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*This document should be read in conjunction with Woodside's Annual Report and associated presentation pack, and ASX announcements 'Woodside announces A\$2.5 billion equity raising' and 'Woodside Entitlement Offer Investor Pack', which are available on the company's website, [www.woodside.com.au](http://www.woodside.com.au).*

**Start of Transcript**

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Woodside Petroleum 2017 full year results teleconference. At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session at which time if you would like to ask a question, you will need to press star-1 on your telephone. I would now like to hand the conference to your first speaker today, CEO Peter Coleman. Thank you. Please go ahead.

Peter Coleman: Good afternoon, everybody. It's just turned 12. I think this conference call is open both to the full-year results and the equity raising unless of course somebody is calling in from the US, which of course we are not allowed to do. With that, I'll just - you've heard the intro during the investor briefing, I won't dwell on it anymore, I'll just hand over straight to Q&A.

Operator: Thank you. Ladies and gentlemen, if you would like your question, please press star-1 on your telephone and wait for your name to be announced. Once again, to ask a question please press star-1 on your telephone.

Our first question comes from Sonali Paul from Reuters. Please go ahead.

Sonali Paul: (Reuters, Journalist) Hi, Peter. I have a couple of questions, first of all on this Scarborough deal and equity raising. A lot of the analysts seem to be raising questions around whether you're going to have to raise more money down the track and whether you're really going to be covered for the Scarborough development and Browse. How do you see it playing out?

Peter Coleman: Thanks, Sonali. I thought we were pretty clear in the fact that the funding covers us for the medium term through Scarborough development, through SNE development and up to our final investment decision on Browse. There was no implication at all that the raising was adequate at this time to cover us through Browse, and what we said was given the uncertainty of where Browse is at the moment that wouldn't be appropriate. We're far more certain with Scarborough because of the much-simplified commercial structure there. Then equally, we'll have to see what product pricing does between now and when we make that investment decision and then what else we do in our business with respect to expenditure. We just felt it was too far out to be asking investors to fund at this point, for Browse development as well.

Sonali Paul: (Reuters, Journalist) So it's fair to say you guys have pushed out the Browse decision by two years. What exactly was the obstacle or is it just that your partners just aren't on-board to go ahead with that?

Peter Coleman: Nice try, one year. One year. No, just one year. No, we signalled late last year that there would be commercial discussions around the toll at North West Shelf. We're taking longer than we'd hoped. Those discussions are taking longer simply around managing risk and that apportioning of risk. That is mainly around future capital

requirements post the start-up of Browse and most concerning for the Browse partners are when the North West Shelf reserves are depleted and capital is still required to be spent in the plants, what arrangements, commercial arrangements need to be put in place. That's quite complex and it's just taking a bit of time, but we're actually - we've all come back from the new year refreshed and I think we've got a good framework in front of us now.

Now, compare that against Scarborough. Pluto is a new plant, the commercial structure at Pluto was established to allow for new trains and different ownership in those trains. Of course, you're basically [unclear] and a 90% equity holder. It's a much different dynamic trying to come through Scarborough - through Browse - sorry, Pluto versus North West Shelf, and so in our view that provides the certainty that we can give to investors that underpins the equity-raising today.

Sonali Paul: (Reuters, Journalist) Okay, thanks. I'll let it go for somebody else for now.

Peter Coleman: Thanks, Sonali.

Operator: Our next question comes from Perry Williams from Bloomberg. Please go ahead.

Perry Williams: (Bloomberg, Journalist) Hi, Peter. Just a couple of questions. I just want to be clear in terms of the volumes you're thinking about in terms of Scarborough and Pluto. Obviously, we can see on the slides, but it's a 6 million tonne a year concept for Scarborough coming through Pluto, and what sort of volumes are you looking at in terms of Browse coming through North West Shelf? I just wanted to get an update on that.

Peter Coleman: Yes. Browse through North West Shelf is about 10 million tonnes plus 1.4 million tonnes of domestic gas coming through, so you can see Browse. Browse has probably got a little larger than the last time we spoke to you and of course you're seeing costs now that are lower than the costs that were last in.

Perry Williams: (Bloomberg, Journalist) Yes, okay. Can you just clarify for me the - I think you talked on the analyst call about the gas flowing potentially between Pluto and North West Shelf? How would that work practically and what sort of volumes are we talking about?

Peter Coleman: The initial - we expect that line to be built and ready for use by early 2021, so we'll go to FEED on that this year FID next year. It's a relatively low-cost line. The commercial arrangements then will be around the treatment of the gas at North West Shelf and whether it goes into domestic gas or goes into LNG. We'll underpin it by accelerating the development of our Pyxis discovery which comes in through Pluto. So, all of that's in place. We only assume that that line will be in operation until Browse comes into the plant.

Having said that though, it's got 4.5 million tonnes of capacity. We expect in the initial phases it will operate anywhere between 0.7 million to 1.5 million tonnes over those first few years. Anything beyond that to be honest, Perry, will be an optimiser or a value-enhancer where we can extend the life of it. It provides us tremendous optionality, it provides us opportunity for others to come into either plant and flow the gas either way. What we've done today here is we've put a puzzle together and you can see now the interconnectedness of the plants, the commercial arrangements that will go behind that. So over time we'll just continue to optimise this.

Perry Williams: (Bloomberg, Journalist) Just one brief follow-up, if I can, just on KOGAS again and your comments. Could you just be a little bit more explicit on what the heart of the dispute is about? I realise you talked about the low slopes which suggests what the problem is, but can you talk to what the actual problem was and also when the contract ended?

Peter Coleman: The contract ended in 2016. It's just about price. Every contract has this in it, that you renegotiate prices. It appears that we don't have ongoing contracts with KOGAS at the North West Shelf. Now they've decided to dispute this one, but we believe we have a very strong argument. You've got to believe the North West Shelf joint venture has six partners. This is not just Woodside's view, this is a North West Shelf joint venture dispute with KOGAS.

So please don't isolate this as being a Woodside-only issue. Of course, we've got very sophisticated sellers in the North West Shelf so it's just a buyer has taken a view that we think we fundamentally disagree with to be honest with you, and it is inconsistent with the way other buyers have treated these price discussions. There's a lot more colour to it behind that, Perry, but it's not appropriate to share it.

Perry Williams: (Bloomberg, Journalist) Will it affect relations with KOGAS going forward for either Woodside or the North West Shelf venture?

Peter Coleman: No. No, not at all. You try and keep these things at a commercial level. There's obviously a lot of things going on in Korea with changing the leadership at KOGAS, changes in leadership in government, the approvals required for any of these changes to go through. So, it's a torturous path to make some of these changes on the other side, but the reality is KOGAS has just signed an MOU with a partnership that Woodside is in in the US around the development of our Port Arthur project with ourselves and Sempra. So, no, the relationship with KOGAS is still a good one, it's just unfortunate this came out, and arbitration is just the final natural completion point for this, that's all.

Perry Williams: (Bloomberg, Journalist) Okay, thanks.

Operator: Our next question comes from Cole Latimer from Fairfax Media. Please go ahead.

Cole Latimer: (Fairfax Media, Journalist) Hi, Peter. Unfortunately, a couple of my questions have already been answered, but I'm just wondering, with these higher operating costs forecast ahead, would Woodside be able to maintain its dividend ratios?

Peter Coleman: Yes. Look, the operating costs are already baked in so from a base business point of view, Cole, if you look at North West Shelf and Pluto, the operating costs we're forecasting to remain flat over time. We indicated in response to a question on the call, will Wheatstone push up our average operating costs? And yes, it will because it's a new facility and so it's carrying a lot of the start-up costs with it. But as we saw on Pluto, we were able to get them out of the cost structure within three years. We're working with - and we expect Wheatstone will come down to that same level as Pluto.

So, we're working with the operator to develop a plan that they can have Wheatstone operating on a similar cost structure to what we see of Pluto and North West Shelf. But it's going to take two or three years to wash that through and because we're quite conservative when we start up these projects. We have a lot more staffing than what we need. We have a lot more consumables in the plant and so forth. So, it's just a natural part of the start-up process.

Cole Latimer: (Fairfax Media, Journalist) Okay great, thank you.

Peter Coleman: Thanks Cole.

Operator: Our final question comes from Russell Searancke from Upstream. Please go ahead.

Russell Searancke: (Upstream Journalist) Hello Peter. Can I just get some clarity around 404-P. I think that's the permit that has a number of discoveries. I think I heard you say earlier that that's going on hold. Or maybe I'm mistaken?

Peter Coleman: No, no you're correct Russell. I wouldn't say it's on hold. To extend Pluto life-end out we have the option to develop 404-P. It's not required under the existing contract. But we have the option to develop 404-P post-2020. So, what we're doing, in fact 404-P as you know is remote and its deep water and it's a number of small discoveries. So, it doesn't have the advantage of a backbone or a structure to reduce its costs. It's carrying all of the development costs.

We're drilling the Ferrand Well this year in that 404-P area and if it's successful it will certainly help in reducing the development costs of 404-P. So, with that optionality, we just looked at the unit development costs, 404-P is around

\$20 per barrel of oil equivalent. We can get Scarborough in complete with full development for under \$10 for a barrel of oil equivalent. So, if you look at that just as we're bringing in a lower cost resource and displacing one that's higher cost.

It doesn't say anything about the 404-P resource. It just says this is great for Woodside shareholders because we've actually been able to get our hands on an even larger asset than 404-P, that has a development cost that's half of what 404-P's would be and is actually much lower than what Pluto - even lower than Woodside's average DD&A [*Depletion, Depreciation & Amortisation*] at the moment, which is about \$13. So that's [what it was].

Don't read anything into it other than we've got some more resource and so we're just prioritising which resource comes in.

Russell Searancke: Okay. Then just moving over quickly, Browse and Scarborough are the big Australian projects. Can we get an update on Sunrise? Can you update - I know there's lots of moving parts here, but if you just update on preferred development concept? Maybe a timeline. Yes, thanks Peter.

Peter Coleman: No [laughs]. Next question. No, seriously, as you know I'm kind of caught between what I'm allowed to say and I'm not quite sure exactly what I know that I'm allowed to say. With respect to the maritime boundary dispute, that's well advanced. There's been announcements from both governments. But that's progressed well through the arbitration process and we're hopeful of an announcement imminently.

With respect to the development, as part of those negotiations, there have been discussions around preferred development. Whether that's Timor or Darwin. I think it's fair to say that today that has not been resolved and clearly each side has their preferred. So, I would say the development concept is under tense discussion at this point. You can look forward to hearing more about it over the next few weeks and months.

Russell Searancke: Okay, terrific. Thank you.

Peter Coleman: Thanks Russell. Okay, operator, I think that's the end of the questions. Is that right?

Operator: Yes.

Peter Coleman: We're done. Alright, look thanks everybody who joined. I know it's a busy day with of course some other things in the market. I think the key here though is – what have we done today? We're basically de-risking Woodside's growth. We've got adequate funding now to take us through to medium term. Our dividend policy has remained in place and its funding assumptions are per the current dividend policy that we have or the targets we've set ourselves.

Major projects as you know, particularly LNG need three elements. It's a world class material resource which we've now secured with Scarborough. It's having access to market and being first in the market and you'll see that with Scarborough as well, particularly through our new contract offering.

Then, finally it's about surety of funding and making sure that you have the funding to move forward. All of which are key elements. Not only for our shareholders to be able to understand what their commitments are and what we're going to deliver for them. But very importantly for the buyers. Those buyers have got choices as to who they purchase their gas off and so we have now de-risked this through this funding activity in the buyers minds and also by taking majority equity ownership in Scarborough.

So again, thanks very much for your support and we look forward to talking with you over the next few days and weeks.

Operator: Thank you once again. Ladies and gentlemen that does conclude the conference for today. Thank you so much for your attendance. You may all disconnect.

## **End of Transcript**

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