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9 November 2017

Mr Ray McDermott
Manager Financial Services
City of Karratha
PO Box 129
Karratha WA 6714

Dear Mr McDermott

CHANGING METHOD OF LAND VALUATION PROPOSAL – FROM UNIMPROVED VALUE TO GROSS RENTAL VALUE FOR MINING, PETROLEUM AND RESOURCE INTERESTS

Thank you for your letter of 29 September, 2017, providing details of the City of Karratha's (the City's) proposal to change the method of rating from the Unimproved Value (UV) to the Gross Rental Value (GRV) on a number of facilities, buildings and workshops at the Woodside-operated North West Shelf (NWS) Project Karratha Gas Plant (A5589), in accordance with *Policy – The Application of Gross Rental Valuation to Mining, Petroleum and Resource Interests* (the Policy).

The proposal, as outlined in your letter, would seek to apply the GRV to the following facilities, buildings and workshops:

Specified NWS Project-owned facilities, buildings and workshops at Karratha Gas Plant:

Note: Woodside descriptions in brackets.

- 1 – Visitors Centre (NWS Project Visitors Centre)
- 2 – Administration Buildings (Technical Office and Administration Office)
- 3 – Security (Karratha Main Gate)
- 4 – Training Centre (Production Academy)
- 5 – Canteen (Retro Lounge)
- 6 – Stores (Warehouse)
- 7 – Contractor Administration Buildings – (East and West Maintenance Offices)
- 8 – Scaffolding (Workshop)
- 9 – Main Workshop (Maintenance Workshop)

Background

As you would be aware, Woodside and our joint venture participants in the NWS Project and Pluto LNG make sustainable contributions to the Pilbara community. These contributions include, amongst other things, a large residential workforce of over 400 employees who live with their families in Karratha, significant expenditure with local businesses, and ongoing investments in community infrastructure and contributions to community programs.

Woodside and its joint venture participants in the NWS Project and Pluto LNG have:

- Over the past seven years to 2016, invested more than \$7.7 million in the Pilbara region on social contributions;
- Since 2009, invested more than \$18 million in community infrastructure projects in the City of Karratha including, but not limited to, the Karratha Leisureplex, The Youth Shed and Electrical Instrumentation Centre of Specialisation;

- Committed and commenced payment by annual instalment of \$3.2 million (NWS Project funding) towards the City-led Red Earth Arts Precinct (REAP) project, currently under construction.
- From 2011-2016, spent more than \$329 million in the City of Karratha with local businesses.

We value the services and facilities provided by the City to the community. Woodside is committed to paying rates and we understand that rates revenue makes a significant contribution to the sustainable provision of these services. From 2009-2016, Woodside and its joint venture participants in the NWS Project and Pluto LNG have contributed nearly \$54 million to City of Karratha revenue through rates and land taxes, which would pay for almost the entire REAP project.

In 2017/18 alone, rates derived from properties owned by Woodside and its joint venture participants in the NWS Project and Pluto LNG, including residential housing, contributed \$6,320,386.53 or approximately 15.5% of the City's budgeted rate yield of \$40.7 million.

The proposal to change the method of rating from the UV to the GRV on the NWS Project-owned facilities, buildings and workshops specified above, as part of the City's 2018/19 differential rates model, would result in an overall increase to the NWS Project's rates bill in 2018/19 of \$139,167.06 or 7.32%.

Response

As you know, the NWS Project is subject to a State Agreement, which provides for the valuation of land used for the NWS Project to be on the UV for rating purposes. Given this, and the contributions outlined above, Woodside does not consent to the City's proposal to change the land valuation method from the UV to the GRV for selected NWS Project-owned facilities, buildings and workshops (specified above).

Furthermore, Woodside and its joint venture participants in the NWS Project are continually looking for opportunities to deliver efficiencies and cost savings throughout our business and without a commensurate increase in the use of City funded services or infrastructure, Woodside does not see value in agreeing the City's proposal to significantly increase the rates payable in respect of the NWS Project.

Yours sincerely,



Brad Russell-Lane
Vice President Australia Business
Woodside Energy Ltd