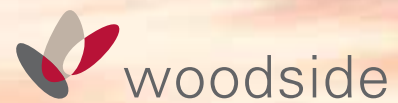


2011 | Annual Report



About Woodside

Woodside is the largest operator of oil and gas production in Australia. We are also Australia's largest independent dedicated oil and gas company. Throughout Woodside's 57 year history, we have striven for excellence in our safety and environmental performance and we aim to ensure that wherever we operate, the community benefits from our presence.

Woodside produces around 700,000 barrels of oil equivalent each day from an extensive portfolio of facilities which we operate on behalf of some of the world's major oil and gas companies. Our operated facilities* include six liquefied natural gas (LNG) trains, five offshore platforms and four oil floating production storage and offloading (FPSO) vessels. To build them today would cost more than \$80 billion.

We are the most active exploration company in the deepwater provinces of Australia, having participated in around 40% of Australia's deepwater exploration wells. We have been operating our landmark Australian project, the North West Shelf, for more than 27 years and it remains one of the world's premier LNG facilities. Woodside is one of the world's largest non-government operators of LNG plants.

The natural gas we produce and market, helps meet the demand for cleaner energy from our customers' in Australia, Japan, China, Republic of Korea and other countries in the Asia-Pacific region.

In 2012, Woodside will begin production from the Pluto LNG Project. At full capacity, it will add more than 100,000 barrels of oil equivalent a day to our operated production. We are seeking to expand the Pluto facilities and build new standalone projects including our Browse and Sunrise LNG developments.

Through the depth of our experience, the capability of our people, and our strong relationships with customers, co-venturers, governments and communities, we seek to be the partner of choice.

Report objectives

This report meets our compliance and governance requirements, and is designed to provide easy to read information on how Woodside performed in 2011 for our stakeholders, including shareholders, staff, customers and the community.

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

About this report

This 2011 Annual Report is a summary of Woodside's operations, activities and financial position as at 31 December 2011.

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', 'we', 'us' and 'our' refer to Woodside Petroleum Ltd and its controlled entities, as a whole. References to 'the company' refer to Woodside Petroleum Ltd unless otherwise stated. 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' is to the calendar and financial year ended 31 December 2011 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.

* Five LNG trains in operation, one in commissioning phase.
Four platforms in operation, one under construction.



ABOUT THE COVER

The cover depicts a view from the back deck of the Woodside-operated 'Nganhurra' floating production storage and offloading vessel (FPSO), situated in offshore Western Australia. Crude oil is produced from the Enfield oil reservoir, located in rock strata below the sea, into storage tanks on the FPSO. The black and yellow coiled hose in the foreground is used while on location, to offload crude oil from the storage tanks on the FPSO to ocean-going transport vessels.

The 'Nganhurra' FPSO name is taken from a local Indigenous word meaning "we all", an expression that also summed up the unprecedented activity in the area during 2011. The drill rig on the left of the picture is the Nan-Hai VI which was drilling a development well in the Vincent oil field. The FPSO to the right is the recently acquired Ngujima-Yin which produces crude from the Vincent oil field. A non-Woodside operated FPSO can be seen in the middle distance.

Our Sustainable Development Report

For Woodside, sustainability is about delivering shareholder wealth through operating our existing business and developing new business opportunities in an economically, socially and environmentally responsible way.

Woodside publishes a Sustainable Development Report annually which details our performance across these key dimensions.

➔ Available on request or from the company's website (www.woodside.com.au).

Our mission

To create and deliver outstanding, sustained growth in shareholder wealth.

Vision

To be a world-class LNG leader.

To accomplish this, we need to be the company of choice through speed, execution skills, commercial acumen, cost focus and technical capability. Through our people and our values we will satisfy our shareholders and deliver a sustainable future.

Values

- Strong and sustainable performance
- Care and respect
- Integrity and trust
- Initiative and accountability
- Creativity and enterprise
- Working together

We recognise that our business must be profitable and sustainable. We believe that living these values makes Woodside distinctive and is essential to our success.

Our strategy

Woodside's strategy is to continually improve our existing base business of world-class assets, develop our substantial portfolio of discoveries and pursue new opportunities which leverage our capabilities. This strategy is guided by a strong focus on sustained growth in shareholder wealth. Sustainable growth is supported by the enduring LNG developments that characterise our portfolio.

Our base business is comprised of the North West Shelf Project and a fleet of oil FPSOs. Reliable operation of these existing assets provides us with the capacity to grow our business.

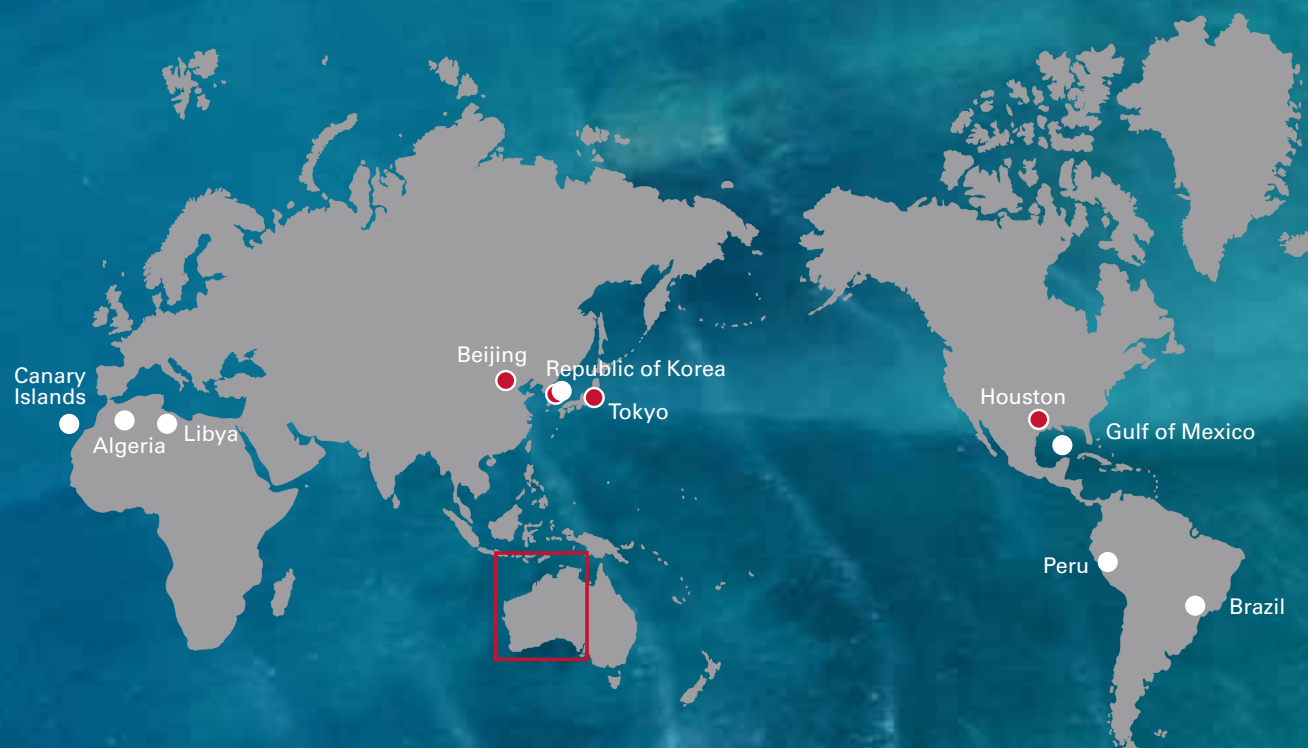
We grow our company through exploration and development of oil and gas volumes. These developments include the Pluto LNG Project, which will begin production in 2012.

The revenues from the Pluto LNG Project and our base business will provide the platform to pursue the significant Browse and Sunrise LNG developments and other opportunities. Capturing select, value-add opportunities will leverage our deep experience in developing and operating large oil and gas projects.

Welcome to Woodside's 2011 Annual Report. The report is designed for our stakeholders, including shareholders, staff, customers and the community to provide easy to read information on how Woodside performed in 2011.



Our areas of activity



Woodside's activities are primarily located in offshore Western Australia. There are also several locations in international focus areas (Gulf of Mexico, Peru, Brazil, Republic of Korea). During the year Woodside exited Libya and Algeria (Ohanet) but still retains an interest in suspended permits in the Canary Islands. Woodside's head office is located in Perth with regional offices in Karratha, Broome, Dili and Houston. In addition, representative offices are staffed in Japan, Republic of Korea and China.



● Our producing assets (operated)

1	Angel platform	NWS
2	Goodwyn A platform	NWS
3	North Rankin A platform	NWS
4	Okha FPSO	NWS
5	Karratha Gas Plant	NWS
6	Ngujima-Yin FPSO	Vincent
7	Nganhurra FPSO	Enfield
8	Northern Endeavour FPSO	Laminaria-Corallina
9	Pluto LNG Project*	Pluto

● Our producing assets (non-operated)

10	Stybarrow Venture MV16 FPSO	Stybarrow
11	MODEC Venture II FPSO	Mutineer-Exeter

● Our projects

12	North Rankin Redevelopment	NWS
13	Greater Western Flank Phase 1	NWS

● Our developments

14	Browse	Browse
15	Sunrise	Sunrise

● International production and/or exploration

● Woodside offices and representative offices

* Production expected 2012.

Woodside's capabilities cover the value chain from seismic through to sales.



During the exploration phase Woodside contracts the *Western Legend* to conduct a marine seismic survey to identify prospective geological strata lying beneath the ocean.



Once seismic and other techniques have located a prospective target, the *Maersk Discoverer* exploration rig seeks to tap into hydrocarbon-bearing reservoirs deep within the earth.



Prior to development, community-wide consultation is undertaken to ensure the best outcome for all stakeholders.



After working through the approval processes development can proceed. The Woodside-operated *Nganhurra* FPSO is designed to produce crude oil from rock strata below the sea. A detachable turret mooring is located at the front of the vessel. Should a cyclone threaten operations the mooring can be unhooked and later reattached when conditions allow.



Other development options include fixed platforms like the *North Rankin A* platform, located offshore on the North West Shelf, Western Australia.



Hydrocarbons produced from the North West Shelf offshore operations are piped to the *Karratha Gas Plant* where various products including pipeline gas, liquefied natural gas (LNG), liquefied petroleum gas and condensate are processed.



LNG from the *Karratha Gas Plant* is shipped on specialised ocean-going LNG vessels, like the *Woodside Donaldson*, to markets around the world.

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We have partnered with Green Reports™ in an initiative that ensures our Annual Report obligations are not impacting the environment.

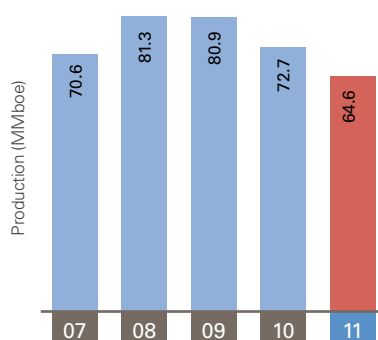
Performance at a glance



Strong sales revenue underpinned another solid profit result. Woodside is well positioned to fund its growth portfolio.

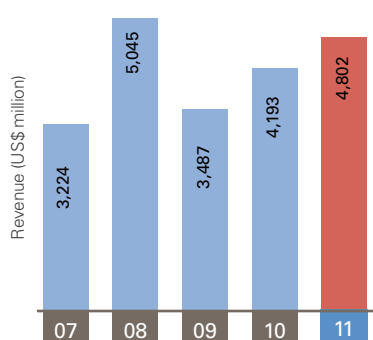
With effect from 1 January 2010 Woodside adopted a US dollar functional currency. All figures in this report are in US dollars unless otherwise stated. Where appropriate comparative financial information prior to 2010 in this Annual Report has been converted from Australian dollars to US dollars using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

Production



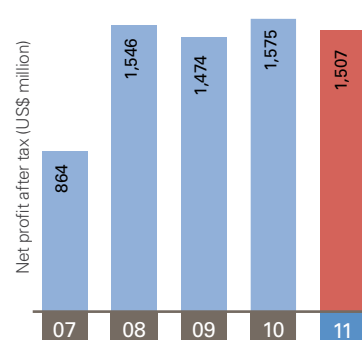
Production was 11.1% lower than prior year. Less than one-third of the change was due to natural field decline from Woodside operated fields with the remainder due to one-off occurrences.

Sales revenue (from continuing operations)



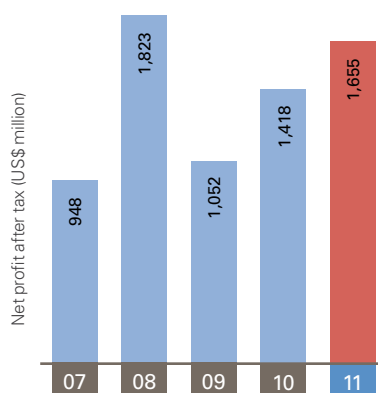
Sales revenue increased by 14.5%, underpinned by continuing strong performance from the NWS Project and higher realised prices.

Reported net profit after tax



Reported net profit after tax was lower by 4.3% due to increased exploration expense and mitigation costs related to Pluto start-up delay.

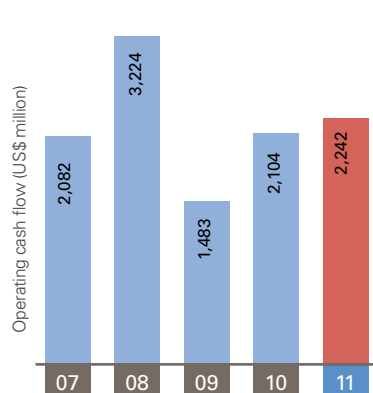
Underlying net profit after tax* (excluding non-recurring items)



Underlying net profit after tax increased by 16.7% due to stronger sales revenue from higher commodity prices.

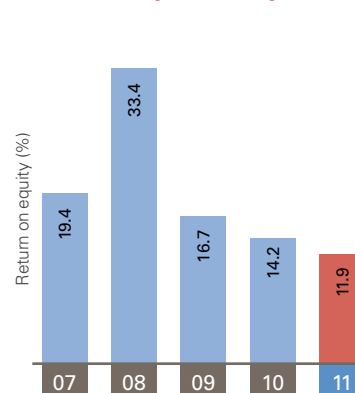
➔ Refer to page 12 for further detail.

Operating cash flow



Operating cash flow increased by 6.6% due to increased receipts from higher commodity prices.

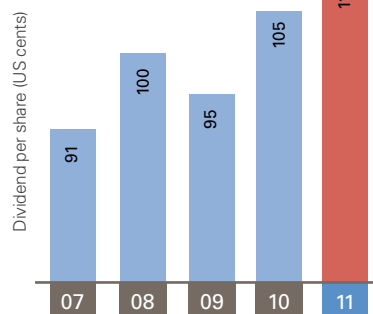
Return on equity (including non-recurring items)



Return on equity decreased from 14.2% to 11.9% due to carrying higher equity on the balance sheet prior to start up of Pluto production.

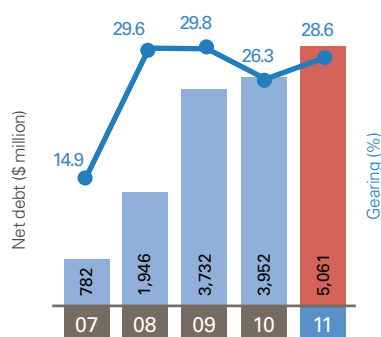
* Woodside's Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) profit is unaudited but is derived from audited accounts by removing the impact of non-recurring items from the reported (IFRS) audited profit.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

Dividends per share (US cents per share)



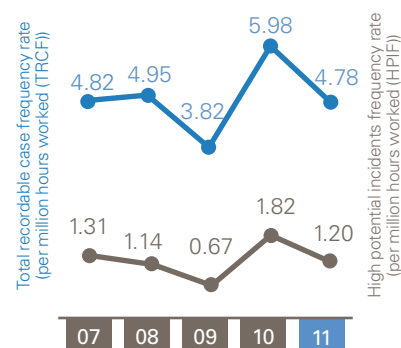
Final dividend of 55 cents per share (cps), fully franked. The 2011 total dividend is a record of 110 cps, up 5 cps from 105 cps.

Net debt



Woodside is well placed for growth with conservative debt and gearing levels ahead of the positive impact on cash flow from the Pluto LNG Project.

Safety



In 2011 health and safety performance improved significantly with decreases in both TRCF and HPIF.

➔ Refer to page 9 for further detail.

➔ Additional 2011 summary charts can be found on page 146.

➔ Refer to page 71 for the complete 2011 Financial Report.

Highlights for the year

➔ **16.7%**

INCREASE IN UNDERLYING
NET PROFIT AFTER TAX TO
\$1,655 MILLION

➔ **14.5%**

INCREASE IN SALES
REVENUE TO \$4,802
MILLION

➔ **8.7%**

INCREASE IN NWS
REVENUE, POSTING
A RECORD ANNUAL
REVENUE OF \$2,989
MILLION

➔ **6.6%**

INCREASE IN CASH
FLOW FROM OPERATING
ACTIVITIES TO \$2,242 MILLION

➔ **110 CENTS**

FULL-YEAR DIVIDEND
(US CENTS PER SHARE)

➔ **17.8%**

INCREASE IN
CONTINGENT RESOURCES
TO 2,136.5 MMBOE

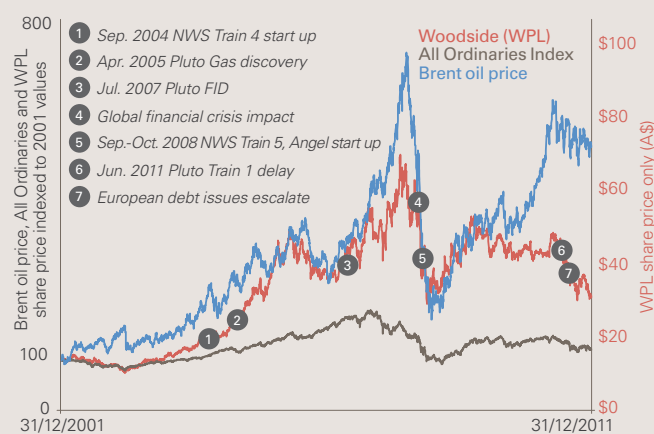
Results for the year

		2011	2010	% Change
Net profit after tax	(\$ million)	1,507	1,575	(4.3)
Sales revenue	(\$ million)	4,802	4,193	14.5
Cash flow from operating activities	(\$ million)	2,242	2,104	6.6
Earnings per share	(cents)	190	204	(6.9)
Total recordable case frequency	(TRCF)	4.78	5.98	(20.1)
5 year total shareholder return ⁽¹⁾	(TSR, %)	3.8	13.9	(72.7)
10 year total shareholder return ⁽²⁾	(TSR, %)	53.7	66.0	(18.7)
Production	(MMboe)	64.6	72.7	(11.1)
Proved reserves	(MMboe)	1,292	1,308	(1.2)
Proved plus Probable reserves	(MMboe)	1,610	1,680	(4.2)
Contingent resources	(MMboe)	2,137	1,814	17.8

⁽¹⁾ Source: Bloomberg, TSR over the period divided by the number of years, US\$.

⁽²⁾ Source: Bloomberg, TSR over the period divided by the number of years, US\$.

Indexed ten year performance



Over the past 10 years Woodside has outperformed the All Ordinaries (values are indexed to base 100 from 31 December 2001).

Overview

Chairman's report

A message from Michael Chaney



Global LNG demand is expected to grow at a rate of about 4% to 5%* each year into the next decade. A key driver of this growth is the Asia-Pacific region, which is set to double its demand for LNG between 2010 and 2025.

With our portfolio of assets and long experience as a safe and reliable LNG operator, Woodside is well placed to meet growing LNG demand.

Woodside recorded another profitable year in an increasingly challenging global environment and is poised to achieve growth in production and profits.

Operating profit in 2011 was \$1,507 million, a 4.3% decrease in comparison to 2010.

Woodside paid an interim dividend of 55 cents per share and has declared a final dividend of 55 cents per share, taking the full-year dividend to a record annual dividend of 110 cents per share.

The 2011 year was one of significant change, not only for the Australian energy industry but also in the global economic environment.

In Australia four new LNG projects were sanctioned during the year, two based on coal seam gas and two on conventional gas reservoirs. An additional conventional project development was announced in January 2012.

As a result, there are currently eight new projects under construction which will add 14 LNG trains to Australia's existing six trains, five of which are operated by Woodside on the North West Shelf.

The first of these new projects to reach completion will be Woodside's Pluto, which is expected to deliver its first cargoes in 2012. While this is later than originally planned and at a higher cost than originally budgeted, Pluto will provide a step-change in the company's cash flow and a cost-effective footprint for expansion.

The major expansion of Australia's LNG export industry occurs against a backdrop of strong and growing LNG demand from an increasingly gas-hungry world.

The devastating earthquake and tsunami in March 2011 and the resulting Fukushima nuclear crisis added to the current supply-demand imbalance and is likely to have far-reaching consequences.

Woodside has longstanding relationships with customers in Japan based on more than two decades of LNG supply from the North West Shelf Project. We value these relationships and worked closely with affected customers to provide additional short-term volumes.

Beyond the short-term impact, the disaster prompted Japan and several other major economies around the globe to reassess the role of nuclear power in their primary

energy mix. This has the potential to result in a shift away from nuclear power, providing a greater role for natural gas in the future.

On the economic front, global growth suffered as a result of a sovereign debt crisis in Europe and, to a lesser extent, subdued economic activity in the USA. It is apparent that the level of government indebtedness in those regions is likely to continue to retard growth for a number of years.

Despite this, global LNG demand is expected to grow at a rate of about 4% to 5% each year into the next decade*. A key driver of this growth is the Asia-Pacific region, which is set to double its demand for LNG between 2010 and 2025*. Continued strong economic growth in China will play a significant role in this increase, in addition to the emergence of new LNG markets, including in Thailand, Indonesia and Malaysia.

While Australia is poised to play a leading role in meeting this demand, it is not without great challenges. The unprecedented demand for construction labour and services is creating cost and schedule pressures which run the risk of threatening additional projects' viability.

* Source: WoodMackenzie, Global LNG Tool (November 2011). FACTS Global Energy (November 2011).

This highlights the need for improved workforce flexibility and mobility, for increased skills development and increased skilled migration.

While our preference is for contractors to source Australian labour on our projects, the reality is that temporary skilled migration will continue to be required to fill the supply/demand gap.

Beyond labour challenges, the passage of the Federal Government's carbon tax in November 2011 will add additional costs to Australian LNG not faced by most of our global competitors at this time.

Woodside was built on the success of the North West Shelf Project, which continues to deliver outstanding revenue for our company and our joint venturers. The continued reliability of the project over the past 27 years demonstrates Woodside's LNG operational expertise and our ongoing efforts to maximise value from existing infrastructure.

The company's oil producing assets continue to make a significant contribution to our revenue and profits; further discoveries during 2011 will enable this to continue, in spite of field declines.

Woodside's portfolio of LNG growth prospects, including Pluto expansion, Browse and Sunrise, remains attractive.

The Browse LNG Development took a significant step forward in 2011 with the signing of a Native Title Agreement to enable the establishment of the Browse LNG Precinct near James Price Point, about 60km north of Broome.

The agreement between Woodside, the State of Western Australia and the Goolarabooloo and Jabbir Jabbir Peoples has the potential to bring about meaningful and positive change to the economic and social circumstances of Indigenous people in the Kimberley.

During the year we announced that a final investment decision on the project would be delayed until 2013. This illustrates the magnitude of the task involved in the evaluation of a project of such scale. Shareholders can be assured that the evaluation is being conducted in a thorough, disciplined manner and with long-term wealth creation as the primary driver.

Progress on the Sunrise LNG Development had stalled in the early part of 2011, but recent meetings with government leaders have been encouraging. The parties are aligned in their desire to progress the development, which has the potential to deliver substantial value for Timor-Leste and Australia.

To date, the company's exploration program has not discovered sufficient gas to supply additional LNG trains at Pluto.

Further exploration will endeavour to fill that gap and the company also continues to investigate the possibility of supply from other resource owners.

While LNG remains Woodside's main focus, we continue to review investment proposals outside our present sphere of operations. Such reviews are driven by a desire to enhance shareholder value.

During the year, Woodside CEO and Managing Director, Don Voelte, retired after seven years with the company. On behalf of the Board I thank him for his significant contribution. Don's can-do approach and boundless enthusiasm brought about a positive change in Woodside's culture and allowed the company to capitalise on opportunities which should prove transformative.

Following an extensive recruitment process, the Board appointed Peter Coleman as Mr Voelte's successor. With 27 years of industry experience with the ExxonMobil Group in Australia, Asia, Africa and the United States, Peter brings a wealth of knowledge to Woodside and seamlessly transitioned into the role in June 2011.

The year also saw some changes to Woodside's Board of Directors. The number of Shell-nominated directors on the Board was reduced from three to two after Shell divested a third of its shareholding in Woodside in late 2010. Consequently, Tan Sri Dato' Megat Zaharuddin (Din Megat) and Ian Robertson retired as Board members and we welcomed Dr Christopher Haynes to the Board as a non-executive director. We thank Din and Ian for their diligent contributions.

On behalf of the company, I thank Peter, the executive team and all Woodside employees for their hard work and dedication. I am confident that the strength of the team will enable Woodside to continue to build on its base business and pursue growth opportunities in 2012 and beyond.



Michael Chaney AO

Chairman

Overview

Chief Executive Officer's report

A message from Peter Coleman



Ongoing development of the North West Shelf and first production from Pluto in 2012 ensures continued expansion of our profitable base business, supporting future growth opportunities.

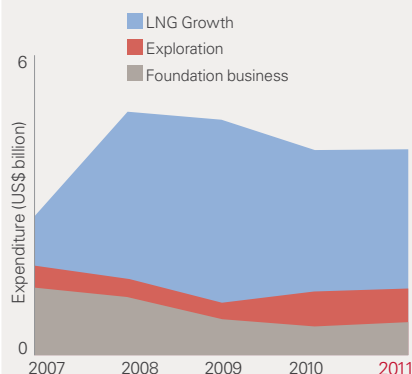
2011 Key performance highlights

- 20% improvement in Total Recordable Case Frequency and a 34% decrease in High Potential Incident Frequency.
- Delivered sales revenue of \$4.8 billion, an increase of 15% on 2010.
- Achieved North West Shelf development milestones, including first production from Okha FPSO, the launch of the North Rankin B jacket and a final investment decision (FID) on Greater Western Flank Phase 1.
- Advanced offshore start up and onshore commissioning milestones delivered for the foundation Pluto LNG Project.
- Purchased Ngujima-Yin FPSO to allow continuing improvements and target extended life for the Vincent oil field.
- Signed Native Title Agreement for land access for the proposed Browse LNG Precinct.
- Browse front-end engineering and design nearing completion.

Future objectives

- Continuous improvement in key health and safety indicators.
- Ongoing safe and reliable production from our North West Shelf Project and Australia Oil assets.
- Safe and reliable start up of the Pluto LNG Project, and first deliveries of LNG to foundation customers.
- Progress options for Pluto expansion.
- Progress towards FID on the Browse LNG Development, including evaluation of tender bid submissions for the upstream and downstream components.
- Build momentum on the Sunrise LNG Development through continued engagement with the Timor-Leste Government and other stakeholders.
- Maintain an active exploration program to support the existing business and provide growth options.
- Assess, and if appropriate, action new value-add opportunities.

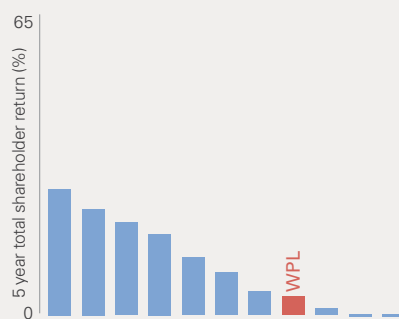
Investment growth



Over the past five years Woodside has made significant investment for the future, particularly in the area of LNG growth. That investment will benefit the company for years to come, especially with the start up of Pluto in 2012.

Total Shareholder Return (TSR) performance against peers

Five year annualised

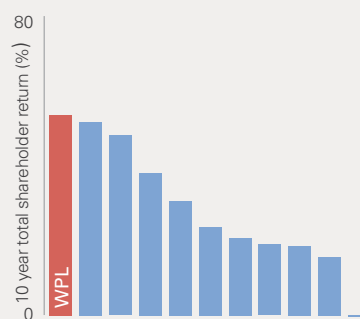


The five year TSR reflects the consolidation of Woodside's previous growth performance against our peer group which includes: Anadarko, Apache, BG, CNOOC, Marathon, Murphy, Pioneer, Repsol, Santos and Talisman.

Source: Bloomberg, TSR over the period divided by the number of years, US\$.

Total Shareholder Return (TSR) performance against peers

Ten year annualised



The excellent ten year TSR reflects the long-term sustainability of our business relative to our peer group which includes: Anadarko, Apache, BG, Marathon, Murphy, Pioneer, Repsol, Santos and Talisman.

Source: Bloomberg, TSR over the period divided by the number of years, US\$.

In 2011 I was privileged to become the Managing Director and CEO of Woodside, a company with an attractive portfolio of premium assets, proven capabilities and a great team of people.

During the year we demonstrated our ability to continue maximising value from our world-class foundation business. At the same time we progressed our LNG growth options to capitalise on the robust energy demand in our region.

First LNG from Pluto in 2012 will create a step-change in cash flow from our base business, translating into new opportunities to drive shareholder value.

Health and safety improving

We performed well in health and safety and sustainable development in 2011. Success in these areas is crucial for our aspiration to be a partner of choice for industry, government and communities. Success in 2011 included a 20% improvement in Total Recordable Case Frequency and a 34% decrease in High Potential Incident Frequency. We also received external recognition for our partnerships in the areas of environment and community. Further details are outlined in our 2011 Sustainable Development Report.

Production exceeds guidance

Total production from our base business in 2011 was 64.6 MMboe, which exceeded our mid-year guidance of 62-64 MMboe. Although 11.1% lower than last year's production, less than one-third of this change was due to natural field decline from Woodside operated fields with the remainder due to divestments, contract expiry, project redevelopment shut-ins, higher maintenance activity and higher than normal cyclone activity. These declines were partially offset by increased reliability from North West Shelf (NWS) and Australia Oil assets.

Strong operational performance

Woodside enters 2012 in strong financial shape. We benefited from higher commodity prices in 2011 to post a 14.5% increase in sales revenue and an underlying net profit of \$1.66 billion.

Our operating cash flow increased 6.6% year-on-year in 2011, and current holdings of \$2.2 billion in cash and undrawn facilities have us well placed to fund growth in 2012 and beyond.

A strong and reliable base business

2011 was a tremendous year for our base business. We enjoyed record revenue of nearly \$3 billion from the NWS Project and achieved further improvements in reliability from the Karratha Gas Plant.

We achieved key milestones in 2011 to sustain production from the world-class NWS resource through to 2020 and beyond. The NWS Oil Redevelopment Project was completed, with first production from the Okha FPSO vessel in September. Our North Rankin Redevelopment Project progressed well, with the North Rankin B substructure successfully launched and positioned alongside the existing North Rankin A platform. In December the NWS Project participants approved development of the first phase of the Greater Western Flank Project, further extending the life of this iconic resources development.

We continued to maximise value from our Australia Oil business, selling cargoes at attractive prices on the spot market while mitigating natural field decline through infill drilling and near-field exploration. Discovered volumes at Laverda and Cimatti may provide new opportunities to expand our oil business.

Our base business production will receive a significant boost in 2012, when production starts from the foundation Pluto LNG Project. At full capacity this will add more than 100,000 barrels of oil equivalent a day to our operated production. During 2011 we revised our cost and schedule for Pluto, a disappointing but necessary decision to ensure the safe and reliable start up of this valuable project.

Growing our portfolio

Our profitable base business not only delivers solid returns to our shareholders, it also provides the means to grow our business by funding our expansion projects and developing the premium operational capabilities that make us a partner of choice.

We continued to progress the business case for Pluto LNG expansion through an active exploration program and discussions with other resource owners, ensuring the soundest possible basis for investment in additional LNG trains at the Pluto LNG Park.

We made good progress on front-end engineering and design for our Browse LNG Development in 2011, and issued invitations to tender for the upstream and downstream components of the development.

A Native Title Agreement for land access for the Browse LNG Precinct was signed with the Goolarabooloo and Jabirr Jabirr Peoples and the Western Australian Government. Woodside is very proud of this agreement, which includes a significant package of benefits involving employment, education, training and business development initiatives, some of which are subject to FID.

Late in 2011 we announced our intention to seek amendments to the Browse Basin retention leases, including an extension into 1H 2013 to allow the consideration of an FID. This is to ensure a rigorous and credible approach to developing a quality resource which promises long-term value for our shareholders.

We regained momentum on our Sunrise LNG Development during 2011, holding constructive discussions with the Timor-Leste Government.

In November 2011 Woodside was awarded seven new permits offshore Western Australia, in the Rowley sub-basin, the Lambert Shelf and the Exmouth sub-basin. We have committed to acquiring seismic and drilling eight exploration wells in these areas over the next three years, providing new prospects for growing our Australian portfolio.

Maintaining competitive advantage, delivering long-term value

Since joining Woodside I have gained a first-hand appreciation of the unique capabilities which have evolved within our company over decades of operational experience in oil and gas, including 22 years of LNG production.

These capabilities, particularly those in areas with high barriers to entry, afford Woodside some important competitive advantages which in turn provide opportunities to grow our business and build new relationships.

Outlook

Our challenge now is to continue evolving these capabilities in order to maintain our competitive advantage. In early 2012, we will continue a thorough review of organisational effectiveness and capability to sharpen our decision making, conduct a health check of our strategy and confirm our strategic direction.

Beyond our existing LNG growth options, Woodside will examine new opportunities in 2012 to ensure we develop a balanced portfolio, which provides maximum upside exposure to growing energy demand.

Building on Woodside's unique competencies, our focus is on premium assets in areas where we hold a competitive advantage. This will ensure that future growth supports Woodside's mission to deliver outstanding, sustained growth in shareholder wealth.



Peter Coleman
Managing Director and
Chief Executive Officer

Overview

Our people

Our ability to attract and retain an engaged, highly skilled and high-performing workforce continues to create sustainable shareholder value.

2011 Key performance highlights

- On track to achieve our Indigenous employment Reconciliation Action Plan (RAP)* commitments with a 45% increase in directly employed Indigenous staff.
- Top quartile employee survey response rate of 82%, highlighting high employee engagement as well as clear improvement focus areas.
- Successful roll out of our Developing and Leading Diverse Teams program.

Future objectives

- Continue to deliver on Indigenous employment RAP commitments, including tripling our 2009 Indigenous workforce by the end of 2012.
- Implement organisational effectiveness plan, drawing on the results of the employee survey.
- Deliver Gender Diversity Plan.

Our people

The Woodside workforce grew to 3,856 in 2011, a 5.6% increase from 2010.

Woodside's 93.2% retention rate was assisted by a focus on employee development, the continuing operation of the Employee Equity Plan and the introduction of the new Woodside Equity Plan enabling employees to share in the future growth of the company. The voluntary turnover rate, whilst having increased to 6.8%, remains healthy in an environment of increasing demand for talent. Focus will continue on staff

retention and developing our vital workforce.

In 2011, Woodside conducted its third employee survey with a response rate of 82%, our highest yet. Initial findings from the survey confirmed a highly engaged workforce who provided clear messages on areas for further improvement, particularly organisational effectiveness, which will be addressed during 2012.

Building capability

Woodside continued to invest in future capability through apprentice, trainee and

graduate programs. A total of 104 trainees and apprentices were participating in training in 2011 while 53 new employees entered the graduate program in 2011, bringing the total number of graduate program participants across the three year program to 142.

Woodside's strong focus on employee development will be further aided by implementation of WeLearn, a company wide learning management system initiated in 2011.

Advancing diversity

Woodside continued the roll out of the Developing and Leading Diverse Teams program in 2011 with 275 leaders having now completed the program since its inception in September 2010.

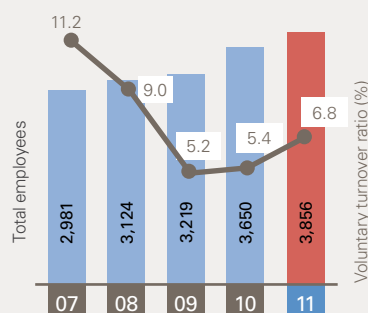
Women represented 26.8% of Woodside's workforce in 2011 and of the 531 new employees hired in 2011, 35% were female.

Woodside will be implementing Gender Diversity Objectives in 2012 as part of a strategy to focus on female attraction and retention.

Woodside continued to meet all of its RAP employment commitments; with a total of 84 Indigenous employees at the end of 2011 and Indigenous employment (training) pathways participant numbers also on target.

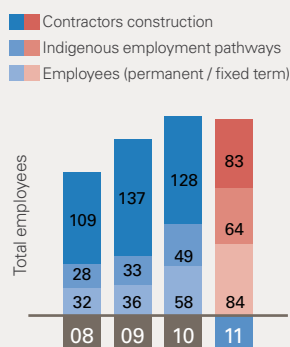
*RAP commitments are further discussed on page 22 of this report.

Number of employees and voluntary turnover



Woodside has a growing workforce with a sustainable turnover rate.

Indigenous workforce



Trainees are successfully transitioning from traineeships to direct employment.

Outlook

The expectation that the labour market will remain competitive reinforces our continuing focus on attraction and retention. In 2012 activities will include the implementation of our organisational effectiveness plan as well as delivering our gender diversity plan and Indigenous employment commitments.

→ Further information on 'Our People' is available on pages 32 to 43 of Woodside's 2011 Sustainable Development Report.

Ian Masson

Vice President
Human Resources

Our health, safety and security

Reinforcing positive safety behaviours and implementing our revised operating standards is contributing to an improvement in overall health, safety and security performance.

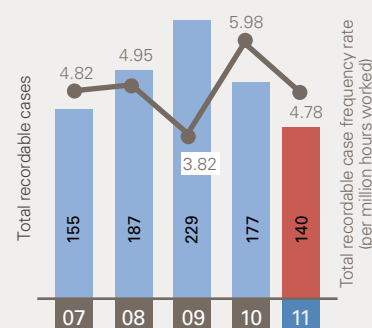
2011 Key performance highlights

- Achieved a 20% improvement in Total Recordable Case Frequency (TRCF) and a 34% reduction in High Potential Incident Frequency (HPIF).
- Increased focus on contractor engagement and improved process safety.
- Improved quality of incident investigations through increased involvement of senior managers in the investigation process.
- Established a Crisis Management Governance Framework, enhancing our ability to respond quickly, decisively and effectively to crisis situations.

Future objectives

- Continue improvement in all health and safety performance indicators.
- Full compliance with our revised operating standards and procedures.
- Conduct a company-wide safety culture survey and use the results to guide action plans.
- Improve resilience to internal and external fraud and corruption risks by implementing a company-wide control plan.

Total recordable cases



The TRCF improved and the number of safety incidents continued to decrease in 2011, with comparable exposure hours worked to 2010.

* Previously reported TRCF statistics did not include illnesses. All TRCF figures in this annual report have been adjusted to include illnesses.

Our approach

The health and safety of our people is paramount in all our decisions – our aspiration is ‘no-one gets hurt, no incidents’.

Health and safety improved in 2011

Our overall health and safety performance improved significantly in 2011.

The frequency of safety incidents, as measured by TRCF, has declined to 4.78 compared to 5.98 in 2010 (adjusted to include illnesses), representing a 20% improvement from 2010.

Improvements in the identification and reporting of occupational illnesses have led to more accurate and reliable reporting. There were 18 reported occupational illnesses in 2011 compared with a mean over the last four years of 26, reflecting a significant improvement.

There was an overall reduction in HPIF and loss of containment (LOC) events. There were three recordable** LOC events in 2011, compared with nine recordable

LOC events in 2010. The number of High Potential Incidents dropped from 54 in 2010 to 35 in 2011. The HPIF decreased from 1.82 in 2010 to 1.20 in 2011.

Protecting people and facilities

We continued to work with State, Federal and international governments’ security agencies to protect our people, facilities, construction sites and the workshops and yards of our contractors and suppliers.

This included conducting four company-wide crisis management training exercises in partnership with contractors, industry and government agencies to test our capability and integrated response.

We also introduced a new fraud and corruption control capability to improve resilience.

Working with contractors and industry

We were a leading participant in APPEA’s Stand Together for Safety event and CEO Safety Leadership

Forum. We recommitted to ensuring our offshore projects, production and drilling teams implement the Common Safety Training Program in 2012, to ensure employees have the same core foundation of safety skills.

We continued to work with industry to address offshore training requirements through the Safe Supervisor Competency Program, which will be phased in during 2012.

Outlook

In 2012 we will continue to focus on implementing our revised operating standards and procedures, reinforcing the positive behaviours of Our Safety Culture framework, engaging with our contractors, improving process safety and learning from incidents.

- Further information on health and safety is available on pages 34 to 38 of Woodside’s 2011 Sustainable Development Report.

**Includes major and significant LOC events as defined by the Reporting of Injuries Diseases and Dangerous Occurrences Regulations (RIDDOR) hydrocarbon release classification system.

Tina Thomas

Senior Vice President
Corporate

Overview

Woodside Executives

Meet the senior executive team that is working together to create and deliver sustained growth for your company.



Philip Meier

*Senior Vice President
Projects
BSc Structural Engineering, MBA*

Rob Cole

*Executive Vice President
Commercial & General
Counsel
BSc LLB*

Lucio Della Martina

*Executive Vice President
Australia Business
BSc Chemical Engineering, MBA*

Tina Thomas

*Senior Vice President
Corporate*

Lawrie Tremaine

*Executive Vice President
and Chief Financial Officer
BBus, FCPA*

Peter Coleman

*Managing Director and CEO
BEng (Civil and Computing), MBA*

Greg Roder
Executive Vice President
Corporate Strategy & Planning
BSc (Hons), PhD, MBL

Feisal Ahmed
Executive Vice President
Development
BSc Mechanical Engineering

Jon Ozturgut
Senior Vice President
International Business
BSc Mechanical Engineering

Mike Hession
Senior Vice President
Browse
BSc, MBA, PhD



Dr Peter Moore
Executive Vice President
Exploration
BSc (Hons 1), PhD, MBA

Eve Howell
Executive Vice President
Health, Safety & Security
BSc Geology and
Mathematics, MBA
(Retired December 2011)

Vince Santostefano
Executive Vice President
Production
BEng (Civil)

Richard van Lent
Acting Executive Vice President
North West Shelf
MSc Civil Engineering

Success at Woodside is driven by a dynamic, capable and dedicated team, focused on value delivery.

Overview

Chief Financial Officer's report

Woodside delivered another good operating performance in 2011, providing the foundation for a strong balance sheet and the next phase of growth.

2011 Key performance highlights

- Operating cash flow up 6.6%.
- Investment expenditure of \$3.8 billion.
- Enhanced access to capital markets.
- Gearing maintained below 30% as completion of major capital project approaches.
- Credit ratings maintained.

Future objectives

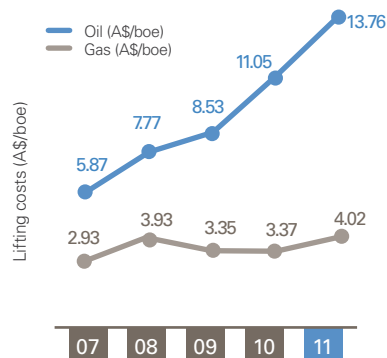
- Continued financial discipline.
- Effective deployment of cash flows from the Pluto LNG Project.
- Focus on cost reduction in both development projects and operations.

Underlying NPAT versus reported NPAT[#]

US\$ million	2011	2010
Underlying NPAT (excluding non-recurring items)	1,655	1,418
Non-recurring items after tax		
Pluto delay mitigation cost	(165)	
Gain on adoption of US functional currency		71
Neptune impairment	17	(92)
Deferred tax asset write downs		(60)
Gain on sale of Otway		149
Gain on sale of Liberia/Sierra Leone		89
Reported NPAT	1,507	1,575

2011 reported NPAT was negatively impacted by non-recurring factors.

Unit lifting costs



Lifting costs per boe were higher in 2011 due to lower production volumes, higher planned maintenance and project outages.

Realised prices

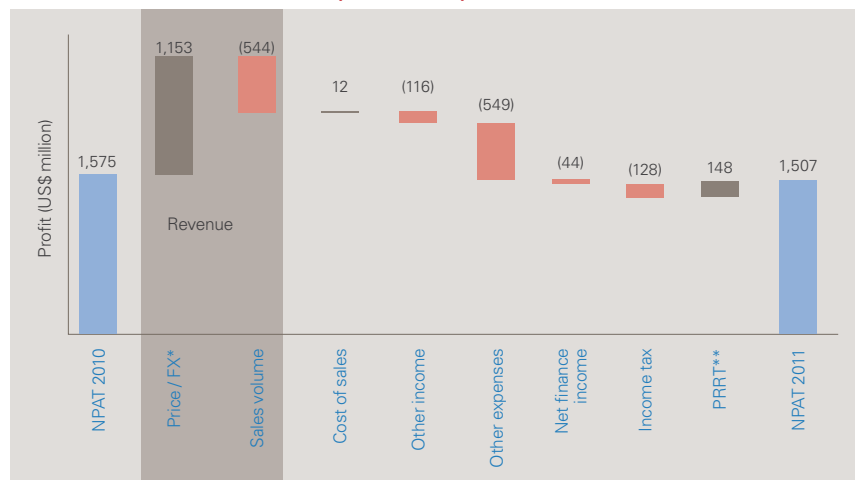
(\$/boe)

	2011	2010
Pipeline gas	26.96	22.01
LNG	67.46	57.60
Condensate	109.24	77.72
LPG	109.19	86.71
Oil	113.80	80.90
Average realised price (\$/boe)	76.60	59.14

Note: Realised prices exclude Ohanet.

Realised prices for all products were materially higher in 2011.

Drivers of Woodside's 2011 reported net profit after tax (NPAT)



Woodside's 2011 reported NPAT was lower than in 2010 due to non-recurring items including Pluto delay mitigation costs.

* Price / FX includes oil price, foreign exchange rates and hedging.

** Petroleum Resource Rent Tax.

Strong financial performance

Woodside delivered another strong financial performance in 2011, reporting a profit of \$1,507 million, or \$1,655 million on an underlying basis[#]. Despite lower production in 2011, Woodside recorded its second highest annual revenue of \$4,802 million. The reported profit was adversely impacted by higher than normal exploration expenses and mitigation costs related to the Pluto start-up delay.

The Board of Directors have declared a fully franked final dividend of 55 cents per share (cps). Together with the interim dividend of 55 cps this results in a record full-year dividend of 110 cps.

We invested a substantial \$3.8 billion in our business in 2011. This comprises \$3.3 billion in capital expenditure and \$0.5 billion in exploration expenditure.

[#] 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.

Strong commodity prices increase revenues

Despite the turmoil in European markets, commodity prices improved during 2011. The average realised sales price increased \$17/boe. LNG prices remained high throughout 2011, reflecting the strong oil price. Woodside has continued to achieve premiums to Brent for its heavy, sweet crudes from the Greater Enfield Area oil assets. These premiums are due to strong regional demand for diesel.

Profit drivers (2011 versus 2010)

- **Revenue from sale of goods – increased by \$609 million.** Increase largely due to higher realised prices in 2011, partially offset by favourable pricing settlements in 2010 and lower sales volumes in 2011.
- **Cost of sales – decreased by \$12 million.** Royalty and excise increased \$47 million with higher sales prices while production costs increased \$75 million largely due to unfavourable foreign exchange and higher subsea maintenance. Insurance, inventory and shipping costs decreased \$11 million. Depreciation and amortisation decreased \$123 million due to lower production and positive reserves revisions.
- **Other income – decreased by \$116 million.** This was largely attributable to the gain on sale of Otway in 2010.
- **Other expenses – increased by \$549 million.** Pluto mitigation and pre-startup costs (\$304 million), write-off of prior year capitalised exploration and evaluation (\$168 million), higher current year exploration expense (\$90 million), partially offset by other expenses (\$13 million).
- **Net finance income – decreased by \$44 million** as a result of lower cash balances.
- **Income tax – increased by \$128 million** due to lower tax expense in 2010 arising from deferred tax movements on adoption of US dollar functional currency and assets sales.
- **Petroleum resource rent tax (PRRT) – decreased by \$148 million.** Higher exploration expenditure, augmentation on undeducted expenditure and favourable foreign exchange impacts upon conversion to US dollar functional currency in 2010 were partially offset by higher revenue.

→ Drivers of Woodside's 2011 reported NPAT are graphically shown on page 12.

Lifting costs rise due to planned maintenance (Australian dollars)*

Total oil lifting costs increased marginally by A\$1 million to A\$231 million. On a unit basis, oil lifting costs increased from A\$11.05/bbl to A\$13.76/bbl due to lower production volumes following planned project outages and maintenance, cyclone impacts and natural field decline.

Total gas lifting costs increased by A\$18 million to A\$185 million in 2011. On a unit basis, gas lifting costs increased from A\$3.37/bbl to A\$4.02/bbl (excluding Ohanet) due to higher offshore maintenance, onshore operating costs and lower volumes.

* Lifting costs have been reported in Australian dollars as the majority of expenditure is incurred in this currency. See glossary on page 144 for the lifting cost definition.

Effective capital management

2011 was another successful year from a funding perspective. In May 2011, US\$700 million of 10-year corporate bonds with a coupon of 4.6% p.a. were issued into the United States 144A bond market. In December 2011, Woodside secured additional short term funding totalling US\$400 million at highly competitive margins. In addition, a number of 364-day and bilateral debt facilities were renewed during 2011.

Woodside enters 2012 with \$2.2 billion in cash and undrawn debt facilities. Continued strong cash flows from our foundation business, together with use of the Dividend Reinvestment Plan, have strengthened our balance sheet in preparation for the next growth phase.

As we near the end of the journey on the Pluto development expenditure phase, our credit ratings remain in a strong position (S&P: BBB+; Moody's: Baa1). Our established presence in global capital markets, our reputation for LNG development and operating excellence, together with cash flows from existing assets and from the Pluto LNG Project give us every confidence of being able to fund our continuing growth.

Pluto to contribute in 2012

Completion of this vast project is a great achievement. Production volumes and cash flow from the Pluto LNG Project will commence in 2012, providing the next valuable layer of funding to Woodside.

Woodside has previously disclosed that the revised Pluto project cost included an estimate for arrangements with customers affected by delay in Pluto LNG cargo delivery. Some of this additional cost was realised in 2011 and has been charged to the income statement. An estimate of future costs has also been provided for in the 2011 income statement.

Active portfolio management

In December 2011, Woodside and its joint venture participant, Mitsui, purchased the Ngujima-Yin FPSO from Maersk FPSOs Australia. This acquisition facilitates plans to extend the field life at Vincent and allow continuing reliability and availability improvements.

Woodside divested its Gulf of Mexico shelf properties for cash consideration of US\$27.5 million, effective 1 May 2011. The sale included the assumption of future restoration liabilities associated with these properties. On 27 October 2011 the Ohanet Risk Sharing Contract expired having supplied a steady revenue stream over the past eight years, in accordance with the contract terms.

Woodside will continue to review its asset portfolio, assessing the potential for early value realisation particularly of non-core assets, while also considering new value-add investment opportunities.

Successfully managing legislative developments

The legislation extending the Petroleum Resource Rent Tax (PRRT) to the North West Shelf Project has been introduced into parliament but has not yet passed into law. Our expectation is that, following the passing of legislation, the North West Shelf Project will transition to the PRRT regime on terms that will result in a tax position that is no more onerous than the present.

The passage of the Clean Energy legislation during November 2011 will apply a price to carbon emissions in Australia from 1 July 2012. Woodside expects to have obligations under this legislation related to carbon emissions arising from projects in which it has an interest. Government regulations are expected to be published by July 2012. Analysis of the new regulations will help quantify our obligations and the corresponding financial impact to the Company.

Woodside's carbon price assumptions, which are used for investment decisions and planning purposes, are based on prices set by government, likely scenarios of government requirements and associated fiscal impacts. These assumptions are reviewed and updated on a regular basis.

Outlook

We are ideally positioned to fund our growth plans, while continuing to deliver strong returns to shareholders. With \$2.2 billion in cash and undrawn debt facilities, Woodside enters 2012 in a strong position.

Lawrie Tremaine
Executive Vice President
Chief Financial Officer

Overview

LNG market report



Woodside Donaldson LNG vessel arrives at the NWS Project Karratha Gas Plant to receive its LNG cargo for transport to overseas markets.

Our premier gas assets and strong relationships with key industry participants mean Woodside is well placed to take advantage of robust long-term demand trends.

Outlook: long-term LNG demand growth is underpinned by strong fundamental drivers

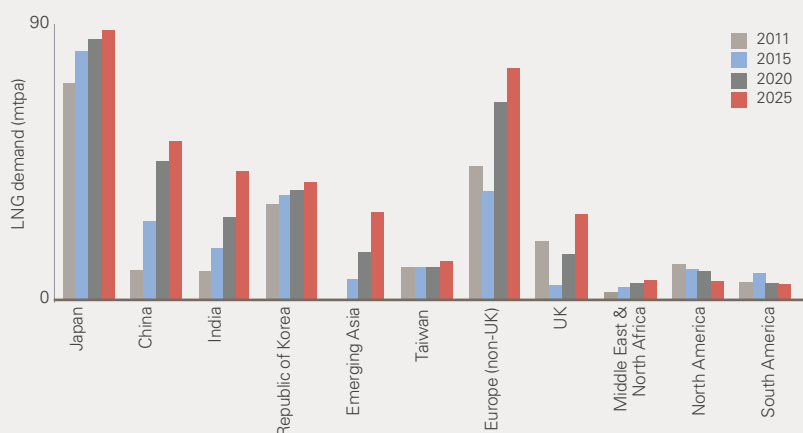
The long-term outlook for global LNG demand continues to be strong, with industry analysts expecting an average of 4% to 5%* annual growth out to 2025. This trend is underpinned by high rates of growth in gas demand in non-OECD Asian countries. In this region sustained economic growth is coupled with the potential for a greater role for gas in the primary energy mix. In many countries growth in gas demand is supported by policies aimed at reducing carbon intensity and dependence on coal, as well as efforts to improve air quality. The positive outlook for gas has been reinforced by nuclear power issues

following the Great East Japan Earthquake in March 2011. Nuclear power generation concerns have triggered energy reviews across the region and beyond.

There are a growing number of LNG-importing countries*

In the medium-term, the global LNG market will continue to be dominated by the traditional importing countries of Japan, Republic of Korea and Taiwan. It is expected that these core markets combined will continue to make up more than half of global demand until around 2015, when the role of developing markets China and India will become more pronounced. China and India's share of the global LNG market has the potential to grow from under 10% in 2011 to around 25% by 2025.

LNG demand by country*



Asia-Pacific countries drive global LNG demand.

In addition to existing markets in the Asia Pacific region, a number of new LNG buying nations are emerging, including traditional exporters such as Indonesia and Malaysia. The combined demand for LNG from Indonesia, Malaysia, Singapore, Thailand, Vietnam, the Philippines and other new markets in the region is estimated to grow to more than 30 million tonnes per annum by 2025. Outside the region, recent rapid growth in new LNG markets in South America and the Middle East has consolidated the view that these emerging LNG markets could become significant in the long-term.

* Source: WoodMackenzie, Global LNG Tool (November 2011). FACTS Global Energy (November 2011).

New supply is needed over the longer term

In order to meet current long-term demand projections and offset declining production from existing projects, industry analysts suggest that the market requires the equivalent of a major three to four train project to take a final investment decision each year from 2012 over the next decade.

However, many of the projects under consideration around the world face major challenges. Not all will proceed as planned, and some may be significantly delayed. In 2011 the industry paid considerable attention to proposals to export LNG from the US and Canada, based primarily on shale gas. While the likelihood of North American supply has increased over the last 12 to 18 months, the outlook for large-scale development remains uncertain.

What is certain is that Australian projects will play a crucial role in meeting long-term demand. Australia is set to become the world's largest LNG exporting nation, with around 81 million tonnes per annum of capacity currently operating or under construction, and significant potential for expansions and additional greenfield projects.

In 2011 tightening of the market was accelerated by events in Japan

In 2011 the global market tightened quickly. After the surge in supply over the past few years it had been anticipated that the market would begin to tighten towards the middle of the decade. This has been dramatically accelerated by incremental demand from Japan.

The earthquake in north east Japan on 11 March was the single largest event to impact the global LNG market in 2011. In addition to direct damage to energy infrastructure, a subsequent backlash against nuclear power is having a major impact on electricity supply throughout Japan. At the end of 2011 just under 14% of Japan's nuclear power generation capacity was operating, and there is ongoing uncertainty over the restart plans for many units in 2012. Much of this power supply shortfall will continue to be met by gas fired plants.

The LNG market, particularly in the Asia-Pacific region, is now relatively under-supplied, and will remain so until new

projects currently under construction enter the market from 2015 onwards. During 2011 there has been significant upward pressure on short-term LNG prices, in particular spot prices for delivery into North Asia. One consequence of these trends has been an increased role for LNG diversions from the Atlantic basin. The market tightening and Atlantic diversions have also put increased pressure on short-term shipping charter rates.

The market is expected to move back towards a more balanced position as new projects come online from 2015. However, there are risks of delay in the start up of these projects, which would extend this period of tight supply.

Regional long-term LNG pricing remains strongly linked to oil

Woodside closely monitors global LNG pricing trends, and remains in regular contact with the market through its involvement in discussions with both new and existing customers. During 2011 two price-out-of-range (POR) negotiations were successfully concluded for sale and purchase agreements (SPAs) between the North West Shelf and Japanese customers, and in 2012 Woodside will be involved in several price reviews and a POR negotiation.

Pricing trends observed during discussions in 2011 confirm short-term tightness in the market and also the need for new supply in the longer term, supporting the view that the link between LNG and oil prices will stay strong. For new projects there has also been consolidation of the trend for parallel equity transactions to accompany sales to foundation customers.

LNG from North West Shelf and Pluto is well regarded and highly sought after

In 2011 the North West Shelf shipped 255 cargoes, of which 229 were under 16 active term SPAs. Marketing of new Greater Western Flank volumes during 2011 confirmed that the NWS continues to have some of the most sought after supply in the region because of its exceptional track record for reliable supply and delivery.

In February 2011, Pluto entered into arrangements with Petronas of Malaysia

to sell up to 19 cargoes over the period up to 2014. These arrangements have scheduling flexibility which will be beneficial during Pluto ramp-up. In addition, Pluto has sold a number of cargoes under diversion arrangements to other third parties. Following start up, Pluto will investigate options for the sale of as yet uncommitted LNG, with significant interest having already been expressed by a range of customers.

Woodside's LNG trading and shipping grew in 2011

During 2011 Woodside entered into and implemented arrangements for the sale and purchase of 24 cargoes, the majority of which were sold to customers under the Pluto framework. Woodside expects to grow its LNG trading capability over 2012.

2011 saw all three Pluto ships enter the Woodside controlled fleet. The vessels have been used for cargo procurement, LNG trading, third party sub-charters and the delivery of Pluto's commissioning LNG cargo. Short-term shipping rates increased significantly over 2011 and Pluto shipping availability has been used profitably.

Browse marketing is advancing to support an FID

Browse is an important conventional Australian LNG project characterised by close proximity to key Asian markets and premium heating quality, which is attractive to many Asian LNG buyers. Browse is also able to offer an integrated project structure with a proven LNG operator. The window for commencement of supply coincides with the decline in supplies from several legacy LNG projects in the region, and the potential retirement of nuclear power plants in countries such as in Taiwan and Japan.

Woodside marketing is well advanced in seeking a range of customers for its share of Browse LNG. Customers recognise the importance of Browse LNG as they look to develop their long-term portfolio supply and discussions will continue in 2012 to support FID.

Reinhardt Matisons
President Marketing

Overview

Reserves statement

Contingent resources increased 322.7 MMboe primarily due to positive revisions in the Greater Browse fields and exploration and appraisal success in the Greater Exmouth and Greater Pluto regions.

2011 Key performance highlights

- The three year organic Proved reserves replacement ratio remains above 100%.
- Proved reserves life is 20 years.
- Net contingent resources in the Greater Browse region increased 251.5 MMboe.
- Net contingent resources in the Greater Exmouth region increased 21.8 MMboe.
- Net contingent resources in the Greater Pluto region increased 66.8 MMboe.

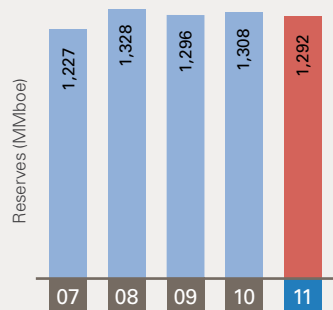
Woodside's reserves⁽¹⁾ overview

		2011	2010	Change%
Proved ⁽²⁾	MMboe	1,292.4	1,308.5	(1.2)
Proved plus Probable ⁽³⁾	MMboe	1,610.2	1,680.1	(4.2)
Contingent resources ⁽⁴⁾	MMboe	2,136.5	1,813.8	17.8

Key metrics

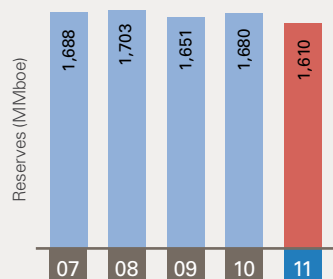
		Proved	Proved plus Probable
2011 reserves replacement ratio ⁽⁵⁾	%	75	(10)
Organic 2011 reserves replacement ratio ⁽⁶⁾	%	76	(6)
Three year reserves replacement ratio	%	84	57
Three year organic reserves replacement ratio	%	102	88
Reserves life	Years	20	25
Annual production ⁽⁷⁾	MMboe	63.7	63.7
Net acquisitions and divestments	MMboe	(0.6)	(2.3)

Proved reserves



Proved reserves have remained steady over the past five years.

Proved plus Probable reserves



Proved plus Probable reserves have remained steady over the past five years.

Proved reserves annual reconciliation by product*

(Woodside share)

	Dry gas ⁽⁸⁾	Condensate ⁽⁹⁾	Oil	Total
	Bcf ⁽¹⁰⁾	MMbbl ⁽¹¹⁾	MMbbl	MMboe ⁽¹²⁾
Reserves at 31 December 2010	6,450	122.3	54.6	1,308.5
Revision of previous estimates ⁽¹³⁾	105	2.6	13.7	34.6
Extensions and discoveries ⁽¹⁴⁾	72	1.1	0.0	13.7
Acquisitions and divestments	(3)	0.0	(0.1)	(0.6)
Annual production ⁽⁷⁾	(218)	(8.7)	(16.8)	(63.7)
Reserves at 31 December 2011	6,406	117.2	51.4	1,292.4

*small differences are due to rounding to first decimal place.

Best estimate contingent resources annual reconciliation by product

	Dry gas	Condensate	Oil	Total
	Bcf	MMbbl	MMbbl	MMboe
Contingent resources at 31 December 2010	8,298	246.9	111.2	1,813.8
Transfer to reserves	(28)	(0.7)	(2.7)	(8.3)
Revision of previous estimates	1,248	38.1	(6.8)	250.2
Extensions and discoveries	315	5.7	31.0	92.0
Acquisitions and divestments	(44)	(1.4)	(2.0)	(11.2)
Contingent resources at 31 December 2011	9,788	288.6	130.7	2,136.5

→ Refer to page 18 for Notes to the Reserves Statement.



Once cooled to minus 161° Celsius, LNG is placed in specially designed storage tanks prior to shipping, such as pictured above at the Karratha Gas Plant.

Proved reserves summary by region

Project	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto ⁽¹⁵⁾	3,787	56.0	0.0	720.4
North West Shelf ⁽¹⁶⁾	2,615	61.2	17.0	537.1
Greater Exmouth ⁽¹⁷⁾	0	0.0	27.6	27.6
United States of America ⁽¹⁸⁾	3	0.0	3.7	4.3
Other Australia ⁽¹⁹⁾	0	0.0	3.1	3.1
Reserves	6,406	117.2	51.4	1,292.4

Proved plus Probable reserves summary by region

Project	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	5,002	72.6	0.0	950.2
North West Shelf	2,761	66.1	30.7	581.2
Greater Exmouth	0	0.0	63.0	63.0
United States of America	6	0.0	7.5	8.5
Other Australia	0	0.0	7.2	7.2
Reserves	7,769	138.7	108.5	1,610.2

Best estimate contingent resources summary by region

Project	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Browse ⁽²⁰⁾	7,110	191.8	0.0	1,439.2
Greater Sunrise ⁽²¹⁾	1,717	75.6	0.0	376.7
Greater Pluto	660	10.6	0.0	126.4
North West Shelf	121	3.7	17.3	42.2
Greater Exmouth	0	0.5	97.3	97.8
United States of America	2	0.0	2.6	3.0
Other Australia	66	0.5	8.7	20.7
Other International ⁽²²⁾	112	6.0	4.8	30.5
Total	9,788	288.6	130.7	2,136.5

The Reserves Statement has been compiled by Mr Ian F. Sylvester, Woodside's Chief Reservoir Engineer who is a full-time employee of the company. 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.

➔ Refer to page 18 for Notes to the Reserves Statement.

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).

In accordance with the PRMS guidelines, Woodside uses crude oil price forecasts and, where applicable, individual project production sales contract terms or other financial products for the purpose of reserves estimation.

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

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 95% of Woodside's Proved Reserves have been externally verified by independent review over the past four years.

Feisal Ahmed

Executive Vice President
Development

Overview

Notes to the reserves statement

- 1 'Reserves' are estimated quantities of petroleum which 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. Woodside reports reserves net of the upstream (offshore) gas required for production, processing and transportation to a reference point defined as the inlet to the downstream (onshore) processing facility. Downstream fuel and flare represents 12.3% of total Proved reserves, and 12.1% of total Proved plus Probable reserves.
- 2 '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.
- 3 '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.
- 4 '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 upstream (offshore) fuel and non-hydrocarbons not present in sales products. Contingent resource 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.
- 5 The 'reserves replacement ratio' is the reserves change during the year, before the deduction of production, divided by production during the year. The 'three-year reserves replacement ratio' is the reserves change over three years, before the deduction of production for that period, divided by production during the same period.
- 6 The 'organic annual reserves replacement ratio' is the reserves change during the year, before the deduction of production and adjustment for acquisition and divestments, divided by production during the year.
- 7 'Annual production' is the volume of dry gas, condensate and oil (see Notes 8 and 9) produced during the year and converted to 'MMboe' (see Note 12) 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 in the sales product definitions and the 'MMboe' conversion factors applied.
- 8 'Dry gas' is defined as 'C4 minus' petroleum components including non-hydrocarbons. These volumes include LPG (propane and butane) resources. Dry gas reserves include 'C4 minus' hydrocarbon components and non-hydrocarbon volumes, which are present in sales product.
- 9 'Condensate' is defined as 'C5 plus' petroleum components for the NWS Venture and as sales product for the Ohanet Project and the Gulf of Mexico assets.
- 10 '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).
- 11 '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).
- 12 '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.
- 13 'Revision of previous estimates' are 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.
- 14 'Extensions and discoveries' represents additions to reserves or contingent resources which result from increased areal extensions of previously discovered fields, discovery of reserves in new fields or new reservoirs in old fields.
- 15 The 'Greater Pluto' region comprises the Pluto Inner, Central and Claudius Hubs.
- 16 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 11% of NWS Proved dry gas reserves and 15% of NWS Proved condensate reserves.
- 17 The 'Greater Exmouth' region comprises the Vincent, Enfield, Cimatti, Stybarrow-Eskdale, Laverda and Opel fields.
- 18 Woodside's resources in the United States of America include the Neptune and Power Play fields. GOM Shelf fields were divested on 1 May 2011.
- 19 'Other Australia' includes the Mutineer-Exeter, Laminaria-Corallina and Argus fields.
- 20 'Greater Browse' comprises the Brecknock, Calliance and Torosa fields. Net resources are subject to future unitisation outcomes.
- 21 'Greater Sunrise' comprises the Sunrise and Troubadour fields.
- 22 'Other International' includes fields in Brazil. Following contract expiry, the Ohanet project in Algeria was successfully transferred to a 100% Sonatrach operation on 27 October, 2011. Woodside signed a sale and purchase agreement for the sale of its interests in Libya on 11 January 2011.

(On right) Karratha Gas Plant's major maintenance shutdown in September involved more than 1,300 workers. Maintaining equipment at the Karratha Gas Plant is essential for long-term reliable production from the significant volumes of NWS reserves.





Overview

Exploration review

In 2011, we strengthened our position in Australia with successful exploration drilling in support of our Australian business units, and continued to grow our portfolio to prepare for future exploration campaigns.

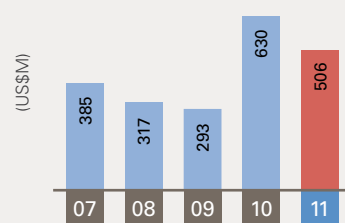
2011 Key performance highlights

- Drilled nine exploration wells in 2011, six encountering hydrocarbons.
- Acquired or purchased over 12,400 km² of 3D seismic data.
- Strengthened portfolio with seven new Australian permits.

Future objectives

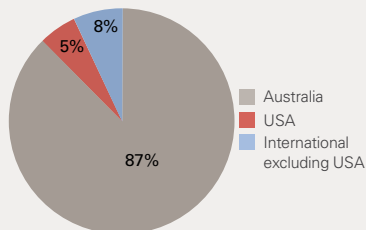
- In 2012 drill six wells in Australia, one in the Republic of Korea and participate in drilling in the Gulf of Mexico.
- Acquire and purchase more than 12,000 km² of new 3D seismic.
- Continue to strengthen our exploration portfolio.

Exploration spend by year (US\$M)



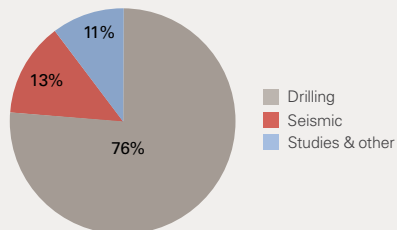
Recent high exploration activity levels have been focused on delivering our growth strategy.

2011 Exploration expenditure by country



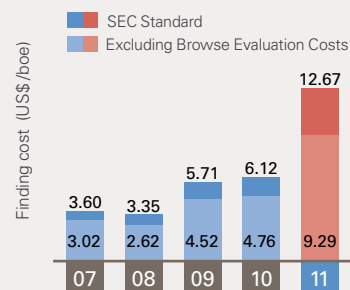
Consistent with our strategy, the majority of our exploration expenditure occurred in Australia.

2011 Exploration expenditure by category



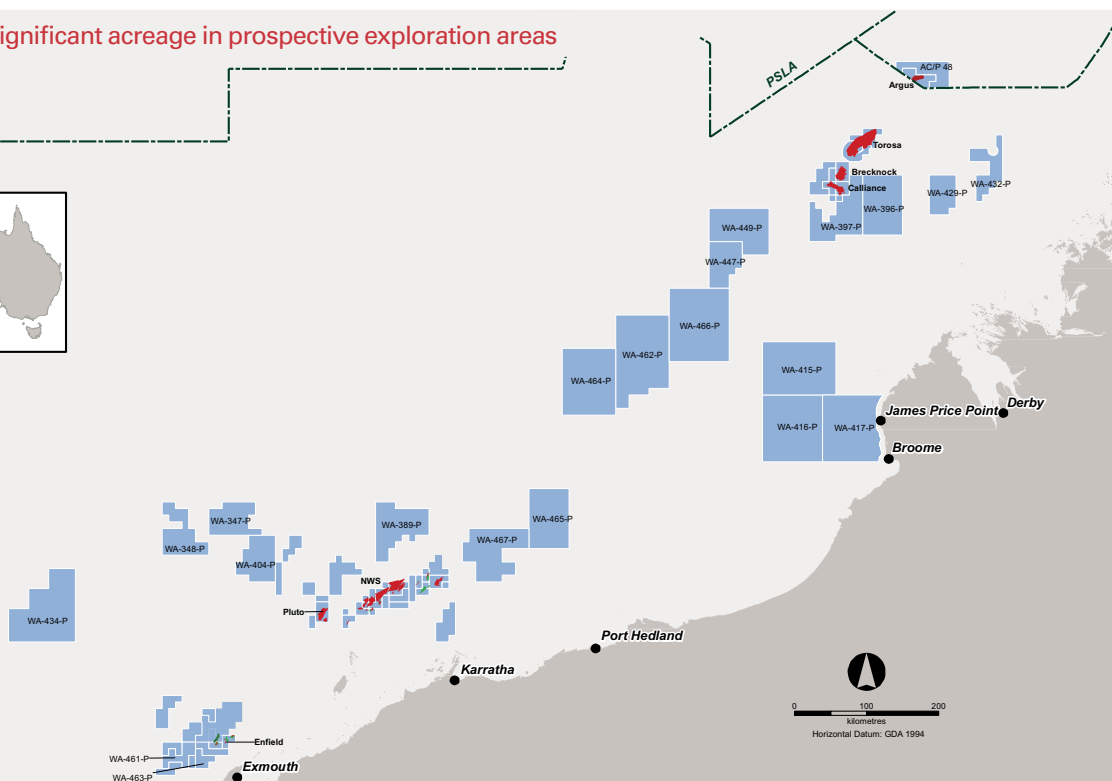
The majority of exploration spend was focused on drilling in order to support our foundation business and growth strategies.

Three year running average exploration finding costs



Although affected by Browse evaluation costs, three year average finding costs are increasing.

Woodside has significant acreage in prospective exploration areas



Strong Australian focus

Within Australia, Woodside drilled wells to support Pluto expansion; the Browse business unit; our foundation NWS business; and our producing oil assets. During 2011, nine exploration wells were drilled in total, 67% of which encountered hydrocarbons. Internationally, the Gulf of Mexico team was focused on maturing the portfolio to deliver promising candidates for the upcoming exploration campaign, while in the Republic of Korea the Jujak prospect was fully matured for drilling.

Expanding permit portfolio

Seven new exploration permits were added to the Australian exploration portfolio during 2011. These additions, combined with three permit relinquishments, take the total number of Woodside exploration licences to 33, of which all but one are operated by Woodside. The adjacent maps for the Browse and Carnarvon Basins show the locations of our acreage holdings. Within Australia we remain committed to supporting and optimising value through our existing and planned infrastructure, and ensuring that we remain exposed to opportunities to create growth via new infrastructure hubs. Internationally, we will continue to look for new opportunities to help balance the portfolio.

Encouraging drilling results

Six wells successfully encountered hydrocarbons from the nine exploration wells that were drilled during 2011.

WA-404-P, Greater Pluto, Central hub Woodside 100% (operator)

Two exploration wells were drilled in WA-404-P during 2011. Martin-1 was finalised during early 2011 with the well encountering gas within the objective Triassic Mungaroo Formation. Kelt-1 failed to encounter hydrocarbons.

WA-434-P, Greater Pluto, Claudius hub Woodside 100% (operator)

Two wells were drilled in WA-434-P. Cadwallon-1 encountered gas in the primary objective; however the discovery is sub-commercial. Genseric-1 failed to intersect hydrocarbons.

WA-36-R, Laverda Retention lease Woodside 60% (operator)

Opel-1 was drilled to test a prospect adjacent to the Laverda Oil Field. Opel-1 successfully encountered gas and oil within the primary objective Macedon sands.

WA-34-L, Pluto Production Licence Woodside 90% (operator)

Xeres-1 was drilled to test a fault block adjacent to the Eris gas accumulation within the Pluto Production Licence. Xeres-1 successfully encountered gas within the primary objective Mungaroo Formation.

WA-397-P, Browse Basin Woodside 50% (operator)

Omar-1 was drilled to evaluate the gas bearing potential of the Plover Formation. Encouraging gas shows were encountered, however reservoir quality was poor and the well was classified as a dry hole.

WA-3-L, North West Shelf Venture Woodside 15.78% (operator)

Seraph-1 successfully appraised the Angel Gas Field, and drilling then continued to evaluate deeper exploration potential. Seraph encountered gas within the primary exploration objective and two secondary objectives. Reservoir quality was poorer than predicted and as a result, commerciality for the discovery is yet to be determined.

WA-5-L, North West Shelf Venture Woodside 15.78% (operator)

Tidepole East-1 was drilled to evaluate the hydrocarbon bearing potential of a faulted terrace adjacent to the Tidepole Gas Field. Tidepole East-1 encountered gas, with discovered volumes expected to be produced via the Greater Western Flank Project at a future date.

→ Refer to map on page 20 for location of acreage and exploration wells.

Australian outlook

In 2012, Woodside plans to drill six wells in Australia, of which, four are in support of LNG growth, and two are oil prospects in the Greater Exmouth Area.

A pause from drilling will then occur to allow time for further portfolio maturation. In addition, Woodside expects to acquire in excess of 12,000km² of new 3D seismic data in Australia, from a combination of new proprietary acquisition and multi-client purchases. This data will be used to explore recently acquired acreage and mature existing prospects.

International outlook

Woodside also retains opportunity for growth outside Australia with exposure to exploration and development in selected international areas. In the deepwater Gulf of Mexico, the Exploration Division expects to participate in drilling in 2012.

In the Republic of Korea, Woodside holds a 50% interest in offshore block 8/6-1 N, and plans to drill the Jujak-1 exploration well in 2012. In Peru, Woodside has a 20%, non-operated interest in onshore block 108, which is currently under force majeure conditions. Once the force majeure conditions cease, Woodside plans to acquire 800km of 2D seismic.

→ Further discussion of Woodside's international activities is contained on pages 36 and 37 of this report.

Peter Moore

Executive Vice President
Exploration

Overview

Community engagement

Our social investment strategy is focused on supporting health, the environment and the communities in which we operate.

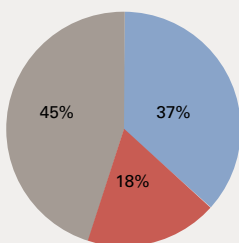
2011 Key performance highlights

- We contributed A\$7.7 million worth of social investment to the communities in which we operate.
- Our staff volunteered 3,484 hours, valued at A\$0.6 million.

Future objectives

- Announce our third and final tier one social investment partner in the Creative Energy category.
- Increase our social investment contribution to meet a target of 0.5% of Profit Before Tax (PBT) by 2015.

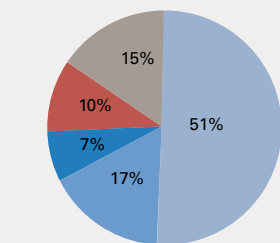
Woodside's social investment by category 2011



■ Living energy - personal health and wellbeing
 ■ Natural energy - environmental health and wellbeing
 ■ Creative energy - community health and wellbeing

Woodside's social investment strategy is a three tiered funding model focused on health and well being.

Woodside's social investment by geographic region 2011



■ WA ■ Kimberley ■ National
 ■ Pilbara ■ International

NB: WA includes social investment programs which were implemented in two or more WA locations.

Woodside's social investment program focuses on supporting the communities in which we operate.

Assessing the social impact of our business and planning for the future

Social impact considerations are included in our project planning processes. Our operating standards ensure stakeholder and social impact management plans are developed and implemented.

We progressed two key social impact assessments (SIA) in 2011:

Pluto: As construction comes to completion an independent review is underway to determine whether anticipated impacts actually occurred and to assess the success of our impact mitigation strategy. The review involves interviews with internal and external stakeholders. The findings will inform business planning and decision making for any future expansion.

Browse: The SIA for the proposed Browse LNG Development in the Kimberley region of Western Australia will be completed in 2012. The SIA has been undertaken in conjunction with the State Government's program of social, environmental, native title and Indigenous heritage studies. Input from a broad range of stakeholders has been included. We have also spoken directly with Broome and Dampier Peninsula residents. This local input is helping us to develop plans to manage potential social impacts.

Reconciliation Action Plan released

Woodside released the 2011-2015 Reconciliation Action Plan (RAP), which will underpin our efforts over the next five years to advance Indigenous reconciliation within our company and the wider community.

Every commitment in the RAP, grouped under the headings of Respect, Relationships and Opportunities, is defined by a set of measurable goals to be achieved between 2011 and 2015. Woodside will provide a public report each year to communicate the achievements against each commitment within the RAP.

Investing in community health and well-being

Our focus for social investment is to contribute to health and well-being at a personal, community and environmental level. Our three-tiered funding structure supports community-based organisations at a regional, state and national level.

This year our voluntary social investment was A\$7.7 million. Our total social investment, inclusive of management costs, was A\$13.7 million. In addition to our company's financial contribution to

supporting community organisations, our employees donated A\$0.2 million of their own money.

Our employees also participated significantly in our corporate volunteering program, contributing 3,484 volunteering hours, valued at A\$0.6 million.

In 2011 we announced a second national tier one partnership. By working closely with Conservation Volunteers Australia a holistic approach to national marine eco-system conservation and environmental citizenship was developed, the Coastal Guardians program.

Our partnership program with Ngala 'Nurturing the Pilbara' won a global Excellence Award for Social Responsibility at the 20th World Petroleum Congress in Doha, Qatar. The program began in Karratha in 2008, it provides proactive parenting education, resources and support to families living and working in remote and rural communities.

Our social contribution internationally focuses primarily on Timor-Leste. Specifically, we and our Sunrise joint venture participants support projects like the Be'e Ba Moris 'Water for Life' program through World Vision. In 2011, we and our Sunrise joint venture participants contributed \$US500,000 to fund this initiative which has significantly improved sanitary conditions in the Baucau district.

The approach to delivering cultural heritage projects in the Pilbara has been extended to the Kimberley and South West regions of Western Australia in 2012. Cornerstone projects include a repatriation program delivered through the Kimberley Aboriginal Law and Culture Centre and cultural leadership development programs facilitated by the South West Aboriginal Land and Sea Council.

Outlook

In 2012 the start up of our Pluto LNG Project will provide us with further opportunity to contribute to community development and capacity building in the Pilbara region of Western Australia. We remain focused on completing our social impact assessment for the Browse LNG Development and outlining a strategy in which we can deliver positive outcomes to the Kimberley region of Western Australia.

Tina Thomas

Senior Vice President
Corporate

Environmental report

Our long term business success depends on our ability to understand our current and future operating environments, the potential impact of our activities and ability to implement appropriate management and mitigation strategies.

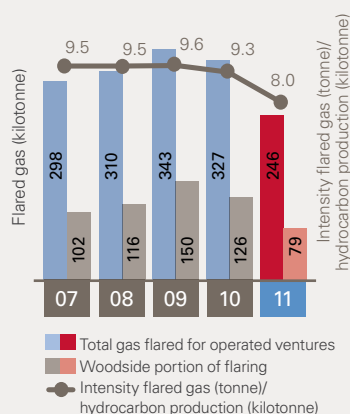
2011 Key performance highlights

- Flared gas emissions intensity reduced by 14%.
- The newly commissioned Okha FPSO is up to 30% less emissions intensive than the FPSO it replaced.

Future objectives

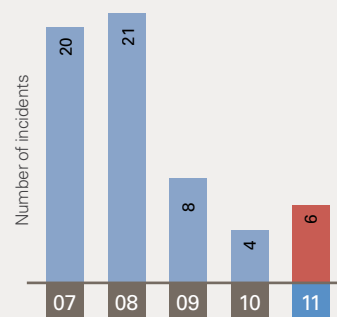
- Maintain low level of environment incidents.
- Continue to mitigate, manage and monitor potential environmental impacts from our operating activities.

Flare gas and intensity



During 2011 our flared gas emissions intensity decreased to 8.0, partly as a result of improved production reliability across our operated facilities.

Environmental incidents*



* Environmental incidents reported to regulators.

Woodside reported six incidents in 2011 in accordance with our legal requirements.

Our Approach

Our activities are conducted in accordance with an environmental management framework that forms part of the broader Woodside Management System.

Woodside adopted the following strategic imperatives in 2011, as part of our Environment Strategy:

- Maximise resource efficiency
- Design to minimise life cycle costs
- Maintain environmental compliance and integrity
- Control environmental impacts
- Facilitate effective approvals; and
- Work with stakeholders.

Excellent environmental performance

Woodside did not receive any environmental fines or penalties related to environmental incidents in 2011. We reported six incidents to regulators in accordance with our legal requirements. Of these, five resulted in no measurable environmental impact and one related to a release of diesel from a line at the Karratha Gas Plant which was contained to site.

During 2011, our flared gas intensity decreased to 8.0 tonnes of gas flared per tonne of hydrocarbon produced, partly as a result of improved production

reliability across our operated facilities. A total of 221,528 tonnes of gas was flared. Flare reduction initiatives included the recommissioning of the re-injection compressor on the Ngujima-Yin FPSO which had been damaged by fire in 2009, allowing excess gas to be injected into the reservoir rather than being flared.

In 2011, the greenhouse gas emissions from Woodside-operated facilities decreased by about 450,000 tonnes CO₂e to 7.9 million tonnes CO₂e. Woodside's share of these emissions is approximately 1.9 million tonnes. The decrease arose from operational factors including planned maintenance events of the Karratha Gas Plant and retirement of the Cossack Pioneer FPSO.

Funding award-winning research

Woodside continues to fund robust scientific research with key partners to understand our current and future operating environments. This research is used to underpin our decision making processes, and allow us to manage and minimise potential environmental impacts. Since 1993 Woodside has invested, on behalf of the Browse joint venture participants, over A\$80 million to understand the marine and terrestrial environments of the Kimberley region. This Scott Reef Environmental Research Program undertaken with the Australian

Institute of Marine Science and the Western Australian Museum is one of the longest running and most comprehensive studies of an offshore coral reef ecosystem ever undertaken. The findings of this research program are highlighted in the Scott Reef Status Report which was released in 2011.

This research and knowledge has underpinned our development decisions and the recently released draft Browse Upstream Environmental Impact Statement.

Our collaborative approach to environmental understanding and management is demonstrated by our long-term partnership with the Western Australian Museum. The research, which has been undertaken in the waters of the Pilbara and Kimberley, has identified 10,700 species to date, including discovering 495 new species. In recognition of this partnership, the Exploring the Marine Biodiversity of Northern WA project won the 2011 Western Australian Premier's Award for Excellence in Public Sector Management.

→ Further information on our community engagement, social investment and environmental performance is available on pages 18 to 31 and 44 to 53 respectively in Woodside's 2011 Sustainable Development Report.

Tina Thomas
Senior Vice President
Corporate

Business reviews

North West Shelf



North Rankin B topsides on the heavy lift 'Heerema' barge, commences the journey from the Republic of Korea construction yards to the North West Shelf.

2011 Key performance highlights

- Record North West Shelf (NWS) revenue of almost \$3 billion.
- Achieved best recorded safety performance at Karratha Gas Plant.
- Record 98% LNG production reliability.
- Achieved final investment decision for the \$2.5 billion Greater Western Flank (GWF) Phase 1 Project.

Future objectives

- Commission North Rankin Redevelopment Project and achieve start up in 2013.
- Delivery of 3500th LNG cargo.
- Continue to progress refurbishment program.

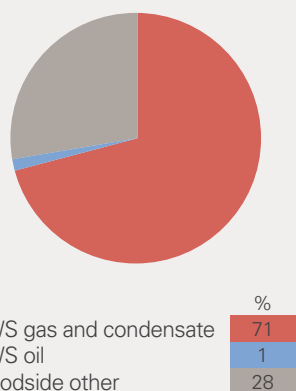
The North West Shelf Project continues to be a strong and proven world-class performer for Woodside with excellence in production and development.

NWS Project

Interest	NWS Venture	16.67%
	Domestic Gas JV	50.00% *
	Incremental Pipeline JV	16.67%
	China LNG JV	12.50%
	CWLH (crude oil)	33.33%
Operator	Woodside	
Facilities	North Rankin A platform	
	Goodwyn A platform	
	Angel platform	
	Okha FPSO	
	Karratha Gas Plant	
Location	~130 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)	

*During 2011 Woodside's average share of pipeline gas production was approximately 40%. Woodside's exact share of domestic gas production depends on the quantities and aggregate rate of production.

NWS contribution to Woodside's total production (MMboe)



During 2011, NWS made a significant contribution of 46.7 MMboe to Woodside's annual production of 64.6 MMboe.

NWS key metrics (Woodside share)

		2011	2010
Sales revenue	(\$ million)	2,989	2,749
Net gas production	(MMboe)	37.8	38.5
Net liquids production	(MMbbl)	8.9	13.3
Proved plus Probable reserves	(MMboe)	581	649
		Gross	Net
Acreage	(km ²)	3,941	651

Solid 2011 production performance

The NWS Project continues to underpin Woodside's financial performance, delivering record revenue of \$2,989 million contributing about 62% of Woodside's revenue during the year.

In 2011 Woodside's share of production from the NWS Project was 46.7 MMboe. Progress on the Reliability Improvement Plan has continued with overall LNG production reliability in 2011 at 98.0%, compared to 94.3% in 2010 and ahead of our 2013 target of 97.5% reliability.

Safety remained a priority with the Karratha Gas Plant (KGP) recording its best safety performance on record with over 120 days without a Total Reportable Case (TRC).

The annual May and September shutdowns were completed successfully. The annual shutdown work programs at the KGP included routine and integrity maintenance on LNG Train 1 and routine major maintenance on LNG Train 5. Further modifications on LNG Train 5 main cryogenic heat exchanger have resulted in increased production capacity.

A significant refurbishment program commenced at the KGP in 2011 which is designed to ensure safe and reliable production for years to come. The refurbishment of Stabiliser 1 was completed and online external corrosion inspection and repair works on LNG Train 2 commenced.

These achievements resulted in Woodside delivering 255 cargoes of LNG in 2011, of which 26 were sold on the spot market. Woodside's share of total LNG sales volumes for 2011 is 2.51 million tonnes. Pipeline gas production continued to meet customer demand in 2011 with 100% reliable delivery of 85,338 TJ or 14.0 MMboe (Woodside share) to customers in Western Australia.

Extending production with an active development program

In recent years the NWS Project has committed more than A\$9 billion in reserves and infrastructure development, including the NWS Oil Redevelopment Project, North Rankin Redevelopment Project and more recently the GWF Phase 1 Project.

NWS Oil Redevelopment Project achieved first oil

The A\$1.8 billion (A\$600 million Woodside share) NWS Oil Redevelopment Project included replacement of critical subsea infrastructure and conversion of the Okha to a FPSO. The Okha replaced the Cossack Pioneer FPSO.

Production commenced in September 2011 into the Okha FPSO facility, with three offtakes completed in the year. The Okha FPSO is expected to produce around 30,000 barrels per day gross (Woodside share 10,000 barrels of oil equivalent a day) once steady state operations are achieved.

North Rankin Redevelopment Project progressing to schedule

The Project will recover low pressure gas from the North Rankin and Perseus gas fields and is expected to cost approximately A\$5 billion (A\$840 million Woodside share).

At year end, overall progress was 87% complete and the project remains on schedule and budget for completion in 2013.

In September the North Rankin B (NRB) jacket was launched and positioned 100 metres from the existing North Rankin A (NRA) platform. In Indonesia, the NRA-NRB bridges were completed, and in the Republic of Korea fabrication of the NRB 23,000 tonne topsides were completed for sail-down to the North West Shelf in early 2012.

GWF Phase 1 Project approved

The Greater Western Flank (GWF) area consists of 16 fields located to the south-west of the Goodwyn A platform and is estimated to hold up to 3 Tcf of recoverable gas and up to 100 MMbbl of recoverable condensate (100% project).

In December 2011 the NWS Project participants approved development of the first phase of the GWF Project off the north west coast of Australia. The total investment for the GWF Phase 1 Project is about A\$2.5 billion (A\$425 million Woodside share) with project start up expected early 2016.

The GWF Phase 1 Project will develop the Goodwyn GH and Tidepole fields with a subsea tie-back to the existing Goodwyn A platform. Additional phases of GWF development are anticipated. GWF represents the next major development for the NWS Project.

Outlook

Maintaining safe and reliable production has been Woodside's focus for the past 27 years, and remains key to sustaining our exceptional return on invested capital.

Major refurbishment will continue at the KGP with refurbishment of the Trunkline Onshore Terminal and LNG Train 2 during shutdowns in 2012. The NWS Project will aim to maximise production and return on invested capital within these constraints.

The NWS Project will continue to develop reserves and maintain supply deliverability from the NWS assets through the execution of the North Rankin Redevelopment and GWF Phase 1 projects. We will also progress development of subsequent phases of GWF as well as the Persephone and Lambert Deep fields on the eastern flank of the NWS acreage.

The North Rankin Redevelopment is a major undertaking on a global scale and one of the most complex developments Woodside has undertaken. A number of shutdowns will be required in 2012 to integrate the NRB platform into the NWS system.

The execution of these significant projects, in addition to NWS Project production operations amounting to 600,000 barrels of oil equivalent a day, demonstrates Woodside's capability as a leading operator and is paving the way for the NWS Project to deliver top quartile performance for decades to come.

Richard van Lent

*Acting Executive Vice President
North West Shelf*

Business reviews

Australia Oil



The Nganhurra FPSO, in offshore Western Australia, gathers, stores and offloads crude oil that has been produced from Enfield oil field.

2011 Key performance highlights

- Production above target.
- Laverda exploration and appraisal success.
- Continued successful infill drilling.
- Pursued growth opportunities.

Future objectives

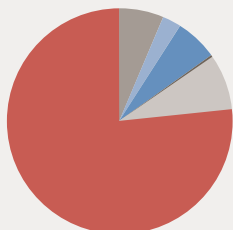
- Maintain steady oil production.
- Enhance asset reliability.
- Progress robust Cimatti development.
- Build on successful Laverda appraisal.

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

		2011	2010
Sales revenue	(\$ million)	1,677	1,272
Net gas production	(MMboe)	0.0	0.9
Net liquids production	(MMbbl)	15.0	15.5
Proved plus Probable reserves	(MMboe)	70	80
		Gross	Net
Acreage	(km ²)	4,123	2,166

In 2011 we actively pursued exploration and appraisal activities, advanced key growth opportunities and largely offset natural production decline.

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



	%
Enfield	77
Laminaria-Corrallina	8
Stybarrow	6
Mutineer-Exeter	6
Vincent	3
Woodside other	>1

During 2011, Australia (non-NWS) oil fields contributed approximately 23% of Woodside's annual production.

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 27.0 MMbbl of oil since start up in 2008, with 2011 production of 8.5 MMbbl (5.1 MMboe Woodside share).

In September 2011 we significantly boosted Vincent's overall production rate with the start up of two infill wells (VNB-H5 and VNB-H6). This resulted in the Ngujima-Yin floating production storage and offloading (FPSO) vessel achieving its highest ever production rate of almost 53,000 barrels a day.

The improved design of the new Vincent wells lifted productivity indices beyond expectation to nearly three times that achieved from previous drilling phases.

A third infill well at Vincent, VNB-H7, will be completed and brought online in 1H 2012.

We jointly purchased the Ngujima-Yin FPSO with our co-venturer Mitsui E&P Australia Pty Ltd in December 2011. This important acquisition will facilitate plans to extend the field life at Vincent and allow continued reliability and availability improvements from the facility. We plan to assume full operatorship of the FPSO in 2012.

While 2011 was a challenging year for Vincent, the Ngujima-Yin achieved a significant milestone in May 2011 with oil production exceeding 20 million barrels. Production levels in 2012 will be similar to recent years with allowances for further significant maintenance activities throughout the year.

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	

Since start up in 2006, Enfield has produced 64.3 MMbbl of oil with 2011 production of 6.9 MMbbl (4.1 MMboe Woodside share).

In 2011 Enfield production continued to exceed expectation with excellent facility uptime, well optimisation and reservoir performance. At the end of 2011, Enfield's Nganhurra FPSO was producing around 20,000 barrels a day.

The Cimatti oil accumulation, located to the north-west of Enfield, was discovered in November 2010. Throughout 2011, we progressed development studies, selecting a development concept for Cimatti based on a tie-back to the Nganhurra FPSO. We expect to finalise the preferred design concept for Cimatti in a basis of design in 2012, then proceed with front-end engineering and design in preparation for a final investment decision targeted for early 2013.

In 2011 we completed the fifth 4D seismic survey at Enfield. We are continuing to evaluate survey data and identify future infill well drilling opportunities in the field for execution in the 2014 time frame.

The Enfield Development currently includes eight oil-production wells, eight water-injection wells and two gas-injection wells tied back to the Nganhurra FPSO.

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 50.6 MMbbl of oil since start up in 2007. Production in 2011 was 7.8 MMbbl (3.9 MMboe Woodside share).

Facility reliability and availability remained strong through 2011.

The Stybarrow North Development, which was brought online in late 2010, continued to perform above expectation throughout 2011. As expected the well is now producing water with the crude oil and future production rates will follow natural field decline.

4D seismic work at Stybarrow was completed in 2011 and the results are being evaluated for future infill opportunities.

Mutineer oil field

Interest	WA-26-L; WA-27-L	8.20%
Operator	Santos	
Facilities	MODEC Venture II FPSO	
Location	~150 km north of Dampier, WA	
Water depth	~165 metres	
Products	Crude oil	
First production	March 2005	

Mutineer-Exeter has produced 55.7 MMbbl of oil since start up in 2005, and produced 2.0 MMbbl in 2011 (0.2 Woodside share).

In 2011 Woodside and its co-venturers explored options to extend field life through a near field tie-back. A Heads of Agreement was subsequently signed between the Mutineer-Exeter co-venturers and the co-venturers of the Fletcher Finucane development to tie-back to the existing Mutineer-Exeter FPSO.

Laminaria - Corallina oil field

Interest	Laminaria	59.90%*
	Corallina 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	

* 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.

The Laminaria-Corallina field has been a significant production success for Woodside, having produced more than 197.9 MMbbl of oil since starting production in 1999. Despite natural field decline and some production and maintenance outages in 2011, the Northern Endeavour delivered a high rate of production and overall strong asset performance.

At the end of 2011, the Northern Endeavour FPSO was producing 7,300 barrels of oil a day, bringing total annual production to 2.7 MMbbl (1.7 MMboe Woodside share).

Laminaria-Corallina currently comprises four production wells and one gas-injection well tied back to the Northern Endeavour FPSO.

Laverda oil field

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

The Laverda oil field was discovered in 2000 and is located approximately 10 km west of the Woodside operated Enfield oil field. An appraisal program, including both seismic and wells was initiated in 2010 and resulted in significantly improved reservoir understanding and an increased resource estimate.

Wells drilled at Laverda North (1 and 2), Opel and Laverda West all intersected oil at the Macedon level. The Laverda North wells discovered oil in a new horizon and this discovery was confirmed by an additional appraisal well at Laverda East-1.

Further appraisal of the newly discovered oil bearing sands will take place in 2012 with the drilling of Norton-1. This may lead to additional appraisal in 2012-13.

Outlook

Woodside is well positioned to optimise investment in its oil business, with a fleet of FPSOs, strategic acreage, and long-standing safe and reliable operatorship in challenging and sensitive offshore areas. In 2012 we will continue to assess infill development opportunities, as well as near-field drilling prospects.

Jarvas Croome

Vice President
Australia Oil

PLUTO LNG

Progressed from construction to commissioning during 2011. Production to start in 2012.

- 2005 Woodside discovers the Pluto gas field in April and announces a standalone LNG development in August. Woodside and Tokyo Gas sign a Heads of Agreement for the sale of LNG.
- 2006 Woodside's Board approves front-end engineering and design (FEED). Woodside and Kansai Electric sign a Heads of Agreement for the sale of LNG. The Xena gas field is discovered.
- 2007 Woodside's Board approves the foundation Pluto LNG Project on 27 July, conditional on environmental approvals. Engineering, procurement, construction and management contracts are awarded. State and Commonwealth environmental approvals are granted. Construction begins at the Pluto LNG Park and Gap Ridge accommodation village.



- 2008 Sale and purchase agreements with Tokyo Gas and Kansai Electric completed with each acquiring a 5% equity interest in the project. Construction work at the Pluto LNG Park progresses with the first modules for the LNG train arriving from Thailand.
- 2009 The Woodside Donaldson LNG tanker launched. Construction of Pluto A platform is completed.
- 2010 Last of the 264 LNG train modules arrives from Thailand.
- 2011 Gas flows from the Pluto reservoir for the first time following offshore completion. Woodside commissions the first greenfield LNG plant in Western Australia in 23 years.
- 2012 Pluto LNG first cargo scheduled for 2012 with the opportunity for future additional trains.

The impressive scale of the Pluto LNG plant and associated infrastructure is revealed as the construction and commissioning process draws to a close.



Business reviews

Pluto LNG



LNG and condensate bound for international customers will be loaded from the Pluto jetty.

2011 Key performance highlights

- First gas flows from Pluto reservoir.
- First greenfield LNG plant to be commissioned in WA in 23 years.
- A\$7.6 billion of local content delivered during construction phase.
- Around 15,000 Australian jobs created over the course of Pluto LNG Project construction.

Future objectives

- Safe and reliable start up.
- First cargo delivery to foundation customers.
- Produce 17 – 21 MMboe from Pluto LNG during 2012.

Execution of the project, from discovery of the gas field in 2005 to LNG cargoes scheduled for 2012, demonstrates Woodside's upstream and downstream capabilities.

Pluto LNG

Interest	WA-34-L	90%
	WA-269-P	66.67%
	WA-347-P	90%
	WA-348-P	90%
	WA-350-P	90%
	WA-389-P	65%
	WA-404-P	100%
	WA-428-P	70%
	WA-430-P	70%
	WA-433-P	70%
	WA-434-P	100%
	WA-448-P	50%
	WA-451-P	100%

Operator Woodside

Location Pluto and Xena fields, 190 km north-west of Karratha, WA

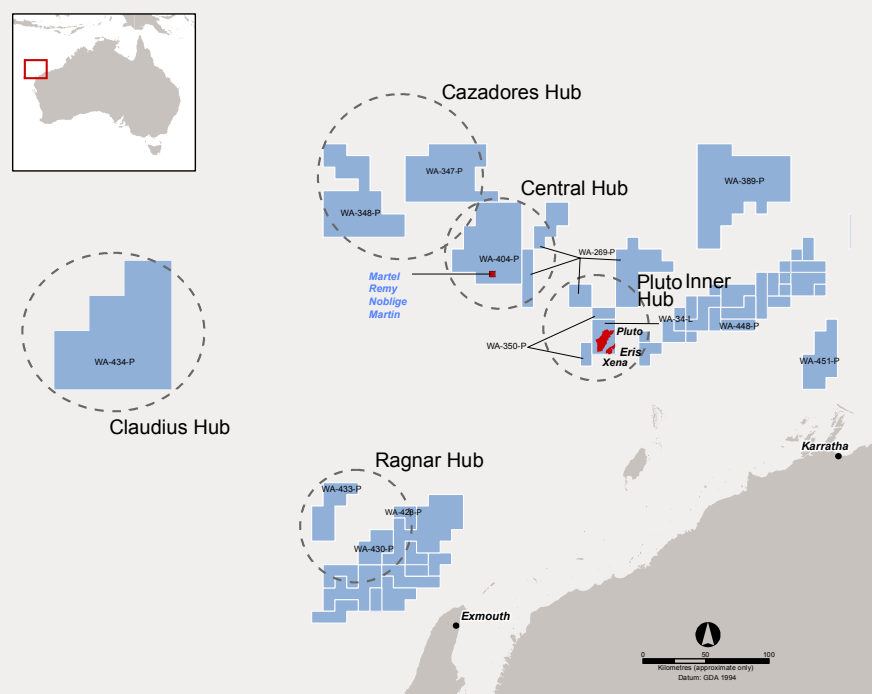
Water depth 400 - 1,000 metres

Greater Pluto

Proved + Probable Reserves* 5,002 Bcf dry gas, 72.6 MMbbl condensate

Acreage	(km ²)	Gross	Net
		24,955	21,521

Location of Woodside's petroleum titles in the Greater Pluto area



*Woodside share

Woodside permits ■ Wells ■ Gas | Woodside fields ■ Gas

Pluto production to start in 2012

Pluto LNG will deliver a step change in production for Woodside in 2012 through the company's 90% equity in the project.

Underpinned by 15-year sales contracts with foundation customers and participants Tokyo Gas and Kansai Electric, Pluto will provide significant long-term value to Woodside shareholders.

Pluto has harnessed and built on the extensive experience gained from constructing and operating five trains at the North West Shelf Project. As we near start up, Pluto has seen Woodside develop contemporary knowledge and experience in project construction and operations.

Pluto remains an outstanding achievement for Woodside – from discovery of the gas field in 2005, through to final investment decision in 2007, to first LNG cargo in 2012.

2011, a year of important milestones

The year began with completion of a sale and purchase agreement with Asean LNG Trading Co. Ltd (ALTCO), a subsidiary of Petronas International Corporation Ltd, for the supply of uncommitted cargoes from the Pluto LNG Foundation Project.

The agreement involves a high degree of flexibility for Woodside to sell up to 19 cargoes to ALTCO through to 2014.

In March, commissioning gas from the Dampier to Bunbury Natural Gas pipeline was introduced into the onshore plant. The pipeline gas allowed the plant's four 40 megawatt gas turbine generators to be started up for the first time.

Pipeline gas was used in April to pressurise some 240 km of offshore pipelines out to the Pluto gas field, in readiness for production from the Pluto reservoir.

In May the plant's Central Control Room was 'handed over' to the Production team, prior to completion of activities on the Pluto A platform and offshore infrastructure.

Moving into the second half of the year the main flare tower became operational in October, allowing major commissioning activities to begin.

This was followed by offshore ready for start up in November. Natural gas then flowed from the Pluto gas reservoir, through the Pluto A platform into the 180 km trunkline to the beach valve at the onshore plant.

In early January 2012 the jetty, storage and loading facilities were declared ready for start up and handed over to the Production team, enabling cooling of the LNG tanks and LNG transfer lines.

During the first quarter of 2012 final preparations for LNG production are being carried out.

Cost and schedule review

In June 2011 the date for first cargo from Pluto LNG was revised to March 2012 following a regular review of project progress. The cost of the project was revised to A\$14.9 billion (100% project) including estimates for cargo mitigation.

Health and safety improved in 2011

All Pluto key health and safety metrics improved markedly in 2011, including a reduction in recordable injuries of around 35% compared to 2010.

A number of education and communication activities were undertaken on site during the year to ensure the workforce managed changing construction risks as the project matured from a construction site to a live gas plant.

Building a better future for Indigenous people in the West Pilbara

In 2011 Pluto's A\$34 million Conservation Agreement with the Commonwealth Government continued to provide funding for a suite of programs which recognise, protect and conserve the National Heritage Values of the Dampier Archipelago.

Programs and activities covered arts, culture and heritage management, business development and employment opportunities, and community development. These activities also helped to build skills and capabilities within the Roebourne community.

Investing in our communities

Pluto funding provided financial and in-kind support to a range of local community projects and activities in 2011, which enhance social, cultural and economic capacity in the West Pilbara.

Woodside's Pluto employees volunteered their time to various not-for-profit organisations within the community, both of their own accord and through the company's volunteering program. Additionally, an annual call for employees to nominate community groups to receive a donation has helped link Pluto employees to community investment.

To keep the West Pilbara communities informed about the project's commissioning and start-up activities, 11 individual community engagement sessions were held and information leaflets were sent to all Karratha and Dampier residents.

➔ Refer to page 22 for further information on our community engagement and social investment.

Expansion plans progressing

Exploration offers opportunities to build on the value created by the foundation project and to leverage existing infrastructure, knowledge and capabilities.

Expansion drilling continued throughout 2011 with a commercial gas discovery at Martin-1. Appraisal work also progressed, with Noblige-2 completed during the year. Work is continuing into 2012 to build equity gas volumes.

Discussions continued with other resource owners regarding development of additional trains at Pluto.

Outlook

With first cargo scheduled for 2012, our key focus area for this year is the safe start up and reliable operation of Pluto LNG. As the Pluto story unfolds we will continue to focus on the delivery of safe and reliable production and in meeting our stakeholder commitments. In addition, value enhancement of the Pluto infrastructure will be pursued through cost-effective expansion from additional LNG trains.

Lucio Della Martina
Executive Vice President
Australia Business

Business reviews

Browse



Signing of the historic native title agreement with Goolarabooloo and Jabirr Jabirr Peoples.

2011 Key performance highlights

- Invitations to tender for major infrastructure issued.
- Contingent resource increase from 13.3 Tcf to 15.5 Tcf dry gas and 360 MMbbl to 417 MMbbl condensate (100% project).
- Native Title Agreement with Goolarabooloo and Jabirr Jabirr Peoples signed.
- Draft Upstream Environmental Impact Statement completed and released for public comment.
- Successfully completed 2011 3D seismic survey over Torosa field.

- 61 Indigenous people are directly employed by Woodside, our contractors, or on training pathways, for the Browse LNG Development.

Future objectives

- Successful FEED assurance.
- Evaluate Engineering, Procurement and Construction (EPC) tender bids.
- Finalise environmental approvals.
- Complete preparations for a final investment decision.

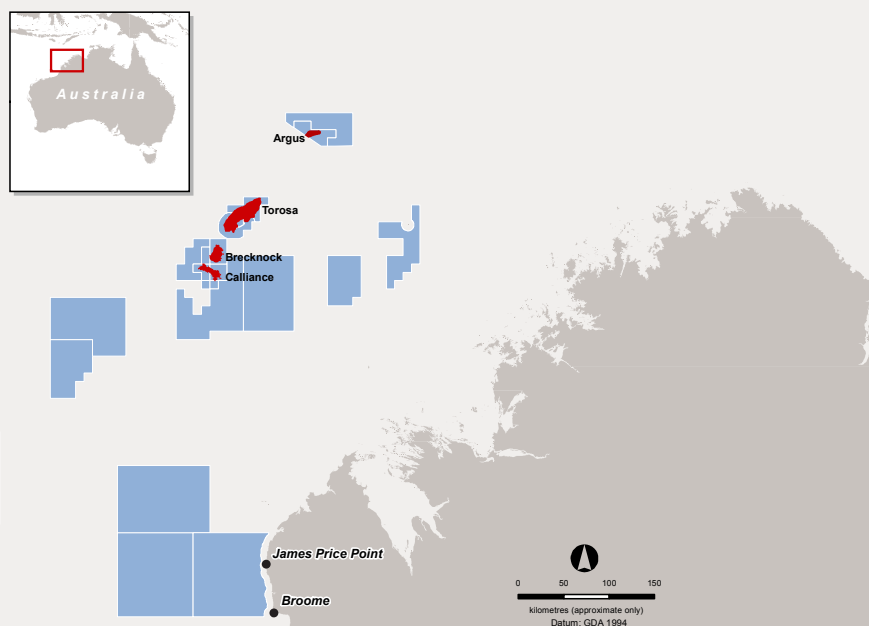
A focus on high quality outcomes in engineering design, commercial activities and environmental assessments puts the project in a strong position to progress and maximise the value of this resource.

Browse

Interest	TR/5; R2; WA-30-R	50%
	WA-31-R; WA-32-R	50%
	WA-28-R; WA-29-R	25%
	WA-275-P	25%
	WA-396-P; WA-397-P	50%
	WA-429-P	70%
	WA-432-P; AC/P48	70%
	AC/RL8	60%
	WA-415-P; WA-416-P	100%
	WA-417-P	100%
	WA-447-P; WA-449-P	75%
Operator	Woodside	
Location	Offshore 425 km north of Broome, WA	
Water depth	400 - 800 metres	
Contingent Resources*	7,110 Bcf dry gas, 191.8 MMbbl condensate	
Acreage	(km ²)	
	Gross	Net
	46,534	36,470

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

Location of Woodside's petroleum titles in the Browse area



Woodside titles | Woodside fields | Gas

A new frontier for Woodside

The Browse Basin is set to become Australia's next major offshore gas production province, and Woodside is well placed to capitalise on its success.

Woodside is the operator of the Browse Joint Venture, which includes three gas and condensate fields, Brecknock, Calliance and Torosa. Located approximately 425 km north of Broome in Western Australia, the Browse Basin holds Woodside's most significant resources outside the North West Shelf. Woodside also holds a number of other petroleum titles in the area. The resource volumes identified in the Calliance and Torosa fields have been revised as a result of ongoing analysis of seismic data. Total Browse contingent resources have been increased from 13.3 Tcf to 15.5 Tcf of dry gas, and from 360 million to 417 million barrels of condensate (100% project).

Woodside is the foundation proponent at the Western Australian Government's proposed Browse LNG Precinct. The Precinct is designed to maximise the benefits and minimise the environmental and social effects of LNG processing in the Kimberley, by co-locating multiple LNG proponents at a single, suitable site.

Competitive FEED process to drive innovation and cost efficiency

After the successful completion of basis of design studies in 2010, the Browse Joint Venture entered the front-end engineering and design (FEED) phase to further progress the development in line with the Browse retention lease conditions.

To drive innovation and cost efficiency, dual FEED contractors were selected for the downstream (onshore) project and for the upstream (offshore) drilling and production facilities. The selected major consortia and contractors have been invited to participate in a competitive tender for the engineering, procurement and construction of this important infrastructure.

FEED was supported by 420 Woodside staff and 2,000 contractors in 14 offices around the world. At the Precinct and offshore we made significant progress with the technical, environmental and heritage studies necessary to support the robust design and execution of the project.

Invitations to tender for major infrastructure were issued in the second half of 2011, and bids are expected to be received in the first half of 2012.

The Browse Joint Venture has written to the Commonwealth Minister for

Resources and Energy and the WA Minister for Mines and Petroleum seeking amendments to its Browse Basin retention leases. The request includes amending the condition relating to readiness for a final investment decision (FID) from mid 2012 to the first half of 2013.

Historic native title agreement signed

Woodside entered into a historic native title agreement with the Goolarabooloo and Jabirr Jabirr Peoples and the Western Australian Government. The agreement was reached after discussions dating back to 2007, and will provide a significant package of tangible initiatives and benefits to Indigenous people in the Kimberley, subject to a positive FID.

Woodside's commitments include at least 300 jobs for Kimberley Indigenous people during the construction phase. There will also be business opportunities over the life of the development, structured education programs, and training opportunities to help Kimberley Indigenous people participate in the oil and gas industry.

The native title agreement paves the way for the State to create the Browse LNG Precinct near James Price Point, about 60 km north of Broome. Woodside has started delivering on its commitments under the agreement, and is building strong relationships with Indigenous stakeholders in the Kimberley.

At the close of the year, Woodside had employed 12 Indigenous people in full-time work on Browse, including ten employees from the Kimberley. Another 30 Indigenous people are undertaking traineeships. Our sub-contractors engaged an additional 19 Indigenous people, while a number of Indigenous businesses in the Kimberley are providing products and services to the development.

Approval milestones reached

Two major environmental approvals milestones were reached in 2011. The Strategic Assessment Report for the Western Australian Government's Browse LNG Precinct completed its public review and the final documentation was submitted to regulators for assessment. The draft Environmental Impact Statement for the upstream component of the development was released for public review in November. We expect the environmental approvals process to be completed in 2012.

The Browse LNG Development has invested more than A\$80 million in baseline environmental studies to underpin

our environmental management plans for the project. Our commitment to excellence in environmental research was recognised during the year, when the company's partnership with the WA Museum won the WA Premier's Award for Excellence in Public Sector Management.

Positively engaging with local communities

Woodside commenced a major social impact assessment project in Broome and surrounding communities, which will underpin our engagement with the community over the expected 30-plus year life of the proposed Browse LNG Development. This will lead to a range of social impact management plans to ensure we continue to act as a responsible member of the communities in which we operate.

We have established a significant presence in the town of Broome and are working closely with people in the Kimberley to identify opportunities for our project to support the local community.

➔ Refer to page 22 for further information on our community engagement and social investment.

Further evaluation to assist resource definition

Woodside conducted a 3D seismic survey over the Torosa field in October and November of 2011. Known as Tridacna, the survey was undertaken using ocean bottom cable technology to collect additional subsurface data. This follows on from the pilot Gigas 2D survey that was conducted at north Scott Reef in May 2008. The survey was finished on time and on budget.

We expect the final data from Tridacna to be available in 2012. Further review of the Browse resources are planned for 2012.

Outlook

Woodside expects to complete the approvals for both upstream and downstream components of the project in 2012.

In 2012 our major focus will be preparing for the execute phase of the Browse LNG Development. This means conducting a rigorous assurance of the FEED data, and evaluating the engineering, procurement and construction bids in order to be ready to make a final investment decision in the first half of 2013.

Michael Hession
Senior Vice President
Browse

Business reviews

Sunrise



The Sunrise joint venture participants sponsored the Dili 'City of Peace' marathon as part of its ongoing social investment program.

2011 Key performance highlights

- Woodside's CEO visited Dili to meet key Timor-Leste stakeholders.
- These visits generated positive dialogue and a forward-looking relationship with the Timor-Leste Government.
- All parties involved with Greater Sunrise, including both Governments, confirmed their desire to see this resource developed.

Future objectives

- Build on the positive relationships with the Australian and Timor-Leste Governments.
- Continue engagement to gain a better understanding of the expectations and needs of key stakeholders.
- Agree a mutually beneficial development outcome.
- Grow and develop the social investment program in Timor-Leste.

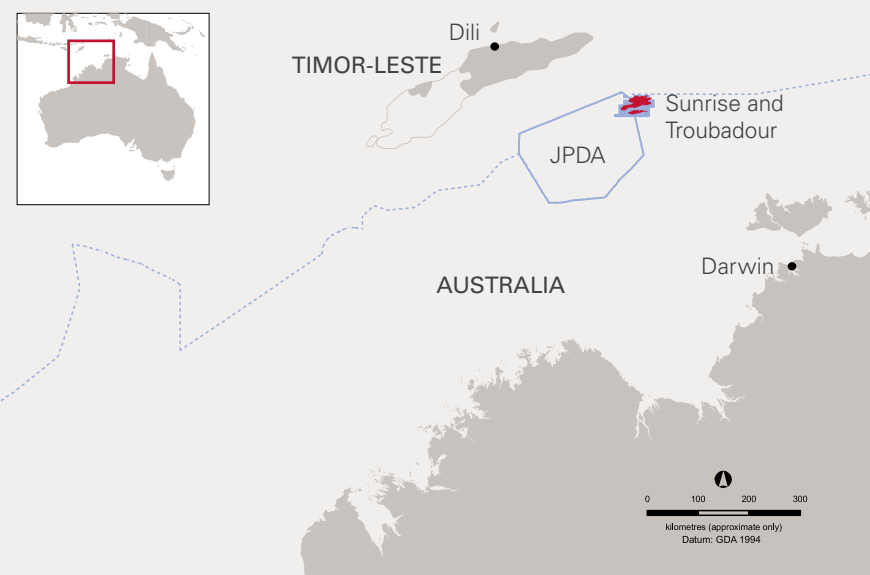
Positive engagement between key stakeholders in 2011, and a common desire to see the valuable Greater Sunrise resource developed, will underpin ongoing dialogue in 2012.

Sunrise

Interest	PSC JPDA 03-19; 33.44% PSC JPDA 03-20; (unitised) NT/RL2; NT/RL4		
Operator	Woodside		
Location	Offshore 150 km south-east of Timor-Leste and 450 km north-west of Darwin, Australia		
Water depth	Less than 100 metres to greater than 600 metres		
Contingent Resources*	1,717 Bcf dry gas, 75.6 MMbbl condensate		
Acreage	(km ²)	Gross	Net
		2,998	958

*Woodside share

Location of Woodside's petroleum titles in the Greater Sunrise area



Woodside permits ■ | Woodside fields ■ Gas

Background

The Sunrise and Troubadour gas and condensate fields, collectively known as the Greater Sunrise fields, are located approximately 150 km south-east of Timor-Leste and 450 km north-west of Darwin, Northern Territory.

The fields were discovered in 1974 and hold a total contingent resource of 5.13 Tcf of dry gas and 225.9 million barrels of condensate. These volumes were independently certified in 2010 and, once developed, will add significantly to Woodside's reserves.

According to the International Unitisation Agreement (IUA) signed by Australia and Timor-Leste, approximately 20% of the Greater Sunrise fields are attributed to the Joint Petroleum Development Area (JPDA), which is jointly administered by the governments of Australia and Timor-Leste, with the remaining 80% attributed to Australia.

Following ratification of the IUA and the Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS), Woodside and the Sunrise Joint Venture recommenced work on the Sunrise project.

The Sunrise Joint Venture undertook a detailed technical and commercial evaluation of three concepts, namely Floating LNG, a brownfield expansion of Darwin LNG and a greenfield gas plant located in Timor-Leste (Timor-Leste LNG).

The Sunrise Joint Venture unanimously selected Floating LNG in April 2010 as its preferred development concept for Greater Sunrise and prepared documentation detailing the basis of the selection.

In September 2010, at the request of the JPDA regulator, Woodside provided three Concept Evaluation Reports to the Australian and JPDA regulators. The reports detailed the technical and commercial evaluation of Floating LNG, Darwin LNG and the Timor-Leste Government's preferred concept of Timor-Leste LNG.

The Timor-Leste Government continued to publicly voice its preference for Timor-Leste LNG during 2011.

Momentum in 2011

In the second half of 2011 Woodside's CEO Peter Coleman visited Dili on two occasions and held productive meetings with senior Timor-Leste Government representatives and other key stakeholders. Woodside and the Sunrise Joint Venture also continued to engage with Australian and JPDA regulators on the way forward for Greater Sunrise.

During this positive dialogue, all stakeholders have confirmed their desire to see the Greater Sunrise fields developed, and the benefits from the development realised by the Governments and people of Australia and Timor-Leste.

The Sunrise Joint Venture remained strongly aligned and committed in 2011 to progressing the development of Greater Sunrise, as demonstrated by positive engagement with key project stakeholders.

Woodside and the Sunrise Joint Venture also continued their long standing social investment program in Timor-Leste in 2011. This includes ongoing support for a range of initiatives that deliver positive and sustainable community development

outcomes for the Timor-Leste people. Several examples of initiatives supported in 2011, include World Vision Timor-Leste's 'Water for Life' program and the Dili 'City of Peace' Marathon.

→ Refer to page 22 for further information on our community engagement and social investment.

Outlook

In 2012 Woodside and the Sunrise Joint Venture will build on the positive engagement with the Australian and Timor-Leste governments established during 2011.

Engagement will focus on obtaining a common understanding of the respective expectations and needs of the Timor-Leste and Australian Governments, and the Sunrise Joint Venture, resulting from the development of the Greater Sunrise fields.

This understanding will inform discussions aimed at agreeing a mutually beneficial development outcome.

In 2012, Woodside and the Sunrise Joint Venture will continue to grow and develop its social investment program in Timor-Leste.

The development of the Greater Sunrise fields offers both Australia and Timor-Leste a significant opportunity to generate a stable cash flow and other opportunities over a period of 30 years, and provides Woodside the opportunity to create shareholder value and deliver growth.

Jon Ozturgut
Senior Vice President
International Business

Business reviews

International



The Neptune tension leg platform in the Gulf of Mexico, producing oil and gas.

2011 Key performance highlights

- Obtained US exploration plan approvals under new regulatory requirements.
- Received full entitlement from Ohanet.
- Divested non-core Gulf of Mexico Shelf assets.
- Completed Libya divestment.

Future objectives

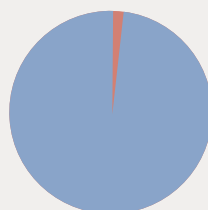
- Progress efforts to drill one appraisal well and re-complete one existing well at Neptune.
- Participate in exploratory drilling in the deepwater Gulf of Mexico.
- Advance efforts to drill the Panoramix-3 appraisal well in Brazil.
- Drill and operate the offshore Jujak-1 exploration well, in the Republic of Korea.

In 2011 Woodside continued to consolidate its focus on its core international assets and move key development, appraisal and exploration projects forward.

Gulf of Mexico key metrics (Woodside share)

		2011	2010
Sales revenue	(\$ million)	93	117
Net production	(MMboe)	1.1	2.2
Proved plus Probable reserves	(MMboe)	8.5	11
		Gross	Net
Acreage	(km ²)	2,220	982

Gulf of Mexico



Gulf of Mexico production
Woodside other

2%

98%

During 2011, United States production was derived from gas, condensate and oil operations in the Gulf of Mexico and contributed 1.1 MMboe to Woodside's annual production.

International key metrics, excluding Gulf of Mexico (Woodside share)

		2011	2010
Sales revenue	(\$ million)	43	55
Net production	(MMboe)	1.8	2.3
Proved plus Probable reserves	(MMboe)	0.0	1.9
		Gross	Net
Acreage	(km ²)	29,923	9,473

Ohanet production



Ohanet production
Woodside other

3%

97%

During 2011, other international production was derived from condensate and LPG operations in Algeria and contributed 1.8 MMboe to Woodside's annual production. The Ohanet risk sharing contract expired in October 2011.

United States

Neptune oil field

Interest	AT 573-575; 617; 618	WI 20% NRI 17.5%
Operator	BHP Billiton	
Location	Atwater Valley, 220 km offshore Louisiana, USA	
Water depth	~ 2,000 metres	
Products	Oil and gas	
First production	July 2008	

WI - Working interest, NRI - Net revenue interest

Neptune is a multi-well subsea development tied back to a standalone tension leg platform (TLP).

The operator continued field optimisation efforts through a bottom hole pressure reduction campaign for the producing wells during 2011. This campaign has allowed the field's production to remain relatively steady since Q2 2011.

The near-term development plan for Neptune includes additional appraisal drilling and the re-completion of one existing well.

Power Play oil field

Interest	GB 302	WI 20% NRI 16.3%
Operator	Anadarko	
Location	Garden Banks, 200 km offshore Louisiana, USA	
Water depth	700 metres	
Products	Oil and gas	
First production	June 2008	

WI - Working interest, NRI - Net revenue interest

Power Play is a subsea tieback to the deepwater Baldpate facility. The current producing zone at the Power Play well continued to outperform expectations during 2011.

The near-term development plan for Power Play includes a well recompletion to a higher rate zone once the current producing zone is depleted.

Divested Gulf of Mexico Shelf assets

Woodside executed a sale and purchase agreement in 2011 and subsequently divested all of its Gulf of Mexico Shelf assets for a cash consideration and the purchaser's assumption of future plug and abandonment liabilities associated with these properties.

Permitting momentum continues

Exploration plans for two of Woodside's prospects were approved in September 2011 in accordance with new regulatory requirements. Woodside continues to work closely with regulators to advance regulatory approvals for its exploration portfolio.

Outlook

Woodside will focus in 2012 on reducing the effects of natural field decline for its Gulf of Mexico properties. At Neptune, Woodside expects the Joint Venture to progress efforts to drill one appraisal well and re-complete one existing well.

Woodside expects to participate in exploratory drilling operations in the deepwater Gulf of Mexico in 2012.

Other

Ohanet condensate and LPG

Interest	Ohanet North; Ohanet South; Askarene Guelta; Dimeta West	15%
Operator	BHP Billiton	
Facilities	Ohanet Gas Processing Plant	
Location	Onshore Illizi Basin, Southern Algeria	
Products	LPG and condensate	
First production	October 2003	

In 2011 the Ohanet Joint Venture received its full revenue entitlement of US\$43.6 million (Woodside share), which equals 1.1 million barrels of condensate and 88,521 tonnes of LPG. These volumes were calculated using the ten-year oil price prevailing at the time of initial production. Woodside's Risk Sharing Contract for Ohanet production ceased on 27 October 2011.

Libya

Woodside 45% (operator)

On 11 January 2011 Woodside signed a sale and purchase agreement for the sale of its interests in the EPSA* III contract and has received the cash consideration of \$6 million.

Canary Islands

Woodside 30% (non-operator)

Woodside holds a 30% interest in blocks 1-9 operated by Repsol. Activity remains suspended until such time as a Royal Decree will provide full rights to permit activity.

Brazil

Woodside 12.5% (non-operator)

Woodside holds a 12.5% interest in two concession agreements covering 1,400 km² in the Santos Basin, offshore south-east Brazil. The blocks are about 180 km south-east of Sao Paulo. Woodside continues to evaluate the Panoramix oil field. The Joint Venture has elected to relinquish an area covering 1,062 km² to focus on drilling the Panoramix-3 appraisal well in late 2012.

Peru

Woodside 20% (non-operator)

Woodside has a 20% interest in onshore block 108 which is operated by Pluspetrol. Covering approximately 12,000 km², block 108 includes the entire, highly prospective, Ene Basin with numerous large leads and oil seeps. The exploration block is currently under force majeure conditions. Once the force majeure conditions cease, the Joint Venture plans to acquire 800 km of 2D seismic, potentially in 2013.

Republic of Korea

Woodside 50% (operator)

Woodside holds a 50% interest in offshore block 8/6-1 N, which covers 9,922 km². Woodside and the Korea National Oil Corporation had planned to drill the Jujak-1 exploration well in late 2011. The drilling has been postponed to 2012 due to a delay in the availability of a suitable drilling rig.

* EPSA - Exploration Production Sharing Agreement.

Governance

Board of Directors



Directors' details are listed on this page and the next in order of appearance from left to right.

Michael A Chaney, AO

Chairman

BSc, MBA, Hon LLD (UWA), FAICD

Term of office: Director since November 2005. Chairman since July 2007.

Independent: Yes.

Age: 61.

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

Chair: National Australia Bank Limited (director since 2004), Gresham Partners Holdings Limited (director since 1985), Commonwealth Advisory Council on International Tertiary Education (since 2011)

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

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

Member: JP Morgan International Council.

Peter J Coleman

Managing Director and CEO

BEng, MBA

Term of office: Director since May 2011

Independent: No

Age: 51.

Experience

27 years experience with the ExxonMobil group in the global oil and gas business, culminating as Vice President Development Company, with responsibility for leading development and project work in the Asia Pacific.

Committee membership

Attends Board committee meetings.

Current directorships

Member: The University of Western Australia Business School Board (since 2011) and the Executive Committee of the Australia Japan Business Co-operation Council (since 2011).

Commissioner: West Australian Football Commission (since 2012).

Melinda A Cilento

BA, BEc (Hons), MEd

Term of office: Director since December 2008.

Independent: Yes.

Age: 46.

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:

Director: Wesfarmers General Insurance Limited (since 2010).

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

Councillor: Victorian Division of the Australian Institute of Company Directors.

Member: Advisory Panel of the Australian Scholarships Foundation and Advisory Council of the Global Foundation.

Erich Fraunschiel

BCom (Hons)

Term of office: Director since December 2002.

Independent: Yes.

Age: 66.

Experience

More than 18 years experience in senior executive positions with Wesfarmers Limited, including 10 years as CFO and Executive Director.

Committee membership

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

Current directorships

Chair: Wesfarmers General Insurance Limited (since 2003).

Director: The WCM Group Ltd (since 2005) and WorleyParsons Limited (since 2003).

Christopher M Haynes, OBE

BSc, DPhil, CEng, FIMechE

Term of office: Director since June 2011.

Independent: Yes

Age: 64.

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. Retired from Shell on 31 August 2011.

Committee membership

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

Current directorships

Director: WorleyParsons Limited (since 2012).

Andrew Jamieson, OBE

F.R.Eng., C.Eng., F. Inst Chem E.

Term of office: Director since February 2005.

Independent: Yes.

Age: 64.

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

Director: Leif Hoegh & Co Ltd (since 2009), Oxford Catalysts Group PLC (since 2010) and Seven Energy International Limited (since 2011).

Pierre JMH Jungels, CBE

PhD (Geophysics and Hydraulics)

Term of office: Director since December 2002.

Independent: Yes.

Age: 68.

Experience

Former CEO of Enterprise Oil plc and President of the Institute of Petroleum. More than 30 years experience in the international oil and gas industry.

Committee membership

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

Current directorships

Chair: Oxford Catalysts Group PLC (since 2006) and Rockhopper Exploration plc (since 2005).

Director: Baker Hughes Inc (since 2006).

Directorships of other listed entities

within the past three years: Imperial Tobacco Group PLC (2002 to February 2012).

David I McEvoy

BSc (Physics), Grad Dip (Geophysics)

Term of office: Director since September 2005.

Independent: Yes.

Age: 65.

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

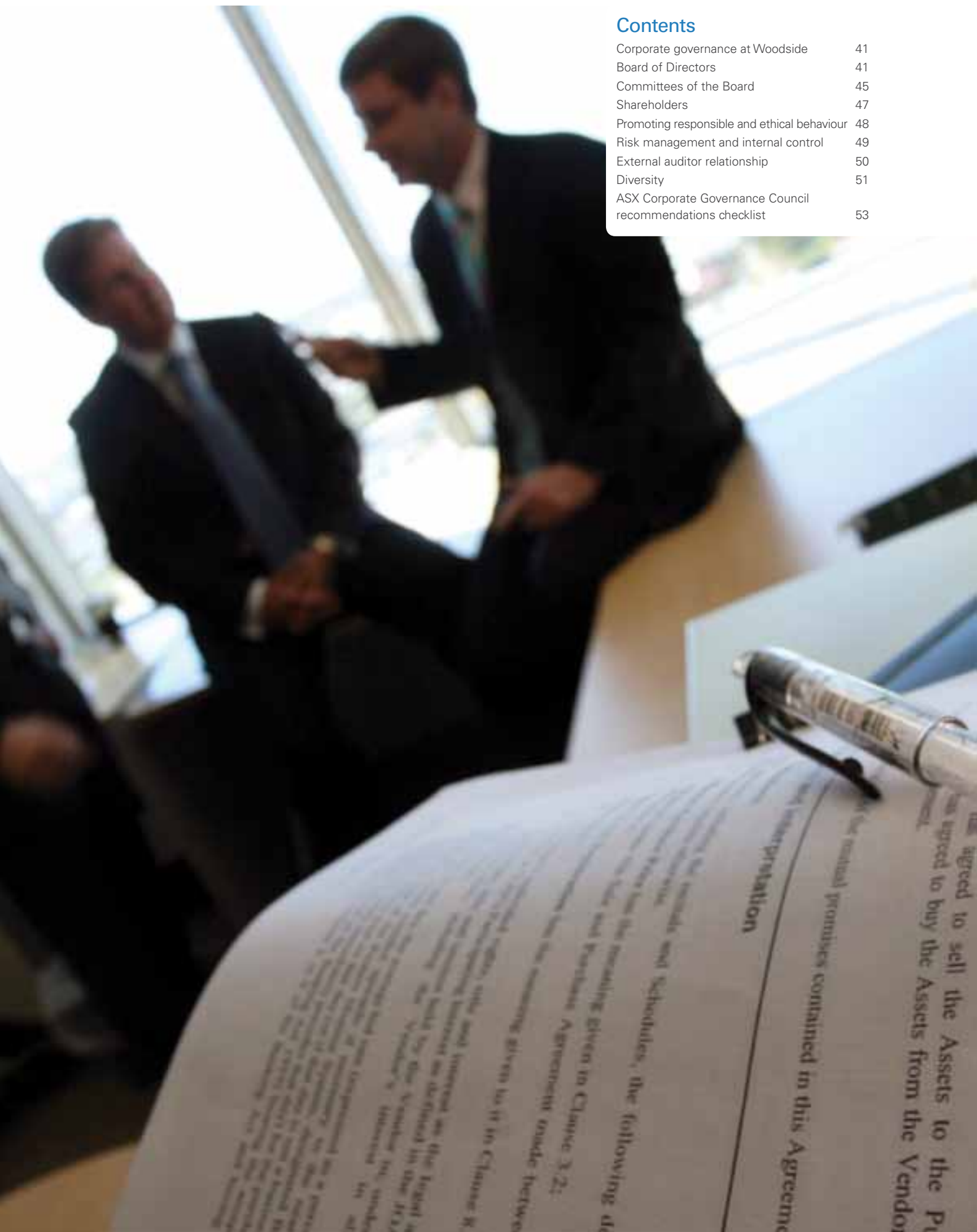
Director: Acer Energy Limited (since 2002), AWE Limited (since 2006) and Po Valley Energy Ltd (since 2004).

Governance

Corporate governance statement

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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 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.

The company, as a listed entity, must comply with the *Corporations Act 2001*

(*Cwlth*) (Corporations Act), the Australian Securities Exchange (ASX) Listing Rules (ASX Listing Rules) and other Australian and international laws. The ASX Listing Rules require the company to report on the extent to which it has followed the Corporate Governance Recommendations contained in the ASX Corporate Governance Council's (ASXCGC) second edition of its Corporate Governance Principles and Recommendations (August 2007). Woodside believes that, throughout the 2011 year and to the date of this report, it has complied with all the ASXCGC Recommendations.

A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this statement and the Remuneration Report is provided on page 53.

➔ Information on Woodside's governance framework is also provided in the corporate governance section of Woodside's website (www.woodside.com.au).

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

ASXCGC Recommendations 1.1, 1.3

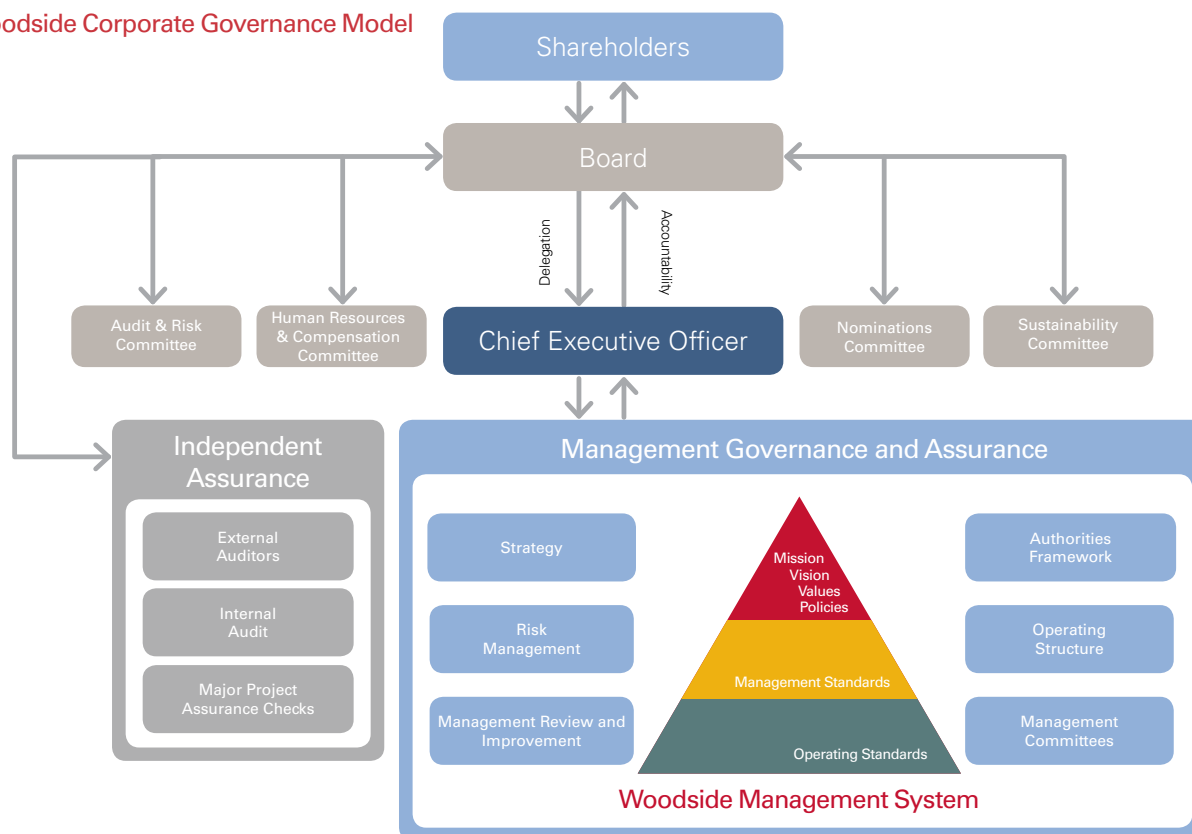
The Constitution provides that the business and affairs of the Company are to be managed by or under the direction of the Board. The Board has approved a formal Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Woodside's business activities is delegated to the 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 and the Company Secretary and determination of their remuneration and conditions of service;

Woodside Corporate Governance Model



Governance

- approving the appointment and, where appropriate, the removal of executives who report directly to the CEO together with 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 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;
- 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

ASXCGC Recommendations 2.1, 2.2, 2.3, 2.6

The Board is comprised of seven non-executive directors and the CEO. Details of the directors, including their qualifications, experience, date of appointment and independent status, are set out on pages 38 and 39.

The Board and its committees actively seek to ensure that the Board continues to have the right balance of skills, knowledge and experience 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, independent and an Australian citizen or permanent resident;
- 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.

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.

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. While the directors on the Board represent a diverse range of nationalities and backgrounds, the Board recognises the current gender imbalance and the opportunity to address this upon future retirements of non-executive directors.

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

2.3 Chairman

ASXCGC Recommendations 2.2, 2.3

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 page 38), 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

ASXCGC Recommendations 2.1, 2.6

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;
- has within the last three years been a principal of a material professional adviser or a material consultant to the company or another Group member, or an employee materially associated with the service provided;

- is a material supplier or customer of the company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the company or another Group member other than as a director.

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 changes 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 seven of the eight directors are independent. The director that is not considered independent is Mr Peter Coleman 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.

Mr Erich Fraunschiel and Dr Haynes serve 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 2011 exceeded 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 Mr Fraunschiel and Dr Haynes remain independent. Where a matter involving WorleyParsons Limited comes before the Board, the Directors' Conflict of Interest Guidelines apply (refer section 2.5 below).

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 pages 38 and 39.

Three 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. 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 judgment 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

ASXCGC Recommendation 2.6

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 a skills matrix 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.

Recognising the importance of Board renewal, the committee takes each director's tenure into consideration in its succession planning. As a general rule directors are not expected to serve on the Board beyond 10 years.

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;

Governance

- 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.

→ 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 is available in the corporate governance section of Woodside's website.

CEO succession planning is considered by the Nominations Committee and during Board sessions without management present. In October 2010 Mr Don Voelte advised that he intended to retire from Woodside during the second half of 2011. The Board directly engaged executive recruitment specialists, to conduct an extensive internal and external search for the company's next CEO. The search culminated in the appointment by the Board of Mr Coleman as the CEO and Managing Director of Woodside with effect on 30 May 2011.

2.7 Directors' retirement and re-election

ASXCGC Recommendation 2.6

Non-executive directors must retire at the third AGM following their election or most recent re-election. At least one non-executive 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 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.

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. Directors are encouraged to undertake continuing professional education including industry seminars and approved education courses. These 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

ASXCGC Recommendations 1.3, 2.5, 2.6

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.

→ A description of the company's process for evaluation of the Board, its committees and individual directors is available in the corporate governance section of Woodside's website.

The Remuneration Report on pages 55 to 69 discloses the process for evaluating the performance of senior executives, including the CEO. In 2011, 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

ASXCGC Recommendation 2.6

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 55 to 69. 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 2012 AGM.

2.12 Board meetings

During the year ended 31 December 2011, the Board held six Board meetings. In addition, site visits and a strategic planning session were held in conjunction with the June Board meeting. Details of directors' attendance at Board meetings are set out in Table 1 on page 46.

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, the General Counsel 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 presided over 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 page 54 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.

3 Committees of the Board

3.1 Board committees, membership and charters

ASXCGC Recommendations 2.4, 2.6, 4.1, 4.2, 4.3, 4.4, 8.1, 8.2, 8.4

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 1 on page 46.

All directors are entitled to attend meetings of the standing committees. Papers considered by the standing committees are available on request to 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 2011 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

ASXCGC Recommendations 4.1, 4.2, 4.3, 4.4

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.

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The committee's charter requires that the committee be composed of directors who are financially literate, with at least one director possessing accounting or related financial expertise and qualifications, and at least one director who has experience in, and an understanding of, the oil and gas industry. The chairman of the Audit & Risk Committee cannot be the Chairman of the company.

Members of the Audit & Risk Committee are identified in Table 1 below which sets out their attendance at meetings. Their qualifications are listed on pages 38 and 39.

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

- monitoring developments in accounting and financial reporting relevant to Woodside;
- approval of the scope, plan and fees for the 2011 external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices;
- review of Internal Audit reports and approval of the 2012 Internal Audit program;

- review of the Group's key risks and risk management framework;
- review of reports from management on the effectiveness of the Group's management of its material business risks;
- monitoring progress of the Woodside Management System and matters arising under the Code of Conduct and the Whistleblower Policy; and
- review and recommendation 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 General Counsel, the Group Financial Controller, the head of Internal Audit, the head of Corporate Risk 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 with the external auditors without management present.

The Committee meets semi-annually with Woodside's internal auditors without management present.

3.3 Nominations Committee

ASXCGC Recommendations 2.4, 2.6

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 1 below 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 and CEO succession planning, including recommending that the Board appoint Mr Coleman as CEO and Managing Director and Dr Haynes as a non-executive director;

Table 1 - Directors in office, committee membership and directors' attendance at meetings during 2011

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 Director										
PJ Coleman ⁽³⁾	4	4		4		3		4		2
DR Voelte (CEO) ⁽⁴⁾	2	2		2		2		2		1
Non-executive directors										
MA Chaney	6	6		4		5		4	4	4
MA Cilento	6	6		5	7	7	6	6	4	4
E Fraunschiel	6	6	6	6			6	6	4	4
C Haynes ⁽⁵⁾	4	4		1	3	3	3	3	2	2
A Jamieson	6	6		2	7	7 ⁽⁶⁾	6	6	4	4
PJMH Jungels	6	6	6	6	7	7		4	4	4
DI McEvoy	6	6	6	6			6	6	4	4
D Megat ⁽⁷⁾	2	2			3	3	2	2	2	2
I Robertson ⁽⁷⁾	2	2	2	2					2	2

Legend:

- Current Chairman
- Current member
- Prior Chairman
- Prior member

Notes:

- (1) 'Held' indicates the number of meetings held during the period of each director's tenure.
- (2) 'Attended' indicates the number of meetings attended by each director.
- (3) Mr Coleman was appointed a director with effect on 30 May 2011.
- (4) Mr Voelte retired with effect on 29 May 2011.
- (5) Dr Haynes was appointed to the Board and the Nominations Committee with effect on 1 June 2011 and to the Human Resources & Compensation and Sustainability Committees on 15 June 2011.
- (6) Dr Jamieson was appointed chairman of the Human Resources & Compensation Committee on 19 April 2011.
- (7) Messrs Megat and Robertson retired with effect on 20 April 2011.

- making recommendations to the Board regarding the directors seeking re-election at the 2012 AGM; and
- approval of the process for the annual Board performance evaluation.

3.4 Human Resources & Compensation Committee

ASXCGC Recommendations 8.1, 8.2, 8.4

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 1 on page 46 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 and recommending for adoption by the Board an internal procedure on the use of remuneration consultants;
- 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 and senior executives;
 - employee equity based plans; and
 - the annual Remuneration Report.

Review of the 2011 performance of the CEO and executive succession planning was conducted by the Board.

The Chairman, the CEO, the head of the Corporate function and the head of the Human Resources department 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 1 on page 46 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;
- monitoring Australian government policy development in respect of climate change and reviewing Woodside's initiatives to reduce greenhouse gas emissions;
- review of delivery against Woodside's Reconciliation Action Plan commitments;
- review of social investment themes and planned expenditure; and

- approval of the annual Sustainable Development Report.

→ Further information on the activities of the Sustainability Committee is provided in the Sustainable Development Report which is available in the sustainable development section of Woodside's website.

The Chairman, the CEO, the head of the Corporate function, the head of the Health and Safety function, the head of the Production function and the head of the Environment department are regular attendees at Sustainability Committee meetings.

4 Shareholders

4.1 Shareholder communication

ASXCGC Recommendations 6.1, 6.2

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's Continuous Disclosure and Market Communications Policy encourages effective communication with its 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.

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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.

The company produces a short form annual and half-year shareholder review. The Annual Report, Sustainable Development Report and 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.

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 2011 AGM and are expected to attend the 2012 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

ASXCGC Recommendations 5.1, 5.2

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 reporting processes and controls and setting guidelines for the release of information. The Disclosure Committee is comprised of senior executives.

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. 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 Code of Conduct and Whistleblower Policy

ASXCGC Recommendation 3.1

Woodside has a Code of Conduct which outlines Woodside's commitment to appropriate and ethical corporate practices.

The Code of Conduct describes Woodside's mission, vision and values together with the business principles approved by the Board. It sets out the principles, practices and standards of personal and corporate behaviour Woodside expects in daily business activities. The Code of Conduct covers 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 Code of Conduct is available in the corporate governance section of Woodside's website.

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

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

→ The Sustainable Development Report, which is available in the sustainable development section of Woodside's website, provides further information on the Code of Conduct.

Directors and senior management are required to provide annual certification of their compliance with the Code of Conduct and 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 manager and all employees and contractors within their area of responsibility with the Code of Conduct, Securities Dealing Policy, Whistleblower Policy, and 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

ASXCGC Recommendation 8.4

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. This requirement does not apply to non-executive directors that do not receive their directors' fees directly.

Non-executive directors (other than 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. 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 head of the relevant business unit or function, 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

ASXCGC Recommendations 7.1, 7.4

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:

- identifies, assesses, monitors and manages business risk;
- identifies material changes to the company's risk profile; and
- designs, implements and monitors the effectiveness of the internal compliance and control system.

→ 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 effective management of risk is vital to delivering on its objectives, success and continued growth. Woodside's approach to risk enhances opportunities, reduces threats and sustains Woodside's competitive advantage. Woodside is committed to managing all risk in a proactive and effective manner.

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 Corporate Risk department, separate to Internal Audit, and aligns its risk management process with the International Standard for risk management (ISO 31000 Risk Management). Risks are identified, assessed and ranked using a common methodology. Where a risk is assessed as material it is reported to and reviewed by senior executives.

Governance

6.2 Risk management roles and responsibilities

ASXCGC Recommendations 7.2, 7.4

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 designing, implementing, reviewing and providing assurance as to the effectiveness of the Risk Management Policy. This responsibility includes developing business risk identification, implementing appropriate risk treatment, strategies and controls, monitoring effectiveness of controls and reporting on risk management capability and performance. Within each major business and functional area there is a designated risk and assurance person, with specific responsibilities designed to guide compliance and reporting.

Every organisational unit has a risk management section within its annual business plan, and these plans are discussed at regular performance reviews.

The Corporate Risk department is responsible for the risk management process; risk management capability; and providing reports to the Audit & Risk Committee on the corporate risk profile and the Group's risk management performance.

In 2011, both the Audit & Risk Committee and the Board reviewed the overall 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, financial, environmental, legal and compliance, social and cultural, reputational, and security exposure.

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. All 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 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

ASXCGC Recommendations 7.3, 7.4

The Board receives regular reports on the Group's financial and operational results.

Before the adoption by the Board of the 2011 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 and that the system is operating effectively in all material respects in relation to financial reporting risks.

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

ASXCGC Recommendation 4.4

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 (IFAC).

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 reinvolverment of a previous audit partner in the audit service for two years following rotation. In 2011, in accordance with these requirements, Mr Russell Curtin of Ernst & Young became the audit partner of Woodside, replacing Mr Greg Meyerowitz of Ernst & Young.

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

ASXCGC Recommendations 3.2, 3.3, 3.4, 3.5

Woodside recognises that a talented and diverse workforce is a key competitive advantage and our success is a reflection of the quality and skills of our people. To this end a key focus of leadership at Woodside is the development of a workplace climate that promotes diversity as a key contributor to our business success, including diversity in gender, race and geographic location.

→ A copy of Woodside's Diversity Policy is available in the corporate governance section of Woodside's 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 and supportive culture;
- providing diversity education and training as well as undertaking diversity initiatives and measuring their effectiveness;
- the Board reviewing Woodside's diversity strategy at least annually; 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.

During 2011, Woodside continued to meet its specific commitments under its Reconciliation Action Plan to increase Indigenous participation at Woodside. Woodside increased Indigenous employment by over 45% and now has 84 Indigenous employees and 64 people on Indigenous pathway programs. Woodside implemented a leadership program for middle management in 2011, focusing on Woodside's commitments within the Reconciliation Action Plan along with programs to support Indigenous employees such as formal mentoring and supervisor training. 465 employees completed cultural awareness training across all of Woodside's geographical locations.

Woodside continued to undertake diversity initiatives in 2011, aimed at assisting gender diversity across the organisation, particularly at senior executive levels and in underrepresented roles. A key initiative during 2011 was the implementation of a diversity awareness workshop across the organisation which aims to assist Woodside leaders better understand all aspects of diversity in the workplace. Most senior managers participated in the program in 2011 and the workshop will continue to be rolled out to the next layer of management in 2012.

A diversity council was established in 2011, comprised of senior executives from across the business. The group will have an important role in the company's diversity strategy in 2012, particularly in supporting implementation of the strategy throughout Woodside's business units and functions.

During 2011, the percentage of female attrition remained steady and there was a slight overall increase in the proportion of women across the organisation. Women are represented at all levels within the organisation, with women filling approximately 10% of senior roles. The focus in 2012 will continue to be on building a strong pipeline of female talent to fill senior roles in the future.

Table 2 on page 52 sets out Woodside's 2011 measurable objectives, as disclosed in the 2010 Annual Report, and progress made towards achieving those objectives.

The 2012 measurable objectives agreed by the Board to improve gender diversity are set out below. Woodside will report on progress in achieving these objectives in its 2012 annual report.

Graduates

Achieve gender balance in Woodside's graduate intake.

Senior management development

Increase the representation of women in senior management roles.

Executive development

Increase the number of senior women who are ready to move into executive leadership roles.

Remuneration

Remuneration equity between men and women on salary line and job level basis.

Voluntary turnover

Female turnover levels no greater than organisational turnover levels.

Attraction and retention

Increase overall percentage of women employed by Woodside.

Education and awareness

- Leading Diverse Teams program rolled out to 300 managers.
- Equal Employment Opportunity program rolled out to 150 managers.
- Selection and promotion program rolled out to 100 managers.

Governance

Table 2 - Woodside's 2011 measurable diversity objectives

2011 measurable objectives	Progress
300 senior employees per annum to attend Woodside's diversity awareness program	Since its inception in September 2010, 275 senior employees have attended Woodside's diversity awareness program, representing almost all senior managers at Woodside. The focus in 2012 will be to engage the next layer of Woodside's management in the program.
Reduction in the rates of attrition in female employees identified as high talent, through a formal mentoring program for female employees	During 2011 Woodside encouraged all women identified as high talent to take part in the company's formal mentoring program. At 31 December 2011, almost half of those employees had entered into a formal career mentoring relationship. Many of the women mentored have now gone on to become mentors for other women in the organisation. In 2011, the attrition rate for female employees identified as high talent was 3.5%, 3.3% lower than the overall attrition rate at Woodside for 2011.
Continued promotion of career opportunities in the resource sector including presentations at career expositions, schools and universities and other suitable forums	Woodside continued to promote career opportunities in the resource sector in 2011, including presentations to the International Conference on Women in Science and Engineering and to secondary and tertiary students at the Australian Oil and Gas Exhibition and Conference. Presentations were also given by Woodside at a number of career expositions, schools and universities during the period. Woodside's involvement with major industry bodies provides the opportunity for the company to profile some of its high talent female employees on external reference groups, in addition to being submitted for awards that recognise excellence in their chosen fields. Woodside worked closely with APPEA in 2011 to provide input to an industry specific careers video that targets schools and universities.
Senior managers to meet or formally contact women on parental leave at least quarterly	Woodside has had a formal guideline in place since 2007 which continues to apply. It aids both employees and managers with the transition to and back from parental leave, and specifically provides flexibility for women to determine the level of contact they wish to be maintained while on parental leave. This has meant women set contact levels they were comfortable with, which may have been greater or less than quarterly dependent upon their wishes. A specific survey will be sent to women who have returned from parental leave in 2011 or 2012 to obtain feedback on opportunities for improvements in Woodside's processes.
Senior executives to review the career development plans of female middle management employees annually to ensure their appropriateness in developing and retaining Woodside's female talent	The career development plans of all female middle management employees were assessed during 2011 to ensure their appropriateness in developing and retaining Woodside's female talent. The review highlighted that additional work is required to ensure that all female middle management employees have suitable career development plans in place. A program to assist managers in their development conversations was completed by managers identified as requiring training in this area. The implementation of a learning management system by Woodside in early 2012 will provide improved transparency around the quality of development plans in place and progress against them.
Formal annual review of all part-time work arrangements to ensure roles are appropriate to maintain career development	No formal review of part-time work arrangements took place in 2011. Tools will be developed in 2012 to allow Woodside to undertake a wholesale review of part-time work arrangements to ensure Woodside has sufficient sustainable part-time roles available. The review will be finalised and any recommendations implemented in 2013.

➔ Further information regarding Woodside's commitment to diversity is available on pages 42 and 43 of Woodside's 2011 Sustainable Development Report which is available in the sustainable development section of Woodside's website.

Table 3 - Woodside workforce gender profile

	Female	Female %	Male	Male %
Administration	254	67.0	125	33.0
Technical	347	25.2	1,031	74.8
Supervisory / Professional	368	26.2	1,037	73.8
Middle Management	63	9.7	587	90.3
Senior Management	2	4.5	42	95.5
Total	1,034	26.8	2,822	73.2
Board Members	1	12.5	7	87.5

9 ASX Corporate Governance Council Recommendations Checklist

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	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2.1	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Remuneration Report	✓
1.3	Companies should provide the information indicated in Guide to Reporting on Principle 1.	2.1, 2.9, Remuneration Report	✓
Principle 2: Structure the board to add value			
2.1	A majority of the board should be independent directors.	2.2, 2.4	✓
2.2	The chair should be an independent director.	2.2, 2.3	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2.2, 2.3	✓
2.4	The board should establish a nomination committee.	3.1, 3.3	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	2.9	✓
2.6	Companies should provide the information indicated in Guide to Reporting on Principle 2.	2.2, 2.4, 2.6, 2.7, 2.9, 2.10, 3.1, 3.3	✓
Principle 3: Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or summary of the code as to: - the practices necessary to maintain confidence in the company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1	✓
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	8	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	8	✓
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	8	✓
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	8	✓
Principle 4: Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee.	3.1, 3.2	✓
4.2	The audit committee should be structured so that it: - consists only of non-executive directors - consists of a majority of independent directors - is chaired by an independent chair, who is not chair of the board - has at least three members.	3.1, 3.2	✓
4.3	The audit committee should have a formal charter.	3.1, 3.2	✓
4.4	Companies should provide the information indicated in Guide to Reporting on Principle 4.	3.1, 3.2, 7	✓
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	4.2	✓
5.2	Companies should provide the information indicated in Guide to Reporting on Principle 5.	4.2	✓
Principle 6: Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	4.1	✓
6.2	Companies should provide the information indicated in Guide to Reporting on Principle 6.	4.1	✓
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6.1	✓
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6.2	✓
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6.4	✓
7.4	Companies should provide the information indicated in Guide to Reporting on Principle 7.	6.1, 6.2, 6.4	✓
Principle 8: Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee.	3.1, 3.4	✓
8.2	The remuneration committee should be structured so that it: - consists of a majority of independent directors - is chaired by an independent chair - has at least three members.	3.1, 3.4	✓
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration Report	✓
8.4	Companies should provide the information indicated in Guide to Reporting on Principle 8.	3.1, 3.4, 5.2	✓

Governance

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 2011.

Directors

The directors of Woodside Petroleum Ltd in office at any time during or since the end of the 2011 financial year are set out in Table 1 on page 46. Additional information on the directors (including qualifications and experience and directorships of listed companies held by the directors at anytime in the last three years) is set out on pages 38 to 39.

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 1 on page 46.

Details of director and senior executive remuneration is set out in the Remuneration Report on pages 55 to 69.

The particulars of directors' interests in shares of the company as at the date of this report are set out on page 70.

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 and non-recurring items was \$1,507 million (\$1,575 million in 2010).

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 pages 1 to 37.

Significant changes in state of affairs

The review of operations (pages 1 to 37) 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 US55 cents (2010: US55 cents), payable on 4 April 2012. The amount of this dividend will be US\$443 million (2010: US\$431 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 is provided on page 23.

Through its 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 2011.

Dividends

The directors have declared a final dividend out of profits of the company in respect of the year ended 31 December 2011 of US55 cents per ordinary share (fully franked) payable on 4 April 2012.

A fully franked final dividend of US55 cents per ordinary share was paid to shareholders on 6 April 2011 in respect of the year ended 31 December 2010. Together with the fully franked interim dividend of US55 cents per share paid to shareholders on 30 September 2011, the total dividend paid during the 2011 year was US110 cents per share fully franked.

Woodside's dividend reinvestment plan operated during the year.

Company secretaries

The following individuals have acted as company secretary during 2011:

Robert J Cole

BSc, LLB (Hons) (ANU)
Executive Vice President Commercial,
General Counsel and Joint Company
Secretary

Mr Cole joined Woodside in 2006 after 14 years as a partner of international law firm, Mallesons Stephen Jaques, the last three years as partner in charge of the Perth office. Mr Cole holds Bachelor of Science and Bachelor of Laws degrees.

Frances M Kernot

*BCom (Hons) (UWA), Grad. Dip. CSP,
CA, ACIS*
Company Secretary

Ms Kernot joined Woodside in 2003. She has 20 years experience in company secretarial, compliance and financial accounting roles. Ms Kernot holds a Bachelor of Commerce degree and is a Chartered Accountant and Chartered Secretary. She is a member of the Chartered Secretaries' Legislation Review Committee.

Ms Kernot has resigned as Company Secretary effective 29 February 2012 to take a governance and planning role in the company's Corporate division. Warren Baillie was appointed Company Secretary effective 1 February 2012. Mr Baillie holds a Bachelor of Laws and a Bachelor of Commerce and is a Solicitor and Chartered Secretary. He is a member of the National Board and WA State Council of Chartered Secretaries Australia. He has previously held Assistant Company Secretary and Senior Legal Counsel roles at Woodside.

Remuneration report

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Governance

Remuneration report (audited)

Overview

Woodside's remuneration philosophy is based on providing competitive rewards that attract, retain and motivate the highest calibre people to deliver superior performance that is aligned with the creation of value for shareholders. To achieve this Woodside ensures that the level and composition of remuneration is sufficient and reasonable; there is a clear relationship between Woodside and individual performance and remuneration; and the remuneration policy is openly communicated.

The following table contains a broad summary of the remuneration structure for Woodside's Key Management Personnel. This structure and its elements are described in more detail elsewhere in this Remuneration Report:

Summary of the remuneration structure for the Key Management Personnel

Element of remuneration	Category of Key Management Personnel		
	Non-executive directors	CEO	Senior executives
Fixed Annual Reward (FAR) (including superannuation)			
Salary		See page 58	See page 58
Fees	See page 61		
Variable Annual Reward (VAR)			
Short-term incentive (STI)			
Cash		See page 58	See page 58
Variable Pay Rights (VPR)		See page 58	See page 58
Long-term incentive (LTI)			
Variable Pay Rights (VPR)		See page 58	See page 59
Retention and General Employee Share Plans			
Woodside Share Purchase Plan			See page 60
Woodside Employee Equity Plan			See page 60
Woodside Equity Plan			See page 60
Other Equity Based Retention			See page 61

Executive remuneration outcomes for 2011

Performance outcomes for 2011 for the Chief Executive Officer and Senior Executives were as follows:

- The value of the short-term incentive (STI) scorecard for 2011 was 1.00 out of a maximum possible result of 2.
- The total potential amount of the STI pool for 2011 ranged from a minimum of A\$0 to a maximum of A\$28,557,650. The actual STI pool for 2011 was A\$14,322,637 for 88 participants including the Chief Executive Officers.

- One third of STI for the 2011 performance year for current executives (A\$4,383,699) was deferred as Time-tested VPRs restricted for three years in accordance with the terms of the plan.
- Time-tested VPRs allocated in 2008 as deferred STI in respect of the 2007 performance year vested during the year.
- Employees derived no value from long-term incentive (LTI) during 2011 as the Relative Total Shareholder Return-tested VPRs failed to reach the performance hurdle.

In 2011, Woodside implemented a new general employee equity plan.

Non-executive director fees

The total fees paid to the Chairman and the non-executive directors on the board (including fees paid for their involvement on board committees) are kept within the total approved by shareholders. Fees for the Chairman and non-executive directors increased with effect from July 2011. Non-executive directors do not receive performance payments.

Woodside's Key Management Personnel at any time during or since the end of the 2011 financial year are:

Executives

Executive director

P Coleman - (Managing Director and Chief Executive Officer) (CEO)⁽¹⁾

D Voelte - (Managing Director and Chief Executive Officer) (CEO)⁽²⁾

Senior executives

F Ahmed - (Executive Vice President Development)

R Cole - (Executive Vice President Commercial and General Counsel and Joint Company Secretary)

L Della Martina - (Executive Vice President Australia Business)

K Gallagher - (Executive Vice President North West Shelf)⁽³⁾

E Howell - (Executive Vice President Health, Safety and Security)⁽⁴⁾

P Moore - (Executive Vice President Exploration)

G Roder - (Executive Vice President Corporate Strategy and Planning)⁽⁵⁾

V Santostefano - (Executive Vice President Production)

J Soine - (Executive Vice President International Oil and Gas)⁽⁶⁾

L Tremaine - (Executive Vice President and Chief Financial Officer)

Non-executive directors

M A Chaney - (Chairman)

M A Cilento

E Fraunschiel

C M Haynes⁽⁷⁾

A Jamieson

P J M H Jungels

D I McEvoy

D Megat⁽⁸⁾

I Robertson⁽⁹⁾

(1) On 30 May 2011 Mr Coleman was appointed to the position of Managing Director and Chief Executive Officer.

(2) Mr Voelte ceased to be Managing Director and Chief Executive Office with effect from 30 May 2011. On 30 June 2011 Mr Voelte departed from Woodside.

(3) On 31 October 2011 Mr Gallagher departed from Woodside.

(4) On 31 December 2011 Ms Howell departed from Woodside.

(5) On 27 October 2011 Mr Roder became key management personnel.

(6) On 30 September 2011 Mr Soine departed from Woodside.

(7) On 1 June 2011 Dr Haynes was appointed a non-executive director of Woodside.

(8) On 20 April 2011 Mr Megat retired as a non-executive director of Woodside.

(9) On 20 April 2011 Mr Robertson retired as a non-executive director of Woodside.

Remuneration Policy and company performance

Executive 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 has several components:

- Fixed Annual Reward (FAR) - the 'not at risk' component (unrelated to performance) which includes base salary, superannuation contribution and other allowances such as motor vehicle and health insurance. Fixed Annual Reward is determined on the basis of the scope of the executive's role and the individual level of knowledge, skill and experience.
- Variable Annual Reward (VAR) - the 'at risk' component (related to performance) which is awarded under the Executive Incentive Plan (EIP) and comprises:
 - a short-term incentive; and
 - a long-term incentive.
- Participation in Retention Plans - Equity Based Pay Rights and Woodside employee equity plans.
- Participation in General Employee Share Plans - Woodside Share Purchase Plan and Woodside Equity Plan.

The target allocation of remuneration between Fixed Annual Reward and Variable Annual Reward for Woodside's executives is shown in Table 1. Participation in Retention Plans and participation in General Employee Share Plans is not taken into account for the calculation of the percentages shown in the table.

Table 1 - Allocation of executive remuneration between fixed and variable annual reward

Position	Not at risk	At risk	
	Fixed Annual Reward	Variable Annual Reward	
		STI	LTI
CEO	30%	30%	40%
Executives	45%-50%	30%-33%	20%-22%

Executive remuneration and company performance

Whilst there are a number of internal and external factors relevant to Woodside's performance, the Board believes Woodside's performance is also attributable to the ability to motivate and retain its executives and, thus, the effectiveness of the remuneration policies. Table 2 below, shows the key financial measures of company performance over the past five years.

The Human Resources and Compensation Committee assists the Board in creating a strong linkage between executive remuneration and Woodside's performance and the details of these linkages are provided in the following sections.

Table 2 - Woodside five year performance

Year Ended 31 December	2011	2010	2009 ⁽⁴⁾	2008 ⁽⁴⁾	2007 ⁽⁵⁾
Net Profit After Tax (US\$ million)	1,507	1,575	1,474	1,546	864
Earnings Per Share (US cents) ⁽¹⁾	190	204	210	225	128
Dividends Per Share (US cents)	110	105	95	100	91
Production (MMboe)	64.6	72.7	80.9	81.3	70.6
Share closing price (A\$) (last trading day of the year)	30.62	42.56	47.20	36.70	50.39
5 Year rolling TSR (%) ⁽²⁾	3.77	13.94	42.03	33.26	109.94
Relative TSR ⁽³⁾ (1 year)	4th Quartile	4th Quartile	1st Quartile	2nd Quartile	2nd Quartile

(1) Basic and diluted earnings per share from total operations.

(2) This calculation is annualised and measured in Australian dollars. The significant change in the three year rolling TSR percentage for 2008 is due to the impact of the economic downturn.

(3) As discussed under the STI component of EIP on page 58.

(4) Amounts were translated to US dollars using monthly average exchange rates.

(5) Amounts were translated to US dollars using annual average exchange rates.

Governance

CEO remuneration

Mr P Coleman was appointed Chief Executive Officer and Managing Director effective 30 May 2011. Independent remuneration consultant, Mercer (Australia) Pty Ltd was engaged to undertake a review of the CEO's remuneration in accordance with Woodside's Remuneration Policy and the CEO's remuneration was determined using this review and taking into account the regional and international market conditions.

Mr Coleman's remuneration is governed by his contract of employment which, in summary for 2011 is comprised of:

- 30% Fixed Annual Reward (FAR); and
- Variable Annual Reward
 - 30% short-term incentive component (STI); and
 - 40% long-term incentive component (LTI).

Short-term incentive

STI is allocated as two-thirds cash and one-third Time-tested Variable Pay Rights (VPRs). Time-tested VPRs have the same terms and conditions as those awarded to other executives under the Executive Incentive Plan (EIP) as described on pages 58 and 59.

The grant of an STI award to the CEO is determined by the STI Scorecard and individual performance as determined by the Board.

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.

Long-term incentive

The LTI entitlement for the 2011 performance year will be allocated in March 2012 and will be subject to Relative Total Shareholder Return (RTSR) testing in March 2015. The vesting conditions for the LTI allocation reflect those contained in the EIP as outlined on page 59 and summarised in Table 7 on page 64 in respect of the 2011 EIP allocation.

The LTI performance measure was chosen because it aligns remuneration with the company's long-term performance relative to a peer group of local and international oil and gas companies.

A summary of the CEO's VPRs is provided in Tables 9 and 10 on pages 65 to 66.

Sign on bonus

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. Accordingly Woodside acquired 66,004 Woodside Petroleum Ltd shares which are held in trust for Mr Coleman. One third of these shares will vest on each anniversary after the date of his appointment. The fair value of each of the shares awarded is \$49.19. Any unvested entitlements will be forfeited if Mr Coleman's employment is terminated for cause or by his resignation. Accordingly there are no performance conditions attached to this award.

Executive remuneration

Fixed Annual Reward

Executives receive a Fixed Annual Reward (FAR) which is determined by both the scope and responsibilities of the particular role, as well as the level of knowledge, skill and experience of the individual executive. On an annual basis, Woodside benchmarks the FAR paid to executives against comparator organisations using survey data sourced from external advisors and data providers.

Woodside uses standardised methodology to evaluate the relative magnitude of executive positions and compare executive remuneration against peer comparators.

Variable Annual Reward - Executive Incentive Plan

The Variable Annual Reward (VAR) component of executive remuneration is based on a percentage of an executive's Fixed Annual Reward. This percentage is determined by the Board with reference to market comparator data and the scope of the executive's role. For most executives VAR is delivered through the Executive Incentive Plan (EIP) (refer below). The delivery of awards of VAR for the former CEO and the United States based executive are discussed separately on page 59.

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.

VAR has two elements:

1. the short-term incentive (STI) award (which links remuneration to short-term performance) which is paid two thirds in cash and one third in an award of variable pay rights, the vesting of which is dependent on three years continuing service (Time-tested VPRs); and
2. the long-term incentive (LTI) award (which links remuneration to long-term performance) which is paid by a grant of variable pay rights, the vesting of which is dependent on service and total shareholder return on Woodside shares relative to an identified peer group (RTSR-tested VPRs).

A variable pay right represents a right, if all vesting conditions have been met, to receive either shares or cash with a value determined by reference to the market value of a Woodside share at the time of vesting. The number of variable pay rights awarded under the EIP for the 2011 performance year is calculated by dividing the value of the award (which is determined after the completion of the performance year) by the volume weighted average price (VWAP) of Woodside shares for the month of December 2011.

The Board determines whether variable pay rights are to be satisfied in cash or shares at the time of vesting. If satisfied in shares, the shares will be purchased on market. If satisfied in cash, the amount paid is based on the market value of a Woodside share at the vesting date calculated by reference to the VWAP of Woodside shares in the five trading days prior to the vesting date. No amount is payable by the recipient executive on the grant or vesting of a variable pay right.

The Board has power under the rules of the EIP to terminate, suspend or amend the EIP, and to alter the management or administration of the EIP. Board decisions about the operation of the EIP are made on the recommendation of the Committee.

Short-term incentive award

The award of the STI component is determined by the combination of individual performance and a company scorecard which is set and approved annually by the Board (Scorecard).

The Scorecard for 2011 was based on four equally weighted measures:

- safety and environmental factors;
- production;
- operating expenditure; and
- Woodside's one year total return to shareholders, ranked within an international peer group (STI Peer Group, see Table 6 on page 64). Total return to shareholders is the growth in the value of shares over the performance year, plus the value of dividends, other distributions paid out over that year (assuming that dividends and other distributions are reinvested in shares on the payment date) and pro rata buybacks.

The measures for the Scorecard were chosen because of the impact they have on shareholder value.

The Board has the discretion to aggregate executives into pool groups to ensure a fair allocation of total STI between executives. The total STI award available for all participating executives is pooled in each pool group by adding the target STI value for each individual within the pool(s). The Scorecard result (with a possible value of between zero and two) is used as a multiple to adjust the value of the pool(s). The adjusted pool(s) are allocated among the executives in that pool group based on their individual performance relative to other executives.

An executive's performance during the year is assessed against their individual performance agreement, which is set at the start of each year and includes key performance indicators (KPIs) relevant to the executive's areas of responsibility. KPIs may 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, lifting costs, drilling costs); and
- operational (e.g. production volumes, project progress).

These KPIs are chosen because they align individual performance with the achievement of Woodside's business plan and objectives.

The executive receives a performance rating based upon an assessment of their performance against their individual performance agreement. This assessment is conducted by the CEO and approved by the Committee. This rating is then used to determine the STI award (if any).

The STI award for a performance year is paid two thirds in cash and one third in an award of Time-tested VPRs. Time-tested VPRs require that the executive's employment not be terminated with cause, or by resignation for three years after allocation. Time-tested VPRs 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. Time-tested VPRs granted will also vest upon redundancy, retirement or the cessation of a fixed term employment contract.

There are no further performance conditions for vesting of Time-tested VPRs.

Long-term incentive award

The LTI award for the 2011 performance year is granted in the form of variable pay rights, the vesting of which is linked to service and total shareholder return (RTSR-tested VPRs).

The vesting of RTSR-tested VPRs is conditional on a satisfactory ranking of Woodside's relative total shareholder return (RTSR), as calculated under the EIP rules, over a three or four year period in comparison with an international peer group (LTI Peer Group). The LTI Peer Group for the grant of RTSR-tested VPRs for the 2011 performance year are set out in Table 6 on page 64.

The LTI performance measure was chosen because it aligns remuneration with the company's long-term performance relative to a peer group of local and international oil and gas companies. The RTSR is calculated by an external advisor in accordance with the EIP rules on the third anniversary of the allocation of these RTSR-tested VPRs. The outcome of the test is measured against the schedule shown in Table 5 on page 64. If no RTSR-tested VPRs vest at this time (because Woodside has not performed at or above the 50th percentile of the LTI Peer Group), the RTSR test is re-applied on the fourth anniversary of the allocation date. If no RTSR-tested VPRs vest on the fourth anniversary, all VPRs for that performance year lapse.

RTSR-tested VPRs require that the executive's employment not be terminated with cause, or by resignation, prior to vesting.

RTSR-tested 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 retirement, redundancy or the cessation of a fixed term employment contract of a participant RTSR-tested VPRs continue in the plan and are subject to the normal vesting.

A summary of the terms and conditions of VPRs under each award made to executives under the EIP is provided in Table 7 on page 64. Summaries of executives' interests in Time-tested VPRs and RTSR-tested VPRs are in Tables 9 and 10 on pages 65 to 66.

Former CEO Mr D Voelte

The former CEO, Mr D Voelte, ceased to be CEO on 30 May 2011 and retired from Woodside effective 30 June 2011.

In accordance with his employment contract, Mr Voelte will receive a pro rata STI allocation in respect of the 2011 performance year (which will be paid entirely as cash in March 2012) and a pro rata LTI allocation in March 2012 that will be subject to RTSR testing in March 2015.

Upon Mr Voelte's retirement all unvested Time-tested VPR's vested. Unvested RTSR-tested VPRs continue to be subject to the vesting conditions associated with each allocation. Mr Voelte was paid out accrued statutory entitlements and did not receive any other retirement benefits from Woodside.

United States executive

For part of the year Woodside had one executive, Mr Soine based in the United States. The executive was rewarded for meeting or exceeding performance targets, while at the same time linking the reward to the creation of long-term sustainable wealth for shareholders.

Mr Soine participated in 2009, 2010 and 2011 in two variable incentive plans:

1. the short-term incentive plan which is called Performance Based Pay and links remuneration to short-term performance; and
2. the long-term incentive (LTI) plan which links remuneration to long-term performance.

Governance

Mr Soine departed Woodside in September 2011 and forfeited all entitlements arising under the short and long-term incentive plans.

A summary of the terms and conditions for the LTI plans awarded in the United States is provided in Table 11 on page 67.

Retention and General Employee Share Plans

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. In early 2009 Woodside suspended the share purchase plan in operation at the time following legislative taxation changes impacting employee share plans. In July 2009 Woodside implemented the Woodside Employee Equity Plan (EEP) to support retention of employees from 2009 to 2012. Since the introduction of the EEP Woodside has maintained a voluntary turnover level of around 6%.

As part of our strategy to attract, retain and motivate our employees, the Board approved the introduction from November 2011 of a broad-based, long-term equity plan called the Woodside Equity Plan to recognise and reward the commitment of eligible employees.

Woodside Equity Plan

In November 2011, Woodside introduced the Woodside Petroleum Ltd; Woodside Equity Plan (WEP) which is available to all Australian based permanent employees including executives, other than the CEO. 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 on page 58 under the heading short-term incentive. 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.

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 nor 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 effective date. ERs 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.

Shares will either be issued by Woodside to the Trustee or acquired on market by the Trustee 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 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.

Table 14 on page 68 provides a summary of executives' interests in ERs under the WEP.

Woodside Employee Equity Plan 2009 - 2012

In July 2009 Woodside introduced the Woodside Petroleum Ltd 2009 - 2012 Employee Equity Plan (EEP) which was available to all Australian based employees including executives, other than the CEO. The EEP is intended to provide a retention mechanism for participating employees as well as provide an opportunity to share in the growth of the Company, consequently no performance conditions are attached. As the objective of the EEP is primarily retention, the ERs are a form of remuneration that is not dependent on individual performance or Woodside's performance. Participants do not make any payment in respect of the ERs at grant nor at vesting.

Eligible participants received a one-off allocation of ERs. Each ER entitles the participant to receive a Woodside share on the vesting 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, 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, retirement, cessation of a fixed term employment contract or for cause prior to 31 July 2012 will forfeit all of their ERs.

Shares will either be issued by Woodside to the Trustee or acquired on market by the Trustee 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 EEP cannot dispose of or otherwise deal with an ER and do not receive any dividends or have voting rights in respect of an ER.

Table 13 on page 68 provides a summary of executives' interests in ERs under the EEP.

Woodside Share Purchase Plan

In April 2007 Woodside introduced the Woodside Share Purchase Plan (WSPP) which was available to all Australian based employees, including executives, up to March 2009. The plan was suspended in May 2009 due to changes in tax legislation and has since been closed. The WSPP provided eligible employees with an opportunity to acquire Woodside shares and to share in the growth of the Company. The WSPP year was based on a 1 July to 30 June period (WSPP Year).

Participants in the WSPP elected to sacrifice an amount of salary, and this amount was applied by the WSPP Trustee to purchase Woodside shares on market. The maximum amount that could be salary sacrificed in the 2008/09 WSPP Year was A\$12,000 and the minimum was A\$3,000. Woodside provided funds to the WSPP Trustee to buy additional Woodside shares (matching shares) on market at a fixed ratio to the shares purchased with sacrificed funds (in the 2008/09 WSPP Year the ratio was one and a half matching shares for one purchased with sacrificed funds; in the 2007/08 WSPP Year the ratio was one for one).

All shares purchased under the WSPP are held in trust. To become finally entitled to the matching shares funded by Woodside, a participant must remain a Woodside employee for a three year qualification period. Participants cannot dispose of

shares purchased with sacrificed funds within this three year qualification period unless they cease employment with Woodside (in which case they become entitled to deal with the shares purchased with sacrificed funds, but lose their entitlement to matching shares). After the three year qualification period participants may elect to have their WSPP shares retained in the trust for up to a further seven years, provided they remain in the employment of Woodside.

Participants receive any dividends paid on shares held in the trust, have voting rights, may participate in any rights issues and receive any bonus issues.

The matching shares were a form of remuneration that was not dependent on the employees' individual performance or Woodside's performance as it was intended to align eligible employees to shareholder value.

Table 12 on page 67 provides a summary of executives' interests in shares under the WSPP. Executives were entitled to participate in the 1 for 12 renounceable rights issue announced in December 2009 in respect of their shareholdings under the WSPP. Table 12 does not include any shares which were acquired by executives in 2010 pursuant to the rights issue.

Other equity based retention

As part of a retention strategy for senior executives, some executives participate in equity based retention plans (Pay Rights Plan) under which eligible executives are granted pay rights (PRs). A PR entitles the participant to an award of cash or shares on vesting.

PRs awarded under the retention plan in November 2007 require Woodside's relative total shareholder return for the performance year immediately preceding the specific vesting date to be at or above the 50th percentile of the STI Peer Group (refer to short-term incentives above) before vesting can occur.

Table 15 on page 68 provides a summary of the terms and conditions for PRs under the Pay Rights Plan and Table 16 on page 68 provides a summary of executives' interests in PRs.

Contracts for executives

Each senior executive has a contract of employment with the exception of Mr G Roder who is a third party contractor engaged through Energy Resourcing Australia. Table 3 below contains a summary of the key contractual provisions of the contracts of employment for the executives.

Termination provisions

Under each executive contract of employment Woodside may choose to terminate the contract immediately by making a payment equal to the 'Company

Notice Period' of Fixed Annual Reward in lieu of notice as shown in Table 3 below.

In 2009 the Board determined to amend new executive contracts to ensure that any payments made in the event of a company initiated termination of an executive contract would be consistent with the *Corporations Amendment (Improving Accountability on Termination Payments) Act 2009*.

Non-executive directors

Remuneration Policy

Woodside's Remuneration Policy for non-executive directors aims to attract, retain, motivate and to remunerate fairly and responsibly having regard to:

- the level of fees paid to non-executive directors 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 non-executive directors are recommended by the Committee based on advice from external remuneration consultants, Mercer Australia Pty Ltd and determined by the Board, subject to an aggregate limit of A\$3 million per financial year, approved by shareholders at the 2007 Annual General Meeting (AGM).

The annual base Board fees and Committee fees were increased with effect from 1 July 2011.

Table 3 - Summary of contractual provisions for executives

Name	Employing company	Contract duration	Termination notice period company ⁽¹⁾⁽²⁾	Termination notice period executive ⁽¹⁾
P Coleman	Woodside Petroleum Ltd	Unlimited	12 months	6 months
D Voelte ⁽³⁾	Woodside Petroleum Ltd	Unlimited	12 months	6 months
F Ahmed	Woodside Energy Ltd	Fixed term contract until 13 February 2012 ⁽⁴⁾	12 months	6 months
R Cole	Woodside Energy Ltd	Unlimited	12 months	6 months
L Della Martina	Woodside Energy Ltd	Unlimited	12 months	6 months
K Gallagher ⁽⁵⁾	Woodside Energy Ltd	Unlimited	12 months	6 months
E Howell ⁽⁶⁾	Woodside Energy Ltd	Unlimited	12 months	6 months
P Moore	Woodside Energy Ltd	Unlimited	12 months	6 months
G Roder	Energy Resourcing Australia	Fixed term until 10 August 2012	3 months	3 months
V Santostefano	Woodside Energy Ltd	Unlimited	12 months	6 months
J Soine ⁽⁷⁾	Woodside Energy (USA) Inc	Unlimited	12 months	2 Weeks
L Tremaine	Woodside Energy Ltd	Unlimited	12 months	6 months

(1) Termination provisions – Woodside may choose to terminate the contract immediately by making a payment equal to the 'Company Notice Period' of FAR (or in the case of Mr Roder a payment equal to his agreed day rate for the company notice period) in lieu of notice. In the event of termination for serious misconduct or other nominated circumstances, executives are not entitled to this termination payment.

(2) On termination of employment, executives will be entitled to the payment of any FAR 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 Voelte departed Woodside on 30 June 2011.

(4) At the time of reporting, Woodside is progressing the extension of Mr Ahmed's fixed term contract.

(5) Mr Gallagher departed Woodside on 31 October 2011.

(6) Ms Howell departed Woodside on 31 December 2011.

(7) Mr Soine departed Woodside on 30 September 2011.

Governance

The Woodside Petroleum Ltd shareholding guideline for non-executive directors requires non-executive directors to hold a minimum holding of 2,000 Woodside Petroleum Ltd shares and non-executive directors who have less than the minimum holding will be required to direct 25% of net (after tax) fees to the purchase of Woodside shares until the minimum holding requirement is satisfied. The non-executive directors 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 performance conditions.

Remuneration structure

Non-executive director remuneration consists of base fees, committee fees, other payments for additional services outside the scope of Board and committee duties, and statutory superannuation contributions or payments in lieu (currently 9%). Non-executive directors do not earn retirement benefits other than superannuation and are not entitled to any form of performance-linked remuneration.

Table 17 on page 69 shows the annual base Board and Committee fees for non-executive directors.

In addition to these fees, non-executive directors 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. Non-executive directors are not entitled to compensation on termination of their directorships.

Board fees are not paid to the CEO, as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of his normal employment conditions.

The total remuneration paid to, or in respect of, each non-executive director in 2011 is set out in Table 18 on page 69.

Human Resources & Compensation Committee

The Human Resources & Compensation Committee (Committee) assists the Board to determine appropriate remuneration policies and structures for non-executive directors and executives. The role of the Committee is described in the Corporate Governance Statement set out in this Annual Report.

Securities Dealing Policy

Woodside's Securities Dealing Policy prohibits executives who participate in an equity-based executive incentive plan, from entering into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of any unvested entitlement in Woodside securities. 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 executive 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 Secretary/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 page 49.

In addition to the restrictions imposed under the Securities Dealing Policy, key management personnel are prohibited by law from hedging any of their unvested entitlements or any of their vested entitlements that remain subject to a holding lock.

Use of remuneration consultants

The Committee directly engages external advisors to provide input to the process of reviewing director, executive director and executive remuneration. In June 2011 the Committee established a process for obtaining external advice in respect of key management personnel (KMP).

In 2011 Mercer and Hay Group were engaged at the direction of the Committee to provide market remuneration data to the Committee.

Mercer provided market data and a recommendation in regard to non-executive director fees in May 2011. Mercer also provided market data to the Committee in November 2011 in relation to the remuneration of the CEO. The market data report was provided directly to the Committee through the Committee's Chairman. The fee for the provision

of the report was A\$26,930. Mercer provided a statement to the Committee that the report had been prepared free of undue influence from KMP. Woodside's superannuation arrangements for all participating employees are provided through Woodside's participation in the Mercer Master Trust.

Hay Group provided executive remuneration market data to the Chairman of the Committee in November 2011. The fee for the provision of the report was A\$19,300. Although it was not required because no recommendations were made Hay Group provided a statement to the Committee that the report had been prepared free of undue influence from KMP. Hay Group also provide a market data report to Woodside in regard to non KMP employees as well as providing Woodside access to the Hay Group data base for ad hoc enquiries, other than for KMP employees. Hay Group also provided leadership development training and conducted a staff survey for Woodside during 2011.

Reporting in United States Dollars

In this report the remuneration and benefits reported have been presented in US dollars. This is consistent with the change in functional currency 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 average exchange rate for the payment period. Valuation of equity awards is converted at the spot rate applying when the equity award is granted. The Australian dollar compensation paid during the year ended 31 December 2010 was converted to US dollars at the average exchange rate of US\$1:A\$1.090, and the valuation of equity awards at 1 January 2010 was converted to US dollars at the spot rate of US\$1:A\$1.110. The Australian dollar compensation paid during the year ended 31 December 2011 was converted to US dollars at the average exchange rate of US\$1:A\$0.968, and the valuation of equity awards at 1 January 2011 was converted to US dollars at the spot rate of US\$1:A\$0.976.

Table 4 - Compensation of CEO and senior executives for the year ended 31 December 2010 and 2011⁽¹⁾

Executives	Year	Short-term			Post employment	Share-based payments	Long-term			
		Cash salary and fees	Cash bonuses	Non-monetary	Pension super	Cash bonus	Long-term incentive plan ⁽⁶⁾	Termination benefits	Total remuneration	Performance related %
		Salaries, fees and allowances	Short-term incentive bonus ⁽²⁾	Benefits and allowances ⁽³⁾	Company contributions to superannuation ⁽⁴⁾	Share plan ⁽⁵⁾				
P Coleman, Managing Director and Chief Executive Officer ⁽⁷⁾	2011	1,375,146	978,550	38,730	9,569	1,460,264			3,862,259	63
F Ahmed, Executive Vice President Development ⁽⁸⁾	2011	473,808	285,544	363,684		643,782			1,766,818	53
	2010	576,606	189,609	371,382		340,174			1,477,771	36
R Cole, Executive Vice President Commercial and General Counsel and Joint Company Secretary	2011	726,382	415,541	12,516	23,065	453,332			1,630,836	53
	2010	568,201	337,725	8,652	79,640	454,976			1,449,194	55
L Della Martina, Executive Vice President Australia Business	2011	455,952	248,483	51,148	100,309	329,496			1,185,388	49
	2010	369,382	216,143	42,160	81,264	450,773			1,159,722	57
P Moore, Executive Vice President Exploration ⁽⁹⁾	2011	380,764	183,111	41,352	83,643	243,545			932,415	46
	2010	62,875	30,899	6,319	13,794	34,977			148,864	44
V Santostefano, Executive Vice President Production	2011	544,433	362,194	13,003	110,784	362,994			1,393,408	52
	2010	429,199	179,477	10,939	86,888	299,222			1,005,725	48
L Tremaine, Executive Vice President and Chief Financial Officer ⁽¹⁰⁾	2011	503,712	294,809	12,516	27,584	243,060			1,081,681	50
G Roder, Executive Vice President Corporate Strategy and Planning ⁽¹¹⁾	2011	114,680		25,281	10,301				150,262	
M Chatterji, Executive Vice President & Chief Financial Officer ⁽¹²⁾	2010	931,332	646,418	212,713		1,349,336			3,139,799	63
K Gallagher, Executive Vice President North West Shelf ⁽¹³⁾	2011	429,907		13,184	52,841	(539,830)		186,579	142,681	
	2010	387,727	252,009	15,524	70,585	277,131			1,002,976	53
E Howell, Executive Vice President Health, Safety & Security ⁽¹⁴⁾	2011	549,013	374,872	14,050	77,778	529,720		23,310	1,568,743	58
	2010	435,419	225,052	9,754	113,824	324,882			1,108,931	50
A Kantsler, Executive Vice President Health, Safety & Security ⁽¹⁵⁾	2010	349,771	173,869	9,218	60,469	821,728		86,583	1,501,638	66
J Soine, Executive Vice President International Oil and Gas ⁽¹⁶⁾	2011	336,975			136,873	47	(533,441)	14,977	(44,569)	
	2010	314,514	308,448	696	23,927	162	236,644		884,391	62
D Voelte, Managing Director and Chief Executive Officer ⁽¹⁷⁾	2011	1,366,014	1,210,942	150,583		2,334,256		761,909	5,823,704	61
	2010	2,563,341	1,704,861	123,347		3,374,812			7,766,361	65

- (1) The Australian dollar compensation paid during the year ended 31 December 2011 was converted to US dollars at the average exchange rate of US\$1:A\$0.96834, and valuation of equity awards at 1 January 2011 was converted to US dollars at the spot rate of US\$1:A\$0.97585. The Australian dollar compensation paid during the year ended 31 December 2010 was converted to US dollars at the average exchange rate of US\$1:A\$1.090, and valuation of equity awards at 1 January 2010 was converted to US dollars at the spot rate of US\$1:A\$1.110.
- (2) The amount represents the short-term incentive earned in the respective year, which is actually paid in the following year.
- (3) Reflects the value of allowances and benefits including but not limited to travel, motor vehicle and health insurance.
- (4) As a non-resident for Australian tax purposes Mr Ahmed, Mr Voelte and Mr Chatterji 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.
- (5) '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 Ahmed's 2007 and 2008 VPR's 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.
- (6) The cash based long-term incentive plan is only applicable to the US based executive. In accordance with the requirements of AASB 119 *Employee Benefits*, the value of the benefit has been determined using the projected unit credit method.

- (7) Mr Coleman commenced with Woodside on 30 May 2011. The Australian dollar compensation paid for the period from 30 May 2011 to 31 December 2011 was converted to US dollars at the average rate of US\$1:A\$0.96518.
- (8) As Mr Ahmed's contract was due to expire on 13 February 2012 and details of an extension had not been finalised at the time of reporting, his share base payment amortisation expense has been accelerated accordingly.
- (9) On 27 October 2010 Mr Moore was appointed to KMP. The Australian dollar compensation paid from 27 October 2010 to 31 December 2010 was converted to US dollars at the average exchange rate of US\$1:A\$1.01057.
- (10) On 1 January 2011 Mr Tremaine was appointed to KMP.
- (11) On 27 October 2011 Mr Roder was appointed to KMP. The Australian dollar compensation paid from 27 October 2011 to 31 December 2011 was converted to US dollars at the average exchange rate of US\$1:A\$0.98399. Mr Roder is engaged as a third party contractor through Energy Resourcing Australia, he receives a fixed daily rate and is not eligible to participate in the EIP.
- (12) On 31 December 2010 Mr Chatterji departed Woodside.
- (13) On 31 October 2011 Mr Gallagher departed Woodside. On 13 January 2010 Mr Gallagher was appointed to KMP. The Australian dollar compensation paid for the period from 13 January 2010 to 31 December 2010 was converted to US dollars at the average exchange rate of US\$1:A\$1.08993. The Australian dollar compensation paid for the period from 1 January 2011 to 31 October 2011 was converted to US dollars at the average rate of US\$1:A\$0.96451.
- (14) On 31 December 2011 Ms Howell departed Woodside.
- (15) On 2 July 2010 Dr Kantsler departed Woodside. The Australian dollar compensation paid from 1 January 2010 to 2 July 2010 was converted to US dollars at the average exchange rate of US\$1:A\$1.12199 and the termination payment was converted to US dollars at the exchange rate of US\$1:A\$1.1940.
- (16) On 19 April 2010 Mr Soine was appointed to KMP and on 30 September 2011 Mr Soine departed Woodside.
- (17) On 30 June 2011 Mr Voelte departed Woodside. The Australian dollar compensation paid for the period from 1 January 2011 to 30 June 2011 was converted to US dollars at the average exchange rate of US\$1:A\$0.96746.

Governance

Executive Incentive Plan

Table 5 - Vesting schedule for RTSR-tested VPRs

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 LTI 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.

Table 6 - STI and LTI peer group⁽¹⁾

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

(1) As a consequence of the merger between Petro-Canada and Suncor Energy Inc. in August 2009, Petro-Canada was deleted from the Peer Group for the purposes of LTI awards made in March 2008 and February 2009, leaving 10 comparator companies. For the 2009, 2010 and 2011 Performance Year Inpex Corporation has been added to the LTI Peer Group.

Table 7 - Summary of terms and conditions of VPRs awarded under the EIP

The following table summarises the terms and conditions of the VPRs awarded to the executives under the EIP for 2011, 2010, 2009, 2008 and 2007.

Terms and conditions	2011 VPR Allocation	2010 VPR Allocation	2009 VPR Allocation	2008 VPR Allocation	2007 VPR Allocation
Allocation Date	1 March 2012	25 February 2011	5 March 2010	27 February 2009	14 March 2008
Pricing Date	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Grant Date	1 January 2011	1 January 2010	1 January 2009	1 January 2008	1 January 2007
Volume Weighted Average Price	A\$31.93	A\$42.78	A\$47.86	A\$33.50	A\$48.25
Vesting Date ⁽¹⁾	1 March 2015	25 February 2014	5 March 2013	27 February 2012	14 March 2011 ⁽³⁾
Retesting Date ⁽²⁾	1 March 2016	25 February 2015	5 March 2014	27 February 2013	14 March 2012

(1) Provision is made for accelerated vesting in certain events such as total and permanent disability, death or a change in control of Woodside.

(2) Retesting is applied to the RTSR-tested VPRs if the RTSR threshold is not achieved at the vesting date. Retesting is not applicable in respect of Time-tested VPRs.

(3) At the initial vesting test on 14 March 2011 the RTSR threshold was not achieved for the 2007 allocation which will be subject to retest on 14 March 2012. If the threshold RTSR is not achieved on retest, the RTSR-tested VPRs will lapse.

Table 8 - Summary of terms and conditions of RTSR-tested VPRs awarded to the former CEO Mr D Voelte⁽¹⁾

The following table summarises the terms and conditions of the VPRs awarded to the former CEO Mr D Voelte under the terms of his employment contract for 2011, 2010, 2009 and 2008.

Terms and conditions	2011 VPR Allocation	2010 VPR Allocation	2009 VPR Allocation	2008 VPR Allocation	2008 Accelerated LTI ⁽¹⁾
Allocation Date	1 March 2012	25 February 2011	5 March 2010	27 February 2009	14 March 2008
Pricing Date	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
Grant Date	1 January 2011	1 January 2010	1 January 2009	1 January 2008	19 February 2008
Volume Weighted Average Price	A\$31.93	A\$42.78	A\$47.86	A\$33.50	A\$48.25
Vesting Date ⁽²⁾	1 March 2015	25 February 2014	5 March 2013	27 February 2012	31 March 2011 ⁽⁴⁾
Retesting Date ⁽³⁾	1 March 2016	25 February 2015	5 March 2014	27 February 2013	14 March 2012

(1) Time-tested VPRs awarded to Mr Voelte in respect of 2008, 2009 and 2010 vested upon his retirement. For 2011 the STI was paid fully in cash and no Time-tested VPRs were allocated to Mr Voelte.

(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) Retesting is applied to the RTSR-tested VPRs if the RTSR threshold is not achieved at the vesting date.

(4) At the initial vesting test on 14 March 2011 the RTSR threshold was not achieved for the 2008 Accelerated LTI which will be subject to retest on 14 March 2012. If the threshold RTSR is not achieved on retest, the RTSR-tested VPRs will lapse.

Table 9 - Summary of executives' interests in time-tested VPRs⁽¹⁾

Name	Allocation date	Vesting date ⁽²⁾	Awarded but not vested	Vested in 2011	% of total vested	Fair value ⁽³⁾ of VPRs by performance year				
						2011	2010	2009	2008	2007
P Coleman	March 2012	March 2015	14,791			38.87				
F Ahmed ⁽⁵⁾	March 2008	March 2011		995	100					42.86
	February 2009	February 2012	3,245						31.26	
	December 2009 ⁽⁴⁾	March 2011		8	100					42.86
	December 2009 ⁽⁴⁾	February 2012	27						31.26	
	March 2010	March 2013	3,692					29.57		
	February 2011	February 2014	2,415				38.32			
	March 2012	March 2015	4,330			38.87				
R Cole	March 2008	March 2011		1,756	100					30.07
	February 2009	February 2012	4,543						39.81	
	December 2009 ⁽⁴⁾	March 2011		15	100					40.87
	December 2009 ⁽⁴⁾	February 2012	38						39.92	
	March 2010	March 2013	4,599					29.57		
	February 2011	February 2014	4,302				38.32			
	March 2012	March 2015	6,301			38.87				
L Della Martina ⁽⁶⁾	March 2008	March 2011		1,677	100					30.07
	February 2009	February 2012	2,916						39.81	
	December 2009 ⁽⁴⁾	March 2011		14	100					40.87
	December 2009 ⁽⁴⁾	February 2012	24						39.92	
	March 2010	March 2013	2,950					29.57		
	February 2011	February 2014	2,753				38.32			
	March 2012	March 2015	3,768			38.87				
P Moore ⁽⁷⁾	March 2008	March 2011		748	100					30.07
	December 2009 ⁽⁴⁾	March 2011		6	100					40.87
	February 2011	February 2014	2,018				38.32			
	March 2012	March 2015	2,776			38.87				
V Santostefano	March 2008	March 2011		1,669	100					30.07
	February 2009	February 2012	2,910						39.81	
	December 2009 ⁽⁴⁾	March 2011		14	100					40.87
	December 2009 ⁽⁴⁾	February 2012	24						39.92	
	March 2010	March 2013	3,786					29.57		
	February 2011	February 2014	2,286				38.32			
	March 2012	March 2015	5,492			38.87				
L Tremaine ⁽⁸⁾	March 2008	March 2011		863	100					30.07
	December 2009 ⁽⁴⁾	March 2011		7	100					40.87
	March 2012	March 2015	4,470			38.87				
K Gallagher ⁽⁹⁾	March 2008	March 2011		1,677	100					30.07
	December 2009 ⁽⁴⁾	March 2011		14	100					40.87
	February 2011	February 2014	3,319				38.32			
E Howell ⁽¹⁰⁾	March 2008	March 2011		1,905	100					30.07
	February 2009	December 2011		3,110	100				39.81	
	December 2009 ⁽⁴⁾	March 2011		16	100					40.87
	December 2009 ⁽⁴⁾	December 2011		26	100				39.92	
	March 2010	December 2011		4,192	100			29.57		
	February 2011	December 2011		2,867	100		38.32			
D Voelte ⁽¹¹⁾	March 2008	March 2011		16,513	100					30.07
	February 2009	June 2011		28,209	100				39.81	
	December 2009 ⁽⁴⁾	March 2011		137	100					40.87
	December 2009 ⁽⁴⁾	June 2011		234	100				39.92	
	March 2010	June 2011		31,445	100			29.57		
	February 2011	June 2011		21,719	100		38.32			

(1) For valuation purposes all VPRs are treated as if they will be equity settled, with the exception of Mr Ahmed's 2007 and 2008 VPRs which are to be settled in cash as a result of his international secondment. This fair value is recalculated at the end of every reporting period. In 2010 the fair value of the 2008 cash settled VPRs was \$41.86.

(2) Vesting date and exercise date are the same. Vesting is subject to satisfaction of vesting conditions.

(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 with the exception of Mr Ahmed as noted in (1). 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) Additional allocation of VPRs to each tranche of granted VPRs, following renounceable equity rights issue by the company.

(5) Mr Ahmed was not within the definition of KMP under AASB 124 for the 2007 year. Previous years comparative figures are not shown.

(6) Mr Della Martina did not meet the definition of KMP under AASB 124 for 2007. Previous year's comparative figures are not shown.

(7) Mr Moore did not meet the definition of KMP under AASB 124 for years prior to 2010. Previous years comparative figures are not shown.

(8) Mr Tremaine did not meet the definition of KMP under AASB 124 for years prior to 2011. Previous years comparative figures are not shown.

(9) Mr Gallagher did not meet the definition of KMP under AASB 124 for years prior to 2010. Previous years comparative figures are not shown. A total of 9,148 Time-tested VPRs were forfeited on Mr Gallagher's departure on 31 October 2011.

(10) A total of 10,195 Time-tested VPRs vested when Ms Howell departed Woodside on 31 December 2011.

(11) A total of 81,607 Time-tested VPRs vested when Mr Voelte departed Woodside on 30 June 2011.

Governance

Table 10 - Summary of executives' interests in RTSR-tested VPRs⁽¹⁾

Name	Allocation date	Vesting date ⁽²⁾⁽³⁾	Awarded but not vested	Vested in 2011	% of total vested	2011	Fair value ⁽⁴⁾ of VPR post peer group modification			
							Performance year			
							2010	2009	2008	2007
P Coleman	March 2012	March 2016	51,769			24.98				
F Ahmed ⁽⁵⁾	February 2009	February 2013	8,238						2.75	
	December 2009	March 2012	17							0.40
	December 2009	February 2013	68						2.75	
	March 2010	March 2014	6,017					26.21		
	February 2011	February 2015	7,042				25.48			
	March 2012	March 2016	9,768			24.98				
R Cole	March 2008	March 2012	4,862							29.19
	February 2009	February 2013	8,650						26.61	
	December 2009	March 2012	40							27.93
	December 2009	February 2013	72						23.56	
	March 2010	March 2014	6,305					26.21		
	February 2011	February 2015	7,526				25.48			
	March 2012	March 2016	10,661			24.98				
L Della Martina ⁽⁶⁾	February 2009	February 2013	5,552						26.61	
	December 2009	March 2012	29							27.93
	December 2009	February 2013	46						23.56	
	March 2010	March 2014	4,045					26.21		
	February 2011	February 2015	6,020				25.48			
	March 2012	March 2016	8,500			24.98				
P Moore ⁽⁷⁾	February 2011	February 2015	4,412				25.48			
	March 2012	March 2016	6,264			24.98				
V Santostefano	March 2008	March 2012	3,465							29.19
	February 2009	February 2013	5,540						26.61	
	December 2009	March 2012	29							27.93
	December 2009	February 2013	46						23.56	
	March 2010	March 2014	5,190					26.21		
	February 2011	February 2015	6,665				25.48			
	March 2012	March 2016	9,293			24.98				
L Tremaine ⁽⁸⁾	March 2012	March 2016	7,564			24.98				
K Gallagher ⁽⁹⁾	February 2011	February 2015	5,805				25.48			
E Howell ⁽¹⁴⁾	March 2008	March 2012	3,954							29.19
	February 2009	February 2013	7,895						26.61	
	December 2009	March 2012	33							27.93
	December 2009	February 2013	66						23.56	
	March 2010	March 2014	5,747					26.21		
	February 2011	February 2015	6,268				25.48			
	March 2012	March 2016	8,549			24.98				
D Voelte ⁽¹⁵⁾	March 2008	March 2012	33,160							29.19
	March 2008 ⁽¹⁰⁾	March 2012	81,606						29.19	
	February 2009 ⁽¹¹⁾	February 2013	39,179						26.61	
	December 2009	March 2012	275							27.93
	December 2009	March 2012	678						27.93	
	December 2009	February 2013	325						23.56	
	March 2010 ⁽¹²⁾	March 2014	27,425					26.21		
	February 2011 ⁽¹³⁾	February 2015	30,676				25.48			
	March 2012	March 2016	40,771			24.98				

(1) For valuation purposes all VPRs are treated as if they will be equity settled, with the exception of Mr Ahmed's 2007 and 2008 VPRs which are to be settled in cash as a result of his international secondment. The fair value is recalculated at the end of every reporting period. In 2010 the fair value of the 2007 and 2008 cash settled VPR's was \$4.75 and \$9.90 respectively.

(2) Vesting date and exercise date are the same. Vesting is subject to satisfaction of vesting conditions.

(3) Vesting date is 14 March 2012 in respect of March 2008 allocations, on 27 February 2012 or 27 February 2013 in respect of February 2009 allocations, on 5 March 2013 or 5 March 2014 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.

(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 with the exception of Mr Ahmed as noted in (1). 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) Mr Ahmed did not meet the definition of KMP under AASB 124 for the 2006 and 2007 years. Previous years comparative figures are not shown.

(6) Mr Della Martina did not meet the definition of KMP under AASB 124 for the 2006 and 2007 years. Previous year's comparative figures are not shown.

(7) Mr Moore did not meet the definition of KMP under the AASB 124 for the years prior to 2010. Comparative figures are not shown.

(8) Mr Tremaine did not meet the definition of KMP under the AASB 124 for the years prior to 2011. Comparative figures are not shown.

(9) Mr Gallagher did not meet the definition of KMP under the AASB 124 for the years prior to 2010. Comparative figures are not shown. A total of 18,856 RTSR-tested VPRs were forfeited on Mr Gallagher's departure on 31 October 2011.

(10) Mr Voelte's Accelerated LTIs.

(11) This allocation represents the remaining 50% of Mr Voelte's 2008 LTI VAR allocation (excludes the Accelerated LTI VARs).

(12) This allocation represents the remaining 50% of Mr Voelte's 2009 LTI VAR allocation (excludes the Accelerated LTI VARs).

(13) This allocation represents the remaining 50% of Mr Voelte's 2010 LTI VAR allocation (excludes the Accelerated LTI VARs).

(14) Ms Howell departed Woodside on 31 December 2011. The fair value of the rights have been expensed in full however, they will only vest subject to satisfaction of vesting conditions.

(15) Mr Voelte departed Woodside on 30 June 2011. The fair value of the rights have been expensed in full however, they will only vest subject to satisfaction of vesting conditions.

Table 11 - Summary of terms and conditions for WEUSA LTI plans

Terms and conditions	2011 LTI allocation	2010 LTI allocation	2009 LTI allocation
Grant Date	1 January 2011	1 January 2010	1 January 2009
Vesting Date ⁽¹⁾	31 December 2013	31 December 2012	31 December 2011
Percentage Vested	0%	0%	0%
Percentage Forfeited	100%	100%	100%

(1) Under the WEUSA LTI Plan all unvested LTI lapsed upon the resignation of Mr Soine on 30 September 2011.

Table 12 - Summary of senior executives' interests in shares under the WSPP⁽¹⁾

Name	WSPP year	Opening balance	Shares purchased under WSPP	Matching shares	Vested shares	Lapsed / forfeited	Closing balance
F Ahmed ⁽⁵⁾	2011	-	-	-	-	-	-
	2010	-	-	-	-	-	-
	2009 WSPP ⁽²⁾	-	-	-	-	-	-
	2008 WSPP ⁽³⁾	-	-	-	-	-	-
R Cole	2011	769	-	-	374	-	395
	2010	893	-	-	124	-	769
	2009 WSPP ⁽²⁾	498	158	237	-	-	893
	2008 WSPP ⁽³⁾	124	173	201	-	-	498
	2007 WSPP ⁽⁴⁾	-	62	62	-	-	124
L Della Martina ⁽⁶⁾	2011	769	-	-	374	-	395
	2010	893	-	-	124	-	769
	2009 WSPP ⁽²⁾	498	158	237	-	-	893
	2008 WSPP ⁽³⁾	124	173	201	-	-	498
P Moore ⁽⁷⁾	2011	234	-	-	234	-	-
	2010	358	-	-	124	-	234
V Santostefano	2011	769	-	-	374	-	395
	2010	893	-	-	124	-	769
	2009 WSPP ⁽²⁾	498	158	237	-	-	893
	2008 WSPP ⁽³⁾	124	173	201	-	-	498
	2007 WSPP ⁽⁴⁾	-	62	62	-	-	124
K Gallagher ⁽⁸⁾	2011	769	-	-	532	237	-
	2010	893	-	-	124	-	769
E Howell	2011	-	-	-	-	-	-
	2010	-	-	-	-	-	-
	2009 WSPP ⁽²⁾	-	-	-	-	-	-
	2008 WSPP ⁽³⁾	-	-	-	-	-	-
	2007 WSPP ⁽⁴⁾	-	-	-	-	-	-
J Soine ⁽⁹⁾	2011	-	-	-	-	-	-
	2010	-	-	-	-	-	-
D Voelte	2011	769	-	-	769	-	-
	2010	893	-	-	124	-	769
	2009 WSPP ⁽²⁾	498	158	237	-	-	893
	2008 WSPP ⁽³⁾	124	173	201	-	-	498
	2007 WSPP ⁽⁴⁾	-	62	62	-	-	124

(1) For a full summary of executives interests in shares see note 28 (b) to the financial report at page 129.

(2) 2009 WSPP refers to the purchases made in 2009 for the 2008/09 Plan. The matching shares for the 2009 WSPP had a fair value of \$31.46 and \$34.49 per share respectively.

(3) 2008 WSPP refers to the plan for the 2008/09 Plan Year as well as the purchases made in 2008 for the 2007/08 Plan. The matching shares for the 2008 WSPP had a fair value of \$49.97, \$56.16, \$56.85 and \$47.19 per share respectively.

(4) 2007 WSPP refers to the plan for the 2007/08 Plan Year granted in 2007. The matching shares for the 2007 WSPP had a fair value of \$43.11 per share.

(5) Mr Ahmed did not meet the definition of KMP under AASB 124 for the 2007 year. Previous years comparative figures are not shown.

(6) Mr Della Martina did not meet the definition of KMP under AASB 124 for the 2007 year. Previous years comparative figures are not shown.

(7) Mr Moore did not meet the definition of KMP under AASB 124 for any years prior to 2010. Previous years comparative figures are not shown.

(8) Mr Gallagher did not meet the definition of KMP under AASB 124 for any years prior to 2010. Previous years comparative figures are not shown.

(9) Mr Soine was not eligible to participate in the WSPP as he is not located in Australia.

Governance

Table 13 - Summary of senior executives' interests in Equity Rights under EEP

Name	Grant Date	Number of Equity Rights granted	Number of Equity Rights which have lapsed/forfeited	Number of Equity Rights which have vested during 2011	Fair Value of Equity Rights ⁽¹⁾
F Ahmed	31 October 2009	4,350	-	-	39.81
	30 April 2010	36	-	-	39.83
R Cole	31 October 2009	4,350	-	-	39.81
	30 April 2010	36	-	-	39.83
L Della Martina	31 October 2009	4,350	-	-	39.81
P Moore	31 October 2009	4,350	-	-	39.81
	30 April 2010	36	-	-	39.83
V Santostefano	31 October 2009	4,350	-	-	39.81
	30 April 2010	36	-	-	39.83
L Tremaine	31 October 2009	4,350	-	-	39.81
K Gallagher ⁽²⁾	31 October 2009	4,350	4,350	-	39.81
	30 April 2010	36	36	-	39.83
E Howell ⁽³⁾	31 October 2009	4,350	4,350	-	39.81
	30 April 2010	36	36	-	39.83

(1) 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.

(2) Mr Gallagher departed from Woodside on 31 October 2011.

(3) Ms Howell departed from Woodside on 31 December 2011.

Table 14 - Summary of senior executives' 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 2011	Fair Value of Equity Rights ⁽¹⁾
R Cole	30 November 2011	1,830	-	-	30.49
L Della Martina	30 November 2011	1,830	-	-	30.49
P Moore	30 November 2011	1,830	-	-	30.49
V Santostefano	30 November 2011	1,830	-	-	30.49
L Tremaine	30 November 2011	1,830	-	-	30.49

(1) 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.

Table 15 - Summary of terms and conditions for PRs awarded under the equity-based retention plan

Terms and conditions	Pay Rights Plan 2
Allocation Date	1 November 2007
Pricing Date	1 November 2007
Grant Date	1 November 2007
Volume Weighted Average Price	A\$49.25
Performance condition for vesting	Maintenance of acceptable individual performance over the period from allocation date to vesting date. Minimum level of company RTSR performance at or above 50th percentile of the Peer Group over the preceding year.
Vesting Date	15 March 2009; 15 March 2010; 15 March 2011

Table 16 - Time-tested PRs awarded under the equity based retention plan

Name	Allocation Date	Vesting Date	Vested in 2011	Lapsed in 2011	Fair Value of Pay Rights
F Ahmed	November 2007	March 2011	-	2,030	0.75
	December 2009	March 2011	-	17	0.75
J Soine	November 2007	March 2011	-	1,015	0.75
	December 2009	March 2011	-	8	0.75

Table 17 - Annual base Board and committee fees for non-executive directors

Position	Board	Audit & Risk Committee	Human Resources & Compensation Committee	Sustainability Committee	Nominations Committee
	A\$	A\$	A\$	A\$	A\$
Chairman of the Board ⁽¹⁾	653,100 ⁽³⁾	-	-	-	-
Non-executive directors ⁽²⁾	198,600 ⁽³⁾	-	-	-	-
Committee Chairman	-	52,300 ⁽³⁾	41,800 ⁽³⁾	41,800 ⁽³⁾	Nil
Committee Member	-	26,100 ⁽³⁾	20,900 ⁽³⁾	20,900 ⁽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 2011.

Table 18 - Total remuneration paid to non-executive directors in 2011 and 2010⁽¹⁾

		Cash salary & fees	Pension super	Total
		Salaries, fees and allowances	Company contributions to superannuation	
		\$	\$	
M A Chaney	2011	659,941	59,395	719,336
	2010	551,928	49,674	601,602
M A Cilento	2011	242,889	21,860	264,749
	2010	201,813	18,163	219,976
E Fraunschiel	2011	274,592	24,713	299,305
	2010	234,390	15,583	249,973
C Haynes ⁽²⁾⁽³⁾	2011	155,712	-	155,712
	2010	-	-	-
A Jamieson	2011	278,700	-	278,700
	2010	213,477	-	213,477
P J M H Jungels	2011	332,451	-	332,451
	2010	270,842	-	270,842
D I McEvoy	2011	264,111	23,770	287,881
	2010	221,902	13,072	234,974
D Megat ⁽⁴⁾	2011	80,776	-	80,776
	2010	229,975	-	229,975
I Robertson ⁽³⁾⁽⁵⁾	2011	72,362	-	72,362
	2010	204,978	-	204,978

(1) The total remuneration for 2010 was converted at the average exchange rate of US\$1:A\$1.090 and the 2011 total remuneration was converted at the average exchange rate of US\$1:A\$0.96834.

(2) Dr Haynes was nominated by Shell Group and appointed on 1 June 2011. Dr Haynes retired from the Shell Group on 31 August 2011. He continues to serve on the Woodside Board.

(3) Board fees for directors who are both nominated and employed by the Shell Group are paid directly to their employing company, not the individual.

(4) Mr Megat retired on 20 April 2011. The Australian dollar compensation paid for the period from 1 January 2011 to 20 April 2011 was converted to US dollars at the average exchange rate of US\$:A\$0.98712.

(5) Mr Robertson retired on 20 April 2011. The Australian dollar compensation paid for the period from 1 January 2011 to 20 April 2011 was converted to US dollars at the average exchange rate of US\$:A\$0.98712.

Governance

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 32 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 pages 50 to 51.

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
PJ Coleman	66,004
MA Cilento	1,382
E Fraunschiel	81,930
CM Haynes	186
A Jamieson	3,000
PJM Jungels	9,205
DI McEvoy	7,924

Signed in accordance with a resolution of the directors.



M A Chaney, AO
Chairman
Perth, Western Australia

22 February 2012

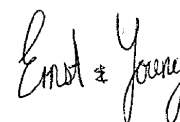


P J Coleman
Chief Executive Officer
Perth, Western Australia

22 February 2012

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 year ended 31 December 2011, 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

22 February 2012

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2011 FINANCIAL REPORT

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Consolidated income statement

For the year ended 31 December 2011

	Notes	2011 US\$m	2010 US\$m
Revenue from sale of goods	3(a)	4,802	4,193
Cost of sales	3(b)	(1,657)	(1,669)
Gross profit		3,145	2,524
Other income	3(c)	109	225
Other expenses	3(d)	(1,042)	(493)
Profit before tax and net finance income/(costs)		2,212	2,256
Finance income	3(e)	10	39
Finance costs	3(f)	(36)	(21)
Profit before tax		2,186	2,274
Taxes			
Income tax expense		(660)	(532)
Petroleum Resource Rent Tax expense		(17)	(165)
Total taxes	4(a)	(677)	(697)
Profit after tax		1,509	1,577
Profit attributable to			
Equity holders of the parent		1,507	1,575
Non-controlling interest		2	2
Profit for the year		1,509	1,577
Basic and diluted earnings per share attributable to the equity holders of the parent (US cents)	5	190	204

The accompanying notes form part of the Financial Report.

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	2011 US\$m	2010 US\$m
Profit for the year	1,509	1,577
Other comprehensive income		
Income tax benefit on net gain on hedge of net investment	-	14
Cash flow hedges		
Transferred to income statement	-	20
Income tax (expense)/benefit	-	(6)
	-	14
Net change in fair value of available-for-sale financial assets	(3)	(4)
Companies voluntarily liquidated	(16)	-
Other comprehensive income for the year, net of tax	(19)	24
Total comprehensive income for the year	1,490	1,601
Total comprehensive income attributable to		
Equity holders of the parent	1,488	1,599
Non-controlling interest	2	2
Total comprehensive income for the year	1,490	1,601

The accompanying notes form part of the Financial Report.

Consolidated statement of financial position

As at 31 December 2011

	Notes	2011 US\$m	2010 US\$m
Current assets			
Cash and cash equivalents	7(a)	41	963
Receivables	8	669	439
Inventories	9(a)	195	118
Other financial assets	10(a)	16	11
Other assets	11(a)	93	48
Total current assets		1,014	1,579
Non-current assets			
Inventories	9(b)	18	39
Other financial assets	10(b)	86	111
Other assets	11(b)	3	36
Exploration and evaluation assets	12	2,235	1,801
Oil and gas properties	13	19,289	16,517
Other plant and equipment	14	62	72
Deferred tax assets	4(d)	33	41
Total non-current assets		21,726	18,617
Total assets		22,740	20,196
Current liabilities			
Payables	15(a)	1,214	1,234
Interest-bearing liabilities	16(a)	770	403
Tax payable	17	74	35
Other financial liabilities	18(a)	-	18
Other liabilities	19(a)	27	13
Provisions	20	327	137
Total current liabilities		2,412	1,840
Non-current liabilities			
Payables	15(b)	215	35
Interest-bearing liabilities	16(b)	4,332	4,512
Deferred tax liabilities	4(d)	1,334	1,333
Other financial liabilities	18(b)	6	5
Other liabilities	19(b)	181	174
Provisions	20	991	611
Total non-current liabilities		7,059	6,670
Total liabilities		9,471	8,510
Net assets		13,269	11,686
Equity			
Issued and fully paid shares	21(a)	5,880	5,036
Shares reserved for employee share plans	21(b)	(67)	(57)
Other reserves	22	1,063	971
Retained earnings	23	5,782	5,141
Equity attributable to equity holders of the parent		12,658	11,091
Non-controlling interest		611	595
Total equity		13,269	11,686

The accompanying notes form part of the Financial Report.

Consolidated statement of cash flows

For the year ended 31 December 2011

	Notes	2011 US\$m	2010 US\$m
Cash flows from/(used in) operating activities			
Profit after tax for the year		1,509	1,577
Adjustments for:			
Non-cash items			
Depreciation and amortisation		664	782
Impairment of exploration and evaluation assets		14	-
(Reversal)/impairment of oil and gas properties and other assets		(17)	98
Unrealised foreign exchange (gain)/loss		(3)	13
Gain on sale of exploration and evaluation assets		(7)	(99)
Gain on sale of assets of disposal group held for sale		-	(143)
Gain on sale of oil and gas properties		(5)	-
Change in fair value of derivative financial instruments		5	(22)
Change in fair value of other financial instruments		(12)	-
Net finance costs/(income)		26	(18)
Tax expense		677	697
Exploration and evaluation written off		176	11
Other		59	26
Changes in assets and liabilities			
(Increase)/decrease in trade and other receivables		(175)	67
Increase in inventories		(63)	(4)
Increase in provisions		250	49
(Decrease)/increase in other assets and liabilities		(45)	21
Increase/(decrease) in trade and other payables		13	(16)
Cash generated from operations		3,066	3,039
Amounts received from employees relating to employee share plans		-	21
Purchases of shares and payments relating to employee share plans		(10)	-
Interest received		10	40
Dividends received		4	6
Interest paid		(200)	(195)
Income tax paid		(496)	(654)
Petroleum Resource Rent Tax paid		(132)	(149)
Payments for restorations		-	(4)
Net cash from operating activities		2,242	2,104
Cash flows from/(used in) investing activities			
Payments for capital and exploration expenditure		(3,584)	(3,649)
Proceeds from sale of exploration and evaluation assets		16	65
Proceeds from sale of oil and gas properties		35	643
Net cash used in investing activities		(3,533)	(2,941)
Cash flows from/(used in) financing activities			
Proceeds from/(repayments of) borrowings		172	(42)
Contributions from non-controlling interests		194	137
Proceeds from rights issues		-	1,078
Transaction costs on issue of shares		-	(18)
Proceeds from underwriters of Dividend Reinvestment Plan (DRP)		648	-
Dividends paid (net of DRP)		(652)	-
Dividends paid outside of DRP		-	(547)
Net cash from financing activities		362	608
Net decrease in cash held		(929)	(229)
Cash and cash equivalents at the beginning of the year		963	1,203
Effects of exchange rate changes on the balances of cash held in foreign currencies		7	(11)
Cash and cash equivalents at the end of the year	7(b)	41	963

The accompanying notes form part of the Financial Report.

Consolidated statement of changes in equity

For the year ended 31 December 2011

	Issued and fully paid shares	Shares reserved for employee share plans	Employee benefits reserve	Foreign currency translation reserve	Hedge of net investment reserve	Hedging reserve	Investment fair value reserve	Retained earnings	Equity holders of the parent	Non-controlling interest	Total equity
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
At 1 January 2011	5,036	(57)	192	679	110	-	(10)	5,141	11,091	595	11,686
Profit for the year	-	-	-	-	-	-	-	1,507	1,507	2	1,509
Other comprehensive income	-	-	-	(16)	-	-	(3)	-	(19)	-	(19)
Total comprehensive income for the year	-	-	-	(16)	-	-	(3)	1,507	1,488	2	1,490
Subsidiary shares issued to non-controlling interest	-	-	-	-	-	-	-	-	-	14	14
Dividend Reinvestment Plan	844	-	-	-	-	-	-	-	844	-	844
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Employee share plan purchases	-	(10)	-	-	-	-	-	-	(10)	-	(10)
Employee share plan redemptions	-	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	111	-	-	-	-	-	111	-	111
Dividends paid	-	-	-	-	-	-	-	(866)	(866)	-	(866)
At 31 December 2011	5,880	(67)	303	663	110	-	(13)	5,782	12,658	611	13,269
At 1 January 2010	3,705	(78)	91	679	96	(14)	(6)	4,339	8,812	456	9,268
Profit for the year	-	-	-	-	-	-	-	1,575	1,575	2	1,577
Other comprehensive income	-	-	-	-	14	14	(4)	-	24	-	24
Total comprehensive income for the year	-	-	-	-	14	14	(4)	1,575	1,599	2	1,601
Subsidiary shares issued to non-controlling interest	-	-	-	-	-	-	-	-	-	137	137
Dividend Reinvestment Plan	254	-	-	-	-	-	-	-	254	-	254
Shares issued	1,077	-	-	-	-	-	-	-	1,077	-	1,077
Employee share plan purchases	-	-	-	-	-	-	-	-	-	-	-
Employee share plan redemptions	-	21	-	-	-	-	-	-	21	-	21
Share-based payments	-	-	101	-	-	-	-	-	101	-	101
Dividends paid	-	-	-	-	-	-	-	(773)	(773)	-	(773)
At 31 December 2010	5,036	(57)	192	679	110	-	(10)	5,141	11,091	595	11,686

The accompanying notes form part of the Financial Report.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

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 22 February 2012.

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 2010. 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 2011 including:

- AASB 2009-12 *Amendments to Australian Accounting Standards* [Editorial amendments to AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]
- AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]
- AASB 2010-5 *Amendments to Australian Accounting Standards* [Editorial amendments to AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]
- AASB 124 (Revised) *Related Party Disclosures*

New and amended Standards and Interpretations did not result in any significant changes to 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.

(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 as at 31 December each year.

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.

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.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

1. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

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 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.

Product 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; and
- 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.

Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend revenue

Dividend revenue is recognised when the Group's right to receive payment is established.

(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

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

1. Summary of significant accounting policies (continued)

(e) Exploration and evaluation (continued)

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 2011

1. Summary of significant accounting policies (continued)

(g) Other plant and equipment

Other plant and equipment is stated at cost less accumulated depreciation and any impairment charges.

(h) 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	40
Transferred exploration and evaluation assets and offshore plant and equipment	Units of production basis over 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

(i) Impairment of assets

The carrying amounts of all assets, other than inventory, financial assets and deferred tax assets, are reviewed half-yearly to determine whether there is an indication of an impairment loss. 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 to sell. 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. Generally, the Group evaluates its oil and gas properties on a field-by-field basis.

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.

(j) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale and measured at the lower of their carrying amounts and fair values less cost to sell. They are not depreciated or amortised. To be classified as held for sale, an asset or a disposal group must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset to its fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

(k) 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 2011

1. Summary of significant accounting policies (continued)

(k) 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
<i>Fair value hedge</i>	
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.
<i>Cash flow hedge</i>	
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.
<i>Hedge of net investment</i>	
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.

(l) 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 2011

1. Summary of significant accounting policies (continued)

(l) 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(h)).

Costs incurred that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

(m) Joint ventures

The Group's interests in jointly controlled assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures, except where as operator, Woodside takes on the role as independent contractor. In these instances, receivables and payables relating to jointly controlled operations are brought to account on a gross basis.

Joint venture expenses and the Group's entitlement to production are recognised on a pro-rata basis according to the Group's joint venture interest.

Investments in jointly controlled entities, where the Group has significant influence, but not control, are accounted for using the equity method of accounting. 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.

On loss of joint control in a jointly controlled entity, any retained interest in the former entity is recognised at its fair value at the date that joint control is lost. A gain or loss, on loss of joint control, is recognised in the income statement.

(n) 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 (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.

(o) 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.

Translation of the financial results of foreign operations prior to 2010

Prior to 1 January 2010, certain entities within the Group had a functional currency of Australian dollars as a result of the economic environment in which they were operating. For the period prior to the date of change in functional currency assets and liabilities of these entities were translated into the presentation currency of the Group (US dollars) at the rate of exchange ruling at the respective reporting dates. The income statements were translated at the average exchange rates for the reporting period, or at the exchange rates ruling at the date of transactions. Exchange differences arising on translation were taken to the foreign currency translation reserve in equity.

On disposal of a foreign operation, the proportionate share of exchange differences recognised in the foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

Hedge transactions

Derivatives and other financial instruments are used to hedge foreign exchange risk relating to certain transactions (refer to Note 1(k)).

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 2011

1. Summary of significant accounting policies (continued)

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) Investments

Investments are classified as either available-for-sale or held for trading and are initially recognised at fair value plus, in the case of investments not held for trading, any directly attributable transaction costs.

After initial recognition investments are carried at fair value. Changes in the fair value of available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative change in fair value previously reported in equity is included in the income statement. Changes in the fair value of held for trading investments are recognised in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date. Where investments are not actively traded, fair value is established by using other market accepted valuation techniques.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

1. Summary of significant accounting policies (continued)

(u) 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 venture.

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.

(v) 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 due to be settled within one year after the end of the period in which the employees render the related services are recognised in the statement of financial position. 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 due to be settled within one year after the end of the period in which the employees render the related services are measured at the amount due to be paid.

(w) 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.

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.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately.

Shares in the Group reacquired on-market are classified and disclosed as reserved shares and deducted from equity (refer to Note 1(ac)). No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

1. Summary of significant accounting policies (continued)

(w) Share-based payments (continued)

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.

(x) Retirement benefits

All employees of the Group's Australian entities are entitled to benefits under the Group's superannuation plan due to retirement, disability or death. The Group has a defined benefit component and a defined contribution component within the plan. The defined benefit section of the plan is closed to new members.

The defined benefit component provides defined lump sum benefits based on years of service and final average salary. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. A liability or asset in respect of the defined benefit component of the superannuation plan is recognised in the statement of financial position and is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date. The defined benefit obligation includes actuarial estimates of future variables such as employee turnover and the plan's rate of return.

The cost of the defined benefit component is charged to the income statement systematically over the employee's service life.

Gains and losses arising from changes in actuarial estimates are recognised immediately as income or expense in the income statement.

The defined contribution component receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to the defined contribution fund are recognised as an expense as incurred.

(y) 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.

(z) 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.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

1. Summary of significant accounting policies (continued)

(z) Tax (continued)

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, 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.

(aa) 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.

(ab) 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.

(ac) 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.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

1. Summary of significant accounting policies (continued)

(ad) 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.

Critical accounting estimates and assumptions

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 reserves, future production profiles, commodity prices and costs.

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(l).

Reserve estimates

Estimation of reported recoverable quantities of Proven 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.

Critical judgements in applying the Group's accounting policies

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 2011

1. Summary of significant accounting policies (continued)

(ae) 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 <i>Financial Instruments</i>	Periods beginning on or after 1 January 2013	AASB 9 includes requirements for the classification and measurement for financial assets and financial liabilities and the recognition and derecognition requirements for financial instruments. This standard is a result of the first part of Phase I of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).
AASB 2009-11 <i>Amendments to Australian Accounting Standards - arising from AASB 9</i> [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	Periods beginning on or after 1 January 2013	This Standard makes amendments to several Australian Accounting Standards and Interpretations. These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> that sets out requirements for the classification and measurement of financial assets. This Standard is applied when AASB 9 is applied.
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> [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 2013	This Standard adds the requirements for classifying and measuring financial liabilities to AASB 9. The Standard also makes amendments to several Australian Accounting Standards and Interpretations. These amendments arise from the issuance of AASB 9 <i>Financial Instruments</i> as issued in December 2010.
AASB 10 <i>Consolidated Financial Statements</i>	Periods beginning on or after 1 January 2013	AASB 10 introduces a revised definition of control and establishes a single control model that applies to all entities. This Standard replaces AASB 127 <i>Consolidated and Separate Financial Statements</i> and Interpretation 112 <i>Consolidation - Special Purpose Entities</i> and is required to be applied retrospectively.
AASB 11 <i>Joint Arrangements</i>	Periods beginning on or after 1 January 2013	This Standard supersedes AASB 131 <i>Interests in Joint Ventures</i> and Interpretation 113 <i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i> and establishes principles for the financial reporting by parties to a joint arrangement. Changes will be required to be applied retrospectively.
AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i> [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	Periods beginning on or after 1 January 2013	This Standard makes amendments to several Australian Accounting Standards and Interpretations arising from the issuance of the consolidation and joint arrangements Standards.
AASB 12 <i>Disclosures of Interests in Other Entities</i>	Periods beginning on or after 1 January 2013	This standard provides a single source of guidance for all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.
AASB 13 <i>Fair Value Measurement</i>	Periods beginning on or after 1 January 2013	This standard defines fair value and provides a single framework for measuring fair value when required by individual Standards.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

1. Summary of significant accounting policies (continued)

(ae) New and amended Accounting Standards and Interpretations issued but not yet effective (continued)

AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 38 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	Periods beginning on or after 1 January 2013	This Standard makes amendments to several Australian Accounting Standards and Interpretations. These amendments principally arise from the issuance of AASB 13.
AASB 119 <i>Employee Benefits (revised)</i>	Periods beginning on or after 1 January 2013	The revised Standard requires the immediate recognition of defined benefit costs, improves the presentation and disclosure requirements for defined benefit plans and requires the recognition of short-term and other long-term employee benefits to be based on the expected timing of settlement rather than employee entitlement. These revisions will require retrospective application.
AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)</i> [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]	Periods beginning on or after 1 January 2013	This Standard makes amendments to several Australian Accounting Standards and Interpretations. These amendments principally arise from amendments to the revised employee benefits Standard.
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i> [AASB 124]	Periods beginning on or after 1 July 2013	This Standard removes the requirements to include individual key management personnel disclosures in the notes to and forming part of the Financial Report.
AASB 2011-9 <i>Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income</i> [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	Periods beginning on or after 1 July 2012	This Standard amends the presentation of components of other comprehensive income including presenting separately those items that will be reclassified to profit or loss in the future and those that would not. Amendments will be applied retrospectively.
AASB 1054 <i>Australian Additional Disclosures</i>	Periods beginning on or after 1 July 2011	The AASB has deleted many, but not all, Australian specific disclosure requirements from individual Standards and moved to this new Standard to align with the equivalent New Zealand Standard. This Standard simplifies disclosures for audit remuneration, franked dividends, capital and expenditure commitments.
AASB 2011-1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project</i>		
AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements</i>		

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 financial position.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

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.

Australia Oil Business Unit

Exploration, evaluation, development, production and sale of crude oil, condensate, liquefied petroleum gas and pipeline natural gas in assigned permit areas including Laminaria, Mutineer–Exeter, Enfield, Vincent, Otway and Stybarrow ventures.

Pluto Business Unit

Exploration, evaluation and development of liquefied natural gas in assigned permit areas.

Browse Business Unit

Exploration, evaluation and development of liquefied natural gas in assigned permit areas.

United States Business Unit

Exploration, evaluation, development, production and sale of pipeline natural gas, condensate and crude oil in assigned permit areas.

Other

This segment comprises the activities undertaken by Exploration, International and Sunrise Business Units.

No operating segments have been aggregated to form the above reportable operating segments.

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. 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.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

2. Operating segments (continued)

(a) Revenue and profit after tax for the year ended 31 December 2011

	North West Shelf Business Unit		Australia Oil Business Unit		Pluto Business Unit		Browse Business Unit		United States Business Unit		Other	Unallocated items		2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m
	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m
Revenue																	
Revenue from external customers	2,989	2,749	1,677	1,272	-	-	-	-	93	117	43	55	-	-	4,802	4,193	
Cost of sales																	
Cost of production	(692)	(613)	(252)	(237)	(1)	(1)	-	-	(13)	(15)	(10)	(6)	(13)	(6)	(981)	(878)	
Shipping and direct sales costs	(43)	(33)	(1)	(4)	(6)	(3)	-	-	(6)	(8)	-	-	(5)	(5)	(61)	(53)	
Oil and gas properties depreciation and amortisation	(182)	(207)	(374)	(429)	-	-	-	-	(32)	(71)	(26)	(30)	(1)	(1)	(615)	(738)	
Total cost of sales	(917)	(853)	(627)	(670)	(7)	(4)	-	-	(51)	(94)	(36)	(36)	(19)	(12)	(1,657)	(1,669)	
Gross profit	2,072	1,896	1,050	602	(7)	(4)	-	-	42	23	7	19	(19)	(12)	3,145	2,524	
Exploration and evaluation	(4)	(6)	(3)	(17)	(278)	(132)	(31)	(1)	(69)	(87)	(194)	(84)	(8)	(2)	(587)	(329)	
Share of profits of associates	3	4	-	-	-	-	-	-	-	-	-	-	-	-	3	4	
Change in fair value of derivative financial instruments	-	9	-	8	-	-	-	-	-	-	-	-	(5)	5	(5)	22	
Change in fair value of other financial instruments	-	-	-	-	12	-	-	-	-	-	-	-	-	-	12	-	
Gain on sale of assets of disposal group held for sale	-	-	-	143	-	-	-	-	-	-	-	-	-	-	-	143	
Gain/(loss) on sale of oil and gas properties	1	-	-	-	-	-	-	-	4	-	-	-	-	-	5	-	
Depreciation of other plant and equipment	-	-	-	-	-	-	-	-	(1)	(1)	-	-	(11)	(10)	(12)	(11)	
Gain on sale of exploration and evaluation assets	-	-	-	-	-	-	-	-	1	-	6	99	-	-	7	99	
Net defined benefit plan gain/(loss)	-	-	-	-	-	-	-	-	-	-	-	-	(7)	2	(7)	2	
Other exchange gain/(loss)	-	(8)	(3)	8	(3)	2	-	-	-	-	-	(8)	52	(31)	46	(37)	
Exchange gain/(loss) on cash balances	-	(1)	6	(7)	14	17	(3)	(2)	-	-	-	-	(10)	(28)	7	(21)	
Impairment loss	-	-	(14)	(3)	-	-	-	-	-	(95)	-	-	-	-	(14)	(98)	
Impairment reversal	-	-	-	-	-	-	-	-	17	-	-	-	-	-	17	-	
Other income	14	15	3	14	2	1	-	1	-	-	-	-	10	6	29	37	
Other expenses	(39)	(5)	(4)	(2)	(330)	(4)	(3)	-	(22)	(20)	(1)	(6)	(35)	(42)	(434)	(79)	
Profit before tax and net finance income/(costs)	2,047	1,904	1,035	746	(590)	(120)	(37)	(2)	(28)	(180)	(182)	20	(33)	(112)	2,212 ⁽¹⁾	2,256 ⁽¹⁾	
Finance income															10	39	
Finance costs															(36)	(21)	
Profit before tax															2,186	2,274	
Taxes															(677)	(697)	
Profit after tax															1,509	1,577	

(1) The performance of operating segments is evaluated based on profit before finance income, finance costs and tax. Financing requirements, finance income, finance costs and taxes are managed on a Group basis.

There were no significant inter-segment transactions during the financial year.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

2. Operating segments (continued)

(b) Segment assets and liabilities and other segment information at 31 December 2011

	North West Shelf Business Unit		Australia Oil Business Unit		Pluto Business Unit		Browse Business Unit		United States Business Unit		Other		Unallocated items		Consolidated	
	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m
Segment assets	4,114	3,767	1,965	1,850	15,199	12,425	1,595	956	365	461	600	520	(1,098)	217	22,740	20,196
Segment liabilities/(assets)	1,653	1,671	612	420	1,028	689	(288)	(191)	42	57	140 ⁽¹⁾	113 ⁽¹⁾	6,284	5,751	9,471	8,510
Other segment information																
Investment in associates	2	2	-	-	-	-	-	-	-	-	-	-	-	-	2	2
Additions to oil and gas properties	460	319	366	272	2,446	2,863	-	-	15	17	-	-	-	-	3,287	3,471
Additions to exploration and evaluation assets	28	6	48	29	283	415	460	159	(10)	57	7	35	-	-	816	701
Additions to other plant and equipment	-	1	-	-	-	-	-	-	-	-	-	-	2	-	2	1

(1) 2011 and 2010 figures include inter-company amounts (2011: US\$126 million; 2010: US\$126 million).

(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	
	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m
Revenue from external customers	507	617	3,400	3,062	224	122	671	392	4,802	4,193
Non-current assets	21,271	18,026	6	2	342	427	25	52	21,644 ⁽²⁾	18,507 ⁽³⁾

(2) Non-current assets excludes derivatives (US\$49 million) and deferred tax (US\$33 million).

(3) Non-current assets excludes derivatives (US\$69 million) and deferred tax (US\$41 million).

(d) Major customer information

There has been no major customer to which the Group provides goods that are more than 10% of external revenue (2010: nil).

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

3. Revenue and expenses

	2011 US\$m	2010 US\$m
(a) Revenue from sale of goods		
Liquefied natural gas		
North West Shelf	1,509	1,310
Pipeline natural gas		
North West Shelf	375	292
Otway ⁽¹⁾	-	17
United States of America	8	31
	383	340
Condensate		
North West Shelf	860	704
Otway ⁽¹⁾	-	4
Ohanet ⁽²⁾	26	33
United States of America	1	3
	887	744
Oil		
North West Shelf	118	333
Laminaria	152	205
Mutineer–Exeter	11	8
Enfield ⁽³⁾	475	496
Vincent ⁽³⁾	589	372
Stybarrow ⁽³⁾	450	165
United States of America	84	83
	1,879	1,662
Liquefied petroleum gas		
North West Shelf	127	110
Otway ⁽¹⁾	-	5
Ohanet ⁽²⁾	17	22
	144	137
Total revenue from sale of goods	4,802	4,193
(b) Cost of sales		
Cost of production		
Production costs	(505)	(430)
Royalties and excise	(466)	(419)
Insurance	(31)	(36)
Inventory movement	21	7
	(981)	(878)
Shipping and direct sales costs	(61)	(53)
Oil and gas properties depreciation and amortisation		
Land and buildings	(7)	(7)
Transferred exploration and evaluation	(21)	(29)
Plant and equipment	(581)	(696)
Marine vessels and carriers	(6)	(6)
	(615)	(738)
Total cost of sales	(1,657)	(1,669)
Gross profit	3,145	2,524

(1) Woodside's interest in the Otway Gas Project was sold in March 2010.

(2) Woodside's interest in the Ohanet risk sharing contract expired in October 2011.

(3) 2010 figures include a crude oil hedging loss of US\$14 million resulting from settlement of Greater Exmouth Area Zero Cost Collars. No other commodity hedging programs were placed or in place during 2011.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

3. Revenue and expenses (continued)

	2011 US\$m	2010 US\$m
(c) Other income		
Other fees and recoveries	29	37
Share of associates' net profit	3	4
Exchange gain/(loss) on cash balances	7	(21)
Other exchange gain/(loss)	46	(37)
Gain on sale of assets of disposal group held for sale	-	143
Gain on sale of oil and gas properties	5	-
Gain on sale of exploration and evaluation assets	7	99
Change in fair value of other financial instruments	12	-
Total other income	109	225
(d) Other expenses		
Exploration and evaluation		
Exploration expensed in current year	(381)	(291)
Exploration expensed previously capitalised	(147)	(8)
Amortisation of licence acquisition costs	(28)	(24)
Evaluation	(31)	(6)
Total exploration and evaluation	(587)	(329)
Other costs		
Net defined benefit plan (loss)/gain	(7)	2
Change in fair value of derivative financial instruments	(5)	22
Depreciation of other plant and equipment	(12)	(11)
General, administrative and other costs	(130)	(79)
Pluto mitigation and pre-start up costs	(304)	-
Impairment of exploration and evaluation assets	(14)	-
Reversal/(impairment) of oil and gas properties	17	(97) ⁽¹⁾
Impairment of other assets	-	(1)
Total other costs	(455)	(164)
Total other expenses	(1,042)	(493)
Profit before tax and net finance income/(costs)	2,212	2,256
(e) Finance income		
Interest	10	39
Total finance income	10	39
(f) Finance costs		
Unwinding of present value discount (accretion)	(27)	(18)
Other finance costs	(9)	(3)
Total finance costs	(36)	(21)
Profit before tax	2,186	2,274

(1) As part of the Group's regular review of assets whose values may be impaired, a charge of US\$92 million was recognised in relation to the Neptune oil field in the Gulf of Mexico (which is part of the United States Business Unit segment) following an assessment of the expected ultimate reserve recovery. As a result of the impairment, deferred tax assets of US\$40 million are no longer expected to be realised by the Group and were recognised as a charge to income tax expense, refer to Note 4(a). The recoverable amount for the cash-generating unit was determined based on a value in use calculation. The real pre-tax discount rate applied to the cash-generating unit was 11%.

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For the year ended 31 December 2011

4. Taxes

	2011 US\$m	2010 US\$m
(a) Tax expense comprises		
Income tax		
Current tax expense	579	545
Over provided in prior years	(5)	(4)
Deferred tax expense related to the movements in deferred tax balances	86	80
Write-downs of deferred tax assets	-	40
Impact of conversion to US dollar functional currency	-	(129)
	660	532
PRRT		
Current tax expense	88	96
Under provided in prior years	4	1
Deferred tax expense related to the movements in deferred tax balances	(75)	(25)
Impact of conversion to US dollar functional currency	-	93
	17	165
Total tax expense reported in the income statement	677	697
(b) Reconciliation of tax expense to prima facie tax payable		
Profit before tax	2,186	2,274
PRRT expense	(17)	(165)
Profit after PRRT expense	2,169	2,109
Tax expense calculated at 30%	651	633
Tax effect of items which are non-deductible/(assessable)		
Sale of assets	-	(65)
Research and development	(9)	(10)
Other	(4)	9
Foreign expenditure not brought to account	21	53
Tax rate differential on non-Australian income	2	3
Over provided in prior years	(5)	(4)
Write-downs of deferred tax assets	-	40
Impact of conversion to US dollar functional currency	-	(129)
Foreign exchange impact on tax expense	4	2
PRRT expense	17	165
Tax expense	677	697
The tax rate used in the above reconciliation is that applied to resident companies pursuant to the income tax statutes in force in Australia as at the reporting date. There has been no change in the corporate tax rate when compared with the previous reporting year.		
(c) Tax recognised directly in equity		
Deferred tax	-	(9)

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For the year ended 31 December 2011

4. Taxes (continued)

	At 1 January	Charged/ (credited) to income statement	Charged/ (credited) to equity	Acquisition/ (disposal)	Other movements	At 31 December
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
(d) Deferred tax						
2011						
Deferred tax assets						
Arising from temporary differences and tax losses						
Foreign jurisdiction	11	-	-	-	-	11
Domestic jurisdiction	30	(8)	-	-	-	22
	41	(8)	-	-	-	33
Deferred tax liabilities						
Arising from temporary differences						
Exploration and evaluation assets	410	153	-	-	-	563
Oil and gas properties	548	138	-	-	-	686
Financial instruments	114	(75)	-	-	-	39
Other liabilities	(238)	35	-	-	-	(203)
Provisions	(203)	(171)	-	-	-	(374)
Other	(49)	(4)	-	-	-	(53)
Assets classified as held for sale	-	-	-	-	-	-
Arising from PRRT	751	(75)	-	-	-	676
	1,333	1	-	-	-	1,334
2010						
Deferred tax assets						
Arising from temporary differences and tax losses						
Foreign jurisdiction	51	(40)	-	-	-	11
Domestic jurisdiction	24	(5)	-	-	11	30
	75	(45)	-	-	11	41
Deferred tax liabilities						
Arising from temporary differences						
Exploration and evaluation assets	263	148	-	-	(1)	410
Oil and gas properties	487	76	-	-	(15)	548
Financial instruments	216	3	6	-	(111)	114
Other liabilities	(234)	(4)	-	-	-	(238)
Provisions	(158)	(45)	-	-	-	(203)
Other	23	(66)	(1)	-	(5)	(49)
Assets classified as held for sale	56	-	-	(56)	-	-
Arising from PRRT	677	57	-	17	-	751
	1,330	169	5	(39)	(132)	1,333

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For the year ended 31 December 2011

4. Taxes (continued)

	2011 US\$m	2010 US\$m
(e) Unrecognised deferred tax assets		
Tax losses not recognised		
Revenue	205	195
Capital	100	100
Temporary differences associated with investments	4	3
Deductible temporary differences not recognised	144	160
	453	458

(f) Tax losses

At the reporting date the Group has unused (recognised and not recognised) tax losses of US\$981 million (2010: US\$969 million) that are available for offset against future taxable profits.

A deferred tax asset in respect of tax losses of US\$16 million (2010: US\$22 million) has been recognised because it is probable that sufficient future taxable profit will be available for use against such losses.

No deferred tax asset has been recognised in respect of the remaining tax losses and credits due to the uncertainty of future profit streams.

There are no carried forward tax credits available in 2011 (2010: nil).

(g) 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 35(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.

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For the year ended 31 December 2011

5. Earnings per share

	2011	2010
Profit attributable to equity holders of the parent (US\$m)	1,507	1,575
Weighted average number of shares on issue	791,668,973	773,388,154
Basic and diluted earnings per share (US cents) ⁽¹⁾	190	204

(1) Earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent 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

	2011 US\$m	2010 US\$m
(a) Dividends paid during the financial year⁽¹⁾		
Prior year fully franked final dividend US\$0.55, paid on 6 April 2011 (2010: US\$0.49, paid on 31 March 2010)	430	383
Current year fully franked interim dividend US\$0.55, paid 30 September 2011 (2010: US\$0.50 paid on 23 September 2010)	436	390
	866	773
(b) Dividend declared (not recorded as a liability)⁽¹⁾		
Fully franked final dividend US\$0.55, to be paid on 4 April 2012 (2010: US\$0.55, paid on 6 April 2011)	443	431
Dividend per share in respect of financial year (US cents)	110	105
(1) Fully franked at 30.0% (2010: 30.0%).		
(c) Franking credit balance		
Franking credits available for the subsequent financial year arising from		
Franking account balance at 31 December	2,893	2,752
Current year income tax payable	82	6
Dividends declared	(190)	(185)
Franking account balance after payment of tax and dividends	2,785	2,573

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

7. Cash and cash equivalents

	2011 US\$m	2010 US\$m
(a) Components of cash and cash equivalents		
Cash at bank ⁽¹⁾	20	57
Money market deposits ⁽²⁾	21	906
Total cash and cash equivalents	41	963

(1) Cash at bank earns on average 0.6% (2010: 1.1%).

(2) Money market deposits are denominated in Australian dollars and US dollars with an average maturity of 8.1 days (2010: 20.2 days) and effective interest rates of 0.1% to 5.6% (2010: 0.2% to 5.2%).

(b) Reconciliation to statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2011 US\$m	2010 US\$m
Cash at bank	20	57
Money market deposits	21	906
	41	963

8. Receivables

	2011 US\$m	2010 US\$m
Trade receivables ⁽¹⁾	339	285
Other receivables ⁽²⁾	328	152
Dividends receivable ⁽³⁾	2	2
	669	439

(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 receivable are receivable within 30 days of period end.

9. Inventories

	2011 US\$m	2010 US\$m
(a) Inventories (current)		
Petroleum products (at cost)		
Work in progress	1	1
Goods in transit	3	4
Finished stocks	119	61
Warehouse stores and materials (at cost)	72	52
	195	118
(b) Inventories (non-current)		
Warehouse stores and materials (at cost)	18	39

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

10. Other financial assets

	2011 US\$m	2010 US\$m
(a) Other financial assets (current)		
Derivative instruments (at fair value) ⁽¹⁾	9	9
Embedded derivatives (at fair value) ⁽²⁾	7	-
Cash held in reserve	-	2
	16	11
(b) Other financial assets (non-current)		
Other investments (available-for-sale)		
Listed (at fair value)	3	6
Unlisted (at cost)	5	6
Cash held in reserve ⁽³⁾	30	30
Derivative instruments (at fair value) ⁽¹⁾	10	15
Embedded derivatives (at fair value) ⁽²⁾	38	54
	86	111

(1) Details regarding derivative instruments are contained in Note 25(f).

(2) Embedded derivatives relate to sales contracts.

(3) Represents restricted cash associated with JBIC facility, refer to Note 25(e).

11. Other assets

	2011 US\$m	2010 US\$m
(a) Other assets (current)		
Prepayments	41	46
Other	52	2
	93	48
(b) Other assets (non-current)		
Other	1	34
Investment in associates	2	2
	3	36

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For the year ended 31 December 2011

12. Exploration and evaluation assets

	2011 US\$m	2010 US\$m
(a) Reconciliations of the carrying amounts of exploration and evaluation assets		
Carrying amount at 1 January	1,801	1,158
Additions	816	701
Disposals at written down value	(10)	-
Amortisation of licence acquisition costs	(28)	(24)
Expensed (previously capitalised):		
Exploration	(147)	(8)
Evaluation	(29)	(2)
Impairment loss	(14)	-
Transferred exploration and evaluation	(154)	(24)
Carrying amount at 31 December	2,235	1,801
(b) Carrying amounts of exploration and evaluation assets	2011 US\$m	2010 US\$m
Regions		
Australia		
Browse Basin	1,200	740
Carnarvon Basin	712	699
Bonaparte Basin	136	127
The Americas		
Gulf of Mexico	155	207
Brazil	26	26
Asia		
Korea	6	2
	2,235	1,801

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For the year ended 31 December 2011

13. Oil and gas properties

	Land and buildings	Transferred exploration and evaluation	Plant and equipment	Marine vessels and carriers	Projects in development	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Year ended 31 December 2011						
Carrying amount at 1 January 2011	338	141	3,827	132	12,079	16,517
Additions	-	-	332	-	2,955	3,287
Disposals at written down value	-	-	(61)	-	(10)	(71)
Depreciation and amortisation	(7)	(21)	(581)	(6)	-	(615)
Impairment reversal	-	-	17	-	-	17
Completions and transfers	(27)	-	780	-	(599)	154
Carrying amount at 31 December 2011	304	120	4,314	126	14,425	19,289
At 31 December 2011						
Historical cost	574	402	9,384	373	14,425	25,158
Accumulated depreciation and impairment	(270)	(282)	(5,070)	(247)	-	(5,869)
Net carrying amount	304	120	4,314	126	14,425	19,289
Year ended 31 December 2010						
Carrying amount at 1 January 2010	376	155	4,188	138	9,000	13,857
Additions	-	-	67	-	3,404	3,471
Disposals at written down value	-	-	-	-	-	-
Depreciation and amortisation	(7)	(29)	(696)	(6)	-	(738)
Impairment loss	-	(9)	(88)	-	-	(97)
Completions and transfers	(31)	24	356	-	(325)	24
Carrying amount at 31 December 2010	338	141	3,827	132	12,079	16,517
At 31 December 2010						
Historical cost	573	409	8,931	373	12,079	22,365
Accumulated depreciation and impairment	(235)	(268)	(5,104)	(241)	-	(5,848)
Net carrying amount	338	141	3,827	132	12,079	16,517

Borrowing costs capitalised in oil and gas properties during the year were US\$200 million (2010: US\$217 million) at a weighted average interest rate of 3.3% (2010: 3.7%).

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

14. Other plant and equipment

	2011 US\$m	2010 US\$m
(a) Other plant and equipment		
Plant and equipment	161	160
Less: Accumulated depreciation	(99)	(88)
	62	72
(b) Reconciliation of the carrying amounts of other plant and equipment at the beginning and end of the financial year		
Carrying amount at 1 January	72	82
Additions	2	1
Depreciation	(12)	(11)
Carrying amount at 31 December	62	72

15. Payables

	2011 US\$m	2010 US\$m
(a) Payables (current)		
Trade payables ⁽¹⁾	343	245
Other payables ⁽¹⁾	827	934
Interest payable ⁽²⁾	44	55
	1,214	1,234
(b) Payables (non-current)		
Loan payables ⁽³⁾	215	35

(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 25(e).

(3) Loan payables are unsecured, interest-free and have a repayment period of 10 years.

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For the year ended 31 December 2011

16. Interest-bearing liabilities

	2011 US\$m	2010 US\$m
(a) Interest-bearing liabilities (current)⁽¹⁾		
Bonds	-	300
Debt facilities	770	103
	770	403
(b) Interest-bearing liabilities (non-current)⁽¹⁾		
Bonds	2,626	1,927
Debt facilities	1,706	2,585
	4,332	4,512

(1) Details regarding interest-bearing liabilities are contained in Note 25(e).

17. Tax payable

	2011 US\$m	2010 US\$m
Income tax payable	84	6
PRRT payable	(10)	29
	74	35

18. Other financial liabilities

	2011 US\$m	2010 US\$m
(a) Other financial liabilities (current)		
Other financial liability	-	18
	-	18
(b) Other financial liabilities (non-current)		
Other financial liability	6	5
	6	5

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For the year ended 31 December 2011

19. Other liabilities

	2011 US\$m	2010 US\$m
(a) Other liabilities (current)		
Unearned revenue	24	12
Gas purchase commitments	3	1
	27	13
(b) Other liabilities (non-current)		
Unearned revenue	134	143
Gas purchase commitments	17	17
Defined benefit superannuation plan	30	14
	181	174

20. Provisions

	Restoration of operating locations ⁽¹⁾ US\$m	Employee benefits ⁽²⁾ US\$m	Other US\$m	Total US\$m
Year ended 31 December 2011				
At 1 January 2011	581	156	11	748
Change in provision	295	19	233	547
Unwinding of present value discount	23	-	-	23
At 31 December 2011	899	175	244	1,318
At 31 December 2011				
Current	26	134	167	327
Non-current	873	41	77	991
	899	175	244	1,318
Year ended 31 December 2010				
At 1 January 2010	434	121	9	564
Change in provision	129	35	2	166
Unwinding of present value discount	18	-	-	18
At 31 December 2010	581	156	11	748
At 31 December 2010				
Current	7	119	11	137
Non-current	574	37	-	611
	581	156	11	748

(1) Details regarding restoration of operating locations are contained in Note 1(l) and 1(ad).

(2) Details regarding employee benefits are contained in Note 1(v) and 27.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

21. Contributed equity

	2011 US\$m	2010 US\$m
(a) Issued and fully paid shares		
805,671,604 (2010: 783,401,631) ordinary shares ⁽¹⁾	5,880	5,036
(b) Shares reserved for employee share plans		
1,298,284 (2010: 1,578,948) ordinary shares ⁽²⁾	(67)	(57)

(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.

(2) Information relating to the number of Woodside Petroleum Ltd shares reserved for employee share plans can be found in Note 27(a) and (b).

	2011 Shares	2010 Shares	2011 US\$m	2010 US\$m
(c) Movements in issued and fully paid shares				
At 1 January	783,401,631	748,598,989	5,036	3,705
DRP underwriting agreement				
Ordinary shares issued at A\$43.80 (2010 final dividend)	7,397,386	-	334	-
Ordinary shares issued at A\$33.43 (2011 interim dividend)	9,507,762	-	310	-
DRP				
Ordinary shares issued at A\$45.42 (2009 final dividend)	-	2,891,112	-	121
Ordinary shares issued at A\$42.49 (2010 interim dividend)	-	3,264,722	-	133
Ordinary shares issued at A\$42.32 (2010 final dividend)	2,430,803	-	106	-
Ordinary shares issued at A\$33.49 (2011 interim dividend)	2,934,022	-	94	-
Rights Issue				
Ordinary shares issued at A\$42.10	-	28,646,808	-	1,078
Share issue costs (net of tax)				(1)
At 31 December	805,671,604	783,401,631	5,880	5,036

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For the year ended 31 December 2011

22. Other reserves

	Employee benefits reserve	Foreign currency translation reserve	Hedge of net investment reserve	Hedging reserve	Investment fair value reserve	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Year ended 31 December 2011						
At 1 January 2011	192	679	110	-	(10)	971
Share-based payments	111	-	-	-	-	111
Cash flow hedges						
Gain recognised in revenue	-	-	-	-	-	-
Available-for-sale financial assets	-	-	-	-	(3)	(3)
Net gain on hedge of net investment	-	-	-	-	-	-
Companies voluntarily liquidated	-	(16)	-	-	-	(16)
At 31 December 2011	303	663	110	-	(13)	1,063
Year ended 31 December 2010						
At 1 January 2010	91	679	96	(14)	(6)	846
Share-based payments	101	-	-	-	-	101
Cash flow hedges						
Gain recognised in revenue	-	-	-	14	-	14
Available-for-sale financial assets	-	-	-	-	(4)	(4)
Net gain on hedge of net investment	-	-	14	-	-	14
Companies voluntarily liquidated	-	-	-	-	-	-
At 31 December 2010	192	679	110	-	(10)	971

Nature and purpose of reserves

Employee benefits reserve

Used to record share-based payments associated with the employee share plans.

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.

Hedging reserve

Used to record the effective portion of changes in the fair value of cash flow hedges.

Investment fair value reserve

Used to record changes in the fair value of the Group's available-for-sale financial assets.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

23. Retained earnings

	2011 US\$m	2010 US\$m
At 1 January	5,141	4,339
Net profit for the year	1,507	1,575
Dividends	(866)	(773)
At 31 December	5,782	5,141

24. Parent entity information

	2011 US\$m	2010 US\$m
Information relating to Woodside Petroleum Ltd		
Current assets	-	-
Total assets	6,800	5,786
Current liabilities	(131)	(176)
Total liabilities	(426)	(373)
Net assets	6,374	5,413
Issued and fully paid shares	5,880	5,036
Share reserved for employee share plans	(67)	(57)
Employee benefits reserve	264	154
Foreign currency translation reserve	303	303
Retained earnings	(6)	(23)
Total shareholders' equity	6,374	5,413
Profit of the parent entity	885	756
Total comprehensive income of the parent entity	885	756

Guarantees

Woodside Petroleum Ltd and Woodside Energy Ltd (a subsidiary company) are parties to a Deed of Cross Guarantee as disclosed in Note 35(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 25(e).

25. 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 purchase of reserves and the underpinning of the economics of a new project.

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For the year ended 31 December 2011

25. Financial and capital risk management (continued)

(a) Financial risk management objectives and policies (continued)

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.

(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 a functional currency of an entity. The functional currency of all entities within 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 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.

	2011				2010			
	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	16	22	3	41	910	44	9	963
Receivables	555	114	-	669	329	110	-	439
Other financial assets	92	10	-	102	108	14	-	122
	663	146	3	812	1,347	168	9	1,524
Financial liabilities								
Payables	475	915	39	1,429	361	866	42	1,269
Interest-bearing liabilities ⁽¹⁾	5,136	-	-	5,136	4,849	-	104	4,953
Other financial liabilities	6	-	-	6	23	-	-	23
	5,617	915	39	6,571	5,233	866	146	6,245

(1) Excludes deferred transaction costs.

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25. Financial and capital risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

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 15% 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, which has increased in volatility during the year.

Judgements of reasonably possible movements	Post tax profits (decrease)/increase		Other comprehensive income (decrease)/increase	
	2011 US\$m	2010 US\$m	2011 US\$m	2010 US\$m
US\$:A\$ +15% (2010:+15%)	(80)	(74)	-	-
US\$:A\$ -15% (2010:-15%)	80	74	-	-

(ii) Commodity price risk

The Group's revenue is exposed to commodity price fluctuations, in particular oil and gas prices.

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.

(iii) Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate debt or opportunity losses that may arise on fixed rate debt in a falling interest rate environment. Cash and short-term deposits are short term in nature and are therefore monitored by Group Treasury to achieve the optimal outcome.

The Group's main interest rate risk arises from long-term debt. Debt issued at floating rates expose the Group to cash flow interest rate risk. 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 25(f). No hedging programs were placed during 2011 (2010: nil).

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:

	2011 US\$m	2010 US\$m
Financial assets		
Other financial assets	19	24
Financial liabilities		
Interest-bearing liabilities ⁽¹⁾	(2,487)	(2,704) ⁽²⁾
Derivative instruments	(250)	(250)
	(2,737)	(2,954)

(1) Excludes deferred transaction costs.

(2) 2010 amount has been changed to include floating rate bi-lateral facilities.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

25. Financial and capital risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

The following table summarises the sensitivity of the balance of financial instruments held at the reporting date, following a movement to London Interbank Offered Rate (LIBOR), with all other variables held constant. The LIBOR +/- 1.5% 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.

Judgements of reasonably possible movements	Post tax profits (decrease)/increase		Other comprehensive income (decrease)/increase	
	2011 ⁽³⁾ US\$m	2010 ⁽³⁾ US\$m	2011 US\$m	2010 US\$m
LIBOR +1.5% (2010: +1.5%)	(5)	(8)	-	-
LIBOR -1.5% (2010: -1.5%)	5	8	-	-

(3) Excludes impact of sensitivities on interest-bearing liabilities where borrowing costs are capitalised to qualifying assets. For 2011 and 2010 no interest bearing liabilities were considered as all borrowing costs were capitalised.

The sensitivity is lower in 2011 than in 2010 due to the interest rate swap being one year closer to maturity at the reporting date.

(c) Liquidity risk

Liquidity risk arises from financial liabilities of the Group and the Group's subsequent ability to meet their 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 2011, the Group has a total of US\$2,179 million available undrawn facilities and cash at its disposal. Financial liabilities available to the Group are disclosed in Note 25(e). Refer to Note 25(g) for details of the repayment obligations in respect of the amount of facilities drawdown.

	2011				2010			
	Payables maturity analysis				Payables maturity analysis			
	< 30 days	30-60 days	> 60 days	Total	< 30 days	30-60 days	> 60 days	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Trade payables	337	6	-	343	240	5	-	245
Other payables	827	-	215	1,042	934	-	35	969
Interest payable	44	-	-	44	55	-	-	55
Total payables	1,208	6	215	1,429	1,229	5	35	1,269

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

25. Financial and capital risk management (continued)

(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.

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. At the reporting date there were no significant concentrations of credit risk within the Group.

	2011				2010			
	Receivables maturity analysis				Receivables maturity analysis			
	< 30 days	30-60 days	> 60 days	Total	< 30 days	30-60 days	> 60 days	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Trade receivables	339	-	-	339	285	-	-	285
Other receivables	323	1	4	328	151	1	-	152
Dividends receivable	2	-	-	2	2	-	-	2
Interest receivable	-	-	-	-	-	-	-	-
Total receivables	664	1	4	669	438	1	-	439

(e) Financing facilities

364-day revolving credit facilities

The Group has three dual currency (US and Australian dollars) 364-day revolving credit facilities totalling US\$200 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 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.

Bi-lateral loan facilities

The Group has 14 bi-lateral loan facilities totalling US\$1,425 million. Details of bi-lateral loan facilities at the reporting date are as follows:

Number of facilities	Term (years)	Currency	Extension option
8	5	AUD, USD	Evergreen
2	5	Multiple	Evergreen
1	5	USD	Not evergreen
1	4	AUD, USD	Evergreen
1	3	AUD, USD	Evergreen
1	3	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.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

25. Financial and capital risk management (continued)

(e) Financing facilities (continued)

Bridging facilities

The Group entered into two 10-month bridging facilities in December 2011 totalling US\$400 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. One of the bridging facilities has an option to extend for 10 months subject to the bank's agreement and the other facility has an option to extend for two months. 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 five unsecured bonds issued to 'qualified institutional buyers' in the United States of America as defined in Rule 144A of the US Securities Act 1933. These bonds include:

- The 2013 US\$250 million bond has a fixed rate coupon of 5.00% p.a. and matures on 15 November 2013;
- The 2014 US\$400 million bond has a fixed rate coupon of 8.125% p.a. and matures on 1 March 2014;
- The 2014 US\$700 million bond has a fixed rate coupon of 4.50% p.a. and matures on 10 November 2014;
- 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.

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 UFJ, Ltd (Commercial Tranche). There is a prepayment option for both the Commercial Tranche and the JBIC Tranche. Interest rates are based on LIBOR. Interest is payable semi-annually in arrears on the JBIC Tranche and with a choice of one, two, three, six, nine or twelve months in arrears on the Commercial Tranche. Both tranches amortise on a straight-line basis, with equal instalments of principal due on each interest payment date (every six months) starting on the earlier of 7 January 2012 or the first 7 January or 7 July to occur no less than 180 days after the commercial start date of the Pluto Liquefied Natural Gas (LNG) Project. 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. Australia and New Zealand Banking Group Limited and The Bank of Tokyo-Mitsubishi UFJ, Ltd were joint-mandated lead arrangers of the syndicated loan. 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 period. 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.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

25. Financial and capital risk management (continued)

(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.

Instrument	Notional amount	Rate	Expiry	Hedge type	Fair value	
					2011 US\$m	2010 US\$m
Interest rate swaps	US\$250 million	Receive 5% fixed Pay LIBOR less 0.10%	2013	Fair value hedge in 2006 - designated to swap the 2013 US\$250 million bond from a fixed rate to floating rate exposure. De-designated as a fair value hedge on 1 January 2007.	19	24

(g) Maturity profile of interest-bearing liabilities

The maturity profile of the Group's interest-bearing liabilities are as follows:

	Due for payment in						Total
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
2011							
Interest-bearing liabilities ⁽¹⁾	(952)	(761)	(1,339)	(740)	(174)	(2,167)	(6,133)
	(952)	(761)	(1,339)	(740)	(174)	(2,167)	(6,133)
2010							
Interest-bearing liabilities ⁽¹⁾	(580)	(488)	(735)	(1,315)	(1,266)	(1,469)	(5,853)
	(580)	(488)	(735)	(1,315)	(1,266)	(1,469)	(5,853)

(1) Excludes deferred transaction costs.

The amounts disclosed in the tables above are the contractual undiscounted cash flows 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 2011

25. Financial and capital risk management (continued)

(h) Fair values

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

- Level 1 - the fair value is calculated using quoted prices in active markets;
- Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair values of financial instruments and the methods used to estimate their fair values are as follows:

	2011				2010			
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non-market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non-market observable inputs (Level 3)	Total
	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m	US\$m
Financial assets								
Derivative instruments								
Current	-	9	-	9	-	9	-	9
Non-current	-	10	-	10	-	15	-	15
Other investments (available-for-sale):								
Listed entity investments	3	-	-	3	6	-	-	6
Embedded derivatives:								
Current	-	-	7	7	-	-	-	-
Non-current	-	-	38	38	-	-	54	54

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date.

The fair value of the listed equity instruments are based on quoted market prices and these financial instruments are included in Level 1.

For financial instruments not quoted in active markets, the Group uses valuation techniques comparable to similar instruments such as present value techniques for which market observable prices exist. Financial instruments that use valuation techniques with only observable market inputs, that are not significant to the overall valuation, include interest rate swaps and forward commodity contracts. These instruments are included in Level 2. In circumstances where a valuation technique is based on significant unobservable inputs, such as embedded derivatives they are included in Level 3.

The fair values of receivables, payables, interest-bearing liabilities and other financial assets and liabilities which are not measured at fair value approximate their carrying amounts.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

25. Financial and capital risk management (continued)

(h) Fair values (continued)

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

Reconciliation of Level 3 fair value movements

	2011 US\$m	2010 US\$m
At 1 January	54	54
Amortisation recognised in the income statement	(9)	-
At 31 December	45	54
Total amortisation stated in the above table for assets held at the end of the financial year	(9)	-

(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 Group announced the activation of the DRP in December 2006 to manage capital requirements. The DRP was activated with the 2006 final dividend and deactivated for the 2007 final dividend. The DRP was reactivated in 2008, and remains active for the 2011 final dividend.

Group Treasury monitors a range of financial metrics, including gearing, and treasury policy breaches and exceptions. The gearing ratio at the reporting date is 29% (2010: 26%).

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

26. Expenditure commitments

	2011 US\$m	2010 US\$m
(a) Operating lease commitments		
Rentals payable on non-cancellable operating leases, due		
Within one year	411	511
After one year but not more than five years	482	908
Later than five years	337	423
	1,230	1,842
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\$540 million during the year (2010: US\$595 million). A portion of this amount relates to arrangements containing non-lease elements, which are not practicable to separate.		
(b) Capital expenditure commitments		
Expenditure contracted for but not provided for in the Financial Report, due		
Within one year	525	743
After one year but not more than five years	42	23
Later than five years	1	3
	568	769
(c) Other expenditure commitments		
Other expenditure commitments predominantly for the future supply of services contracted for but not provided for in the Financial Report, due		
Within one year	83	102
After one year but not more than five years	88	169
Later than five years	97	3
	268	274
(d) Exploration commitments		
Exploration expenditure obligations contracted for but not provided for in the Financial Report, due		
Within one year	198	178
After one year but not more than five years	243	199
Later than five years	2	1
	443	378
By region		
Australia		
Browse Basin	18	47
Canning Offshore Basin	187	-
Carnarvon Basin	153	276
The Americas		
Gulf of Mexico	11	9
Peru	2	-
Asia		
Korea	72	46
	443	378

These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits

(a) Woodside employee share plans

(i) *Woodside share purchase plan*

The Woodside Share Purchase Plan (WSPP) was introduced in April 2007 and was available to all employees, including executives up to March 2009. The plan was suspended in May 2009 due to uncertainty regarding the future operation of the plan created by proposed taxation legislation changes announced in the 2009 Federal budget. The WSPP provided eligible employees with an opportunity to acquire Woodside shares and to share in the growth of the company. The WSPP year was based on a 1 July to 30 June period (WSPP Year).

Participants in the WSPP elected to salary sacrifice an amount of base salary and this amount was applied by the WSPP Trustee to purchase shares in Woodside Petroleum Ltd. Additional shares were granted (matching shares) at a fixed annual ratio of the shares awarded for the salary sacrifice amount. In the 2008/09 WSPP Year, the ratio was one for one and a half; the ratio for the 2007/08 WSPP Year was one for one. Conditions applied in order for employees to become entitled to the matching shares.

Share acquisitions under the WSPP for the employee sacrificed amounts were made quarterly in arrears. The shares were purchased by the Trustee on market by dividing the sacrificed amount by the volume weighted average price paid for all the shares purchased for participating employees. The sacrificed amount is rounded down to the nearest whole share. Any amount not used was carried forward and applied to the sacrificed amount for the next quarter. Any balance at the end of the specified sacrifice period (normally 12 months) was paid to the participant or carried over to the next sacrifice period if the employee elected to participate. If employment ceased (for whatever reason) during a quarter or after the end of a quarter, but before any shares had been purchased in respect of the quarter, no shares were transferred to the participant in relation to that quarter.

In order for the matching shares to beneficially vest to the participating employees in the WSPP, the employee was required to hold shares purchased through the sacrificed amount for three years and remain employed at the end of that qualification period.

Matching shares were purchased on a quarterly basis at the same time as the shares were purchased using the employee's sacrificed amount.

If employment ceased because of resignation or termination before the end of the three-year qualification period, the participants forfeited their interests in any matching shares. Shares acquired using any sacrificed amount were released to the participant.

The WSPP had 1,318 employees participating at 31 December 2011.

Matching shares acquired under the WSPP were accounted for as share-based payments to employees for services provided and were measured at fair value, being the share price on acquisition date.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(ii) Woodside employee equity plan

In July 2009 Woodside introduced the Woodside Petroleum Ltd 2009 - 2012 Employee Equity Plan (EEP) which is available to all employees including executives, other than the CEO. The EEP is intended to provide a retention mechanism for participating employees as well as provide an opportunity to share in the growth of the company. The Equity Rights (ERs) are a form of remuneration that is not dependent on employee's individual performance or Woodside's performance. The EEP has 3,412 employees participating at 31 December 2011.

Eligible participants are entitled to receive an allocation of ERs. Each ER entitles the participants to receive a Woodside share on vesting. The ERs will vest on 1 August 2012 (in the absence of any accelerating event, including a change of control) if the employee is still employed by Woodside on 31 July 2012. An employee whose employment is terminated by resignation, retirement or for cause prior to 31 July 2012 will forfeit all of their ERs.

Shares will either be issued by the company 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. Participants in the EEP 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 the company making a bonus issue of shares or upon reconstruction of the company's share capital.

As a consequence of the renounceable rights issue by Woodside in December 2009, the Board resolved to issue additional ERs under the EEP to maintain the value of the ERs held by participating employees. An additional allocation of ERs was granted to each participant in early 2010. The same terms and conditions which apply to existing ERs apply to these additional ERs.

The EEP is accounted for as a share-based payment to employees for services provided. The fair value of the benefit provided is estimated using the Black-Scholes option pricing technique.

The number of ERs and movements in each EEP offer are as follows:

2011					
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
16 December 2011	-	82,602	-	-	82,602
16 September 2011	-	83,605	-	-	83,605
10 June 2011	-	104,048	-	(5,661)	98,387
18 March 2011	-	125,477	-	(10,379)	115,098
17 December 2010	192,851	-	-	(6,302)	186,549
24 September 2010	227,999	-	-	(20,436)	207,563
25 June 2010	323,173	-	-	(26,759)	296,414
30 April 2010	41,677	-	-	(2,325)	39,352
19 March 2010	257,654	-	-	(25,087)	232,567
30 December 2009	202,176	-	(241)	(7,922)	194,013
31 October 2009	5,568,584	-	(2,975)	(330,232)	5,235,377
	6,814,114	395,732	(3,216)	(435,103)	6,771,527

2010					
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
17 December 2010	-	192,851	-	-	192,851
24 September 2010	-	237,995	-	(9,996)	227,999
25 June 2010	-	329,274	-	(6,101)	323,173
30 April 2010	-	43,113	(22)	(1,414)	41,677
19 March 2010	-	264,930	-	(7,276)	257,654
30 December 2009	219,143	-	(431)	(16,536)	202,176
31 October 2009	5,928,896	13	(5,390)	(354,935)	5,568,584
	6,148,039	1,068,176	(5,843)	(396,258)	6,814,114

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(ii) Woodside employee equity plan (continued)

The following table lists the inputs to the Black-Scholes option pricing technique used for the years ended 31 December 2011, 31 December 2010 and 31 December 2009:

Grant date	Vesting date	Share price at grant date (A\$/share)	Employee benefit fair value (US\$/ER)	Valuation assumptions	
				Expected dividend return (%)	Expected life (years)
16 December 2011	1 August 2012	31.30	30.59	2.5	0.63
16 September 2011	1 August 2012	34.25	32.50	2.5	0.88
10 June 2011	1 August 2012	43.55	39.79	2.5	1.15
18 March 2011	1 August 2012	44.41	42.17	2.5	1.38
17 December 2010	1 August 2012	43.17	40.81	2.5	1.62
24 September 2010	1 August 2012	44.48	40.51	2.5	1.85
25 June 2010	1 August 2012	43.28	35.71	2.5	2.10
30 April 2010	1 August 2012	45.40	39.83	2.5	2.26
19 March 2010	1 August 2012	46.73	40.53	2.5	2.37
30 December 2009	1 August 2012	47.35	39.68	2.5	2.59
31 October 2009	1 August 2012	47.70	39.81	2.5	2.75

(iii) Woodside equity plan

In November 2011 Woodside introduced the Woodside Petroleum Ltd - Woodside Equity Plan (WEP) which is available to all Australian based permanent employees including executives, other than the CEO. 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. 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 nor 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 effective date. ERs 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.

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 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.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(iii) Woodside equity plan (continued)

The WEP had 3,478 employees participating at 31 December 2011.

The number of equity rights and movements in each WEP offer are as follows:

2011					
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
30 November 2011	-	1,669,427	-	(4,820)	1,664,607
	-	1,669,427	-	(4,820)	1,664,607

The following table lists the inputs to the Black-Scholes option pricing technique used for the year ended 31 December 2011.

Grant date	Vesting date	Share price at grant date (A\$/share)	Employee benefit fair value (US\$/ER)	Valuation assumptions	
				Expected dividend return (%)	Expected life (years)
30 November 2011	30 November 2014	32.80	30.49	2.5	3

(b) Executive share plans

The Executive Incentive Plan (EIP) and Pay Rights (PR) Plans became effective 1 January 2005 and 15 March 2007 respectively. For further details regarding the EIP, PR Plans and the Group's remuneration structure for the CEO and senior executives refer to the Remuneration Report included in the 2011 Directors' Report.

The following table illustrates the number and weighted average prices of shares reserved and acquired during the year by the plan.

	2011			2010		
	Number of shares	Weighted average price (A\$/share)	Cost US\$m	Number of shares	Weighted average price (A\$/share)	Cost US\$m
Opening balance	503,244	46.88	18	650,650	46.88	24
Purchases during the year	200,000	35.50	7	-	-	-
Vested during the year	(140,414)	47.80	(7)	(147,406)	46.88	(6)
Shares reserved for executives under EIP/PR	562,830	42.61	18	503,244	46.88	18

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits (continued)

(b) Executive share plans (continued)

The 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.

EIP Time-tested variable pay rights (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 (A\$/share)	Employee benefit fair value (US\$/VPR)	Valuation assumption Expected dividend yield (%)
2011	1 January 2011	1 March 2015	-	133,469	-	-	133,469	42.56	38.87	2.5
2010	1 January 2010	25 February 2014	99,405	-	(25,388)	(6,032)	67,985	47.20	38.32	2.5
2009	1 January 2009	5 March 2013	123,613	-	(37,090)	(6,758)	79,765	36.70	29.57	2.5
2008	1 January 2008	27 February 2012	98,875	-	(32,579)	(6,322)	59,974	50.39	39.81	3.0
2007	1 January 2007	14 March 2011	51,516	-	(51,516) ⁽¹⁾	-	-	38.11	30.07	3.0

(1) Amount includes 6,803 shares that were settled in cash with a fair value of \$42.86.

EIP Time-tested VPRs - additional allocation following renounceable rights issue

As a consequence of the renounceable rights issue by the Group in December 2009, the Board exercised its discretion under the EIP plan rules to adjust the number of VPRs held by participants to maintain the value equivalence of the unvested VPR awards made for the 2006, 2007 and 2008 performance years.

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 (A\$/share)	Employee benefit fair value (US\$/VPR)	Valuation assumption Expected dividend yield (%)
2008	13 December 2009	27 February 2012	820	-	(260)	(47)	513	47.18	39.92	2.5
2007	13 December 2009	14 March 2011	433	-	(433) ⁽¹⁾	-	-	47.18	40.87	2.5

(1) Amount includes 59 shares that were settled in cash with a fair value of \$42.86.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits (continued)

(b) Executive share plans (continued)

EIP relative total shareholder return/total shareholder return (RTSR/TSR) tested VPRs

Performance year	Grant date	Vesting dates	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 (\$/share)	Employee benefit fair value (US\$/VPR)	Valuation assumptions			
										Expected volatility	Risk free interest rate	Expected dividend yield	(%)
2011	1 January 2011	1 March 2015 1 March 2016		337,524			337,524	42.56	24.98	36	5.7	2.5	
2010	1 January 2010	25 February 2014 25 February 2015	220,655	-	-	(8,915)	211,740	47.20	25.48	38	5.3	2.5	
2009	1 January 2009	5 March 2013 5 March 2014	174,919	-	-	(9,279)	165,640	36.70	26.21	35	3.6	2.5	
2008	19 February 2008	31 March 2011 31 March 2012	81,606	-	-	-	81,606	51.26	29.19	28	4.5	3.0	
2008	1 January 2008	27 February 2012 27 February 2013	239,380	-	-	(12,800)	226,580	50.39	26.61	26	6.6	3.0	
2007	1 January 2007	14 March 2011 14 March 2012	157,766	-	-	(7,421)	150,345	38.11	29.19	25	6.0	3.0	

EIP RTSR-TSR-tested VPRs - additional allocation following renounceable rights issue

As a consequence of the renounceable rights issue by the Group in December 2009, the Board exercised its discretion under the EIP plan rules to adjust the number of VPRs held by participants to maintain the value equivalence of the unvested VPR awards made for the 2006, 2007 and 2008 performance years.

Performance year	Grant date	Vesting dates	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 (\$/share)	Employee benefit fair value (US\$/VPR)	Valuation assumptions			
										Expected volatility	Risk free interest rate	Expected dividend yield	(%)
2008	13 December 2009	27 February 2012 27 February 2013	1,988	-	-	(106)	1,882	47.18	23.56	41	5.0	2.5	
2008	13 December 2009	31 March 2011 31 March 2012	678	-	-	-	678	47.18	27.93	46	5.3	2.5	
2007	13 December 2009	14 March 2011 14 March 2012	1,307	-	-	(62)	1,245	47.18	27.93	46	4.7	2.5	

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits (continued)

(b) Executive share plans (continued)

Pay rights

Pay rights are accounted for as a share-based payment, with fair value 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.

Performance year ⁽¹⁾	Grant date	Vesting dates	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 (A\$/share)	Employee benefit fair value ⁽²⁾ (US\$/VPR)	Valuation assumptions		
										Expected volatility ⁽²⁾ (%)	Risk free interest rate ⁽²⁾ (%)	Expected dividend yield ⁽²⁾ (%)
2010	1 June 2010	15 March 2012 15 March 2013 15 March 2014	17,022	-	-	-	17,022	43.59	21.25	41	4.5	2.5
2008	5 May 2008	5 March 2011 5 March 2012	23,933	-	-	(11,961)	11,972	59.22	26.48	31	6.5	3.0
2007	1 November 2007	15 March 2011	13,702	-	-	(13,702)	-	52.24	23.83	27	6.8	3.0

(1) Pay rights granted on 15 March 2007 are time-tested, pay rights granted on 1 November 2007, 5 May 2008 and 1 June 2010 are RTSR-tested.

(2) Valuation assumptions and employee benefit fair values are based on weighted averages.

Pay rights - additional allocation following renounceable rights issue

As a consequence of the renounceable rights issue by the Group in December 2009, the Board exercised its discretion under the Pay Rights Plan rules to adjust the number of VPRs held by participants to maintain the value equivalence of the unvested VPRs for the 2006, 2007 and 2008 performance years.

Performance year	Grant date	Vesting dates	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 (A\$/share)	Employee benefit fair value ⁽³⁾ (US\$/VPR)	Valuation assumptions		
										Expected volatility ⁽³⁾ (%)	Risk free interest rate ⁽³⁾ (%)	Expected dividend yield ⁽³⁾ (%)
2008	13 December 2009	5 March 2011 5 March 2012	196	-	-	(98)	98	47.18	28.35	40	4.3	2.5
2007	13 December 2009	15 March 2011	110	-	-	(110)	-	47.18	29.50	37	4.1	2.5

(3) Valuation assumptions and employee benefit fair values are based on weighted averages.

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For the year ended 31 December 2011

27. Employee benefits (continued)

(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 \$3 million to be held in trust for Mr Coleman. One third of these shares will vest each anniversary after the date of his appointment (in the absence of any accelerating event, including a change of control, in which case all shares will vest on the date of the control event).

Any unvested entitlements will be forfeited if Mr Coleman's employment is terminated for cause or by his resignation. Mr Coleman cannot dispose of or deal with any restricted shares until such restricted shares vest. In the event bonus shares are allotted in respect of the sign-on shares, the bonus shares will be allotted to the Trustee and held for Mr Coleman on the same terms and conditions as the underlying restricted shares.

The number of equity rights and movements in the CEO Sign-On Incentive share offer was as follows:

Grant date	2011				
	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
30 May 2011	-	66,004	-	-	66,004

The following table lists the inputs to the Black-Scholes option pricing technique used for the year ended 31 December 2011.

Grant date	Vesting date	Share price at grant date (A\$/share)	Employee benefit fair value (US\$/ER)	Valuation assumptions	
				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

(d) Superannuation plan

Employees of the Group may be entitled to superannuation benefits on retirement, disability, death or withdrawal under the Group's Superannuation Plan. The Group has one funded plan with a defined benefit section and a defined contribution section.

The defined benefit section of the plan is closed to new members. All new members receive accumulation only benefits. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

Defined benefit superannuation plan

The Group has a legal obligation to settle defined benefit plan deficits, however, these do not need to be settled with an immediate contribution or additional one-off contribution. Any defined benefit plan surplus may only be used to reduce future contributions from the Group.

The present value of the defined benefit obligation has been determined using the projected unit credit method.

Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than yearly intervals and the last such assessment was made as at 31 December 2011.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits (continued)

(d) Superannuation plan (continued)

Funding method

The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. To achieve this objective, the actuary has adopted a method of funding benefits known as the attained age normal method. This funding method seeks to have benefits funded by means of a total contribution which is expected to be a constant percentage of members' salaries over their working lifetimes.

Using the funding method described above, in October 2008 the actuary recommended that the payment of employer contributions to the fund recommence. The Group recommenced contributions to the defined benefit section of the plan based on actuary recommended contribution rates for the respective groups of employees from 1 November 2008. Total employer contributions paid by Group companies for the year ending 31 December 2011 were US\$20 million (2010: US\$14 million).

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits (continued)

(d) Superannuation plan (continued)

	2011 US\$m	2010 US\$m
Defined benefit plan asset/(liability) included in the statement of financial position		
Present value of the defined benefit obligation	(184)	(160)
Fair value of defined benefit plan assets	154	146
Net benefit liability - non-current	(30)	(14)
	2011 %	2010 %
Defined benefit plan categories of plan assets		
Cash	8	10
Australian equity	28	28
International equity	29	27
Fixed income	14	14
Property	16	11
Other	5	10
	100	100
	2011 US\$m	2010 US\$m
Defined benefit plan reconciliations		
Reconciliation of the present value of the defined benefit obligation, which is fully funded		
At 1 January	(160)	(133)
Current service cost	(10)	(12)
Interest on obligation	(9)	(8)
Actuarial (loss)/gain	(13)	3
Plan participants' contributions	(3)	(3)
Benefits, administrative expenses, premiums and tax paid	14	11
Currency translation differences	(3)	(18)
At 31 December	(184)	(160)
Reconciliation of the fair value of plan assets		
At 1 January	146	119
Expected return on plan assets	10	9
Actuarial loss	(13)	(3)
Employer contributions	20	14
Plan participants' contributions	3	3
Benefits, administrative expenses, premiums and tax paid	(14)	(12)
Currency translation differences	2	16
At 31 December	154	146
Defined benefit plan amounts recognised in the income statement		
Current service cost	7	9
Interest on obligation	7	15
Expected return on plan assets	(8)	(16)
Net actuarial loss	21	3
Defined benefit plan expense	27	11

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

27. Employee benefits (continued)

(d) Superannuation plan (continued)

Defined benefit plan principal actuarial assumptions

The principal actuarial assumptions used as at the reporting date for the purpose of calculating the present value of the defined benefit obligation are as follows:

	Financial year	
	2011	2010
Discount rate – active members	3.70% p.a.	5.60% p.a.
Discount rate – pensioners	3.70% p.a.	5.60% p.a.
Expected rate of return on plan assets – active members	7.00% p.a.	7.00% p.a.
Expected rate of return on plan assets – pensioners	8.00% p.a.	8.00% p.a.
Expected salary increase rate	5.00% p.a.	5.00% p.a.

The expected rate of return on plan assets is determined by weighting the expected long-term return for each asset class by the benchmark allocation of assets to each class. The returns for each asset class are net of investment tax and investment fees.

Defined benefit plan historical information

	Financial year				
	2011 US\$m	2010 US\$m	Restated 2009 US\$m	Restated 2008 US\$m	Restated 2007 US\$m
Present value of defined benefit obligation ⁽¹⁾	(184)	(160)	(133)	(115)	(132)
Fair value of plan assets	154	146	119	83	152
(Deficit)/surplus in plan	(30)	(14)	(14)	(32)	20
Experience adjustments (loss)/gain - plan assets	(13)	(3)	7	(43)	(1)
Experience adjustments gain/(loss) - plan liabilities	3	3	4	(1)	(8)

(1) Includes any provision for contribution tax on plan surplus or deficit.

(e) Employee benefits expense

	2011 US\$m	2010 US\$m
Employee benefits	139	143
Defined contribution plan costs	14	14
Defined benefit plan expense	27	11
	180	168

28. Key management personnel compensation

(a) Compensation of key management personnel

Key management personnel (KMP) compensation for the financial year is as follows:

	2011 US\$	2010 US\$
Short-term employee benefits	12,346,879	12,063,581
Post employment benefits	632,747	530,391
Share-based payments	6,060,666	7,728,173
Long-term employee benefits	(533,441)	236,644
Termination benefits	986,775	86,583
	19,493,626	20,645,372

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For the year ended 31 December 2011

28. Key management personnel compensation (continued)

(b) Key management personnel shareholdings

Details of shares held by KMP including their personally related entities⁽¹⁾ for the financial year are as follows:

	2011				2010					
	Opening holding ⁽²⁾	NEDSP ⁽³⁾	Acquisition/ (disposal) ⁽⁴⁾	Net change - other	Closing holding	Opening holding ⁽²⁾	NEDSP ⁽³⁾	Acquisition/ (disposal) ⁽⁴⁾	Net change- other	Closing holding
Non-executive directors										
M A Chaney	20,000	-	-	-	20,000	20,000	-	-	-	20,000
E Fraunschiel	81,930	-	-	-	81,930	75,626	226	6,078	-	81,930
A Jamieson	3,000	-	-	-	3,000	3,000	-	-	-	3,000
P J M H Jungels	9,205	-	-	-	9,205	9,205	-	-	-	9,205
D I McEvoy	7,702	-	222	-	7,924	6,933	-	769	-	7,702
D Megat ⁽⁵⁾	1,197	-	320	(1,517)	-	1,042	155	-	-	1,197
I Robertson ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-
M Cilento	613	-	769	-	1,382	-	113	500	-	613
C Haynes ⁽⁶⁾	-	-	186	-	186	-	-	-	-	-
Executives										
P Coleman ⁽⁷⁾	-	-	66,004	-	66,004	-	-	-	-	-
D Voelte ⁽⁸⁾	87,421	-	58,257	(145,678)	-	133,588	-	(46,167)	-	87,421
L Tremaine ⁽⁹⁾	1,354	-	870	-	2,224	-	-	-	-	-
M Chatterji ⁽¹⁰⁾	-	-	-	-	-	32,673	-	(12,384)	(20,289)	-
R Cole	13,403	-	1,771	-	15,174	8,904	-	4,499	-	13,403
E Howell ⁽¹¹⁾	18,165	-	12,151	(30,316)	-	10,765	-	7,400	-	18,165
A J Kantsler ⁽¹²⁾	-	-	-	-	-	113,169	-	19,764	(132,933)	-
V Santostefano	19,846	-	8,205	-	28,051	12,357	-	7,489	-	19,846
L Della Martina	53,193	-	1,691	-	54,884	53,193	-	-	-	53,193
K Gallagher ⁽¹³⁾	14,487	-	1,691	(16,178)	-	8,346	-	6,141	-	14,487
P Moore	5,436	-	754	-	6,190	11,259	-	(5,823)	-	5,436
F Ahmed	2,500	-	-	-	2,500	2,500	-	-	-	2,500
J Soine ⁽¹⁴⁾	-	-	-	-	-	-	-	-	-	-
Roder ⁽¹⁵⁾	-	-	-	-	-	-	-	-	-	-

(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) Relates to participation in the Non-Executive Directors' Share Plan (NEDSP).

(4) Includes awards vested during the year under the employee share plans and acquired and matching shares under the WSPP.

(5) Mr Megat and Mr Robertson departed Woodside on 20 April 2011.

(6) Dr Haynes was appointed a non-executive director of Woodside on 1 June 2011.

(7) Mr Coleman was appointed as CEO on 30 May 2011. Prior to this Mr Coleman was not employed by the Group.

(8) Mr Voelte departed Woodside on 30 June 2011.

(9) Mr Tremaine did not meet the definition of KMP under AASB 124 for previous years but did fall within the definition for 2011. Prior year comparatives are not shown.

(10) Mr Chatterji departed Woodside on 31 December 2010.

(11) Ms Howell departed Woodside on 31 December 2011.

(12) Mr Kantsler departed Woodside on 2 July 2010.

(13) Mr Gallagher departed Woodside on 31 October 2011.

(14) Mr Soine departed Woodside on 30 September 2011.

(15) Mr Roder became a KMP on 27 October 2011.

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For the year ended 31 December 2011

28. Key management personnel compensation (continued)

(c) Executives' interests in variable pay rights (VPR), pay rights (PR) and equity rights (ER)

VPR, PR and ER holdings of key management personnel

2011					
Name	At 1 January 2011	Allocated in 2011	Vested in 2011	Net change - other	At 31 December 2011
P Coleman ⁽¹⁾	-	-	-	-	-
D Voelte ^{(2) (11)}	259,186	52,395	(98,257)	-	213,324
L Tremaine ⁽³⁾	14,673	7,961	(870)	(1,364)	20,400
M Chatterji ⁽⁴⁾	33,660	-	-	(33,660)	-
R Cole	35,266	13,658	(1,771)	-	47,153
E Howell ^{(5) (11)}	31,330	9,135	(12,116)	-	28,349
A Kantsler ⁽⁶⁾	25,931	-	-	(25,931)	-
V Santostefano	27,059	10,781	(1,683)	-	36,157
L Della Martina	25,120	10,603	(1,691)	-	34,032
K Gallagher ⁽⁷⁾	24,957	9,124	(1,691)	(32,390)	-
P Moore	16,873	8,260	(754)	-	24,379
F Ahmed ⁽⁸⁾	30,790	9,457	(1,003)	(2,047)	37,197
J Soine ⁽⁹⁾	1,023	-	-	(1,023)	-
G Roder ⁽¹⁰⁾	-	-	-	-	-

2010

Name	At 1 January 2010	Allocated in 2010	Vested in 2010	Net change - other	At 31 December 2010
D Voelte	261,184	58,870	(60,868)	-	259,186
M Chatterji	65,059	17,901	(44,914)	(4,386)	33,660
R Cole	32,508	10,940	(8,182)	-	35,266
E Howell	27,827	9,975	(6,472)	-	31,330
A Kantsler	40,816	13,700	(24,199)	(4,386)	25,931
V Santostefano	25,536	9,012	(7,489)	-	27,059
L Della Martina	27,043	7,031	(8,954)	-	25,120
K Gallagher	24,139	6,959	(6,141)	-	24,957
P Moore	15,069	6,424	(4,620)	-	16,873
F Ahmed	23,092	9,745	(2,047)	-	30,790
J Soine	2,046	-	(1,023)	-	1,023

(1) Mr Coleman was appointed as CEO on 30 May 2011. Prior to this Mr Coleman was not employed by the Group.

(2) Mr Voelte departed Woodside on 30 June 2011.

(3) Mr Tremaine did not meet the definition of KMP under AASB 124 for previous years but did fall within the definition for 2011. Prior year comparatives are not shown.

(4) Mr Chatterji departed Woodside on 31 December 2010.

(5) Ms Howell departed Woodside on 31 December 2011.

(6) Mr Kantsler departed Woodside on 2 July 2010.

(7) Mr Gallagher departed Woodside on 31 October 2011.

(8) Amount includes 1,003 shares that were settled in cash with a fair value of \$42.86.

(9) Mr Soine departed Woodside on 30 September 2011.

(10) Mr Roder became a KMP on 27 October 2011.

(11) Mr Voelte and Ms Howell's RTSR tested VPRs remain subject to the normal vesting conditions.

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28. Key management personnel compensation (continued)

(d) Summary of Executives' interests in shares under the Woodside Share Purchase Plan (WSPP)

Name	Year	Opening balance	Shares purchased under WSPP	Matching shares	Shares vested	Net change - other	Closing balance
P Coleman ⁽¹⁾	2011	-	-	-	-	-	-
	2011	769	-	-	(769)	-	-
	2010	893	-	-	(124)	-	769
D Voelte ⁽²⁾	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
	2007	-	62	62	-	-	124
L Tremaine ⁽³⁾	2011	-	-	-	-	-	-
	2011	-	-	-	-	-	-
	2010	893	-	-	(893)	-	-
M Chatterji ⁽⁴⁾	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
	2007	-	62	62	-	-	124
	2011	769	-	-	(374)	-	395
	2010	893	-	-	(124)	-	769
R Cole	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
	2007	-	62	62	-	-	124
	2011	-	-	-	-	-	-
	2010	-	-	-	-	-	-
E Howell ⁽⁵⁾	2009	-	-	-	-	-	-
	2008	-	-	-	-	-	-
	2007	-	-	-	-	-	-
	2011	-	-	-	-	-	-
	2010	358	-	-	-	(358)	-
A Kantsler ⁽⁶⁾	2009	358	-	-	-	-	358
	2008	124	117	117	-	-	358
	2007	-	62	62	-	-	124
	2011	769	-	-	(374)	-	395
	2010	893	-	-	(124)	-	769
V Santostefano	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
	2007	-	62	62	-	-	124
	2011	769	-	-	(374)	-	395
	2010	893	-	-	(124)	-	769
L Della Martina ⁽⁷⁾	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
	2011	769	-	-	(532)	(237)	-
K Gallagher ⁽⁸⁾⁽⁹⁾	2010	893	-	-	(124)	-	769
	2011	234	-	-	(234)	-	-
P Moore ⁽⁸⁾	2010	358	-	-	(124)	-	234
	2011	-	-	-	-	-	-
F Ahmed	2010	-	-	-	-	-	-
	2009	-	-	-	-	-	-
J Soine ⁽⁸⁾⁽¹⁰⁾	2011	-	-	-	-	-	-
	2010	-	-	-	-	-	-
G Roder ⁽¹¹⁾	2011	-	-	-	-	-	-

(1) Mr Coleman was appointed as CEO on 30 May 2011. Prior to this Mr Coleman was not employed by the Group.

(2) Mr Voelte departed Woodside on 30 June 2011.

(3) Mr Tremaine did not meet the definition of KMP under AASB 124 for previous years but did fall within the definition for 2011.

(4) Mr Chatterji departed Woodside on 31 December 2010.

(5) Ms Howell departed Woodside on 31 December 2011.

(6) Mr Kantsler departed Woodside on 2 July 2010.

(7) Mr Della Martina did not meet the definition of KMP under AASB 124 for years prior to 2008.

(8) Mr Gallagher, Dr Moore, and Mr Soine did not meet the definition of KMP under AASB 124 for years prior to 2010.

(9) Mr Gallagher departed Woodside on 31 October 2011.

(10) Mr Soine departed Woodside on 30 September 2011.

(11) Mr Roder became a KMP on 27 October 2011.

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29. Events after the end of the reporting period

Dividends

Since the reporting date, the directors have declared a fully franked dividend of US\$0.55 (2010: US\$0.55), payable on 4 April 2012. The amount of this dividend will be US\$443 million (2010: US\$431 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.

30. 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:

		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
Entities with significant influence over the Group					
Royal Dutch Shell Group (Shell Group)					
Shell Company of Australia Ltd					
- purchases of goods	2011	-	108	-	-
	2010	-	68	(3)	-
Other members of Shell Group					
- purchases of services	2011	-	16	1	14
	2010	-	20	-	41
Other members of Shell Group					
- sales of goods	2011	467	-	-	-
	2010	174	-	-	-

Shell Energy Holdings Australia Ltd is deemed a related party through its 23.6% (2010: 24.3%) interest of 190,119,364 ordinary shares (2010: 190,119,364 ordinary shares) in the shareholding of the Group.

Solen Versicherungen AG (a wholly owned captive insurance company of the Royal Dutch Shell Group) participates in the Group's various operational and construction insurance programs. In 2011, the total paid by the Group to Solen Versicherungen AG for its participation was US\$2 million (2010: US\$3 million).

The Group and Shell have common interests in joint ventures (refer to Note 33(a)).

(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.

Outstanding balances at year end are unsecured, interest-free and settlement occurs in cash.

No guarantees are provided or received for any related party receivables or payables.

No provision for doubtful debts has been recognised on any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(c) Transactions with directors

No transactions with directors occurred outside of their normal Board and committee duties in 2011 (2010: nil).

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

31. Contingent liabilities and contingent assets

	2011 US\$m	2010 US\$m
(a) Contingent liabilities at the reporting date		
Not otherwise provided for in the Financial Report		
Contingent liabilities ⁽¹⁾	15	26
Guarantees ⁽²⁾	5	4
	20	30
(b) Contingent assets at the reporting date		
Not otherwise accounted for in the Financial Report		
Contingent assets relating to certain claims made or pending ⁽³⁾	-	28

(1) Contingent liabilities relate predominately 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 receivable is not virtually certain and therefore the Group has not provided for such amounts in the Financial Report.

32. Auditor remuneration

	2011 US\$'000	2010 US\$'000
Amounts received or due and receivable by the auditors of the company for		
Audit and review of financial reports		
Ernst & Young (Australia)		
Audit	1,150	1,019
Special projects	-	521 ⁽¹⁾
Overseas Ernst & Young firms	313	390
	1,463	1,930
Non-audit services		
Ernst & Young (Australia)		
Other assurance/advisory services	839	519
Other services	27	33
Overseas Ernst & Young firms		
Other assurance/advisory services	-	55
	866	607

(1) Amount related to services provided in respect of the Group's election to change the functional and presentation currency to US dollars.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

33. Joint ventures

(a) Joint venture interests

The Group's interests in joint venture assets as at 31 December 2011 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 30).

Joint venture assets	Group interest %	Related party interest %
Australasia		
Producing and Developing Assets		
North West Shelf Joint Venture	12.5 - 50.0	8.3 - 16.7
Enfield and Vincent	60.0	-
Laminaria–Corallina	59.9 - 66.7	-
Mutineer–Exeter	8.2	-
Stybarrow	50.0	-
Pluto	90.0	-
Exploration and Evaluation Assets		
Browse Basin	25.0 - 75.0	8.3 - 15.0
Carnarvon Basin	13.0 - 90.0	15.8
Bonaparte Basin	26.7 - 35.0	25.0 - 33.3
Canning Offshore Basin	55.0	45.0
Middle East and Africa		
Producing Assets		
Ohanet	15.0	-
Exploration and Evaluation Assets		
Canary Islands	30.0	-
The Americas		
Producing and Developing Assets		
Gulf of Mexico	20.0	-
Exploration and Evaluation Assets		
Gulf of Mexico	10.0 - 65.0	-
Brazil	12.5	-
Peru	20.0	-
Asia		
Exploration and Evaluation Assets		
Republic of Korea	50.0	-

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

33. Joint ventures (continued)

(b) Jointly controlled assets

The aggregate of the Group's interest in all jointly controlled assets is as follows:

	2011 US\$m	2010 US\$m
Current assets		
Receivables	30	25
Inventories	50	41
Other assets	15	11
	95	77
Non-current assets		
Inventories	10	13
Other assets	-	2
Exploration and evaluation assets	1,272	1,481
Oil and gas properties	9,437	8,940
	10,719	10,436
	10,814	10,513

(c) Commitments through jointly controlled assets

The aggregate of the Group's commitments through jointly controlled assets is as follows:

	2011 US\$m	2010 US\$m
Capital	392	889
Exploration and other commitments	384	262 ⁽¹⁾
	776	1,151

(1) 2010 amount has been changed to correctly reflect the Group's commitments.

(d) Jointly controlled entities

Interests in jointly controlled entities are as follows:

Entity	Principal activity	Country of incorporation	Group interest %	
			2011	2010
North West Shelf Gas Pty Ltd	Marketing services for venturers in the sale of gas to the domestic market.	Australia	16.67	16.67
North West Shelf Liaison Company Pty Ltd	Liaison for venturers in the sale of LNG to the Japanese market.	Australia	16.67	16.67
North West Shelf Australia LNG Pty Ltd	Marketing services for venturers in the sale of LNG to international markets.	Australia	16.67	16.67
North West Shelf Shipping Service Company Pty Ltd	LNG vessel fleet advisor.	Australia	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.

34. Associated entities

Entity	Principal activity	Group interest %	
		2011	2010
Pindan College Ltd ⁽¹⁾	Provision of academic and technical training in local communities.	25.00	25.00
International Gas Transportation Company Ltd ⁽²⁾	LNG vessel fleet management.	16.67	16.67

(1) Pindan College Ltd (formerly known as Australian Technical College Pilbara Limited) was incorporated on 6 December 2006 and is limited by guarantee to a maximum amount of A\$1. Woodside is one of four members of the company, of which significant influence is present. The associate is incorporated in Australia.

(2) The associate is incorporated in Bermuda.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

35. 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
Gander, Inc (formerly ATS, Inc)	(4)	USA
Woodside Offshore LLC	(4)	USA
Woodside Natural Gas, Inc	(4)	USA
Avila 8 LLC	(4)	USA
Woodside Energy (Peru) Pty Ltd	(2,4)	Australia
Woodside Eastern Energy Pty Ltd	(7)	Australia
Woodside Energy (Algeria) Pty Ltd	(2,4)	Australia
Woodside Petroleum (NEDSP) Pty Ltd	(7)	Australia
Woodside Technical Services Pty Ltd	(2,4,6)	Australia
Metasource Pty Ltd	(2,4)	Australia
Woodside West Kimberley Energy Pty Ltd	(7)	Australia
Woodside Guangdong Shipping (One) Pty Ltd	(2,4)	Australia
Woodside Guangdong Shipping (Two) Pty Ltd	(2,4)	Australia
Woodside Mauritania Investments Pty Ltd	(2,4,6)	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
WelCap Insurance Pte Ltd	(4)	Singapore
Woodside Energy (Korea) Pte Ltd	(4)	Singapore
Woodside Energy Holdings (South America) Pty Ltd	(2,4)	Australia
Woodside Energia (Brasil) Investimento em Exploração de Petróleo Ltda.	(4)	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 Group Staff Superannuation Pty Ltd	(2,4,6)	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 at 31 December 2011.

(3) Pursuant to ASIC Class Order 98/1418, relief has been granted to the controlled entity, Woodside Energy Ltd from the *Corporations Act 2001* requirements for 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 for those listed in Note 5 below.

(5) Kansai Electric Power Australia Pty Ltd and Tokyo Gas Pluto Pty Ltd each have 5% of the shares in these companies.

(6) These companies were placed into voluntary liquidation on 21 December 2011.

(7) These companies were deregistered on 9 March 2011.

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

35. Subsidiaries (continued)

(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 Investment 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	2011 US\$m	2010 US\$m
Profit before tax	2,723	1,964
Taxes	(1,042)	(729)
Profit after tax	1,681	1,235
Retained earnings at the beginning of the financial year	4,379	3,917
Dividends	(866)	(773)
Retained earnings at the end of the financial year	5,194	4,379

Notes to and forming part of the Financial Report

For the year ended 31 December 2011

35. Subsidiaries (continued)

(b) Deed of Cross Guarantee and closed group (continued)

Closed Group consolidated statement of financial position	2011 US\$m	2010 US\$m
Current assets		
Cash and cash equivalents	(61) ⁽¹⁾	31
Receivables	665	435
Inventories	177	116
Other financial assets	7	2
Other assets	43	(12)
Total current assets	831	572
Non-current assets		
Inventories	7	18
Other financial assets	14,693	11,788
Other assets	-	34
Exploration and evaluation assets	697	577
Oil and gas properties	5,118	4,858
Other plant and equipment	61	71
Total non-current assets	20,576	17,346
Total assets	21,407	17,918
Current liabilities		
Payables	1,373	1,253
Tax payable	72	32
Other financial liabilities	23	41
Other liabilities	27	13
Provisions	158	130
Total current liabilities	1,653	1,469
Non-current liabilities		
Payables	6,287	4,927
Deferred tax liabilities	758	813
Other financial liabilities	6	6
Other liabilities	181	174
Provisions	682	447
Total non-current liabilities	7,914	6,367
Total liabilities	9,567	7,836
Net assets	11,840	10,082
Equity		
Issued and fully paid shares	5,880	5,036
Shares reserved for employee share plans	(67)	(57)
Other reserves	833	724
Retained earnings	5,194	4,379
Total equity	11,840	10,082

(1) Excess joint venture funds were put on deposit in interest-bearing accounts in Woodside Finance Ltd.

36. 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 2011 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 2011 and of the performance of the Group for the financial year ended 31 December 2011;
 - (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 35 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 2011.

For and on behalf of the Board



M A Chaney, AO
Chairman

Perth, Western Australia
22 February 2012



P J Coleman
Chief Executive Officer

Perth, Western Australia
22 February 2012

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 2011, and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 judgment, 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. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

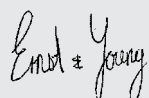
- a. the financial report of Woodside Petroleum Ltd is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian 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 55 to 69 of the Directors' Report for the year ended 31 December 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



R J Curtin, Partner
Perth, Western Australia
22 February 2012

Liability limited by a scheme approved under Professional Standards Legislation.

Shareholder information

As at 17 February 2012

Number of shareholdings

There were 205,868 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	152,106	57,430,978	7.13
1,001 - 5,000	47,656	94,043,111	11.67
5,001 - 10,000	4,030	27,629,652	3.43
10,001 - 100,000	1,976	40,902,665	5.08
100,001 and over	100	585,665,198	72.69
Total	205,868	805,671,604	100.00

Unmarketable parcels

There were 3,265 members holding less than a marketable parcel of shares in the company.

Twenty largest shareholders

Shareholder	Shares held	% of issued capital
Shell Energy Holdings Australia Limited	190,119,364	23.60
HSBC Custody Nominees (Australia) Limited	130,463,043	16.19
J P Morgan Nominees Australia Limited	82,756,015	10.27
National Nominees Limited	81,308,822	10.09
Citicorp Nominees Pty Limited	23,907,574	2.97
J P Morgan Nominees Australia Limited <Cash Income Account>	10,421,204	1.29
Cogent Nominees Pty Limited	10,222,559	1.27
Citicorp Nominees Pty Limited <Colonial First State Inv Account>	7,797,879	0.97
UBS Wealth Management Australia Nominees Pty Ltd	5,128,933	0.64
AMP Life Limited	4,984,206	0.62
Australian Foundation Investment Company Limited	3,027,386	0.38
Perpetual Trustee Company Limited	2,151,273	0.27
Cogent Nominees Pty Limited <SMP Accounts>	1,786,284	0.22
Argo Investments Limited	1,700,873	0.21
Australian Reward Investment Alliance	1,670,252	0.21
Navigator Australia Ltd <MLC Investment Sett Account>	1,471,450	0.18
Queensland Investment Corporation	1,235,934	0.15
Australian United Investment Company Limited	1,000,000	0.12
Diversified Investment Limited	1,000,000	0.12
Djerriwarrh Investments Limited	921,590	0.11
Total	563,074,641	69.89

Substantial shareholders as disclosed in substantial shareholder notices given to the company are as follows:

Shell Energy Holdings Australia Limited	190,119,364	24.27*
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*Since Shell Energy Holdings Australia Ltd's most recent notice of change of interests of substantial shareholder was given on 11 November 2010, its interest in Woodside Petroleum Ltd's issued capital has reduced to 23.60%, as a result of additional shares being issued by Woodside Petroleum Ltd.

Shareholder information

Annual General Meeting

The 2012 AGM of Woodside Petroleum Ltd will be held at 10 am (AWST) on 2 May 2012 in the Riverside Theatre, Level 2, 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 CEO's speeches will be available on the company's website (www.woodside.com.au).

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 8 9323 2033

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 where they are paid in UK pounds sterling, or in the United States where they are paid in US dollars.

Shareholders who reside outside of the United States 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 Australian dollar dividends paid directly into any bank or building society account within Australia. 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 (www.woodside.com.au).

Dividend reinvestment plan

Shareholders with registered addresses in Australia and New Zealand can elect to participate in Woodside's dividend reinvestment plan and have the dividends on some or all of their shares automatically reinvested in additional shares. Information on the dividend reinvestment plan 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).

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 Coughlan Street
Broome, WA 6725
Telephone: 1800 036 654

Australian Securities Exchange listing

Woodside Petroleum Ltd securities are listed on the Australian Securities Exchange (ASX) under the code WPL.

→ Share price information can be accessed on the company's website (www.woodside.com.au).

American Depositary Receipts

The Bank of New York Mellon Corporation sponsors a level one American Depositary Receipts (ADR) program in the United States of America. One Woodside share equals one ADR and trades over the counter under the symbol 'WOPEY'.

ADR holders should deal directly with the Bank of New York Mellon Corporation on all matters related to their ADRs.

Enquiries should be directed to:

The BNY Mellon Shareowner Services
P.O. Box 358516
Pittsburgh, PA 15252-8516

USA Toll Free Number:
1-888-269-2377

Number for international callers:
+1 201-680-6825

Email: shrrelations@bnymellon.com

Website: www.adrbnymellon.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

Karratha

Burrup Peninsula, Karratha, WA 6714
Telephone: +61 8 9348 4000

Houston (USA)

Woodside Energy (USA) Inc.
Sage Plaza
5151 San Felipe, Suite 1200
Houston, TX 77056, USA
Telephone: +1 713 401 0000

Key announcements 2011

January	Sale of Pluto Uncommitted Cargoes
February	Woodside reports Full Year 2010 Net Profit of US\$1,575 million Changes to Board of Directors
March	Gas Discovery at Martin-1
May	Woodside to issue US\$700 million in corporate bonds Oil Discovery at Laverda North Claim Group Approves Proposal for Browse LNG Precinct Woodside Appoints New CEO Appointment of Non-Executive Director Woodside Discovers Gas at Xeres-1
June	Pluto Cost and Schedule Update Woodside Executes Browse Native Title Agreement
August	Woodside Reports 2011 First-Half Profit of US\$828 Million
September	Change of Independent Status of Director Production Commences from Okha FPSO
November	Annual Investor Update (including production outlook)
December	NWS Project Approves Greater Western Flank Phase 1 Project Woodside to Seek Variation to Browse Retention Leases

Events calendar 2012

Key calendar dates for Woodside shareholders in 2012.

Please note dates are subject to review.

January	19	Fourth quarter 2011 report
February	22	2011 Full-Year result and final dividend announcement
	27	Ex-Dividend date for final dividend
March	2	Record date for final dividend
April	4	Payment date for final dividend
	19	First quarter 2012 report
	30	AGM proxy returns close at 10.00 am (AWST)
May	2	Annual General Meeting
June	30	Woodside Half-Year end
July	19	Second quarter 2012 report
August	22	2012 Half-Year result and interim dividend announcement
	TBA	Ex-Dividend date for interim dividend
	TBA	Record date for interim dividend
October	TBA	Payment date for interim dividend
	18	Third quarter 2012 report
December	31	Woodside Year end

Shareholder information

Units, conversion factors and glossary

Units

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*
Domestic 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 Gas	1 MMBtu	0.1724 boe

* Minor changes to some conversion factors can occur over time due to gradual changes in the process stream.

Glossary

\$, \$m	US dollars unless otherwise stated, millions of dollars
1H, 2H	Halves of the calendar year (i.e. 1H is 1 January to 30 June, 2H is 1 July to 31 December)
APPEA	Australian Petroleum Production and Exploration Association
Appraisal well	A well drilled to follow up a discovery and evaluate its commercial potential
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
Condensate	Hydrocarbons, which are gaseous in a reservoir, but which condense to form liquids as they rise to the surface
Crude oil	Oil that is produced from a reservoir after any associated gas has been removed
CWLH	Cossack Wanaea Lambert Hermes
Development well	A well drilled for the purpose of recovering hydrocarbons
DRP	Dividend reinvestment plan
EEP	Employee equity plan
EIP	Executive incentive plan
ER	Equity rights
FAR	Fixed annual reward
FDP	Field development plan
Front-end engineering and design (FEED)	Preliminary design and cost and schedule confirmation before a final investment decision
FID	Final investment decision
FPSO	Floating production storage and offloading vessel
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
HPIF	High potential incidents frequency rate (per million hours worked)
Infill well	Drilled for the purpose of increasing production
JV	Joint Venture
KGP	Karratha Gas Plant
KPI	Key performance indicator
LIBOR	London Inter-Bank Offer Rate
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
Lifting costs	Production costs (\$m, excluding FPSO lease costs) divided by production volume (MMboe)
LTi	Long-term incentive
Net debt	Total debt less cash and cash equivalents
NRA	North Rankin A platform
NRB	North Rankin B platform
NWS	North West Shelf Project
POR negotiation	Price-out-of-range negotiation
PRRT	Petroleum Resources Rent Tax
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
RTSR, TSR	Relative total shareholder return, total shareholder return
Return on Capital (ROC)	Net operating profit after tax divided by average Oil and Gas Properties and Exploration and Evaluation Assets
Return on Equity (ROE)	Net profit after tax divided by shareholder's equity
STI	Short-term incentive
TLP	Tension leg platform (floating production unit)
TRCF	Total recordable case frequency (per million hours worked)
TSR	Total shareholder return
VAR	Variable annual reward
VPR	Variable pay rights
VWAP	Volume weighted average price
WSPP	Woodside share purchase plan

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Shareholder information

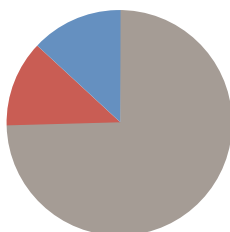
2011 Summary chart

Product view

Investment

	2011	2010
Gas and condensate*	75%	77%
Oil*	12%	13%
Exploration and other	13%	10%

* Indicative only as some assets produce oil and gas

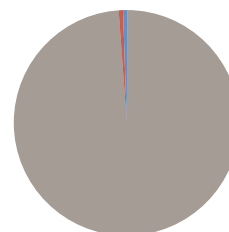


As in 2010, the majority of Woodside's 2011 capital expenditure was directed towards growing our future LNG production to commercialise the company's significant gas resources.

Regional view

Investment

	2011	2010
Australia	99%	98%
United States	<1%	2%
Rest of World	<1%	<1%

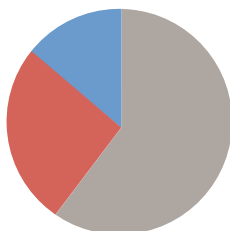


Woodside's capital expenditure has been dominated by projects located in the North-West of Australia in recent years.

Production

	2011	2010
Natural gas*	60%	57%
Oil	26%	29%
Condensate	14%	14%

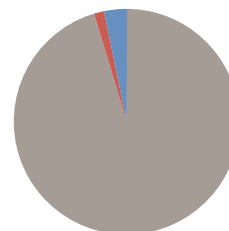
* Includes LNG, LPG and pipeline gas



The proportion of natural gas in Woodside's 2011 production increased in comparison to oil due to the planned shut-in of the NWS Project oil FPSO for redevelopment and natural oil field decline.

Production

	2011	2010
Australia	95%	94%
United States	2%	3%
Rest of World	3%	3%

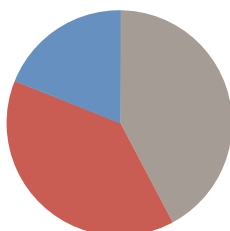


Woodside's current production is largely from Australian assets.

Revenue

	2011	2010
Natural gas*	42%	42%
Oil	39%	40%
Condensate	19%	18%

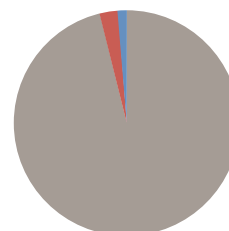
* Includes LNG, LPG and pipeline gas



With strong commodity prices, liquids (oil, condensate) again contributed a substantial proportion of Woodside's revenue in 2011.

Revenue

	2011	2010
Australia	97%	96%
United States	2%	3%
Rest of World	1%	1%

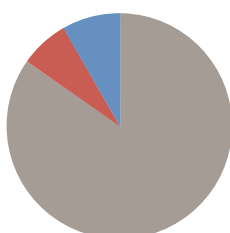


As with production, Australian assets contributed the vast majority of Woodside's revenue in 2011 and 2010.

Reserves (Proved plus Probable)

	2011	2010
Natural gas*	85%	84%
Oil	7%	7%
Condensate	8%	9%

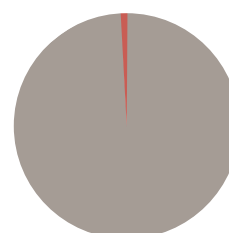
* Includes LNG, LPG and pipeline gas



With natural gas forming the bulk of Woodside's current Proved plus Probable reserves, the company's focus on LNG development continues.

Reserves (Proved plus Probable)

	2011	2010
Australia	99%	99%
United States	<1%	<1%
Rest of World	<0.1%	<0.1%



Woodside's existing reserves are located almost entirely in Australia.

10 year comparative data summary

Year Ended 31 December	2011	2010	2009	2008	2007	2006	2005	2004 ⁽¹⁰⁾ (Restated)	2003	2002
Profit and Loss (\$million)⁽¹⁾										
Sales Revenues										
Australia										
Pipeline Gas	375	309	378	320	227	182	-	-	-	-
LNG & LPG	1,636	1,425	863	1,119	711	689	-	-	-	-
NWS Gas (Pipeline, LNG & LPG)	-	-	-	-	-	-	803	581	499	394
NWS Oil / Condensate	978	1,037	840	1,229	939	835	766	568	454	377
Australia Other	1,677	1,250	1,227	2,125	1,159	739	450	360	360	421
Gulf of Mexico	93	117	124	197	133	119	21	-	-	-
Algeria	43	55	55	55	55	56	55	56	5	-
Continuing Operations	4,802	4,193	3,487	5,045	3,224	2,620	2,095	1,565	1,318	1,192
Mauritania	-	-	-	-	137	252	-	-	-	-
Total	4,802	4,193	3,487	5,045	3,361	2,872	2,095	1,565	1,318	1,192
EBITDAX	3,424	3,332	3,314	3,885	2,541	2,339	1,685	1,603	905	752
EBITDA	2,837	3,003	3,061	3,584	2,101	2,021	1,452	1,417	712	220
EBIT ⁽²⁾	2,210	2,254	2,309	2,852	1,560	1,684	1,238	1,213	558	62
Exploration & Evaluation	587	329	253	301	440	318	234	186	193	532
Depreciation & Amortisation	627	749	752	732	541	337	213	204	154	158
Finance Costs	26	(18)	12	19	8	20	7	-	17	25
Tax Expense	677	697	823	1,287	687	590	387	367	197	87
NPAT excluding non-recurring items	1,655	1,418	1,052	1,823	948	1,030	791	495	344	358
Reported NPAT	1,507	1,575	1,474	1,546	864	1,075	844	845	344	(50)
EPS (cents) excluding non-recurring items ⁽³⁾	209	183	150	266	141	157	120	75	51	53
EPS (cents) including non-recurring items ⁽³⁾	190	204	210	225	128	163	128	129	51	(7)
DPS (cents) ⁽⁴⁾	110	105	95	100	91	98	70	44	33	37
Payout ratio (%) excluding non-recurring items	53	57	64	38	64	63	58	58	64	69
EBITDA / Op Cash Flow (%)	127	143	206	111	101	139	138	160	91	33
Balance Sheet (\$million)⁽¹⁾										
Total Assets	22,740	20,196	17,753	10,317	8,515	7,072	5,107	4,250	3,596	2,814
Debt	5,102	4,915	4,939	2,044	903	1,435	826	791	803	803
Net Debt	5,061	3,952	3,732	1,946	782	1,188	656	169	670	716
Shareholder Equity	12,658	11,091	8,812	4,633	4,458	3,313	2,565	2,162	1,830	1,303
Cash Flow and Capital Expenditure (\$million)⁽¹⁾										
Cash Flow From										
Operations	2,242	2,104	1,483	3,224	2,082	1,457	1,053	883	785	657
Investing	(3,533)	(2,941)	(4,708)	(3,892)	(1,700)	(1,432)	(1,152)	(69)	(484)	(397)
Financing	362	608	4,207	684	(522)	41	(352)	(259)	(273)	(263)
Capital Expenditure										
Exploration & Evaluation	778	703	273	418	447	376	210	77	74	47
Oil and Gas Properties ⁽⁵⁾	2,651	2,933	3,992	4,031	1,965	1,091	993	480	250	187
Ratios (%)										
ROACE excluding non-recurring items	9.9%	9.5%	10.5%	29.6%	18.8%	26.0%	26.8%	18.9%	13.8%	16.3%
ROACE including non-recurring items	9.0%	10.5%	14.5%	25.9%	17.2%	26.8%	26.8%	30.3%	15.0%	-1.5%
Return on Shareholders Funds excluding non-recurring items	12.9%	13.0%	12.5%	37.1%	20.9%	31.5%	31.5%	27.3%	18.8%	20.9%
Return on Shareholders Funds including non-recurring items	11.9%	14.2%	16.7%	33.4%	19.4%	32.5%	32.9%	39.1%	18.8%	-3.8%
Gearing	28.6%	26.3%	29.8%	29.6%	14.9%	26.4%	20.4%	7.2%	26.8%	35.5%
Volumes										
Sales (million boe)										
Australia										
Pipeline Gas	14.0	14.8	18.4	18.9	16.4	15.5	-	-	-	-
LNG & LPG	23.5	24.0	22.8	18.2	18.2	18.5	-	-	-	-
NWS Gas (Pipeline, LNG & LPG)	-	-	-	-	-	-	34.8	30.8	31.0	27.9
NWS Oil / Condensate	9.0	13.2	13.9	13.2	12.6	12.8	14.0	14.4	16.2	15.7
Australia Other	14.5	15.7	20.1	24.5	15.6	11.7	8.0	9.1	13.3	19.1
Gulf of Mexico	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	2.3	0.1	-
Total (million boe)⁽⁶⁾	63.9	72.2	80.7	80.2	69.7	67.7	59.5	56.6	60.6	62.7
Production (million boe)										
Australia										
Pipeline	14.0	14.8	18.4	18.9	16.4	15.6	-	-	-	-
LNG & LPG	23.8	24.6	23.0	18.6	18.6	18.6	-	-	-	-
NWS Gas	-	-	-	-	-	-	35.0	31.5	31.1	28.3
NWS Oil / Condensate	8.9	13.3	14.0	13.5	12.7	12.8	13.8	14.3	16.4	16.0
Australia Other	15.0	15.5	20.0	24.9	15.8	11.6	8.2	9.3	13.1	19.9
Gulf of Mexico	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	2.3	0.1	-
Total (million boe)⁽⁶⁾	64.6	72.7	80.9	81.3	70.6	67.9	59.7	57.4	60.7	64.2
Reserves (Proved plus Probable)										
Gas (Tcf)	7.80	8.02	7.79	7.90	7.80	6.90	4.67	5.11	4.65	4.84
Condensate (MMbbl)	138.70	154.74	147.80	151.40	152.10	144.60	129.70	138.00	145.70	154.90
Oil (MMbbl)	108.50	117.50	136.10	168.80	170.20	221.10	294.50	258.80	341.50	300.10
Other										
Employees ⁽⁷⁾	3,856	3,650	3,219	3,124	2,981	2,888	2,508	2,528	2,219	2,418
Shares										
High (A\$)	50.85	49.28	53.87	70.51	56.66	49.80	39.39	21.48	15.10	15.05
Low (A\$)	29.76	40.56	31.19	26.81	34.81	34.81	19.87	14.11	10.00	11.50
Close (A\$)	30.62	42.56	47.20	36.70	50.39	38.11	39.19	20.10	14.80	12.38
Number (000's)	805,672	783,402	748,599	698,553	688,331	666,667	666,667	666,667	666,667	666,667
No. Shareholders	205,868	201,134	175,257	141,035	131,460	119,003	83,829	72,267	69,491	67,523
Market Capitalisation (US\$ equivalent at reporting date)	25,287	33,745	31,567	17,717	30,353	20,033	19,146	10,456	7,420	4,635
Market Capitalisation (AU\$ equivalent at reporting date)	24,670	33,342	35,334	25,637	34,685	25,407	26,127	13,400	9,867	8,253
Finding Costs (\$/boe) (3 year average) ⁽⁸⁾⁽⁹⁾	12.67	6.12	5.71	3.35	3.60	2.47	3.95	1.43	1.18	0.75
Effective Income Tax Rate (%)	30.5%	25.2%	33.7%	32.6%	35.8%	35.4%	31.4%	30.3%	36.4%	235.9%
Net Debt/Total Market Cap (%)	20.0%	11.6%	11.8%	11.0%	2.6%	5.9%	3.4%	1.6%	9.0%	15.4%

1 Comparative financial information prior to 2010 has been converted on a consistent basis in accordance with Note 1 (o) to the Financial Report. Cash flow and capital expenditure has been converted using a consistent approach adopted on conversion of expenses.

2 EBIT is calculated as a profit before income tax, PRRT and net finance costs.

3 Earnings per share has been calculated using the following weighted average number of shares (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; 2004: 653,790,795; Pre 2004: 666,666,667).

4 DPS for 2002 includes a 41.0 cents (AUD) dividend that was declared after 31 December 2002.

5 2005 Oil and Gas Properties capital expenditure includes acquisitions through business combinations of A\$415M, relating to the acquisition of Gryphon Exploration Company.

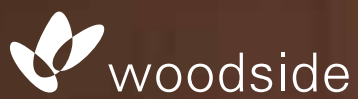
6 From 2003, Woodside reports oil and condensate on a volumetric basis.

7 From 2005 employee numbers do not include third party contractors. Previous years include third party contractors.

8 Finding cost for 2003 includes acquisitions of additional Scope for Recovery volumes.

9 Finding cost methodology has changed from 2004 to be in accordance with the FAS69/SEC industry standard.

10 From 1 January 2005, Woodside prepares its financial statements in accordance with Australian equivalents to IFRS (AIFRS). To highlight the impact on previously reported data information provided for 2004 has been restated. Information pre 1 January 2004 has not been adjusted for the effect of AIFRS.



Annual report 2011

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