woodside

Annual Report 2010

ABOUT WOODSIDE

Woodside is an independent Australian oil and gas company playing a key role in supplying energy to our region.

We are one of the world's leading producers of liquefied natural gas (LNG), helping meet the demands for cleaner energy from Japan, China, Korea and other countries in the Asia-Pacific region.

Woodside was formed in 1954 and initially focused on oil exploration off Australia's south coast.

Major natural gas discoveries off the Western Australian coast in the 1970s changed the company's direction, and today Woodside is one of the world's pre-eminent producers of LNG.

We operate the A$27 billion North West Shelf Project, which in 2009 celebrated 25 years of natural gas production and 20 years of LNG production.

We pride ourselves as a stable and reliable supplier with a focus on delivering on our commitments.

Woodside's production of LNG continues to grow, with the Pluto foundation project targeted for first LNG in 2011.

We are already planning for an expansion of our Pluto project, and are seeking to develop a further two LNG projects – Browse in Australia's Kimberley region and Sunrise off the northern coast.

Woodside also maintains a portfolio of non-LNG projects. We produce natural gas, liquefied petroleum gas, condensate and oil for customers in Australia and abroad.

With our large natural gas resource base, Woodside is a sought-after provider of cleaner energy. We seek excellence in safety and environmental performance, and aim to ensure that wherever we operate, the local community benefits from our presence.

REPORT OBJECTIVES

The report is designed to provide easy to read information on how Woodside performed in 2010 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 2010 Annual Report is a summary of Woodside's operations, activities and financial position as at 31 December 2010.

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 2010 unless otherwise stated. All dollar figures are expressed in U.S. 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.

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 that details our performance across these key dimensions.

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

Woodside's exploration and production activities.

The *Western Legend* seismic exploration vessel conducts an offshore survey to locate prospective hydrocarbon targets.

The *Jack Bates* offshore exploration rig is used to drill into hydrocarbon target zones in the sub-surface.

Discussions are held with stakeholders before development proceeds.

OUR
MISSION, VISION AND VALUES

MISSION

To create and deliver outstanding, sustained growth in shareholder wealth by providing energy for the future.

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.

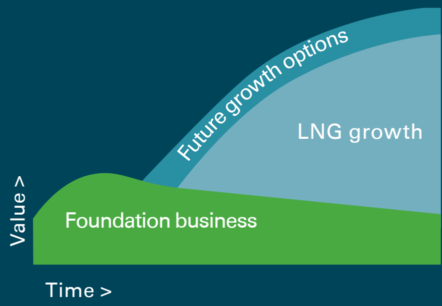
OUR
STRATEGY

In June 2010 the Board of Directors reviewed Woodside's long-term strategy and reaffirmed the importance of maintaining the existing strategic direction and delivering against the LNG growth plan.

Woodside continues to focus on improving its foundation business and delivering long-term growth in shareholder value through commercialising its Australian LNG portfolio.

Woodside's foundation Australian business includes the producing assets in the North West Shelf Project (NWS) and Greater Exmouth area. These are complemented by producing assets elsewhere in Australia and the Gulf of Mexico. By maximising the returns from these assets Woodside will meet its financial obligations and contribute funds to support the company's growth ambitions.

To further maximise the value of the investment in these existing assets Woodside will also pursue selective exploration and development opportunities. Continued operation of these facilities to appropriate safety, environmental standards and stakeholder expectations will maintain and enhance Woodside's licence to operate.



Longer term growth in Woodside's value and its overall future will be shaped by LNG. The company's significant natural gas assets and infrastructure in Australia provide enviable opportunities within an industry struggling to access an ever depleting resource base. With increasing global demand for energy, driven by the continued growth of the Asian economies, we believe Woodside is well positioned to capitalise on new opportunities in emerging LNG markets. Delivery of the foundation Pluto LNG Project will support future LNG growth opportunities, through expansion of Pluto and the development of Browse and Sunrise. Maintaining momentum on these projects will continue to build Woodside's LNG capabilities.

A limited portfolio of exploration assets outside of Australia will be maintained to provide options for future business growth while allowing the company to focus on Australian LNG growth.

NWS gas is gathered offshore at the *Goodwyn A* production platform and then piped to shore.

Offshore, crude oil from Enfield is produced into the *Nganhurra* floating production storage and offloading vessel before shipment to refiners.

At the onshore *Karratha Gas Plant*, raw gas is processed and separated into pipeline gas, LPG, LNG and condensate.

Specialised LNG vessels like the *Woodside Donaldson* transport LNG to overseas markets.

Future generations will benefit from Woodside's daring achievements

ABOUT THE COVER

Woodside sails into a bright LNG future; operating five LNG trains for the North West Shelf Project, with the first Pluto LNG train targeting start up in 2011. LNG transport vessels, such as the Woodside Donaldson depicted on the front cover, provide the vital link between product and customer.

Welcome to Woodside's 2010 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 2010.

CONTENTS

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

ABOUT THIS IMAGE

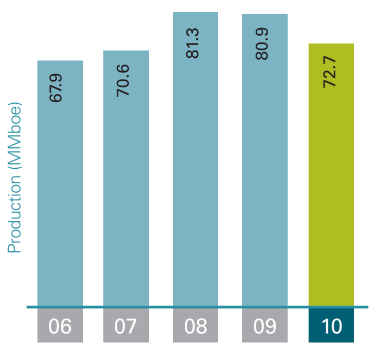
Workers at the Woodside-operated Karratha Gas Plant. The North West Shelf Project facility constitutes Australia's largest oil and gas development and currently accounts for more than 40% of Australia's oil and gas production.

PERFORMANCE AT A GLANCE

RECORD REPORTED NET PROFIT AFTER TAX DRIVEN BY STRONG SALES REVENUE

Comparative financial information in the Annual Report has been converted from Australian dollars to US dollars using the relevant historical exchange rate.

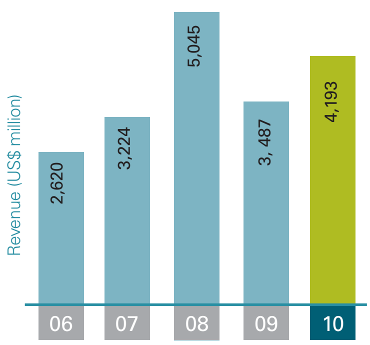
PRODUCTION



Production was in line with guidance and down 10.1%. The reduction was primarily due to the sale of Woodside's interest in the Otway Gas Project and oil-field natural decline.

SALES REVENUE

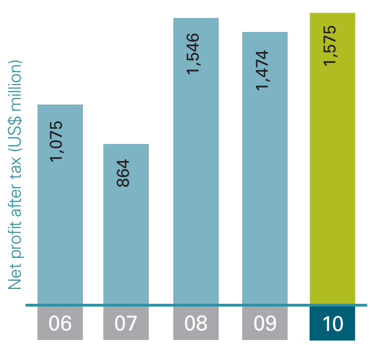
(from continuing operations)



Sales revenue up 20.2% due to higher commodity prices and additional revenue from sales contract renegotiations.

REPORTED NET PROFIT AFTER TAX

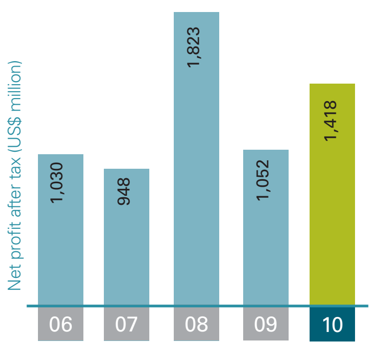
(post significant items)



Reported net profit after tax up 6.9% due to higher commodity prices and one-off gains from asset divestments.

NET PROFIT AFTER TAX

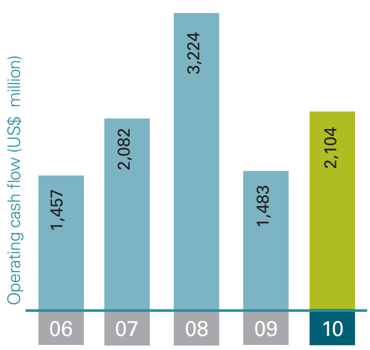
(pre significant items)



Underlying profit up 34.8% due to stronger sales revenue from higher commodity prices.

Refer to page 13 for further detail.

OPERATING CASH FLOW



Operating cash flow up 41.9%, predominantly due to increased receipts from higher commodity prices.

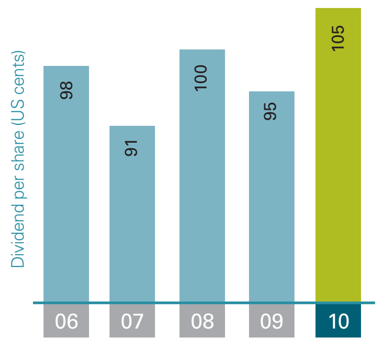
RETURN ON EQUITY

(after significant items)

Return on equity is down from 16.7% to 14.2% due to higher equity on balance sheet prior to commencement of Pluto production.

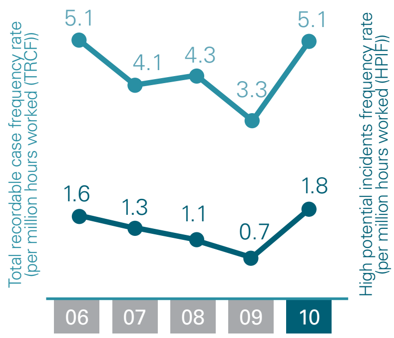
Additional 2010 summary charts can be found on page 148.

DIVIDENDS PER SHARE
(US cents per share)



Final dividend of 55 cents per share (cps), fully franked. Total 2010 dividend up 10 cps from 95 cps to 105 cps.

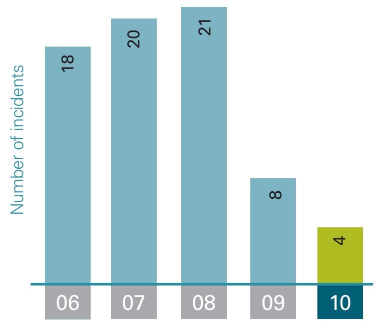
SAFETY



In 2010 TRCF and HPIF increased. While disappointing, the severity of the incidents has decreased.

Refer to page 11 for further detail.

ENVIRONMENTAL INCIDENTS
(Category D and above)



The number of incidents has significantly dropped over the last three years as a result of continuous company-wide focus to improve environmental performance.

Refer to page 22 for further detail.

HIGHLIGHTS FOR THE YEAR

6.9%
INCREASE IN NET PROFIT AFTER TAX TO $1,575 MILLION

20.2%
INCREASE IN SALES REVENUE TO $4,193 MILLION

41.9%
INCREASE IN CASH FLOW FROM OPERATING ACTIVITIES TO $2,104 MILLION

171%
ORGANIC RESERVES REPLACEMENT RATIO (PROVED RESERVES)

105 CENTS
FULL-YEAR DIVIDEND (US CENTS PER SHARE)

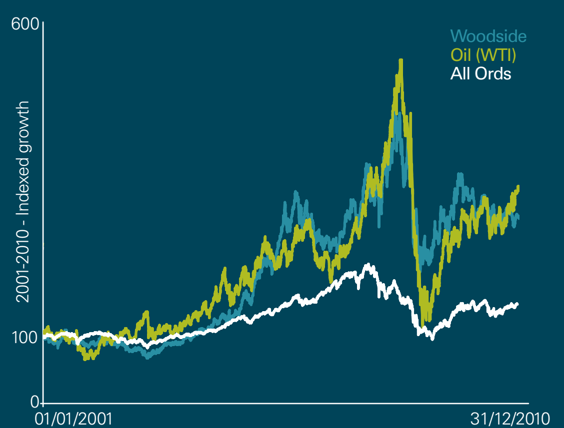
95%
COMPLETE ON FOUNDATION PLUTO LNG PROJECT

RESULTS FOR THE YEAR

		2010	2009	% Change
Net profit after tax	($ million)	1,575	1,474	6.9%
Sales revenue	($ million)	4,193	3,487	20.2%
Cash flow from operating activities	($ million)	2,104	1,483	41.9%
Earnings per share	(cents)	204	210	-2.9%
Total recordable case frequency	(TRCF)	5.1	3.3	54.5%
5 year total shareholder return	(TSR, %)	16[1]	42[1]	-61.9%
10 year total shareholder return	(TSR, %)	78[2]	85[2]	-8.2%
Production	(MMboe)	72.7	80.9	-10.1%
Proved reserves	(MMboe)	1,308	1,296	1.0%
Proved plus Probable reserves	(MMboe)	1,680	1,651	1.7%
Contingent resources	(MMboe)	1,814	1,867	-2.8%

[1] Source: Bloomberg, 5 year average, annualised, US$.
[2] Source: Bloomberg, 10 year average, annualised, US$.

INDEXED TEN YEAR PERFORMANCE



Over the last 10 years Woodside has outperformed the All Ordinaries (values are indexed to base 100 from 1 January 2001).

CHAIRMAN'S REPORT

A MESSAGE FROM MICHAEL CHANEY

With global LNG demand remaining strong, Woodside is well positioned to help meet that demand through its portfolio of assets in production, construction and development. Our company's long experience as an LNG operator is invaluable in the relationships we enjoy with our existing and potential customers. Operating in Australia is not without its challenges, but as an Australian company with strong local relationships we believe Woodside holds a competitive advantage over many others in the growing Australian LNG industry.

In a world often gripped by political and economic uncertainty, one thing remains constant: total energy consumption continues to increase. And while the world demands cleaner forms of energy, the cost effectiveness of that energy remains paramount. It is not surprising that demand for liquefied natural gas (LNG) – one of the cleanest hydrocarbon fuels – continues to grow so quickly, especially among the fast-developing economies in our own Asia-Pacific region.

Despite the global financial crisis continuing to cause uncertainty in sectors of the world's economy, demand for LNG remains steadfastly robust. Woodside has succeeded in helping meet this demand, and expects to continue doing so through our company's strong portfolio of Australian gas developments.

We look forward to commissioning the foundation Pluto LNG Project in 2011, thereby commencing a significant new chapter in the company's history. The significance of Pluto should not be underestimated. When completed, it will be one of only three producing LNG projects in Australia; with another being, of course, the iconic Woodside-operated North West Shelf Project (NWS).

While we maintain plans to expand Pluto, even at the foundation single-train phase we expect this project to make a significant positive contribution to Woodside and our shareholders.

The cost and start up of the foundation Pluto LNG Project will come in slightly higher and later than our initial targets, but Woodside's performance on Pluto should be seen in the context of the delivery of other world-scale mega projects. Against such comparisons, Woodside's delivery of Pluto compares favourably. This is especially so against a background of rising costs, increased competition for labour and a fragile industrial relations environment.

Pluto is effectively Woodside's sixth LNG mega-project, following the initial five phases of the NWS, and I believe our experience in this area has enabled us to stay reasonably close to our initial targets. With project costs across the country continuing to rise, driven in part by wage rises delivered without corresponding gains in productivity, this experience in managing mega projects will remain one of Woodside's major competitive advantages.

Woodside has several of these projects in the development phase, all of them covered extensively within the pages of this report.

The largest development in our portfolio is the Browse LNG Development, which made substantial progress in 2010 with the finalisation of the basis of design. The Development expects to move into the front-end engineering and design phase in 2011.

Location of Woodside's production, projects and developments

Our producing assets (operated)

1	Angel platform	NWS
2	Goodwyn A platform	NWS
3	North Rankin A platform	NWS
4	Cossack Pioneer FPSO	NWS
5	Karratha gas plant	NWS
6	Nganhurra FPSO	Enfield
7	Maersk Ngujima-Yin FPSO	Vincent
8	Northern Endeavour FPSO	Laminaria-Corallina

Our producing assets (non-operated)

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

Our projects

11	Pluto LNG Project including potential Pluto expansions	Pluto
12	North Rankin Redevelopment	NWS
13	NWS Oil Redevelopment Project	NWS

Our developments

14	Browse	Browse
15	Sunrise	Sunrise
16	Greater Western Flank	NWS

International

Browse promises to be a significant success story in terms of environmental sustainability and the economic opportunities provided to the region's Indigenous people. Through the government-led site evaluation process, LNG development will be confined to a single site in the Kimberley and at a location which had already been determined as likely to be environmentally acceptable.

Importantly, the Development will seek to provide economic opportunities for Traditional Owners and the region's broader Indigenous communities through commitments to providing jobs, education, training and other business opportunities. We believe the attractiveness of the agreed benefits package is without parallel for this style of development.

Browse has the potential to be a genuine breakthrough project in terms of strategically-planned environmentally responsible developments, and in the manner in which Indigenous communities are engaged. We should also keep sight of the global environmental benefits which flow from such a development; the LNG this project will produce will offer an alternative to coal in customer countries, thereby helping to reduce global greenhouse emissions.

The year 2010 saw a significant change in Woodside's share registry, with Shell divesting about 10% of its 34% holding in our company. We were pleased with the substantial support the market showed for Woodside in taking up Shell's divested stock.

Late last year our Managing Director and CEO Don Voelte informed the Board that he intends to retire from Woodside in 2011.

Don was initially appointed in 2004 for a period of five years, and we are very grateful that he will have given this company more than seven years service by the time he leaves us.

Don has made an enormous contribution to Woodside during his tenure and has provided significant leadership to the organisation.

I thank Don for his work, and the efforts of all Woodside management and staff in 2010.

MICHAEL CHANEY
CHAIRMAN

OUTLOOK Despite the global financial crisis continuing to cause uncertainty in sectors of the world's economy, demand for LNG remains steadfastly robust. Woodside has succeeded in helping meet this demand, and expects to continue doing so through our company's strong portfolio of Australian gas developments.

CHIEF EXECUTIVE OFFICER'S REPORT

A MESSAGE FROM DON VOELTE

The North West Shelf Project continues to underpin Woodside's financial performance and growth ambitions, delivering more than 60% of Woodside's revenue during the year. We have also advanced our plans at Pluto, Browse and Sunrise to take advantage of growing energy demand in the Asia-Pacific region.

While the global economy was recovering from the economic downturn in 2010, at Woodside we were laying the groundwork to position the company for the future.

During the year we built on our track record as a reliable supplier and continued to maximise value from our existing oil and gas assets.

As Asia led the way in world economic recovery, we also advanced our plans for Pluto expansion, Browse and Sunrise to take advantage of growing energy demand from the region.

In 2010 our net profit was $1.58 billion, surpassing our previous record of $1.47 billion in 2009. This increase was largely driven by a 20.2% increase in sales revenue due in part to higher commodity prices. This result was favourably impacted by an outstanding year by North West Shelf Project (NWS) operations which achieved records for production, revenue and profit.

The NWS continues to underpin Woodside's financial performance and growth ambitions, delivering more than 60% of Woodside's revenue during the year.

Our operating cash flow increased by 41.9% from the previous year to $2.10 billion, putting us in a strong position to invest in our LNG growth strategy.

Production within guidance

Our total annual production for the year was within guidance at 72.7 MMboe. This was lower than the previous year due to oil-field natural decline and the sale of our interest in the Otway Gas Project.

Our people have made great efforts to improve production reliability and capacity utilisation at the Karratha Gas Plant (KGP), resulting in record production levels being achieved in 2010.

We will continue to maximise value from the NWS assets through the North Rankin and NWS Oil Redevelopment projects. And, we are progressing plans for the development of the Greater Western Flank, which would provide a new gas supply for the KGP beyond 2020.

Infill drilling at the Enfield and Vincent oil fields during the year boosted production, mitigating the natural field decline. The discovery of the Cimatti oil field strengthens the long-term production outlook for the region.

Looking to the future

Since construction of the foundation Pluto LNG Project began in 2007, we have dedicated more than 40 million man hours to the project in preparation for start up in 2011.

Following a comprehensive review of cost and schedule in November 2010, we announced a later start-up date and a revised cost of A$14 billion (100% project share). While I was disappointed in this result, Pluto still has solid economics and will provide outstanding long-term value to our shareholders.

When it comes to expansion, the Pluto LNG Park provides us with the flexibility to consider both equity gas development and third party gas supply.

Our exploration campaign had success with the discovery of gas in six out of ten wells in the Pluto inner and central hubs. With the acquisition of Hess Exploration's interest in WA-404-P and ongoing exploration and appraisal activity, it is expected that the Pluto inner and central hubs could provide the foundation volume of gas for an expansion train at Pluto.

The progress of the Browse LNG Development during the year was remarkable. The Joint Venture participants unanimously selected the Western Australian Government's Browse LNG Precinct as the preferred site for the onshore plant.

We support the State's effort to consolidate all development in the Precinct and we continue discussions with the Traditional Owners of James Price Point to secure a land-use agreement as a priority.

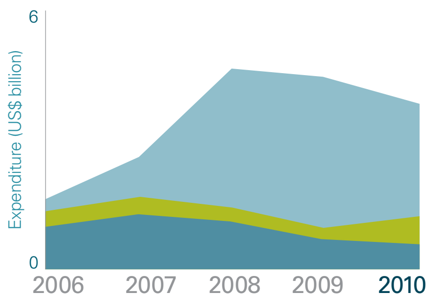
The Strategic Assessment Report for the Precinct was released in December for public comment and we are committed to ongoing community consultation as we progress our own project-level assessments in 2011.

With basis of design for Browse now complete, we are on track to commence front-end engineering and design to be ready for a final investment decision in mid-2012.

Sunrise also reached a major milestone during the year, with the Joint Venture selecting Floating LNG as the preferred development concept for the Greater Sunrise fields.

In September 2010 we submitted concept evaluation reports to the Sunrise Commission, and the Australian and Timor-Leste regulators. We look forward to progressing the project in 2011 in line with international treaty obligations.

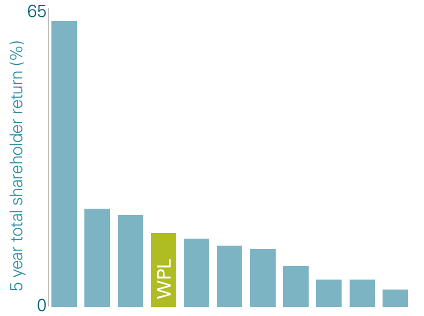
INVESTMENT GROWTH



Over the past five years Woodside has made significant investment for the future, particularly in the area of LNG growth.

TOTAL SHAREHOLDER RETURN (TSR) PERFORMANCE AGAINST PEERS

Five year average annualised

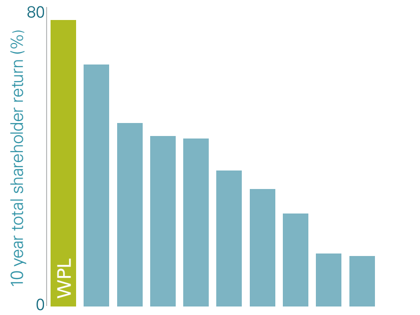


The five year TSR reflects the consolidation of Woodside's previous growth performance against our peer group which includes: Anadarko, Apache, BG, CNOOC, Marathon, Murphy, Pioneer, Repsol, Santos and Talisman.

Source: Bloomberg, five year average, annualised, US$.

TOTAL SHAREHOLDER RETURN (TSR) PERFORMANCE AGAINST PEERS

Ten year average 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, ten year average, annualised, US$.

Our response to global events

There is no doubt that the Montara incident in the Timor Sea in 2009 and the Macondo incident in the Gulf of Mexico in 2010 will have long-lasting implications for the global oil and gas industry.

The industry is now facing more scrutiny from governments, regulators and the community than ever before.

In response to these events, Woodside developed a taskforce to ensure our drilling systems and processes remain robust and that we incorporate lessons learned from these events. Details of activities undertaken by the taskforce are outlined in our 2010 Sustainable Development Report.

Maintaining the integrity of our facilities and the safety of our people are priorities for Woodside and our proactive approach is testament to this.

On a personal note

I would like to thank Mark Chatterji for his invaluable contribution to the company as Executive Vice President and Chief Financial Officer. Lawrie Tremaine has been appointed to the role and with more than 20 years' experience in senior finance positions, he is well equipped to takeover the reins from Mark.

In October 2010, I announced that after seven years at Woodside I will retire and leave Woodside in 2011.

I have worked in many places over my 35-year career in the oil and gas industry, but nothing comes close to topping my time at Woodside.

When I joined the company in 2004, I intended to stay for five years. Now seven years later, I feel it is the right time to hand over the reins. It is only fair that I give the next CEO sufficient time to mature our growth projects, Browse and Sunrise, prior to final investment decisions.

Although I will leave Woodside in 2011, there won't be a day I won't follow the fortunes of this company.

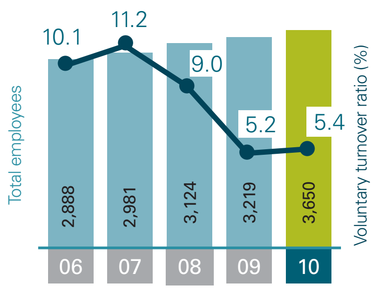
DON VOELTE
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

Woodside has come a long way since 2004. We have the best people in the business, reliable producing assets and an exciting growth portfolio that will provide value for our shareholders for many years to come.

OUTLOOK Woodside has come a long way since 2004. We have the best people in the business, reliable producing assets and an exciting growth portfolio that will provide value for our shareholders for many years to come. I have no doubt that the future for Woodside is very bright.

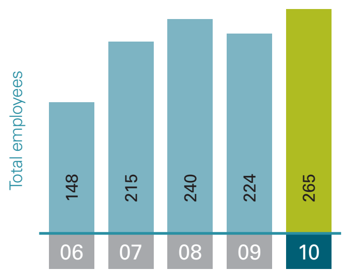
OUR PEOPLE

NUMBER OF EMPLOYEES AND VOLUNTARY TURNOVER



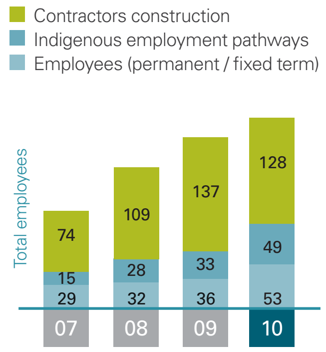
The low voluntary turnover rate is testimony to our positive work environment and the success of our retention strategies.

GRADUATES, TRAINEES AND APPRENTICES



Employment of graduates, trainees and apprentices has continued to increase.

INDIGENOUS WORKFORCE*



* Data on the three categories was not recorded for 2006.

Woodside's Indigenous workforce has strengthened significantly over the last four years.

Woodside recognises that creating sustainable shareholder wealth will depend on our ability to attract and retain an engaged, highly skilled and motivated workforce. We continue to succeed in this area, resulting in a record number of new employees in 2010 and an enviably low attrition rate.

Strong performance in 2010

The Woodside workforce grew to 3,650 in 2010, representing a 13.4% increase from 2009. In 2010, 682 new employees joined Woodside to support our growing portfolio of opportunities.

Employee retention continues to be a highlight for Woodside. The low voluntary turnover rate continued in 2010 with an annualised rate of 5.4%. This was a pleasing outcome in light of a competitive labour market in the Australian and global LNG industry. The 94.6% retention rate was assisted by the employee equity plan and further investment in Woodside's career development processes.

In 2010, 196 leaders completed Woodside's leadership development program, taking the total attendees to 1,103 since inception in 2005.

Woodside has invested approximately A$20 million in learning and development in 2010. Woodside's approach is supported by a competency framework that addresses core, leadership and technical competencies.

Investing in the future

During 2010 more than 30 production technician trainees and in excess of 30 apprentices received the majority of their training through a single integrated training framework implemented across the Production Division.

Woodside had a total of 130 trainees and apprentices participating in programs throughout 2010.

In 2010, 43 new employees entered the graduate development program; with a total of 135 people participating in the three-year program across Woodside's business.

IAN MASSON
VICE PRESIDENT
HUMAN RESOURCES

Strength through diversity

In 2010 Woodside piloted the 'Leading Diverse Teams' program with its executive team. It is intended that all employees holding a leadership position will attend this program over the next three years.

Women represented 26.4% of Woodside's workforce in 2010. Of the 682 new employees hired in 2010, 26.6% were female.

Highlights in 2010 included an 11.3% increase in female take up of part-time employment, 39% increase in take up of additional annual leave and a 90.5% return from maternity leave. Woodside is also pleased to have almost 4.5% of men accessing at least one of its flexible work options.

Woodside was pleased to meet all of our Reconciliation Action Plan (RAP) commitments in 2010, specifically the aspiration to triple the number of permanent Indigenous employees by the end of 2012.

In 2010, Woodside directly employed 53 Indigenous people compared to 36 in 2009, representing a 47.2% increase. Woodside had 49 people on Indigenous Employment Pathways Programs compared to 33 in 2009, representing a 48.5% increase.

Additionally, Woodside had 128 Indigenous people working for construction contractors, a decrease compared to 2009 but within expectation as the foundation Pluto LNG Project approaches completion.

Further information on 'Our People' is available in our 2010 Sustainable Development Report.

OUR HEALTH, SAFETY AND SECURITY

We believe that the health and safety of our people comes first in all our decisions and actions.

Our approach

Our aspiration is 'no-one gets hurt, no incidents' and we seek to be recognised by our people and peers as an industry leader in the management of health and safety. This includes ensuring the integrity of our assets throughout their life cycle so that they operate without jeopardising our people's health and safety and the value of our assets.

We strive to ensure the security and protection of Woodside's people, information, assets and reputation throughout the company's operations.

2010 performance

The frequency of injuries, measured by total recordable case frequency (TRCF) increased from 3.3 to 5.1. The total number of injuries decreased by 24%, relative to a 51% decrease in hours worked compared with 2009. However, we continue to see a trend of reduced injury severity. There were no work-related fatalities in 2010.

High potential incidents (those with potential to cause serious injury) increased from 40 in 2009 to 54 in 2010, with 55% of these involving dropped objects. Following a mid-year awareness campaign, there was a substantial decrease in 'dropped object' incidents.

Continued company-wide focus on improving process safety and asset integrity contributed to significantly better integrity performance, including a substantial reduction in 'loss of containment' events. In 2010, there was one hydrocarbon release that was classified as major* and a further eight deemed to be significant*, compared with four major and 47 significant releases during 2009.

The quality of integrity-related investigations improved as a result of implementing an improved qualitative assessment process that provides direct feedback to investigation team leaders.

Proactive response to safety results

The number and frequency of injuries and incidents recorded in 2010 was disappointing and we aim to improve performance by delivering on our health and safety strategic imperatives.

* As defined by the RIDDOR hydrocarbon release classification system.

In late 2010, we updated our six health, safety and security strategic imperatives, following a review of our operating environment and the integration of the security and emergency management team into a consolidated health, safety and security (HS&S) function. Our updated health, safety and security strategic imperatives are listed below:

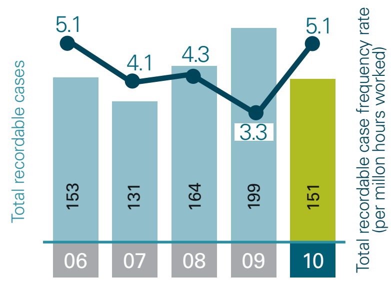
- Strengthen Our Safety Culture and implement other high impact human factors tools and techniques;
- Understand the consequences of major accident events and manage preventative and mitigative controls;
- Consistently implement HS&S standards, procedures and rules;
- Improve learning, the communication of lessons learned and the recognition of warning signs from incidents in order to avoid repeat incidents;
- Design new and modified facilities to be inherently safer. Assure the integrity of existing assets; and
- Undertake strong engagement and relationship-building with government agencies and contractors to achieve excellent HS&S performance.

For 2011, Woodside has introduced a new internal performance measure which increases focus on more serious injuries and illnesses and high potential incidents. The new measure, which contributes towards the rating for employee and executive performance-based pay, draws upon both lead and lagging indicators as part of a more balanced performance measure.

Continued focus on contractor safety

Woodside hosted a major Contractor Safety Forum in October 2010, which was attended by over 100 senior leaders from Woodside and its most significant contractors. We continued to work closely with Contractor Safety Focus Groups to identify and resolve issues and promote continuous safety performance improvement. We also continued to be a leading participant in Stand Together for Safety; an industry-wide safety event that Woodside and its contractors helped establish in 2009.

TOTAL RECORDABLE CASES



The focus to reduce TRCF and maintain a downward trend in the number of safety incidents will continue into 2011.

Ensuring strong security and emergency management

In 2010, we continued to work with state, national and international governments' security agencies to protect our operating assets, construction sites and the workshops and yards of our contractors and suppliers.

Capability development through training and simulated exercises was conducted for all assets and projects to ensure that our people are well prepared to deal with any type of incident. We also conducted three company-wide crisis management training exercises to test the capability of broader areas of our business. These exercises were conducted in partnership with key contractors and a range of government agencies to ensure the close integration of industry and government response measures.

EVE HOWELL
EXECUTIVE VICE PRESIDENT
HEALTH, SAFETY AND SECURITY

CHIEF FINANCIAL OFFICER'S REPORT

Funding our growth plans and sustaining superior shareholder returns.

In 2010 Woodside achieved a record reported net profit of $1.575 billion and generated $2.104 billion in cash flows from operations.

Our foundation business continued to perform well, providing the cash flow to fund our growth. The North West Shelf Project (NWS) business return on capital was a strong 41.5% and the Australia Business Unit was 17.3% despite the impact of oil-field natural decline.

The Board of Directors declared a fully franked final dividend of 55 cents per share, resulting in a full-year dividend of 105 cents per share.

Consistent with our growth plans, we invested a substantial $3.3 billion of capital, predominantly on the foundation Pluto LNG Project and invested a record $660 million on our extensive exploration program.

In February 2010 we successfully completed a A$2.5 billion equity raising. Utilising the accelerated, renounceable entitlement offer structure, the raising was launched in December 2009. The institutional component was finalised in December 2009, while the retail component was finalised in February 2010.

Improving external factors

As the global financial recovery gained momentum, commodity prices correspondingly improved. The average realised sales price in 2010 was approximately $16 per barrel higher than in 2009.

All of Woodside's sales products achieved higher prices compared to those received in 2009. This contributed to revenue rising 20.2% to $4.193 billion, more than offsetting the impact of lower sales volumes.

Active capital management

2010 was another highly successful year from a funding perspective. In December 2010 the $1.1 billion Asian-syndicated loan facility was refinanced, extending the maturity from 2012 to 2015. This was achieved at a lower finance cost. In addition, we also renewed a number of 364-day and bilateral facilities during 2010.

Woodside enters 2011 with $1.725 billion in undrawn debt facilities and $963 million in cash. The equity raising, the divestment of the Otway Gas Project and continued strong cash flows, have strengthened our balance sheet in preparation for the next growth phase.

Our investment grade credit ratings (S&P: BBB+; Moodys: Baa1) combined with our established presence in global capital markets, together with our reputation for LNG development and operating excellence, give us every confidence of being able to fund our continuing LNG growth.

Successful divestment of non-core assets

Woodside constantly reviews its asset portfolio position and looks for opportunities to enhance shareholder returns through the divestment of non-core assets.

In March 2010 Woodside sold its 51.55% interest in the Otway Gas Project to Origin Energy Resources Ltd and Benaris International N.V. for $643 million.

In addition, Woodside's Sierra Leone and Liberia interests were successfully divested in August 2010. In consideration for this sale Woodside received $65 million in cash and interests in eight exploration permits in the Gulf of Mexico.

These divestments, together with Woodside's exit from Libya in January 2011, represent a consolidation of our portfolio allowing a greater focus on our LNG growth opportunities in Australia.

US dollar functional currency implemented

With approximately 90% of revenue and more than 90% of debt denominated in US dollars, Woodside's directors adopted a US dollar functional currency and presentation currency for the purpose of all financial reporting, effective 1 January 2010. This change provides shareholders with a more accurate reflection of the company's underlying performance, while increasing comparability of our financial results with those of our industry peers.

The one-off impacts of this change are highlighted in the Notes to the Financial Report.

Positive engagement on resource taxation

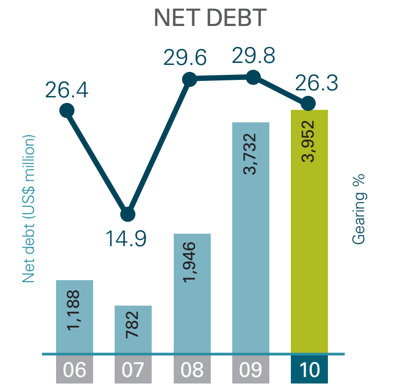
Woodside has engaged effectively with the Commonwealth Government throughout the period in which resource taxation policy has been evolving. Based on the Policy Transition Group's submissions to Treasury on 21 December 2010 and subject to the terms of the enabling legislation, our expectation is that the NWS will transition to a Petroleum Resource Rent Tax (PRRT) regime on terms that will result in a tax position that is no more onerous than

External factors	2010	2009
Avg WTI oil price (US$/bbl)	79.61	62.13
Avg AUD:USD	0.92	0.78
Closing AUD:USD	1.01	0.89
Avg one month LIBOR* %	0.2733	0.3325

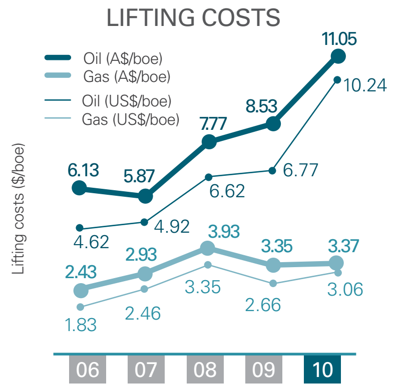
*London Inter-Bank Offer Rate

Realised price per ($/boe)	2010	2009
Pipeline gas	22.01	16.73
LNG	57.60	36.14
Condensate	77.72	57.56
LPG	86.71	64.67
Oil	80.90	61.03
Average realised price ($/boe)	59.14	43.04

Realised prices for all products were materially higher in 2010.

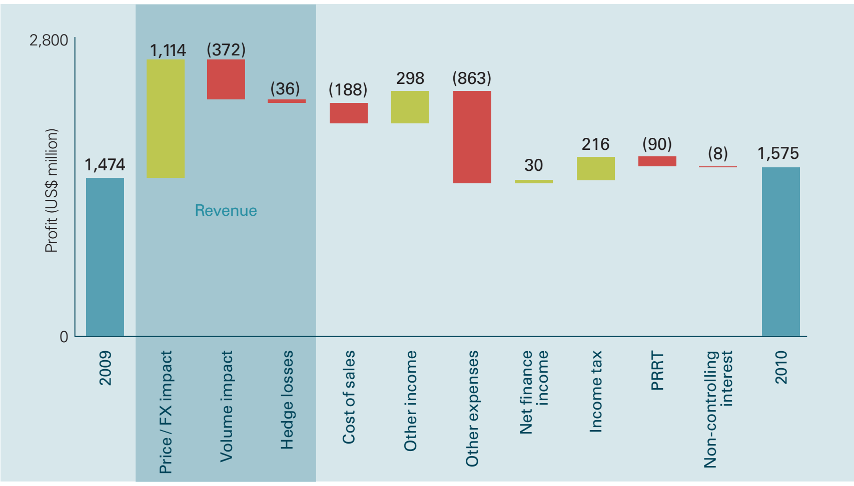


Woodside is well placed for growth with conservative debt and gearing levels.



Australian dollar gas lifting costs remain steady, while oil has increased due mainly to lower volumes.

Drivers of Woodside's 2010 reported net profit after tax (NPAT)



Compared to 2009, Woodside's 2010 reported NPAT strengthened on the back of increased prices, other income, net finance income and reduced income tax.

Underlying NPAT versus reported NPAT*

	2010	2009
Underlying NPAT	1,418	1,052
Significant items after tax		
Gain on sale of Otway	149	
Gain on adoption of US functional currency	71	
Gain on sale of Liberia/ Sierra Leone	89	
Neptune impairment	(92)	
Deferred tax asset write downs	(60)	
Foreign exchange gain on USD debt		494
Libya writeoff		(81)
Sale of Browse permits		14
Oceanway writeoff		(5)
Reported NPAT	1,575	1,474

Reported NPAT was positively impacted by successful asset sales.

* 2009 underlying profit adjusted to exclude $494 million non-recurring foreign exchange gain on US dollar debt as a result of the change to US dollar functional currency in 2010.

the present. It is also our expectation that Woodside's other interests, which already fall under the PRRT regime, will be unaffected by the proposed resource taxation changes.

Drivers of 2010 profit versus 2009 profit

- Revenue from sale of goods – **increased by $706 million.** Higher sales prices in 2010 increased revenue by $1,066 million. The higher AUD:USD exchange rate also increased revenue on pipeline natural gas by $48 million. This was partially offset by oil hedging losses of $36 million and lower sales volumes, predominantly due to oil-field natural decline, reducing revenues by $372 million.
- Cost of sales – increased by **$188 million.** Royalty and excise costs were $143 million higher, associated with higher sales prices. Production costs were unfavourably impacted by higher AUD:USD ($49 million), higher Karratha Gas Plant (KGP) costs ($5 million), partially offset by lower production costs following the divestment of the Otway Gas Plant ($13 million) in early 2010.
- Other income – increased by **$298 million.** This was largely attributable to a $242 million gain recognised on the sale of Otway Gas Plant ($143 million) and interests in Sierra Leone and Liberia ($99 million).
- Other expenses – increased by **$863 million.** Mainly due to a $714 million gain on foreign exchange recognised in 2009 compared with a $47 million loss in 2010. In addition, exploration and evaluation expenses were higher ($76 million), coupled with increased general and administrative costs ($28 million).
- Net finance income – increased **by $30 million.** As a result of higher cash balances.
- Income Tax – decreased by **$216 million.** Due to a reduction of deferred tax liabilities arising from the change to a US dollar functional currency ($129 million) and the sale of assets ($65 million).
- Petroleum resource rent tax (PRRT) – **increased by $90 million.** Due to foreign exchange losses arising from the change to a US dollar functional currency, partially offset by higher PRRT augmentation.

Lifting costs (Australian dollars)**

Total gas lifting costs decreased by A$10 million to A$167 million. On a unit basis gas lifting costs increased from A$3.35/bbl to A$3.37/bbl (excluding Ohanet) due to a small increase in costs at KGP and lower gas production due to the divestment of the Otway Gas Project.

Total oil lifting costs increased by A$9 million to A$230 million in 2010. On a unit basis, oil lifting costs increased from A$8.53/bbl to A$11.05/bbl driven by lower production volumes as a result of oil-field natural decline and higher maintenance costs at Laminaria-Corallina and Vincent.

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

OUTLOOK Woodside enters 2011 in a sound position with approximately $2.7 billion in cash and undrawn debt facilities. We are well positioned to fund our LNG growth plans, while continuing to deliver strong returns to shareholders.

LAWRIE TREMAINE
EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

LNG MARKET REPORT

Our relationships in the region are a core strength in a market in which buyer-supplier partnerships are key to launching new projects.

REINHARDT MATISONS
PRESIDENT MARKETING

Healthy outlook for LNG demand

Woodside anticipates robust growth in global LNG demand. The economic recovery from the global financial crisis has been further consolidated over the last twelve months. Growth in global LNG demand over the next decade is expected to average about 6% per annum, with total demand expected to increase to about 380 million tonnes per annum by the end of 2020.

Global population growth and improving standards of living in key markets underpin the growing global demand for LNG, and natural gas in general. A primary driver of demand for natural gas is its increasing role in power generation. Natural gas is the cleanest hydrocarbon fuel and, in many countries, its environmental and economic advantages make it the fuel of choice for meeting future energy demands. Security of supply is an additional factor shaping growth in demand for LNG. Buyers preferentially target proven and reliable sources. The company's strong record of reliability, LNG operations experience, and geographical location places Woodside in a great position to take advantage of this opportunity.

Asia remains Woodside's core market

Asian LNG demand is the engine powering Australian LNG growth. Asian economies have recovered well from the global downturn and have generally returned to high levels of economic growth. As an example South Korea, Taiwan and China set new records during 2010 for monthly LNG import volumes including a 95% year-on-year growth in LNG imports for South Korea in September 2010. Looking forward, while the traditional LNG markets of Japan and South Korea will continue to be the core of the LNG market, the growth LNG markets in the region are China and India. New entrants such as Singapore, Thailand and Vietnam will grow quickly and also add to regional LNG demand. In the next few years Malaysia and Indonesia, who have historically been suppliers of natural gas, will join the growing list of LNG import countries in the Asia-Pacific region. Importantly the expansion of new markets through the construction of import capacity can occur relatively quickly with floating regasification terminals providing short-term capacity until onshore terminals can be built.

In the US the development of unconventional gas has led to medium-term self-sufficiency, nearly eliminating the need for LNG imports. In contrast there is robust growth in demand from the EU and, in particular, the UK where domestic resources are in rapid decline. Natural gas demand in the Middle East is still characterised by uncertainty. While the region has vast hydrocarbon reserves, many countries are also committed to new economic and social development plans that have already caused rapidly increasing gas usage, resulting in some countries facing gas supply shortages. Kuwait and Dubai are currently importing LNG to meet a seasonal peak in power demand. With peaking requirements and gas shortages set to continue, there is the potential for rapid growth in LNG demand from this region.

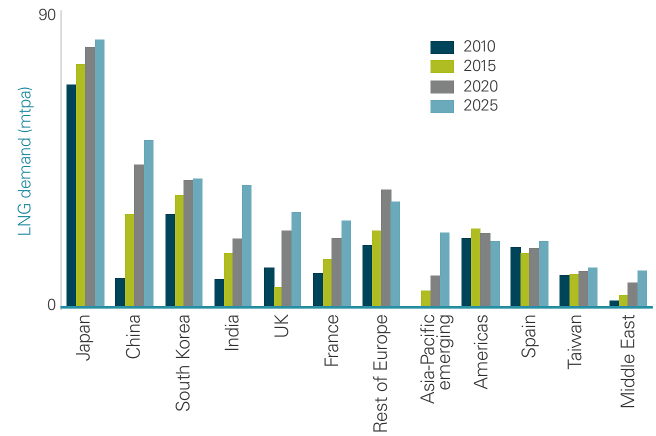
Despite the potential demand outside the Asia-Pacific, Woodside continues to focus on the Asian market due to its significant demand prospects and close proximity to our projects. Woodside anticipates that demand from both traditional and non-traditional markets in this region is sufficient to support all of our projects in meeting their targeted timelines.

Market to tighten

The market is currently well-supplied following recent start ups from several new projects. Looking forward there is limited additional new capacity under construction that will reach the market before 2014. As a result the market is progressively tightening, at least until the middle of this decade. The strong interest Woodside continues to receive in the expansion of Pluto is evidence that many customers share a similar view.

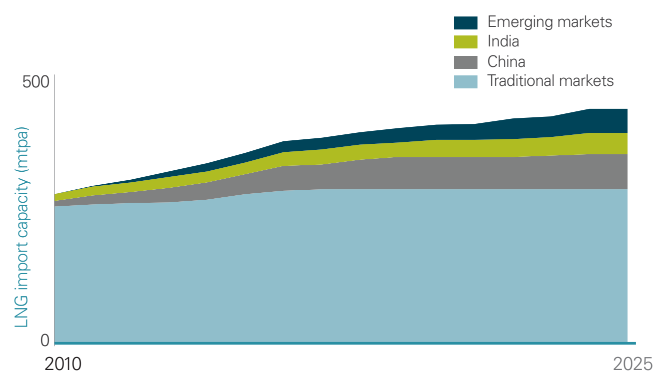
In the longer term, the world still needs a new Browse-sized LNG project to come online every year from 2014 in order to meet expected growth in LNG demand.

ASIA-PACIFIC TO DRIVE WORLD LNG DEMAND



Asia- Pacific countries drive global LNG demand.
Source: WoodMackenzie Global LNG Tool.

ASIA-PACIFIC IMPORT CAPACITY SUPPORTS INDUSTRY GROWTH



Increasing Asia-Pacific LNG import capacity is supporting Australian LNG growth.
Source: WoodMackenzie Global LNG Tool.

There are many new projects under discussion but these all face challenges to reaching the point of final investment decision (FID). During 2010 only one new project achieved this milestone with expected output significantly less than that required to meet average annual growth.

Australia is the key to new supply and Woodside is playing a lead role

Australia is the country with the greatest potential to be the leading supplier of new LNG. These good prospects are reinforced by the Qatari moratorium on new projects. Australia's advantages include political stability, a relatively favourable fiscal regime and close proximity to the premium Asian markets.

Woodside has extensive experience in developing, constructing and operating LNG projects, and has a strong relationship with government and customers in the region. Woodside is well-placed to proceed with its portfolio of conventional LNG projects. In doing so, we continue to play a leading role in the industry, both in Australia and in the global LNG community.

Pluto implements foundation contracts

Pluto's activities in 2010 were largely centred around the successful implementation of the Foundation Customer Sale and Purchase Contracts with The Kansai Electric Power Co., Inc and Tokyo Gas Co. Ltd, to ensure the safe and reliable delivery of LNG from the foundation Pluto LNG Project. Woodside's extensive LNG experience supports the adoption of 'best-in-class' practices in all aspects of LNG supply. Our customers should feel confident that Pluto LNG is able to provide a dependable and environmentally conscious source of energy.

In late 2010, discussions were held with potential buyers in relation to the sale of uncommitted Pluto LNG cargoes.

The Pluto LNG brand was well received by the market, and in January 2011 a LNG Sale and Purchase Agreement was signed with Asean LNG Trading Co. Ltd (ALTCO), a subsidiary of Petronas International Corporation Ltd, for the supply of up to 19 uncommitted cargoes from the foundation project through to 2014.

This deal includes provisions for shipping that ensure Pluto is able to meet all of its LNG delivery obligations.

Browse marketing to continue Heads of Agreement discussions into 2011

Browse LNG is premium heating quality gas which, in the Asian market place, gives it a competitive advantage over many of the other proposed new supply projects, particularly those based on coal-seam methane which is a low heating quality gas. Browse is now progressing from the stage of basis of design and into front-end engineering and design.

Under the conditions of the Retention Leases all sellers are required to pursue binding marketing agreements ahead of FID in mid-2012. Woodside marketing is well advanced in securing a portfolio of customers for its share of Browse. Woodside's equity share of the LNG is expected to be in the order of 5.5 million tonnes per annum. Central to this activity is progression of the Key Terms Agreement with CPC Taiwan for 2 million tonnes per annum into a Sales and Purchase Agreement.

NWS successfully concludes negotiations

NWS successfully concluded price-out-of-range (POR) negotiations under Train 4 contracts with four Japanese customers; and a further recontracting agreement, also with a Japanese customer. POR is triggered for LNG sold under oil-linked contracts when the oil price is outside the range provided for in the contract.

The outcomes of these discussions were positive and are further evidence of recent consolidation of market pricing for long-term supply in the region.

Strong long-term LNG prices into Asia

Sales agreements for long-term LNG supply into Asia are expected to continue to achieve very high indexations to crude oil prices. At present, long-term sales represent more than 85% of Woodside's sales portfolio. This strong outlook for LNG prices is underpinned by our view of the long-term global supply and demand balance. LNG pricing expectations in Asia have been strongly reinforced during the past twelve months by the outcomes of sales agreements for new supply, negotiations for price-out-of-range and price reviews between a range of buyers and suppliers.

Short-term sales complement long-term supply agreements

While long-term sales agreements continue to dominate global LNG trade, the market has become more flexible and the proportion of spot sales has increased from 20% in 2009 to about 25% of global LNG output. The opportunity to trade on a short-term basis is important to both buyers and suppliers for the management of uncertainties such as weather and unplanned maintenance, and supporting the ramp-up profiles of new supply projects.

Outlook

Currently, spot prices into Asia are at a discount to the average long-term price. Looking forward, Woodside expects spot prices to improve as the market tightens over the next few years. With the start up of Pluto, Woodside will become more active in the short-term market.

The focus of Woodside's marketing will remain on long-term sales agreements to underpin investment in new supply.

RESERVES STATEMENT

Reserves growth continued in 2010, increasing Proved reserves to 1,308.5 MMboe, with an organic reserves replacement ratio of 171%.

Woodside's reserves[1] overview

		2010	2009	Change
Proved[2]	MMboe	1,308.5	1,295.9	1.0%
Proved plus Probable[3]	MMboe	1,680.1	1,651.2	1.7%
Contingent resources[4]	MMboe	1,813.8	1,866.6	-2.8%

Key metrics

		Proved	Proved plus Probable
2010 reserves replacement ratio[5]	%	118	140
Organic 2010 reserves replacement ratio[6]	%	171	231
3 year reserves replacement ratio	%	136	96
3 year organic reserves replacement ratio	%	148	117
Reserves life	Years	18	24
Annual production[7]	MMboe	71.4	71.4
Net acquisitions and divestments	MMboe	-38.0	-64.5

Proved plus Probable 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 2009	7,794	147.8	136.1	1,651.2
Revision of previous estimates[13]	232	3.2	-3.7	40.3
Extensions and discoveries[14]	572	18.3	5.9	124.5
Acquisitions and divestments	-342	-4.5	0.0	-64.5
Annual production[7]	-231	-10.1	-20.8	-71.4
Reserves at 31 December 2010	8,025	154.7	117.5	1,680.1

*small differences are due to rounding to first decimal place

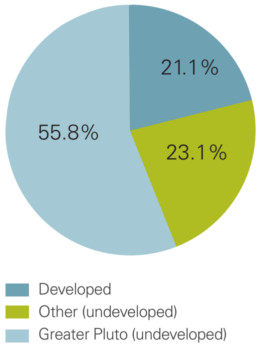
Best estimate contingent resources annual reconciliation by product

	Dry gas	Condensate	Oil	Total
	Bcf	MMbbl	MMbbl	MMboe
Contingent resources at 31 December 2009	8,531	248.8	121.0	1,866.6
Transfer to reserves	-223	-2.9	-1.8	-43.8
Revision of previous estimates	-14	0.7	-13.6	-15.3
Extensions and discoveries	85	1.3	5.5	21.6
Acquisitions and divestments	-82	-1.0	0.0	-15.3
Contingent resources at 31 December 2010	8,298	246.9	111.2	1,813.8

FEISAL AHMED
EXECUTIVE VICE PRESIDENT
DEVELOPMENT

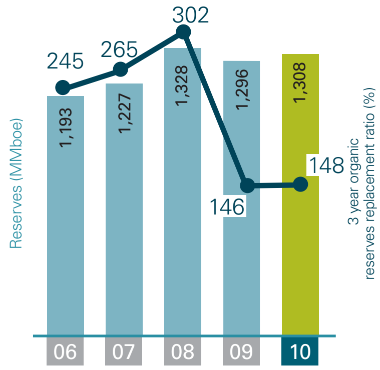
See page 18 for notes to the reserve statement..

PROVED PLUS PROBABLE RESERVES SPLIT



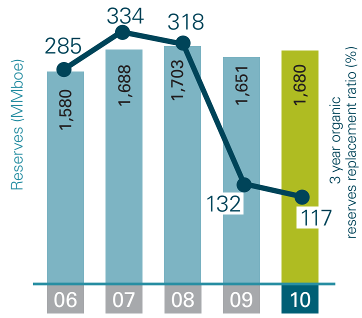
The majority of Woodside's reserves are undeveloped.

PROVED RESERVES



Proved reserves have increased over the last five years.

PROVED PLUS PROBABLE RESERVES



Proved plus Probable reserves have maintained an increasing trend over the past five years.

Proved reserves summary by region

Project	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto[15]	3,663	54.0	0.0	696.6
North West Shelf[16]	2,776	67.1	11.6	565.6
Greater Exmouth[17]	0	0.0	35.5	35.5
United States of America[18]	8	0.0	3.8	5.1
Other Australia[19]	0	0.0	3.8	3.8
Other International[20]	4	1.1	0.0	1.9
Reserves	6,450	122.3	54.6	1,308.5

Proved plus Probable reserves summary by region

Project	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	4,923	74.3	0.0	938.0
North West Shelf	3,078	79.2	29.4	648.6
Greater Exmouth	0	0.0	71.9	71.9
United States of America	19	0.1	8.1	11.4
Other Australia	0	0.0	8.1	8.1
Other International	4	1.1	0.0	1.9
Reserves	8,025	154.7	117.5	1,680.1

Best estimate contingent resources summary by region

Project	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Browse[21]	5,892	154.1	0.0	1,187.7
Greater Sunrise[22]	1,717	75.6	0.0	376.7
Greater Pluto	316	4.3	0.0	59.6
North West Shelf	149	4.7	19.1	50.0
Greater Exmouth	0	0.5	75.5	76.0
United States of America	3	0.0	2.6	3.1
Other Australia	66	0.5	9.2	21.1
Other International	156	7.4	4.8	39.6
Total	8,298	246.9	111.2	1,813.8

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.

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. Woodside's Reserves Policy requires an external audit of all material projects or fields at least once every four years.

On average, more than 95% of Woodside's Proved reserves have been externally verified by independent review over the past four years.

See page 18 for notes to the reserve statement..

NOTES TO THE RESERVES STATEMENT

1 'Reserves' are estimated quantities of petroleum that 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 11.8% of total Proved reserves, and 12.0% 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 that 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 that 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 and Xena fields, plus fields in the Pluto inner and central 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 12% of Proved dry gas reserves. In 2010 a new booking was made for probabilistic addition of Proved condensate reserves which accounts for 16% of Proved condensate reserves.

17 The 'Greater Exmouth' region comprises Vincent, Enfield, Stybarrow- Eskdale Cimatti, Laverda-Skiddaw, and Coniston-Novara fields.

18 Woodside's resources in the United States of America includes the Neptune field and eight other fields in the Gulf of Mexico.

19 'Other Australia' includes resources from the Mutineer-Exeter, Laminaria-Corallina and Argus fields.

20 'Other International' includes fields in Algeria, Libya and Brazil.

The Ohanet project in Algeria (operated by BHP Billiton) is a risk services contract with Algeria's national oil company, Sonatrach. Woodside does not have any share in the sales gas delivered. Reserves associated with Woodside's interest in Ohanet are reported using an economic interest approach.

21 'Greater Browse' comprises the Brecknock, Calliance and Torosa fields.

22 'Greater Sunrise' comprises the Sunrise and Troubadour fields in the Timor Sea.

PRODUCTION REVIEW

In 2010 Woodside achieved its production target of 70-75 MMboe; safely, effectively and efficiently delivering 72.7 MMboe.

VINCE SANTOSTEFANO
EXECUTIVE VICE PRESIDENT
PRODUCTION

An integrated one-team approach

The Production Division is responsible for operating and maintaining Woodside's producing assets. The division employs over 1,400 people and utilises an integrated one-team approach that ensures efficient, reliable and profitable operations. Common standards, processes and tools are applied to all activities to ensure efficiency.

Activities align with our eight strategic goals

In 2010 we have had great success in incrementally improving our performance by organising our activities in line with our eight strategic goals, outlined below. This approach is expected to continue to deliver improvements into 2011 and beyond.

- **People** – we are committed to developing future capability and creating an engaging and rewarding organisational climate that allows us to retain and attract a capable and highly motivated workforce.
- **Health and safety** – we have instilled a health and safety culture which permeates through every level of the organisation. Our ultimate goal is 'no-one gets hurt, no incidents'.
- **Production optimisation** – to support sustained growth in shareholder wealth we seek to maximise production with an ongoing focus on reliability and availability of our facilities.
- **Cost management** – we seek opportunities to reduce expenditure per unit of production where it does not compromise our commitment to health, safety and the environment.
- **Environment** – we are committed to ongoing compliance and continued improvement in environmental performance to ensure that we minimise our environmental footprint and maintain our licence to operate.
- **Technical integrity and process safety** – by safeguarding the integrity of our facilities, we protect both our people and assets.
- **Maintenance and reliability** – we need to ensure that the correct level of maintenance is undertaken and that maintenance is performed in a proficient and timely manner.
- **Production readiness** – we engage early in a project's life cycle to ensure a smooth transition into production and continued steady-state production during operational life.

2010 improvements and highlights

In 2010 we improved on, or maintained, our results for most of our key performance indicators. We were particularly pleased with the success of our 'dropped objects' campaign, which has reduced 'high potential' events by 90% since implementation in mid-2010. We also achieved a remarkable 80% reduction in major and significant loss of containment events compared to the previous year, all of which were key focus areas for the year. In addition, we were pleased to open the Woodside Production Training Academy.

Outlook: Further improvements targeted for 2011

In 2011 operations excellence will become our ninth strategic goal and our activity plan continues to focus on meeting production targets while avoiding major and significant loss of containment events. Based on our track record we are encouraged that further improvement can be achieved. KPI targets for 2011 have been refined and represent challenging industry-benchmarked levels. We look forward to continuing the improvement in all aspects of our performance, and implementing ongoing efficiencies as the Pluto LNG Plant starts up.

Overview of 2010 Production Division key performance indicators

Theme	Key performance indicator	Achieved 2009	Achieved 2010	
People	Turnover	4.2%	3.6%	●
	People objectives met	86%	92%	●
Health and safety	Health and safety targets met	96%	99%	●
	Divisional total recordable case frequency: % improvement	29%	-52%	●
	Incident actions overdue	0	0	●
Production	Production target met[1]	99.9%	100%	●
Cost management	Opex spend versus budget ($m)	96%	96%	●
	Minor Capex spend versus budget ($m)	81%	85%	●
Environment	Environment incidents Category D or greater (includes reportable)	7	4	●
Integrity	Technical deviations overdue: % improvement*	70%	53%	●
	Standing alarms: % above (+) or below (-) target*	103%	-7%	●
Maintenance	Maintenance backlog: % above (+) or below (-) target*	72%	-2%	●

* Excludes Vincent, non-operated and international assets.
[1] Produced volumes as a ratio of the production target. If in range the ratio equals 100%. If outside of the range, it is the percentage variance from the top or bottom of the range.

● Improved or target met
● Declined or target not met

EXPLORATION REVIEW

PETER MOORE
EXECUTIVE VICE PRESIDENT
EXPLORATION

The role of Woodside's Exploration Division is to contribute to the growth targets of the business through the discovery of new oil and gas volumes. Discovered volumes are used to establish new developments or to maximise the value of existing production infrastructure.

Our Approach

The Exploration Division manages Woodside's exploration strategy, assets and associated expenditure. Exploration works closely with the business units to ensure that value-creating opportunities are identified, captured and drilled to support the foundation business and LNG growth strategies. In addition, Exploration supports selective exposure to 'future growth options' outside of Australia.

Strong Australian focus

Within Australia, the aggressive exploration campaign that commenced in 2009 continued throughout 2010. The primary campaign objective is to provide gas for the expansion of the Pluto LNG facilities and is centred on acreage holdings within the Carnarvon Basin.

During 2010, 12 exploration wells were drilled to support both Pluto expansion and producing oil assets. Of these wells, ten were drilled for gas with five being successful, and two for oil – one of which was successful. The overall success rate for 2010 was 50%.

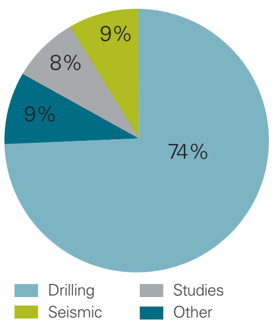
During 2010, over 9,000 km^2 of new 3D seismic data has been acquired to support the planned 2011 drilling campaign, which is primarily focused on Pluto expansion.

Expanding permit portfolio

12 new exploration permits have been added to the Australian exploration portfolio during the last two years. These additions bring the total number of Woodside's exploration permits to 30, as shown in the adjacent Carnarvon and Browse exploration area permits maps.

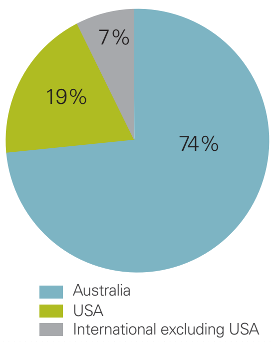
Woodside's current Browse Basin exploration position has grown to comprise 12 permits and one retention lease. The mid-term goal is to identify additional volumes to add value to the planned Browse LNG Development. In 2010, one exploration well and one Argus field appraisal well were matured, ready for drilling in 2011.

2010 EXPLORATION EXPENDITURE BY CATEGORY



The majority of exploration spend was focused on drilling in order to support current operations and our LNG growth strategy.

2010 EXPLORATION EXPENDITURE BY COUNTRY



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

Encouraging drilling results

WA-404-P, Greater Pluto, Central hub*

*Woodside 100%** (operator)*

Drilling activity in WA-404-P in 2010 commenced with the successful discovery of hydrocarbons in Noblige-1. Including Noblige-1, seven wells were completed in WA-404-P with four discoveries made: Noblige-1, Larsen-1, Larsen Deep-1 and Remy-1. In addition, Martin-1 commenced drilling before the end of 2010. WA-404-P activity during 2011 is expected to focus on drilling Kelt-1 and appraising discovered volumes.

WA-347-P, Greater Pluto, Cazadores south hub

Woodside 90% (operator)

Dalia South-1 was drilled but failed to intersect hydrocarbons. Permits in the Cazadores Hub are being renewed.

WA-434-P, Greater Pluto, Claudius hub

Woodside 100% (operator)

Tiberius-1 was drilled to test a newly identified carbonate play and although the prognosis was successful, the well failed to intersect hydrocarbons. Alaric-1 was then drilled and penetrated a gross gas bearing interval in excess of 185m.

* Refer to map on page 31 for location of hubs.

** Subject to Government approval and registration of Woodside's acquisition of a 50% interests in the permit.

During 2011, preparations will be made to drill two more Claudius Hub wells scheduled for 2012, following up on the success of Alaric-1.

WA-28-L, Greater Exmouth Area

Woodside 60% (operator)

Cimatti-1 was drilled to test a 'near field' prospect within tieback distance to Enfield. Cimatti-1 successfully intersected a gross 15 metres oil column in line with the pre-drill prognosis.

WA-255-P, Greater Exmouth Area

Woodside 50% (non-operator)

Furness-1 was drilled to evaluate the oil potential of a significant prospect in the southern portion of WA-255-P. The well failed to intersect hydrocarbons and was plugged and abandoned.

WA-428-P, WA-430-P, WA-433-P, Greater Pluto, Ragnar Hub

Woodside 70% (operator)

A Controlled Source Electromagnetic Survey (CSEM) was acquired over the Ragnar Hub permits during December 2010. Data processing is underway and two Ragnar Hub gas prospects are proposed for drilling during 2011.

Australian outlook

In 2011, Exploration plans to drill eight to nine wells. Up to six are in support of LNG growth (four to five for Pluto Expansion and one for Browse), two in support of Foundation Business (NWS), and one oil prospect in the Greater Exmouth Area.

Selected international exposure

Woodside also retains opportunity for growth outside Australia with exposure to exploration and development in selected international areas.

In the Gulf of Mexico, exploration plans were put on hold due to the Government imposed moritorium on deepwater drilling, following the BP Deepwater Horizon (Macondo) incident. This led to the suspension of drilling operations on the Innsbruck prospect in Q2 2010, prior to penetrating the well's target zones.

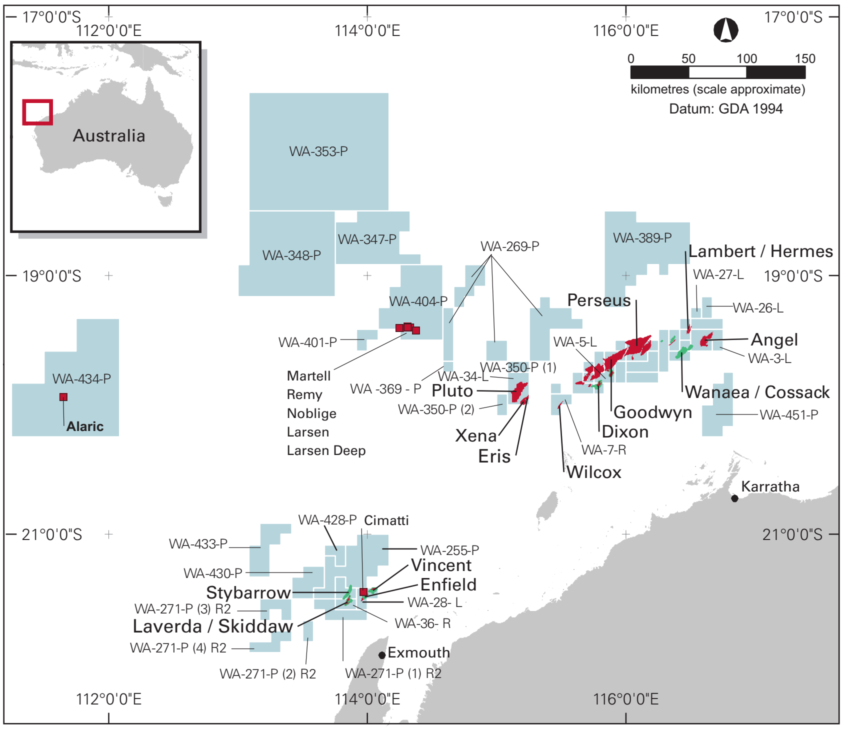
In Brazil, two exploration wells were drilled. The Pepe-1 well did not encounter hydrocarbons; however, the Asterix-1 well intersected gas in tight reservoir.

International outlook

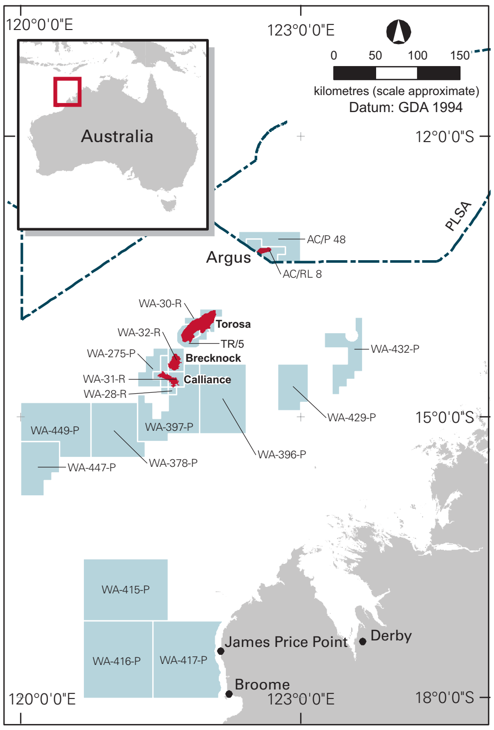
Activity in selected international areas will continue in 2011. In the Gulf of Mexico, it is anticipated that drilling operations for Innsbruck will resume in 2011. In Korea, Woodside plans to drill its first exploration well in offshore Block 8/6-1 N in late 2011.

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

Carnarvon exploration area



Browse exploration area



Woodside has significant acreage in prospective exploration areas.

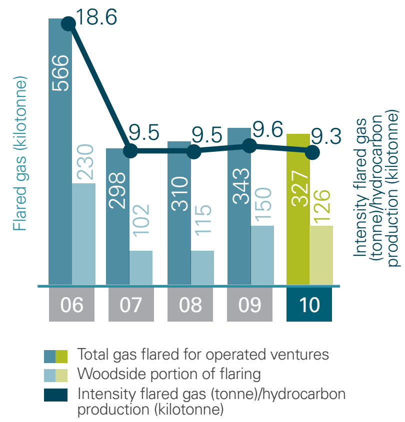
Permit | Oil field | Gas field | Gas/oil discovery

SUSTAINABLE BUSINESS PRINCIPLES

TINA THOMAS
SENIOR VICE PRESIDENT
CORPORATE

Woodside's Business Principles are categorised into three areas - economic performance, environmental excellence and social contribution. The focus in this section is on environmental excellence and social contribution.

FLARE GAS AND INTENSITY



Total gas flared and the flared gas intensity per unit of production for 2010 was lower than the previous year with most facilities performing well.

ENVIRONMENTAL EXCELLENCE

Our approach

Ongoing compliance and continued improvement in our environmental performance are central to Woodside's sustainable development as a company. We integrate environmental management into the design, construction and operation of our facilities.

Environmental incidents reduced

In 2010 we reduced the number of environmental incidents, with four events recorded as Category D* in our internal incident rating system, where Category A is an incident with the greatest consequences. There were no incidents greater than a Category D.

These incidents were considered Category D due to the requirement to report them to government as part of our legal obligations. The incidents comprised a dark smoke event and three separate unplanned subsea releases of methanol. We did not incur any environmental fines or penalties in respect of these incidents.

The incidents represent a reduction in the number of incidents in this category over the past three years, with 21 events being recorded in 2008 and eight in 2009. This improvement is a result of continuous company-wide focus to improve environmental performance.

Managing emissions to air

Our flared gas and greenhouse gas emissions intensity decreased in 2010. Emissions intensity refers to the emissions per tonne of hydrocarbon production. Our total flared gas also decreased in 2010 with most facilities performing well.

Additional improvements in flaring were not achieved due to flaring from the Maersk Ngujima-Yin and Cossack Pioneer floating production, storage and offloading oil facilities. A fire on the Maersk Ngujima-Yin in 2009 damaged the gas reinjection compressors that are normally used to reinject gas into the reservoir during oil production. Flaring was maintained within regulatory approved limits and repairs are expected to be completed during 2011. Higher rates of flaring occurred on the Cossack Pioneer as a result of recycle compressor issues.

Baseline biodiversity studies were a focus in 2010

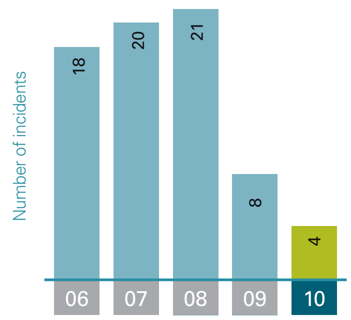
Woodside's approach to biodiversity focuses on establishing high quality baseline studies. These studies support environmental impact assessments as part of approvals processes and ongoing monitoring of our operational footprint.

In 2010 much of our focus was on baseline research to support our Browse LNG Development. These studies included continuation of extensive annual survey programs for humpback whale and turtle monitoring, a baseline fish monitoring survey (including sail fish tagging) and various dredging studies.

Marine monitoring programs for the Pluto LNG Project continued and analysis of monitoring results showed that impacts were significantly less than predicted during the impact assessment and environmental approvals process.

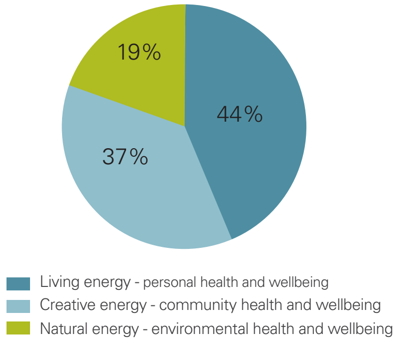
* A change to the naming of incidents in the Woodside incident classification system was made in early 2010. 'Category D' incidents were previously referred to as 'Category C'. There has been no material change to the criteria that would trigger an incident being considered for this category and therefore previous performance against Category C incidents is considered equivalent to the new Category D.

ENVIRONMENTAL INCIDENTS (CATEGORY D AND ABOVE)



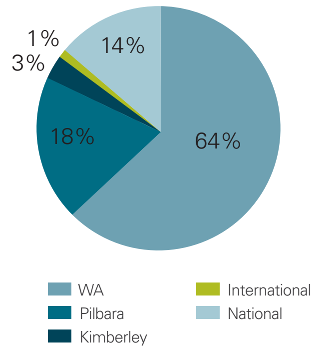
The number of incidents has significantly dropped over the last three years as a result of continuous company-wide focus to improve environmental performance.

WOODSIDE'S SOCIAL INVESTMENT BY CATEGORY 2010



In order to enhance long-term, meaningful relationships social investment is now focused into three categories.

WOODSIDE'S SOCIAL INVESTMENT BY GEOGRAPHIC REGION 2010



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

More than 80% of our social investment is in Western Australia, reflecting our commitment to the communities in which we live and work.

SOCIAL CONTRIBUTION

Our approach

Woodside recognises that long-term and meaningful relationships with the communities where we operate are fundamental to maintaining our licence to operate. Our community relations strategy has three focus areas: social impacts, stakeholder engagement and social investment.

Management of social impact to support projects

Social impact management in 2010 supported our Pluto LNG Project and the proposed Browse LNG Development.

Woodside's social impact assessment specific to its Browse LNG Development focuses on consultation with local stakeholders, seeking their views on the current status of key social issues in the community.

In 2010 the Western Australian Government continued its program of social, environmental and heritage studies to support its proposed LNG Precinct at James Price Point, 60 kilometres north of Broome.

The State Government Strategic Assessment Report recommended strategies for mitigating and managing impacts and maximising opportunities for local community benefit.

Details of the State Government report can be found at www.dsd.wa.gov.au.

While the State Government's studies focus on precinct development scenarios, a decision by the Federal Government on the Precinct is expected in 2011.

In 2010 we initiated a social impact standard to provide a consistent approach across our business. The standard will be finalised in 2011.

Active stakeholder engagement

In 2010 our stakeholder engagement activities focused on supporting existing operations, construction projects and proposed developments.

Active stakeholder engagement occurred with government regulators, community and Indigenous representatives, near neighbours to our facilities, non-government organisations, special interests groups, customers and suppliers.

In 2010 we developed and implemented an external stakeholder engagement standard to provide consistency in this area.

Participation in social investment

The three social investment categories are:

- Living energy - personal health and wellbeing;
- Natural energy - environmental health and wellbeing; and
- Creative energy - community health and wellbeing.

Woodside's equity contribution to social investment in 2010 was A\$4.9 million. Our total social investment in 2010, inclusive of management costs, was A\$8.7 million slightly lower than A\$9.2 million in 2009. This reflects our strategy of reducing the number of corporate community partners, which allows us to focus on investing in social investment programs for longer time frames.

In 2010 Woodside formalised a three-tiered approach to social investment. Broadly these tiers cover national, state and local programs. In 2010 we announced our national 'Living energy' partner – Surf Life Saving (SLS). SLS is an active part of Australian communities and is the largest volunteer movement of its kind. We see many similarities between our two organisations – coastal operating environments, the dedication of our people by getting involved in the community and common values of safety and wellbeing.

Woodside's 2010 social investment data was independently verified by the London Benchmarking Group (LBG) and will be published in LBG's 2011 Benchmarking Report.

The LBG 2010 Benchmarking Report benchmarks us against our peers throughout Australia and New Zealand. The report showed Woodside is a benchmark leader in employee volunteering and participation. Our 2009 volunteering rate was 13.1% – well ahead of our resource sector peers and LBG membership at 8.4% and 5.8% respectively. Woodside's employee participation rate was 16.7% – well ahead of our resource sector peers and LBG membership at 10.5% and 7.2% respectively.

Employee participation in, and support of, partnership activities is a hallmark of Woodside culture. This trend continued in 2010 with Woodside employees donating more than A\$190,000 of their own money to 36 not-for-profit organisations.

Our employees also contributed 4,261 volunteering hours. The value of this was A\$151,050. All Woodside employees are entitled to 12 hours paid volunteering leave per year.

Further information on Sustainable Business Principles is available in our 2010 Sustainable Development Report.

NORTH WEST SHELF BUSINESS REVIEW

KEVIN GALLAGHER
EXECUTIVE VICE PRESIDENT
NORTH WEST SHELF

The North West Shelf Project continues to underpin Woodside's growth strategy by delivering more than 60% of total revenue. To extend the Project's field life and enable top quartile reliability for decades to come the Joint Venture is investing almost A$7 billion in redevelopment projects. The North West Shelf Project remains one of Australia's largest oil and gas resource developments and currently accounts for more than 40% of Australia's oil and gas production.

North West Shelf Project (NWS)

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 Cossack Pioneer 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 2010 Woodside's average share of gas production was approximately 40%. Woodside's exact share of domestic gas production depends on the quantities and aggregate rate of production.

2010 a year of records

In 2010 the North West Shelf Project (NWS) achieved record production, cargoes, revenue and profit. These outstanding results were due to continued strong performance at both the Karratha Gas Plant (KGP) and offshore facilities, improvements in overall capacity utilisation and additional revenue from sales contract renegotiations.

Despite an environment of increasing costs, the NWS was able to maintain lifting costs at around 2009 levels, with 2010 lifting costs amounting to A$3.66 per barrel of oil equivalent (boe).

Safety was a priority in 2010, and at the KGP a cumulative total of 3.9 million man hours without a single lost time incident was recorded up to October 2010.

The annual May and September shutdowns were successfully completed without a recordable safety incident. The annual shutdown work programs at the KGP included the completion of an external corrosion intervention campaign and modifications to the Main Cryogenic Heat Exchangers on LNG Train 5. This has resulted in productivity improvements of around 25,000 boe per day. All offshore facility shutdowns were also executed successfully, on time and on budget.

A continued strong focus on reliability resulted in improved production rates throughout the year, including the record daily production of 797,000 boe.

The improved reliability at the KGP was highlighted when the record of 85 days without interruption to production was achieved in July; the previous record was 64 days since the start up of Train 4 in 2004. Overall LNG production reliability in 2010 was 94.3%, compared to 87.9% in 2009.

Condensate production was positively impacted due to high gas system utilisation, which partially offset natural field decline in 2010.

These achievements have resulted in a record number of LNG cargoes, with Woodside delivering 261 cargoes of LNG in 2010; of which 30 were sold on the spot market. Woodside's share of total sales volumes for 2010 is 2.55 million tonnes.

Pipeline gas production continued to meet customer demand in 2010 with 100% reliable delivery to customers in Western Australia.

NWS Oil Redevelopment Project targets start up in Q2 2011

The A$1.8 billion (A$600 million Woodside share) NWS Oil Redevelopment Project includes conversion of the Okha floating production storage and offloading vessel (FPSO), which will replace the Cossack Pioneer FPSO in 2011, and the replacement of subsea infrastructure.

The project will provide state-of-the-art facilities for continuous production from the Cossack, Wanaea, Lambert and Hermes (CWLH) fields.

KEY ACHIEVEMENTS

51.8 MMbbl
RECORD PRODUCTION

$2.75 Billion
RECORD REVENUE

$1.33 Billion*
RECORD PROFIT

* A notional tax rate of 30% has been applied on the NWS profit before tax less net finance costs.

261
RECORD NUMBER OF CARGOES DELIVERED

At year end, overall progress on the project was 86% and scheduled for start up in Q2 2011.

North Rankin Redevelopment Project on track for 2013 completion

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

At year end, overall progress was 63% complete and remains on schedule for completion in 2013.

All welding on the North Rankin A (NRA) for the north bridge support structure was completed in November, three months ahead of the original schedule. Construction of the North Rankin B (NRB) jacket is also ahead of schedule and construction of the NRB topsides is progressing well.

Greater Western Flank Development targets undeveloped reserves

The Greater Western Flank (GWF) area consists of 14 fields to the south-west of Goodwyn A and is estimated to hold approximately three Tcf of recoverable gas and approximately 100 MMbbl of condensate (100% project).

The concept for the first phase of GWF was selected in 2010. Project planning for the subsea tieback to Goodwyn A has commenced with front-end engineering and design targeted for 2011.

GWF, together with other undeveloped gas reserves, will maximise returns from existing infrastructure, maintain offshore supply to fill the KGP to capacity beyond 2020 and support ongoing marketing efforts for LNG and domestic gas.

Outlook

Safety is a priority in 2011 and the NWS will work with industry to ensure sustained improvement in health, safety and environmental performance.

The overall focus for the NWS in 2011 will remain on maximising asset utilisation, reliability and return on invested capital.

Enhancing the NWS's LNG operating capability advantage also remains a priority. This will be achieved through world-class training and people-development programs, advanced operations and operating management systems.

The NWS will continue to market pipeline gas to new and existing customers in Western Australia in 2011. The most significant benefit to WA gas consumers will come from the long-term growth of a competitive, transparent, unencumbered and diverse energy market.

Preparations continue for the NRB platform start up in 2013, resulting in modifications to the NRA platform which will occur during an extended shutdown in Q3 2011.

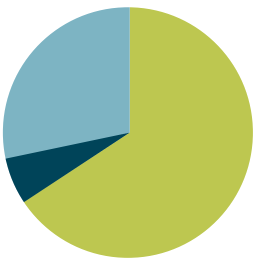
LNG Train 5 has now been operational for two years and in 2011 is due for its first major shutdown and maintenance program. The increased work program is likely to result in an extended shutdown in Q3 2011.

Shut-in of production at the CWLH fields is planned for Q1 2011. This will enable completion of the subsea work program before the planned start up of the Okha FPSO in Q2 2011.

The NWS plans to drill up to two exploration wells in 2011 to explore and appraise near-field, low development cost prospects capable of short tiebacks to existing and newly installed infrastructure.

These significant projects and activities are paving the way for the NWS to deliver top quartile reliability for decades to come.

NWS contribution to Woodside's total production (MMboe)



NWS gas and condensate	65%
NWS oil	6%
Woodside other	29%

During 2010, NWS made a significant contribution of 51.8 MMboe to Woodside's annual production of 72.7 MMboe.

NWS key metrics (Woodside share)

		2010	2009
Sales revenue	($ million)	2,749	1,989
Net gas production	(MMboe)	38.5	37.0
Net liquids production	(MMbbl)	13.3	13.9
Proved plus Probable reserves	(MMboe)	649	701
		Gross	*Net*
Acreage	(km^2)	4,184.5	683.9

AUSTRALIA BUSINESS UNIT BUSINESS REVIEW

JARVAS CROOME
VICE PRESIDENT
AUSTRALIA BUSINESS UNIT

In 2010 we continued our focus on efficiently and safely producing from current fields, delivering infill opportunities, and aggressively pursuing exploration and development opportunities.

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 57.4 million barrels (MMbbl) of oil with 2010 production of 9.6 MMbbl.

In 2010, ongoing activity at Enfield has focused on maintaining production and identifying new opportunities for development. Compared to 2009, Enfield achieved a significant increase in oil production following restoration of gas lift to all wells and a successful 2009 infill drilling campaign. Two new development wells were drilled in 2010; the Main West well came on stream in August and the Horst well in October.

In November the Cimatti-1 exploration well successfully intersected a gross oil column of 15 metres. The Cimatti-2 sidetrack well was also completed during the year to further appraise the field and speed up potential development. The Cimatti field may be tied back to Enfield with first oil from the field possibly as early as mid-2013.

The Enfield Development currently comprises eight oil-production wells, five water-injection wells and two gas-injection wells tied back to the Nganhurra floating production storage and offloading vessel (FPSO). At the end of 2010 the facility was producing a total of 31,000 barrels of oil per day.

In 2011 a 4D seismic survey to evaluate further infill and near field exploration opportunities is planned. Past surveys have assisted in locating successful infill opportunities. This will be the fifth Enfield 4D survey.

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	

Since start up in 2007, Stybarrow has produced 42.8 MMbbl of oil, with 2010 production of 4.2 MMbbl.

During 2010, Stybarrow production was supported by water injection and continued to be managed in line with natural field decline.

It is expected that production will be slightly higher next year as 2010 production was impacted by significant off-station maintenance work on the FPSO swivel and a number of unplanned shutdowns in 2H 2010 to perform critical maintenance activities. The Stybarrow North infill well, drilled in Q3 2010 and tied-in during December 2010, will contribute to production in 2011.

The Stybarrow Development comprises five oil-production and three water-injection wells tied back to the Stybarrow Venture FPSO. At the end of 2010 production was 26,900 barrels of oil per day.

In order to identify further infill drilling opportunities a 4D seismic survey is planned for 2011.

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	

Since start up in 2005, Mutineer-Exeter has produced 53.7 MMbbl of oil with 2010 production of 1.7 MMbbl.

Consistent with our previously announced strategy of reviewing non-core assets, Woodside is reviewing options to monetise the remaining value in this field.

KEY ACHIEVEMENTS

- IMPROVED RELIABILITY AND AVAILABILITY
- SUCCESSFUL INFILL DRILLING
- PROGRESSING DEVELOPMENT OPPORTUNITIES
- EXPLORATION SUCCESS WITH CIMATTI WELLS

Vincent oil field

INTEREST	WA-28-L	60%
OPERATOR	Woodside	
FACILITIES	Maersk Ngujima-Yin FPSO	
LOCATION	45 km off the North West Cape, WA	
WATER DEPTH	350-400 metres	
PRODUCTS	Crude oil	
FIRST PRODUCTION	August 2008	

Since start up in 2008, Vincent has produced 18.5 MMbbl of oil, with 2010 production of 8.5 MMbbl.

While 2009 was a challenging year for Vincent, 2010 has seen increasing oil production throughout the year. This is due to higher facility uptime, the successful introduction of production from new infill wells adding over 10,000 bbl a day, and the use of the subsea multiphase pumps in Q3 2010 to provide artificial lift to the wells. Work is continuing to reinstate the gas compressors and current plans are to have them fully operational in 1H 2011. The Vincent 4D seismic acquisition commenced in late 2010 providing valuable information on additional long-term infill opportunities along with detailed performance data on existing wells.

The Vincent Development currently comprises ten producing oil wells tied back to the Ngujima-Yin FPSO. At the end of the year the facility was producing 25,000 barrels of oil per day.

In 1H 2011 we plan to drill two new infill wells which are expected to increase production as they target unswept parts of the reservoir. A third well is planned for late 2011 or early 2012 depending on drill rig availability.

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.

Since start up in 1999, the Laminaria-Corallina fields have produced 195 MMbbl of oil, with 2010 production of 3.6 MMbbl.

While natural field decline continued at Laminaria-Corallina during 2010, ongoing reservoir studies provided better understanding of the fields and will ensure production and recovery is maximised. Additional production capacity of approximately 500 barrels of oil per day was realised with the reinstatement of the production test riser.

The Laminaria-Corallina Development currently comprises five production wells and one gas-injection well tied back to the Northern Endeavour FPSO. At the end of the year the facility was producing 9,200 barrels of oil per day, and provides the highest reliability of a Woodside-manned and operated facility. A range of additional opportunities continue to be evaluated which could further increase short-term production levels.

A strategic review of future opportunities for this asset is now underway.

Otway gas field

The sale of the Otway assets to Origin Energy Resources Ltd and Benaris International N.V. for $643 million was completed on 16 March 2010. The gain from the sale was $149 million (after tax).

Laverda development

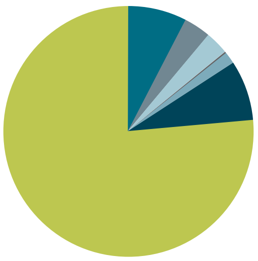
INTEREST	WA-36-R	60%
OPERATOR	Woodside	
LOCATION	~50 km off the North West Cape, WA	
WATER DEPTH	~800 metres	

Appraisal drilling commenced in December 2010, continuing into 1H 2011. Development concepts include possible stand-alone FPSO or tie-back to existing projects in the area. Engineering work is progressing, including subsea evaluation, potential topside requirements and optimised well locations. Concept narrowing is underway to reduce the number of development options and progress to the next stage of engineering. The Opel-1 exploration well, located adjacent to Laverda, is scheduled to be drilled in early 2011 as part of the Laverda appraisal drilling program.

Outlook

As we look beyond 2010, the key to maintaining our level of production will be our ability to maintain or improve our facility reliability and availability; as well as the success of our infill drilling and near-field exploration programs. These various activities have been outlined under each of the preceding oil field discussions in this business review.

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



Enfield	8%
Laminaria-Corallina	3%
Stybarrow	3%
Mutineer–Exeter	<0.5%
Otway	<1.5%
Vincent	7%
Woodside other	77%

During 2010, Australia (non-NWS) fields contributed approximately 23% of Woodside's annual production.

Australia (non-NWS) Business key metrics

		2010	2009
Sales revenue	($ million)	1,272	1,319
Net gas production	(MMboe)	0.9	4.4
Net liquids production	(MMbbl)	15.5	20.1
Proved plus Probable reserves	(MMboe)	80	154
		Gross	*Net*
Acreage	(km^2)	5,198	2,703

▶2005 Woodside discovers the Pluto gas field in April and announces a stand-alone 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.

PLUTO
THE STORY SO FAR

▶2008 Sale and Purchase Agreements with Tokyo Gas and Kansai Electric completed with both acquiring 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. Martell gas field discovered in permit WA-404-P, to the north-west of the Pluto gas field.

▶2010 Last of the 264 LNG train modules arrives from Thailand. Exploration wells at Eris, Noblige, Larsen, Larsen Deep and Remy discovered gas in the Pluto Inner and Central Hubs. Alaric exploration well in the Claudius hub also discovered gas. Woodside buys Hess's 50% stake in WA-404-P.

▶2011 Pluto LNG Plant targeted for start up in 2011 with the opportunity for future additional trains.

Panoramic view of the Pluto LNG Park. Offshore gas will be piped approximately 180 km to the onshore Pluto LNG Plant and liquefied for transport to overseas customers.

PLUTO LNG
BUSINESS REVIEW

LUCIO DELLA MARTINA
EXECUTIVE VICE PRESIDENT
PLUTO

Pluto LNG

INTEREST	WA-34-L		90%
	WA-350-P; WA-347-P		90%
	WA-369-P		80%
	WA-428-P; WA-430-P		70%
	WA-433-P		70%
	WA-353-P		100%*
	WA-434-P; WA-401-P		100%
	WA-269-P		53.33%**
	WA-348-P		90%
	WA-404-P		100%***
	WA-448-P		50%
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^	4,923 Bcf dry gas, 74.3 MMbbl condensate		
ACREAGE	(km^2)	*Gross*	*Net*
		42,191	36,958

* Tokyo Gas and Kansai Electric have options to each take 5% equity in this permit.
** Permit withdrawal subject to Government and regulatory approval will reduce Woodside's interest to 0%.
*** Subject to Government approval and registration of Woodside's acquisition of a 50% interest in the permit.
^ Woodside share.

2011 will mark the end of one journey and the beginning of another for Woodside, when the Pluto LNG Plant starts up as a production facility. We have overcome many challenges constructing Pluto and along the way have built capability unmatched by any other LNG company operating in Australia today. Our people are our competitive edge. Looking to the future, Pluto offers exciting opportunities which will build on the value created by the foundation project.

Approved for development in July 2007, the foundation Pluto LNG Project will process gas from the Pluto and Xena gas fields, located about 190 km north-west of Karratha in Western Australia, into LNG and condensate.

The initial phase of the foundation Pluto LNG Project comprises five subsea wells on the Pluto gas field connected to an offshore processing platform in 85 m of water. Gas will be piped about 180 km to the onshore plant in a 36-inch pipeline.

Onshore facilities at the Pluto LNG Park include a single LNG processing train with forecast production capacity of 4.3 million tonnes per year (mtpa), in addition to storage facilities and an export jetty. The LNG train was built in modular form in Thailand and shipped to site as 264 modules.

The foundation Pluto LNG Project is underpinned by 15-year sales contracts for up to 3.75 mtpa with foundation customers and partners Kansai Electric and Tokyo Gas which each hold a 5% equity interest in the foundation project.

The project has generated more than 5,000 Australian jobs and is making a significant contribution to the Western Australian and Australian economies, as well as providing opportunities for local businesses.

By the end of 2010, Pluto had delivered more than A$6 billion in local content.

Successful Indigenous participation

Indigenous employment on the project peaked at 170 against a target of 150. Throughout 2010 the project recruited and trained 29 Indigenous people for jobs in the Pluto operations team, in line with our Reconciliation Action Plan commitments. This represents about 10% of the Pluto operations workforce.

Woodside also continued to successfully manage our heritage requirements and deepen our relationships with Traditional Custodians who, for the first time, participated in site audits.

Achievements in 2010 pave the way for start up in 2011

The foundation Pluto LNG Project was 95% complete at the end of December 2010.

Onshore, the transition from construction to commissioning continued throughout the year. All heavy lifts were completed in August, allowing work to advance on mechanical completion and readying systems for use.

Pre-commissioning, commissioning and pre-operations teams joined the construction team on site to progress the integrated start-up approach for production.

KEY ACHIEVEMENTS

95%
COMPLETE ON FOUNDATION PLUTO LNG PROJECT

A$6 BILLION
LOCAL CONTENT DELIVERED

100%
COMPLETION OF ONSHORE FEED STUDIES FOR TWO EXPANSION TRAINS

Offshore continued to progress to schedule. This included the successful drilling and completion of the fifth and final Pluto production well and the de-watering of the 36-inch 180 km pipeline and two 20-inch 27 km flowlines.

Cost and schedule revised

A comprehensive review of cost and schedule completed in November 2010 revised the target start-up date to August 2011. The first LNG cargo is targeted a month after start up.

The revised cost of the foundation Pluto LNG Project is A$14 billion. This represents a 6.9% increase to the project's 2009 A$13.1 billion estimate, which includes pre-FID costs.

Outlook: Potential growth through Pluto expansion

Pluto expansion provides an opportunity to capture additional value from the foundation Pluto LNG Project. Synergies created by existing infrastructure, execution capabilities, operations and management, will lead to improved economics and enable earlier construction of further LNG trains.

Our exploration and appraisal activity is expected to provide the foundation volumes for growth.

The exploration campaign to support Pluto equity gas expansion will continue into 2011. During the current Carnarvon Basin campaign Woodside has drilled six gas discoveries from ten exploration wells in the inner and central hubs (including blocks WA-34-L, WA-350-P and WA-404-P).

Gas discoveries to date in the Pluto inner and central hubs include Martell, Eris, Noblige, Larsen, Larsen Deep and Remy. In the Claudius Hub, Alaric also found gas.

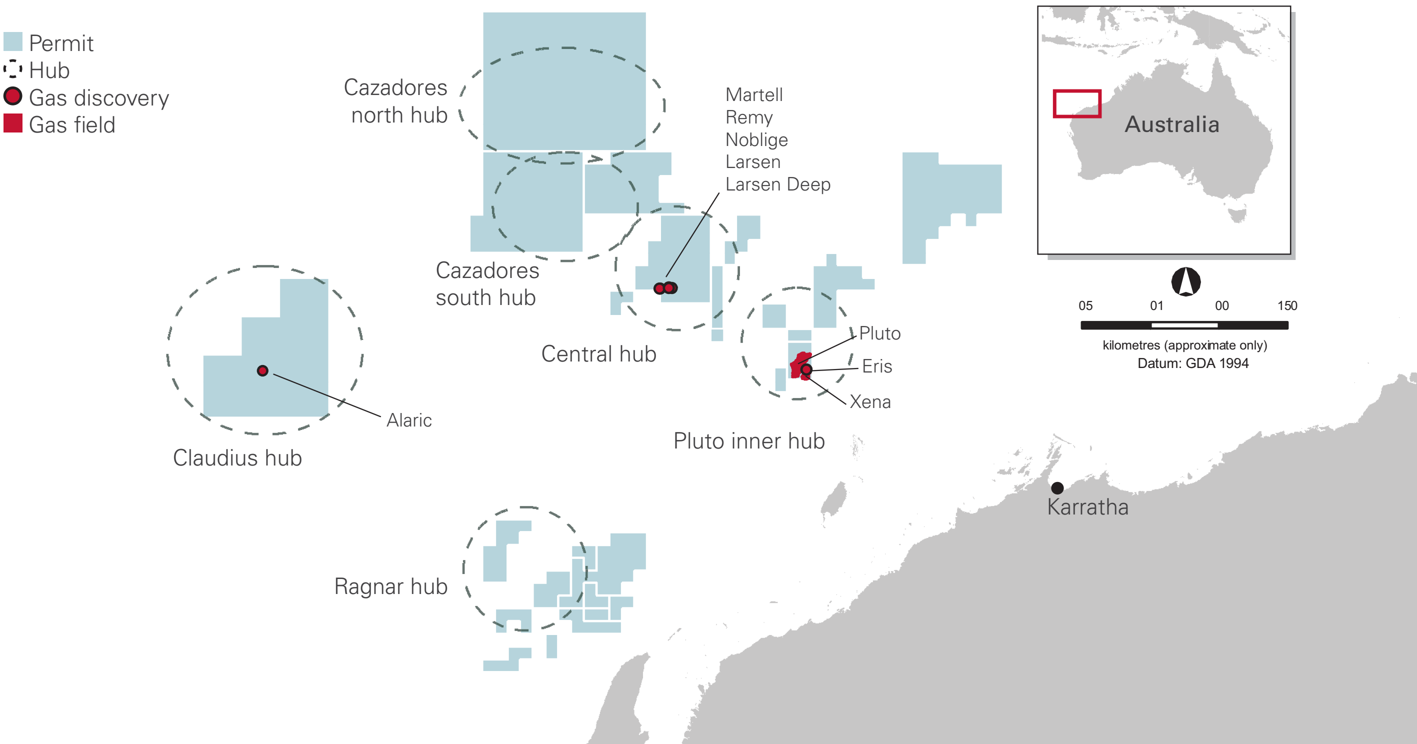
During the fourth quarter of 2010 Woodside purchased a 50% participating interest in exploration permit WA-404-P from Hess Exploration (Carnarvon) Pty Ltd, increasing our equity to 100%.

Discussions continue with third parties regarding the potential to process Carnarvon Basin gas through additional trains at Pluto.

Woodside has completed front-end engineering and design for the next two onshore trains. We plan to order long-lead items in 2011 to maintain the earliest ready for start up for an expansion train by end 2014.

PHILIP MEIER
SENIOR VICE PRESIDENT PROJECTS

Location of Woodside's permits in the Greater Pluto area



MICHAEL HESSION
SENIOR VICE PRESIDENT
BROWSE

Browse LNG

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-378-P; WA-396-P	50%
	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*	5,892 Bcf dry gas, 154.1 MMbbl condensate	
ACREAGE	(km^2) *Gross* 50,204	*Net* 38,309

*Woodside share

BROWSE LNG
BUSINESS REVIEW

In 2010 the Browse LNG Development made rapid progress; from selecting a development concept in February, to completing basis of design studies, on schedule and to budget, by the end of the calendar year. The Development is well placed to move through the front-end engineering and design (FEED) phase in 2011, and be ready to make a final investment decision by mid-2012.

Browse momentum builds

Woodside is the major equity holder and operator of the Browse LNG Development, which is an important part of Woodside's LNG production growth plans.

The Browse LNG Development concept is to commercialise the Browse Joint Venture's three gas and condensate fields, Brecknock, Calliance and Torosa. Gas and liquids from these fields will be brought to an onshore LNG plant at the Western Australian Government's Browse LNG Precinct, 60 km north of Broome.

Basis of design work completed

In 2010 the Browse LNG Development reached a number of significant milestones and invested approximately A$350 million in geoscience, engineering, environmental and social impact studies. In February, the Joint Venture participants unanimously selected the development concept for Browse, which included the Browse LNG Precinct as the location of the onshore processing facilities, complying with the retention lease conditions accepted in December 2009.

Basis of design work started in February and was completed in November 2010, on schedule and to budget. The first of the pre-FEED contracts, for the central processing facility, and Downstream pre-FEED packages were awarded in December. Pre-FEED packages for the dry tree units and subsea pipelines are to be awarded in early 2011, to facilitate a seamless transition into FEED in 2011.

Land and environment approvals on track

Land tenure at the Browse LNG Precinct is being secured through Western Australian Government-led negotiations with Traditional Owners. The Government commenced a right-to-negotiate process that provides a timeframe for all parties to establish a settlement for land access at the Precinct.

Woodside has worked closely with the Traditional Owners of James Price Point, the Goolarabooloo-Jabirr Jabirr people, to progress the Development in a way that meets the needs of local Indigenous people.

KEY ACHIEVEMENTS

- DEVELOPMENT CONCEPT SELECTED
- BASIS OF DESIGN STUDIES COMPLETED
- STRATEGIC ASSESSMENT REPORT FOR BROWSE LNG PRECINCT RELEASED
- ENTERING FRONT-END ENGINEERING AND DESIGN

Our preference is to secure a negotiated agreement with Traditional Owners for land access at James Price Point. An agreement would include a significant benefits package for Kimberley Indigenous people, which deals with training and employment opportunities on the Development and business opportunities for local Indigenous businesses.

These initiatives include commitments to Indigenous employment and new training and education programs to assist Kimberley Indigenous people to become job-ready for the oil and gas industry. At the close of 2010 Woodside had employed 15 Kimberley Indigenous people in Browse, including eight young people as trainees. We had also engaged several Kimberley Indigenous contractors to provide services including transport, cultural heritage monitoring, catering, audio-visual production and workshop facilitation.

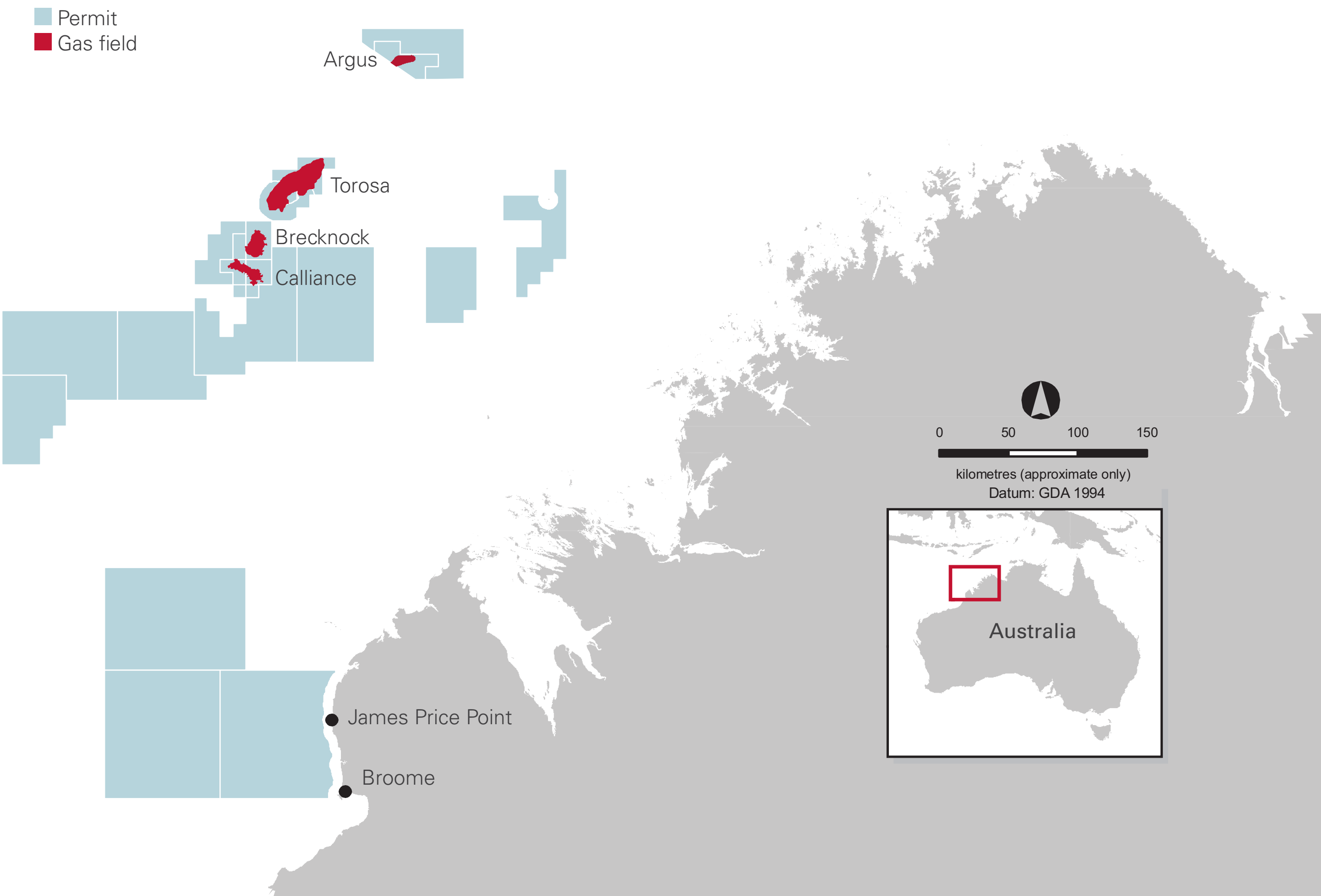
During the year Woodside established its Broome office and has continued its community consultation program, which includes a comprehensive social impact assessment of the Development.

In December the Western Australian Government issued its Strategic Assessment Report for the Browse LNG Precinct. The Strategic Assessment is now in its public comment period, and environmental assessment of the Precinct is expected to be completed in 2011.

Outlook

By the end of 2011 Woodside expects that primary environmental approvals will have been obtained and FEED studies completed. The company will continue to work closely with Traditional Owners and the Western Australian Government and plans to secure a negotiated outcome to facilitate the establishment of the Browse LNG Precinct at James Price Point during 2011. By achieving these milestones the Browse Joint Venture will be in a position to make a final investment decision by mid-2012, and process our first gas from Browse by 2017.

Location of Woodside's permits in the Browse area



SUNRISE LNG BUSINESS REVIEW

JON OZTURGUT
SENIOR VICE PRESIDENT
SUNRISE

Sunrise LNG

INTEREST	PSC JPDA 03-19; PSC JPDA 03-20; NT/RL2; NT/RL4		33.44% (unitised)
OPERATOR	Woodside		
LOCATION	Offshore 450 km north-west of Darwin, NT 150 km south-east of Timor–Leste		
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 2,998	Net 958

*Woodside share

Major milestones were achieved in 2010 including the Sunrise Joint Venture unanimously selecting Floating LNG as its preferred development concept. The concept is now being progressed with the Australian and Timor-Leste governments in accordance with international treaty obligations.

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

The fields, discovered in 1974, hold a total contingent resource of 5.13 Tcf of dry gas and 225.9 million barrels of condensate. Another key milestone in 2010 was the independent certification of these volumes.

Approximately 80% of the Greater Sunrise fields is attributed to Australia with the remaining 20% attributed to the Joint Petroleum Development Area (JPDA), which is jointly administered by the governments of Australia and Timor-Leste.

Woodside and its Sunrise joint venture participants have made a substantial investment in the Greater Sunrise fields - more than $300 million since discovery. The Joint Venture has acquired and processed seismic data, drilled appraisal wells and undertaken extensive studies to select the best development concept consistent with international treaty requirements. The concept selection work has taken more than 300,000 hours with the Sunrise Joint Venture applying its wealth of LNG experience to a comprehensive technical and commercial evaluation.

The development of the Greater Sunrise fields offers both Australia and Timor-Leste a significant opportunity to meet growing worldwide demand for cleaner energy and deliver sustainable benefits to both resource owners.

KEY ACHIEVEMENTS

- UNANIMOUS SELECTION OF FLOATING LNG CONCEPT
- ROBUST PROJECT ECONOMICS
- INDEPENDENT CERTIFICATION OF RESOURCES
- GOVERNMENT REGULATORS ENGAGED

Momentum in 2010

During 2010 Woodside and its joint venture participants actively progressed the development of the Greater Sunrise fields with a rigorous technical and commercial evaluation of the following three concepts:

- an offshore processing facility linked by an export pipeline to a brownfield onshore expansion of the existing Darwin LNG plant in the Northern Territory (Darwin LNG);
- a standalone Floating LNG processing facility located above the Greater Sunrise fields; and
- an offshore processing facility linked by an export pipeline to a greenfield LNG plant located on the south coast of Timor-Leste (Timor-Leste LNG).

On 29 April 2010, the Sunrise Joint Venture achieved a major milestone and announced the unanimous selection of Floating LNG as its preferred development concept. Floating LNG is deemed to best meet the requirements of the International Unitisation Agreement (IUA) to develop the fields to the best commercial advantage consistent with good oilfield practice.

Floating LNG has the lowest capital cost, lowest operating cost and is the most commercially advantageous development for both Australia and Timor-Leste as resource owners and the Sunrise Joint Venture.

The Sunrise floating facility will be approximately 480 m in length by 75 m wide and will be designed to produce approximately 4 million tonnes per annum of LNG and approximately 10.3 million barrels per annum of condensate for export.

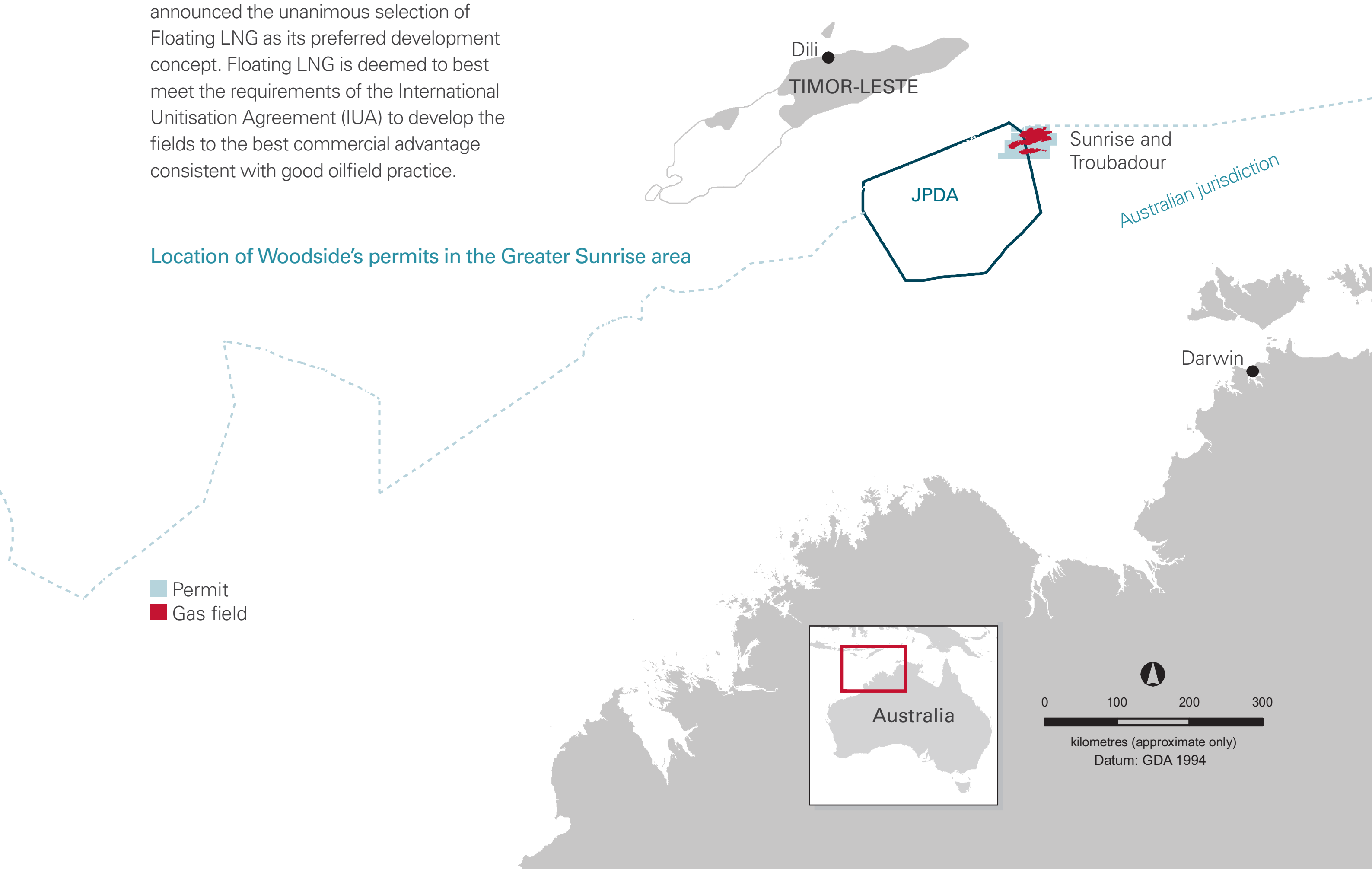
The selection of Floating LNG, in addition to generating the greatest long-term petroleum revenue for Timor-Leste and Australia, provides a broad range of social investment, employment and training opportunities for Timor-Leste. It also has the advantage of having the smallest environmental footprint.

In September 2010, to progress the approvals process, Woodside submitted to the Sunrise Commission, the JPDA and Australian regulators, three Concept Evaluation Reports (Timor-Leste LNG, Darwin LNG and Floating LNG) that underpin its preferred development concept.

Outlook

In 2011 Woodside and the Joint Venture will continue its drive towards a final investment decision and progress with the Australian and Timor-Leste governments the development of Greater Sunrise to the benefit of all stakeholders. Following the necessary approvals the Joint Venture will enter upstream and downstream basis of design and front-end engineering and design.

Location of Woodside's permits in the Greater Sunrise area



INTERNATIONAL BUSINESS REVIEW

JEFF SOINE
PRESIDENT
WOODSIDE ENERGY (USA) INC.

In 2010, we continued to consolidate our focus around our core assets.

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	
FIRST PRODUCTION	6 July 2008	

WI - Working interest , NRI - Net revenue interest

Neptune is a multi-well subsea development tied back to a stand-alone tension leg platform (TLP). The Neptune field produced first oil on 6 July 2008 and quickly reached a peak production rate of more than 53,000 barrels of oil per day and 42,000 Mcf of gas per day.

During 2010, the operator of the Neptune field initiated optimisation efforts through a bottom-hole pressure reduction campaign for each of the producing wells. This campaign has resulted in substantially increasing production during the second half of the year with Q4 2010 production rates peaking 43% higher and ending 15% higher than Q2 2010 production rates. Woodside's net share of Neptune's production at the end of 2010 was approximately 2,265 barrels of oil and 1,425 Mcf of gas per day.

Although the Joint Venture planned for additional Neptune development wells during 2010, a drilling moratorium and ongoing regulatory uncertainty following the BP Deepwater Horizon (Macondo) incident delayed these plans. The near-term development plan for Neptune entails the drilling and completion of one additional development well and one re-completion well, which are contingent on securing permit approvals.

Gulf of Mexico shelf fields

PRODUCING FIELDS	7
OPERATED FIELDS	4
WATER DEPTH	5 – 100 metres
AVERAGE INTEREST	28% (reserve basis)

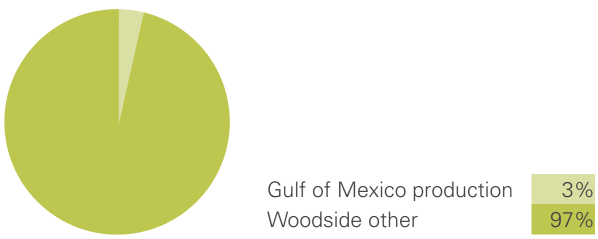
At the end of the year, Woodside's net shelf production was 70 barrels of oil per day and 7,700 Mcf gas per day, from five producing fields. Two fields were temporarily shut-in at the end of the year due to downstream constraints, but are expected back online in early 2011. In 2010, the company plugged and abandoned several depleted non-producing fields.

Gulf of Mexico exploration impacted by drilling moratorium

As a result of the Macondo incident the US federal government put a drilling moratorium in place in the deepwater of the Gulf of Mexico from May 2010 until it was lifted on 12 October 2010. Since the lifting of the moratorium, until the end of 2010, no new exploration drilling permits were granted in the deepwater of the Gulf of Mexico, and as such, no exploration drilling occurred. The oil and gas industry expects deepwater drilling activity to resume in early 2011 with new regulations in place.

In Q2 2010, Woodside participated in the drilling of the Innsbruck exploration prospect. Drilling operations were suspended above the targeted sections, in order to comply with the moratorium. The prospect was temporarily plugged and abandoned. It is anticipated that drilling operations will resume in 2011.

Gulf of Mexico



During 2010, United States production was derived from gas, condensate and oil operations in the Gulf of Mexico and contributed 2.2 MMboe to Woodside's annual production.

Gulf of Mexico key metrics (Woodside share)

		2010	2009
Sales revenue	($ million)	117	124
Net production	(MMboe)	2.2	3.2
Proved plus Probable reserves	(MMboe)	11.4	14.0
		Gross	*Net*
Acreage	(km^2)	2,578	1,160

In late 2010, StatOil and Woodside agreed to sublet the drilling rig to ExxonMobil. As a result of the farm-out, Woodside's commitments on the Maersk Developer have been significantly reduced with our first committed slot expected to occur in mid-2012.

In addition to the operated portfolio, Woodside has a substantial portfolio of non-operated drilling candidates which will begin to be drilled when deepwater activity resumes.

Since the Macondo incident, Woodside has been an active participant in several industry work groups focusing on emergency and oil spill response and new regulations. This led to Woodside signing a two year commitment with the Helix Well Containment Group for subsea containment as a critical component of future drilling programs.

Power Play oil field

INTEREST	GB 302	WI 20% NRI 16.3%
OPERATOR	Anadarko	
LOCATION	Garden Banks, 200 km offshore Lousiana, USA	
WATER DEPTH	700 metres	

WI - Working interest , NRI - Net revenue interest

Power Play began production in June 2008 as a subsea tieback to the deepwater Baldpate facility. During 2010, facility optimisation work was performed to reduce back pressure on the well, resulting in better than expected well performance for the year. Power Play was producing 3,790 barrels of oil per day and 5,600 Mcf of gas per day (gross) at the end of 2010, (Woodside's net share 620 barrels of oil and 912 Mcf of gas per day).

Outlook

In 2011, Woodside will be looking to reduce the effects of natural decline for our Gulf of Mexico fields. At Neptune the drilling and completion of one development well and the re-completion of another is planned.

In addition, exploration drilling for Woodside is expected to resume in 2011 at the Innsbruck well in the deepwater Gulf of Mexico.

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 2010, the Ohanet Joint Venture received its full revenue entitlement of $55 million (Woodside share), which equals 1.37 million barrels of condensate and 111,200 tonnes of LPG. These volumes were calculated using the ten-year oil price prevailing at the time of initial production.

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 km^2 in the Santos Basin, offshore south-eastern Brazil. The blocks are about 180 km south-east of Sao Paulo.

The Panoramix-2 appraisal well, a stepout into the northern fault block of the structure, was drilled in the first half of 2010. The well did not encounter significant hydrocarbons and proved that the oil and gas accumulations are restricted to the southern compartment.

Two exploration wells were also drilled. The Asterix-1 well encountered gas in a tight reservoir and the Pepe-1 well did not find any hydrocarbons.

Peru

Woodside 20% (non-operator)

Woodside has executed an agreement for a 20% interest in onshore block 108 which is operated by Pluspetrol. Covering approximately 12,000 km^2, 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, Woodside plans to acquire 800 km of 2D seismic.

Korea

Woodside 50% (operator)

Woodside holds a 50% interest in offshore block 8/6-1 N, which covers 9,922 km^2. During 2009, Woodside entered into the second exploration period of the contract and plans to drill the first well in this block in late 2011.

Divesting non-core assets

Consistent with Woodside's strategy of divesting non-core assets, Woodside has divested its interests in Sierra Leone, Liberia and Libya.

Sierra Leone *Woodside 25% (non-operator)*
and Liberia *Woodside 17.5% (non-operator)*

In August 2010, Woodside completed its divestment of its Sierra Leone and Liberian interests. The consideration received for the divestment comprised of interests in eight exploration permits in the Gulf of Mexico and a cash payment of $65 million.

Libya EPSA* III

On 16 December 2010, Woodside signed a Heads of Agreement with the Libyan Investment Authority for the sale of Woodside's interests. The sale was finalised in early 2011.

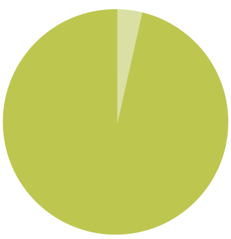
Libya EPSA* IV

Woodside 55% (operator)

The EPSA IV contract expired in Q1 2010. Woodside has no further interest in the blocks.

* EPSA - Exploration Production Sharing Agreement

Ohanet production



Ohanet production	3%
Woodside other	97%

During 2010, other international production was derived from condensate and LPG operations in Algeria and contributed 2.3 MMboe to Woodside's annual production.

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

		2010	2009
Sales revenue	($ million)	55	55
Net production	(MMboe)	2.3	2.3
Proved plus Probable reserves	(MMboe)	1.9	1.7
		Gross	*Net*
Acreage	(km^2)	52,586	19,335

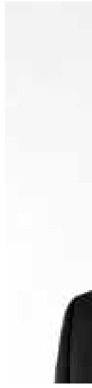
BOARD OF DIRECTORS

Michael Chaney

Don Voelte

Melinda Cilento

Erich Fraunschiel



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: 60.

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: Gresham Partners Holdings Limited (director since 1985) and National Australia Bank Limited (director since 2004).
Director: The Centre for Independent Studies Ltd (since 2000).
Chancellor: The University of Western Australia (since 2006).
Member: JP Morgan International Council (since 2003).

Donald R Voelte

Managing Director and CEO

BSc (University of Nebraska), FTSE, FAICD

Term of office: Director since April 2004.
Independent: No.
Age: 58.

Experience: More than 35 years experience in the global oil and gas business, including 22 years with Mobil Corporation culminating as Executive Vice President New Exploration and Producing Ventures, three years with Atlantic Richfield Company (ending as Executive Vice President International Exploration) and three years as Director, President and CEO of Chroma Energy Inc, a private exploration and production company.

Committee membership:
Attends Board committee meetings.

Current directorships:
Director: The University of Western Australia Business School (since 2006), West Australian Newspapers Holdings Limited (since 2008) and Business Council of Australia (since 2010).

Melinda A Cilento

BA, BEc (Hons), MEc

Term of office: Director since December 2008.
Independent: Yes.
Age: 45.

Experience: Significant public and private sector experience in economic policy development and analysis. Previously Deputy Chief Executive (2006 to 2010) and Chief Economist (2002 to 2010) of the Business Council of Australia. Prior to that 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: Reconciliation Australia (since 2010) and Wesfarmers General Insurance Limited (since 2010).

Erich Fraunschiel

BCom (Hons) (UWA)

Term of office: Director since December 2002.
Independent: Yes.
Age: 65.

Experience: More than 18 years experience in senior executive positions with Wesfarmers Limited, including ten 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: Rabobank Australia Limited (since 2003), Rabobank New Zealand Limited (since 2007), The WCM Group Ltd (since 2005) and WorleyParsons Limited (since 2003).

Directorships of other listed entities within the past three years:
Director: West Australian Newspapers Holdings Limited (2002 to 2008).


Andrew Jamieson


Pierre Jungels


David McEvoy


Din Megat


Ian Robertson

Andrew Jamieson, OBE

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

Term of office: Director since February 2005.
Independent: Yes.
Age: 63.

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

Current directorships:
Director: Leif Hoegh & Co Ltd (since 2009) and Oxford Catalysts Group PLC (since 2010).

Pierre JMH Jungels, CBE

PhD (Geophysics and Hydraulics) (Caltech)

Term of office: Director since December 2002.
Independent: Yes.
Age: 67.

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 Catalyst Group PLC (since 2006) and Rockhopper Exploration plc (since 2005).
Director: Baker Hughes Inc (since 2006) and Imperial Tobacco Group PLC (since 2002).

Directorships of other listed entities within the past three years:
Director: Offshore Hydrocarbon Mapping plc (2004 to 2008).

David I McEvoy

BSc (Physics), Grad Dip (Geophysics)

Term of office: Director since September 2005.
Independent: Yes.
Age: 64.

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

Tan Sri Dato' Megat Zaharuddin (Din Megat)

BSc (Hons) (Mining Engineering)

Term of office: Director since December 2007.
Independent: Yes.
Age: 62.

Experience: 31 year career with Royal Dutch Shell Group including Regional Business CEO of Shell Exploration and Production BV with responsibilities for the Middle East, Central and South Asia and Russia region (1999 to 2004) and Chairman/CEO of Shell group companies in Malaysia (1995 to 1999). Retired from Shell in 2004.

Committee membership:
Chair of the Human Resources & Compensation Committee. Member of the Sustainability and Nominations Committees.

Current directorships:
Chair: Malayan Banking Berhad (since October 2009, director from 2004 to February 2009).
Director: ICLIF Leadership and Governance Centre (since 2004).
President Commissioner: Bank Internasional Indonesia (since 2010).

Directorships of other listed entities within the past three years:
Chair: Maxis Communications Berhad (2004 to 2007).

Ian Robertson

BA (Business Management), FCMA (UK)

Term of office: Director since June 2008.
Independent: No.
Age: 52.

Experience: Almost 30 years experience with Royal Dutch Shell Group working in the downstream, upstream, transport and trading elements of the business. Currently Executive Vice President for Shell's finance operations.

Committee membership:
Member of the Audit & Risk and Nominations Committees.

CORPORATE GOVERNANCE STATEMENT

CONTENTS

ROB COLE
EXECUTIVE VICE PRESIDENT
COMMERCIAL & GENERAL COUNSEL

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.

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 2010 year and to the date of this report, it has complied with all the ASXCGC Recommendations.

A number of significant changes to the ASXCGC Recommendations were made on 30 June 2010 which apply to listed entities from 1 January 2011. In most cases Woodside was already in compliance with the revised Recommendations, and during the year revised its governance documents and practices to enable it to early adopt all the revised Recommendations.

A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this statement and the Remuneration Report is provided on page 52.

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

The website also 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 management and control of the business and affairs of the Company are vested in 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.

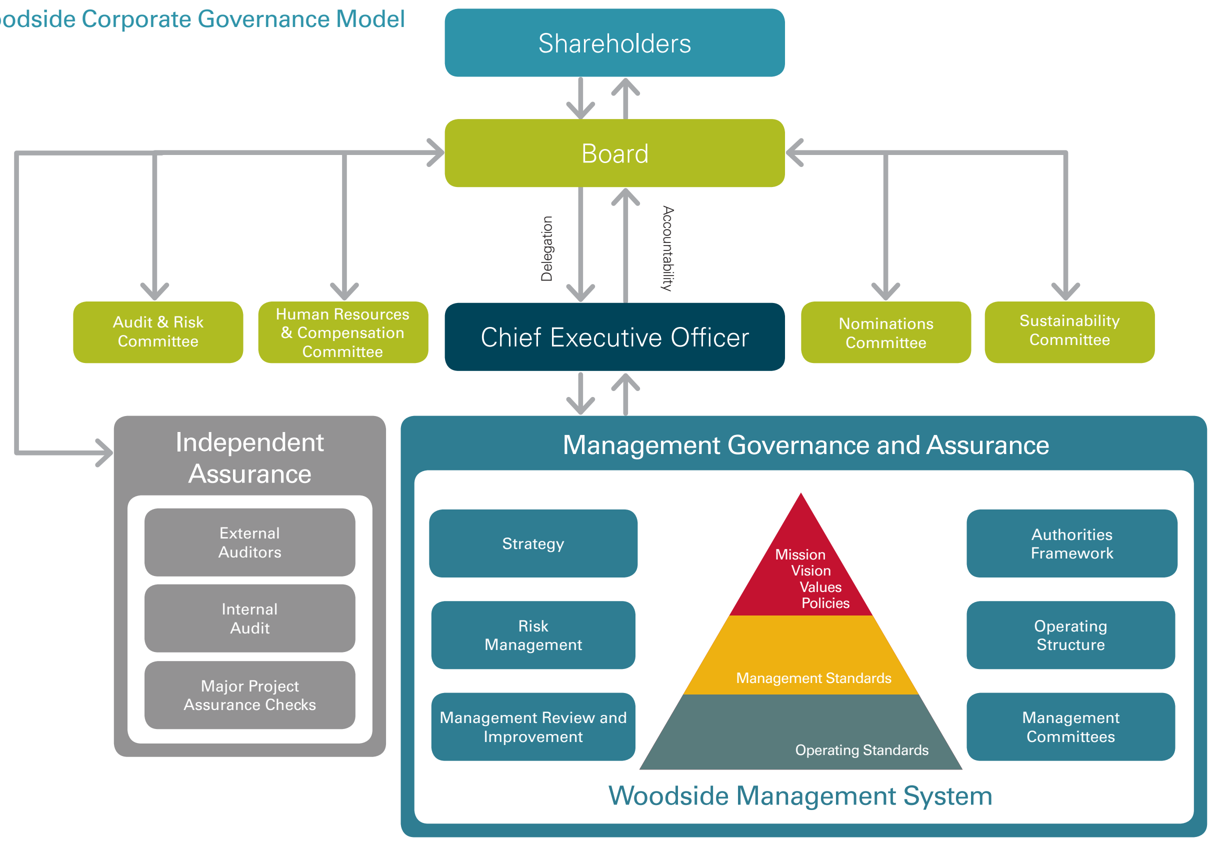
The central role of the Board is to set the company's strategic direction, to select and appoint a CEO and to oversee the company's management and business activities.

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;

* Amendments are proposed to the Constitution at the 2011 AGM which, if passed by shareholders, will clarify that the business and affairs of the Company are to be managed by or under the direction of the Board.

Woodside Corporate Governance Model



- 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.

During the year, the Board Charter was amended to provide that the Board is responsible for establishing and annually assessing measurable objectives for achieving gender diversity.

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 eight 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.

For the time being the Board has determined that the number of directors on the Board should be eight non-executive directors and the CEO as Managing Director. This number may be increased, providing it does not exceed the maximum set by the constitution, where it is felt that additional expertise is required in specific areas, where an outstanding candidate is identified or to ensure a smooth transition between outgoing and incoming non-executive 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 nine directors are independent. The two directors that are not considered independent are:

- Mr Don Voelte as he is an executive director and a member of management; and
- Mr Ian Robertson as he is a current executive of Shell, which is a substantial shareholder of the company.

Dr Andrew Jamieson was nominated to the Woodside Board by Shell and was previously an executive of Shell. He retired from Shell on 30 June 2009 and continues to serve on the Woodside Board. Subsequent to his retirement, the Woodside Board assessed Dr Jamieson as being an independent director.

Mr Din Megat was nominated to the Woodside Board by Shell and was previously an executive of Shell. Over six years have elapsed since Mr Megat retired as an executive of Shell.

The Board is satisfied that Dr Jamieson and Mr Megat 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 serves 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 2010 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 remains 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.

Two of the non-executive directors have been employed by Woodside in the past, however a significant period of time has elapsed since they ceased employment. Dr Jamieson was seconded to Woodside as General Manager of the North West Shelf Venture from 1997 to 1999 and 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:

(a) honesty and integrity;

(b) the ability to exercise sound business judgement;

(c) appropriate experience and professional qualifications;

(d) absence of conflicts of interest or other legal impediments to serving on the Board;

(e) willingness to devote the required time; and

(f) 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 the CEO, Mr Don Voelte, advised that he intends to retire from Woodside during the second half of 2011. The Board directly engaged executive recruitment specialists, Heidrick & Struggles, to conduct an internal and external search for the company's next CEO.

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 70 discloses the process for evaluating the performance of senior executives, including the CEO.

In 2010, 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 70. 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 2011 AGM.

2.12 Board Meetings

During the year ended 31 December 2010, 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 47.

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, 8.3

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 47.

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 2010 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.

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 on page 47 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 2010 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 2011 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 and the head of Enterprise Risk attend Audit & Risk Committee meetings by invitation. At each committee meeting, time is scheduled for the committee to meet with the external 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 on page 47 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 succession planning;
- consideration of gender diversity in the context of director succession planning;
- making recommendations to the Board regarding the directors seeking re-election at the 2011 AGM; and
- approval of the process for the annual Board performance evaluation.

During the year, the charter of the Nominations Committee was amended to add diversity as a factor to be considered when reviewing the composition of the Board and succession planning.

3.4 Human Resources & Compensation Committee

ASXCGC Recommendations 8.1, 8.3

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 47 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;
- approval of the appointment and remuneration packages of executives reporting directly to the CEO; and
- reviewing and making recommendations to the Board on:
  - amendments to Board and committee charters and Woodside's Diversity Policy to early adopt the new ASX Recommendations in respect of diversity;
  - setting measurable objectives in respect of gender diversity;
  - remuneration, and share ownership rules, for non-executive directors;
  - the criteria for the evaluation of the performance of the CEO;
  - the remuneration of the CEO;
  - incentives payable to the CEO and senior executives; and
  - the annual Remuneration Report.

Review of the 2010 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 attend Human Resources & Compensation Committee meetings by invitation. The CEO was not present during any committee or Board agenda item where his remuneration was considered or discussed.

During the year, the charter of the Human Resources & Compensation Committee was amended to reflect that the committee will review and make recommendations to the Board on the company's diversity policies and practices.

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 below 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 technical integrity performance, incidents and improvement plans;
- consideration of the implications of the Montara and Macondo oil spills;
- 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 Environment department and the head of the Health and Safety department attend Sustainability Committee meetings by invitation.

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 significant briefings with major institutional investors and analysts, are webcast live and made available on Woodside's website. Shareholders are notified in advance of the date of investor briefing webcasts. Presentation material from significant briefings or management speeches is also 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

Table 1 - Directors in office, committee membership and directors' attendance at meetings during 2010

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

Legend:

Current Chairman
Current 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) Ms Cilento attended six Audit & Risk Committee meetings by invitation.
(4) Dr Jamieson has been a member of the Human Resources & Compensation Committee since 28 April 2010.
(5) Mr Robertson attended two Sustainability Committee meetings by invitation.

elect to receive hard copies. Shareholders can elect to receive email notification when these reports are posted to the website.

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 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 2010 AGM and are expected to attend the 2011 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 Recommendations 3.1, 3.3

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 will result in disciplinary action ranging from a verbal warning through to termination of employment. All breaches are required to be recorded and reported.

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 Recommendations 3.2, 3.3, 8.3

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 recent amendments to 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

The Board's policy is not to donate funds to any political party, politician or candidate for public office in any country. However, in certain circumstances Woodside representatives may attend a party-political function which charges an attendance fee. Attendance at these functions must be approved by the relevant business unit manager, 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 an Enterprise Risk function, 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.

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 Enterprise Risk function 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 2010, 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 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. 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 2010 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 reinvolvement of a previous audit partner in the audit service for two years following rotation. 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

New 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.

On 30 June 2010, the ASXCGC introduced a number of new recommendations in respect of diversity. These changes apply to listed entities for the financial year commencing on

1 January 2011. Woodside has had a policy on diversity since 2002. In 2010, Woodside updated its Diversity Policy to reflect the revised ASXCGC Recommendations.

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.

In 2010, Woodside established a framework for its ongoing diversity initiatives. A number of actions were developed to assist gender diversity across the organisation, particularly at senior executive levels and in under-represented roles. These actions included ensuring all employees in middle management roles have formal career development plans in place, developing a formal mentoring program for female employees at Woodside identified as high talent, designing and implementing a diversity awareness program across the organisation, formally and regularly engaging with employees on parental leave, and providing suitable flexible working arrangements for employees returning from parental leave.

Since the introduction of these actions in 2010, the percentage of female attrition has decreased in five functional areas of Woodside. Additionally, the proportion of female promotions in 2010 to middle management and senior executive roles was significantly higher than the existing proportionate representation of women at those levels.

Flexible working opportunities are available to all Woodside employees, with current uptake among female employees being 17.3% and male employees 4.5%.

The measurable objectives adopted by the Board in respect of developing gender diversity for the 2011 financial year are set out below. Woodside will report on the progress in achieving these objectives in its 2011 annual report:

- 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;
- Senior managers to meet or formally contact women on parental leave at least quarterly;
- 300 senior employees per annum to attend Woodside's diversity awareness program;
- Formal annual review of all part-time work arrangements to ensure roles are appropriate to maintain career development;
- Reduction in the rates of attrition in female employees identified as high talent, through a formal mentoring program for female employees; and
- Continued promotion of career opportunities in the resource sector including presentations at career expositions, schools and universities and other suitable forums.

During 2010, Woodside continued to meet its specific commitments under its Reconciliation Action Plan to increase Indigenous participation at Woodside. Woodside exceeded its commitment to increase the number of permanent Indigenous employees and the number of people participating in Woodside's Indigenous Employment Pathways Program. In 2010, Woodside appointed a dedicated resource within its supply chain function to improve opportunities for Indigenous participation through contracting arrangements. A significant number of Woodside employees completed cultural awareness training in 2010.

Further information regarding Woodside's commitment to diversity is available in Woodside's Sustainable Development Report which is available in the sustainable development section of Woodside's website.

Table 2 - Woodside workforce gender profile

	Female	Female %	Male	Male %
Administration	260	59.1	180	40.9
Technical	318	24.2	996	75.8
Supervisory / Professional	319	25.3	942	74.7
Middle Management	62	10.4	533	89.6
Senior Management	3	7.5	37	92.5
Total	**962**	**26.4**	**2688**	**73.6**
Board Members	1	11	8	89

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 trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	5.2	✓
3.3	Companies should provide the information indicated in Guide to Reporting on Principle 3.	5.1,5.2	✓
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	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration Report	✓
8.3	Companies should provide the information indicated in Guide to Reporting on Principle 8.	3.1, 3.4, 5.2	✓

On 30 June 2010, the ASX Corporate Governance Council released amendments to the ASXCGC Recommendations which apply to listed entities from 1 January 2011. Woodside has elected to early adopt the amendments and report on compliance in this Corporate Governance Statement. This table cross-references the new ASXCGC Recommendations to the relevant sections of the Corporate Governance Statement.

	New ASX Corporate Governance Council Recommendations (as amended on 30 June 2010)	Reference	Comply
Principle 3:	Promote ethical and responsible decision-making		
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 and 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	✓
Principle 8:	Remunerate fairly and responsibly		
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	✓

DIRECTORS' 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 2010.

Directors

The directors of Woodside Petroleum Ltd in office at any time during or since the end of the 2010 financial year are set out in Table 1 on page 47. 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 47.

Details of director and senior executive remuneration is set out in the Remuneration Report on pages 55 to 70.

The particulars of directors' interests in shares of the company as at the date of this report are set out in Table 15 on page 71.

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 individually significant items was $1,575 million ($1,474 million in 2009).

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 (2009: A55 cents; US49 cents), payable on 6 April 2011. The amount of this dividend will be US$431 million (2009: US$383 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 22 of this Annual Report.

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 2010.

Dividends

The directors have declared a final dividend out of profits of the company in respect of the year ended 31 December 2010 of US55 cents per ordinary share (fully franked) payable on 6 April 2011.

A fully franked final dividend of A55 cents (US49 cents) per ordinary share was paid to shareholders on 31 March 2010 in respect of the year ended 31 December 2009. Together with the fully franked interim dividend of US50 cents per share paid to shareholders on 23 September 2010, the total dividend paid during the 2010 year was US99 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 2010:

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.

DIRECTORS' REPORT: REMUNERATION REPORT

Overview

This Remuneration Report forms part of the Directors' Report for 2010 and outlines the remuneration arrangements for Woodside's directors and senior managers who have the authority and responsibility for planning, directing and controlling the activities of the Woodside Group (Key Management Personnel). This report has been audited by Ernst & Young.

Woodside's Key Management Personnel at any time during, or since the end of, the 2010 financial year are:

Non-Executive Directors

M A Chaney - (Chairman)
M A Cilento
E Fraunschiel
A Jamieson
P J M H Jungels
D I McEvoy
D Megat
I Robertson

Executives

Executive Director

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

Senior Managers

F Ahmed - (Executive Vice President Development)
M Chatterji - (Executive Vice President and Chief Financial Officer)(1)
R Cole - (Executive Vice President Commercial, General Counsel and Joint Company Secretary)
L Della Martina - (Executive Vice President Pluto)
K Gallagher - (Executive Vice President North West Shelf)(2)
E Howell - (Executive Vice President Health, Safety and Security)(3)
A Kantsler - (Executive Vice President Health, Safety and Security)(4)
P Moore - (Executive Vice President Exploration)(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)(7)

(1) On 31 December 2010 Mr Chatterji departed from Woodside.
(2) On 13 January 2010 Mr Gallagher became Key Management Personnel.
(3) On 1 May 2010 Ms Howell was appointed Executive Vice President Health, Safety and Security.
(4) On 2 July 2010 Dr Kantsler departed from Woodside.
(5) On 27 October 2010 Mr Moore became Key Management Personnel.
(6) On 19 April 2010 Mr Soine became Key Management Personnel.
(7) On 1 January 2011 Mr Tremaine became Key Management Personnel.

The five most highly remunerated executives in the Woodside Group and the parent entity in 2010 are included in the above table.

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. The following table contains a broad summary of the remuneration structure for the Key Management Personnel. This structure and its elements are described in more detail in the 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 Managers
Fixed Annual Remuneration (FAR) (including superannuation)			
Salary		Salary, superannuation and other allowances (see page 70).	Salary, superannuation and other allowances (see page 70).
Fees	Directors fees, superannuation and other allowances (see page 61).		
Variable Annual Reward (VAR)			
Short-term Incentive (STI)			
Variable Pay Rights		Variable pay rights awarded each year based on individual performance against key performance indicators and the company's scorecard performance which vest in either cash or shares at the Board's discretion after a three year service period from allocation date (see page 60).	Variable pay rights awarded each year under the Executive Incentive Plan based on individual performance against key performance indicators and the company's scorecard performance which vest in either cash or shares at the Board's discretion after a three year service period from allocation date (see page 57).
Cash		Cash award each year based on individual performance against key performance indicators and the company's scorecard performance (see page 60).	Cash award each year under the Executive Incentive Plan based on individual performance against key performance indicators and the company's scorecard performance (see page 57).
Long-term Incentive (LTI)			
Variable Pay Rights		Variable pay rights (including accelerated variable pay rights) awarded which vest in either cash or shares at the Board's discretion based on shareholder return on Woodside shares (see page 60).	Variable pay rights awarded each year under the Executive Incentive Plan which vest in either shares or cash at the Board's discretion based on shareholder return on Woodside shares after three years (see page 58).
Retention Plans			
Equity Based Pay Rights			Grant of pay rights which vest in cash or shares at the Board's discretion with vesting linked to company performance and/or retention (see page 58).
Woodside Employee Equity Plan			Grant of equity rights which vest in shares (subject to limited exceptions) with vesting linked to retention (see page 58).
General Employee Share Plans			
Woodside Share Purchase Plan		Salary sacrifice to purchase Woodside shares with a company matching component. Plan suspended in April 2009 (see page 59).	Salary sacrifice to purchase Woodside shares with a company matching component. Plan suspended in April 2009 (see page 59).

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 by Woodside 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. In order to derive US dollar comparatives between 2010 and 2009, the Australian dollar compensation paid during the year ended 31 December 2009 was converted to US dollars at the average exchange rate of US$1:A$1.261, and the valuation of equity awards to 31 December 2009 were converted to US dollars at the spot rate of US$1:A$1.1193. 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. Quoted prices and volume weighted average price of shares are expressed in Australian dollars.

Non-Executive Directors

Remuneration Policy

Woodside's Remuneration Policy for non-executive directors aims to attract, retain, motivate and 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), 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 were increased with effect from 1 September 2010. There was no change to Committee fees.

In 2008 the Board approved the introduction of a minimum Woodside Petroleum Ltd shareholding guideline for non-executive directors. In 2010 the Board amended the guideline to require non-executive directors to hold a minimum holding of 2,000 Woodside shares and non-executive directors who have less than the minimum holding are 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 Director 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. This requirement does not apply to non-executive directors that do not receive their Board fees directly.

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 1 on page 61 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 2010 is set out in Table 2 on page 61.

Executives

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 and company performance

The Committee assists the Board to strengthen the link between executive remuneration and Woodside's performance. The details relating to the linkages between executive remuneration and company performance are provided in the following sections.

There are a number of internal and external factors relevant to Woodside's performance over the past five years. In addition, the Board believes Woodside's performance is also attributable to the ability to motivate and retain its executives and the effectiveness of the remuneration policies in place over that time. Table 3 on page 61 shows the key financial measures of company performance over the past five years.

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. FAR 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 and comprises:
  - a short-term incentive; and
  - a long-term incentive.
- Participation in Retention Plans - Equity Based Pay Rights and the Woodside Employee Equity Plan; and
- Participation in General Employee Share Plans - the Woodside Share Purchase Plan.

Table 4 on page 62 sets out the allocation of remuneration between FAR and VAR for Woodside's executives assuming achievement of target performance for the short-term incentive and the annual allocation value of the long-term incentive. 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.

Variable Annual Reward - Executive Incentive Plan

The VAR component of executive remuneration is based on a percentage of an executive's FAR. This percentage is determined by the Board at the start of the year with reference to market comparator groups and the scope of the executive's role. For executives other than the CEO and an executive based in the USA, VAR is delivered through the Executive Incentive Plan (EIP) (refer below). The delivery of awards of VAR for the CEO and the USA based executive are discussed separately below.

The EIP aims to reward executives for meeting or exceeding their individual performance targets, while at the same time linking the 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 cash or shares with a value equivalent 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 2010 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 2010 (for performance years up to and including the 2007 performance year, the number of variable pay rights awarded was determined by reference to the VWAP of Woodside shares in the last five trading days of the performance year).

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 a scorecard which is set and approved annually by the Board (Scorecard), and individual performance.

The Scorecard for 2010 was based on four fundamental measures:

- safety – based on total recordable case frequency;
- production;
- operating expenditure; and
- Woodside's one year total return to shareholders, ranked within an international peer group (STI Peer Group). 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 STI Peer Group for the grant of the 2010 STI comprises Woodside and the following companies:

- Apache Corporation;
- Anadarko Petroleum Corporation;
- BG Group PLC;
- CNOOC Limited;
- Inpex Corporation[1];
- Marathon Oil Company;
- Murphy Oil Corporation;
- Pioneer Natural Resources Company;
- Repsol YPF, S.A.;
- Santos Ltd; and
- Talisman Energy Inc.

(1) Inpex Corporation was added to the STI Peer Group for 2010.

The financial measures for the Scorecard were chosen because of the impact they have on shareholder value. The non-financial measure of safety was chosen to align performance with Woodside's values and reputation. In late 2010 the Board approved changes to broaden the internal safety performance measure applicable for 2011 to include environmental factors and additional safety factors.

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:

- financial (e.g. revenue, operating costs, earnings before interest and tax, return on average capital employed, lifting costs, drilling costs);
- operational (e.g. production volumes, project progress);
- health and safety (e.g. total recordable case frequency, high potential incident frequency);
- environment (e.g. greenhouse gas emissions, flared gas); and
- human resources (e.g. voluntary turnover).

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 in accordance with the annual performance review process. This assessment is conducted by the CEO and approved by the Committee. This rating is then used to determine entitlement to the STI award.

The performance assessment for the CEO is conducted by the Board.

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 an employment contract.

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

Long-term incentive award

The LTI award for the 2010 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(1) for the grant of RTSR-tested VPRs for the 2010 performance year compares Woodside to the following companies:

- 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; and
- 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 and 2010 Performance Year, Inpex Corporation has been added to the LTI Peer Group.

For the 2006 performance year, the LTI component was paid in the form of variable pay rights linked to total shareholder return (TSR) on Woodside shares as against a hurdle rate set by the Board (TSR-tested VPRs). The TSR-tested VPRs vested when the Woodside TSR, as calculated under the EIP rules, achieved the hurdle set by the Board for a continuous 30-day period following the third anniversary of the allocation date. In respect of the award made in regard to the 2006 performance year the hurdle rate for TSR-tested VPRs was 11.5% p.a. The TSR-tested VPRs granted in respect of the 2006 performance year vested on 16 April 2010. Details of the terms and conditions are shown in Table 12 on page 66.

For the 2007 and subsequent performance years, the Board changed the performance measure to the total shareholder return relative to the LTI Peer Group. This measure was chosen because it aligns performance with achieving increased value to shareholders relative to a peer group. The RTSR is calculated 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 62. 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, for three years after allocation.

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 an 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 for the variable pay rights awarded under the EIP are in Table 12 on page 66.

Summaries of executives' interests in Time-tested VPRs, TSR-tested VPRs and RTSR-tested VPRs are in Tables 13a and 13c on pages 68 to 69.

Retention Plans

Equity Based Pay Rights

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.

The amount of the award under the Pay Rights Plan is determined by the Board. Participating executives receive an allocation of PRs under the applicable Pay Rights Plan. The number of PRs granted is determined by dividing the amount of the award by the five-day volume weighted average price of a Woodside share at a specified pricing date. Participants do not make any payment in respect of the PRs at grant nor at vesting.

The condition for award of PRs is outstanding individual performance, as assessed by the CEO by reference to the demonstrated capacity of the executive to contribute to the generation of sustainable value for shareholders.

The primary intention of the allocation of PRs in March 2007 (Pay Rights Plan 1) was to provide a retention mechanism.

PRs awarded under the retention plan in November 2007 (Pay Rights Plan 2) require Woodside's relative total shareholder return for the performance year immediately preceding the specified 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. The purpose of the Pay Rights Plan 2 was to retain the executives and to align them to shareholder value.

One third of the PRs under each Pay Rights Plan will vest on each of the first, second and third anniversaries of the allocation date if the vesting condition is satisfied on those dates. Entitlement to PRs is lost if a participating executive resigns or is terminated with cause before the due date for vesting. Vesting of PRs is also conditional on maintenance of acceptable individual performance. All PRs will immediately vest in the event of a change of control or upon the death or total and permanent disablement of the executive.

The Board will determine whether PRs are to be satisfied in cash or in Woodside shares at the time of vesting. If satisfied in shares, the shares will be purchased on market. If satisfied in cash, the amount will be based on the five-day VWAP of a Woodside share at the vesting date.

Table 7 on page 62 provides a summary of the terms and conditions for PRs under the Pay Rights Plans and Table 13b on page 69 provides a summary of executives' interests in PRs.

Woodside Employee Equity Plan

In July 2009 Woodside introduced the Woodside Petroleum Ltd 2009 – 2012 Employee Equity Plan (EEP) which is 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. As the objective of the EEP is primarily retention, the Equity Rights (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 receive a one-off allocation of ERs. Each ER entitles the participant to receive a Woodside share on the vesting date of 1 August 2012. ERs may vest prior to 1 August 2012 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 an employment contract or for cause prior to 31 July 2012 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 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 Woodside 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 (including executives) against Woodside shares. An additional allocation of ERs was made to each participant in March 2010. The same terms and conditions which apply to existing ERs apply to these additional ERs.

Table 8 on page 63 provides a summary of executives' interests in ERs under the EEP.

General Employee Share Plans

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 April 2009 due to changes in tax legislation. 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 10 on page 64 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 10 does not include any shares which were acquired by executives in 2010 pursuant to the rights issue.

United States Executive

During the year, an executive based in the United States was appointed as Key Management Personnel and the following describes the variable incentive plans impacting United States executives. In the United States the executive is rewarded for meeting or exceeding the individual performance targets, while at the same time linking the reward to the creation of long-term sustainable wealth for shareholders.

The executive in the United States participates in two variable incentive plans:

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

The award of the PBP is determined by a scorecard which is set and approved annually by the Woodside Energy (USA) Inc (WEUSA) Board and individual performance. The WEUSA scorecard is based on three measures:

- safety;
- production; and
- operating cost.

The financial and production measures for the scorecard were chosen because of the impact they have on shareholder value. The non-financial measure of safety was chosen to align performance with Woodside's values and reputation.

The relevant performance period for PBP commences on 1 January and ends on 31 December of each calendar year. The PBP grant date for each performance year is 1 January.

The total PBP available for the participating executive is based on the outcome of the WEUSA scorecard performance and the individual's performance. The STI award percentage may range from 0% to a maximum of 150% of the executive's Fixed Annual Reward.

Performance during the year is assessed against the individual performance agreement, which is set at the start of each year and includes KPIs relevant to the executive's areas of responsibility. KPIs may include the following:

- financial (e.g. revenue, operating costs, earnings before interest and tax, return on average capital employed, lifting costs, drilling costs);
- operational (e.g. production volumes, project progress);
- health and safety (e.g. total recordable case frequency, high potential incident frequency);
- environment (e.g. greenhouse gas emissions, flared gas); and
- human resources (e.g. voluntary turnover).

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 performance against the individual performance agreement in accordance with the annual performance review process. This assessment is conducted by the CEO. This rating is then used in conjunction with the WEUSA scorecard outcome to determine the PBP outcome for the relevant performance year which is paid in cash prior to March 30 of the year following the performance year.

The executive also participates in the WEUSA Long Term Incentive (LTI) plan. Awards are made on an annual basis on 1 January. The LTI component of the US executive's remuneration is based on a percentage of an executive's Fixed Annual Reward, which is called the LTI Variable Pay Percentage. This percentage is determined by the WEUSA Board with reference to market comparator groups and the scope of the executive's role. The outcome of the award may range from zero to two times the LTI Variable Pay Percentage, subject to performance against the scorecard. The maximum LTI award for the executive is 170% of the executive's Fixed Annual Reward. The long-term incentive awards vest wholly as cash subject to the scorecard outcome for the relevant performance period.

The WEUSA LTI plan is based on a scorecard with the following four measures:

- safety;
- production;
- operating cost; and
- exploration success.

Each of safety, production and operating cost are weighted at 20% and are assessed against the approved scorecard after the completion of the performance year. Exploration success is weighted at 40% and is assessed against the scorecard target over a three-year performance period.

The current WEUSA LTI plan came into effect on 1 January 2008. A summary of the terms and conditions and the awards made under the plan is shown in Table 6 on page 62.

Contracts for Executives

Each executive has a contract of employment. Table 9 on page 63 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 9 on page 63. 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*.

CEO Remuneration

The remuneration of the CEO is governed by his contract of employment.

In 2010, two independent remuneration consultants, Mercer (Australia) Pty Ltd and PricewaterhouseCoopers, were engaged to undertake a review of the CEO remuneration in accordance with Woodside's Remuneration Policy. Each of the consultant's full reports was provided to the Committee. The CEO's remuneration has remained unchanged since 2008. From the time when the Executive Incentive Plan (EIP) was introduced until the end of the 2007 performance year, the CEO received the variable annual remuneration (VAR) component of his annual remuneration through participation in the EIP.

As part of its 2008 annual review of the CEO's remuneration, the Board resolved to restructure the VAR component of the CEO's remuneration package. As the revised VAR structure for the CEO does not align with the structure applicable to other executives under the EIP, the CEO has not participated in the EIP for any performance year after the 2007 performance year. The CEO remains entitled to all variable pay rights (VPRs) awarded to him under the EIP in respect of performance years up to and including the 2007 performance year.

For the 2010 performance year the CEO's remuneration is comprised of:

- one third Fixed Annual Remuneration (FAR); and
- two thirds VAR of which 50% is a short-term incentive component (STI) and 50% is long-term incentive component (LTI).

Short-Term Incentive

STI is allocated as two-thirds cash and one-third Time-tested VPRs. Time-tested VPRs have the same terms and conditions as those awarded under the EIP.

The grant of a STI award to the CEO is determined by the EIP Scorecard and individual performance as determined by the Board. For the 2010 performance year the CEO is entitled to receive a STI calculated and treated in all respects (including performance conditions, hurdles and timing), as if it was an entitlement arising under the EIP – except for the STI/LTI allocation referred to above.

The performance of the CEO is reviewed by the Board against the following factors:

- 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

In 2008, 50% of the CEO's anticipated LTI VAR allocation (A$1,312,500)[1] for performance years 2008, 2009 and 2010 (normally allocated in the year following the performance year) was brought forward and allocated in 2008 (Accelerated LTI). The Accelerated LTI is subject to the RTSR-test as for the 2008 VPR allocation under the EIP as described in Table 12 on page 66. This change was made to ensure retention of the CEO's services and in recognition of the inability of the CEO to influence the RTSR performance of Woodside (and the consequential value of unvested LTI entitlements) after his departure.

The remaining LTI VAR entitlement for the 2010 performance year (being the assessed entitlement for the 2010 performance year, less the value of the Accelerated LTI for that performance year) (LTI VAR Balance) will be allocated in February 2011 and will be subject to RTSR testing in February 2014. The vesting conditions for these LTI VAR Balance allocations reflect those contained in the EIP. A summary of the terms and conditions of the CEO's VAR for 2010 is contained in Table 11a and Table 11b on page 65.

For the performance year ending 31 December 2011 the CEO will be entitled to an amount of LTI VAR to be satisfied by the allocation of RTSR-tested VPRs with the same vesting and performance conditions as if they were allocated under the EIP, calculated in the same way as described under the EIP section above and in accordance with the targets set out in Table 4 on page 62.

(1) The US$ equivalent of A$1,312,500 converted at the spot rate of US$1:A$1.1193 is US$1,172,588 (2009: US$1,172,588).

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/ies, 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.

2010 remuneration details

Table 14 on page 70 summarises the remuneration both paid and payable to the executives for the 2010 performance year, including the VAR allocation. The value of the Scorecard for 2010 was 0.9 out of a maximum possible result of 2.

The total potential amount of the STI pool for 2010 ranged from a minimum of $0 up to a maximum of A$29,641,832. The actual STI pool for 2010 was A$13,338,825 for 91 participants (including the executives).

Table 1 - 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]	625,000[4]				
Non-executive Directors[2]	190,000[4]				
Committee Chairman		50,000[3]	30,000[3]	30,000[3]	Nil
Committee Member		25,000[3]	20,000[3]	20,000[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 2008.
(4) Annual fee from 1 September 2010.

Table 2 - Total remuneration paid to non-executive directors in 2010 and 2009[1]

		Short–term				Post employment		
		Cash salary & fees		Cash bonuses	Non-monetary	Pension super	Prescribed benefits	Total
Non-executive director	Year	Salaries, fees and allowances	NEDSP[2]	Short-term incentive/ bonus[3]	Benefits & allowances	Company contributions to superannuation	Directors' retiring allowance[3]	
		$	$	$	$	$	$	$
M A Chaney	2010	551,928				49,674		601,602
	2009	468,067				42,126		510,193
M A Cilento	2010	201,813				18,163		219,976
	2009	174,494				15,705		190,199
E Fraunschiel	2010	234,390				15,583		249,973
	2009	194,368				17,493		211,861
A Jamieson	2010	213,477						213,477
	2009	168,623						168,623
P J M H Jungels	2010	270,842						270,842
	2009	233,877	3,964					237,841
D I McEvoy	2010	221,902				13,072		234,974
	2009	182,467				16,422		198,889
D Megat	2010	229,975						229,975
	2009	186,458	8,107					194,565
I Robertson[4]	2010	204,978						204,978
	2009	172,947						172,947

(1) The total remuneration for 2009 was converted at the average exchange rate of US$1:A$1.261 and the 2010 total remuneration was converted at the average exchange rate of US$1:A$1.090.
(2) Relates to participation in the NEDSP in 2009 when salary sacrifice was available to non-executive directors.
(3) Non-executive directors are not entitled to cash bonuses nor directors' retiring allowance.
(4) Board fees for directors who are both nominated and employed by the Shell Group are paid directly to their employing company, not the individual.

Table 3 - Woodside five-year performance

Year Ended 31 December	2010	2009	2008	2007	2006
Net Profit After Tax (US$ million)	1,575	1,474	1,546	864	1,075
Earnings Per Share (US cents)[1]	204	210	225[2]	128[2]	163[2]
Dividends Per Share (US cents)	105	95	100	91	98
Production (MMboe)	72.7	80.9	81.3	70.6	67.9
Share closing price ($A) (last trading day of the year)	42.56	47.20	36.70	50.39	38.11
3 Year rolling TSR (%)[3]	14.53	56.86	0.98	41.25	42.55
Relative TSR[4] (1 year)	4th Quartile	1st Quartile	2nd Quartile	2nd Quartile	2nd Quartile

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

(2) Earnings per share have been restated with an adjustment factor of 1.0047 as a result of the fully underwritten accelerated renounceable entitlement offer announced on 14 December 2009

(3) 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.

(4) As discussed under the STI component of EIP on page 57.

Table 4 - Allocation of remuneration between Fixed and Variable Annual Reward

Position	Not at Risk	At Risk	
	Fixed Annual Reward	Variable Annual Reward	
		STI	LTI
CEO	33.3%	33.3%	33.3%
Executives	45-50%	30-33%	20-22%

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.	

Table 6 - Summary of terms and conditions for WEUSA LTI plans

Terms and Conditions	2010 LTI Allocation	2009 LTI Allocation	2008 LTI Allocation
Grant Date	1 January 2010	1 January 2009	1 January 2008
Performance condition for vesting	Assessed against the LTI scorecard	Assessed against the LTI scorecard	
Reason for performance condition	See above under "United States Executive"	See above under "United States Executive"	
Vesting Date(1)	31 December 2012	31 December 2011	31 December 2010
Lapse before Vesting Date	If employment is terminated for cause or by resignation all unvested LTI will lapse	If employment is terminated for cause or by resignation all unvested LTI will lapse	
Percentage vested	None	None	60%(2)
Percentage forfeited	None	None	40%

(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) For the 2008 LTI allocation a payment of $204,000 will be made in February 2011.

Table 7 - Summary of terms and conditions for PRs under equity-based retention plans

Terms and Conditions	Pay Rights Plan 1	Pay Rights Plan 2
Allocation Date	15 March 2007	1 November 2007
Pricing Date	15 March 2007	1 November 2007
Grant Date	15 March 2007	1 November 2007
Volume Weighted Average Price	A$35.78	A$49.25
Performance condition (for allocation)	Outstanding individual performance	Outstanding individual performance
Reason for performance condition (allocation)	See above under "Executive Remuneration Policy"	See above under "Executive Remuneration Policy"
Performance condition (for vesting)	Maintenance of acceptable individual performance over the period from allocation date to vesting date. One third of the PRs will vest on each of the first, second and third anniversaries of the allocation date.	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. One third of the PRs will vest on each of the first, second and third anniversaries of 15 March 2008, subject to satisfactory performance.
Reason for performance condition (vesting)	See above under "Executive Remuneration Policy"	See above under "Executive Remuneration Policy"
Vesting date(1)	15 March 2008; 15 March 2009; 15 March 2010	15 March 2009; 15 March 2010; 15 March 2011
Lapse of PRs before Vesting Date	If employment is terminated for cause or by resignation all unvested PRs will lapse.	If employment is terminated for cause or by resignation all unvested PRs will lapse.

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

Table 8 - Summary of executives' interests in Equity Rights under the 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 2010	Fair Value of Equity Rights(1)
F Ahmed	31 October 2009	4,350	Nil	Nil	$39.81
	30 April 2010	36	Nil	Nil	$39.83
M Chatterji(3)	31 October 2009	4,350	4,350	Nil	$39.81
	30 April 2010	36	36	Nil	$39.83
R Cole	31 October 2009	4,350	Nil	Nil	$39.81
	30 April 2010	36	Nil	Nil	$39.83
L Della Martina	31 October 2009	4,350	Nil	Nil	$39.81
	30 April 2010	36	Nil	Nil	$39.83
E Howell	31 October 2009	4,350	Nil	Nil	$39.81
	30 April 2010	36	Nil	Nil	$39.83
K. Gallagher	31 October 2009	4,350	Nil	Nil	$39.81
	30 April 2010	36	Nil	Nil	$39.83
A Kantsler(2)	31 October 2009	4,350	4,350	Nil	$39.81
	30 April 2010	36	36	Nil	$39.83
P Moore	31 October 2009	4,350	Nil	Nil	$39.81
	30 April 2010	36	Nil	Nil	$39.83
V Santostefano	31 October 2009	4,350	Nil	Nil	$39.81
	30 April 2010	36	Nil	Nil	$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) Dr Kantsler departed from Woodside on 2 July 2010.

(3) Mr Chatterji departed from Woodside on 31 December 2010.

Table 9 - Summary of contractual provisions for executives

Name	Employing company	Contract duration	Termination notice period company(3)(4)	Termination notice period executive(3)
D Voelte(1)(2)	Woodside Petroleum Ltd	Unlimited	12 months	6 months
F Ahmed	Woodside Energy Ltd	Fixed Term Contract until 13 February 2012	12 months	6 months
M Chatterji	Woodside Energy Ltd	Fixed Term Contract ended 31 December 2010	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	Woodside Energy Ltd	Unlimited	12 months	6 months
E Howell	Woodside Energy Ltd	Unlimited	12 months	6 months
A Kantsler(5)	Woodside Energy Ltd	Unlimited	12 months	6 months
P Moore	Woodside Energy Ltd	Unlimited	12 months	6 months
V Santostefano	Woodside Energy Ltd	Unlimited	12 months	6 months
J Soine	Woodside Energy (USA) Inc	Unlimited	12 months	6 months
L Tremaine	Woodside Energy Ltd	Unlimited	12 months	6 months

(1) Other benefits: Mr Voelte's employment in Australia may have adverse tax consequences for Mr Voelte and his wife in respect of his non-Australian income. Woodside has agreed to a limited "taxation equalisation" provision to compensate for this. Mr Voelte and his wife may claim reimbursement of tax paid or payable to the Australian Taxation Office for income or gain in relation to certain disclosed investments in the US to a maximum of US$500,000 over the period of Mr Voelte's employment.

(2) On 13 October 2010 Mr Voelte announced his intention to retire in the second half of 2011.

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

(4) 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.

(5) Dr Kantsler departed Woodside on 2 July 2010.

Table 10 - Summary of executives' interests in shares under the WSPP[1]

Name	WSPP year	Opening balance	Shares purchased under WSPP	Matching shares	Shares Vested	Closing balance
D Voelte	2010	893	-	-	124	769
	2009 WSPP[2]	498	158	237	-	893
	2008 WSPP[3]	124	173	201	-	498
	2007 WSPP[4]	-	62	62	-	124
F Ahmed[6]	2010	-	-	-	-	-
	2009 WSPP[2]	-	-	-	-	-
	2008 WSPP[3]	-	-	-	-	-
M Chatterji	2010	893	-	-	893	-
	2009 WSPP[2]	498	158	237	-	893
	2008 WSPP[3]	124	173	201	-	498
	2007 WSPP[4]	-	62	62	-	124
R Cole	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[5]	2010	893	-	-	124	769
	2009 WSPP[2]	498	158	237	-	893
	2008 WSPP[3]	124	173	201	-	498
K Gallagher[7]	2010	893	-	-	124	769
E Howell	2010	-	-	-	-	-
	2009 WSPP[2]	-	-	-	-	-
	2008 WSPP[3]	-	-	-	-	-
	2007 WSPP[4]	-	-	-	-	-
A Kantsler	2010	358	-	-	358	-
	2009 WSPP[2]	358	-	-	-	358
	2008 WSPP[3]	124	117	117	-	358
	2007 WSPP[4]	-	62	62	-	124
P Moore[7]	2010	358	-	-	124	234
V Santostefano	2010	893	-	-	124	769
	2009 WSPP[2]	498	158	237	-	893
	2008 WSPP[3]	124	173	201	-	498
	2007 WSPP[4]	-	62	62	-	124
J Soine[8]	2010	-	-	-	-	-

(1) For a full summary of executives interests in shares see page 131.

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

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

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

Table 11a – Summary of terms and conditions of VPRs for the CEO's 2009 and 2010 VAR Allocation

Terms and Conditions	2010 VAR Allocation		2009 VAR Allocation	
	2010 STI Time-tested VPRs	2010 LTI RTSR-tested VPRs	2009 STI Time-tested VPRs	2009 LTI RTSR-tested VPRs
Allocation Date	25 February 2011		5 March 2010	
Pricing Date	31 December 2010		31 December 2009	
Grant Date	1 January 2010		1 January 2009	
Volume Weighted Average Price	A$42.78		A$47.86	
Performance condition (for allocation)	EIP Scorecard and individual performance assessment	Not applicable	EIP Scorecard and individual performance assessment	Not applicable
Reason for performance condition (allocation)	See above under "Short-term incentive award"	Not applicable	See above under "Short-term incentive award"	Not applicable
Performance condition (for vesting)	Not applicable	If Woodside TSR performance equals or exceeds 50th Peer Group percentile for relevant period, VPRs vest on sliding scale	Not applicable	If Woodside TSR performance equals or exceeds 50th Peer Group percentile for relevant period, VPRs vest on sliding scale
Reason for performance condition (vesting)	Not applicable	Relative TSR is independent of market conditions and is considered a more relevant measure of management performance in terms of value delivered to shareholders over the medium to long term	Not applicable	Relative TSR is independent of market conditions and is considered a more relevant measure of management performance in terms of value delivered to shareholders over the medium to long term
Vesting Date[1]	25 February 2014[2]	Initial vesting 25 February 2014	5 March 2013[2]	Initial vesting 5 March 2013
Application of Retesting	Not applicable	If RTSR threshold not achieved as at 25 February 2014 retest on 25 February 2015	Not applicable	If RTSR threshold not achieved as at 5 March 2013 retest on 5 March 2014
Lapse of VPRs before Vesting Date	If employment terminated for cause or by resignation all unvested VPRs will lapse		If employment terminated for cause or by resignation all unvested VPRs will lapse	
Lapse of VPRs if not vested	Not applicable	If threshold RTSR not achieved on retest, RTSR Tested VPRs will lapse	Not applicable	If threshold RTSR not achieved on retest, RTSR Tested VPRs will lapse

(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) These awards will also vest as a result of the CEO's retirement.

Table 11b – Summary of terms and conditions of VPRs for the CEO's 2008 VAR Allocation

Terms and Conditions	2008 VAR Allocation		
	2008 STI Time-tested VPRs	2008 LTI RTSR-tested VPRs	2008 Accelerated LTI
Allocation Date	27 February 2009		14 March 2008
Pricing Date	31 December 2008		31 December 2007
Grant Date	1 January 2008		19 February 2008
Volume Weighted Average Price	A$33.50		A$48.25
Performance condition (for allocation)	EIP Scorecard and individual performance assessment	Not applicable	
Reason for performance condition (allocation)	See above under "Short-term incentive award"	Not applicable	
Performance condition (for vesting)	Not applicable	If Woodside TSR performance equals or exceeds 50th Peer Group percentile for relevant period, VPRs vest on sliding scale	
Reason for performance condition (vesting)	Not applicable	Relative TSR is independent of market conditions and is considered a more relevant measure of management performance in terms of value delivered to shareholders over the medium to long term	
Vesting Date[2]	27 February 2012[3]	Initial vesting 27 February 2012	Initial vesting 31 March 2011[1]
Application of Retesting	Not applicable	If RTSR threshold not achieved as at 27 February 2012, retest on 27 February 2013	If RTSR threshold not achieved as at 14 March 2011, retest on 14 March 2012
Lapse of VPRs before Vesting Date	If employment terminated for cause or by resignation all unvested VPRs will lapse		If employment terminated for cause or by resignation all unvested VPRs will lapse Accelerated LTI allocated in respect of the 2010 performance year will only vest where the CEO remains employed with Woodside on 31 March 2011
Lapse of VPRs if not vested	Not applicable	If threshold RTSR not achieved on retest, RTSR Tested VPRs will lapse	If threshold RTSR not achieved Accelerated LTI VPRs will lapse

(1) Vesting of the Accelerated LTI is also conditional on an RTSR-test in 2011 which is undertaken in the same way as under the EIP.
(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) This award will also vest on the CEO's retirement.

Table 12 - Summary of terms and conditions for VPRs under the EIP

The following table summarises the terms and conditions of the VPRs awarded to the executives under the EIP for 2010, 2009, 2008, 2007, 2006.

Terms and Conditions	2010 VPR Allocation		2009 VPR Allocation	
	STI Time-tested VPRs	LTI RTSR-tested VPRs	STI Time-tested VPRs	LTI RTSR-tested VPRs
Allocation Date	25 February 2011		5 March 2010	
Pricing Date	31 December 2010		31 December 2009	
Grant Date	1 January 2010		1 January 2009	
Volume Weighted Average Price	A$42.78		A$47.86	
Performance condition (for allocation)	EIP Scorecard and individual performance assessment	Not applicable	EIP Scorecard and individual performance assessment	Not applicable
Reason for performance condition (allocation)	See above under "Short-term incentive award"	Not applicable	See above under "Short-term incentive award"	Not applicable
Performance condition (for vesting)	Not applicable	If Woodside TSR performance equals or exceeds 50th Peer Group percentile for relevant period, VPRs vest on sliding scale	Not applicable	If Woodside TSR performance equals or exceeds 50th Peer Group percentile for relevant period, VPRs vest on sliding scale
Reason for performance condition (vesting)	Not applicable	Relative TSR is independent of market conditions and is considered a more relevant measure of management performance in terms of value delivered to shareholders over the medium to long term	Not applicable	Relative TSR is independent of market conditions and is considered a more relevant measure of management performance in terms of value delivered to shareholders over the medium to long term
Vesting Date(2)	25 February 2014	Initial vesting 25 February 2014	5 March 2013	Initial vesting 5 March 2013
Application of Retesting	Not applicable	If RTSR threshold not achieved as at 25 February 2014, retest on 25 February 2015	Not applicable	If RTSR threshold not achieved as at 5 March 2013, retest on 5 March 2014
Lapse of VPRs before Vesting Date	If employment terminated for cause or by resignation all unvested VPRs will lapse		If employment terminated for cause or by resignation all unvested VPRs will lapse	
Lapse of VPRs if not vested	Not applicable	If threshold RTSR not achieved on retest, RTSR-tested VPRs will lapse	Not applicable	If threshold RTSR not achieved on retest, RTSR-tested VPRs will lapse

(1) The Board set the TSR Hurdle Rate with reference to Woodside's Cost of Equity Capital annually before VPRs were allocated.
(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) For the 2006 performance year the Board considered individual circumstances in determining to vest the award in shares and/or cash on an individual by individual basis.

2008 VPR Allocation		2007 VPR Allocation		2006 VPR Allocation	
STI Time-tested VPRs	LTI RTSR-tested VPRs	STI Time-tested VPRs	LTI RTSR-tested VPRs	STI Time-tested VPRs	LTI TSR-tested VPRs
27 February 2009		14 March 2008		15 March 2007	
31 December 2008		31 December 2007		15 March 2007	
1 January 2008		1 January 2007		1 January 2006	
A$33.50		A$48.25		A$35.78	
EIP Scorecard and individual performance assessment	Not applicable	EIP Scorecard and individual performance assessment	Not applicable	Woodside Economic Value Added (EVA) and individual performance	
See above under "Short-term incentive award"	Not applicable	See above under "Short-term incentive award"	Not applicable	Woodside EVA was adopted as a measure of the value added by Woodside's operations during the relevant year, with a view to linking executive remuneration to value added for shareholders The individual performance measure assesses the contribution made by individual executives, against pre-set individual objectives aligned to Woodside's strategic plan, which has as its ultimate objective the maximization of shareholder returns.	
Not applicable	If Woodside TSR performance equals or exceeds 50th Peer Group percentile for relevant period, VPRs vest on sliding scale	Not applicable	If Woodside TSR performance equals or exceeds 50th Peer Group percentile for relevant period, VPRs vest on sliding scale	Not applicable	If compounded TSR of Woodside is equal to or above TSR Hurdle Rate of 11.5%pa[1] for 30 consecutive days ending on testing date
Not applicable	Relative TSR is independent of market conditions and is considered a more relevant measure of management performance in terms of value delivered to shareholders over the medium to long term	Not applicable	Relative TSR adopted in 2007 - is independent of market conditions and is considered a more relevant measure of management performance in terms of value delivered to shareholders over the medium to long term	Not applicable	TSR was adopted because it is a widely accepted measure of shareholder wealth creation over the medium to long term – initial approach was to set an absolute TSR benchmark percentage
27 February 2012	Initial vesting 27 February 2012	14 March 2011	Initial vesting test 14 March 2011	9 April 2010[3]	Initial vesting test as at 16 March 2010 was not satisfied
Not applicable	If RTSR threshold not achieved as at 27 February 2012, retest on 27 February 2013	Not applicable	If RTSR threshold not achieved as at 14 March 2011, retest on 14 March 2012	Not applicable	Vested 16 April 2010[3]
If employment terminated for cause or by resignation all unvested VPRs will lapse		If employment terminated for cause or by resignation all unvested VPRs will lapse		If employment terminated for cause or by resignation all unvested VPRs will lapse	
Not applicable	If threshold RTSR not achieved on retest, RTSR-tested VPRs will lapse	Not applicable	If threshold RTSR not achieved on retest, RTSR-tested VPRs will lapse	Not applicable	Not applicable

Table 13a - Summary of the executives' interests in Time-tested VPRs[1]

Name	Allocation date	Vesting date[2]	Awarded but not vested	Vested in 2010	% of total vested	Fair value[3][11] of VPRs by performance year				
						2010	2009	2008	2007	2006
D Voelte	March 2007[4]	April 2010		20,122[11]	100					30.92
	March 2008	March 2011	16,513						30.07	
	February 2009	February 2012	28,209					39.81		
	December 2009[5]	April 2010		167[11]	100					41.89
	December 2009[5]	March 2011	137						40.87	
	December 2009[5]	February 2012	234					39.92		
	March 2010	March 2013	31,445				29.57			
	February 2011	February 2014	21,719			38.32				
F Ahmed[6]	February 2009	February 2012	3,245					41.86		
	December 2009[5]	March 2011	8						42.86	
	December 2009[5]	February 2012	27					41.86		
	March 2010	March 2013	3,692				29.57			
	February 2011	February 2014	2,415			38.32				
M Chatterji[13]	March 2007	April 2010		5,517[12]	100					30.92
	March 2008	December 2010		4,313	100				30.07	
	February 2009	December 2010		7,450	100			39.81		
	December 2009[5]	April 2010		46[12]	100					41.89
	December 2009[5]	December 2010		36	100				40.87	
	December 2009[5]	December 2010		62	100			39.92		
	March 2010	December 2010		7,535	100		29.57			
R Cole	March 2007	April 2010		1,370[11]	100					30.92
	March 2008	March 2011	1,756						30.07	
	February 2009	February 2012	4,543					39.81		
	December 2009[5]	April 2010		11[11]	100					41.89
	December 2009[5]	March 2011	15						40.87	
	December 2009[5]	February 2012	38					39.92		
	March 2010	March 2013	4,599				29.57			
	February 2011	February 2014	4,302			38.32				
L Della Martina[7]	March 2007	April 2010		1,718[12]	100					30.92
	February 2009	February 2012	2,916					39.81		
	December 2009[5]	April 2010		14[12]	100					41.89
	December 2009[5]	March 2011	14						40.87	
	December 2009[5]	February 2012	24					39.92		
	March 2010	March 2013	2,950				29.57			
	February 2011	February 2014	2,753			38.32				
K Gallagher[8]	March 2007	April 2010		788	100					30.92
	December 2009[5]	April 2010		7	100					41.89
	February 2011	February 2014	3,319			38.32				
E Howell[9]	March 2007	April 2010		525	100					30.92
	March 2008	March 2011	1,905						30.07	
	February 2009	February 2012	3,110					39.81		
	December 2009[5]	April 2010		4	100					41.89
	December 2009[5]	March 2011	16						40.87	
	December 2009[5]	February 2012	26					39.92		
	March 2010	March 2013	4,192				29.57			
	February 2011	February 2014	2,867			38.32				
A Kantsler[10]	March 2007	April 2010		1,650[11]	100					30.92
	March 2008	July 2010		2,542	100				30.07	
	February 2009	July 2010		4,273	100			39.81		
	December 2009[5]	April 2010		14[11]	100					41.89
	December 2009[5]	July 2010		21	100				40.87	
	December 2009[5]	July 2010		35	100			39.92		
	March 2010	July 2010		5,763	100		29.57			
P Moore[8]	March 2007	April 2010		907[12]	100					30.92
	December 2009[5]	April 2010		8[12]	100					41.89
	February 2011	February 2014	2,018			38.32				
V Santostefano[9]	March 2007	April 2010		1,327	100					30.92
	March 2008	March 2011	1,669						30.07	
	February 2009	February 2012	2,910					39.81		
	December 2009[5]	April 2010		11	100					41.89
	December 2009[5]	March 2011	14						40.87	
	December 2009[5]	February 2012	24					39.92		
	March 2010	March 2013	3,786				29.57			
	February 2011	February 2014	2,286			38.32				

(1) For valuation purposes all VPRs are treated as if they will be equity settled, with the exception of Mr Ahmed's 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 2009 the fair value was $38.05.

(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 124 *Related Party Disclosures*, 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) Incorporates a VPR allocation of A$900,000 in respect of the 2006 performance year, awarded in addition to the EIP entitlements.

(5) Additional allocation of VPRs to each tranche of granted VPRs, following renounceable equity rights issue by the company.

(6) Mr Ahmed was not within the definition of KMP under AASB 124 for the 2006 and 2007 years. Previous years comparative figures are not shown.

(7) 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.

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

(9) Ms Howell and Mr Santostefano did not meet the definition of KMP under AASB 124 for the 2006 financial year. Previous years comparative figures are not shown.

(10) A total of 12,634 time-tested VPRs vested when Dr Kantsler departed Woodside on 2 July 2010.

(11) For the 2006 performance year VPRs (vested during 2010) management elected to settle 50% of their share allocation in cash, with a fair value of $42.12.

(12) For the 2006 performance year VPRs (vested during 2010) management elected to settle 100% of their share allocation in cash, with a fair value of $42.12.

(13) A total of 19,396 time-tested VPRs vested when Mr Chatterji departed Woodside on 31 December 2010.

Table 13b - Time-tested PRs[1]

Name	Allocation date	Vesting date	Awarded but not vested	Vested in 2010	Fair value of PR[2][4][5]
F Ahmed	November 2007	April 2010		2,030	42.12
		March 2011	2,030		0.75
	December 2009[3]	April 2010		17	42.12
		March 2011	17		0.75
M Chatterji	March 2007	April 2010		8,756[7]	29.68
	December 2009[3]	April 2010		73[7]	41.89
R Cole	March 2007	April 2010		4,004[6]	29.68
	December 2009[3]	April 2010		33[6]	41.89
L Della Martina	March 2007	April 2010		3,725[7]	29.68
	December 2009[3]	April 2010		31[7]	41.89
K Gallagher	March 2007	April 2010		3,725	29.68
	December 2009[3]	April 2010		31	41.89
E Howell	March 2007	April 2010		4,843	29.68
	December 2009[3]	April 2010		40	41.89
A Kantsler	March 2007	April 2010		6,520[6]	29.68
	December 2009[3]	April 2010		54[6]	41.89
P Moore	March 2007	April 2010		1,861[7]	29.68
	December 2009[3]	April 2010		15[7]	41.89
V Santostefano	March 2007	April 2010		3,446	29.68
	December 2009[3]	April 2010		29	41.89
J Soine	November 2007	April 2010		1,015	42.12
	December 2009[3]	April 2010		8	42.12

(1) For valuation purposes all PRs are time-tested and are treated as if they will be equity settled, with the following exceptions. Mr Ahmed's and Mr Soine's PRs which are RTSR-tested and are to be settled in cash, as a result of Mr Ahmed's international secondment and Mr Soine's international employment. This fair value is recalculated at the end of every reporting period. In 2009 the fair value was $27.14 for PR's vesting in April 2010 and $25.62 for PR's vesting in March 2011.
(2) Reflects the fair values of the PRs post peer group modification.
(3) Additional allocation of VPRs to each tranche of granted VPRs, following renounceable equity rights issue by the company.
(4) In accordance with the requirements of AASB 124 *Related Party Disclosures*, 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 and Mr Soine 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) For the 2006 performance year the Board considered individual circumstances in determining to vest the award in shares and/or cash on an individual by individual basis.
(6) For PRs vested during 2010, management elected to settle 50% of their share allocation in cash, with a fair value of $42.12.
(7) For PRs vested during 2010, management elected to settle 100% of their share allocation in cash, with a fair value of $42.12.

Table 13c - RTSR-tested and TSR-tested VPRs[1]

Name	Allocation date	Vesting date[2][3]	Awarded but not vested	Vested in 2010	% of total vested	Fair value[4][14] of VPR post peer group modification – Performance year 2010	2009	2008	2007	2006
D Voelte	March 2007[5]	April 2010		40,245[14]	100					15.82
	March 2008	March 2012	33,160						29.19	
	March 2008[6]	March 2011	81,606					29.19		
	February 2009[7]	February 2013	39,179					26.61		
	December 2009	April 2010		334[14]	100					33.33
	December 2009	March 2012	275						27.93	
	December 2009	March 2011	678					27.93		
	December 2009	February 2013	325					23.56		
	March 2010[8]	March 2014	27,425				26.21			
	February 2011[9]	February 2015	30,676			25.48				
F Ahmed[10]	February 2009	February 2013	8,238					9.90		
	December 2009	March 2012	17						4.75	
	December 2009	February 2013	68					9.90		
	March 2010	March 2014	6,017				26.21			
	February 2011	February 2015	7,042			25.48				
M Chatterji	March 2007	April 2010		11,034	100					15.82
	March 2008	March 2012	8,953						29.19	
	February 2009	February 2013	14,185					26.61		
	December 2009	April 2010		92	100					33.33
	December 2009	March 2012	74						27.93	
	December 2009	February 2013	118					23.56		
	March 2010	March 2014	10,330				26.21			
	February 2011	February 2015	12,004			25.48				
R Cole	March 2007	April 2010		2,741[14]	100					15.82
	March 2008	March 2012	4,862						29.19	
	February 2009	February 2013	8,650					26.61		
	December 2009	April 2010		23[14]	100					33.33
	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				
L Della Martina[11]	March 2007	April 2010		3,437[15]	100					15.82
	February 2009	February 2013	5,552					26.61		
	December 2009	April 2010		29[15]	100					33.33
	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				
K Gallagher[12]	March 2007	April 2010		1,577	100					15.82
	December 2009	April 2010		13	100					33.33
	February 2011	February 2015	5,805			25.48				
E Howell[13]	March 2007	April 2010		1,051	100					15.82
	March 2008	March 2012	3,954						29.19	
	February 2009	February 2013	7,895					26.61		
	December 2009	April 2010		9	100					33.33
	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				
A Kantsler	March 2007	April 2010		3,300[14]	100					15.82
	March 2008	March 2012	7,035						29.19	
	February 2009	February 2013	10,847					26.61		
	December 2009	April 2010		27[14]	100					33.33
	December 2009	March 2012	58						27.93	
	December 2009	February 2013	90					23.56		
	March 2010	March 2014	7,901				26.21			
	February 2011	February 2015	4,430			25.48				
P Moore[12]	March 2007	April 2010		1,814[15]	100					15.82
	December 2009	April 2010		15[15]	100					33.33
	February 2011	February 2015	4,412			25.48				
V Santostefano[13]	March 2007	April 2010		2,654	100					15.82
	March 2008	March 2012	3,465						29.19	
	February 2009	February 2013	5,540					26.61		
	December 2009	April 2010		22	100					33.33
	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				

(1) For valuation purposes all VPRs are treated as if they will be equity settled, with the exception of Mr Ahmed's 2008 VPRs which are to be settled in cash as a result of his international secondment. Fair value is recalculated at the end of every reporting period. In 2009 the fair value was $22.52.
(2) Vesting date and exercise date are the same. Vesting is subject to satisfaction of vesting conditions.
(3) Vesting date was 16 April 2010 in respect of March 2007 allocations, on 14 March 2011 or 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 and on 25 February 2014 or 25 February 2015 in respect of February 2011 allocations.
(4) In accordance with the requirements of AASB 124 *Related Party Disclosures*, 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) Incorporates a VPR allocation of $900,000 in respect of the 2006 performance year, awarded in addition to the EIP entitlements.
(6) Mr Voelte's Accelerated LTIs.
(7) This allocation represents the remaining 50% of Mr Voelte's 2008 LTI VAR allocation (excludes the Accelerated LTI VARs).
(8) This allocation represents the remaining 50% of Mr Voelte's 2009 LTI VAR allocation (excludes the Accelerated LTI VARs).
(9) This allocation represents the remaining 50% of Mr Voelte's 2010 LTI VAR allocation (excludes the Accelerated LTI VARs).
(10) 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.
(11) Mr Della Martina did not meet the definition of KMP under AASB 124 2006 and 2007 years. Previous year's comparative figures are not shown.
(12) Mr Gallagher and Mr Moore did not meet the definition of KMP under the AASB 124 for the years prior to 2010. Comparative figures are not shown.
(13) Ms Howell and Mr Santostefano did not meet the definition of KMP under AASB 124 for the 2006 financial year. Previous years comparative figures are not shown.
(14) For the 2006 performance year VPRs (vested during 2010) management elected to settle 50% of their share allocation in cash, with a fair value of $43.99.
(15) For the 2006 performance year VPRs (vested during 2010) management elected to settle 100% of their share allocation in cash, with a fair value of $43.99.

Table 14 - Compensation of executives for the year ended 31 December 2009 and 31 December 2010[1]

Executives	Year	Short-term: Cash salary and fees – Salaries, fees and allowances	Short-term: Cash bonuses – Short-term incentive bonus[2]	Short-term: Non-monetary – Benefits and allowances[3]	Post employment: Pension super – Company contributions to superannuation[4]	Share-based payments – Share plan[5]	Long-term: Cash bonus – Long-term incentive plan[6]	Termination benefits	Total remuneration	Performance related
		$	$	$	$	$	$	$	$	%
D Voelte,	2010	2,563,341	1,704,861	123,347		3,374,812			7,766,361	65
Executive Director	2009	2,137,461	2,387,797	73,022		2,020,775			6,619,055	67
F Ahmed,	2010	576,606	189,609	371,382		340,174			1,477,771	36
Executive Vice President Development	2009	568,617	280,400	340,370[7]		297,269[15]			1,486,656	39
M Chatterji,	2010	931,332	646,418	212,713		1,349,336			3,139,799	63
Executive Vice President & Chief Financial Officer[8]	2009	716,157	572,226	131,414	45,537	503,901			1,969,235	55
R Cole, Executive Vice President Commercial &	2010	568,201	337,725	8,652	79,640	454,976			1,449,194	55
General Counsel & Joint Company Secretary	2009	475,357	349,261	8,237	51,601	262,506			1,146,962	53
L Della Martina,	2010	369,382	216,143	42,160	81,264	450,773			1,159,722	57
Executive Vice President Pluto	2009	284,406	224,076	23,159	61,832	207,636			801,109	54
K Gallagher,	2010	387,727	252,009	15,524	70,585	277,131			1,002,976	53
Executive Vice President North West Shelf[9]										
E Howell,	2010	435,419	225,052	9,754	113,824	324,882			1,108,931	50
Executive Vice President Health, Safety and Security[10]	2009	388,685	318,382	8,237	90,362	236,431			1,042,097	53
P Moore,	2010	62,875	30,899	6,319	13,794	34,977			148,864	44
Executive Vice President Exploration[11]										
V Santostefano,	2010	429,199	179,477	10,939	86,888	299,222			1,005,725	48
Executive Vice President Production	2009	317,496	287,502	8,611	63,442	209,361			886,412	56
J Soine,	2010	314,514	308,448	696	23,927	162	236,644		884,391	62
Executive Vice President International Oil and Gas[12]										
B Donaghey										
Executive Vice President Browse[13]	2009	149,731		3,931	27,179	(158,355)		114,992	137,478	NA
A Kanstler	2010	349,771	173,869	9,218	60,469	821,728		86,583	1,501,638	66
Executive Vice President Health, Safety and Security[14]	2009	584,716	437,641	13,118	65,398	338,737			1,439,610	54

(1) In order to derive US dollar comparatives between 2010 and 2009, the Australian dollar compensation paid during the year ended 31 December 2009 was converted to US dollars at the average exchange rate of US$1:A$1.261, and valuation of equity awards at 31 December 2009 was converted to US dollars at the spot rate of US$1:A$1.1193. 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 non-residents for Australian tax purposes Mr Voelte, Mr Chatterji and Mr Ahmed 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 124 *Related Party Disclosures*, the fair value of rights as at their date of grant has been determined by applying the binomial valuation method combined with a Monte Carlo simulation. 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 Ahmed's benefits and allowances were incorrectly stated for 2009. The corrected figure is reported above.

(8) On 31 December 2010 Mr Chatterji departed Woodside.

(9) 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 rate of US$1:A$1.08993.

(10) On 1 May 2010 Ms Howell was appointed to Executive Vice President Health, Safety and Security.

(11) 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 rate of US$1:A$1.01057.

(12) On 19 April 2010 Mr Soine was appointed to KMP.

(13) On 18 May 2009 Ms Donaghey was appointed to KMP and departed Woodside on 31 October 2009. Prior year figures have been restated to reflect this period. On departure, remaining unvested VPRs lapsed. The Australian dollar compensation paid from 18 May 2009 to 31 October 2009 was converted to US dollars at the average exchange rate of US$1:A$1.2055 and the termination payment was converted to US dollars at the exchange rate of US$1:A$1.1029.

(14) On 2 July 2010 Mr 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.

(15) Mr Ahmed's 2009 share-based payments have been restated to reflect the impact of his contractual end date.

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 33 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 page 50.

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.

Table 15 - Directors' relevant interests in Woodside shares as at date of report.

Director	Relevant interest in shares
MA Chaney	20,000
DR Voelte	87,421
MA Cilento	613
E Fraunschiel	81,930
A Jamieson	3,000
PJMH Jungels	9,205
DI McEvoy	7,702
D Megat	1,197
I Robertson	-

Signed in accordance with a resolution of the directors.

Michael Chaney, AO
Chairman

21 February 2011

Don Voelte
Chief Executive Officer

21 February 2011

Auditor's Independence Declaration

In relation to our audit of the Financial Report of Woodside Petroleum Ltd for the year ended 31 December 2010, 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

G H Meyerowitz
Partner
Perth

21 February 2011

Liability limited by a scheme approved under Professional Standards Legislation.

2010 FINANCIAL REPORT

Contents

Consolidated income statement

For the year ended 31 December 2010

	Notes	2010 US$m	Restated 2009 US$m
Revenue from sale of goods	3(a)	4,193	3,487
Cost of sales	3(b)	(1,669)	(1,481)
Gross profit		2,524	2,006
Other income	3(c)	307	9
Other expenses	3(d)	(575)	288
Profit before tax and net finance income/(costs)		2,256	2,303
Finance income	3(e)	39	6
Finance costs	3(f)	(21)	(18)
Profit before tax		2,274	2,291
Taxes			
Income tax expense		(532)	(748)
Petroleum Resource Rent Tax expense		(165)	(75)
Total taxes	4(a)	(697)	(823)
Profit after tax		1,577	1,468
Profit attributable to			
Equity holders of the parent		1,575	1,474
Non-controlling interest		2	(6)
Profit for the year		1,577	1,468
Basic and diluted earnings per share attributable to the equity holders of the parent (US cents)	5	204	210

The accompanying notes form part of the Financial Report.

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	2010 US$m	Restated 2009 US$m
Profit for the year	1,577	1,468
Other comprehensive income		
Net foreign currency translation differences	-	1,353
	-	1,353
Net gain on hedge of net investment	-	286
Income tax benefit/(expense)	14	(82)
	14	204
Cash flow hedges		
Loss taken to equity	-	(10)
Transferred to income statement	20	(23)
Income tax (expense)/benefit	(6)	10
	14	(23)
Net change in fair value of available-for-sale financial assets	(4)	4
Income tax benefit/(expense)	-	(4)
	(4)	-
Other comprehensive income for the year, net of tax	24	1,534
Total comprehensive income for the year	1,601	3,002
Total comprehensive income attributable to		
Equity holders of the parent	1,599	2,928
Non-controlling interest	2	74
Total comprehensive income for the year	1,601	3,002

The accompanying notes form part of the Financial Report.

Consolidated statement of financial position

As at 31 December 2010

	Notes	2010 US$m	Restated 2009 US$m	Restated[1] 1 January 2009 US$m
Current assets				
Cash and cash equivalents	7(a)	963	1,207	98
Receivables	8	439	503	368
Inventories	9(a)	118	109	74
Other financial assets	10(a)	11	-	31
Other assets	11(a)	48	65	13
Assets of disposal group classified as held for sale	24	-	525	-
Non-current assets classified as held for sale	13	-	10	-
Total current assets		1,579	2,419	584
Non-current assets				
Inventories	9(b)	39	43	36
Other financial assets	10(b)	111	117	125
Other assets	11(b)	36	2	9
Exploration and evaluation assets	12	1,801	1,158	810
Oil and gas properties	13	16,517	13,857	8,589
Other plant and equipment	14	72	82	77
Deferred tax assets	4(d)	41	75	87
Total non-current assets		18,617	15,334	9,733
Total assets		20,196	17,753	10,317
Current liabilities				
Payables	15(a)	1,234	1,186	1,156
Interest-bearing liabilities	16(a)	403	-	-
Tax payable	17	35	198	375
Other financial liabilities	18(a)	18	28	1
Other liabilities	19(a)	13	17	14
Liabilities directly associated with assets of disposal group classified as held for sale	24	-	37	-
Provisions	20	137	113	88
Total current liabilities		1,840	1,579	1,634
Non-current liabilities				
Payables	15(b)	35	-	-
Interest-bearing liabilities	16(b)	4,512	4,939	2,044
Deferred tax liabilities	4(d)	1,333	1,330	767
Other financial liabilities	18(b)	5	-	3
Other liabilities	19(b)	174	186	201
Provisions	20	611	451	878
Total non-current liabilities		6,670	6,906	3,893
Total liabilities		8,510	8,485	5,527
Net assets		11,686	9,268	4,790
Equity				
Issued and fully paid shares	21(a)	5,036	3,705	1,957
Shares reserved for employee share plans	21(b)	(57)	(78)	(113)
Other reserves	22	971	846	(650)
Retained earnings	23	5,141	4,339	3,439
Equity attributable to equity holders of the parent		11,091	8,812	4,633
Non-controlling interest		595	456	157
Total equity		11,686	9,268	4,790

(1) With effect from 1 January 2010, the directors of Woodside Petroleum Ltd determined that the functional currency of the company and all its subsidiaries is US dollars. Consistent with the change in functional currency, Woodside Petroleum Ltd has elected to change its presentation currency from Australian dollars to US dollars. As such, in accordance with AASB 101.39, a third consolidated statement of financial position and notes to the restated amounts have been presented.

The accompanying notes form part of the Financial Report.

Consolidated statement of cash flows

For the year ended 31 December 2010

	Notes	2010 US$m	Restated 2009 US$m
Cash flows from/(used in) operating activities			
Profit after tax for the year		1,577	1,468
Adjustments for:			
Non-cash items			
Depreciation and amortisation		782	793
Impairment loss		98	107
Unrealised foreign exchange loss/(gain)		13	(705)
Gain on sale of exploration and evaluation assets		(99)	-
Gain on sale of assets of disposal group held for sale		(143)	-
Gain on sale of fixed assets		-	(12)
(Gain)/loss on derivative financial instruments		(13)	47
Change in fair value of embedded derivatives		(9)	1
Net finance (income)/costs		(18)	12
Tax expense		697	823
Other		37	(1)
Changes in assets and liabilities			
Decrease/(increase) in trade and other receivables		67	(103)
Increase in inventories		(4)	(22)
Increase in provisions		49	9
Decrease/(increase) in other assets and liabilities		21	(7)
Decrease in trade and other payables		(16)	(25)
Cash generated from operations		3,039	2,385
Amounts received from employees relating to employee share plans		21	42
Purchases of shares relating to employee share plans		-	(7)
Interest received		40	4
Dividends received		6	4
Interest paid		(195)	(140)
Income tax paid		(654)	(648)
Petroleum Resource Rent Tax paid		(149)	(151)
Payments for restorations		(4)	(6)
Net cash from operating activities		2,104	1,483
Cash flows from/(used in) investing activities			
Payments for capital and exploration expenditure		(3,649)	(4,729)
Proceeds from sale of exploration and evaluation assets		65	20
Proceeds from sale of assets of disposal group held for sale		643	-
Proceeds from sale of oil and gas properties		-	1
Net cash used in investing activities		(2,941)	(4,708)
Cash flows from/(used in) financing activities			
(Repayment of)/proceeds from borrowings		(42)	2,844
Proceeds from subsidiary shares issued to non-controlling interest		137	225
Proceeds from rights issues		1,078	1,156
Transactions costs on issue of shares		(18)	(18)
Proceeds from underwriters of Dividend Reinvestment Plan (DRP)		-	294
Dividends paid (net of DRP)		-	(294)
Dividends paid outside of DRP		(547)	-
Net cash from financing activities		608	4,207
Net (decrease)/increase in cash held		(229)	982
Cash and cash equivalents at the beginning of the year		1,203	98
Effects of exchange rate changes on the balances of cash held in foreign currencies		(11)	123
Cash and cash equivalents at the end of the year	7(b)	963	1,203

The accompanying notes form part of the Financial Report.

Consolidated statement of changes in equity

For the year ended 31 December 2010

	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
	Note 21(a)	Note 21(b)	Note 22	Note 22	Note 22	Note 22	Note 22	Note 23			
	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 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
Dividends applied	-	-	-	-	-	-	-	-	-	-	-
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
At 1 January 2009 (Restated)[1]	1,957	(113)	49	(594)	(108)	9	(6)	3,439	4,633	157	4,790
Profit for the year	-	-	-	-	-	-	-	1,474	1,474	(6)	1,468
Other comprehensive income	-	-	-	1,273	204	(23)	-	-	1,454	80	1,534
Total comprehensive income for the year	-	-	-	1,273	204	(23)	-	1,474	2,928	74	3,002
Subsidiary shares issued to non-controlling interest	-	-	-	-	-	-	-	-	-	225	225
Dividend Reinvestment Plan	617	-	-	-	-	-	-	-	617	-	617
Shares issued	1,131	-	-	-	-	-	-	-	1,131	-	1,131
Employee share plan purchases	-	(7)	-	-	-	-	-	-	(7)	-	(7)
Employee share plan redemptions	-	40	-	-	-	-	-	-	40	-	40
Dividends applied	-	2	-	-	-	-	-	-	2	-	2
Share-based payments	-	-	42	-	-	-	-	-	42	-	42
Dividends paid	-	-	-	-	-	-	-	(574)	(574)	-	(574)
At 31 December 2009 (Restated)	3,705	(78)	91	679	96	(14)	(6)	4,339	8,812	456	9,268

(1) With effect from 1 January 2010, the directors of Woodside Petroleum Ltd determined that the functional currency of the company and all its subsidiaries is US dollars. Consistent with the change in functional currency, Woodside Petroleum Ltd has elected to change its presentation currency from Australian dollars to US dollars. Refer to Note 1(a) for further details.

The accompanying notes form part of the Financial Report.

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 21 February 2011.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Apart from changes in accounting policies noted below, the accounting policies adopted are consistent with those disclosed in the Annual Financial Report for the year ended 31 December 2009. 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 the new and amended Australian Accounting Standards that were effective from 1 January 2010 including:

- AASB 3 *Business Combinations (revised 2008)*

  The revised Standard introduces significant changes in the accounting for business combinations occurring after 1 January 2010. Changes affect the valuation of non-controlling interests, accounting for transaction costs, initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, reported results in the period that an acquisition occurs and future reported results.

  The change in the accounting policy was applied prospectively and did not have any impact on the financial position or performance of the Group;

- AASB 127 *Consolidated and Separate Financial Statements (revised 2008)*

  The revised Standard has resulted in changes in the Group's accounting policies regarding loss of control of a subsidiary. On loss of control of a subsidiary, the revised Standard requires that the Group derecognise all carrying amounts of assets, liabilities and non-controlling interests. Any retained interest in the former subsidiary is recognised at its fair value at the date that control is lost. A gain or loss, on the loss of control, is recognised in the income statement.

  The change in the accounting policy was applied prospectively and did not have any impact on the financial position or performance of the Group;

- AASB 128 *Investment in Associates*

  The revised Standard has resulted in changes in the Group's accounting policies regarding loss of significant influence of an associate. It requires that any retained investment in the former associate is recognised at its fair value at the date that significant influence is lost. A gain or loss, on the loss of significant influence, is recognised in the income statement.

  The change in the accounting policy was applied prospectively and did not have any impact on the financial position or performance of the Group; and

- AASB 131 *Interests in Joint Ventures*

  The revised Standard has resulted in changes in the Group's accounting policies regarding loss of joint control of a jointly controlled entity. It requires that any retained interest in the former joint controlled entity is recognised at its fair value at the date that joint control is lost. A gain or loss, on the loss of joint control, is recognised in the income statement.

  The change in the accounting policy was applied prospectively and did not have any impact on the financial position or performance of the Group.

The Group has not elected to early adopt any other new or amended Standards or Interpretations that are issued but not yet effective.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Change in functional and presentation currency

An entity's functional currency is the currency of the primary economic environment in which the entity operates. Woodside Petroleum Ltd has experienced a period of sustained growth in US dollar revenue streams and in the period up to 31 December 2009 increased its US dollar debt levels significantly. Consequently, the company announced on 22 March 2010 that the directors had determined that the functional currency of the company and all its subsidiaries is US dollars. The change in functional currency has been applied prospectively with effect from 1 January 2010 in accordance with the requirements of the Accounting Standards.

Following the change in functional currency, Woodside Petroleum Ltd has elected to change its presentation currency from Australian dollars to US dollars. The directors believe that changing the presentation currency to US dollars will enhance comparability with its industry peer group, the majority of which report in US dollars. The change in presentation currency represents a voluntary change in accounting policy, which has been applied retrospectively.

To give effect to the change in functional currency, the assets and liabilities of entities with an Australian dollar functional currency at 31 December 2009 were converted into US dollars at a fixed exchange rate on 1 January 2010 of US$1:A$1.1193 and the contributed equity, reserves and retained earnings were converted at applicable historical rates. In order to derive US dollar comparatives (presentation currency), the Australian dollar functional currency assets and liabilities at 31 December 2009 were converted at the spot rate of US$1:A$1.1193 on the reporting date; revenue and expenses for the year ended 31 December 2009 were converted at the average exchange rate of US$1:A$1.261 for the reporting period, or at the exchange rates ruling at the date of the transaction to the extent practicable, and equity balances were converted at applicable historical rates.

The above stated procedures resulted in a foreign currency translation reserve of US$594 million on 1 January 2009. Earnings per share for 2009 has also been restated in US dollars to reflect the change in the presentation currency (refer to Note 5).

(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.

Prior to 1 January 2010, the purchase method of accounting was adopted. Subsequent to 1 January 2010, the acquisition method has been adopted. 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.

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.

1. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

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 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.

1. Summary of significant accounting policies (continued)

(e) Exploration and evaluation (continued)

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.

(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

1. Summary of significant accounting policies (continued)

(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 cost 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.

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.

1. Summary of significant accounting policies (continued)

(k) Derivative financial instruments and hedge accounting (continued)

For the purposes of hedge accounting, hedges are classified and accounted for as follows:

Hedge type and risk	Accounting treatment
Fair value hedge	
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.
Cash flow hedge	
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.
Hedge of net investment	
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. 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.

1. Summary of significant accounting policies (continued)

(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 for the comparative period

Prior to 1 January 2010, foreign entities and some Australian entities had a functional currency of Australian dollars as a result of the economic environment in which they were operating. For the 2009 comparative balances, assets and liabilities of these entities have been translated into the presentation currency of the Group (US dollars) at the rate of exchange ruling at the reporting date. 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)).

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.

(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.

1. Summary of significant accounting policies (continued)

(u) Investments in associates (continued)

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.

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.

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.

1. Summary of significant accounting policies (continued)

(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.

(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.

Notes to and forming part of the Financial Report
For the year ended 31 December 2010

1. Summary of significant accounting policies (continued)

(ad) Critical accounting estimates, assumptions and judgements (continued)

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.

United States of America deferred tax asset

The Group has recognised a net deferred tax asset in respect of tax losses and temporary differences associated with its operations in the United States of America. In accordance with the recognition criteria outlined in AASB 112 *Income Taxes*, the Group has exercised its judgement in deciding that it is probable that sufficient future taxable income will be available to utilise the deferred tax assets.

1. Summary of significant accounting policies (continued)

(ae) New and amended Accounting Standards and Interpretations issued but not yet effective

The following new Standards have a potential impact on the Financial Report but have an effective date after the financial reporting date.

Title	Application date of the Standard	Summary
AASB 9 *Financial Instruments*	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 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement).*
AASB 2009-11 *Amendments to Australian Accounting Standards - arising from AASB 9 [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]*	1 January 2013	This Standard makes amendments to several Australian Accounting Standards and Interpretations. These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. This Standard is applied when AASB 9 is applied.
AASB 124 *Related Party Disclosures (revised)*	1 January 2011	The revised Standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. A partial exemption is also provided from the disclosure requirements for government related entities. Changes to the revised Standard apply retrospectively.
AASB 2009-12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]*	1 January 2011	This Standard makes amendments to several Australian Accounting Standards and Interpretations. These amendments principally arise from editorial corrections made by the IASB and the AASB.
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]*	1 July 2010	This Standard makes amendments to several Australian Accounting Standards. The amendments are a consequence of the Annual Improvements Project. The principal amendments to the Standard set out the requirements for measurement of non-controlling interests, transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 *Business Combinations (2008)* and transition requirements for amendments arising from AASB 127 *Consolidated and Separate Financial Statements.*
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]*	1 January 2011	This Standard makes amendments to several Australian Accounting Standards and Interpretation. These amendments are a consequence of the Annual Improvements Project.
AASB 2010-5 *Amendments to Australian Accounting Standards [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]*	1 January 2011	This Standard makes amendments to several Australian Accounting Standards and Interpretations. These amendments principally arise from editorial corrections made by the IASB and the AASB.
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [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]*	1 January 2013	This Standard makes amendments to several Australian Accounting Standards and Interpretation. These amendments arise from the issuance of AASB 9 *Financial Instruments* as issued in December 2010.

The potential effect of these Standards is yet to be fully determined. However, it is not expected that the new Standards will significantly affect the Group's financial position.

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 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 all other 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.

2. Operating segments (continued)

(a) Revenue and profit after tax for the year ended 31 December 2010

	North West Shelf Business Unit		Australia Business Unit		Pluto Business Unit		Browse Business Unit		United States Business Unit		Other		Unallocated items		Consolidated	
	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m
Revenue																
Revenue from external customers	2,749	1,989	1,272	1,319	-	-	-	-	117	124	55	55	-	-	4,193	3,487
Cost of sales																
Cost of production	(613)	(438)	(237)	(223)	(1)	-	-	-	(15)	(18)	(6)	(6)	(6)	2	(878)	(683)
Shipping and direct sales costs	(33)	(41)	(4)	(1)	(3)	(3)	-	-	(8)	(10)	-	-	(5)	(4)	(53)	(59)
Oil and gas properties depreciation and amortisation	(207)	(161)	(429)	(466)	-	7	-	-	(71)	(88)	(30)	(28)	(1)	(3)	(738)	(739)
Total cost of sales	(853)	(640)	(670)	(690)	(4)	4	-	-	(94)	(116)	(36)	(34)	(12)	(5)	(1,669)	(1,481)
Gross profit	1,896	1,349	602	629	(4)	4	-	-	23	8	19	21	(12)	(5)	2,524	2,006
Exploration and evaluation	(6)	(5)	(17)	(14)	(132)	(52)	(1)	(2)	(87)	(91)	(84)	(88)	(2)	(1)	(329)	(253)
Share of associates' net profit	4	3	-	-	-	-	-	-	-	-	-	-	-	-	4	3
Change in fair value of embedded derivatives	9	(1)	-	-	-	-	-	-	-	-	-	-	-	-	9	(1)
Gain/(loss) on derivative financial instruments	-	-	8	(23)	-	-	-	-	-	-	-	-	5	(24)	13	(47)
Gain on sale of exploration and evaluation assets	-	-	-	-	-	-	-	-	-	-	99	-	-	-	99	-
Gain on sale of assets of disposal group held for sale	-	-	143	-	-	-	-	-	-	-	-	-	-	-	143	-
Gain/(loss) on sale of fixed assets	-	-	-	(1)	-	-	-	20	-	(1)	-	(6)	-	-	-	12
Depreciation of other plant and equipment	-	-	-	-	-	-	-	-	(1)	(2)	-	(1)	(10)	(10)	(11)	(13)
Net defined benefit plan gain	-	-	-	-	-	-	-	-	-	-	-	-	2	10	2	10
Other exchange (loss)/gain	(9)	17	1	(4)	20	20	(2)	(1)	-	-	(8)	5	(49)	677	(47)	714
Impairment loss	-	-	(3)	(6)	-	-	-	-	(95)	(20)	-	(81)	-	-	(98)	(107)
Other income	15	22	14	-	1	(5)	1	-	-	-	-	7	6	8	37	32
Other expenses	(5)	(4)	(2)	(14)	(5)	-	-	3	(20)	(22)	(6)	(14)	(52)	(2)	(90)	(53)
Profit before tax and net finance income/(costs)	1,904	1,381	746	567	(120)	(33)	(2)	20	(180)	(128)	20	(157)	(112)	653	2,256[1]	2,303[1]
Finance income															39	6
Finance costs															(21)	(18)
Profit before tax															2,274	2,291
Taxes															(697)	(823)
Profit after tax															1,577	1,468

(1) The performance of operating segments is evaluated based on profit before tax, finance income and finance costs. 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.

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2. Operating segments (continued)

(b) Segment assets and liabilities and other segment information at 31 December 2010

	North West Shelf Business Unit		Australia Business Unit		Pluto Business Unit		Browse Business Unit		United States Business Unit		Other		Unallocated items		Consolidated	
	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m
Segment assets	3,767	3,476	1,850	2,534	12,425	9,253	956	739[1]	461	595	520	452	217	704[1]	20,196	17,753
Segment liabilities/(assets)	1,671	1,597	420	391	689	582	(191)	(7)	57	105	113[2]	(218)[2]	5,751	6,035	8,510	8,485
Other segment information																
Investment in associates	2	2	-	-	-	-	-	-	-	-	-	-	-	-	2	2
Additions to oil and gas properties	319	(64)	272	145	2,863	3,629	-	-	17	18	-	14	-	-	3,471	3,742
Additions to exploration and evaluation assets	6	14	29	13	415	49	159	139	57	38	35	20	-	-	701	273
Additions to other plant and equipment	1	-	-	-	-	-	-	-	-	2	-	-	-	-	1	2

(1) 2009 figures have been changed to reclassify an intra-Group fair value adjustment on exploration and evaluation assets.
(2) 2010 and 2009 figures include inter-company amounts (2010: US$126 million; 2009: US$272 million).

(c) Geographical information

Revenue from external customers 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	
	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m	2010 US$m	Restated 2009 US$m
Revenue from external customers	617	682	3,062	2,492	122	180	392	133	4,193	3,487
Non-current assets	18,026	14,565	2	-	427	542	52	80	18,507[3]	15,187[4]

(3) Non-current assets excluding derivatives (US$69 million) and deferred tax (US$41 million).
(4) Non-current assets excluding derivatives (US$72 million) and deferred tax (US$75 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 (2009: 13% of external revenue relating to one customer totalling US$458 million).

3. Revenue and expenses

	2010 US$m	Restated 2009 US$m
(a) Revenue from sale of goods		
Liquefied natural gas		
North West Shelf	1,310	769
Pipeline natural gas		
North West Shelf	292	305
Otway	17[2]	73
United States of America	31	43
	340	421
Condensate		
North West Shelf	704	557
Otway	4[2]	14
Ohanet	33	33
United States of America	3	5
	744	609
Oil		
North West Shelf	333	283
Laminaria	205	225
Mutineer–Exeter	8	20
Enfield[1]	496	385
Vincent[1]	372	238
Stybarrow[1]	165	345
United States of America	83	76
	1,662	1,572
Liquefied petroleum gas		
North West Shelf	110	75
Otway	5[2]	19
Ohanet	22	22
	137	116
Total revenue from sale of goods	4,193	3,487
(b) Cost of sales		
Cost of production		
Production costs	(430)	(387)
Royalties and excise	(419)	(276)
Insurance	(36)	(24)
Inventory movement	7	4
	(878)	(683)
Shipping and direct sales costs	(53)	(59)
Oil and gas properties depreciation and amortisation		
Land and buildings	(7)	(1)
Transferred exploration and evaluation	(29)	(39)
Plant and equipment	(696)	(694)
Marine vessels and carriers	(6)	(5)
	(738)	(739)
Total cost of sales	(1,669)	(1,481)
Gross profit	2,524	2,006

(1) 2010 figures include a crude oil hedging loss of US$14 million (2009: hedging gain of US$19 million), resulting from settlement of Greater Exmouth Area Zero Cost Collars. Refer to Note 26(f) for further detail.

(2) Reduction in revenue due to the sale of Woodside's interest in the Otway Gas Project. Refer to Note 24 for further detail.

3. Revenue and expenses (continued)

	2010 US$m	Restated 2009 US$m
(c) Other income		
Other fees and recoveries	37	32
Share of associates' net profit	4	3
Gain on sale of exploration and evaluation assets	99	-
Gain on sale of assets of disposal group held for sale	143	-
Gain on sale of fixed assets	-	12
Change in fair value of embedded derivatives	9	(1)
Gain/(loss) on derivative financial instruments	13	(47)
Net defined benefit plan gain	2	10
Total other income	307	9
(d) Other expenses		
Exploration and evaluation		
Exploration	(299)	(213)
Amortisation of licence acquisition costs	(24)	(35)
Evaluation	(6)	(5)
Total exploration and evaluation	(329)	(253)
Other costs		
Depreciation of other plant and equipment	(11)	(13)
Exchange loss on cash balances	(11)	(2)
Other exchange (loss)/gain	(47)	714
General, administrative and other costs	(79)	(51)
Impairment of oil and gas properties	(97)[1]	(20)
Impairment of exploration and evaluation assets	-	(81)
Impairment of other assets	(1)	(6)
Total other costs	(246)	541
Total other expenses	(575)	288
Profit before tax and net finance income/(costs)	2,256	2,303
(e) Finance income		
Interest	39	6
Total finance income	39	6
(f) Finance costs		
Unwinding of present value discount (accretion)	(18)	(15)
Other finance costs	(3)	(3)
Total finance costs	(21)	(18)
Profit before tax	2,274	2,291

(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%.

4. Taxes

	2010 US$m	Restated 2009 US$m
(a) Tax expense comprises		
Income tax		
Current tax expense	545	431
Over provided in prior years	(4)	(18)
Deferred tax expense related to the movements in deferred tax balances	80	299
Write-downs of deferred tax assets	40	36
Impact of conversion to US dollar functional currency	(129)	-
	532	748
PRRT		
Current tax expense	96	152
Under provided in prior years	1	7
Deferred tax expense related to the movements in deferred tax balances	(25)	(84)
Impact of conversion to US dollar functional currency	93	-
	165	75
Total tax expense reported in the income statement	697	823
(b) Reconciliation of tax expense to prima facie tax payable		
Profit before tax	2,274	2,291
PRRT expense	(165)	(75)
Profit after PRRT expense	2,109	2,216
Tax expense calculated at 30%	633	665
Tax effect of items which are non-deductible/(assessable)		
Sale of assets	(65)	-
Research and development	(10)	(5)
Other	9	(6)
Foreign expenditure not brought to account	53	74
Tax rate differential on non-Australian income	3	2
Over provided in prior years	(4)	(18)
Write-downs of deferred tax assets	40	36
Impact of conversion to USD functional currency	(129)	-
Foreign exchange impact on tax expense	2	-
PRRT expense	165	75
Tax expense	697	823

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.

	2010 US$m	Restated 2009 US$m
(c) Tax recognised directly in equity		
Deferred tax	(9)	73

4. Taxes (continued)

(d) Deferred tax

	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
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
2009 (Restated)						
Deferred tax assets						
Arising from temporary differences and tax losses						
Foreign jurisdiction	87	(36)	-	-	-	51
Domestic jurisdiction	-	22	-	-	2	24
	87	(14)	-	-	2[(1)]	75
Deferred tax liabilities						
Arising from temporary differences						
Exploration and evaluation assets	155	57	-	-	51	263
Oil and gas properties	546	(197)	-	-	138	487
Financial instruments	(65)	184	83	-	14	216
Other liabilities	(199)	25	-	-	(60)	(234)
Provisions	(269)	199	-	-	(88)	(158)
Other	5	43	(10)	-	(15)	23
Assets classified as held for sale	-	-	-	-	56	56
Arising from PRRT	594	(84)	-	-	167	677
	767	227	73	-	263[(1)]	1,330

(1) Amounts related to foreign exchange differences arising from the change in presentation currency.

4. Taxes (continued)

	2010 US$m	Restated 2009 US$m
(e) Unrecognised deferred tax assets		
Tax losses not recognised		
Revenue	195	113
Capital	112	99
Tax credits not recognised	-	14
Temporary differences associated with investments	3	2
	310	228

(f) Tax losses

At the reporting date the Group has unused (recognised and not recognised) tax losses and credits of US$1,010 million (2009: US$818 million) that are available for offset against future taxable profits.

A deferred tax asset in respect of tax losses of US$22 million (2009: US$50 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 2010 (2009: US$14 million).

(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 36(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.

5. Earnings per share

	2010	2009
Profit attributable to equity holders of the parent (US$m)	1,575	1,474[1]
Weighted average number of shares on issue	773,388,154	703,310,697
Basic and diluted earnings per share (US cents)[2]	204	210[1]

(1) The Group has made a voluntary change in accounting policy that, as outlined in Note 1(a), resulted in a restatement of profit attributable to equity holders of the parent and earnings per share.

(2) 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.

Prior year earnings per share has been adjusted by a factor of 1.0002 reflecting the retail portion of the fully underwritten accelerated renounceable entitlement offer. On 14 December 2009, the Group announced a fully underwritten 1 for 12 accelerated renounceable entitlement offer at a price of A$42.10 per share, which included institutional and retail portions. Details of the shares issued are outlined in Note 21(c).

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

		2010 US$m	Restated 2009 US$m
(a)	**Dividends paid during the financial year**[1]		
	Prior year fully franked final dividend US$0.49 (A$0.55), paid 31 March 2010 (2009: US$0.35 (A$0.55), paid 6 April 2009)	383	247
	Current year fully franked interim dividend US$0.50, paid 23 September 2010 (2009: US$0.46 cents (A$0.55), paid 5 October 2009)	390	327
		773	574
(b)	**Dividend declared (not recorded as a liability)**[1]		
	Fully franked final dividend US$0.55,to be paid 6 April 2011 (2009: US$0.49 (A$0.55), paid 31 March 2010)	431	383
	Dividend per share in respect of financial year (US cents)	105	95

(1) Fully franked at 30.0% (2009: 30.0%).

6. Dividends paid and proposed (continued)

	2010 US$m	Restated 2009 US$m
(c) Franking credit balance		
Franking credits available for the subsequent financial year arising from		
Franking account balance at 31 December	2,752	2,133
Current year income tax payable	6	110
Dividends declared	(185)	(163)
Franking account balance after payment of tax and dividends	2,573	2,080

7. Cash and cash equivalents

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a) Components of cash and cash equivalents			
Cash at bank[1]	53	49	97
Money market deposits[2]	910	1,158	1
Total cash and cash equivalents	963	1,207	98

(1) Cash at bank earns on average 1.1% (2009: 1.2%).

(2) Money market deposits are denominated in Australian dollars and US dollars with an average maturity of 13.1 days (2009: 2.1 days) and effective interest rates of 0.15% to 5.21% (2009: 0.1% to 5.3%).

(b) Reconciliation to statement of cash flows

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2010 US$m	Restated 2009 US$m
Cash at bank	53	49
Money market deposits	910	1,158
	963	1,207
Cash at bank attributable to disposal group held for sale (Note 24)	-	(4)
	963	1,203

8. Receivables

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
Trade receivables[1]	285	293	214
Other receivables [2]	152	206	152
Dividends receivable[3]	2	3	2
Interest receivable[3]	-	1	-
	439	503	368

(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

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a) Inventories (current)			
Petroleum products (at cost)			
Work in progress	1	1	1
Goods in transit	4	4	3
Finished stocks	61	49	33
Warehouse stores and materials (at cost)	52	55	37
	118	109	74
(b) Inventories (non-current)			
Warehouse stores and materials (at cost)	39	43	36

10. Other financial assets

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a) Other financial assets (current)			
Derivative instruments (at fair value)[1]	9	-	31
Cash held in reserve	2	-	-
	11	-	31
(b) Other financial assets (non-current)			
Other investments (available-for-sale)			
Listed (at fair value)	6	9	4
Unlisted (at cost)	6	6	4
Cash held in reserve[2]	30	30	30
Derivative instruments (at fair value)[1]	15	18	37
Embedded derivatives (at fair value)[3]	54	54	50
	111	117	125

(1) Details regarding derivative instruments are contained in Note 26(f).
(2) Represents restricted cash associated with JBIC facility, refer to Note 26(e).
(3) Embedded derivatives relate to sales contracts.

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11. Other assets

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a) Other assets (current)			
Prepayments	46	62	13
Other	2	3	-
	48	65	13
(b) Other assets (non-current)			
Other	34	-	-
Investment in associates	2	2	3
Development asset	-	-	6
	36	2	9

12. Exploration and evaluation assets

	2010 US$m	Restated 2009 US$m
(a) Reconciliations of the carrying amounts of exploration and evaluation assets		
Carrying amount at 1 January	1,158	810
Additions	701	273
Amortisation of licence acquisition costs	(24)	(35)
Expensed (previously capitalised)	(10)	(3)
Impairment loss	-	(81)
Transferred exploration and evaluation	(24)	-
Currency translation differences	-	194
Carrying amount as at 31 December	1,801	1,158

(b) Carrying amounts of exploration and evaluation assets

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
Regions			
Australia			
Browse Basin	740	581	364
Carnarvon Basin	699	274	129
Bonaparte Basin	127	108	72
The Americas			
Gulf of Mexico	207	172	162
Brazil	26	23	4
Asia			
Korea	2	-	-
Africa			
West Africa (Sierra Leone, Liberia)	-	-	3
North Africa (Algeria, Libya)	-	-	75
East Africa (Kenya)	-	-	1
	1,801	1,158	810

13. Oil and gas properties

	Land and buildings US$m	Transferred exploration and evaluation US$m	Plant and equipment US$m	Marine vessels and carriers US$m	Projects in development US$m	Total US$m
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
Depreciation and amortisation	(7)	(29)	(696)	(6)	-	(738)
Impairment loss	-	(9)	(88)	-	-	(97)
Completions and transfers	(31)	24	356	-	(325)	24
Currency translation differences	-	-	-	-	-	-
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
At 1 January 2009 (Restated)						
Historical cost	385	361	7,154	292	3,761	11,953
Accumulated depreciation and impairment	(131)	(157)	(2,898)	(178)	-	(3,364)
Net carrying amount	254	204	4,256	114	3,761	8,589
Year ended 31 December 2009 (Restated)						
Carrying amount at 1 January 2009	254	204	4,256	114	3,761	8,589
Additions	-	1	(554)	-	4,295	3,742[1]
Transfer to non-current assets held for sale[1]	(10)	-	-	-	-	(10)
Transfer to disposal group held for sale	(32)	(49)	(410)	-	(14)	(505)
Disposals at written down value	-	-	(3)	-	(5)	(8)
Depreciation and amortisation	(1)	(39)	(694)	(5)	-	(739)
Impairment loss	(3)	-	(17)	-	-	(20)
Completions and transfers	97	(6)	585	(3)	(673)	-
Currency translation differences	71	44	1,025	32	1,636	2,808
Carrying amount at 31 December 2009	376	155	4,188	138	9,000	13,857
At 31 December 2009 (Restated)						
Historical cost	573	385	8,544	373	9,000	18,875
Accumulated depreciation and impairment	(197)	(230)	(4,356)	(235)	-	(5,018)
Net carrying amount	376	155	4,188	138	9,000	13,857

(1) Impairment of assets attributable to non-current assets held for sale recognised in the income statement was US$3 million. Immediately before the classification as non-current assets held for sale, the recoverable amount was estimated based on fair value less cost to sell. The net carrying amount of the non-current assets was US$13 million. As a result, an impairment loss of US$3 million was recognised to reduce the carrying amount to the recoverable amount.

Borrowing costs capitalised in oil and gas properties during the year were US$217 million (2009: US$162 million) at a weighted average interest rate of 3.7% (2009: 4.2%).

14. Other plant and equipment

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a) Other plant and equipment			
Plant and equipment	160	163	128
Less: Accumulated depreciation	(88)	(81)	(55)
	72	82	73
Assets under construction	-	-	4
	72	82	77
(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	82	77	
Additions	1	2	
Disposals at written down value	-	(1)	
Impairment loss	-	(1)	
Completions and transfers	-	(1)	
Depreciation and amortisation	(11)	(13)	
Currency translation differences	-	19	
Carrying amount at 31 December	72	82	

15. Payables

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a) Payables (current)			
Trade payables[1]	245	345	314
Other payables[1]	934	784	807
Interest payable[2]	55	57	35
	1,234	1,186	1,156
(b) Payables (non-current)			
Loan payables[3]	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 26(e).
(3) Loan payable are unsecured, interest-free and have a repayment period of 10 years.

16. Interest-bearing liabilities

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a) Interest-bearing liabilities (current)(1)			
Bonds	300	-	-
Debt facilities	103	-	-
	403	-	-
(b) Interest-bearing liabilities (non-current)(1)			
Bonds	1,927	2,220	545
Debt facilities	2,585	2,719	1,499
	4,512	4,939	2,044

(1) Details regarding interest-bearing liabilities are contained in Note 26(e).

17. Tax payable

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
Income tax payable	6	110	306
PRRT payable	29	88	69
	35	198	375

18. Other financial liabilities

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a) Other financial liabilities (current)			
Derivative instruments (at fair value)(1)	-	28	1
Other financial liability	18	-	-
	18	28	1
(b) Other financial liabilities (non-current)			
Derivative instruments (at fair value)(1)	-	-	3
Other financial liability	5	-	-
	5	-	3

(1) Details regarding derivative instruments are contained in Note 26(f).

19. Other liabilities

		2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a)	**Other liabilities (current)**			
	Unearned revenue	12	16	11
	Gas purchase commitments	1	1	3
		13	17	14
(b)	**Other liabilities (non-current)**			
	Unearned revenue	143	154	148
	Gas purchase commitments	17	18	21
	Defined benefit superannuation plan	14	14	32
		174	186	201

20. Provisions

	Restoration of operating locations[1] US$m	Employee benefits[2] US$m	Other US$m	Total US$m
At 1 January 2010	434	121	9	564
Change in provision	129	35	2	166
Unwinding of present value discount	18	-	-	18
Transferred to liabilities held for sale	-	-	-	-
Currency translation differences	-	-	-	-
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
At 1 January 2009 (Restated)	874	87	5	966
Change in provision	(625)	8	4	(613)
Unwinding of present value discount	15	-	-	15
Transferred to liabilities held for sale	(22)	-	-	(22)
Currency translation differences	192	26	-	218
At 31 December 2009 (Restated)	434	121	9	564
At 1 January 2009 (Restated)				
Current	7	76	5	88
Non-current	867	11	-	878
	874	87	5	966
At 31 December 2009 (Restated)				
Current	7	97	9	113
Non-current	427	24	-	451
	434	121	9	564

(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 28.

21. Contributed equity

	2010 US$m	Restated 2009 US$m	Restated 1 January 2009 US$m
(a) Issued and fully paid shares			
783,401,631 (2009: 748,598,989) ordinary shares[1]	5,036	3,705	1,957
(b) Shares reserved for employee share plans			
1,578,948 (2009: 2,965,835)[2] ordinary shares[3]	(57)	(78)	(113)

(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) 2009 figure has been corrected to reflect the actual number of shares.
(3) Information relating to the number of Woodside Petroleum Ltd shares reserved for employee share plans can be found in Note 28(a) and (b).

	2010 Shares	2009 Shares	2010 US$m	Restated 2009 US$m
(c) Movements in issued and fully paid shares				
At 1 January	748,598,989	698,553,001	3,705	1,957
DRP underwriting agreement				
Ordinary shares issued at A$36.25 (2008 final dividend)	-	5,165,380	-	134
Ordinary shares issued at A$48.48 (2009 interim dividend)	-	3,769,777	-	160
DRP				
Ordinary shares issued at A$35.50 (2008 final dividend)	-	5,555,235	-	141
Ordinary shares issued at A$47.67 (2009 interim dividend)	-	4,343,965	-	182
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	-
Rights Issue				
Ordinary shares issued at A$42.10	28,646,808	31,211,631	1,078	1,156
Share issue costs (net of tax)			(1)	(25)
At 31 December	783,401,631	748,598,989	5,036	3,705

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
At 1 January 2010	91	679	96	(14)	(6)	846
Share-based payments	101	-	-	-	-	101
Cash flow hedges						
Net deferred loss recognised in equity	-	-	-	-	-	-
Loss recognised in revenue	-	-	-	14	-	14
Available-for-sale financial assets	-	-	-	-	(4)	(4)
Net gain on hedge of net investment	-	-	14	-	-	14
Currency translation differences	-	-	-	-	-	-
At 31 December 2010	192	679	110	-	(10)	971
At 1 January 2009 (Restated)	49	(594)	(108)	9	(6)	(650)
Share-based payments	42	-	-	-	-	42
Cash flow hedges						
Net deferred loss recognised in equity	-	-	-	(10)	-	(10)
Gain recognised in revenue	-	-	-	(13)	-	(13)
Available-for-sale financial assets	-	-	-	-	-	-
Net gain on hedge of net investment	-	-	204	-	-	204
Currency translation differences	-	1,273	-	-	-	1,273
At 31 December 2009 (Restated)	91	679	96	(14)	(6)	846

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.

23. Retained earnings

	2010 US$m	Restated 2009 US$m
At 1 January	4,339	3,439
Net profit for the year	1,575	1,474
Dividends	(773)	(574)
At 31 December	5,141	4,339

24. Assets and liabilities of disposal group classified as held for sale

(a) Details of disposal group held for sale

On 31 October 2009, Woodside Energy Ltd executed a Sale and Purchase Agreement to dispose of Woodside's 51.55% interest in the Otway project (disposal group), being Exploration Permits Vic/P43 and T/30P and Production Licences Vic/L23, T/L2, T/L3 and T/34P, to Origin Energy Resources Ltd. The disposal group is included in the Australia Business Unit segment. As at 31 December 2009, the sale remained subject to the satisfaction of a number of Conditions Precedent including the assignment of third party contracts.

On 16 March 2010, all Conditions Precedent to the sale were satisfied enabling completion of the sale for US$643 million in cash, resulting in a pre-tax gain of US$143 million. As the disposal group was sold prior to 31 December 2010, the assets and liabilities classified as part of a disposal group held for sale as at 31 December 2009 are no longer included in the statement of financial position.

(b) Assets and liabilities of disposal group held for sale

The major classes of assets and liabilities of the disposal group as at 31 December 2009 are as follows:

	Restated 2009 US$m
Assets	
Cash and cash equivalents	(4)
Receivables	25
Inventories	2
Oil and gas properties	502
Assets classified as held for sale	525
Liabilities	
Payables	(15)
Provisions	(22)
Liabilities directly associated with assets classified as held for sale	(37)
Net assets attributable to disposal group held for sale	488

25. Parent entity information

	2010 US$m	Restated 2009 US$m
Information relating to Woodside Petroleum Ltd		
Current assets	-	-
Total assets	5,786	4,576
Current liabilities	(176)	(398)
Total liabilities	(373)	(583)
Net assets	5,413	3,993
Issued and fully paid shares	5,036	3,705
Share reserved for employee share plans	(57)	(78)
Employee benefits reserve	154	69
Foreign currency translation reserve	303	303
Retained earnings	(23)	(6)
Total shareholders' equity	5,413	3,993
Profit of the parent entity	756	611
Total comprehensive income of the parent entity	756	1,170

Guarantees

Woodside Petroleum Ltd and Woodside Energy Ltd (a subsidiary company) are parties to a Deed of Cross Guarantee as disclosed in Note 36(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 26(e).

26. 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.

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.

26. Financial and capital risk management (continued)

(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.

Prior to 1 January 2010

The functional currency of most operations was Australian dollars. The Group was principally exposed to foreign exchange risk on those financial instruments denominated in US dollars, held by entities with an Australian dollar functional currency.

Subsequent to 1 January 2010

Woodside Petroleum Ltd has experienced a period of sustained growth in US dollar revenue streams and in the period up to 31 December 2009 increased its US dollar debt levels significantly. Consequently, the directors have determined that the functional currency of the company and all its subsidiaries is US dollars. As a result, 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. It is the Group's policy not to enter into forward foreign currency contracts until a firm commitment is 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.

	2010[1]				Restated[2] 2009			
	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	910	44	9	963	38	1,155	14	1,207
Receivables	329	110	-	439	314	167	22	503
Other financial assets	108	14	-	122	82	29	6	117
	1,347	168	9	1,524	434	1,351	42	1,827
Financial liabilities								
Payables	361	866	42	1,269	332	659	195	1,186
Interest-bearing liabilities[3]	4,849	-	104	4,953	4,738	-	252	4,990
Other financial liabilities	23	-	-	23	28	-	-	28
	5,233	866	146	6,245	5,098	659	447	6,204

(1) Currency exposures exist in respect of balances denominated in currencies other than US dollars.
(2) Foreign exchange exposures for the comparative period were translated into US dollars for presentation purposes.
(3) Excludes deferred transaction costs.

26. 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.

	Post tax profits (decrease)/increase		Other comprehensive income (decrease)/increase	
Judgements of reasonably possible movements	**2010[2] US$m**	Restated[1] 2009 US$m	**2010[2] US$m**	Restated[1] 2009 US$m
US$:A$ +15% (2009:+10%)	(69)	230	-	70
US$:A$ -15% (2009:-10%)	81	(281)	-	(85)

(1) Prior to 1 January 2010, the sensitivity was related to financial instruments denominated in US dollars, held by entities with an Australian dollar functional currency. 2009 figures have been translated into US dollars for presentation purposes following the change in presentation currency to US dollars.
(2) Subsequent to 1 January 2010, the sensitivity is related to financial instruments denominated in Australian dollars.

Prior to 1 January 2010, the sensitivity was related to financial instruments denominated in US dollars. The sensitivities in 2009 have been translated into US dollars for presentation purposes following the change in presentation currency to US dollars. The sensitivity of post tax profits in 2009 was due to a higher level of US dollar financial liabilities at reporting date. The sensitivity of other comprehensive income in 2009 was due to a certain amount of US dollar borrowings which were used as a hedge of net investment in the US dollar functional currency entities.

Subsequent to 1 January 2010, the sensitivity is related to financial instruments denominated in Australian dollars. A lower sensitivity of post tax profits in 2010 is due to lower Australian dollar financial instruments in 2010 compared to higher US dollar financial instruments in 2009.

(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.

The Group's oil commodity hedging program utilises financial instruments based on New York Mercantile Exchange (NYMEX) West Texas Intermediate (WTI) pricing. Refer to Note 26(f) for details of the hedging programs.

The existing financial instruments used to hedge against commodity price risk expired on 31 December 2010 and no other hedging programs were placed or in place during 2010.

(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's policy is 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 26(f). No hedging programs were placed during 2010.

26. Financial and capital risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

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:

	2010 US$m	Restated 2009 US$m
Financial assets		
Other financial assets	24	18
Financial liabilities		
Interest-bearing liabilities[1]	(2,600)	(2,740)

(1) Excludes deferred transaction costs.

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.

	Post tax profits (decrease)/increase		Other comprehensive income (decrease)/increase	
Judgements of reasonably possible movements	2010[2] US$m	Restated[2] 2009 US$m	2010 US$m	Restated 2009 US$m
LIBOR +1.5% (2009: +1.5%)	(8)	(11)	-	-
LIBOR -1.5% (2009: -1.5%)	8	11	-	-

(2) Excludes impact of sensitivities on interest-bearing liabilities where borrowing costs are capitalised to qualifying assets.

The sensitivity is lower in 2010 than in 2009 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. Financial liabilities available to the Group are disclosed in Note 26(e). Refer to Note 26(g) for details of the repayment obligations in respect of the amount of facilities drawndown.

	2010 Payables maturity analysis				Restated 2009 Payables maturity analysis			
	< 30 days US$m	30-60 days US$m	> 60 days US$m	Total US$m	< 30 days US$m	30-60 days US$m	> 60 days US$m	Total US$m
Trade payables	240	5	-	245	262	83	-	345
Other payables	934	-	35	969	784	-	-	784
Interest payable	55	-	-	55	57	-	-	57
Total payables	1,229	5	35	1,269	1,103	83	-	1,186

26. 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 a credit rating equal to or better than the Group. 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.

	2010 Receivables maturity analysis				Restated 2009 Receivables maturity analysis[1]			
	< 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	285	-	-	285	293	-	-	293
Other receivables	151	1	-	152	174	3	29	206
Dividends receivable	2	-	-	2	3	-	-	3
Interest receivable	-	-	-	-	1	-	-	1
Total receivables	438	1	-	439	471	3	29	503

(1) No significant receivables are past due at the reporting date.

(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 17 bi-lateral loan facilities, with 16 facilities totalling US$1,525 million and one facility totalling EUR€78 million. Details of bi-lateral loan facilities at the reporting date are as follows:

Number of facilities	Term (years)	Currency	Extension option
6	5	AUD, USD	Evergreen
2	5	Multiple	Evergreen
1	5	Multiple	Evergreen
1	5	USD	Not evergreen
1	4	Multiple	Evergreen
1	4	AUD, USD	Evergreen
3	3	AUD, USD	Evergreen
1	3	USD	Evergreen
1	2	EUR	Not evergreen

Interest rates are based on LIBOR and are fixed at the commencement of the drawdown period. The European Interbank Offered Rate (EURIBOR) is used for the Euro facility. 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.

26. Financial and capital risk management (continued)

(e) Financing facilities (continued)

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 2011 US$300 million bond has a fixed rate coupon of 6.70% p.a. and matures on 1 August 2011;
- 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; and
- The 2019 US$600 million bond has a fixed rate coupon of 8.75% p.a. and matures on 1 March 2019.

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 US$1,100 million under this loan was fully utilised on 15 December 2010. 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.

26. Financial and capital risk management (continued)

(f) Hedging and derivatives

Commodity prices

The Group's future revenue is exposed to commodity price fluctuations. The Group may enter into commodity price derivative instruments to manage this exposure.

Instrument	Notional volumes	Rate	Expiry	Hedge type	Fair value 2010 US$m	Fair value Restated 2009 US$m
Crude oil zero cost collars	Sell 2,500,000 bbl	Receive US$55 - 73.68/bbl	2010	Cash flow hedge - manages risk from anticipated oil production receipts from projects in the Greater Exmouth Area. Notional volumes amount to approximately 19% of total anticipated production from 2009 to 2010.	-[1]	(28)

(1) The existing financial instruments, used to manage commodity price fluctuations, expired on 31 December 2010. No hedging programs were placed during 2010.

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 2010 US$m	Fair value Restated 2009 US$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.	24	18

26. Financial and capital risk management (continued)

(g) Maturity profile of interest-bearing liabilities

The maturity profile of the Group's interest-bearing liabilities are as follows:

	Due for payment in						
	1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	US$m	US$m	US$m	US$m	US$m	US$m	US$m
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)
2009 (Restated)							
Interest-bearing liabilities[1]	(181)	(616)	(1,580)	(708)	(1,288)	(1,608)	(5,981)
	(181)	(616)	(1,580)	(708)	(1,288)	(1,608)	(5,981)

(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.

(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:

	2010				Restated 2009			
	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	-	-	-	-
Derivative instruments: non-current	-	15	-	15	-	18	-	18
Other investments (available-for-sale):								
listed entity investments	6	-	-	6	9	-	-	9
Embedded derivatives	-	-	54	54	-	-	54[2]	54
Financial liabilities								
Derivative instruments: current	-	-	-	-	-	(28)	-	(28)

(2) 2009 classification of embedded derivatives has been changed to reflect the correct valuation technique.

26. Financial and capital risk management (continued)

(h) Fair values (continued)

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, forward commodity contracts and embedded derivatives. These instruments are included in Level 2. In circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments 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.

Transfer between categories

There were no transfers between Level 1 and Level 2 during the year.

Reconciliation of Level 3 fair value movements

	2010 US$m	Restated 2009 US$m
At 1 January	54	50
Loss recognised in the income statement	-	4
At 31 December	54	54
Total loss stated in the above table for assets held at the end of the financial year	-	4

(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 activated for the 2010 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 26% (2009: 30%).

27. Expenditure commitments

	2010 US$m	Restated 2009 US$m
(a) Operating lease commitments		
Rentals payable on non-cancellable operating leases, due		
Within one year	511	569
After one year but not more than five years	908	1,351
Later than five years	423	494
	1,842	2,414

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$595 million during the year (2009: US$361 million). A portion of this amount relates to arrangements containing non-lease elements, which are not practicable to separate.

	2010 US$m	Restated 2009 US$m
(b) Capital expenditure commitments		
Expenditure contracted for but not provided for in the Financial Report, due		
Within one year	743	1,469[1]
After one year but not more than five years	23	169[1]
Later than five years	3	4
	769	1,642[1]

(1) 2009 figures have been changed to reflect the correct amount.

	2010 US$m	Restated 2009 US$m
(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	102	63
After one year but not more than five years	169	13
Later than five years	3	2
	274	78
(d) Exploration commitments		
Exploration expenditure obligations contracted for but not provided for in the Financial Report, due		
Within one year	178	128
After one year but not more than five years	199	246
Later than five years	1	2
	378	376
By region		
Australia		
Browse Basin	47	24
Barrow Basin	-	92
Carnarvon Basin	276	223
Victoria	-	6
The Americas		
Gulf of Mexico	9	26
Peru	-	5
Asia		
Korea	46	-
	378	376

These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

28. Employee benefits

(a) Woodside employee share plans

(i) Woodside employee share plan

During 2006, following a review of the Group's total reward strategy across global operations, it was decided to close the Woodside Employee Share Plan (WESP) with the last allocation being made to employees in August 2006. On announcement of closure, unrestricted possession (full entitlement) of these shares was provided immediately to employees. Employees were required to repay or refinance WESP loans by 31 December 2009 and the plan was closed for repayments on 8 January 2010. The value of the outstanding loans as at 31 December 2009 was US$21 million. Before closing the WESP, the Group assessed incremental loan offer entitlements in accordance with pre-established criteria based on remuneration levels.

Under the WESP, eligible employees were granted loans for the on-market purchase of shares in Woodside Petroleum Ltd. The loans were interest-free, limited-recourse, were reduced by the application of dividends (after taking into account employee liability for tax on those dividends) and were repayable upon the sale of shares or termination of the employee.

WESP participants receive all of the rights of ordinary shareholders. Where the loan is repaid by the sale of shares, any remaining surplus on sale is paid to the employee while any shortfall is borne by the Group.

Awards to employees under WESP are accounted for as share-based payments to employees for services provided. The fair value of the benefit provided was estimated on issue using the Binomial option pricing model.

The following table illustrates the number and weighted average prices of shares reserved, acquired and redeemed during the year under the WESP on behalf of employees.

	2010			2009		
	Number of shares	Weighted average price(1) (A$/share)	Cost US$m	Number of shares	Weighted average price(2) (A$/share)	Restated Cost US$m
At 1 January	1,082,538	39.68	35	4,048,816	23.31	75
Redemptions during the year	(1,082,538)	39.68	(40)	(2,966,278)	17.34	(40)
At 31 December	-		(5)(3)	1,082,538	39.68	35
Less cumulative dividends applied			-			(15)
Shares reserved for employees	-		-	1,082,538	21.03	20
Shares eligible for unrestricted possession	-		-	1,082,538	39.68	35

(1) The weighted average share price for Woodside Petroleum Ltd during the year was A$43.59.
(2) The weighted average share price for Woodside Petroleum Ltd during the year was A$42.67.
(3) Represents foreign exchange differences on full settlement of outstanding loans.

28. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(ii) 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 April 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 1,553 employees participating at 31 December 2010.

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.

Grant date	Matching shares acquired	Shares at acquisition date (A$/share)	Employee benefit fair value (US$/share)
2010	- [(1)]		-
2009			
January	162,748	35.21	31.46
March	153,666	38.60	34.49

(1) No matching shares were acquired as the plan was suspended in April 2009.

28. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(iii) 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 3,195 employees participating at 31 December 2010.

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 equity rights and movements in each EEP offer are as follows:

			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

			2009		
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 December 2009	-	219,143	-	-	219,143
31 October 2009	-	5,936,722	-	(7,826)	5,928,896
	-	6,155,865	-	(7,826)	6,148,039

28. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(iii) 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 2010 and 31 December 2009:

				Valuation assumptions	
Grant date	Vesting date	Share price at grant date (A$/share)	Employee benefit fair value (US$/ER)	Expected dividend return (%)	Expected life (years)
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

(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 2010 Directors' Report.

The following table illustrates the number and weighted average prices of shares reserved and acquired during the year by the plan.

	2010			2009		
	Number of shares	Weighted average price (A$/share)	Cost US$m	Number of shares	Weighted average price (A$/share)	Restated Cost US$m
Opening balance	650,650	46.88	24	880,749	46.88	33
Purchases during the year	-	-	-	-	-	-
Vested during the year	(147,406)	46.88	(6)	(230,099)	46.88	(9)
Shares reserved for executives under EIP/PR	503,244	46.88	18	650,650	46.88	24

28. 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 (%)
2010	1 January 2010	25 February 2014	-	99,405	-	-	99,405	47.20	38.32	2.5
2009	1 January 2009	5 March 2013	144,846	-	(15,986)	(5,247)	123,613	36.70	29.57	2.5
2008	1 January 2008	27 February 2012	116,301	-	(14,153)	(3,273)	98,875	50.39	39.81	3.0
2007	1 January 2007	14 March 2011	61,565	-	(8,608)	(1,441)	51,516	38.11	30.07	3.0
2006	1 January 2006	15 March 2010	44,941	-	(44,491)[1]	-	-	39.19	30.92	3.0

(1) Amount includes 25,920 shares that were settled in cash with a fair value of $42.12.

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	965	-	(117)	(28)	820	47.18	39.92	2.5
2007	13 December 2009	14 March 2011	511	-	(72)	(6)	433	47.18	40.87	2.5
2006	13 December 2009	15 March 2010	373	-	(373)[2]	-	-	47.18	41.89	2.5

(2) Amount includes 214 shares that were settled in cash with a fair value of $42.12.

28. 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	Employee benefit fair value	Valuation assumptions: Expected volatility	Risk free interest rate	Expected dividend yield
								(A$/share)	(US$/VPR)	(%)	(%)	(%)
2010	1 January 2010	25 February 2014 25 February 2015	-	220,655	-	-	220,655	47.20	25.48	38	5.3	2.5
2009	1 January 2009	5 March 2013 5 March 2014	179,593	-	-	(4,674)	174,919	36.70	26.21	35	3.6	2.5
2008	19 February 2008	31 March 2011	81,606	-	-	-	81,606	51.26	29.19	28	4.5	3.0
2008	1 January 2008	27 February 2012 27 February 2013	244,888	-	-	(5,508)	239,380	50.39	26.61	26	6.6	3.0
2007	1 January 2007	14 March 2011 14 March 2012	160,587	-	-	(2,821)	157,766	38.11	29.19	25	6.0	3.0
2006	1 January 2006	15 March 2010	107,731	-	(107,731)[1]	-	-	39.19	15.82	24	5.2	3.0

(1) Amount includes 45,886 shares that were settled in cash with a fair value of $43.99.

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	Employee benefit fair value	Valuation assumptions: Expected volatility	Risk free interest rate	Expected dividend yield
								(A$/share)	(US$/VPR)	(%)	(%)	(%)
2008	13 December 2009	27 February 2012 27 February 2013	2,033	-	-	(45)	1,988	47.18	23.56	41	5.0	2.5
2008	13 December 2009	31 March 2011	678	-	-	-	678	47.18	27.93	46	5.3	2.5
2007	13 December 2009	14 March 2011 14 March 2012	1,333	-	-	(26)	1,307	47.18	27.93	46	4.7	2.5
2006	13 December 2009	15 March 2010 15 March 2012	894	-	(894)[2]	-	-	47.18	33.33	46	4.7	2.5

(2) Amount includes 377 shares that were settled in cash with a fair value of $43.94.

28. 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 2010 5 March 2011 5 March 2012	35,894	-	(11,961)[3]	-	23,933	59.22	26.48	31	6.5	3.0
2007	1 November 2007	15 March 2010 15 March 2011	27,405	-	(13,703)[4]	-	13,702	52.24	23.83	27	6.8	3.0
2007	15 March 2007	15 March 2010	54,475	-	(54,475)[5]	-	-	36.30	30.57	-	-	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.
(3) Amount includes 6,856 shares that were settled in cash with a fair value of $42.12.
(4) Amount includes 11,166 shares that were settled in cash with a fair value of $42.12.
(5) Amount includes 32,824 shares that were settled in cash with a fair value of $42.12.

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$/share)	Employee benefit fair value[6] (US$/VPR)	Valuation assumptions: Expected volatility[6] (%)	Risk free interest rate[6] (%)	Expected dividend yield[6] (%)
2008	13 December 2009	5 March 2010 5 March 2011 5 March 2012	294	-	(98)[7]	-	196	47.18	28.35	40	4.3	2.5
2007	13 December 2009	15 March 2010 15 March 2011	220	-	(110)[8]	-	110	47.18	29.50	37	4.1	2.5
2007	13 December 2009	15 March 2010	451	-	(451)[9]	-	-	47.18	41.89	-	-	2.5

(6) Valuation assumptions and employee benefit fair values are based on weighted averages.
(7) Amount includes 56 shares that were settled in cash with a fair value of $42.12.
(8) Amount includes 89 shares that were settled in cash with a fair value of $42.12.
(9) Amount includes 271 shares that were settled in cash with a fair value of $42.12.

28. Employee benefits (continued)

(c) 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 2010.

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 2010 were US$14 million (2009: US$10 million).

	2010 US$m	Restated 2009 US$m
Defined benefit plan liability included in the statement of financial position		
Present value of the defined benefit obligation	(160)	(133)
Fair value of defined benefit plan assets	146	119
Net benefit liability - non-current	(14)	(14)

	2010 %	2009 %
Defined benefit plan categories of plan assets		
Cash	10	13
Australian equity	28	33
International equity	27	28
Fixed income	14	10
Property	11	9
Other	10	7
	100	100

28. Employee benefits (continued)

(c) Superannuation plan (continued)

	2010 US$m	Restated 2009 US$m
Defined benefit plan reconciliations		
Reconciliation of the present value of the defined benefit obligation, which is fully funded		
At 1 January	(133)	(115)
Current service cost	(12)	(10)
Interest on obligation	(8)	(6)
Actuarial gain	3	17
Plan participants' contributions	(3)	(3)
Benefits, administrative expenses, premiums and tax paid	11	17
Currency translation differences	(18)	(33)
At 31 December	(160)	(133)
Reconciliation of the fair value of plan assets		
At 1 January	119	83
Expected return on plan assets	9	7
Actuarial (loss)/gain	(3)	7
Employer contributions	14	10
Plan participants' contributions	3	3
Benefits, administrative expenses, premiums and tax paid	(12)	(17)
Currency translation differences	16	26
At 31 December	146	119
Defined benefit plan amounts recognised in the income statement		
Current service cost	9	10[1]
Interest on obligation	15	6[1]
Expected return on plan assets	(16)	(7)[1]
Net actuarial loss/(gain)	3	(10)[1]
Defined benefit plan expense/(gain)	11	(1)[1]

(1) 2009 figures have been changed to reflect the correct amounts.

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 2010	2009
Discount rate – active members	5.60% p.a.	5.70% p.a.
Discount rate – pensioners	5.60% p.a.	5.70% 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.

28. Employee benefits (continued)

(c) Superannuation plan (continued)

Defined benefit plan historical information

	Financial year				
	2010 US$m	Restated 2009 US$m	Restated 2008 US$m	Restated 2007 US$m	Restated 2006 US$m
Present value of defined benefit obligation[1]	(160)	(133)	(115)	(132)	(100)
Fair value of plan assets	146	119	83	152	138
(Deficit)/surplus in plan	(14)	(14)	(32)	20	38
Experience adjustments (loss)/gain - plan assets	(3)	7	(43)	(1)	9
Experience adjustments (loss)/gain - plan liabilities	3	4	(1)	(8)	(5)

(1) Includes any provision for contribution tax on plan surplus or deficit.

(d) Employee benefits expense

	2010 US$m	Restated 2009 US$m
Employee benefits	143	125
Defined contribution plan costs	14	13
Defined benefit plan expense/(gain)	11	(1)
	168	137

29. Key management personnel compensation

(a) Compensation of key management personnel

Key management personnel (KMP) compensation for the financial year is as follows:

	2010 US$	Restated[1] 2009 US$
Short-term employee benefits	12,063,581	11,090,010
Post employment benefits	530,391	405,351
Share-based payments	7,728,173	3,918,261
Long-term employee benefits	236,644	-
Termination/sign on benefits	86,583	114,992
	20,645,372	15,528,614

(1) 2009 figures have been changed to reflect the correct amounts.

29. 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:

	2010					2009			
	Opening holding[2]	NEDSP[3]	Acquisition/ (disposal)[4]	Net change - other	Closing holding	Opening holding[2]	NEDSP[3]	Acquisition/ (disposal)[4]	Closing holding
Non-executive directors									
M A Chaney	20,000	-	-	-	20,000	20,000	-	-	20,000
E Fraunschiel	75,626	226	6,078	-	81,930	75,626	-	-	75,626
A Jamieson	3,000	-	-	-	3,000	3,000	-	-	3,000
P J M H Jungels	9,205	-	-	-	9,205	8,973	232	-	9,205
D I McEvoy	6,933	-	769	-	7,702	2,564	-	4,369	6,933
D Megat	1,042	155	-	-	1,197	597	445	-	1,042
I Robertson	-	-	-	-	-	-	-	-	-
M Cilento	-	113	500	-	613	-	-	-	-
Executives									
D Voelte	133,588	-	(46,167)	-	87,421	69,902	-	63,686	133,588
M Chatterji[5]	32,673	-	(12,384)	20,289	-	12,950	-	19,723	32,673
R Cole	8,904	-	4,499	-	13,403	4,505	-	4,399	8,904
E Howell	10,765	-	7,400	-	18,165	5,893	-	4,872	10,765
A J Kantsler[6]	113,169	-	19,764	132,933	-	113,138	-	31	113,169
V Santostefano	12,357	-	7,489	-	19,846	3,946	-	8,411	12,357
L Della Martina	53,193	-	-	-	53,193	44,959	-	8,234	53,193
K Gallagher[7]	8,346	-	6,141	-	14,487				
P Moore[7]	11,259	-	(5,823)	-	5,436				
F Ahmed	2,500	-	-	-	2,500	2,500	-	-	2,500
J Soine[7]	-	-	-	-	-				
B Donaghey[8]						27,528	-	5,508	33,036

(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 Chatterji departed Woodside on 31 December 2010.
(6) Mr Kantsler departed Woodside on 2 July 2010.
(7) Mr Gallagher, Mr Moore and Mr Soine did not meet the definition of KMP under AASB 124 for the 2009 financial year but are considered KMP for 2010. Prior year comparative figures are not shown.
(8) Ms Donaghey departed Woodside on 31 October 2009.

29. Key management personnel compensation (continued)

(c) Executives' interests in variable pay rights (VPR) and pay rights (PR) and equity rights (ER)

VPR and PR holdings of key management personnel

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[(1)]	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[(1)]	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[(2)]	24,139	6,959	(6,141)	-	24,957
P Moore[(2)]	15,069	6,424	(4,620)	-	16,873
F Ahmed	23,092	9,745	(2,047)	-	30,790
J Soine[(2)]	2,046	-	(1,023)	-	1,023

2009

Name	At 1 January 2009	Allocated in 2009	Vested in 2009	Net change - other	At 31 December 2009
D Voelte	254,937	69,538	(63,291)	-	261,184
M Chatterji	57,617	26,486	(19,044)	-	65,059
R Cole	18,737	17,775	(4,004)	-	32,508
E Howell	17,121	15,549	(4,843)	-	27,827
A Kantsler	37,398	19,769	(16,351)	-	40,816
V Santostefano	20,577	12,975	(8,016)	-	25,536
L Della Martina	21,877	13,005	(7,839)	-	27,043
F Ahmed	9,136	15,987	(2,031)	-	23,092
B Donaghey	20,500	7,705	(5,508)	(22,697)[(3)]	-

(1) Mr Chatterji and Dr Kantsler's RTSR-tested VPRs remain subject to the RTSR test.

(2) Mr Gallagher, Mr Moore and Mr Soine did not meet the definition of KMP under AASB 124 for the 2009 financial year but are considered KMP for 2010. Prior year comparative figures are not shown.

(3) Ms Donaghey's PRs and VPRs were forfeited upon her departure on 31 October 2009.

29. Key management personnel compensation (continued)

(d) Summary of Executives' interests in shares under the Woodside Share Purchase Plan (WSPP)

Name	Plan type	Opening balance	Shares purchased under WSPP	Matching shares	Shares vested in 2010	Closing balance
D Voelte	2010 WSPP	893	-	-	124	769
	2009 WSPP	498	158	237	-	893
	2008 WSPP	124	173	201	-	498
	2007 WSPP	-	62	62	-	124
M Chatterji(1)	2010 WSPP	893	-	-	893	-
	2009 WSPP	498	158	237	-	893
	2008 WSPP	124	173	201	-	498
	2007 WSPP	-	62	62	-	124
R Cole	2010 WSPP	893	-	-	124	769
	2009 WSPP	498	158	237	-	893
	2008 WSPP	124	173	201	-	498
	2007 WSPP	-	62	62	-	124
E Howell	2010 WSPP	-	-	-	-	-
	2009 WSPP	-	-	-	-	-
	2008 WSPP	-	-	-	-	-
	2007 WSPP	-	-	-	-	-
A Kantsler(2)	2010 WSPP	358	-	-	358	-
	2009 WSPP	358	-	-	-	358
	2008 WSPP	124	117	117	-	358
	2007 WSPP	-	62	62	-	124
V Santostefano	2010 WSPP	893	-	-	124	769
	2009 WSPP	498	158	237	-	893
	2008 WSPP	124	173	201	-	498
	2007 WSPP	-	62	62	-	124
L Della Martina(3)	2010 WSPP	893	-	-	124	769
	2009 WSPP	498	158	237	-	893
	2008 WSPP	124	173	201	-	498
K Gallagher(4)	2010 WSPP	893	-	-	124	769
P Moore(4)	2010 WSPP	358	-	-	124	234
F Ahmed	2010 WSPP	-	-	-	-	-
	2009 WSPP	-	-	-	-	-
J Soine (4)	2010 WSPP	-	-	-	-	-
B Donaghey5)	2010 WSPP	-	-	-	-	-
	2009 WSPP	-	-	-	-	-

(1) Mr Chatterji departed Woodside on 31 December 2010.
(2) Mr Kantsler departed Woodside on 2 July 2010.
(3) Mr Della Martina did not meet the definition of KMP under AASB 124 for the 2007 financial year but is considered a KMP for 2008. Prior year comparative figures are not shown.
(4) Mr Gallagher, Mr Moore and Mr Soine did not meet the definition of KMP under AASB 124 for previous years but did fall within the definition for 2010. Prior year comparative figures are not shown.
(5) Ms Donaghey departed Woodside on 31 October 2009.

30. 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 (2009: US$0.49), payable on 6 April 2011. The amount of this dividend will be US$431 million (2009: US$383 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.

31. 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
Entities with significant influence over the Group				
Royal Dutch Shell Group (Shell Group)				
Shell Company of Australia Ltd				
- purchases of goods	**2010**	-	68	(3)
	2009 (Restated)	-	61	(6)
Other members of Shell Group				
- purchases of services	**2010**	-	20	-
	2009 (Restated)	-	19	(1)
Other members of Shell Group				
- sales of goods	**2010**	174	-	-
	2009 (Restated)	244	-	46

Shell Energy Holdings Australia Ltd is deemed a related party through its 24.3% (2009: 34.3%) interest of 190,119,364 ordinary shares (2009: 256,483,034 ordinary shares) in the shareholding of the Group. In November 2010, Shell Energy Holdings Australia Ltd reduced its shareholding in Woodside Petroleum Ltd from 34.3% of issued capital to 24.3%.

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 2010, the total paid by the Group to Solen Versicherungen AG for its participation was US$3 million (2009: US$2 million).

The Group and Shell have common interests in joint ventures (refer to Note 34(a)).

(b) Terms and conditions of transaction with related parties

Sales to and purchases from related parties are made in arm's length transaction both at 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 to 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 2010 (2009: nil).

32. Contingent liabilities and contingent assets

	2010 US$m	Restated 2009 US$m
(a) Contingent liabilities at the reporting date		
Not otherwise provided for in the Financial Report		
Contingent liabilities[(1)]	26	39
Guarantees[(2)]	4	3
	30	42
(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.

33. Auditor remuneration

	2010 US$'000	Restated 2009 US$'000
Amounts received or due and receivable by the auditors of the company for		
Audit and review of financial reports		
Ernst & Young (Australia)		
Audit	1,019	766
Special projects	521[(1)]	-
Overseas Ernst & Young firms	390	378
	1,930	1,144
Non-audit services		
Ernst & Young (Australia)		
Other assurance/advisory services	519	536
Other services	33	23
Overseas Ernst & Young firms		
Other assurance/advisory services	55	-
	607	559

(1) Amount related to services provided in respect of the Group's election to change the functional and presentation currency to US dollars.

34. Joint ventures

(a) Joint venture interests

The Group's interests in joint venture assets as at 31 December 2010 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 31).

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	0.0 - 15.8
Bonaparte Basin	26.7 - 35.0	25.0 - 33.3
Middle East and Africa		
Producing Assets		
Ohanet	15.0	-
Exploration and Evaluation Assets		
Canary Islands	30.0	-
Libya	45.0	-
The Americas		
Producing and Developing Assets		
Gulf of Mexico	17.0 - 67.0	-
Exploration and Evaluation Assets		
Gulf of Mexico	10.0 - 65.0	-
Brazil	12.5	-
Peru	20.0	-
Asia		
Exploration and Evaluation Assets		
Korea	50.0	-

34. Joint ventures (continued)

(b) Jointly controlled assets

The aggregate of the Group's interest in all jointly controlled assets is as follows:

	2010 US$m	Restated 2009 US$m
Current assets		
Receivables	25	34
Inventories	41	50
Other assets	11	13
	77	97
Non-current assets		
Inventories	13	10
Other assets	2	-
Exploration and evaluation assets	1,481	944
Oil and gas properties	8,940	9,515[1]
	10,436	10,469
	10,513	10,566

(1) 2009 amount has been changed to reflect the correct oil and gas properties balance.

(c) Commitments through jointly controlled assets

The aggregate of the Group's commitments through jointly controlled assets is as follows:

	2010 US$m	Restated 2009 US$m
Capital	889	1,493[2]
Exploration and other commitments	376	274[2]
	1,265	1,767[2]

(2) 2009 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 % 2010	Group interest % 2009
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.

35. Associated entities

Entity	Principal activity	Group interest % 2010	Group interest % 2009
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.

36. 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 Insurance, Inc	(4,6)	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	(2,4,7)	Australia
Woodside Energy (Algeria) Pty Ltd	(2)	Australia
Woodside Petroleum (NEDSP) Pty Ltd	(2,4,7)	Australia
Woodside Technical Services Pty Ltd	(2,4)	Australia
Metasource Pty Ltd	(2,4)	Australia
Woodside West Kimberley Energy Pty Ltd	(2,4,7)	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)	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)	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 2010.
(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 and Tokyo Gas each have 5% of the shares in these companies.
(6) This company was voluntarily dissolved on 12 February 2010.
(7) These companies were placed into voluntary liquidation on 6 September 2010.

36. 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 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	2010 US$m	Restated 2009 US$m
Profit before tax	1,964	2,819
Taxes	(729)	(925)
Profit after tax	1,235	1,894
Retained earnings at the beginning of the financial year	3,917	2,597
Dividends	(773)	(574)
Retained earnings at the end of the financial year	4,379	3,917

36. Subsidiaries (continued)

(b) Deed of Cross Guarantee and Closed Group (continued)

Closed Group consolidated statement of financial position	2010 US$m	Restated 2009 US$m
Current assets		
Cash and cash equivalents	31	(32)[1]
Receivables	435	440
Inventories	116	108
Other financial assets	2	-
Other assets	(12)	(5)
Assets of disposal group classified as held for sale	-	525
Total current assets	572	1,036
Non-current assets		
Receivables	-	57
Inventories	18	40
Other financial assets	11,788	9,227
Other assets	34	-
Exploration and evaluation assets	577	220
Oil and gas properties	4,858	4,881
Other plant and equipment	71	79
Total non-current assets	17,346	14,504
Total assets	17,918	15,540
Current liabilities		
Payables	1,253	1,068
Tax payable	32	197
Other financial liabilities	41	49
Other liabilities	13	16
Liabilities directly associated with assets of disposal group classified as held for sale	-	37
Provisions	130	96
Total current liabilities	1,469	1,463
Non-current liabilities		
Payables	4,927	4,505
Deferred tax liabilities	813	875
Other financial liabilities	6	-
Other liabilities	174	186
Provisions	447	375
Total non-current liabilities	6,367	5,941
Total liabilities	7,836	7,404
Net assets	10,082	8,136
Equity		
Issued and fully paid shares	5,036	3,705
Shares reserved for employee share plans	(57)	(78)
Other reserves	724	592
Retained earnings	4,379	3,917
Total equity	10,082	8,136

(1) Excess joint venture funds were put on deposit in interest-bearing accounts in Woodside Finance Ltd.

37. 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 2010 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 2010 and of the performance of the Group for the financial year ended 31 December 2010;
   (c) the financial statements and notes 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 36 will be able to meet any obligations or liabilities to 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 2010.

For and on behalf of the Board

Michael Chaney, AO
Chairman

Don Voelte
Chief Executive Officer

Perth
21 February 2011

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 2010, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated 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 and fair presentation of the Financial Report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the Financial Report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider 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 met 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. In addition to our audit of the Financial Report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. 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 at 31 December 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the Financial Report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 55 to 70 of the Directors' Report for the year ended 31 December 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Woodside Petroleum Ltd for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst + Young

Ernst & Young

G H Meyerowitz, Partner
Perth, 21 February 2011

SHAREHOLDER INFORMATION

As at 11 February 2011

Number of shareholdings

There were 201,788 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	147,941	55,285,894	7.06
1,001 - 5,000	47,731	93,391,808	11.92
5,001 - 10,000	3,991	27,191,852	3.47
10,001 - 100,000	2,012	42,212,120	5.39
100,001 and over	113	565,319,957	72.16
Total	**201,788**	**783,401,631**	**100.00**

Unmarketable parcels

There were 2,116 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	24.27
HSBC Custody Nominees (Australia) Limited	112,567,348	14.37
J P Morgan Nominees Australia Limited	85,951,310	10.97
National Nominees Limited	69,392,175	8.86
Citicorp Nominees Pty Limited	25,015,971	3.19
Cogent Nominees Pty Limited	11,170,563	1.43
J P Morgan Nominees Australia Limited <Cash Income Account>	9,507,416	1.21
AMP Life Limited	5,586,924	0.71
UBS Wealth Management Australia Nominees Pty Ltd	5,543,919	0.71
Australian Foundation Investment Company Limited	2,710,812	0.35
Citicorp Nominees Pty Limited <CFS WSLE Geared Share Fund Account>	2,639,490	0.34
Australian Reward Investment Alliance	2,297,447	0.29
Cogent Nominees Pty Limited <SMP Accounts>	2,257,729	0.29
Queensland Investment Corporation	2,209,878	0.28
Perpetual Trustee Company Limited	2,137,639	0.27
RBC Dexia Investor Services Australia Nominees Pty Limited <MLCI Account>	1,934,101	0.25
Argo Investments Limited	1,700,873	0.22
Citicorp Nominees Pty Limited <CFSIL CFS WS AUST Share Account>	1,529,936	0.20
HSBC Custody Nominees (Australia) Limited - GSCO ECA	1,281,183	0.16
Tasman Asset Management Ltd <Tyndall Australian Share Whole>	1,145,641	0.15
Total	**536,699,719**	**68.51**

Substantial shareholders as disclosed in substantial shareholder notices given to the company are as follows:

Shell Energy Holdings Australia Ltd	190,119,364	24.27

Annual General Meeting

The 2011 AGM of Woodside Petroleum Ltd will be held at 10 am (AWST) on Wednesday, 20 April 2011 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 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 dividend 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 will receive their dividend 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.

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).

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.

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

Business directory

Registered office Perth

Woodside Petroleum Ltd
Woodside Plaza
240 St Georges Terrace
Perth, WA 6000

Telephone: +61 8 9348 4000

Postal address: GPO Box D188
Perth, WA 6840

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 2010

January	Woodside Browse marketing update Gas encountered in Noblige Well
February	Woodside announces successful completion of retail bookbuild Browse Joint Venture selects development concept Browse enters basis of design phase Woodside reports full year net profit of A$1,824 million
March	Sale of Otway Gas Project completed Change in functional and presentation currency for financial reporting
April	Sunrise Joint Venture selects floating processing option
June	Appointment of Deputy Chief Financial Officer
August	Gas discovery at Alaric Gas discovery at Larsen Deep Woodside reports first half profit of US$901 million
September	Update on Browse LNG Development
October	Succession plan commenced for CEO Woodside increases equity in Pluto Central Hub
November	Shell announcement on Woodside shareholdings Gas discovery at Remy-1
December	Debt facility re-financing completed

Events calendar 2011

Key calendar dates for Woodside shareholders in 2011.
Please note dates are subject to review.

January	21	Fourth quarter 2010 report
February	21	2010 Full-Year result and final dividend announcement
	24	Ex-Dividend date for final dividend
March	2	Record date for final dividend
April	6	Payment date for final dividend
	18	AGM proxy returns close at 10.00 am (AWST)
	19	First quarter 2011 report
	20	Annual General Meeting
June	30	Woodside Half-Year end
July	19	Second quarter 2011 report
August	17	2011 Half-Year result and interim dividend announcement
	TBA	Ex-Dividend date for interim dividend
	TBA	Record date for interim dividend
September	TBA	Payment date for interim dividend
October	21	Third quarter 2011 report
December	31	Woodside Year end

CONVERSION FACTORS AND GLOSSARY

Conversion factors

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
mtpa	million tonnes per annum
psi	pounds per square inch

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)
Appraisal well	Drilled to follow up a discovery and evaluate its commercial potential
Basis of design	Specification of owner's requirements
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	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	The 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 indicators
LIBOR	London Inter-Bank Offer Rate
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
Lifting costs	Production costs (excluding insurance, third party gas and 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
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)
RTSR	Relative 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
WSSP	Woodside share purchase plan
WTI	West Texas intermediate cushing spot (oil price)

QUICK REFERENCE GUIDE

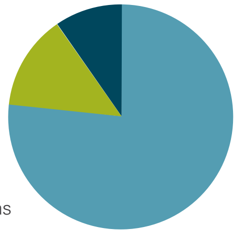
2010 SUMMARY CHARTS

PRODUCT VIEW

Investment

	2010	2009
Gas and condensate*	77%	82%
Oil*	13%	11%
Exploration and Other	10%	7%

* Indicative only as some assets produce oil and gas

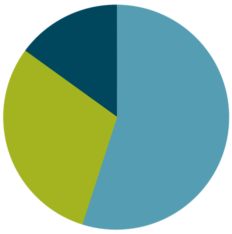


As in prior years, the majority of Woodside's 2010 capital expenditure was directed towards growing our future LNG production.

Production

	2010	2009
Natural gas*	57%	54%
Oil	29%	32%
Condensate	14%	14%

* Includes LNG, LPG and pipeline gas

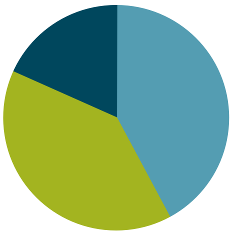


The weighting of natural gas and LNG production increased in 2010.

Revenue

	2010	2009
Natural gas*	42%	37%
Oil	40%	45%
Condensate	18%	18%

* Includes LNG, LPG and pipeline gas

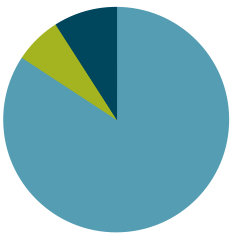


At 40% of total revenue, oil continues to be a solid contributor.

Reserves (Proved plus Probable)

	2010	2009
Natural gas*	84%	83%
Oil	7%	8%
Condensate	9%	9%

* Includes LNG, LPG and pipeline gas

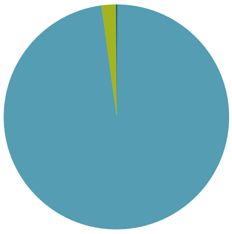


Natural gas continues to dominate Woodside's Proved plus Probable reserves.

REGIONAL VIEW

Investment

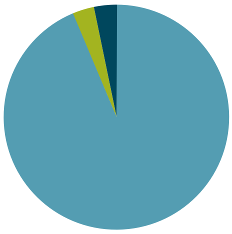
	2010	2009
Australia	98%	96%
United States	2%	3%
Rest of World	<1%	1%



In line with Woodside's strategy to grow our LNG business the regional split of expenditure continues to be based in Australia.

Production

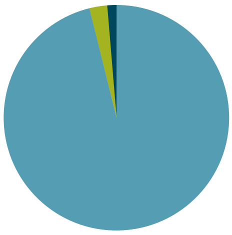
	2010	2009
Australia	94%	93%
United States	3%	4%
Rest of World	3%	3%



Australia's contribution to Woodside's production continues to grow, increasing from 93% to 94%.

Revenue

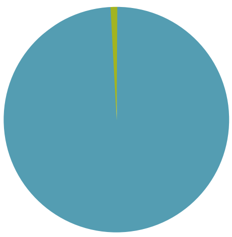
	2010	2009
Australia	96%	95%
United States	3%	4%
Rest of World	1%	1%



In line with Woodside's regional production, sales revenue contributions from Australia grew from 95% to 96%.

Reserves (Proved plus Probable)

	2010	2009
Australia	99%	99%
United States	<1%	<1%
Rest of World	<0.1%	<0.1%



The regional split of Proved plus Probable reserves remained constant with 2009 levels. Australia continued to be dominant.

10 YEAR COMPARATIVE DATA SUMMARY

Year Ended 31 December	2010	2009	2008	2007	2006	2005	2004[8] (Restated)	2003	2002	2001
Profit and Loss ($million)[1]										
Sales Revenues										
Australia										
Pipeline Gas	309	378	320	227	182	-	-	-	-	-
LNG & LPG	1,425	863	1,119	711	689	-	-	-	-	-
NWS Gas (Pipeline, LNG & LPG)	-	-	-	-	-	803	581	499	394	396
NWS Oil / Condensate	1,037	840	1,229	939	835	766	568	454	377	333
Australia Other	1,250	1,227	2,125	1,159	739	450	360	360	421	485
Gulf of Mexico	117	124	197	133	119	21	-	-	-	-
Algeria	55	55	55	55	56	55	56	5	-	-
Continuing Operations	4,193	3,487	5,045	3,224	2,620	2,095	1,565	1,318	1,192	1,214
Mauritania	-	-	-	137	252	-	-	-	-	-
Total	4,193	3,487	5,045	3,361	2,872	2,095	1,565	1,318	1,192	1,214
EBITDAX[2]	3,332	3,314	3,885	2,541	2,339	1,685	1,603	905	752	921
EBITDA	3,003	3,061	3,584	2,101	2,021	1,452	1,417	712	220	872
EBIT[3]	2,254	2,309	2,852	1,560	1,684	1,238	1,213	558	62	689
Exploration & Evaluation	329	253	301	440	318	234	186	193	532	50
Depreciation & Amortisation	749	752	732	541	337	213	204	154	158	182
Finance Costs	(18)	12	19	8	20	7	-	17	25	36
Tax Expense	697	823	1,287	687	590	387	367	197	87	182
NPAT Before Significant Items[4]	1,418	1,052	1,823	948	1,030	791	495	344	358	424
NPAT	1,575	1,474	1,546	864	1,075	844	845	344	(50)	471
EPS (cents) Before Significant Items[4][9]	183	150	266	141	157	120	75	51	53	63
EPS (cents)[9]	204	210	225	128	163	128	129	51	(7)	70
DPS (cents)[5]	105	95	100	91	98	70	44	33	37	36
Payout ratio (%) Before Significant Items	57	64	38	64	63	58	58	64	69	57
EBITDA/Op Cash Flow (%)	143	206	111	101	139	138	160	91	33	152
Balance Sheet ($million)[1]										
Total Assets	20,196	17,753	10,317	8,515	7,072	5,107	4,250	3,596	2,814	3,116
Debt	4,915	4,939	2,044	903	1,435	826	791	803	803	847
Net Debt	3,952	3,732	1,946	782	1,188	656	169	670	716	765
Shareholder Equity	11,091	8,812	4,633	4,458	3,313	2,565	2,162	1,830	1,303	1,301
Cash Flow and Capital Expenditure ($million)[1]										
Cash Flow From										
Operations	2,104	1,483	3,224	2,082	1,457	1,053	883	785	657	574
Investing	(2,941)	(4,708)	(3,892)	(1,700)	(1,432)	(1,152)	(69)	(484)	(397)	(420)
Financing	608	4,207	684	(522)	41	(352)	(259)	(273)	(263)	(217)
Capital Expenditure										
Exploration & Evaluation	703	273	418	447	376	210	77	74	47	144
Oil and Gas Properties[10]	2,933	3,992	4,031	1,965	1,091	993	480	250	187	254
Ratios (%)										
ROACE Before Significant Items[4]	9.5%	10.5%	29.6%	18.8%	26.0%	26.8%	18.9%	13.8%	16.3%	22.1%
ROACE After Significant Items	10.5%	14.5%	25.9%	17.2%	26.8%	26.8%	30.3%	15.0%	-1.5%	24.1%
Return on Shareholders Funds Before Significant Items[4]	13.0%	12.5%	37.1%	20.9%	31.5%	31.5%	27.3%	18.8%	20.9%	33.8%
Return on Shareholders Funds After Significant Items	14.2%	16.7%	33.4%	19.4%	32.5%	32.9%	39.1%	18.8%	-3.8%	36.2%
Gearing	26.3%	29.8%	29.6%	14.9%	26.4%	20.4%	7.2%	26.8%	35.5%	37.0%
Volumes										
Sales (million boe)										
Australia										
Pipeline Gas	14.8	18.4	18.9	16.4	15.5	-	-	-	-	-
LNG & LPG	24.0	22.8	18.2	18.2	18.5	-	-	-	-	-
NWS Gas (Pipeline, LNG & LPG)	-	-	-	-	-	34.8	30.8	31.0	27.9	28.2
NWS Oil / Condensate	13.2	13.9	13.2	12.6	12.8	14.0	14.4	16.2	15.7	15.0
Australia Other	15.7	20.1	24.5	15.6	11.7	8.0	9.1	13.3	19.1	23.2
Gulf of Mexico	2.2	3.2	3.1	2.6	2.6	0.4	-	-	-	-
Mauritania	-	-	-	2.0	4.3	-	-	-	-	-
Algeria	2.3	2.3	2.3	2.3	2.3	2.3	2.3	0.1	-	-
Total (million boe)	72.2	80.7	80.2	69.7	67.7	59.5	56.6	60.6	62.7	66.4
Production (million boe)										
Australia										
Pipeline	14.8	18.4	18.9	16.4	15.6	-	-	-	-	-
LNG & LPG	24.6	23.0	18.6	18.6	18.6	-	-	-	-	-
NWS Gas	-	-	-	-	-	35.0	31.5	31.1	28.3	28.5
NWS Oil / Condensate	13.3	14.0	13.5	12.7	12.8	13.8	14.3	16.4	16.0	14.8
Australia Other	15.5	20.0	24.9	15.8	11.6	8.2	9.3	13.1	19.9	23.0
Gulf of Mexico	2.2	3.2	3.1	2.6	2.6	0.4	-	-	-	-
Mauritania	-	-	-	2.2	4.4	-	-	-	-	-
Algeria	2.3	2.3	2.3	2.3	2.3	2.3	2.3	0.1	-	-
Total (million boe)[7]	72.7	80.9	81.3	70.6	67.9	59.7	57.4	60.7	64.2	66.3
Reserves (Proved plus Probable)										
Gas (Tcf)	8.02	7.79	7.90	7.80	6.90	4.67	5.11	4.65	4.84	4.54
Condensate (MMbbl)	154.74	147.80	151.40	152.10	144.60	129.70	138.00	145.70	154.90	154.60
Oil (MMbbl)	117.50	136.10	168.80	170.20	221.10	294.50	258.80	341.50	300.10	263.30
Other										
Employees	3,650	3,219	3,124	2,981	2,888	2,508	2,528	2,219	2,418	2,420
Shares										
High (A$)	49.28	53.87	70.51	56.66	49.80	39.39	21.48	15.10	15.05	16.42
Low (A$)	40.56	31.19	26.81	34.81	34.81	19.87	14.11	10.00	11.50	12.29
Close (A$)	42.56	47.20	36.70	50.39	38.11	39.19	20.10	14.80	12.38	13.39
Number (000's)	783,402	748,599	698,553	688,331	666,667	666,667	666,667	666,667	666,667	666,667
No. Shareholders	201,134	175,257	141,035	131,460	119,003	83,829	72,267	69,491	67,523	55,347
Market Capitalisation (US$ equivalent at reporting date)	33,745	31,567	17,717	30,353	20,033	19,146	10,456	7,420	4,635	4,548
Market Capitalisation (AU$ equivalent at reporting date)	33,342	35,334	25,637	34,685	25,407	26,127	13,400	9,867	8,253	8,927
Finding Costs ($/boe) (3 year average)[6][12]	6.12	5.71	3.35	3.60	2.47	3.95	1.43	1.18	0.75	0.72
Effective Income Tax Rate (%)	25.2%	33.7%	32.6%	35.8%	35.4%	31.4%	30.3%	36.4%	235.9%	27.8%
Net Debt/Total Market Cap (%)	11.6%	11.8%	11.0%	2.6%	5.9%	3.4%	1.6%	9.0%	15.4%	16.8%

1 The comparative financial information have been converted on a consistent basis in accordance with Note 1(a) to the Financial Report. Cash flow and capital expenditure have been converted using a consistent approach adopted on conversion of expenses.

2 Includes Significant Items other than 2002 Successful Efforts and 2001 Gulf of Mexico write-off.

3 EBIT is calculated as a profit before income tax, PRRT and net finance costs.

4 Excludes Significant Items (2002 results restated to reflect effect of successful efforts policy from January 2002).

5 DPS for 2002 includes a 41.0 cents (AUD) dividend that was declared after 31 December 2002.

6 Finding cost for 2003 includes acquisitions of additional Scope for Recovery volumes.

7 From 2003, Woodside reports oil and condensate on a volumetric basis.

8 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 effects of AIFRS.

9 Earnings per share (EPS) has been calculated using the following weighted average number of shares (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).

10 2005 Oil and Gas Properties capital expenditure includes acquisitions through business combinations of A$415M, relating to the acquisition of Gryphon Exploration Company.

11 From 2005 employee numbers do not include third party contractors. Previous years have included third party contractors.

12 Finding cost methodology has changed from 2004 to be in accordance with the FAS69/SEC industry standard.

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Annual report 2010

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