ASX Announcement

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WOODSIDE ENTERS MOU WITH LEVIATHAN JOINT VENTURE PARTICIPANTS

Woodside and the Leviathan Joint Venture participants, Noble Energy Mediterranean Ltd, Delek Drilling LP, Avner Oil Exploration LP and Ratio Oil Exploration (1992) LP, have agreed to convert a previous in-principle agreement for the potential acquisition of an interest in the Leviathan field into a non-binding Memorandum of Understanding (MoU).

The MoU provides a framework to negotiate in good faith, the acquisition of a 25% participating interest in each of the 349/Rachel and 350/Amit petroleum licences. The parties will negotiate towards executing a fully termed agreement by 27 March 2014.

The Leviathan field is contained within the licences, and based on information provided by the operator Noble Energy, has an estimated ‘2C’ contingent resource (100%) of 18.9 trillion cubic feet of natural gas and 34.1 million barrels of condensate.

The MoU builds on the initial in-principle agreement reached in December 2012, although some key terms have been amended. The initial agreement was based on an estimated ‘2C’ contingent resource of 17 trillion cubic feet of natural gas.

Consistent with the previous in-principle agreement, Woodside would be the operator of any LNG development of the field, while Noble Energy would remain upstream operator.

The MoU contemplates supply of domestic gas to Israel, LNG exports and supply to neighbouring countries. It also contemplates the following conditional payments:

- a payment of US$850 million upon completion of the transaction under a fully termed agreement
- a payment of US$350 million on a Final Investment Decision for an LNG development or payments of up to US$350 million on predetermined export project milestones
- a payment of 5.75% of Woodside’s well head export gas revenue and commencing after at least 2 trillion cubic feet have been exported from the Leviathan field, which is capped at US$1.3 billion
- a royalty of 2.5% paid on commercial oil production from the deep prospect in the Mesozoic, based on wellhead value, paid after payback of development costs
- a one-time payment of US$50 million if after production of 4 trillion cubic feet the estimated total gross gas resource (proved plus probable developed and undeveloped reserves and best estimate contingent resource and gas produced until date of the evaluation) is assessed by an independent expert to be at least 20 trillion cubic feet.

The transaction contemplated by the MoU is conditional upon the execution of a fully termed agreement and certain policy, tax and regulatory approvals from the Israeli Government.

Woodside CEO Peter Coleman said the MoU provided a potential commercial outcome with compelling value.

“We look forward to the ongoing engagement with the joint venture, government and other stakeholders to move forward with the Leviathan project,” Mr Coleman said.

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