email: investor@woodside.com.au
Website: www.woodside.com.au

Business directory

Registered office Perth
Woodside Petroleum Ltd
240 St Georges Terrace, Perth, WA 6000
Telephone: +61 8 9348 4000
Postal address: GPO Box D188
Perth, WA 6840

Broome
29 Coghlan Street, Broome, WA 6725
Telephone: 1800 036 654

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

Key announcements 2014

February	Woodside Enters MOU with Leviathan Joint Venture Participants
	Woodside Records US$1.749 billion Profit in 2013
May	Woodside Terminates Leviathan MOU
June	Woodside Announces Selective Buy-back of 78.3 million Shares from Shell
July	Woodside to Buy LNG from Corpus Christi Liquefaction LLC
	Shell Buy-back Update
August	Woodside Achieves Record First Half Profit
November	Appointment of Non-Executive Director
	NWS Project Approves Development of Persephone Project
December	Browse FLNG Development Update
	Woodside Purchases Apache Assets

Events calendar 2015

Key calendar dates for Woodside shareholders in 2015.
Please note dates are subject to review.

January	15	Fourth quarter 2014 report
February	18	2014 full-year result and final dividend announcement
	25	Ex-dividend date for final dividend
	27	Record date for final dividend
March	25	Payment date for final dividend
April	14	Annual General Meeting (AGM) proxy returns close at 10.00 am (AWST)
	15	First quarter 2015 report
	16	AGM
June	30	Woodside half-year end
July	16	Second quarter 2015 report
August	19	2015 half-year result and interim dividend announcement
	TBA	Ex-dividend date for interim dividend
	TBA	Record date for interim dividend
September	TBA	Payment date for interim dividend
October	15	Third quarter 2015 report
December	31	Woodside year end

Glossary, units of measure and conversion factors

Glossary

$, $m	US dollars unless otherwise stated, millions of dollars
1P	Proved reserves
2C	Best estimate of contingent resources
2P	Proved plus Probable reserves
AGM	Annual General Meeting
AIPP	Australian Industry Participation Plan
ASX	Australian Securities Exchange
Appraisal well	A well drilled to follow up a discovery and evaluate its commercial potential
AUD	Australian dollars
BOD	Basis of design. Specification of owner's requirements
Brent	Intercontinental Exchange (ICE) Brent Crude deliverable futures contract (oil price)
Brownfield	An exploration or development project located within an existing province which can share infrastructure and management with an existing operation
CMATS	Certain Maritime Arrangements in the Timor Sea
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
Development well	A well drilled for the purpose of recovering hydrocarbons
DRP	Dividend reinvestment plan
EEP	Employee equity plan
EIS	Environmental impact statement
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
FEED	Front-end engineering and design. Preliminary design and cost and schedule confirmation before a final investment decision
FELs	Frontier Exploration Licences
FID	Final investment decision
First half, second half	Halves of the calendar year (i.e. 1H is 1 January to 30 June, 2H is 1 July to 31 December)
Flaring	Flaring is the term used to describe the controlled burning of gas found in oil and gas reservoirs
FLNG	Floating liquefied natural gas
FPSO	Floating production storage and offloading vessel
Free cash flow	Cash flow from operating activities less cash flow from investing activities
Gearing	Net debt divided by (net debt + equity)
Greenfield	Development or exploration located outside the area of influence of existing operations/infrastructure
GWF	Greater Western Flank
HSE	Health, safety and environment
Infill well	Drilled for the purpose of increasing production
IOGP	International Association of Oil & Gas Producers
ISO	International Organisation for Standardisation
JV	Joint venture
KGP	Karratha Gas Plant
LIBOR	London Inter-Bank Offer Rate
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTIF	Lost time injury frequency
Net debt	Total debt less cash and cash equivalents
NPAT	Net profit after tax
NWS	North West Shelf Project
PEP	Petroleum exploration permit
PRRT	Petroleum Resources Rent Tax
PSC	Production Sharing Contract
PSE	Process safety event
Q1, Q2, Q3, Q4	Quarters of the calendar year (i.e. Q1 is 1 January to 31 March, Q2 is 1 April to 30 June, Q3 is 1 July to 30 September, Q4 is 1 October to 31 December)
RAP	Woodside's Reconciliation Action Plan
ROE	Return on equity is a measure of company performance calculated as equity attributable to shareholders (excluding non-controlling interests) divided by reported NPAT (excluding non-controlling interests) expressed as a percentage
ROACE	Return on average capital employed is calculated as net profit after tax and net finance costs (after tax) divided by average debt and equity
SPA	Sales and Purchase Agreement
Tier 1 PSE	A typical Tier 1 PSE is loss of containment of hydrocarbons greater than 500 kg (in any one-hour period)
Tier 2 PSE	A typical Tier 2 PSE is loss of containment of hydrocarbons greater than 50 kg but less than 500 kg (in any one-hour period)
TRIR	The number of recordable injuries (fatalities + lost workday cases + restricted workday cases + medical treatment cases) per 1,000,000 hours worked
TSR	Total shareholder return
Unit production costs	Production costs ($ million) divided by production volume (MMboe)
USA	United States of America
USD	US dollars
WA	Western Australia

Glossary of terms for the Remuneration Report found on 63 to 77

Committee	The Human Resources & Compensation Committee
EIP	The executive incentive plan
ER	Equity rights. ERs are awarded under the WEP and SWEP and each one entitles participants to receive a fully paid share in Woodside on the vesting date
Executive	A senior employee who the Board has determined to be eligible to participate in the EIP
Executive Directors	Peter Coleman and Robert Cole (Robert ceased to be an Executive Director on 26 November 2014)
Executive KMP	The Executive Directors and senior executives listed in *Table 1* of the Remuneration Report, page 64
KMP	Key management personnel
KPI	Key performance indicator
LTA	Long-term award
NED	Non-executive director
NEDSP	The Non-executive Director Share Plan
Performance year	The year to which an EIP award relates
Restricted shares	Woodside ordinary shares that are awarded to executives as the deferred component of their STA
RTSR	Relative total shareholder return
Scorecard	A corporate scorecard of key measures that align with Woodside's overall business performance
STA	Short-term award
SWEP	The supplementary Woodside equity plan
VAR	Variable annual reward
VPR	Variable pay right. Each VPR is a right to receive a fully paid ordinary share in Woodside
WEP	The Woodside equity plan

Units of measure

bbl	barrel
Bcf	billion cubic feet
boe	barrel of oil equivalent
kPa	thousands of Pascals
Mcf	thousand cubic feet
MMbbl	million barrels
MMboe	million barrels of oil equivalent
MMBtu	million British thermal units
mtpa	million tonnes per annum
psi	pounds per square inch
t	tonnes
Tcf	trillion cubic feet
TJ	terajoules

Conversion factors

Product	Factor	Conversion factors[1]
Australian Pipeline Natural Gas	1TJ	163.6 boe
Liquefied Natural Gas (LNG)	1 tonne	8.9055 boe
Condensate	1 bbl	1.000 boe
Oil	1 bbl	1.000 boe
Liquefied Petroleum Gas (LPG)	1 tonne	8.1876 boe
Gulf of Mexico Pipeline Natural Gas	1 MMBtu	0.1724 boe

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

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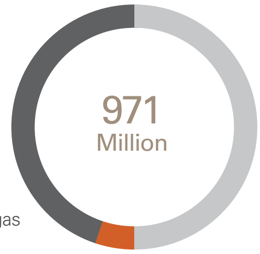
2014 SUMMARY CHARTS

Product view

Investment

	2013	2014
Gas and condensate*	45%	50%
Oil*	17%	5%
Exploration and other	38%	45%

* Indicative only as some assets produce oil and gas



The majority of our investment expenditure was directed towards our LNG projects including North West Shelf (NWS), Pluto LNG (Pluto) and Browse. Our 2014 investment spend reflects increasing exploration activity.

Production

	2013	2014
Natural gas*	79%	79%
Oil	10%	12%
Condensate	11%	9%

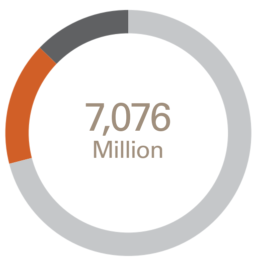
* Includes LNG, LPG and pipeline gas

The majority of our production is from natural gas at the NWS and Pluto projects. The proportion of oil increased in 2014 due to full year of production from the Vincent floating production storage and offloading vessel (FPSO), which returned from refurbishment in Q4 2013.

Sales revenue

	2013	2014
Natural gas*	66%	71%
Oil	17%	16%
Condensate	17%	13%

* Includes LNG, LPG and pipeline gas



The revenue profile is largely derived from gas streams. The contribution of natural gas to revenue increased in 2014 due to higher production at the NWS and Pluto projects, underpinned by higher LNG reliability.

Refer to 5 to view the Brent oil price graph indexed over ten years.

Reserves (Proved plus Probable)

	2013	2014
Natural gas*	86%	87%
Oil	5%	4%
Condensate	9%	9%

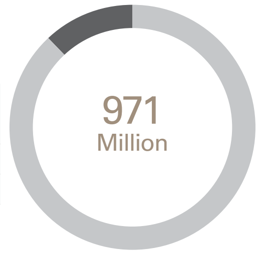
* Includes LNG, LPG and pipeline gas

With gas representing the larger portion of Woodside's reserves, our focus is on commercialising the undeveloped volumes of the gas assets we hold, in order to maximise shareholder return.

Regional view

Investment

	2013	2014
Australia	89%	88%
USA	0%	0%
Rest of World	11%	12%



Capital expenditure in the north-west of Australia continues to dominate regional investment.

Production

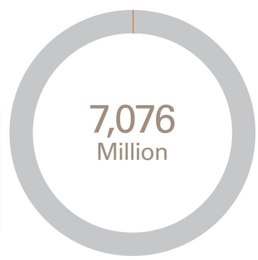
	2013	2014
Australia	99%	99%
USA	1%	<1%
Rest of World	0%	0%

Australian projects provide the majority of Woodside's production volumes.

Refer to our areas of activity map 2 which shows the locations of our producing assets.

Sales revenue

	2013	2014
Australia	99%	99%
USA	1%	<1%
Rest of World	0%	0%



While the bulk of our revenue is currently derived from Australia, Woodside's growth strategy seeks to capture new opportunities to broaden our global portfolio.

Refer to the CEO report 8 and the Operating and Financial Review 16 for further information on our strategy.

Reserves (Proved plus Probable)

	2013	2014
Australia	99%	100%
USA	<1%	0%
Rest of World	0%	0%

The majority of Woodside's Proved plus Probable reserves are located in Australia; however, we anticipate a greater diversity will result from the implementation of our growth strategy.

10 YEAR COMPARATIVE DATA SUMMARY

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Profit and Loss (USDm)[1]										
Operating Revenues										
Australia										
Pipeline Gas	376	366	367	375	309	378	320	227	182	185
LNG	4,563	3,347	2,834	1,509	1,310	769	1,007	619	614	548
LPG	80	88	125	127	115	94	112	92	75	70
Condensate	901	1,000	903	860	708	571	669	577	512	480
Oil	1,133	896	1,918	1,795	1,579	1,496	2,685	1,521	1,062	736
LNG Processing Revenue	198	150	125	-	-	-	-	-	-	-
Trading Revenue	161	-	-	-	-	-	-	-	-	-
Gulf of Mexico	23	79	76	93	117	124	197	133	119	21
Algeria	-	-	-	43	55	55	55	55	56	55
Mauritania	-	-	-	-	-	-	-	137	252	-
Total	7,435	5,926	6,348	4,802	4,193	3,487	5,045	3,361	2,872	2,095
EBITDAX[2]	5,853	4,460	5,528	3,423	3,431	3,427	4,017	2,598	2,346	1,685
EBITDA[2]	5,568	4,188	5,162	2,864	3,126	3,209	3,765	2,241	2,093	1,472
EBIT[3]	3,672	2,538	3,795	2,212	2,256	2,303	2,852	1,560	1,684	1,238
Exploration and Evaluation[4]	285	272	366	559	305	218	252	357	253	214
Depreciation and Amortisation[4]	1,441	1,218	1,184	627	749	752	732	541	337	213
Amortisation of Licence Acquisition Costs	21	45	26	28	24	35	49	83	65	20
Impairment/(Impairment Reversal)	434	387	157	(3)	97	119	132	57	7	-
Net Finance Costs	163	179	137	26	(18)	12	19	8	20	7
Tax Expense	993	545	614	677	697	823	1,287	687	590	387
Non-controlling Interest	102	65	61	2	2	(6)	-	-	-	-
Reported NPAT	2,414	1,749	2,983	1,507	1,575	1,474	1,546	864	1,075	844
Underlying NPAT	2,421	1,702	2,061	1,655	1,418	1,052	1,823	948	1,030	791
Reported EPS (cents)[5]	293	213	366	190	204	210	225	128	163	128
Underlying EPS (cents)[5]	294	207	253	209	183	150	266	141	157	120
DPS (cents)	255	249	130	110	105	95	100	91	98	70
Underlying Payout Ratio (%)	87	71	51	53	57	64	38	64	63	58
Balance Sheet (USDm)[1]										
Total Assets	24,082	23,770	24,810	23,231	20,196	17,753	10,317	8,515	7,072	5,107
Debt	2,586	3,764	4,340	5,102	4,915	4,939	2,044	903	1,435	826
Net Debt	(682)	1,541	1,918	5,061	3,952	3,732	1,946	782	1,188	656
Shareholder Equity	15,824	15,225	15,148	12,658	11,091	8,812	4,633	4,458	3,313	2,565
Cash Flow (USDm) and Capital Expenditure (USDm)										
Cash Flow from										
Operations	4,785	3,330	3,475	2,242	2,104	1,483	3,224	2,082	1,457	1,053
Investing	(617)	(1,059)	161	(3,533)	(2,941)	(4,708)	(3,892)	(1,700)	(1,432)	(1,152)
Financing	(3,119)	(2,470)	(1,252)	362	608	4,207	684	(522)	41	(352)
Capital Expenditure										
Exploration and Evaluation	261	166	383	778	703	273	418	447	376	210
Oil and Gas Properties and Property, Plant & Equipment[6]	425	420	1,145	2,651	2,933	3,992	4,031	1,965	1,091	993
Ratios (%)										
ROACE[7] (%)	17.5	12.0	18.3	11.8	13.5	19.0	37.1	24.3	32.4	29.9
Reported Return on Shareholders Funds (%)	15.3	11.5	19.7	11.9	14.2	16.7	33.4	19.4	32.5	32.9
Underlying Return on Shareholders Funds (%)	15.3	11.2	14.5	12.9	13.0	12.5	37.1	20.9	31.5	31.5
Gearing	(4.5)	9.2	11.2	28.6	26.3	29.8	29.6	14.9	26.4	20.4
Volumes										
Sales (million boe)										
Australia										
Pipeline Gas	13.3	14.0	13.9	14.0	14.8	18.4	18.9	16.4	15.5	16.6
LNG	58.3	52.4	42.6	22.4	22.7	21.3	17.0	17.0	17.3	17.0
LPG	0.8	0.9	1.1	1.1	1.3	1.5	1.2	1.2	1.2	1.2
Condensate	9.4	9.5	8.6	7.8	9.1	9.7	7.9	7.8	8.0	8.7
Oil	11.2	8.0	16.8	15.7	19.8	24.3	29.8	20.4	16.5	13.3
Gulf of Mexico	0.2	0.9	0.8	1.1	2.2	3.2	3.1	2.6	2.6	0.4
Mauritania	-	-	-	-	-	-	-	2.0	4.3	-
Algeria	-	-	-	1.8	2.3	2.3	2.3	2.3	2.3	2.3
Total (million boe)	93.2	85.7	83.8	63.9	72.2	80.7	80.2	69.7	67.7	59.5
Production (million boe)										
Australia										
Pipeline Gas	13.3	13.9	13.8	14.0	14.8	18.4	18.9	16.4	15.6	16.6
LNG	60.3	53.6	43.9	22.6	23.2	21.5	17.4	17.4	17.4	17.2
LPG	0.8	0.9	1.1	1.2	1.4	1.5	1.2	1.2	1.2	1.2
Condensate	9.1	9.5	9.3	7.9	9.1	9.5	7.9	8.0	8.0	8.6
Oil	11.4	8.2	16.0	16.0	19.7	24.5	30.5	20.5	16.4	13.4
Gulf of Mexico	0.2	0.9	0.8	1.1	2.2	3.2	3.1	2.6	2.6	0.4
Mauritania	-	-	-	-	-	-	-	2.2	4.4	-
Algeria	-	-	-	1.8	2.3	2.3	2.3	2.3	2.3	2.3
Total (million boe)	95.1	87.0	84.9	64.6	72.7	80.9	81.3	70.6	67.9	59.7
Other ASX Data										
Reserves (Proved plus Probable)										
Gas (Tcf)	6.65	7.09	7.51	7.80	8.02	7.79	7.90	7.80	6.90	4.67
Condensate (MMbbl)	117.11	125.20	130.90	138.70	154.74	147.80	151.40	152.10	144.60	129.70
Oil (MMbbl)	54.06	67.00	95.90	108.50	117.50	136.10	168.80	170.20	221.10	294.50
Other										
Employees	3,803	3,896	3,997	3,856	3,650	3,219	3,124	2,981	2,888	2,508
Shares High (A$)	44.23	39.54	38.16	50.85	49.28	53.87	70.51	56.66	49.80	39.39
Low (A$)	33.71	33.29	30.09	29.76	40.56	31.19	26.81	34.81	34.81	19.87
Close (A$)	38.01	38.90	33.88	30.62	42.56	47.20	36.70	50.39	38.11	39.19
Number (000's)	823,911	823,911	823,911	805,672	783,402	748,599	698,553	688,331	666,667	666,667
Number of shareholders	227,798	217,383	208,277	205,868	201,134	175,257	141,035	131,460	119,003	83,829
Market Capitalisation (USD equivalent at reporting date)	25,664	28,579	28,983	25,287	33,745	31,567	17,717	30,353	20,033	19,146
Market Capitalisation (AUD equivalent at reporting date)	31,317	32,050	27,914	24,670	33,342	35,334	25,637	34,685	25,407	26,127
Finding Costs ($/boe) (3 year average)[8]	44.09	30.43	14.09	12.67	6.12	5.71	3.35	3.60	2.47	3.95
Reported Effective Income Tax Rate (%)	30.1	29.8	27.2	30.5	25.2	33.7	32.6	35.8	35.4	31.4
Net Debt/Total Market Capitalisation (%)	(2.7)	5.4	6.6	20.0	11.6	11.8	11.0	2.6	5.9	3.4

1 Comparative financial information prior to 2010 has been converted on a consistent basis in accordance with Note 1(m) to the Financial Report.

2 EBITDAX and EBITDA exclude impairment and amortisation of permit acquisition costs. 2005 to 2013 EBITDAX and EBITDA numbers have been restated to reflect this change in calculation.

3 EBIT is calculated as a profit before income tax, PRRT and net finance costs.

4 Amount excludes amortisation of licence acquisition costs.

5 Earnings per share has been calculated using the following weighted average number of shares:
2014: 822,771,118
2013: 822,983,715
2012: 814,751,356
2011: 791,668,973
2010: 773,388,154
2009: 703,310,697
2008: 685,179,496
2007: 671,447,950
2006: 657,178,947
2005: 655,150,640

6 2005 oil and gas properties capital expenditure includes acquisitions through business combinations of A$415 million, relating to the acquisition of Gryphon Exploration Company.

7 The calculation for ROACE has been revised in 2014 to use EBIT as the numerator, in addition to a change in the composition of capital employed. ROACE for 2005-2013 has been restated to include this change.

8 Finding cost methodology is in accordance with the FAS69/SEC industry standard.

woodside

ANNUAL REPORT **2014**

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