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2016 FULL-YEAR RESULTS – INVESTOR TELECONFERENCE

On Wednesday, 22 February 2017 at 7.30am AWST Woodside hosted a 2016 Full-Year Results investor teleconference.

The transcript of the briefing is attached.

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This document should be read in conjunction with Woodside's 2016 Preliminary Financial Statements and associated presentation pack which is available on the company's website, www.woodside.com.au.

Start of Transcript

Peter Coleman: Good morning everyone. Thanks for joining us, with me on the call this morning is our CFO, Lawrie Tremaine and I really do appreciate that investors dial into this call. I know it's a busy time of the year for all of you. It's also been a busy year for us. We've boosted our production, grown our portfolio and we've set ourselves some exciting goals for 2017. You'll see our standard disclaimer on slide two and just a quick reminder that this presentation does contain some forward looking statements and that all of our reported numbers are in US dollars unless otherwise stated.

We'll kick off with slide three with our financial headlines. You'll see our NPAT of $868 million delivers a fully franked dividend of $0.83 per share to our shareholders. A really strong result given we've just passed through what we hope is the low point of the commodity cycle.

Net cash flow from operating activities increased to $2.6 billion and pre-cash to $114 million. We also increased both operating cash flow and free cash flow even though the realised prices year-on-year were down almost 20% and at the same time our gearing is 24% and well within our target range. We remain one of the few in our peer group that was able to maintain its credit rating through the low point of the commodity cycle in 2016.

Moving onto slide four, I think it's fair to say that in 2016 we delivered operational excellence, successfully managed risk and volatility and added near-term value growth to our portfolio. Our overall production climbed to 94.9 million barrels of oil equivalent in 2016, the second highest level on record. And our Pluto facility achieved record LNG production. Our increased focus on cost efficiencies and reliability was reflected in a 28% reduction in our unit production costs and nothing demonstrates this better than our record low Pluto unit production costs of $3.30 per BOE.

We also increased our portfolio gross margins to 45%. In a tough, external environment we completed the majority of our North West Shelf price reviews at traditional levels and signed a Heads of Agreement for long-term supply of LNG to Pertamina.

Near-term value growth is also significantly bolstered in. Early in 2016 we announced play extending discoveries in Myanmar and during the year completed significant acquisitions in Senegal and Australia at an average acquisition cost of $1.10 per BOE. Together these discoveries and acquisitions added more than 30 years of resources to our portfolio when combined with the acquisitions in the prior year.

Construction and commissioning at Wheatstone Train 1 is nearing completion with the first production still expected mid-year and this will be followed by Train 2 in domestic gas production in 2018. We also sanctioned the Greater Enfield project which is an oil project and then we're targeting first oil from that in 2019.

We continued to improve our safety and environment performance as outlined on slide five and it's particularly good to see our flared gas emissions down for a third year in a row with a 33% reduction from 2015. This was the result of improved onshore facility reliability and the sustained improvement of our turnaround practices.

Peer comparisons on slide six show that we're delivering well above our competitors on return on average capital employed and dividends. Two of the key metrics we believe give an insight to the long-term nature of our business and whether we're delivering on our capital employment.

We also successfully managed risk and volatility through the cycle and we're in a strong position as the oil market rebalances through 2017.

Added to this is the LNG market dynamic on slide eight. Emerging markets and opportunities to create new LNG fuel markets coupled with strong longer-term demand forecasts show that the LNG market will continue to grow well through the next decade.

Turning to LNG contracting on slide nine. In 2017, 88% of expected LNG production has been sold under oil linked term contracts. I do want to note that we're still seeing demand in the market for oil linked LNG pricing.

Operational excellence and managing risk and volatility will remain core to our approach to delivering value for shareholders and as you can see on slide 10 alongside these fundamentals we're continuously building near-term value growth and expect about a 15% increase in production from 2017 through 2020. In 2017 you'll hear me talk about our priorities being Wheatstone, Senegal, Myanmar and Pluto. As most of you know, this will be Lawrie Tremaine's last results briefing with Woodside.

So before I hand over to Lawrie, I want to recognise that he's played a key leadership role at Woodside as CFO for the past six years. He's been instrumental in navigating the company through a period of very significant volatility externally but also internally as we executed our major projects. He's got an unswerving focus on balance sheet resilience as many of you will have seen and leaves us in a much stronger position than when I joined the company a number of years ago. So thank you, Lawrie, for everything you've done for Woodside and I'll hand over to you now for the CFO section.

Lawrie Tremaine: Thanks Peter and good morning everyone. I'll provide a brief overview of our financial performance started with a profit bridge on slide 13. Not surprisingly, oil price had a very significant negative impact on profit in 2016, $831 million pre-tax. However, we were able to mitigate much of this impact through continuing strong operating performance particularly in our LNG business. Our average realised prices were 18% lower than 2015. The LNG benchmark price was an average 36% lower over the same period demonstrating the value of our LNG contract portfolio.

Production volumes on slide 14, we had a great year in our operations exceeding the top of our production guidance delivering our second highest total result and setting a new LNG production record. Pluto facility utilisation was a major driver of this result. We achieved 99.5% reliability in 2016 with 300 days of uninterrupted production and exceeded the original design capacity by 16%. Liquids production was lower in 2016 mostly due to the Okha FPSO turnaround and vessel dry-docking in the first half.

We are very proud of what we have achieved over the past three years in driving our costs lower. Slide 15 shows the cost performance of both North West Shelf and Pluto. Pluto unit production costs, as Peter said, were $3.30 per barrel of oil equivalent, 50% lower than our 2013 productivity program base line. We have delivered these cost reductions while completing 99% of our planned maintenance activities for the year.

Moving to slide 16, this chart compares our EBITDA margins with those of our peers. Woodside's ability to generate cash margins has consistently outperformed our peer group over this period. Our EBITDA margin for the year was 67% highlighting our strong competitive position which reflects the quality of both our assets and offtake contracts and world class operating performance.

On slide 17, we generated free cash flow of $114 million in a year which started with oil prices as low as $28 a barrel and after funding two significant acquisitions. Our investment expenditure in 2016 was focused on delivering near-term growth with 70% of our base capital expenditure invested in projects due to deliver production within three years. Wheatstone and the Greater Enfield oil development are the most significant of these projects.

Turning to the balance sheet on slides 18 and 19 we've maintained our gearing within a target range of 10 to 30%. We continue to fund the company with relatively low cost debt. Our portfolio cost of debt is currently 3.2%. We had $2.7 billion in available cash and undrawn debt facilities at year end and we have negligible debt maturing in 2017. Consequently we maintain the flexibility to fund our growth plans and to capture additional value accretive growth opportunities.

With that very quick summary, thank you for listening and I'll pass you back to Peter.

Peter Coleman: Look, thanks Lawrie. As I said, we're focused on building near-term value growth and in 2017 Wheatstone, Senegal, Myanmar and Pluto really are leading the way for us. It's not in any way to say we're not pursuing our other opportunities, in fact we are, but these will be our priorities this year and you'll hear us talk a lot more about them.

When fully operational Wheatstone will add more than 13 million barrels per year of annual production to our portfolio. This year we're supporting the operator to execute a flawless start-up of Train 1.

At the SNE oil field in Senegal a two-well appraisal program is underway to improve our understanding of the reservoir and inform development planning ahead of first oil between 2021 and 2023.

In Myanmar we're about to start a significant drilling program that includes a minimum two appraisal and two exploration wells with scope for an additional three wells this year. In fact the rig arrives shortly. This program will improve both our understanding of the resource base and will form the basis for identifying a pathway to commerciality. Closer to home we're evaluating opportunities to maximise our investment in Pluto by undertaking further capacity enhancements and mid to large scale expansion.

We're looking at how we create value to accelerating development timeframes and production capturing unallocated resources from the Carnarvon and Browse Basins and creating new markets for our product. Woodside is in a unique position in the Pilbara having equity in both key onshore infrastructure and offshore resources. In fact we're the only company who has equity in both the largest undeveloped offshore resources and the two onshore plants that have the most ready expansion capability.

As part of our drive to grow the LNG fuel market, we're finalising plans to support supplying LNG from Pluto to fuel the local mining and marine sectors and to bring these opportunities together we're focused on creating a Burrup hub that will maximise value from existing infrastructure and investment and to ensure that those facilities are able to maximise their investment life.

To recap on 2016, our production performance, reduction in operating costs, improved margins and the progress of our key projects delivered value for shareholders despite what was a challenging external environment, particularly driven by the commodity markets and new supply in LNG.

With that I'll close the formal part of this session and I'll open up to questions.

Operator: Thank you. Ladies and gentlemen if you wish to ask a question you need to press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, you need to press the pound or hash key. Your first question comes from the line of Dale Koenders from Citigroup. Please ask your question.

Dale Koenders (Citigroup, Analyst): Morning gentlemen. A couple of quick ones. Firstly, talking about the expansion potential of Pluto. What capacity exists there for debottlenecking?

Peter Coleman: Dale, there's two parts to Pluto. One is a small-scale expansion using existing resources, mainly accelerating the tail end of Pluto into the economic life.

The second one then is capturing new resources outside of the existing permit areas. They'll have two development options associated with that. The first one will be small scale expansion. It will be in that 1-million-ton range. 1 million to 1.5-million-tonne range. It may be classic debottlenecking. We need to complete a high rate test in the plant sometime during second quarter to determine whether that's the best option. Or it may be a commoditized train that we can just simply purchase on market and plug into the plant which gives us the earliest possible timing for development. So, that's the first part. That's really focusing on bringing forward the tail of Pluto and bringing it into the economic light.

The second part then is really setting Pluto up to be competitive to capture the undeveloped resources out there. That's probably in two parts. There's discovered undeveloped resources at Scarborough and Browse that we want Pluto to compete for.

There's also undiscovered potential in the drilling of two exploration wells that Woodside has in our portfolio being Swell in the middle of this year, and Ferrand in the middle of next year. Both those are multi-Tcf type prospects that have already been approved internally and we have the contracting underway already for the drilling rigs for those wells.

So, that gives us the confidence that we can start to go through our developing planning activities now, and we hope to finalise our concept select for the first phase of that being either that small-scale expansion or debottlenecking sometime in third quarter of this year, then make decisions to move forward from there.

Dale Koenders (Citigroup, Analyst): When you look at the opportunity for the larger scale expansion for Scarborough or Browse through the Pluto hub, do you think that it is potentially providing sufficient returns in current market conditions in terms of both LNG pricing and oil? Or, do you need a recovery in LNG markets, or higher pricing through bunkering or transport fuels?

Peter Coleman: No, not really. It's really up to the owners of the facilities to decide what sort of returns they want in the long-term out of those facilities. It will be obviously Pluto and North West Shelf will be competing for that. It will be the best commercial outcome.

So, obviously both those resources at the moment have a concept for a floating LNG development. I think there's both an opportunity and a challenge for us, and particularly Woodside as an owner and operator of both North West Shelf and Pluto, to be able to pull forward that investment opportunity and take advantage of what's already pretty much sunk-cost in that business.

If you look at the opportunity for us to bring forward the tail of Pluto, that actually then provides capacity at the back end of the plant to then compete for some of that larger resource.

So, there's two elements to this Dale. One is obviously an economically driven element with respect to bringing forward tail that would otherwise have a low present value because it's so far out in the future. At a very competitive cost we think we can get it away at Gulf Coast type development cost.

That then provides the opportunity for us to compete, very seriously, for that larger scale gas that could come in from the mid-20s onwards.

Dale Koenders (Citigroup, Analyst): Then just in terms of the focus on transportation and marine. Do you think that that provides, in terms of the realised pricing through that at near the market, do you think price is similar to traditional LNG markets? Or less, or more?

Peter Coleman: Well, the good part about it is if you think about the market there you've got excellent buyers in the market. One of the things we often struggle with as you know when you get down to smaller scale is being able to find the quality of buyers in the marketplace and the quantities that you need.

When you target the mining industry now you've got very credit worthy buyers that have a long life and are currently paying diesel fuel equivalent pricing. We believe we can deliver it into that market at a discount to current diesel fuel pricing delivered to the mine that will be very competitive.

We believe that when you add that to some of the other issues that as responsible corporations we're having to deal with around emissions and so forth, it's a great balance of payment story for Australia. It's value adding to a product here in Australia rather than simply exporting it.

There's a very compelling story and case around this, and Woodside's leading the way by this establishment. Not only the truck loading facility at Pluto, but then also in the joint industry studies that we're doing. Then our commitment to changing our supply vessel fleet over to LNG fuel. We named the first of those vessels earlier this week.

Dale Koenders (Citigroup, Analyst): Okay, thank you very much.

Peter Coleman: Thanks Dale.

Operator: Your next question comes from the line of Adam Martin from Morgan Stanley. Please ask your question.

Adam Martin (Morgan Stanley, Analyst): Morning Peter and Lawrie. Just on more mid-term growth, and I suppose it comes around Senegal in particular, can you just walk through how that's going? You've got five wells in the structure at the moment. You've got two more planned for this year. Is there potential to appraisal wells following that? Can you just talk about timelines for FEED, FID, et cetera?

Peter Coleman: Well, as you know, Adam, we're currently drilling the SNE five well, and appraising that. So, I would say the results so far are in line with our expectations on that well. We've got some more, we're not completed yet in the appraisal program. The plan is to move from SNE five then to SNE six depending on the final results of SNE five and conduct an interference test.

That will give us a pretty solid view then of what the upper sands look like and what their connectivity will be, and what expected productivity will be.

The next part of the program then will be the joint venturers looking at exploration prospects, and both the opportunity and the ability to drill out some of those exploration prospects particularly given the very low cost we have for the current drilling rig which has been published in the market by some of the other participants.

So, you can see there's an opportunity cost for us here at the moment as well.

With respect to moving forward on the selection of the concept and so forth, as you know there's a hard end on this in early 2019. So, the joint venture is very, very focused on making sure that we appraise the entire permit areas. Both the shallow and the deep water, and at the same time move forward with the development concept which, of course Woodside has a team working very closely at the moment with Cairn as operator on selection of development concept.

Adam Martin (Morgan Stanley, Analyst): And further appraisal wells after five and six - is there a potential there? I see you've got one circled in your slide pack.

Peter Coleman: You really can't tell, Adam, as to what we'll need with respect to appraisal wells after five and six. I think the real focus after five and six is going to be delineating us or drilling out some of the exploration prospects that we see. That will be the early focus for us at this point.

We've got a contingent opportunity maybe for another appraisal well, but there's not a business case at the moment for the drilling of that.

Adam Martin (Morgan Stanley, Analyst): Okay, that's all from me. Thanks.

Operator: Your next question comes from the line of Ben Wilson from RBC. Please ask your question.

Ben Wilson (RBC, Analyst): G'day Peter and Lawrie. Lawrie, congrats on the new gig. I just wanted to revisit the earlier question about the market opportunity with respect to transport fuels. Peter, if I could ask you something you've referenced before both close to home and further abroad.

Firstly, I think I recall you maybe mentioning that the aggregate opportunity in the WA market is split between “yellow kit” and ore trains of about 400 million a day. Firstly, is that still the size of the market that you're looking at for that opportunity?

Secondly, further afield as you look for LNG displacement of bunker fuel essentially, what do you see as the absolute upside and then realisable volumes in that market? I think it could be an absolute moonbeam number if you assume a reasonable amount of displacement in that market.

Peter Coleman: Yeah, look good question, Ben. I probably put it at the moment into litres of fuel equivalent because it kind of helps us as we're speaking externally because people will recognise the numbers.

If you have a look at the total amount of diesel fuel currently imported across the wharf at Port Hedland and Dampier, mainly to support the mining sector, it amounts to about 3.5 billion litres per year. So, it's a very, very significant number in that regard.

The total market potential there, depending on how you split it, could be anywhere between half a million tonnes per annum plus, in that regard. Then there's a lot of plus to that.

The other market then is the transportation ships. So, the carriers taking principally iron ore up to China. We've launched a joint industry study on that. We call it the green corridor to China. That market is about another 5 billion litres per year of fuel equivalent as well for us.

I think, to me, that's the real blue sky in the market place, is if we can get that away then that starts to multiply itself globally. We're starting to see, and I mentioned previously, demand is driven by two factors these days. We obviously see that on the east coast.

One factor is of course what we have in the slides which is the classic macro-economic factors that relate energy demand to GDP and where we think that demand or what that mix will be.

The second one simply is government actions, or government intervention based on what the population needs at a particular point in time, or for nation’s energy security needs.

In Australia, there's two opportunities for us there. One is if we can convert LNG to fuel, and Australia starts to deal with one of its issues, in that it does not have enough fuel reserves in place to meet international standards. That's one issue that gets addressed.

The second one then is you go around and look at the users of the fuel. Greenhouse gas emissions and particulates are becoming more and more important to them. We think LNG today because it is more readily available, it's being marketed in quantities that people can get access to, and its pricing now is a compelling option in that market place, that the switching is just going to continue to occur.

We're starting to see ports take action with respect to shipping. You've seen a recent European Union ruling on shipping that transits the Artic. You've seen Sydney Harbour as recently as December of 2016 put a new emissions controller overlay on ships coming into Sydney Harbour.

In our view, that is just going to continue to roll on. There's a real upside and I think that's the shooting the lights out opportunity for us in the marketplace.

Ben Wilson (RBC, Analyst): Excellent. Thanks Peter.

Operator: Your next question comes from the line of Nick Burns from UBS. Please ask your question.

Nik Burns (UBS, Analyst): Thank you. Look first question is on the Pluto hub. I'm just wondering how you can compete against North West Shelf to attract third party volumes, given North West Shelf has spare capacity emerging from 2020 and you would have to spend money to develop additional LNG liquefaction capacity. Just also on Pluto, just in terms of your base case, what are you currently forecasting as your economic life for Pluto, given the current plant capacity? Thank you.

Peter Coleman: Alright well Nik, two parts to that question. Wherever the gas flows it will be done purely on a commercial basis. Pluto's going to have to compete against whatever offerings North West Shelf has. As you know, North West Shelf is currently investing in its future through its life extension projects. So we call it the Burrup hub. The focus this year is on Pluto, but our view is over time you will have interconnectivity between the plants. You will have sharing between the plants. So we're looking at being most capital efficient there on the Burrup Peninsula.

With respect to how does Pluto compete? Well there's two things I mentioned previously. One is we're working hard to bring the tail forward. So the natural advantage that North West Shelf has over the next 10 years is capacity is starting to develop in the plant. We're looking for options to see how we can develop capacity in Pluto, either physically or through our contracting processes in the future. That allows us then to open up Pluto as a pretty compelling plant.

The numbers. We're not that far off to be honest with you Nik. If you look at the minimum economic size Pluto needs to be, Mike has that plant running now consistently up, bumping up around five million tonnes per annum and with a small scale expansion you can see we're starting to get into the high fives, low sixes. It doesn't take much more than that, suddenly Pluto now is competing head to head with respect to the capacity that's needed for those other resources.

So you can see we're starting to think through this and how that may come about both through accelerating the life of the field, bringing it forward through the small scale expansions which will pay for themselves. They'll be non-regret opportunities. Then thinking through the way that we market our product and the structure of some of our contracts as we go out into the future.

Nik Burns (UBS, Analyst): Okay that's clear. Thanks for that. Just my other question is about LNG recontracting. You flagged here you now have 88% of 2017 LNG volumes under contract. I think you had a target of 85% to 90%. So it looks like you've hit that. I'm just wondering, two things. First of all, it took a little bit longer than you're expecting to wrap those new contracts up. I'm just wondering, we're in an environment at the moment where you've had a rise in spot LNG prices. Did that help in your price negotiations? I'm sure you won't tell us what the prices are. But that's the first thing.

And secondly, what's the duration of those contracts? Like how should we see your contracted LNG positon look like through 2018 and 2019 now? Thank you.

Peter Coleman: Well that's probably easier to answer the second part first. Those contracts are covered 2017 to 2018. So they cross both years in that regard. I don't have the number in front of me to tell you what the cover is on 2018. So I wouldn't assume it's 88% at this point. But you can see we've been able to get contracts away and you're right, we've closed on a couple of deals here post the close of 2016.

Yes, it does help with when you are in the market selling things. So our view is there were some volumes that were put away early last year, through the middle of last year, that were at prices that were just too low for us and we wanted to hold on to them. So it wasn't that there was a lack of opportunities in the marketplace, it was just simply the price point at which Woodside wanted to compete for those opportunities and that was the key for us. Our focus has really been on making sure we maintain value rather than go and pursue new market. And people have different strategies in that regard.

So we've got good slopes on them. They're competitive slopes in today's market. So we're pleased with them. We're pleased to get them away. The counterparties that we have are good counterparties and we look forward to doing more business with them. So we continue to build our customer base as well.

Nik Burns (UBS, Analyst): That's great. Thanks Peter.

Peter Coleman: Thanks Nik.

Operator: Your next question comes from the line of James Redfern from Merrill Lynch. Please ask your question.

James Redfern (Merrill Lynch, Analyst): Good morning Peter and Lawrie. I just want to ask about Scarborough as well. I would have thought that backfill of Scarborough to North West Shelf was the preferred option given the production decline expected from 2020 as opposed to directing that gas to Pluto, through an expansion of Pluto. So that's the first part of the question.

Then secondly, how do you think about Exxon as the operator of Scarborough, being willing to have that gas, developed to feed North West Shelf or Pluto, given that they may want to prioritise their gas resources in PNG which will also be used to produce LNG? Thank you.

Peter Coleman: Alright. Firstly, on the Exxon part of it. We're pleased that Exxon's the operator of Scarborough – that's been well documented. They're a world-class player and a world-class executor of projects. They're also very commercially focused and unwavering in their focus on the commercial outcomes. So the opportunity for both Pluto and North West Shelf is to provide a compelling economic case for the Scarborough joint venture as distinct from what is currently the base case which is a floating LNG option. But from that point of view, we're very pleased to have Exxon as the operator. Very pleased to be in there.

With respect to portfolio management globally, Exxon has the capacity to fund pretty much anything it needs to at any point in time. So, I'm not in any way worried about the prioritisation of assets and so forth. Again, it will be just what's the best one to move forward at the right time. So for us it's to present the opportunity.

Look, Scarborough can run as Browse can run through either Pluto or North West Shelf and as I mentioned earlier I think it's incumbent for the joint ventures in both Pluto and the North West Shelf to present their very best case to ensure that gets through there. And what I'm saying today is Woodside's going to take the lead on that. Because we're in a unique position, in that we're the only company that is in the four assets that really matter in this equation, being Scarborough, Browse, North West Shelf and Pluto and we operate three of them.

So if anybody can pull this together, Woodside should put it together. It's a challenge that we've decided to take on. We're making investments in Pluto to enable this to happen. They're non-regretted, attractive, economic investments that are going to deliver near-term value for our shareholders. At the same time, they're going to provide those longer-term opportunities. If we don't take these actions, then it's difficult for us to get some of this away. So we've decided this is the right path for us.

James Redfern (Merrill Lynch, Analyst): Okay thank you very much. Just another question on the gas cost. The decline in the last few years has been solid. Should we expect that the gas cost of Pluto, North West Shelf, you know around that $3.30 - $3.60 level should stabilise going forward, assuming steady-state production from both plants? Or do you think that there's room for further cost reductions? Thanks.

Peter Coleman: Yes look James, what I would do is say I take a kind of three or four year running average. Because Mike Utsler's looking at me and of course we do turnarounds from time to time which will affect a cost in a particular year. You can expect that our expectation is this cost base sets the new base for us as we move into the future.

There are additional opportunities that we're looking at to change that cost structure and we look forward to sharing that with you at our investor briefing day. They're early in their development. We want to make sure we've got some more certainty to it before we share it with you. But I would say this is unfinished business for us and we're now looking at the next round of opportunities.

James Redfern (Merrill Lynch, Analyst): Okay great. Okay thanks Peter and Lawrie, thank you.

Peter Coleman: Thanks.

Operator: Your next question comes from the line of John Hirjee from Deutsche Bank. Please ask your question.

John Hirjee (Deutsche Bank, Analyst): Good morning. Thank you. Peter, one of your LNG peers indicated this week that they're starting to see some tightness in LNG markets and that the tipping point which most think was early 2022, 2023, could be earlier. I just wanted to get your perspectives on that and see what you're seeing in the markets? Do you think it's tightening potentially earlier than what most of us had generally thought, or is it do you think it's mainly to do with current spot markets and weather patterns?

Peter Coleman: No, look I read those comments John and I would concur with them. We've actually said this quite consistently that we actually see more opportunity in the nearer term for the market to come forward rather than for the market to go back. And the reason for that has been manifold. But one of those is of course we're seeing a completely new customer base come into the market and for those of you, we had conversations three years ago and what does the advent of FSRUs, what does the advent of more shipping in the marketplace mean? What does the advent of more flexibility in contracts mean? It basically means a completely new customer base starting to present themselves.

You've got good look-throughs to that with the expansions that are currently happening in places like Pakistan, for example, and Bangladesh of recent times. The Philippines is looking at it, Sri Lanka and others. It's growing very quickly and you saw China's market for LNG last year grew very, very quickly and China can switch - you're starting to see some of the pipeline projects in China get delayed. So we expect more there.

So no, we expect it to move quite quickly. The other thing - and so it could come forward, but it will be a different market with respect to the investability into that market and what I'm meaning by this is - at what point does a large buyer come into the market and underpin a project again? It's not clear to me, at least over the next two to three years where that large buyer will come from. Most of them are saying at the moment that they only want equity volumes which is an indication that they'll take a larger proportion of percentage interest in projects.

So that then says, small scale expansions; low cost, small scale expansions and selling into portfolio those companies that have those opportunities will be significantly advantaged in my view over the next three or four years. Because they will be able to take advantage of this market and get their product away.

The big projects will still come. But they'll come kind of one at a time rather than this big procession that we've seen in the last five to 10 years.

The other part to it is then new uses for the fuel. It's something to think about. As I've mentioned, LNG into fuel in Australia. But the huge opportunities in China. The India market is a huge opportunity as well; 70% of transportation fuel in India is used by two-wheelers and tuk-tuks. That's a ready market for compressed natural gas and so the usage of our product can really take off in some of those markets if it's made available. That's the key. That's why Woodside's leading the way here in Australia, by making a product available through our truck loading facility that we're building at Pluto.

John Hirjee (Deutsche Bank, Analyst): All right, thank you. Another question if I may, can you just give an update in terms of your Gulf Coast strategy? You had some preliminary agreements there for off-take and potential investment. I understand where Canada sits, so that's fine, but more about the Gulf and where you're at there.

Peter Coleman: Well we have two projects in the Gulf. One is at Port Arthur, and we're moving just through the approval process on Port Arthur. As you know that's a two-year process for us. It's a low cash burn at this point. Then we'll get to make decisions depending on where market is at the end of that.

The other one then is volumes coming out of Corpus Christi late 2019, early 2020-ish. At this point we haven't been able to place those volumes. We've got options. We've got many options. But it comes down to that price point again. So I'm not feeling distressed at all. We're pursuing a number of opportunities, particularly around the Americas as distinct from Europe for that, and we'll also be looking at placement around the West Africa area as well for that. So that may require some infrastructure build for us, John, to get that away. Without giving too much away that's kind of what we're looking at the moment.

John Hirjee (Deutsche Bank, Analyst): Okay, thank you very much.

Peter Coleman: Thanks.

Operator: Your next question comes from the line of Dale Koenders from Citigroup. Please ask your question.

Dale Koenders (Citigroup, Analyst): Hi guys. Just coming back with a second question I thought someone else was going to ask. You target 15% production growth after 2020. What do you think the market's actually missing to need to give this guidance? Is it around Wheatstone debottlenecking? Is it market underestimating greater entry to oil production? Canada domestic gas? Pluto sustained production ratio? Where do you think the market's missing your production outlook?

Peter Coleman: Dale, a lot of it is already dialled in. So I would say we're pretty firm on that production outlook. Obviously the starting point is this year. So you've got Wheatstone Train 1, Train 2, domestic gas, Greater Enfield coming in. You've got Greater Western Flank 2 and Persephone coming in to the fold as well. So there's a lot of growth from what people would have in their base forecast through that period.

The upside to it then is what can we do at Senegal? Can we accelerate that, bring it forward? Is there any early production system opportunity for us there? We'll look at that. It probably would be more the front end of the window that we've described, the late 2020, early 2021 sort of window. So that's there for us. Then the other one, as we've talked about, that will come again in that later timeframe but probably post-2020 will be; what can we do on expansion in our current facilities? Some of this work is pretty quick to get away. We don't have a timeline on it yet. Again I'll show you more of it at our investor briefing day.

Dale Koenders (Citigroup, Analyst): But I guess the 15% upside on the mid-point of calendar year 2017 guidance gets you to about 100 million barrels of oil equivalent, and the comment is - the confirmation is that excludes any unsanctioned projects, so that would exclude upside from Pluto and Senegal?

Peter Coleman: Correct. There's more upside to that and I look forward to sharing that with you later. I would say at the moment there's more upside that we can see to that than downside, given that they're sanctioned projects.

Dale Koenders (Citigroup, Analyst): Okay, and then just finally on - what are the learning lessons you're seeing from Pluto that you can allocate towards the Wheatstone project? Wheatstone costs are about $1 BOE lower than the guidance on Wheatstone, and Wheatstone production at 13 MMboe as a nameplate number rather than the very strong debottlenecking capacity creeps in at Pluto.

Peter Coleman: Look, there's probably three things. Firstly as you know we didn't get ahead of ourselves. We're starting to talk about debottlenecking, so if you recall the original conversations, which were around let's get this plant safe and reliable so that we can set a good solid baseline on what it's going to cost us to operate, and that was the first thing, to get the plant stable and then let's understand the cost structure.

The second part to that then is we looked through the cost structure and the reliability of the plant, and it's twofold here. One is reliability, so we're getting more out of it. The other part then is it's costing us less to do that. We opened everything up. Basically every paradigm that we had around our other operations that we'd applied to Pluto, we challenged. We went through a rigorous two-year process on challenging everything that we're doing, and then we introduced technology, relatively cheap technology, compared to the investment of the plant, to make sure we were using the very best tools and having our people monitor the plant.

So it was really just breaking the mould on the way that we think about operating the business fundamentally. It's been sustainable. We believe it's sustainable, and it just continues to go. The guys just continue to find opportunities for us.

Dale Koenders (Citigroup, Analyst): Do you think you can lead Chevron through a similar process on Wheatstone?

Peter Coleman: We're already talking to Chevron about it, so the relationship with Chevron is very strong. It's a very open and robust relationship. We've already put that opportunity in front of them. It's something that I think they'll be up for, but what we've got to do is work with them to get through this initial start-up period. We do have a separate team with them talking about what cost opportunities look like, and then also importantly how we can share infrastructure.

So the infrastructure we often talk about are the big plants, but of course in this instance it's about logistics, supply bases and so forth. It's about ensuring that we're a lot smarter up in the Pilbara now about the way that we manage turnarounds and so forth, and make sure we resource level appropriately across all of those assets.

Dale Koenders (Citigroup, Analyst): Okay, very good, thank you.

Peter Coleman: All right, thanks.

Operator: Your next question comes from the line of Mark Wiseman from Goldman Sachs. Please ask your question.

Mark Wiseman (Goldman Sachs, Analyst): Good morning guys. Thanks for the update. Just a quick couple of questions on PRRT. Your tax payments in 2016 were fairly light with, it looks like, net zero PRRT payments. I just wanted to ask you about the review that's under way, and firstly whether you sort of have any update on how that is progressing, what you expect the outcomes to be. Secondly, when do you expect to start paying material PRRT on Pluto?

Lawrie Tremaine: Hi Mark, it's Lawrie. We've been engaged with the PRRT review team since the late part of last year. To be honest we support that review in large part because we want an educated, well-informed public discussion about PRRT rather than ill-informed debate, particularly through the media. So for that reason we've cooperated with the team and we've provided them with some information about our facilities and our modelling as we see it.

So it's difficult to say where it's headed, because we're just one of the stakeholders that are providing input to that process. I guess from our point of view though we see PRRT as working exactly as intended, and that is it's been successful in promoting investment in Australian gas, but to put it bluntly, in resources that are marginal compared to resources in some places in the world. I would put it to you that many of the developments that have gone ahead in recent years probably wouldn’t have gone ahead under a royalty regime. So to that extent PRRT has been very successful.

You can evidence that by the amount of investment that we've seen in Australia relative to other places with more onerous regimes. So a large part of our dialogue with the government is to point that fact out. You know that we've been unable to take an economic investment decision on Browse, and that just further reinforces the point that the projects bear about as much tax as they can today, and a significantly more onerous regime can undermine a possible future investment.

You have a model of Pluto, so I'm sure you have a view about when PRRT will be payable from that particular facility. But you also know that it depends on all the assumptions that you make in that analysis. So it depends. We do think PRRT will be payable at Pluto. You can see that in the fact that we maintain significant deferred tax assets associated with Pluto, and if we thought we weren't paying then we wouldn't book that asset. Again, as to exactly when, it depends on the assumptions.

Peter Coleman: Mark, it's Peter. As you know we did de-book some of the exploration asset last year, so the investment asset’s sitting there. The exploration asset's out the back. Some of these conversations we're having around accelerating production and so forth, that brings forward the economic life and that's tremendous. We've got plenty of PRRT reserve there.

With respect to the conversations with government, it's been really clear. You've got to look at total tax take, not simply PRRT, and whatever you do, don't confuse PRRT, which is a profits-based tax, with the management of tax affairs by individual taxpayers. So there's two buckets here. PRRT, profits-based tax, is delivering for both sides. It's meant to be a balanced tax. Then secondly the way taxpayers optimise their tax affairs, that's something between government and the taxpayer. Don’t bring that as an industry issue. People choose different paths and have different options in that space, and can defend themselves one way or the other, or justify their structures. Woodside has a very simple structure, and that's a choice that we've made.

We've been very clear to government, retrospectivity will bring a serious question about sovereign risk in this country, and about the only advantage we have is certainty of law and our very low sovereign risk. We don't have a cost advantage from the cost of the people that we use in the facilities. We have remote developments that by themselves are challenged. So we're not close to labour markets and so forth. So the biggest advantage that we actually have is sovereign risk and the cost of our capital, and anything that government does to bring that into question is a real negative broadly across the industry. I can say we've made this case very strongly and made it very strongly personally to the Prime Minister and the Treasurer, and we're working very hard to make sure the industry presents a single face on this one.

Mark Wiseman (Goldman Sachs, Analyst): All right, that's fantastic. Thanks Lawrie, thanks Peter.

Operator: Your next question comes from the line of Wei-Wen Cheng from JPMorgan. Please ask your question.

Wei-Wen Cheng (JPMorgan, Analyst): Hello guys. Just a question. We've seen some acquisitions in 2016. Can I confirm if Woodside is still in the market for acquisitions? You'd previously highlighted Woodside's sweet spot of some $1 billion liquids rich acquisitions. Is this still on the agenda?

Peter Coleman: Look, we certainly will continue to look at building our portfolio, but the real target area is going to be around our existing asset base. So we'll be focused on things that deliver near- to medium-term value growth rather than things that are out there in the future. We've actually passed over some very long-dated - what we think are long-dated opportunities in the areas that we operate, notwithstanding we like the assets, but it wasn't bringing near-term value for us. In a capital constrained environment, in which we're operating, we just didn't think that was the best appointment of capital.

But certainly for things that we can tie in to existing facilities or grow equity in different areas where we already have existing equity, they're things that are very attractive to us and we'll continue to go after them, including in our exploration program. So you can expect that our explorers are looking to build out their existing acreage positions around the areas that we're already in that we like, that we think are the most prospective.

Wei-Wen Cheng (JPMorgan, Analyst): Right, thanks. Just the final question, can I just confirm if Plan A for Browse and Scarborough is now to tie them back onshore for processing?

Peter Coleman: Plan A in the joint venture, in those joint ventures, is still floating. What we're saying is we're going to work really hard to ensure that our existing investments are utilised to their maximum. So we're going to work hard to pull together the most compelling case for those joint ventures to run their assets through Pluto and/or North West Shelf. But within the joint ventures - I can't speak on behalf of the joint ventures. I can only speak on behalf of Woodside, but in the joint ventures the base case is still floating, which is fine. We know what the challenge is. But we have the opportunity, and as I mentioned previously, we're the only company that's in all four assets. So if anybody can pull it together, we can.

Wei-Wen Cheng (JPMorgan, Analyst): Thank you very much.

Peter Coleman: All right, thanks.

Operator: There are no further questions at this time. I would like to hand the call back to your speakers. Please continue.

Peter Coleman: Thanks everybody for joining us this morning. I know it's been a long conference call. But I hope we've been able to provide some insight, not only to the 2016 results, which are, as I mentioned in the opening I think were tremendous given the conditions that we were operating in, but just as importantly the platform that we have now to build from 2017 onwards. We've worked hard to develop the optionality that we have in our portfolio. You can see we'll continue to work hard and squeeze our existing asset base. We're focused on maximising our margins, at the same time keeping our balance sheet in good shape so we can pursue anything that we need to.

Of course we've got that focus on returns to our shareholders. Our payout ratio remains at around 80%, and of course our fully franked dividends are being enjoyed by the market place. That continues to be in our business plan until something changes that in the future, changes that view. So again thanks very much for your support. Damien and I will be speaking to a number of you over the next coming days. Lawrie is not joining me on this trip. He tells me he's sad at that. He's got a smile on his face though, so again I'd just like to reiterate our thanks for Lawrie, and again thanks to you as well.

End of Transcript