2012 ANNUAL REPORT

A YEAR OF DELIVERY

woodside

SUCCESS IS DOING WHAT'S RIGHT, EVEN WHEN IT'S NOT EASY.

ON THE COVER - THE PLUTO LNG PLANT (Burrup Peninsula, Western Australia) delivers safe and reliable production in 2012:

- It took many people and a significant amount of hard work to deliver Pluto LNG. However, when you are committed to safety, reliability and doing what's right, the outcome is very rewarding.
- Delivering Pluto wasn't easy and the road to first gas was not without its challenges. But at Woodside, we pride ourselves on turning challenges into new opportunities.
- The start-up of production at Pluto and delivery of the first cargo in 2012 were defining moments in Woodside's history, reflecting our world-class capability and expertise.
- The ingenuity and capability demonstrated at Pluto has been rewarded with high reliability and on-going strong performance. In 2012 Pluto was also recognised at a state and national level, receiving the WA Engineering Excellence Award and the Sir William Hudson Award – Australia's top engineering honour.

ABOUT THIS REPORT

This 2012 Annual Report is a summary of Woodside's operations, activities and financial position as at 31 December 2012.

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 2012 unless otherwise stated. All dollar figures are expressed in US currency unless otherwise stated.

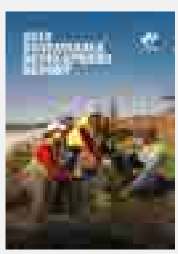
Woodside is continuing efforts to reduce its environmental footprint associated with the production of the Annual Report. Printed copies of the Annual Report will only be posted to shareholders who have elected to receive a printed copy.

The Annual Report is also printed on an environmentally responsible paper manufactured under ISO 14001 environmental management standards, using elemental chlorine-free pulps from sustainable, well managed forests.

REPORT OBJECTIVES

This report meets our compliance and governance requirements, and is designed to provide easy to read information on how Woodside performed in 2012 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.



OUR 2012 SUSTAINABLE DEVELOPMENT REPORT

This report is a summary of Woodside's sustainability approach, actions and performance for the 12 month period ending 31 December 2012.

This report will be available in March 2013.

greenreports

We have partnered with Green Reports ™ in an initiative that ensures communications minimise environmental impact and creates a more sustainable future for the community.

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ABOUT WOODSIDE

Woodside is Australia's largest independent oil and gas company, with a proud history of safe and reliable operations spanning decades.

As the largest operator of oil and gas in Australia, Woodside produces around 900,000 barrels of oil equivalent each day from a portfolio of facilities which we operate on behalf of some of the world's major oil and gas companies.

We have been operating our landmark Australian project, the North West Shelf, for 28 years and it remains one of the world's premier liquefied natural gas (LNG) facilities.

With the successful start-up of the Pluto LNG Plant in 2012, Woodside now operates six of the seven LNG processing trains in Australia, helping to meet the demand for cleaner energy from our pipeline customers in Australia and LNG customers in the Asia Pacific region and beyond.

Woodside also operates four oil floating production storage and offloading (FPSO) vessels in the Exmouth Basin, North West Shelf and Timor Sea.

Woodside's international assets include deepwater production facilities in the Gulf of Mexico plus acreage in the USA, Brazil, Peru, Republic of Korea and the Canary Islands. In 2012 we expanded our international presence through conditional agreements to take equity in the Leviathan gas field in offshore Israel and exploration acreage in offshore Myanmar.

We strive for excellence in our safety and environmental performance and continue to strengthen our relationships with customers, co-venturers, governments and communities to ensure we are a partner of choice.

We do what's right, even when it's not easy

At Woodside, we take pride in our company's history of great achievement. We are also proud of the way in which we embrace the opportunities of the future and strive for continuous improvement.

This commitment to ongoing improvement underpins the Woodside Compass, which was established in 2012 as part of a company-wide review of our organisational effectiveness and workplace culture.

The Woodside Compass sets out our values, guides us on our mission to deliver superior shareholder returns and directs us towards our vision of becoming a global leader in upstream oil and gas.

Our values

- Integrity
- Respect
- Working sustainably
- Working together
- Discipline
- Excellence

Our mission

To deliver superior shareholder returns.

Our vision

Our aim is to be a global leader in upstream oil and gas.

Our strategic direction

In support of our mission, our strategy comprises three main elements:

- Maximising our core business;
- Leveraging our capabilities; and
- Growing our portfolio.

Further information on the Woodside Compass is available on our website www.woodside.com.au

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

Marine seismic surveys are critical in identifying prospective geological strata lying beneath the ocean. In 2012, we completed our largest ever seismic survey in the Outer Canning Basin, offshore Western Australia.

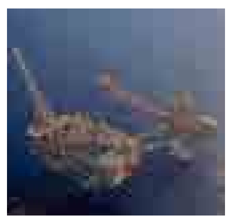
Read about this technology in our Exploration review on page 18.

During 2012, Woodside drilled a total of six exploration wells in the Dampier sub-basin, Republic of Korea and Gulf of Mexico.

Turn to our Exploration review on page 18 for further information.

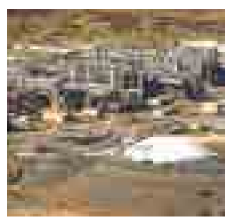
Prior to any development, Woodside undertakes community-wide consultation and extensive environmental studies. The Browse Joint Venture has commissioned the most comprehensive study to date of humpback whales off the Kimberley coast.

See page 30 for more about the proposed Browse LNG Development.



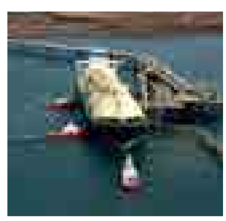
The North Rankin Redevelopment (NR2) Project continued to progress in 2012, with the successful installation of the North Rankin B topsides. The redevelopment will recover remaining low pressure gas from the North Rankin and Perseus gas fields.

To read more about NR2, go to page 25.



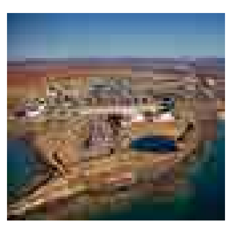
In 2012 Woodside achieved a number of key milestones in the delivery of the Pluto LNG Project. First gas entered the LNG processing train on 22 March, first production of LNG was achieved on 29 April and the first LNG cargo departed on 12 May.

Find out more about Pluto LNG on page 26.



In 2012, the North West Shelf (NWS) Project delivered its 3500th LNG cargo and the 3000th LNG cargo to Japan, and our LNG trading and shipping business continued to grow. In addition to the NWS fleet we now have an integrated fleet of three ships operating for Pluto LNG with a new vessel due in 2013.

To read more about our shipping business, go to the LNG Marketing Report on page 15.



For 28 years the NWS Project has been Western Australia's largest producer of domestic gas. The Karratha Gas Plant facilities include two domestic gas trains that supply the majority of Western Australia's total domestic gas production.

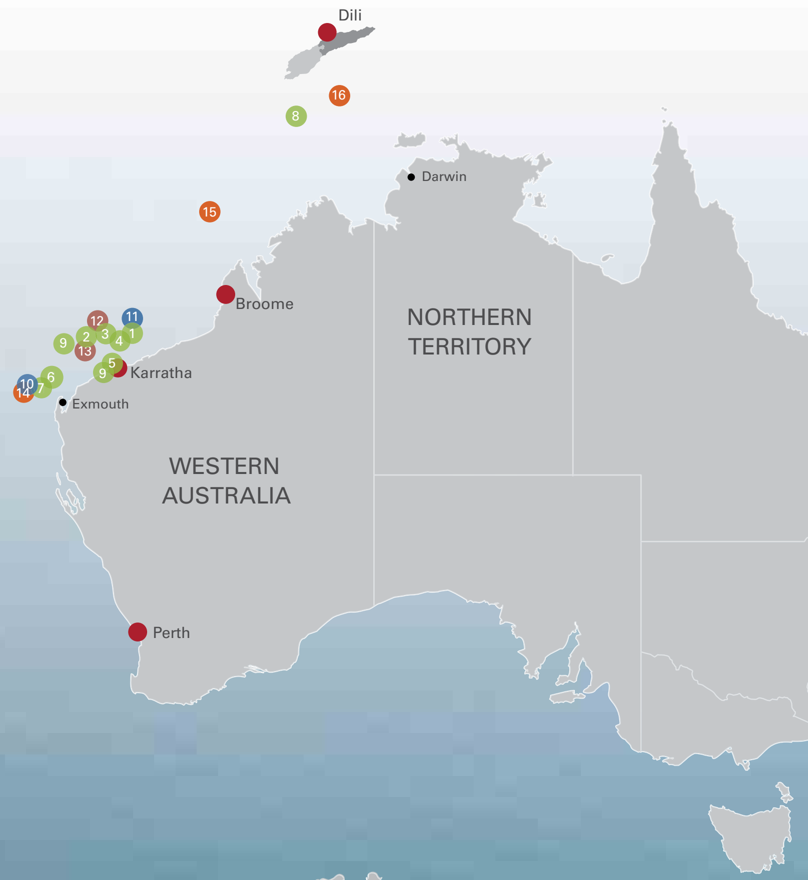
See page 24 for more about the NWS Project.

OUR AREAS OF ACTIVITY

Our producing assets (operated)		Approximate location
1	Angel platform (NWS)	135 km north-west of Karratha
2	Goodwyn A platform (NWS)	
3	North Rankin A and B platforms* (NWS)	
4	Okha FPSO (NWS)	
5	Karratha Gas Plant (NWS)	28 km north-west of Karratha
6	Ngujima-Yin FPSO (Vincent oil)	45 km north-west of Exmouth
7	Nganhurra FPSO (Enfield oil)	40 km north-west of Exmouth
8	Northern Endeavour FPSO (Laminaria-Corallina oil)	550 km north-west of Darwin
9	Pluto LNG Plant and platform (Pluto LNG)	27 km north-west of Karratha 180 km north-west of Karratha
Our producing assets (non-operated)		
10	Stybarrow Venture MV16 FPSO (Stybarrow oil)	50 km north-west of Exmouth
11	MODEC Venture II FPSO (Mutineer-Exeter oil**)	147 km north of Karratha
Our projects		
12	North Rankin Redevelopment (NWS)	135 km north-west of Karratha
13	Greater Western Flank Phase 1 (NWS)	130 km north-west of Karratha
Our developments		
14	Laverda oil	50 km north-west of Exmouth
15	Browse LNG	425 km north of Broome
16	Sunrise LNG	150 km south-east of Timor-Leste and 450 km north-west of Darwin
Woodside offices and representative offices		

* North Rankin B platform is scheduled to start-up in 2013.

** Woodside signed a sale and purchase agreement with Santos on 21 December 2012 to sell the company's 8.2% interest in the Santos operated Mutineer-Exeter oil project with effect from 1 July 2012.



- Woodside offices and representative offices
- International production and/or exploration
- Israel and Myanmar subject to conditions

2012 - A YEAR OF DELIVERY

DELIVERED...

RECORD PRODUCTION, SALES REVENUE AND PROFIT UNDERPINNED BY PLUTO LNG.

RECORD ANNUAL USD DIVIDEND OF 130 CPS, FULLY FRANKED.

SAFE AND SUCCESSFUL START-UP OF PLUTO LNG WITH FIRST CARGO TRANSPORTED IN MAY.

EARLY VALUE FROM THE BROWSE GAS ASSET, ADDING $2 BILLION IN CASH TO OUR BALANCE SHEET THROUGH THE SALE OF A MINORITY PORTION OF OUR EQUITY.

IMPROVEMENT IN SAFETY PERFORMANCE WITH OUR TOTAL RECORDABLE CASE FREQUENCY DECREASING FROM 4.78 TO 4.50 PER MILLION HOURS WORKED.

THE 3500TH LNG CARGO AND THE **3000TH LNG CARGO** TO JAPAN FROM THE NORTH WEST SHELF, WHICH CONTINUES TO PERFORM STRONGLY.

A SUCCESSFUL INSTALLATION OF THE NORTH RANKIN B TOPSIDES, WITH THE ANTICIPATED START-UP OF THE NORTH RANKIN REDEVELOPMENT IN 2013.

POSITIVE RESULTS FROM OUR REVISED GROWTH STRATEGY BY CAPTURING NEW VALUE-ADDING OPPORTUNITIES. IN-PRINCIPLE AGREEMENTS TO PARTICIPATE IN THE WORLD-CLASS LEVIATHAN GAS FIELD AND EXPLORATION OPPORTUNITIES IN MYANMAR WERE ENTERED INTO.

CONTENTS

Information available online

You can find out more about Woodside online at *www.woodside.com.au*

In this report, we have indicated where additional information is available online like this ▶.

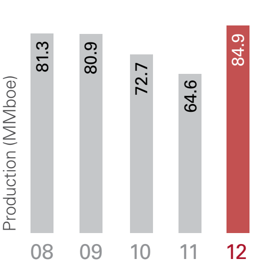
PERFORMANCE SUMMARY

2012 was a year of record achievement underpinned by Pluto LNG start-up and ongoing reliability of the foundation business.

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

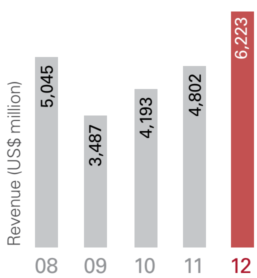
Additional financial details can be found on page 8 and 67 of this report.

Production up 31%



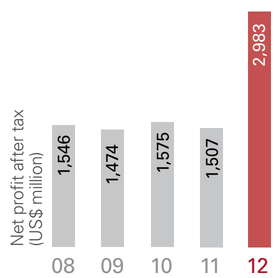
Record annual production was underpinned by the outstanding performance of Pluto LNG, together with ongoing reliability of the foundation business.

Sales revenue up 30%



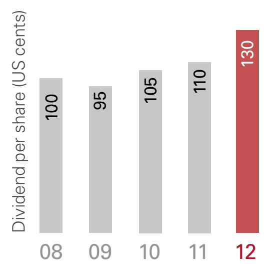
Record annual sales revenue was largely a result of record production and, to a lesser extent, continuing strong commodity prices.

Reported net profit after tax up 98%



Record reported net profit after tax was achieved primarily due to increased 2012 production volume and the sale of a minority portion of Woodside's Browse equity.

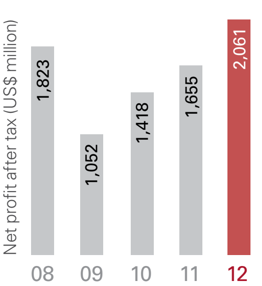
Dividends per share (US cents per share) up 18%



With the strong 2012 net profit after tax the Board has declared a record full-year USD dividend of 130 cps (interim dividend 65 cps, final dividend 65 cps).

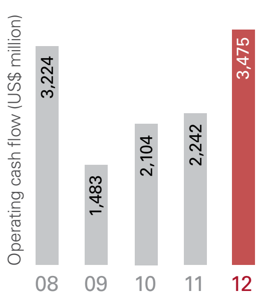
Underlying net profit after tax* up 25%

(excluding non-recurring items)



The increased 2012 production volume was the main driver for the record underlying net profit after tax.

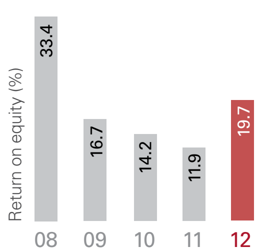
Operating cash flow up 55%



Record operating cash flow was largely driven by increased receipts due to Pluto LNG start-up.

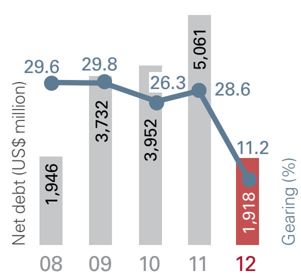
Return on equity, 7.8 percentage points higher

(including non-recurring items)



Return on equity of 19.7% increased primarily due to the partial equity sale of Browse. Underlying return on equity was 13.6% (excludes Browse equity sale to Japan Australia LNG (MIMI)).

Net debt down 62%



The drop in net debt to $1.9 billion was attributed mainly to the partial equity sale of Browse and additional cash flow from Pluto LNG.

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

Additional 2012 summary charts can be found on page 142 of this report.

Highlights for the year

▲ Pluto LNG

Safe and successful start-up, with superior performance and high reliability achieved.

▲ 31%

Increase in annual production to a record of 84.9 million barrels of oil equivalent (MMboe).

▲ 30%[1]

Increase in sales revenue to a record $6,223 million.

[1] Operating revenue of $6,348 million includes $125 million for LNG processing services.

▲ 98%

Increase in reported net profit to a record $2,983 million.

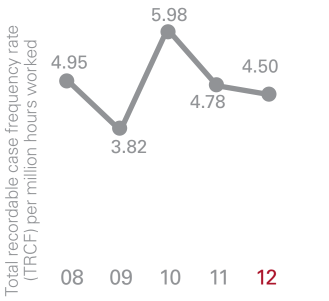
▲ 55%

Increase in operating cash flow to a record $3,475 million.

▲ 18%

Increase in final dividend to 65 cps.

Safety - TRCF improved by 6%



The TRCF has improved over the last two years, assisted by an ongoing focus on safety programs such as the 'Our Safety Culture' campaign.

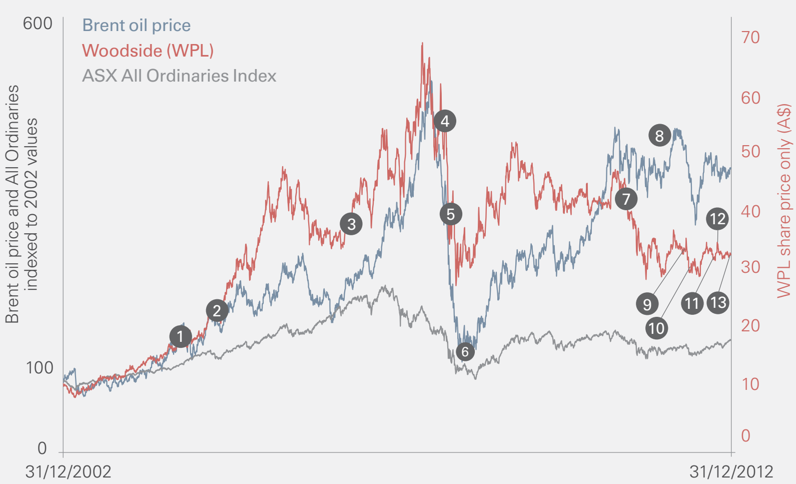
▶ *For further information refer to our Health, Safety and Security section on page 11.*

Results for the year

		2012	2011	% Change
Reported net profit after tax	($ million)	2,983	1,507	97.9
Sales revenue	($ million)	6,223	4,802	29.6
Cash flow from operating activities	($ million)	3,475	2,242	55.0
Earnings per share	(cents)	366	190	92.6
Total recordable case frequency	(TRCF)	4.50	4.78	5.9
5 year total shareholder return[2]	(TSR, %)	(0.3)	4.6	n.m.[3]
10 year total shareholder return[2]	(TSR, %)	21.7	20.9	3.8
Production	(MMboe)	84.9	64.6	31.4
Proved reserves	(MMboe)	1,231	1,292	(4.7)
Proved plus Probable reserves	(MMboe)	1,544	1,610	(4.1)
Contingent resources	(MMboe)	1,745	2,137	(18.3)

[2] Source: Bloomberg, TSR is the compounded annual return over the specified period.
[3] n.m. - not meaningful

Indexed ten year performance



Over the past ten years Woodside has outperformed the ASX All Ordinaries Index (values are indexed to base 100 from 31 December 2002).

1. *September 2004 NWS Train 4 start-up.*
2. *April 2005 Pluto gas discovery.*
3. *July 2007 Pluto FID.*
4. *Global financial crisis impact.*
5. *September - October 2008 NWS Train 5, Angel start-up.*
6. *March 2009 recovery in commodity prices.*
7. *June 2011 Pluto Train 1 delay.*
8. *February 2012 global uncertainty in the oil market and subsequent over correction.*
9. *April 2012 Pluto LNG production.*
10. *Re-emergence of European debt crisis.*
11. *September 2012 sale of Browse equity completed.*
12. *October and December 2012 in-principle agreement to farm-in two blocks; offshore Myanmar PSC.*
13. *December 2012 in-principle agreement to acquire 30% participating interest in petroleum licenses covering the Leviathan gas field, offshore Israel.*

CHAIRMAN'S REPORT

Michael Chaney AO
Chairman

In order to deliver superior shareholder returns, we are committed to optimising our producing assets and commercialising value-adding growth opportunities.

Record financial results

At a time when there is still much uncertainty in global markets, Woodside experienced a significant uplift in its financial performance in 2012, largely due to the successful start-up of Pluto – Australia's third producing LNG plant.

The 2012 reported net profit after tax was a record at $2,983 million. Underlying net profit after tax rose to $2,061 million, a 25% increase on the 2011 figure.

Woodside declared a final 2012 dividend of 65 cents per share, following the interim dividend of 65 cents per share. The 2012 annual dividend totalled 130 cents per share – the highest achieved in the company's history.

During the year the Board announced a dividend policy in which the company will aim to maintain a minimum payout ratio of 50% of underlying net profit after tax.

Operational performance – from strength to strength

In April 2012 Woodside celebrated a major milestone in the company's history with the safe start-up of the Pluto LNG Plant. Production reliability from the plant since start-up has exceeded all expectations, resulting in a step-change to the company's production levels.

The strong performance of Pluto is testament to Woodside's LNG capabilities, with the company having built and run six of the seven operating LNG trains in Australia.

Woodside also continues to optimise production from existing assets, with projects such as the North West Shelf's (NWS) North Rankin Redevelopment which will access five trillion cubic feet of undeveloped gas.

As part of this project, the massive North Rankin B offshore platform and topsides were installed alongside the North Rankin A platform. The size of the topsides made installation technically challenging, but the team successfully achieved an installation record in open water, both in height and weight. Hook-up and commissioning activities are underway for a planned start-up in 2013.

The next phase of development at the NWS, the Greater Western Flank Project, also made progress during 2012 with the completion of Phase 1 drilling activities.

Strategic direction to meet global demand

Despite some slowing of economic growth in China during the year, demand for LNG from the Asia Pacific region is forecast to grow by more than 90 million tonnes per annum between 2012 and 2020. This is equivalent to the output of about 20 new LNG trains. Australian LNG projects are expected to satisfy much of this demand, if we are able to remain competitive.

Japan is still forecast to be the world's largest LNG importer by 2025, with demand from other traditional importers remaining solid. Strong demand growth is also forecast to come from India and ASEAN economies, some of whom will transition from LNG exporters to new importers in the decade ahead.

Against this backdrop, Woodside has adopted a strategy of optimising its producing assets and commercialising its growth opportunities.

In 2012 the company realised early value from Browse by selling a minority portion of its equity in the development to Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) for $2 billion. The sale clearly demonstrated the value of this world-class resource and ongoing demand for premium LNG.

The proposed development of Browse LNG near James Price Point remains under evaluation, with a final investment decision to be considered in the first half of 2013.

During the year we continued engagement with the Timor-Leste and Australian Governments on the Sunrise LNG Development. A series of technical workshops commenced to help build mutual understanding on the development; further engagement will occur in 2013.

Woodside's strategy to leverage our core capabilities for global upstream growth began to take shape in 2012 with expected new country entries in Myanmar and Israel.

The company reached an in-principle agreement to acquire a participating interest in the petroleum licences containing the Leviathan gas field in Israel. The field is one of the largest recent gas discoveries worldwide and provides the opportunity for Woodside to play a key role in the potential development of a liquefied natural gas industry in that country.

Offers were also accepted for Woodside to acquire an interest in Production Sharing Contracts for two blocks in the Rakhine deepwater basin, located off the western coast of Myanmar. Once finalised, the transactions will enable Woodside to participate in exploration activities in this frontier basin.

Maintaining our competitive edge

Australia is experiencing rapid growth in the oil and gas industry with more than $190 billion worth of developments underway across the country. This growth is occurring within an increasingly competitive global gas market, with new energy sources emerging, including in North America and East Africa.

While we do not anticipate new global supply to fundamentally alter the market dynamics in the Asia Pacific, it is clear we are operating in a changing global environment. Therefore remaining competitive will be vital to Australia's future as an LNG supplier.

While costs and development activity in the Australian oil and gas industry have skyrocketed in recent years, labour and capital productivity have remained stagnant.

Australia was ranked 20th in the World Economic Forum's 2012 productivity league table.

To put that into perspective, the Business Council of Australia has calculated that productivity on Australian resource projects is 30-35% lower than on comparable projects in the USA.

The real impact of poor productivity has been masked by high levels of investment and record terms of trade. But, as the resources investment boom reaches its peak, the productivity gap will be exposed.

To close this gap, we must address policy challenges around workforce mobility and flexibility and streamline regulation, particularly between State and Commonwealth approvals processes. We must also ensure efficient project management and embrace new technologies where appropriate, to optimise development outcomes.

Board of directors changes

After ten years of service on Woodside's Board of Directors, Dr Pierre Jungels retired in December 2012 and Mr Erich Fraunschiel will retire in February 2013. Both directors have made a substantial contribution to the Board's deliberations over the last decade – Dr Jungels with his wealth of experience in the international oil and gas industry and Mr Fraunschiel with his wide business experience and great financial acumen. The Board thanks them for their efforts.

Dr Sarah Ryan joined the Board in December as a non-executive director.

In December Woodside also announced the appointment of Mr Frank Cooper to the board as a non-executive director effective 1 February 2013. We welcome both Dr Ryan and Mr Cooper to the Board.

Woodside's strong performance in 2012 is a testament to the strength of our people, led by Chief Executive Officer Peter Coleman. On behalf of the Board of Directors I thank them all for their ongoing efforts on behalf of the company.

Michael Chaney AO
20 February 2013

CHIEF EXECUTIVE OFFICER'S REPORT

Peter Coleman
Chief Executive Officer and Managing Director

Outstanding performance of the Pluto LNG Plant since start-up, together with the ongoing reliability of the foundation business, delivered a step-change in production and revenue in 2012.

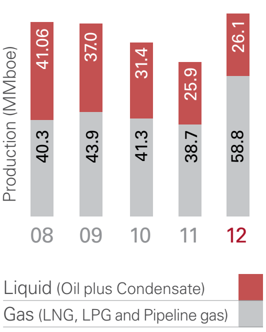
2012 KEY PERFORMANCE HIGHLIGHTS

- Record annual production and sales revenue.
- Safe start-up of Pluto LNG and better than expected production ramp-up.
- Major projects to maximise value of our NWS assets progressed to budget and schedule.
- Realisation of early value from our Browse assets through sale of a minority portion of Woodside's equity in the proposed Browse LNG Development.
- Conditional acceptance of Woodside's offer to purchase a 30% participating interest in permits covering the Leviathan gas field.
- Conditional acceptance of Woodside's offers to purchase equity in two production sharing contracts offshore Myanmar.

FUTURE OBJECTIVES

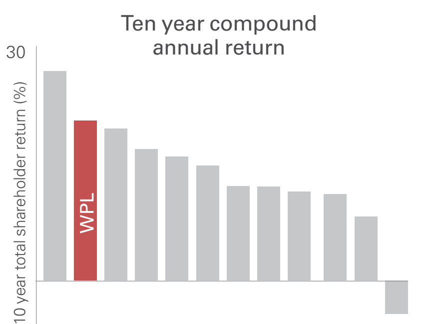
- Improve health and safety outcomes, towards our goal of achieving global top quartile performance by 2017.
- Progress the North Rankin Redevelopment and Greater Western Flank Phase 1 Projects.
- Consider a final investment decision (FID) on the Browse LNG Development.
- Continue work to progress Greater Enfield Area oil opportunities.
- Progress front-end engineering and design work to develop the Xena gas field.
- Continue to build momentum on the Sunrise LNG Development.
- Finalise agreements to progress the Leviathan Development and Myanmar offshore exploration, in keeping with our drive to grow Woodside's resource base.
- Maximise performance of our core business and continue disciplined evaluation of new value-add opportunities.

Production profile



The successful Pluto ramp-up has contributed to a significant step forward in Woodside's production capabilities.

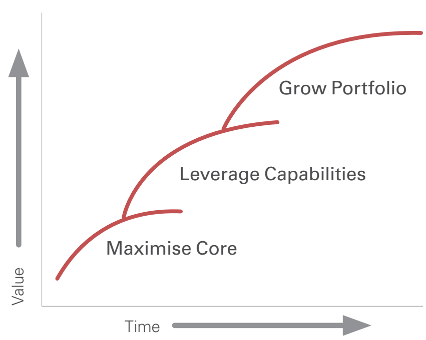
Total Shareholder Return (TSR) performance against peers



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

Source: Bloomberg. TSR is the compounded annual return over the specified period.

Our strategic direction



Woodside aims to be a leader in upstream oil and gas by optimising our producing assets and commercialising our growth projects. We will also leverage our world-class capabilities to capture new growth opportunities.

Looking back on our achievements over the past year, we can describe 2012 as a year of delivery for Woodside against our revised strategic direction.

We strengthened our core business, delivering the first cargoes from Pluto LNG that contributed to record annual production and sales revenue.

We delivered early value from our premium Browse assets, adding $2 billion in cash to our balance sheet through sale of a minority portion of our equity.

And we leveraged Woodside's world-class capabilities and disciplined approach by capturing potential growth opportunities in Israel and Myanmar.

These achievements, and many more during 2012, occurred alongside a significant program of cultural change that we are confident will set Woodside up for long-term success.

Our compass for the future

In 2012, following a company-wide review of Woodside's organisational effectiveness and workplace culture, we developed the Woodside Compass. The Compass guides us on our journey towards becoming a global leader in upstream oil and gas, by linking Woodside's core values, vision, mission and strategic direction. It makes clear that our long-term success depends not only on the oil and gas we produce, but on doing what's right.

To improve organisational effectiveness we streamlined reporting arrangements at senior levels and established the role of a Chief Operations Officer. A new Corporate Strategy and Planning Division and Technology Division were also created to support our revised strategic direction.

A focus on world-class safety performance

Woodside achieved an improvement in health and safety outcomes measured in terms of total recordable case frequency, but we must continue to strive for further improvements in this area in 2013.

When measured against global benchmarks, our health and safety performance falls short of expectations. To address this, in 2013 we will begin implementing measures to achieve global top quartile health and safety performance by 2017.

A step-change in production

The safe start-up and better than expected ramp-up of Pluto LNG in 2012 cemented Woodside's status as Australia's leading LNG operator.

Once again we achieved strong operational results at the North West Shelf Project, with delivery of the 3500th LNG cargo testament to the capacity of this world-class asset.

Consistent high reliability from Pluto during the year, combined with the ongoing strong performance of our foundation business, resulted in production reaching 84.9 MMboe for 2012. This was an increase of 31% on 2011 production and a new record for our company.

A strong balance sheet to fund growth

While our foundation oil and gas assets continued to deliver strong cash flows in 2012, Pluto generated $1.43 billion in revenue in the eight months since its first cargo. This took our total 2012 sales revenue to a record figure of $6.22 billion (30% increase on 2011), and an underlying net profit of $2.06 billion (25% increase on 2011).

This robust cash flow, combined with the sale of a minority portion of Woodside's equity in the Browse LNG Development, strengthened our balance sheet in preparation for new growth opportunities while also returning value to shareholders through increased dividends.

Growing our Australian portfolio

2012 was an important year for the proposed Browse LNG Development, with Shell increasing its equity and Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) purchasing a minority portion of Woodside's equity. BHP Billiton Petroleum also announced its intention to sell its Browse equity share to PetroChina International Investment (Australia) Pty Ltd.

A disciplined evaluation to determine Browse LNG project costs and economics is nearing completion, with a FID to be considered in 1H 2013.

Woodside also progressed two oil developments during 2012. We began front-end engineering and design work for the Cimatti Development and continued evaluation of our Laverda field.

Woodside continued to broaden our dialogue with the Timor-Leste Government and other stakeholders on the proposed Sunrise LNG Development.

Capturing new value-creating opportunities

Beyond Australia, Woodside announced two significant country entries with international partners during 2012.

Our conditional farm-ins to two blocks in offshore Myanmar during 2012 provide Woodside with entry into the prospective Rakhine Basin, where we can bring our deepwater capabilities into play and build new partnerships in a promising oil and gas province.

We reached an agreement in-principle to take a 30% participating interest in permits covering the Leviathan gas field offshore Israel, one of the biggest recent gas discoveries worldwide. The transaction, which remains subject to conditions including execution of fully termed agreements, completion of due diligence and necessary approvals, positions Woodside to benefit from Israel's strongly growing domestic gas market, and play a key role in the potential future development of an LNG industry in Israel.

Finalising the Leviathan agreement will provide an immediate boost to Woodside's contingent resource base. In addition, an increase to our developed reserves will occur with the start-up of the North Rankin Redevelopment Project.

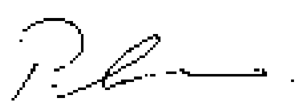
Growing sustainably

In line with our aspiration to be a partner of choice, during the year we continued to engage closely with the communities where we operate. This included meeting the majority of our Reconciliation Action Plan 2012 commitments.

Our people continued to show their personal dedication to the community with our employee volunteering rates well above most of our peers.

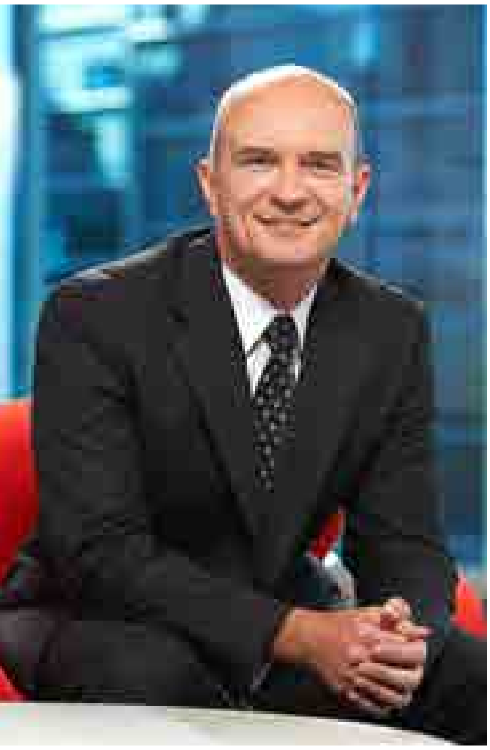
During the year we launched our three-year gender diversity strategy. Pleasingly, we are already making headway in this area, improving our gender balance in our 2013 graduate intake and our senior management succession planning.

Our values-led, disciplined approach, combined with our world-class portfolio and capabilities, will enable Woodside to continue delivering superior shareholder returns into 2013 and beyond.



Peter Coleman
20 February 2013

CHIEF FINANCIAL OFFICER'S REPORT



Lawrie Tremaine
Executive Vice President and Chief Financial Officer

Woodside delivered record financial performance in 2012, underpinned by the start-up of Pluto and continuing strong pricing. Our balance sheet is well positioned to support our future growth.

Woodside delivered a record financial performance in 2012, reporting a net profit of $2.98 billion, or $2.06 billion on an underlying basis.

Underlying NPAT versus reported NPAT[1]

$ million	2012	2011
Underlying profit NPAT (before non-recurring items)	2,061	1,655
Non-recurring items after tax		
Pluto delay mitigation cost	(27)	(165)
Neptune impairment reversal	-	17
Browse equity sale	974	-
Tax paid on sale of subsidiary	(25)	-
Reported profit	2,983	1,507

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

With the start-up of Pluto LNG in 2012 and continued strong pricing, Woodside recorded its highest ever annual sales revenue of $6.22 billion.

Our 2012 financial results also benefited from a full year of production from the NWS oil facilities and improved production from the Vincent oil field, following infill development in 2011 and early 2012. This helped to offset field decline in our oil assets.

In 2012 we booked a $974 million gain on the sale of a minority share of our Browse equity.

The impact of Pluto LNG and the Browse equity sell down on the 2012 profit result is shown in the following tables.

Pluto 2012 financial contribution

Production	(MMboe)	23.97
Revenue	($ million)	1,427
Cost of sales	($ million)	(785)
Gross profit	**($ million)**	**642**

Browse partial equity sale ($ million)

Sale proceeds	2,060
Cost base	(1,303)
Income tax	(186)
PRRT deferred tax write back	403
Net profit after tax	**974**

Strong commodity price, but a change to product mix

With the introduction of Pluto LNG volumes in 2012 and natural field decline of our oil assets, we have seen a 1% reduction in the average realised price for the combined products. Although product specific realised prices have increased from 2011, the higher gas concentration in the product mix has lowered the overall average price.

Average realised price table

	2012	2011	Variance
	$/boe	$/boe	$/boe
Pipeline natural gas	26.69	26.96[2]	(0.27)
NWS LNG	77.85	67.46	10.39
Pluto LNG	54.90	-	-
Condensate	104.47	98.91[3]	5.56
LPG	113.28	76.55[3]	36.73
Oil	113.52	113.80	(0.27)
Average realised prices	74.26	75.11	(0.85)

[2] NWS pipeline natural gas revenue includes the revenue from a negotiated confidential settlement between the NWS Domestic Gas Joint Venture and Alinta Sales Pty Ltd following the conclusion of the restructure of Alinta Energy Limited.

[3] Includes Ohanet Risk Sharing Contract sales.

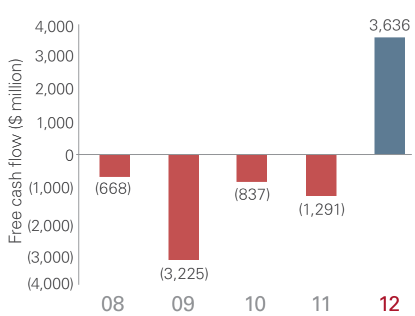
Effective capital management

We invested $1.76 billion in our business activities in 2012, down from $3.83 billion in 2011. The 2012 spend comprises $1.50 billion in capital expenditure and $0.26 billion in exploration.

This lower investment expenditure together with the cash flow now being generated by Pluto LNG, has enabled us to report a positive free cash flow this year, after several years of negative free cash flow due to the investment at Pluto. Consequently we have significantly reduced net debt at the end of 2012 from $5.06 billion to $1.92 billion.

The strengthening of the company's financial profile contributed to the affirmation of our credit ratings (S&P: BBB+; Moody's: Baa1) and a change in outlook to stable.

Free cash flow



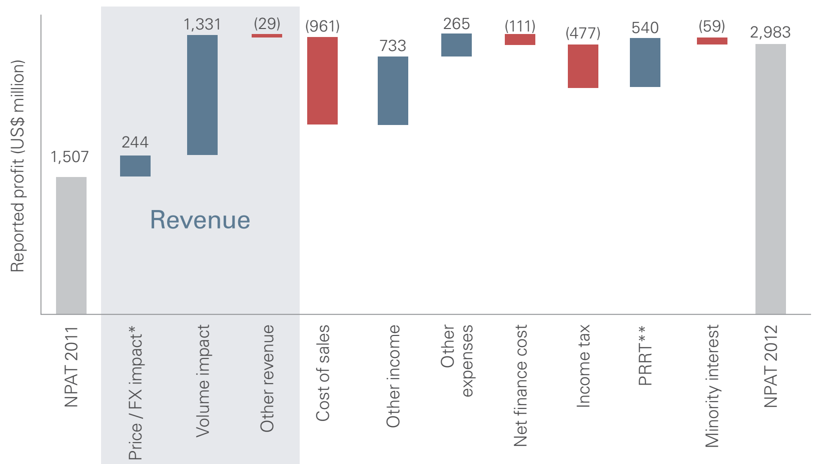
2012 KEY PERFORMANCE HIGHLIGHTS

- Record annual sales revenue of $6.22 billion and underlying profit of $2.06 billion.
- Pluto start-up resulting in revenue of $1.43 billion and gross profit of $642 million.
- Browse partial equity sale proceeds of $2.06 billion and after tax profit impact of $974 million.
- Free cash flow positive: $3.63 billion compared to negative $1.29 billion in 2011.
- Re-established stable credit ratings.
- Record full-year dividend to shareholders and establishment of a Dividend Policy.

FUTURE OBJECTIVES

- Value enhancement through effective investment decisions.
- Optimise capital management to support growth.
- Disciplined cost management.

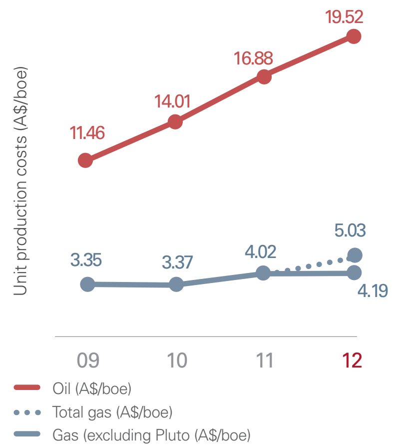
Bridge chart of Woodside's 2012 reported net profit after tax (NPAT)



Woodside's 2012 NPAT was higher than 2011 due to additional revenue associated from Pluto LNG and non recurring items including the partial equity sale of Browse, included in 'other income'.

* Price/ FX includes oil price, foreign exchange rates and hedging.
** Petroleum Resource Rent Tax.

Unit production costs



Despite the increasing unit production costs, our oil assets delivered a combined EBIT of $948 million. We continue to look at bringing forward value on these assets through infill drilling or divestment.

We ended the year with available funds of $4.12 billion ($2.42 billion cash and $1.70 billion undrawn debt) which supports our future growth opportunities. Re-evalution of our funding position will occur in 2013, pending investment decisions on major projects.

Our ability to access long-term facilities provides Woodside with the capacity to develop the best value opportunities in our portfolio - at the right time and at a competitive cost of funding.

Active portfolio management

Woodside has continued to actively manage its asset portfolio. Late in 2012 Woodside agreed to divest its Mutineer-Exeter asset. In-principle agreements have also been achieved to farm-in to petroleum licences in offshore Israel and two Production Sharing Contracts in Myanmar. All of these agreements are expected to be finalised in 2013.

Profit drivers (2012 versus 2011)

The following summarises the main drivers of the 2012 profit result and is represented in the above bridge chart.

Revenue volumes – increased largely due to Pluto start-up ($1,427 million), a full year of NWS oil production ($230 million) and higher production at Vincent ($129 million). This was partially offset by field decline in oil assets.

Sales price – increase was mainly attributable to NWS LNG ($223 million).

Cost of sales – increased by $961 million. The increase was largely driven by Pluto ($778 million) and higher production at NWS oil ($127 million) and at Vincent ($77 million).

Other income – increased by $733 million. This was largely attributable to the Browse partial equity sale of $757 million[1].

Other expenses – decreased by $265 million. The decrease was largely the result of the impact of lower exploration and evaluation expense ($195 million) and lower Pluto mitigation and pre-start-up costs ($218 million); partially offset by higher impairment charges ($160 million related to Laminaria-Corallina, Pluto onshore expansion and the Panoramix wells).

Net finance costs – increased by $111 million as a result of Pluto start-up whereby previously capitalised borrowing costs are now expensed.

Income tax – increased by $477 million largely due to higher net profit before tax ($232 million) along with Browse partial equity sale ($186 million).

Petroleum Resource Rent Tax – decreased by $540 million largely due to the partial equity sale of Browse ($403 million).

Unit production costs rise (Australian dollars)[2]

Total gas production costs increased by A$158 million to A$343 million in 2012 largely due to the introduction of Pluto LNG. On a unit basis, gas unit production costs increased from A$4.02/boe to A$5.03/boe due to higher start-up costs at the Pluto LNG facilities.

Total oil production costs increased by A$44 million to A$327 million. On a unit basis, oil unit production costs increased from A$16.88/boe to A$19.52/boe. The increase is primarily due to Vincent FPSO and related transition costs, and the impact of lower production due mainly to field decline at the Greater Enfield Area oil assets.

Dividend Policy

In August, the Board approved a Dividend Policy. Consistent with recent practice, Woodside will aim to maintain a minimum dividend payment payout ratio of 50% of net profit (excluding non-recurring items) expressed in US dollars. In determining the appropriate dividend payment, Woodside will consider, among other things, its development profile, available cash flow and funding requirements.

The full Dividend Policy can be found on our website.

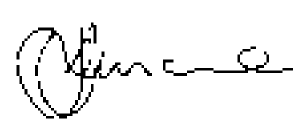
Sensitivities

For 2013, a $1 movement in the Brent oil price is expected to impact NPAT by $22 million and a $0.01 decrease in the AUD:USD exchange rate is expected to increase NPAT by $7 million.

Outlook

Investment expenditure for 2013 is expected to be $2.6 billion, which is higher than previous guidance due to anticipated additional expenditures associated with the Leviathan and Myanmar opportunities. The expected investment expenditure amount comprises $2.1 billion capital plus $0.5 billion of exploration expenditure.

This estimate does not yet include forecast project expenditure that would result from a final investment decision for the proposed Browse LNG Development.



Lawrie Tremaine
20 February 2013

[1] Derived from sales proceeds of $2,060 less cost base of $1,303; pre-tax.

[2] Unit production costs have been reported in Australian dollars as the majority of expenditure is incurred in this currency. See glossary on page 140 for the unit production cost definition.

OUR PEOPLE

Woodside understands that delivery of superior shareholder returns is dependent upon our ability to attract and retain an engaged, diverse and high performing workforce.

Above: Graduates take part in the annual 'Grad Day' activities.

Woodside's Graduate Development Program is a key component of the company's strategy to build long-term capability. It is designed and implemented to attract and retain the best possible candidates.

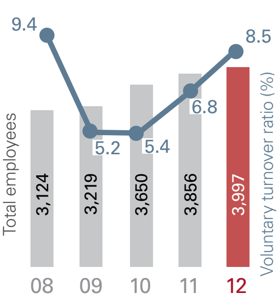
2012 KEY PERFORMANCE HIGHLIGHTS

- Three-year Gender Diversity Strategy rolled out.
- Strong diversity focus with 50% of our 2013 graduate intake being female.
- Progressed towards becoming a values-led organisation through the roll-out of Our Values and Behaviours Guide and the introduction of values into key people processes.
- Converted 70% Indigenous pathways participants to full time jobs.

FUTURE OBJECTIVES

- Continue to embed Our Values and Behaviours into key people processes to support cultural change.
- Review and implement a revised leadership and management competency framework to enable continued development of capability.
- Implement a three-year Indigenous employment strategy to support our Reconciliation Action Plan (RAP).
- Put in place a development program for high talent women and create a job design toolkit to support and increase flexible working.

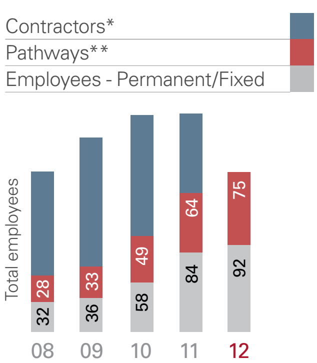
Number of employees and voluntary turnover#



#In 2012, reporting of voluntary turnover is based on global employee turnover rather than Australian employee voluntary turnover, resulting in minor changes to the ratios reported in prior years.

Woodside's global voluntary turnover rate increased from 6.8% in 2011 to 8.5% in 2012, attributed in part to the ongoing industry demand for talent.

Indigenous employment



** No Indigenous contractors were employed in 2012 as a result of start-up at Pluto LNG.*

***Indigenous pathways numbers include total number of participants who completed a pathway during the year.*

In 2012, the number of Indigenous employees (permanent / fixed) increased by 9.5% compared to 2011. The Indigenous Pathway participants increased by 17.2%.

Building capability

Woodside has maintained its focus on building the right level of capability in order to ensure we can resource for the long-term. We continued to invest in our future capacity through apprentice, trainee and graduate programs. A total of 127 trainees and apprentices participated in technical skills development through the Woodside Training Academy in 2012, with 117 active at year-end.

There were 53 graduates new to Woodside, with a total of 135 graduates on the three-year graduate program.

Woodside achieved excellent outcomes in 2012 with 91% of all trainees and apprentices converting to permanent employment at the conclusion of their traineeship or apprenticeship.

In 2012, we continued to develop our leadership capability by offering development programs aimed at improving employee engagement.

Our Leadership Development curriculum programs were attended by 864 company leaders. A further 710 leaders attended workshops on Our Values and Behaviours, accountabilities and decision effectiveness.

Developing a diverse workforce

Woodside progressed well against its RAP commitments. We achieved the employment of 92 Indigenous people by the end of 2012, with our target number of 96 to be achieved in early 2013. The cumulative conversion rate since 2009 of 70% of pathway participants transitioning to employment was also a positive result.

For further information on our Diversity Policy and RAP commitments visit our website.

Woodside implemented a three-year Gender Diversity Strategy in 2012 which focuses on leadership, process and practice, education, government and community engagement to improve our ability to attract and retain skilled people.

Outlook

Recognising that the industry demand for skilled talent remains competitive, Woodside will continue to focus on internal development and training of our people to ensure we have an engaged and capable workforce.

OUR HEALTH, SAFETY AND SECURITY

We will achieve our aspiration of 'no-one gets hurt, no incidents' by implementing our operating standards, reinforcing positive safety behaviours and continuous improvement.

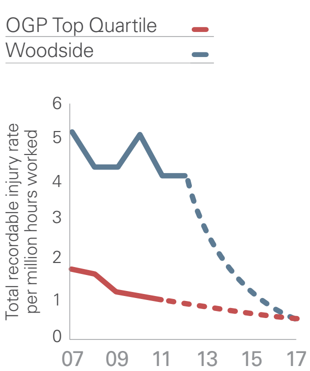
2012 KEY PERFORMANCE HIGHLIGHTS

- Achieved a 6% improvement in the Total Recordable Case Frequency compared to 2011.
- As part of commitment to 'Our Safety Culture' initiative, workshops were held across Woodside, with 6,000 participant packs distributed to employees and key contractors.
- Assurance process implemented across Woodside to ensure compliance with our revised health and safety operating standards.
- Commenced implementation of a control program to address fraud and corruption risks, in accordance with the UK Anti-Bribery Act.

FUTURE OBJECTIVES

- Achieve global top quartile health and safety performance by 2017.
- Implement targeted health and wellbeing interventions.
- Embed the Woodside process safety framework and performance metrics
- Execute an enhanced health and safety service delivery model.

Total recordable injury rate



Total recordable injury rate (injuries only) for Woodside benchmarked against top quartile performance of the International Association of Oil and Gas Producers (OGP). Woodside is targeting significant improvement to achieve top quartile performance by 2017.

Health and safety is fundamental to Woodside's licence to operate.

We require everyone to contribute to building and sustaining a strong safety culture that delivers a healthy, safe and productive work environment.

Woodside's 'Our Safety Culture' framework, along with the Woodside Management System, defines our approach to ensuring the health and safety of our employees and contractors, and the integrity of our facilities.

We have in place six Strategic Imperatives to help us achieve our aspiration of 'no-one gets hurt, no incidents'. The Imperatives drive our yearly action plans and ensure our activities are appropriately targeted.

Information on these imperatives can be found on page 30 of the 2012 Sustainable Development Report.

2012 performance

The number of recordable injuries and illnesses decreased from 140 in 2011 to 86. The total recordable case frequency (TRCF) dropped to 4.50 in 2012, compared to 4.78 in 2011, representing a 6% improvement.

The number of high potential incidents decreased to 30, compared to 35 in the prior corresponding period.

There were no work-related fatalities in 2012.

Strengthening our safety culture

In 2012, we launched a company-wide safety culture survey to provide an opportunity for our employees and key contractors to assess strengths and identify areas for development.

The survey results are being used to strengthen 'Our Safety Culture' behaviours and to guide health and safety plans across the company.

Further, to ensure compliance with operating standards and procedures, a company-wide assurance process was implemented.

A total of five assurance reviews were conducted, with a compliance score of over 70% recorded.

Protecting people and facilities

In 2012 Woodside safely progressed the North Rankin Redevelopment and safely delivered the Pluto LNG facilities.

In 2012, Woodside completed a company-wide fraud and corruption risk assessment and commenced implementation of a wide ranging control plan, which will prepare staff for the challenges that may arise as we broaden our portfolio.

We completed four company-wide crisis exercises, and 18 facility level two exercises, to test and develop our emergency management capabilities.

In addition, major accident prevention and response capabilities remains a priority. As part of our Corporate Oil Spill Response Plan we participated in a number of oil spill response exercises during 2012.

Outlook

Woodside's health and safety performs well when benchmarked against our Australian peers, however when compared against global benchmarks there is room for significant improvement.

In 2013, we will begin implementing measures to achieve global top quartile health and safety performance by 2017.

In addition we will continue to work with key partners including state, federal and foreign governments to safely secure our operations in Australia and internationally.

In line with our international expansion plans we will maintain our focus on progressing our international security, emergency management and anti-fraud and corruption processes.

Further information on Our People and our Health, Safety and Security is available on pages 28 to 33 of the 2012 Sustainable Development Report.

COMMUNITY ENGAGEMENT

The long-term relationships we have with the communities in which we operate are fundamental to maintaining our licence to operate.

Above: Learning about science with the Scitech Aboriginal Education program.

Woodside is a proud supporter of Scitech's Aboriginal Education Program. In 2012 the program won the Leading Edge Award for Visitor Experience at the Association of Science and Technology Centres, for its delivery of science outreach to Western Australia's most remote communities.

2012 KEY PERFORMANCE HIGHLIGHTS

- We directly contributed A$9.5 million worth of social investment* to the communities in which we operate.
- Our staff contributed 5,800 volunteering hours, valued at A$0.96 million.
- Our voluntary social investment contribution in 2012 equated to 0.34% of a three-year averaged profit before tax (2010 to 2012).

FUTURE OBJECTIVES

- Meet our target of contributing 0.5% profit before tax by 2015 to community programs, in order to ensure communities benefit from our activities.

Our approach

Woodside's strategic and integrated approach to corporate social investment is guided by our Sustainable Communities Policy. Our social investment strategy is based on a three tiered funding model with a theme of contributing to health and well-being on a personal, community and environmental level. Our focus is to contribute to communities at a regional, state and national level, as well as investing in supporting communities internationally, with a particular emphasis on building capability and capacity.

It is Woodside's commitment that each of our operating locations has local community engagement and development programs. We recognise we are part of the community; we make commitments for the long-term and therefore look after each other and our communities.

An example of this commitment is the Woodside operated-Sunrise Joint Venture and its focus on supporting youth development and education, by building the capability and capacity of the next generation of Timorese.

Our major national partners are Surf Life Saving Australia and Conservation Volunteers. These partners are delivering programs that support the health and wellbeing of coastal communities around Australia.

In addition we initiated a new collaborative program with the Royal Flying Doctor Service, the Lions Cancer Institute and Royalties for Regions to deliver the first free skin cancer screening service for people living and working in the Kimberley region of Western Australia.

Our performance

Woodside is a member of the London Benchmarking Group (LBG) and uses its methodology to track, measure, benchmark and report on our social investment performance. Woodside has a social investment target of 0.5% profit before tax by 2015. Our direct voluntary social investment contribution* in 2012 was A$9.5 million. This equates to 0.34% of a three-year averaged PBT (2010-2012).

During 2012 we commissioned a corporate social investment review to determine whether key outcomes of our 2009-2012 social investment strategy had been achieved.

The review outcomes were positive and opportunities for improvement were identified. An area of focus will be to improve communications regarding the impact and outcomes achieved by community partners and their programs.

For further information on Woodside's major social investment contributions and our Sustainable Communities Policy visit our website.

The Woodside-operated North West Shelf (NWS) Project also commissioned a separate review of its social investment programs in the Pilbara region of Western Australia.

Consistent with Woodside's corporate social investment review, this NWS review also found stakeholders perceived social investment programs in the Pilbara to be highly regarded by the community. Key opportunities for improvement are to continue to consult with the community, to promote the social investment strategy and to investigate the effective long-term measurement of social investment program outcomes.

Employee volunteering and engagement

Our contribution to communities through social investment is complemented by our employee engagement and corporate volunteering program. The program is run in collaboration with Volunteering WA which offers participation in social programs and Conservation Volunteers which offers participation in environmental programs.

Our corporate volunteering program provides employees with the opportunity to contribute 12 hours of paid volunteering leave each year, to support community-based organisations.

Outlook

In 2013, as our social investment strategy evolves, we expect to direct more investment towards one particular area of social need.

In addition, we will refine our community engagement processes and policies to ensure they support the company's licence to operate.

Further information on our Community Engagement is available on pages 14 to 27 of the 2012 Sustainable Development Report.

** Includes cash value, in-kind and voluntary hours (Woodside share).*

Our success depends on our ability to understand our current and future operating environments, the potential impacts of our activities and how we best manage and mitigate such impacts.

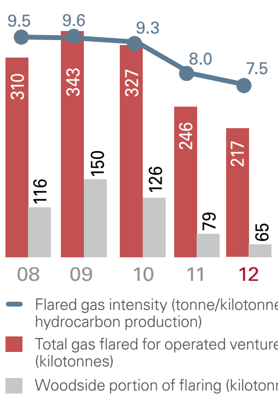
2012 KEY PERFORMANCE HIGHLIGHTS

- No reportable or recordable environmental incidents from Pluto LNG commissioning and start-up activities.
- Environmental approvals received with minimal impact to activity schedule during the commencement of the new offshore regulatory regime.

FUTURE OBJECTIVES

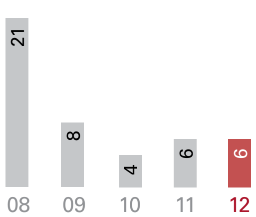
- Complete energy efficiency assessments at the Nganhurra floating production storage and offloading (FPSO) vessel, the Northern Endeavour FPSO and Goodwyn A Platform.
- Maintain a low level of environmental incidents.

Flare gas and intensity
(excludes commissioning)



Flared gas intensity is measured as tonnes of gas flared per kilotonne of hydrocarbon produced (t/kt). The reduction in intensity continued in 2012 largely as a result of increased reliability and the implementation of flaring reduction measures.

Environmental incidents



Six environmental incidents occurred in 2012. Since 2008 there has been a significant decline in the number of incidents.

Our approach

Woodside's approach to environmental management is outlined in our Environment Policy and the mandatory environmental operating standards that apply to all facilities. The standards set compulsory environmental performance requirements through the life-cycle of our projects and operations.

Information on Woodside's Environment Policy can be found on our website.

Excellent environmental performance

Woodside partners with leading research and education institutes to generate information that is critical to support decision making and ongoing monitoring of our operations. Woodside received the 2012 APPEA Environment Award, in recognition of Woodside's collaborative research partnerships with the Australian Institute of Marine Science and the Western Australian Museum. The research has improved scientific and industry knowledge and improved the broader community's understandings of biodiversity and ecological function in Western Australia's tropical marine areas.

Woodside did not receive any environmental fines or penalties in relation to environmental incidents in 2012. Six incidents were reported to regulators, in accordance with legal requirements. Of these, four resulted in no measurable environmental impact. The other two resulted in a loss of 120 litres and 200 litres of hydraulic oil in separate incidents on two offshore facilities.

As a result of flaring reduction initiatives, Woodside continued to reduce the flaring intensity of operational facilities, achieving a flaring rate of 7.5 t/kt (excludes flaring during commissioning). This is a decrease of flaring intensity of 6.5% on 2011 and 22% since 2008.

Woodside's rate of flaring for all facilities, including those in commissioning, was 22.9 t/kt. These rates are due to commissioning flaring at both the Okha FPSO and Pluto LNG facilities.

During the commissioning of new facilities, it is often necessary to flare higher rates of gas in order to maintain safety and integrity. Once fully operational, it is expected that these facilities will operate at significantly lower flaring rates, due to mitigation measures incorporated into the design of the facility.

Introduction of a carbon price

Effective 1 July 2012, Woodside became liable for its carbon emissions under the Australian Government's Clean Energy Legislation. For the full year 2012, a net expense of $17 million was recognised which reflects the cost of year-to-date emissions, net of all 2012/13 carbon emission units granted by the Clean Energy Regulator.

Browse

In November 2012, the Browse LNG Precinct near James Price Point, received environmental approval from the Western Australian Minister for Environment. In granting approval for the Precinct, the Minister set a number of strict conditions in order for any development to proceed.

Further to this, the Browse LNG Development was declared a derived proposal by the Western Australian Minister for Environment in December 2012.

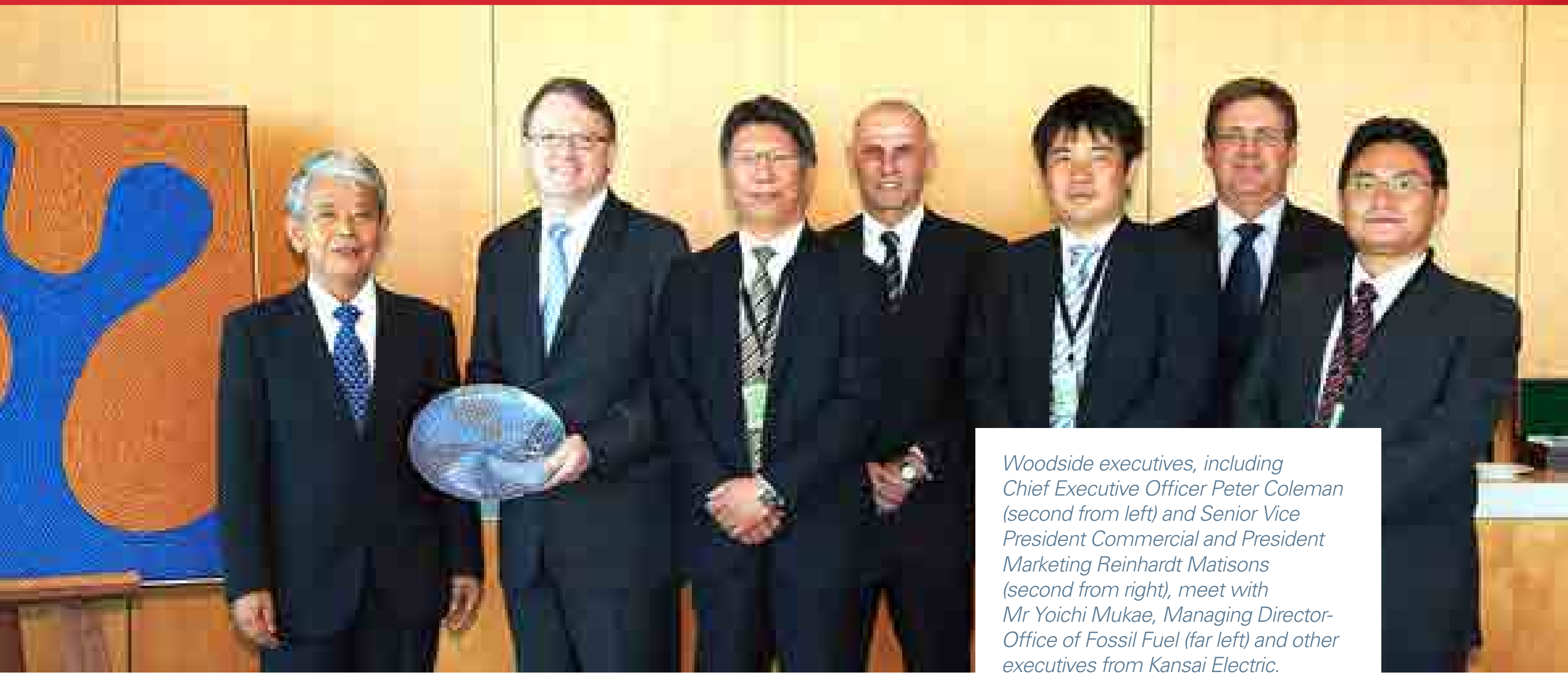
The final environmental decision on the Precinct will be made by the Commonwealth Environment Minister. Woodside will then seek further environmental approval from the State and Commonwealth to construct and operate LNG processing facilities within the Precinct.

Woodside carried out additional environmental studies in 2012, to further understand the terrestrial and marine environment in the Browse region.

Outlook

In 2013, we are focused on maintaining a low level of environmental incidents, as well as looking to significantly reduce our rates of flaring, as facilities currently undergoing commissioning transition to normal operations.

LNG MARKET REPORT



Woodside executives, including Chief Executive Officer Peter Coleman (second from left) and Senior Vice President Commercial and President Marketing Reinhardt Matisons (second from right), meet with Mr Yoichi Mukae, Managing Director-Office of Fossil Fuel (far left) and other executives from Kansai Electric.

Outlook for growth in global LNG demand remains strong

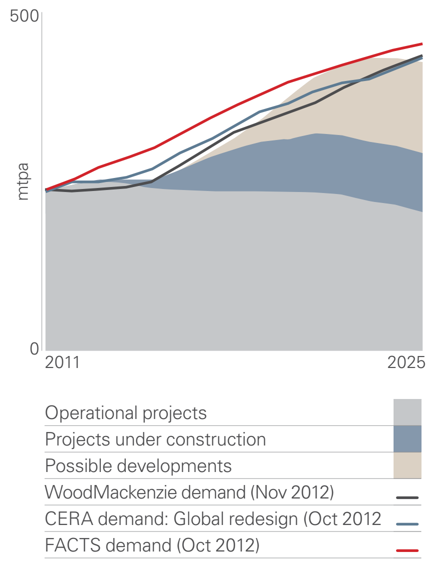
Global demand for LNG to 2025 is anticipated to continue to grow at an average of 4% to 5% a year, equating to an increase of about 200 mtpa (million tonnes per annum).* This is underpinned by an increasing role for gas in the primary energy mix, together with a growing list of countries that will import LNG. A recent trend in forecasts of LNG demand is the potential for greater use of LNG in transport, in particular long-distance trucking and ship bunkering.

The largest regional LNG market is Asia Pacific, representing approximately two-thirds of global trade, based around the core markets of Japan, Korea and Taiwan. Growth will be driven by the key markets of China and India, with a range of emerging import countries playing an increasingly important role. New LNG importing countries include Thailand, Indonesia and Malaysia, with Singapore to follow in 2013.

A key uncertainty remains the outlook for Japanese demand. Following a rapid increase in the wake of the 2011 Fukushima nuclear incident, demand steadied in 2012. The recently elected Liberal Democratic Party Government has a more positive view on nuclear energy and supports restarting idled reactors once their safety has been confirmed. However, the future primary energy mix role of nuclear power generation for the country remains unclear. We will continue to monitor policy developments in 2013.

*Various consultants, including WoodMackenzie, FACTS Global Energy and Poten & Partners.

Global LNG supply and demand



Minimal new global LNG supply until 2016

Post-Fukushima the Asia Pacific market tightened and significant volumes of Atlantic supply are being diverted to Asian markets to meet demand. As a consequence spot LNG prices remain relatively high. There is very little new supply due on-line before the middle of the decade, and uncommitted volumes from operating projects in this period will be highly prized.

From 2016 to 2019 approximately 90 mtpa of new LNG capacity currently under construction is expected to be phased into the market. The market is not expected to move back towards a more balanced supply/demand position until this is completed. Start-up delays may extend the period of supply tightness and underscore the value of Woodside's uncommitted production from the North West Shelf (NWS) Project and Pluto LNG.

Australia is home to seven of the 13 projects globally under construction and is destined to become the world's largest supplier before the end of the decade.

The next wave of supply will include some new LNG exporting regions, but these will face challenges

Towards the end of the decade additional new supply is required to meet growth in demand and replace the decline in some legacy projects. Globally there are many proposed projects, both brownfield expansions and greenfield, that are competing to secure new long-term sales beginning around 2020.

During 2012, a final investment decision (FID) was taken on the first US LNG export project supported by domestic shale gas deposits. There are many other North American export projects currently proposed, but most are speculative at this stage. The proposals in the US are mainly based on brownfield re-development of existing re-gasification terminals.

Canadian LNG projects are more aligned to typical greenfield developments in Australia in terms of cost structure and risk profiles. The general view is that US exports of LNG are expected to make up less than 10% of global supply by 2025, compared to approximately 25% from Australia and 20% from Qatar.

East Africa is also emerging as a new supply region following recent large offshore gas discoveries, but will likely face a range of greenfield development risks and other country specific challenges.

Long-term LNG pricing in Asia Pacific is robust

The outcomes of recent price negotiations in Asia Pacific for existing supplies indicate that the long-term oil-linked price is relatively stable with average pricing indexed to 85-90% of oil price movements. Woodside anticipates prices will remain predominantly oil-linked at close to the current level to support investment in new greenfield supply projects.

US brownfield projects have given rise to some alternative pricing mechanisms, with some sales linked to the Henry Hub natural gas benchmark plus a terminal capacity charge and transportation costs. It is expected that Asian buyers will initially limit the amount of US supply in their portfolios, with its volatile alternative price index and exposure to different contractual risks. The influence on Asian pricing will ultimately depend on the proportion of Asian sales captured by US LNG and the extent to which US supplies become and remain the marginal supply choice for the region.

Woodside has strong price protection for its long-term LNG sales

Woodside's Sale and Purchase agreements (SPAs) typically provide for periodic price discussions over the term of the contract. The impact of price reviews and Price Out of Range negotiations is to recalibrate contract pricing to reflect market trends. Woodside staggers the timing of price reviews within its current portfolio of more than 18 long-term SPAs to the extent possible.

Between 2011 and 2014 the majority of Woodside's equity volumes will be subject to some form of price renegotiation, which is expected to generate incremental value due to the tightness of the market and the benchmark contracts that will be used to calibrate prices during this period.

Woodside's equity LNG has doubled with the start-up of Pluto

A key milestone was reached when Pluto LNG loaded its inaugural cargo in May. Better than forecast LNG production at Pluto also enabled higher than planned deliveries to key long-term customers and resulted in further sales of additional LNG cargoes into a high demand spot market.

In 2012 Woodside delivered 39 cargoes from Pluto, compared to a total of 247 cargoes from the NWS Project.

Pricing discussions are underway for Pluto, targeting similar market price outcomes as other relevant Australian benchmarks for deliveries of long-term volumes into Japan.

NWS LNG continues to be highly valued in the market, with the extension of a long-term contract and a strong outcome for a recent price review with Japanese customers. These have set a solid platform for new sales following the sanction of the Greater Western Flank Phase 1 offshore development.

Woodside actively marketing Browse LNG

Woodside is actively engaged with a broad base of premium customers in Asia to secure Browse foundation sales to be in a position to consider a FID in 2013. Sales into Japan and North Asia are underwritten through a joint marketing effort with Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI), following the combined off-take and equity transfer deal announced in May. This effectively places approximately 3.3 mtpa of Browse volumes into the premium Asian market, with joint marketing affording us market priority. In other regions, Woodside is also progressing its own equity sales and these are at various stages of maturity to support a FID.

New developments will deliver an extended range of markets and customers

Woodside's planned participation in the Leviathan field in the Eastern Mediterranean and its entry into Myanmar could lead to new LNG and domestic gas market opportunities. Woodside is preparing for timely engagement with relevant markets to underpin these proposed new supply projects. We will leverage our long-term experience in both pipeline gas and LNG marketing, together with our customer relationships to introduce the new supply to the relevant markets and secure foundation customers.

Woodside to expand its LNG trading and shipping business

Central to our success is Woodside's LNG shipping position. Woodside manages an integrated fleet of three ships on behalf of Pluto and has utilised these ships for project deliveries and optimisation with other suppliers, end users and traders. Pluto took a major investment decision in 2012 to expand its fleet to include a dedicated long-term fourth ship via a time charter (commencing mid 2013). This will allow further fleet integration and materially reduce operating costs. The vessel will support term and spot sales from Pluto, including any potential trading opportunities.

Focused on consolidation, optimisation and new opportunities

As the major Australian supplier, Woodside's key strengths are its reputation for reliability, long-term relationships with key buyers, proximity to premium Asian markets, and the stable political and fiscal regime in which it operates. We monitor the changing market and will remain competitive in securing long-term and short-term sales opportunities.

Woodside's marketing efforts in 2013 will be focused on the consolidation and optimisation of LNG sales from operating assets and also on generating revenue from other shipping and trading activities. Woodside's recent developments represent an opportunity to expand into new markets and to extend the existing broad base of premium Asian customers. Woodside is ready to leverage its strong marketing position and capability to support its Australian and international growth plans.

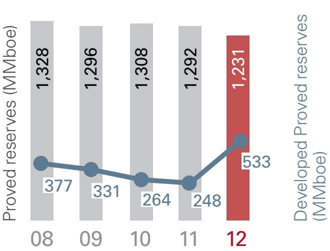
RESERVES STATEMENT

The developed portion of Proved plus Probable reserves increased by 132% in 2012 due to the start-up of Pluto LNG.

2012 KEY POINTS

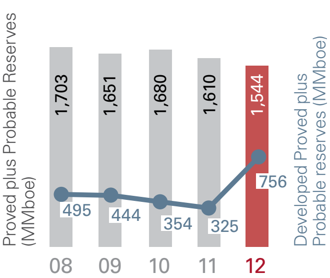
- Developed Proved plus Probable reserves increased 430.3 MMboe largely due to achieving first production from Pluto LNG.
- Net Contingent Resource in the Greater Browse region decreased by 427.8 MMboe largely due to a positive revision at Calliance (+40.8 MMboe) and the sale of a minority portion of equity in the proposed Browse LNG Development (-468.8 MMboe).
- Net Contingent Resource in the Greater Pluto Region increased 36.1 MMboe due to discovery of the Ragnar gas field.

Proved reserves*



Developed Proved reserves increased 285.4 MMboe by year-end, largely due to the successful start-up of Pluto LNG.

Proved plus Probable reserves*



Due to Pluto LNG start-up, developed Proved plus Probable reserves increased 430.3 MMboe.

Woodside's reserves[1] overview

		2012	2011	Change%
Proved[2]	MMboe	1,230.6	1,292.4	(4.8)
Developed Proved[3]	MMboe	533.5	248.1	115.1
Proved plus Probable[4]	MMboe	1,543.6	1,610.2	(4.1)
Developed Proved plus Probable	MMboe	755.6	325.3	132.3
Contingent resources[5]	MMboe	1,745.2	2,136.5	(18.3)

Key metrics

		Proved	Proved plus Probable
2012 reserves replacement ratio[6]	%	30	25
Organic 2012 reserves replacement ratio[7]	%	30	25
Three year reserves replacement ratio	%	71	52
Three year organic reserves replacement ratio	%	88	82
Reserves life[8]	Years	14	17
Annual production[9]	MMboe	88.4	88.4
Net acquisitions and divestments	MMboe	0.0	0.0

Proved reserves annual reconciliation by product*

	Dry gas[10] Bcf[12]	Condensate[11] MMbbl[13]	Oil MMbbl	Total MMboe[14]
Reserves at 31 December 2011	6,406	117.2	51.4	1,292.4
Revision of previous estimates[15]	59	(0.2)	12.7	22.9
Extensions and discoveries[16]	18	0.5	0.0	3.7
Acquisitions and divestments	0	0.0	0.0	0.0
Annual production	(358)	(8.8)	(16.8)	(88.4)
Reserves at 31 December 2012	**6,125**	**108.8**	**47.3**	**1,230.6**

Best estimate contingent resources annual reconciliation by product*

	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Contingent resources at 31 December 2011	9,788	288.6	130.7	2,136.5
Transfer to reserves	(7)	(0.2)	(3.7)	(5.1)
Revision of previous estimates	82	3.6	5.7	23.7
Extensions and discoveries	285	2.5	6.5	59.0
Acquisitions and divestments	(2,312)	(63.2)	(0.0)	(468.8)
Contingent resources at 31 December 2012	**7,836**	**231.2**	**139.3**	**1,745.2**

Proved reserves summary by region*

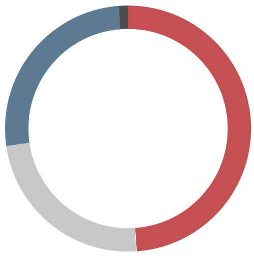
Project	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto[17]	3,641	54.2	0.0	692.9
North West Shelf[18]	2,480	54.6	19.8	509.6
Greater Exmouth[19]	0	0.0	21.7	21.7
United States of America[20]	4	0.0	3.9	4.5
Other Australia[21]	0	0.0	1.8	1.8
Reserves	**6,125**	**108.8**	**47.3**	**1,230.6**

Proved plus Probable reserves summary by region*

Project	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Pluto	4,856	70.8	0.0	922.7
North West Shelf	2,644	60.1	31.4	555.4
Greater Exmouth	0	0.0	53.2	53.2
United States of America	5	0.0	6.7	7.7
Other Australia	0	0.0	4.6	4.6
Reserves	**7,505**	**130.9**	**95.9**	**1,543.6**

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

Developed and undeveloped (Proved plus Probable reserves)



	%
Developed	49.0
Greater Pluto undeveloped	27.3
NWS undeveloped	22.6
Other undeveloped	1.1

As projects are brought into production, additional value is derived for the company. At year-end 2012, 49% of the Proved plus Probable reserves were categorised as developed, up from 20% in 2011.

Best estimate contingent resources summary by region*

Project	Dry gas Bcf	Condensate MMbbl	Oil MMbbl	Total MMboe
Greater Browse[22]	4,987	136.4	0.0	1,011.4
Greater Sunrise[23]	1,717	75.6	0.0	376.7
Greater Pluto	851	13.2	0.0	162.5
North West Shelf	99	3.0	21.4	41.7
Greater Exmouth	93	0.5	103.1	119.9
United States of America	2	0.0	1.8	2.1
Other Australia	66	0.5	8.4	20.4
Other International[24]	22	2.1	4.5	10.5
Total	**7,836**	**231.2**	**139.3**	**1,745.2**

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

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

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 11.9% of total Proved reserves, and 11.8% 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 'Developed reserves' are those reserves that are producible through currently existing completions and installed facilities for treatment, compression, transportation and delivery, using existing operating methods and standards.

4 '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.

5 '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.

6 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.

7 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.

8 The 'reserves life' is the total reserves (developed and undeveloped) divided by production during the year.

9 'Annual production' is the volume of dry gas, condensate and oil (see Notes 10 and 11) 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, reserves reported gross of downstream fuel and flare and the 'MMboe' conversion factors applied.

10 '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.

11 'Condensate' is defined as 'C5 plus' petroleum components.

12 '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).

13 '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).

14 '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.

15 '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.

16 'Extensions and discoveries' represent 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.

17 The 'Greater Pluto' region comprises the Greater Pluto Central, Inner, Ragnar and Claudius Hubs.

18 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 NWS Proved dry gas reserves and 16% of NWS Proved condensate reserves.

19 The 'Greater Exmouth' region comprises Vincent, Enfield, Cimatti, Stybarrow-Eskdale and Greater Laverda fields

20 Woodside's resources in the United States of America include the Neptune and PowerPlay fields.

21 'Other Australia' includes the Mutineer-Exeter, Laminaria-Corallina and Argus fields.

22 'Greater Browse' comprises the Brecknock, Calliance and Torosa fields. Woodside completed the sale of a minority portion of the company's equity in the proposed Browse LNG Development to Japan Australia LNG Pty Ltd. Net resources are subject to future unitisation outcomes.

23 'Greater Sunrise' comprises the Sunrise and Troubadour fields.

24 'Other International' includes fields in Brazil.

EXPLORATION REVIEW

In 2012, we pursued new international growth opportunities that align with our strategy and capabilities. These provide greater diversity and broader balance to our portfolio, positioning the company to deliver long-term value growth for shareholders.

2012 KEY PERFORMANCE HIGHLIGHTS

- Strengthened our portfolio with new permit entries in Australia and preliminary agreements for permit entries in Myanmar and Israel.
- Acquired Woodside's largest ever seismic survey in the Outer Canning Basin, offshore Western Australia.
- Gas discovered at Ragnar-1A.

FUTURE OBJECTIVES

- In 2013 Woodside plans to drill up to eight wells offshore Australia and acquire seismic data in Australia, Myanmar and potentially Peru.
- Test the prospectivity of the under-explored Outer Canning Basin.
- Progress drilling in offshore Israel.
- Strengthen and mature our exploration portfolio.

Exploration results

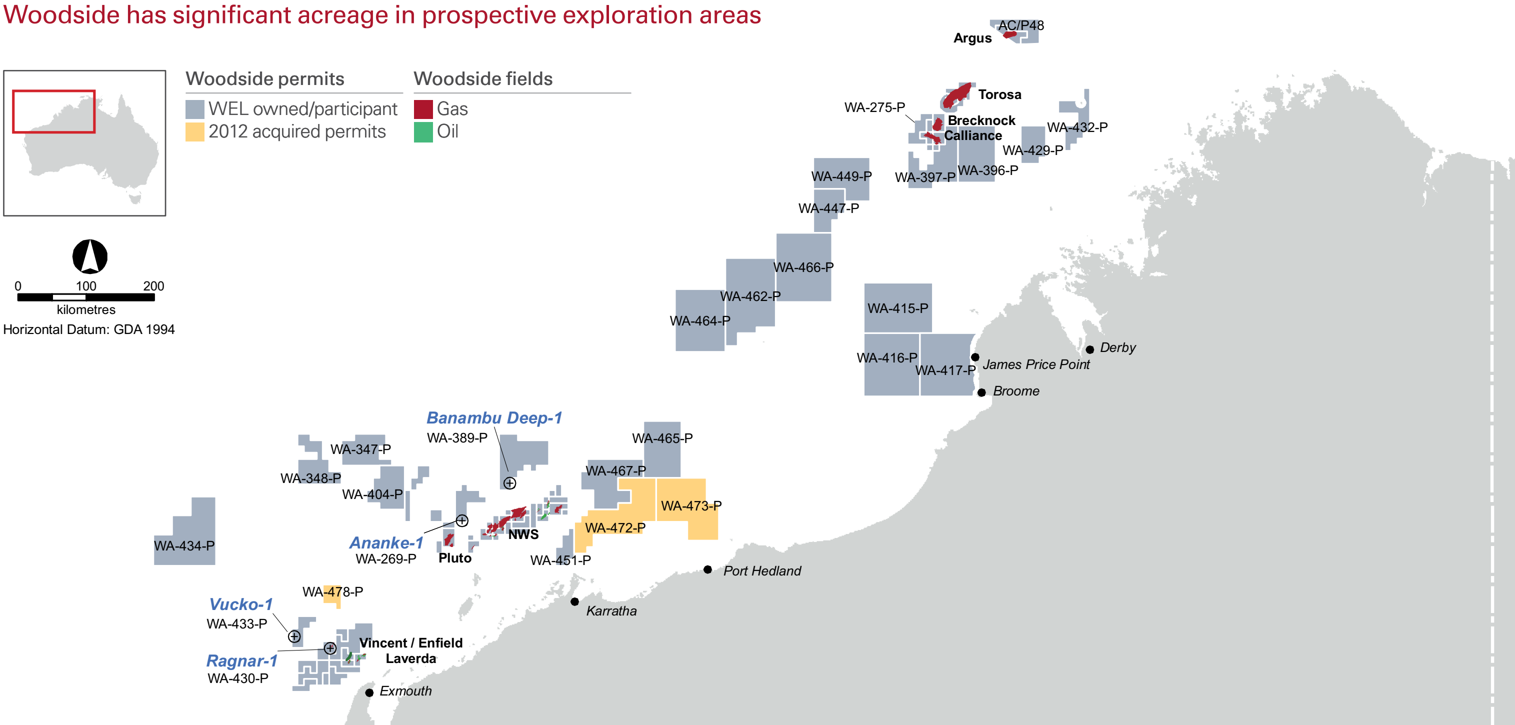
In 2012, Woodside drilled six exploration wells, resulting in a gas discovery at Ragnar-1A in WA-430-P in the Carnarvon Basin. Three dry holes were drilled in Australia (Vucko-1, Banambu Deep-1 and Ananke-1), one in the Republic of Korea (Jujak-1) and one in the Gulf of Mexico (Innsbruck-1). Exploration risk was managed by farming out equity in three Australian permits prior to drilling. This included farming out 35% equity in WA-433-P to Sasol Petroleum, 40% equity in WA-389-P to BHP Billiton Petroleum, and 16.67% equity in WA-269-P to Japan Australia LNG. Exploration expenditure was lower in 2012 due to these farm-out decisions and a planned slowdown in exploration drilling during a time of portfolio replenishment.

Portfolio renewal

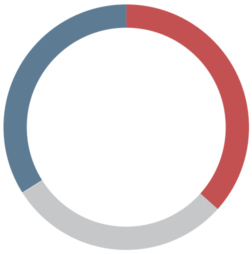
The 2012 exploration drilling results were disappointing, and reflect the need for Woodside to continue to rebuild and refocus its exploration portfolio. Consistent with this goal, in 2012 we acquired three new exploration permits in Australia and over 15,000km² of new three dimensional (3D) seismic data, including Woodside's largest ever seismic survey, to prepare for future exploration campaigns. This included the acquisition of the 11,530 km² Curt 3D seismic survey in the Outer Canning area, where risks are high but prospect sizes are large. In addition, we substantially increased our international new ventures team, conducted regional studies and pursued new acreage.

In line with our revised exploration strategy to re-balance our portfolio, we have shifted our emphasis from mature basins with a predominant focus on Australia, to a balance between mature, emerging and frontier basins in Australia and also internationally. In Myanmar, subject to final agreements and approvals, we will add two new exploration permits in the offshore Rakhine Basin. We are looking forward to working with our experienced local partners to mature this acreage by acquiring 3D seismic data in 2013.

Woodside has significant acreage in prospective exploration areas



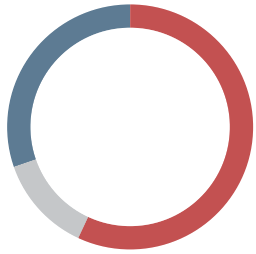
2012 exploration expenditure by category



	%
Drilling	37
Seismic	29
Studies and other	34

Drilling expenditure was reduced from the previous year due to fewer wells and cost savings from farm-outs. Expenditure on studies and data purchases was increased, associated with rebuilding the exploration portfolio.

2012 exploration expenditure by country



	%
Australia	57
USA	13
International excluding USA	30

Australia remained the focus for exploration expenditure, but there was an increased emphasis on international ventures.

In Israel as part of the Leviathan purchase agreement, which is also subject to final approvals, we have the opportunity to participate in an offshore exploration well, targeting a deep oil play.

Woodside will continue to use appropriate technology as we pursue opportunities that align with our strategy and capabilities. Woodside anticipates exploration expenditure will increase to around $480 million in 2013, up from $260 million in 2012.

2012 exploration drilling results

Six exploration wells were drilled during 2012, with a 190 m gross gas column encountered at Ragnar-1A, located approximately 33 km north west of Laverda.

WA-430-P, Ragnar hub

Woodside 70% (operator)

Ragnar-1A was finalised during early 2012 with the well encountering gas within the objective Triassic Mungaroo Formation. The follow-up Gumbo prospect is planned to be drilled in WA-430-P in early 2013.

WA-433-P, Ragnar hub

Woodside 45% (operator)

Vucko-1 was drilled to test a Triassic fault block north-west of the Ragnar discovery; however, no hydrocarbons were encountered.

WA-389-P, Greater Pluto

Woodside 25% (operator)

Banambu Deep-1 was drilled to test an incised channel system within the Mungaroo Formation; however, no hydrocarbons were encountered.

WA-269-P, Greater Pluto, Inner Hub

Woodside 50% (operator)

Ananke-1 was drilled to test an Oxfordian stratigraphic trap; however, the well was unsuccessful.

Block 8/6-1N, Ulleung Basin, Republic of Korea

Woodside 50% (operator)

Jujak-1 was drilled as the first deepwater well in the frontier Ulleung Basin. The well explored a Miocene fan complex within a four way dip closure. The well found excellent reservoir at the objective section, but no hydrocarbons were encountered.

Mississippi Canyon Block 993, Gulf of Mexico

Woodside 15% (non-operator)

Innsbruck-1 tested an oil prospect to the south of the Gunflint discovery in the deepwater Gulf of Mexico. No commercial hydrocarbons were encountered.

Australian outlook

In 2013, Woodside will resume its Australian exploration drilling with up to eight wells planned in Australia, subject to rig availability. Two to three wells target oil prospects in the Greater Exmouth Area; three are in support of our existing gas assets, and two wells are in pursuit of a new LNG hub in the Outer Canning Basin.

Over 10,000 km^2 of 3D seismic acquisition is planned in the Beagle Sub-Basin and in the North West Shelf Joint Venture area, which will allow for the maturation of drilling candidates for subsequent years.

International outlook

In the deepwater Gulf of Mexico, Woodside will continue to mature our exploration portfolio and, subject to joint venture participation, expects to participate in drilling operations in 2013.

Conditional on final agreements and approvals, we plan to acquire 3D seismic in Myanmar in 2013 over exploration permits A-6 and AD-7, with options to drill exploration wells in subsequent exploration periods.

The in-principle agreement to acquire a 30% participating interest in the Leviathan field, offshore Israel, also provides the opportunity for Woodside to participate in an exploration well in 2014.

In Peru, Woodside has a 20%, non-operated interest in onshore block 108, which is currently under force majeure conditions. Once the force majeure conditions cease, the Joint Venture plans to acquire up to 800 km of 2D seismic.

In the Canary Islands, Woodside holds a 30% interest in blocks 1-9 operated by Repsol. Full rights to the permit activity have been reinstated following the issue of a Royal Decree on 16 March 2012; however, the Royal Decree is currently the subject of legal proceedings initiated by third party interest groups.

RISK MANAGEMENT

We recognise that risk is inherent to our business and are committed to managing all risk in a proactive and effective manner.

Active risk management

Woodside's approach to risk is focused on enhancing opportunities, reducing threats and sustaining our competitive advantage. Central to this is the consistent application of our process for the recognition and management of risks across Woodside's business.

Key roles and responsibilities

The Board Audit and Risk Committee (A&RC) has oversight of the Risk Management Policy and is responsible for ensuring that management has developed and implemented a sound risk management system.

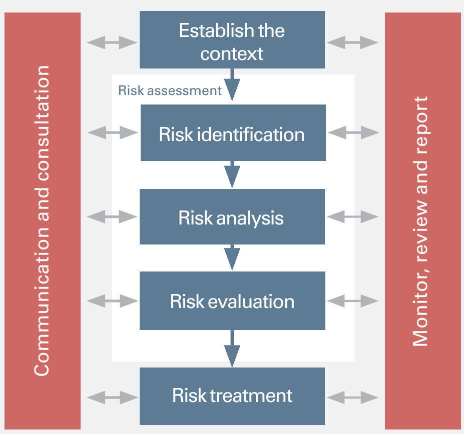
Management at all levels has responsibility for managing risk in their area of control. Support is provided to management by the Risk and Insurance function to ensure Woodside's risk management operating standard is consistently and effectively applied throughout the business.

Risk professionals are embedded within the business units, functions and major projects to support management in the consistent application of the risk management process.

The risk team maintains Woodside's corporate risk profile and regularly reports to the A&RC on the effectiveness of the management of Woodside's material risk.

Further information on Woodside's risk management roles and responsibilities can be found in the Corporate Governance Statement on pages 47 and 48.

The risk management process



The Woodside risk management process is outlined above. Effective communication and consultation is essential to ensuring appropriate identification, analysis, evaluation and treatment of risk.

Woodside's risk management system

Woodside operates a standardised enterprise-wide system which provides an over-arching and consistent process for the recognition and management of material risk. Woodside's risk management process is aligned to ISO 31000, the international standard for risk management.

Woodside's Risk Management Policy outlines the principles which underpin our approach to risk. Our risk management operating standard is part of the Woodside management system and sets out clearly defined criteria to evaluate and report on material risk. We systematically assess the consequence of risks in areas such as:

- health and safety;
- environmental;
- financial;
- legal and compliance;
- reputation and brand; and
- social and cultural impacts.

In the Woodside context, we routinely consider our oil and gas exploration, development and operational risks and continually seek to improve our risk management framework to more effectively manage these industry-wide risks. We also consider incidents and issues in the global energy industry to ensure that Woodside is responding appropriately to similar risks.

Our most significant material risks, and how they are being managed, are summarised in the corporate risk profile. Operational and project risks are continuously reviewed and summarised in the corporate register for twice yearly review by the executive management team and the A&RC. These reviews consider the effectiveness of the actions taken by Woodside to manage risk. During 2012, an extensive review of Woodside's risk categories was completed.

The success of our risk management system relies on our employees, at all levels, proactively identifying, managing, reviewing and reporting on risk.

For information regarding Woodside's identification and response to key sustainability risks and issues refer to pages 9, 12 and 13 of the 2012 Sustainable Development Report.

WOODSIDE EXECUTIVES

a) **Peter Coleman**
Chief Executive Officer and Managing Director
BEng (Civil and Computing), MBA

Peter has 28 years experience in the global oil and gas industry, and was appointed Chief Executive Officer and Managing Director of Woodside upon joining the company in May 2011.

Peter began his career at Esso Australia (later to become part of the ExxonMobil group) following graduation from Monash University, and stayed with ExxonMobil until joining Woodside.

b) **Robert Cole**
Executive Director and Executive Vice President, Corporate and Commercial
BSc LLB (Hons)

Robert joined Woodside in 2006 as General Counsel after a 21 year career with law firm Mallesons Stephen Jaques.

Robert was appointed to the Woodside Board in the role of Executive Director in early 2012. In this role, Robert is responsible for an array of corporate and commercial functions including legal and company secretariat, audit, commercial, corporate affairs, security and emergency management, health and safety, human resources and environment and heritage.

c) **Lawrie Tremaine**
Executive Vice President and Chief Financial Officer
BBus, FCPA

Lawrie has more than 20 years finance leadership experience in the resource and minerals processing industry.

He joined Woodside in December 2006 and transitioned into his current role as Executive Vice President and Chief Financial Officer in January 2011. In this role Lawrie is responsible for a range of functions including finance, investor relations, risk management, information technology and supply chain.

d) **Vince Santostefano**
Chief Operations Officer
BEng (Civil)

Vince has more than 33 years experience in the oil and gas sector working across a range of disciplines including drilling, operations and structural/civil design.

Vince joined Woodside in 1999 and has worked in variety of roles, including Project Manager, Director of the Australian Business Unit and Executive Vice President Production.

In his current role as Chief Operations Officer, Vince oversees the producing Business Units and the Production Function covering the operations of all Woodside's producing facilities.

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

Peter joined Woodside in 1998 as the Geological Manager. He has since held a range of roles, including Head of Evaluation and Exploration Manager Gulf of Mexico.

Peter was appointed to the role of Executive Vice President Exploration in March 2009, which sees him responsible for all of Woodside's exploration efforts worldwide.

f) **Dr Robert Edwardes**
Executive Vice President Development
BSc (Eng), PhD

Robert has 35 years of resources industry experience spanning the full breadth of operations and projects, including HSE and operations integrity, production technology, development planning and delivery of major capital projects.

In his role as Executive Vice President Development, Robert is responsible for the delivery of onshore and offshore capital projects, in addition to drilling, subsea and reservoir management operations.

g) **Dr Michael Hession**
Senior Vice President, Browse
BSc, MBA, PhD

Michael is Senior Vice President of the proposed Browse LNG Development, a position he has held since 2009.

Michael is responsible for the safe and successful delivery of the Browse LNG Development, which Woodside operates on behalf of the Browse Joint Venture.

h) **Dr Greg Roder**
Executive Vice President Corporate Strategy and Planning
BSc (Hons), PhD, MBL

Greg has over 25 years experience in energy resources, infrastructure investment, funds management, equity capital markets and operational asset management.

His role of Executive Vice President Corporate Strategy and Planning sees Greg responsible for setting and coordinating Woodside's growth path in line with the agreed strategic themes the company is pursuing.

i) **Feisal Ahmed**
Executive Vice President Technology
BSc Mechanical Engineering

Feisal has more than 36 years global oil and gas experience in exploration, development, production, gas marketing and new business development, including 25 years with ExxonMobil.

In his role as Executive Vice President Technology, he is responsible for the development of distinctive technologies to facilitate new growth opportunities and enhancement of technical capabilities across the company. His prior roles were Executive Vice President Development and Senior Vice President Middle East and Africa.

WE BELIEVE INNOVATION MEANS TURNING CHALLENGES INTO NEW OPPORTUNITIES

THE NORTH RANKIN REDEVELOPMENT

- In April 2012, the North Rankin Redevelopment (NR2) Project successfully installed the North Rankin B topsides on the platform's substructure.

- The 260 m long Heerema *H-851* barge, the largest oil and gas industry transport barge in the world, was used to transport and install the topsides.

- The topsides, weighing more than 24,000 tonnes and positioned 100 m from the North Rankin A production facility, were installed using the float-over method.

- Significant challenges were overcome by the NR2 team to safely deliver this result. Accomplishing this milestone was not easy. It required detailed analysis, disciplined planning, extensive risk analysis, rigorous attention to detail and above all – teamwork.

The successful use of the float-over method at North Rankin B to install the 24,000 tonne topsides, set an installation record for both height and weight in open water.

▶ Pages 24 to 35 provide an overview of Woodside's business units.

NORTH WEST SHELF

The Karratha Gas Plant is one of the most advanced integrated gas production systems in the world. The facility includes five LNG processing trains, two domestic gas trains, six condensate stabilisation units, three LPG fractionation units as well as storage and loading facilities for LNG, LPG and condensate.

The execution of significant development milestones including the safe installation of the North Rankin B (NRB) topsides demonstrates Woodside's capability as a leading operator and is paving the way for the North West Shelf (NWS) Project to deliver strong performance for decades to come.

2012 KEY PERFORMANCE HIGHLIGHTS

- Delivery of the 3500th LNG cargo and 3000th LNG cargo to Japan.
- Record revenue and profit for the project.
- Safe installation of the 24,000 tonne NRB topsides.

FUTURE OBJECTIVES

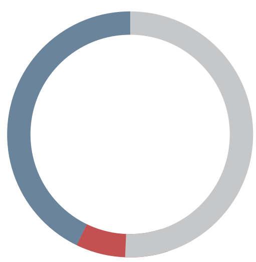
- Safe start-up of NRB platform.
- LNG Train 2 refurbishment.
- Acquire new seismic data to refresh exploration portfolio.

North West Shelf Project

Interest	NWS Venture	16.67%
	Domestic Gas JV	50.00%*
	Incremental Pipeline JV	16.67%*
	China LNG JV	12.50%
	CWLH (crude oil)	33.33%
Operator	Woodside	
Facilities	North Rankin A platform Goodwyn A platform Angel platform Okha FPSO Karratha Gas Plant	
Location	Offshore facilities ~135 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 2012 Woodside's average share of pipeline gas production was approximately 45%. Woodside's exact share of domestic gas production depends on the quantities and aggregate rate of production.

NWS contribution to Woodside's total production (MMboe)



	%
NWS gas and condensate	52
NWS oil	4
Woodside other	44

During 2012 the NWS operations continued to provide the majority of Woodside's production.

NWS key metrics (Woodside share)

		2012	2011
Sales revenue	($ million)	3,300	2,989
Net gas production	(MMboe)	36.7	37.8
Net liquids production	(MMbbl)	10.8	8.9
Proved plus Probable reserves	(MMboe)	555.4	581.2

In 2012, the NWS Project achieved two major cargo milestones. In August, the 3500th LNG cargo was loaded from the Karratha Gas Plant (KGP) and in November the 3000th LNG cargo was delivered to Japan.

These milestones reinforce the long standing relationships the NWS Project has with its customers in the Asia Pacific region. These achievements demonstrate our reputation as a major LNG exporter, where safety, reliability and strong performance are fundamentals.

As operator, Woodside has been instrumental in establishing and maintaining that reputation, and today we are developing a new generation of projects on the back of that success.

Since 2008 the NWS Project has committed more than A$9 billion in reserves and infrastructure development, including the North Rankin Redevelopment, North West Shelf Oil Redevelopment and more recently the Greater Western Flank Phase 1 Project.

Woodside continues to enhance the value of the NWS Project through our strategic objectives of operational excellence, and seeking opportunities to extend the NWS business.

Operational excellence

Strong performance from the KGP and offshore facilities has led to record revenue and profit.

The NWS Project continues to underpin Woodside's financial performance, delivering a record profit of $1.6 billion (2011 $1.4 billion) and contributing approximately 53% of Woodside's sales revenue during the year.

In 2012, Woodside's share of production from the NWS Project was 47.5 million barrels of oil equivalent (boe).

We are focused on capacity utilisation to maximise performance from reservoir to market and are continuing to implement our Reliability Improvement Plan.

The annual May shutdown was one of the largest at KGP with more than 1,500 people on site. The shutdown was successfully completed without a recordable safety incident. The scope of work included routine and integrity maintenance and aligned the LNG Train 4 shutdown with the refurbishment of the Trunkline Onshore Terminal 1.

Woodside delivered 247 cargoes of LNG in 2012, of which 18 were sold on the spot market. Woodside's share of total LNG sales volumes for 2012 is 2.41 million tonnes.

Pipeline gas production continued to meet customer demand in 2012 with 100% reliable delivery of 13.78 MMboe to customers in Western Australia.

The Okha Floating Production Storage Offloading (FPSO) vessel completed its first full year of production in 2012, with a focus on safely completing project commissioning and closing out the NWS Oil Redevelopment Project. Commissioning of the gas export systems in addition to flareless operation was achieved. The Okha FPSO produced 10.3 MMbbl compared to a planned volume of 9.1 MMbbl (100% share).

Extending the NWS business

NRB topsides set installation record

The North Rankin Redevelopment Project is a major undertaking on a global scale and one of the most complex developments Woodside has undertaken. At year-end the Project's overall progress was 98% and it remains on budget and is scheduled for start-up in 2013.

In February the piling of the NRB jacket was completed and the production and pedestrian bridges connecting North Rankin A and North Rankin B platforms were installed.

The 24,000 tonne topsides were placed on the jacket in April 2012 and set an installation record, for both height and weight in open water. Following the installation of the topsides, hook up and commissioning activities commenced. The NRB permanent living quarters were finished in May 2012.

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

Greater Western Flank (GWF) Phase 1 progresses

During 2012, the GWF Phase 1 Project awarded major contracts and continued fabrication work. At year-end overall progress was 41%.

Progress on engineering, fabrication and delivery activities is in line with scheduled project start-up in early 2016.

The Ocean America drill rig completed the GH reservoir drilling activities in December 2012 and well heads were installed.

The GWF Phase 1 Project represents the next major development for the NWS Project. It will develop the Goodwyn GH and Tidepole fields, via a subsea tie-back to the existing Goodwyn A Platform. The total investment for the GWF Phase 1 Project is approximately A$2.5 billion (A$425 million Woodside share).

Further tie-backs and exploration planned

We are advancing the development of Persephone field on the Eastern Flank of the NWS acreage as a potential tie-back to North Rankin and are looking at subsequent Greater Western Flank phases.

The NWS Project will continue exploration in 2013, acquiring seismic data to provide future drilling opportunities. Additionally, Woodside plans to drill the Goodwyn North exploration well during 2013.

Outlook

Maintaining safe and reliable production has been Woodside's focus for the past 28 years and remains key to sustaining our exceptional return on invested capital.

We will continue to strive for operational excellence and invest in our infrastructure in order to maintain our world class assets. Major refurbishment will continue at the KGP with refurbishment of LNG Train 2 (deferred from 2012) and the Domestic Gas Plant. The KGP will also execute significant projects on fractionation unit 2 and complete an upgrade of our quality measurement equipment. The NWS Project will aim to maximise production and return on invested capital within these constraints.

A number of shutdowns will be required in 2013 to integrate the NRB platform into the NWS system.

We will continue to develop reserves and maintain supply deliverability from the NWS to extend the life of the project.

PLUTO LNG

Woodside representatives with the West Australian Minister for Environment, Circle of Elders representatives, Murujuga Aboriginal Corporation (MAC) representatives and the Pilot Ranger team.

The MAC, sponsored by Pluto LNG, has implemented a Pilot Ranger Project to care for the Burrup Peninsula. The Rangers are working co-operatively with the departments of Environment and Conservation and Indigenous Affairs to share their long-term vision for managing the area.

First production from Pluto LNG marked the beginning of a new era for Woodside enabling the company to continue to build on its previous experience and enhance its specialist capabilities.

2012 PERFORMANCE HIGHLIGHTS

- Safe and successful start-up of Pluto LNG.
- Better than forecast ramp-up, contributing 24 MMboe to full year production.
- 39 LNG cargoes delivered and sold to customers.
- Strong performance underpinning Woodside's full year revenue and cash flow.

FUTURE OBJECTIVES

- Add fourth vessel to the Pluto LNG fleet.
- Finalise ancillary site project work and commissioning activities.
- Focus on steady state production and continued reliability.
- Progress development of Xena gas field.
- Target improved LNG train performance.

Pluto LNG

Interest*	WA-34-L	90%
	WA-350-P	90%
	WA-404-P	100%
Operator	Woodside	
Location	Pluto and Xena fields, 190 km north-west of Karratha, WA	
Water depth	400 - 1,000 metres	
Greater Pluto Proved + Probable Reserves^	4,856 Bcf dry gas, 70.8 MMbbl condensate	

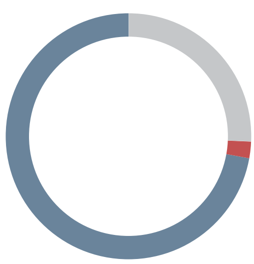
* As a result of organisational changes, permits have been reassigned to the Exploration business unit.

^ Woodside share.

Pluto key metrics (Woodside share)

		2012	2011
Operating revenue	($ million)	1,427	-
Net gas production	(MMboe)	22.0	-
Net liquids production	(MMbbl)	1.9	-
Proved plus Probable reserves	(MMboe)	922.7	950.2

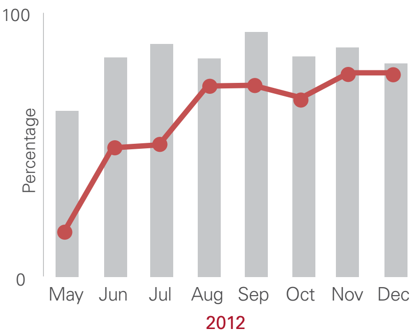
Pluto LNG contribution to Woodside's total production (MMboe)



	%
Pluto LNG	26
Pluto condensate	2
Rest of business	72

During 2012 Pluto LNG contributed 24 MMboe to full-year production.

Pluto LNG utilisation 2012



Actual utilisation
Target utilisation

Target utilisation for the Pluto LNG Train was based on the start-up performance of North West Shelf LNG trains 4 and 5. Actual utilisation exceeded the target for each month in 2012, as shown in the graph.

Safe start-up and production in 2012

During the first half of 2012, Pluto LNG safely achieved start-up, commenced LNG and condensate production and loaded its first LNG cargo.

Commissioning was substantially completed in 2012 with some activities remaining in 2013.

Achieving these milestones, particularly first production, marked the beginning of a new era for Woodside enabling the company to continue to build on its previous experience and enhance its specialist capabilities.

Strong production performance

Superior performance and high reliability in the ramp-up phase of Pluto LNG contributed to two upward revisions of 2012 production guidance. In 2012 Pluto contributed 24 MMboe to full year production.

A total of 2.15 million tonnes of LNG was delivered in the second half of 2012 (100% project).

This production performance resulted in 39 cargoes of LNG being delivered to customers. Of those 39 cargoes delivered during 2012, seven cargoes were sold at prices higher than the normal contracted pricing formula.

Financial contribution

The Woodside share of LNG revenue resulting from the strong production performance from Pluto LNG was $1,164 million for 2012. Revenue from condensate sales also contributed $138 million to Woodside's revenue.

Safety culture delivers positive results

There were no significant personal injuries during the Pluto LNG start-up campaign, reflecting Woodside's strong safety culture.

During start-up, focus remained on integrity and process safety. A proactive monitoring program was undertaken by the engineering, operations and maintenance teams, allowing for early identification and resolution of commissioning issues.

Approximately 19.24 million hours were worked in 2012 compared with 29.26 million hours in 2011, representing a reduction in activity levels of 34% as a result of construction reaching completion in early 2012.

Continued support for Indigenous Western Australians

Developing Pluto LNG on the Burrup Peninsula presented Woodside with a unique opportunity, not only to build a world-class LNG facility, but also to adopt a new approach to cultural heritage management and Indigenous participation and engagement.

The goals and targets established for construction of Pluto LNG covered Indigenous training, employment and conservation and were purposefully set to create new benchmarks of achievement for the company in community contribution.

Woodside achieved these targets and, with the start-up of Pluto LNG, remains committed to building Indigenous participation outcomes.

Under the A$34 million Pluto LNG Conservation Agreement with the Australian Government, Woodside currently supports three projects. One of these projects is the Pilot Ranger Project, which currently employs eight local Indigenous people to manage country. To date Woodside has invested over A$7 million of Conservation Agreement funding in local community projects, tracking well on overall spend for the ten year period of the agreement.

Additionally, Woodside is the only resource company in the Pilbara that has an office in Roebourne, with permanent employees working closely with the local community.

Further information on Woodside's engagement with the Indigenous community, including the Pluto LNG Conservation Agreement, is available on pages 24 and 25 of the 2012 Sustainable Development Report.

Pluto LNG expansion opportunities

In 2012 exploration continued in the Ragnar Hub, located south-west of the Pluto field. The Ragnar-1 well (WA-430-P) successfully intersected gas over a gross interval of 190 metres. Vucko-1, Banambu Deep-1 and Ananke-1 (WA-389-P and WA-269-P) were drilled and were unsuccessful.

Woodside completed a 25% farm-down in WA-433-P to Sasol. Woodside maintained a high equity position (45%) in addition to holding operatorship of the permit. The equity holding in WA-433-P is now Woodside 45%, Sasol 35% and Mitsui 20%.

Woodside decided to pause its drilling program to allow for evaluation of well results and to rebuild the exploration portfolio. Woodside continues to pursue Pluto LNG expansion opportunities.

Outlook

Woodside will continue to identify opportunities to enhance production levels and efficiency.

The first significant planned maintenance shutdown is scheduled for the first half of 2013 as part of normal operation cycles. The planned shutdown also presents an opportunity to efficiently resolve any outstanding commissioning activities.

In 2013, a fourth LNG tanker will be added to the Pluto LNG fleet, allowing for greater capacity to meet customer needs and to take advantage of the demand outlook in the LNG spot market.

Basis of Design work for the Xena gas field was completed in 2012 and planning is underway to enter front-end engineering and design in 2013.

AUSTRALIA OIL

Oil from Enfield is produced through five subsea wells connected to the floating production storage and offloading vessel, the Nganhurra. The vessel has a maximum storage capacity of about 900,000 barrels of oil.

In 2012 we achieved significant production milestones across our oil assets and continued to advance growth opportunities.

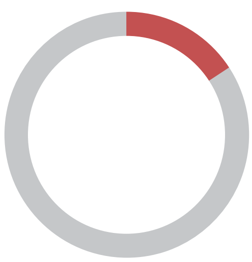
2012 PERFORMANCE HIGHLIGHTS

- Record monthly production achieved for Vincent field in May 2012.
- Significant production milestones in August 2012 with the combined oil production from the Enfield and Vincent fields exceeding 100 MMbbls (100%).
- Total Laminaria - Corallina production has exceeded 200 MMbbls (100%) since start-up.
- Successful Vincent Phase III infill well.
- Completed purchase and transition of Ngujima-Yin floating production storage and offloading (FPSO) facility from Maersk to Woodside.

FUTURE OBJECTIVES

- Successfully complete dry dock works for Ngujima-Yin FPSO to enhance asset reliability.
- Continue work to progress Greater Enfield Area oil opportunities.
- Determine concept selection for Laverda.
- Progress Vincent Phase IV and Phase V infill well opportunities.
- Develop and endorse Laminaria-Corallina 'end of field life' strategy.
- Drill the Minarelli (operated) and Rydal (non-operated) exploration wells.

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



	%
Enfield	3
Laminaria-Corrallina	2
Stybarrow	3
Mutineer–Exeter	<1
Vincent	7
Woodside other	85

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

		2012	2011
Sales revenue	($ million)	1,545	1,677
Net gas production	(MMboe)	0.0	0.0
Net liquids production	(MMbbl)	12.5	15.0
Proved plus Probable reserves	(MMboe)	57.8	70.2

In 2012 the Australian oil assets provided a significant financial contribution to Woodside's revenue through the ability to attract a price premium for our products.

Australia Oil generated $1,545 million in sales revenue at an average realised price greater than $120/bbl. Woodside achieved premiums to the Brent oil price benchmark for its heavy sweet crudes from the Greater Enfield area. These premiums are due to strong regional demand for diesel.

While unit operating costs increased, we continued to focus on the reliability and integrity of our assets to maximise value.

Vincent oil field

Interest	WA-28-L	60%
Operator	Woodside	
Facilities	Ngujima-Yin FPSO	
Location	45 km off the North West Cape, WA	
Water depth	350-400 metres	
Products	Crude oil	
First production	August 2008	

Vincent has produced 37.1 MMbbls of oil since start-up in 2008, with 2012 production of 10.1 MMbbls (6.0 MMbbls Woodside share).

The Vincent field performed well in 2012, with Vincent Phase III wells completed. In particular, the new VNB-H7 infill well has shown good deliverability.

In May 2012 the Vincent oil field achieved the highest monthly volume of 1.38 MMbbls (0.83 MMbbls Woodside share) since production began in 2008.

The joint purchase of the Ngujima-Yin FPSO with our co-venturer Mitsui E&P Australia Pty Ltd occurred in late 2011. The final handover from Maersk to Woodside was completed on 30 September 2012.

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 68.9 MMbbls of oil with 2012 production 4.6 MMbbls (2.8 MMbbls Woodside share).

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

During 2012, as a growth opportunity for Enfield, basis of design activities were completed for the Cimatti oil field and front-end engineering design studies commenced.

Stybarrow oil field

Interest	WA-32-L	50%
Operator	BHP Billiton	
Facilities	Stybarrow Venture FPSO	
Location	~50 km off the North West Cape, WA	
Water depth	825 metres	
Products	Crude oil	
First production	November 2007	

Stybarrow has produced 55.1 MMbbls of oil since start-up in 2007. Production in 2012 was 4.5 MMbbls (2.2 MMbbls Woodside share).

Facility reliability and availability remained strong through 2012.

In 2013 we will continue to assess high value exploration tie-back opportunities.

Mutineer oil field

Interest	WA-26-L; WA-27-L	8.20%
Operator	Santos	
Facilities	MODEC Venture II FPSO	
Location	~147 km north of Karratha, WA	
Water depth	~165 metres	
Products	Crude oil	
First production	March 2005	

Mutineer-Exeter has produced 57.5 MMbbls of oil since start-up in 2005, and produced 1.8 MMbbls in 2012 (0.1 MMbbls Woodside share).

Woodside signed a sale and purchase agreement with Santos on 21 December 2012 to sell our entire 8.2% interest in the Santos operated Mutineer Exeter oil project with effect from 1 July 2012. Subject to the satisfaction or waiver of certain conditions, the agreement is expected to be completed in early 2013.

Laminaria - Corallina oil field

Interest	Laminaria Corallina	59.90%*
	AC/L5	66.67%
Operator	Woodside	
Facilities	Northern Endeavour FPSO	
Location	Timor Sea, 550 km north-west of Darwin	
Water depth	~340 metres	
Products	Crude oil	
First production	1999	

*Interests on a post-unitisation basis, i.e. after agreeing to pool Woodside's interest with other field owners and to exploit the field as a single venture.

The Northern Endeavour FPSO achieved a significant milestone with total oil production exceeding 200 MMbbls from the Laminaria-Corallina fields since starting production in 1999. Production in 2012 was 2.2 MMbbls (1.4 MMbbls Woodside share).

In 2013 we will optimise operating costs based on planning for end of field life.

Laverda development

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

Following successful appraisal, the Laverda development team has focused on field development, engineering and environmental studies in 2012 to underpin a concept selection decision.

Outlook

Woodside will continue to improve the understanding of its oil reservoirs to look for infill opportunities to extend the life and value of its oil assets. In addition, we will evaluate tie-backs to existing facilities and, in-line with our strategy, advance value-adding growth opportunities.

Ongoing integrity and reliability improvements are planned for the Ngujima-Yin FPSO while off-station during 1H 2013. Oil production in 2013 will be impacted by field decline and the Ngujima-Yin FPSO being off-station.

BROWSE LNG

Woodside has engaged senior Traditional Owners to complete detailed anthropological and archaeological surveys of the proposed Browse LNG Precinct. Traditional Owners are providing us with ongoing support by monitoring our approved site activities, to ensure we follow the correct cultural directions.

The completion of a high quality front-end engineering and design (FEED) along with the receipt and ongoing disciplined evaluation of tender bids has Browse on track to consider a final investment decision in 1H 2013.

2012 PERFORMANCE HIGHLIGHTS

- FEED studies completed.
- Tender bids for upstream and downstream infrastructure received and under evaluation.
- State environmental approvals secured.
- Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) purchased a minority portion of Woodside's equity in Browse LNG Development for $2 billion.

FUTURE OBJECTIVES

- Complete preparations to be in a position to consider a final investment decision (FID) in 1H 2013.
- Finalise project environmental and heritage approvals.
- Complete marketing activities for LNG offtake.

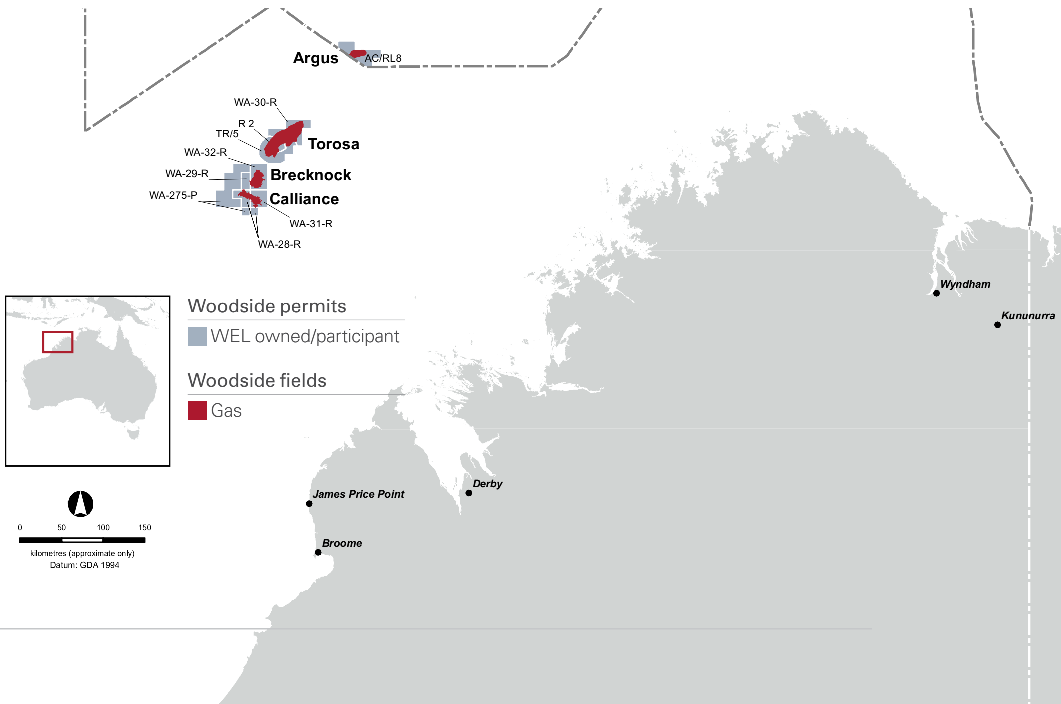
Browse

Interest*	TR/5; R2; WA-30-R	34%
	WA-31-R; WA-32-R	34%
	WA-28-R; WA-29-R	17%
	WA-275-P	17%
	AC/RL8	60%
Operator	Woodside	
Location	Offshore 425 km north of Broome, WA	
Water depth	400 - 800 metres	
Contingent Resources^	4,987 Bcf dry gas, 136.4 MMbbl condensate	

* As a result of organisational changes, permits have been reassigned to the Exploration business unit.

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

Location of Woodside's permits in the Browse area



Developing a world-class resource

Woodside is the operator of the Browse Joint Venture, which is seeking to commercialise the Brecknock, Calliance and Torosa fields in the Browse basin, located approximately 425 km north of Broome in Western Australia. The three fields collectively hold a world-class gas resource of approximately 15.5 Tcf and 417 million barrels of condensate (100% project).

Under the proposed development, gas and liquids from the fields will be extracted using offshore facilities then brought to an onshore facility for processing at the Western Australian Government's proposed multi-user Browse LNG Precinct, near James Price Point, about 60 km north of Broome.

The planned onshore production and export facilities include three processing trains capable of processing 12 million tonnes of liquefied natural gas per annum, with a potential expansion capacity of up to 25 mtpa.

In April 2012, variations to the Browse Basin retention leases were approved, which included extending the timetable for readiness for a FID to the 1H 2013.

FEED studies were completed in 2012. Fully costed technical proposals from upstream FEED contractors were received during the first half of 2012 while downstream bids were obtained in 2H 2012.

The contract assurance and commercial evaluation phase commenced in late 2012 and is expected to be completed in 1H 2013.

Woodside successfully completed the 2012 program of geotechnical and environmental studies at the Browse LNG Precinct at James Price Point. Some additional studies are planned for 2013 to further inform work undertaken during FEED. Offshore, a seismic survey of the Torosa field was successfully completed in Q4 2012.

Several changes to the equity arrangements within the Browse Joint Venture occurred in 2012. Woodside sold a minority portion of its equity in Browse LNG Development to Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) which delivered early value, adding $2 billion in cash to our balance sheet.

Chevron sold its equity share in Browse to Shell Development Australia and BHP Billiton Petroleum announced its intention to sell its equity share to PetroChina International Investment (Australia) Pty Ltd. These equity changes are a positive endorsement of the value of the resource.

Woodside's minority equity sale to MIMI in Q3 includes a sales and purchase agreement with MIMI for 1.5 million tonnes of LNG a year for 15 years from the Browse LNG Development, as well as a joint marketing agreement under which Woodside and MIMI will jointly market comingled LNG volumes to Japanese customers. Both parties were actively engaged with potential customers in Q4.

Securing primary approvals

The Western Australian Environmental Protection Authority (EPA) recommended conditional approval of the State Government's proposed LNG Precinct in July 2012. The Western Australian Environment Minister subsequently approved the Precinct and set the final environmental conditions for it to proceed. The Precinct requires approval from the Commonwealth Environment Minister, which is expected in 1H 2013.

In December 2012, the EPA and the WA Environment Minister approved Woodside's proposal to build and operate a LNG processing facility and associated infrastructure within the Precinct.

The public review of the Browse LNG Development's Draft Upstream Environmental Impact Statement (EIS) was completed and final information is expected to be submitted to regulators for approval in Q1 2013.

Heritage approvals are progressing and Woodside is working closely with senior Traditional Owners to identify and carefully manage Aboriginal culture and heritage at the site of the proposed Browse LNG Precinct.

World-class environmental research

In 2012, Woodside continued its program of environmental studies in the vicinity of the Browse LNG Precinct and offshore to better understand the surrounding environment and ensure any potential impacts from the proposed development can be mitigated.

As part of its environmental assessment of the marine environment, the Browse Joint Venture commissioned the most comprehensive study to date of humpback whales off the Kimberley coast.

Between 2009 and 2012, various research methods have been employed to improve our understanding of this species including line transect vessel surveys, vessel-based behavioural surveys, photo identification, aerial transect surveys, sea noise loggers and satellite tagging.

This world-class program – one of Australia's largest investments in whale research – provides Woodside and its Joint Venture participants a robust understanding of whale distribution, abundance and behaviour in the North West of WA.

Woodside is committed to ensuring any potential impacts on the environment arising from the development of an LNG precinct on the Dampier Peninsula can be minimised and managed effectively.

For further information on the economic, social and environmental impacts of the proposed Browse LNG Development refer to pages 26 and 27 of the 2012 Sustainable Development Report.

Our commitment to Indigenous people

Under the Native Title Agreement between Woodside, the Western Australian Government and the Goolarabooloo Jabirr Jabirr claim group, Woodside will aim to meet a target whereby at least 300 Indigenous people are to be employed during construction of the onshore facilities with at least 15% of the workforce being Indigenous during normal operations.

Throughout the year, more than 100 Indigenous people were involved in training and up-skilling programs and pathways or employed directly on Browse by Woodside and its contractors. Most of those involved were from the Kimberley and included people engaged as Traditional Owner environmental/heritage monitors. A number of Indigenous businesses in the Kimberley also provided products and services to the development.

Since 2011, the humpback whale aerial survey program has incorporated an Indigenous training component which provides marine mammal observer training for Traditional Owners. Woodside was pleased that in 2012, one of these trainees was the first Indigenous person to take up a primary observer role in the annual aerial surveys.

Outlook

LNG marketing activities will continue in 1H 2013 in line with Woodside's joint marketing agreement with MIMI.

Woodside's primary focus for 2013 will be on completing the work necessary to be in a position to consider a FID for the development.

The Browse Joint Venture aims to complete the substantial commercial and technical evaluation and assurance process for the Browse LNG Development in 1H 2013 in line with the Browse Basin retention lease conditions, which are founded on locating the development's processing facilities at the State Government's proposed LNG Precinct at James Price Point.

SUNRISE LNG

Ba Futuru students wearing their traditional dress.

Woodside has committed to supporting Ba Futuru (meaning 'for the future') which provides education and training programs in Timor-Leste.

Image courtesy of James Collins.

Woodside and the Sunrise Joint Venture are actively engaging with both the Timor-Leste and Australian governments to achieve an aligned development outcome for Greater Sunrise.

2012 PERFORMANCE HIGHLIGHTS

- Productive technical workshops with the Timor-Leste Government.
- Active participation in a trilateral workshop with representatives from the Timor-Leste and Australian governments.
- Delivered positive social development outcomes in Timor-Leste.

FUTURE OBJECTIVES

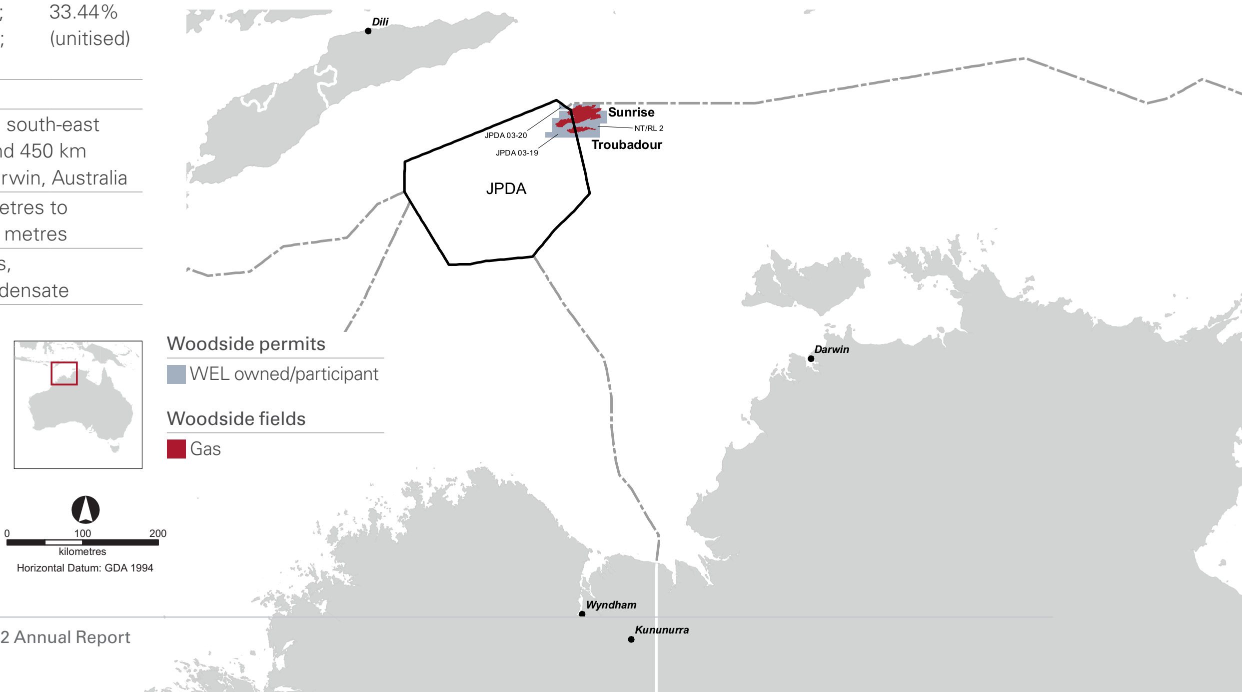
- Deliver an aligned outcome for the development of Greater Sunrise.
- Continue to build on our positive stakeholder relationships with the Australian and Timor-Leste governments and the broader community.
- Deliver increased social development outcomes in Timor-Leste.

Sunrise

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

*Woodside share.

Location of Woodside's permits in the Greater Sunrise area



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

The fields were discovered in 1974 and hold a total contingent resource of 5.13 Tcf of dry gas and 225.9 million barrels of condensate. These volumes were independently certified in 2010 and would add significantly to Woodside's reserves should a positive final investment decision be achieved.

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

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

Discussions are currently underway between Timor-Leste, Australia and the Sunrise Joint Venture to agree on a development concept for Greater Sunrise.

Momentum in 2012

Following positive meetings with key Timor-Leste Government stakeholders in late 2011, Woodside's CEO Peter Coleman met with the Timor-Leste Prime Minister Xanana Gusmao in Darwin in February 2012, to continue discussions and start working towards an aligned development outcome.

At the request of the Timor-Leste Government, the Sunrise Joint Venture provided a range of technical data to the Timor-Leste and Australia governments with regards to Greater Sunrise. Following the provision of technical data, further discussions were held in Timor-Leste in September and were followed by two joint technical workshops, the first in October in Timor-Leste and the second in November in Perth.

In December, the Sunrise Joint Venture participated in a workshop organised by the Australian and Timor-Leste Sunrise Commissioners regarding the Greater Sunrise development. The workshop allowed all parties to discuss a range of commercial, technical, legal and political matters related to the development.

Further discussions with both governments have been agreed and will occur in early 2013.

Community development

Woodside is committed to continuing our program of meaningful social investment via long-term partnerships with the communities of Timor-Leste.

Woodside and the Sunrise Joint Venture's social investment and sponsorship program focuses on:

- Developing capability.
- Supporting health and wellbeing.
- Connecting, engaging and building relationships with communities.

The Sunrise Joint Venture places strong emphasis on supporting initiatives which help local organisations to develop skills and resources to deliver services that in turn develop capabilities and contribute to the health and wellbeing of communities.

Recent examples of social investment and sponsorship initiatives supported by Woodside and the Sunrise Joint Venture include:

- Instituto Catolico Para Formacao Professores (ICFP) Baucau Teachers College: the progression of Timorese ICFP tutors through the Australian Catholic University's Master of Education program.
- Ba Futuru ('For the Future'): a Timor-Leste Non Government Organisation, for the construction of a Childhood Development Centre and training initiative.
- Hiam Health: a Timor-Leste Non Government Organisation, to support and help develop their existing Family and Community Nutrition Garden's initiative.
- Timor-Leste's Rotary's Youth Leadership Award 2012: sponsorship of event and presentation by Woodside's staff.
- 2012 Dili Marathon: Sponsorship of the National Marathon Team.
- 1st International Congress of Geology in Timor-Leste: sponsorship of event.

At an appropriate time Woodside together with the Sunrise Joint Venture will work with the Timor-Leste Government and other industry partners to identify specific local content opportunities that help to create sustainable economic growth.

Further information on Community Engagement in Timor-Leste is available on page 17 of the 2012 Sustainable Development Report.

Timor-Leste Professional Development Program

In 2012, Woodside launched the Timor-Leste Professional Development Program.

The pilot program commenced on 26 November and enables its five participants, who are currently studying at Australian-based universities, to gain valuable technical, business and career development skills over 12 weeks of vacation employment with Woodside.

The program demonstrates Woodside's commitment to professional development and capability building in the communities in which we operate and hold business interests.

Outlook

In 2013, Woodside looks to expand its level of engagement and work collaboratively with both the Timor-Leste and Australian governments. This will build a better understanding of the issues of importance to all parties and move towards a shared vision of the Greater Sunrise development.

Woodside believes there remains an opportunity to agree on a development which satisfies the requirements of all parties. The key to reaching this goal is regular, open and constructive dialogue between the parties.

Woodside plans to continue to build relationships and our understanding of issues concerning the communities of Timor-Leste and further expand our program of meaningful social development.

INTERNATIONAL

The semi-submersible drill rig, the Maersk Developer, mobilises to a drill location in the Gulf of Mexico. The Maersk Developer was used to drill the Innsbruck well in which Woodside participated during 2012 (refer to page 19). Woodside continues to explore and expand its international portfolio.

In 2012 we secured new international growth opportunities that align with our strategy and capabilities.

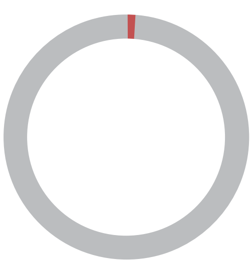
2012 PERFORMANCE HIGHLIGHTS

- Reached an in-principle agreement to acquire a 30% participating interest in licences covering the Leviathan gas field, offshore Israel.
- Obtained in-principle agreements to farm-in to exploration blocks, offshore Myanmar (AD-7 and A-6).
- Increased production at Neptune via recompletion.

FUTURE OBJECTIVES

- Mature and drill high-graded Gulf of Mexico (GoM) exploration portfolio.
- Secure final approval for Leviathan transaction and progress development.
- Secure final approval for farm-ins offshore Myanmar, begin seismic programs.
- Drill the Panoramix-3 appraisal well in Brazil.
- Continue to assess new value-creating opportunities.

Gulf of Mexico



	%
Gulf of Mexico production	1
Woodside other	99

During 2012 GoM operations contributed 0.8 MMboe to Woodside's production from gas, condensate and oil volumes.

Gulf of Mexico key metrics (Woodside share)

		2012	2011
Sales revenue	($ million)	76	93
Net production	(MMboe)	0.8	1.1
Proved plus Probable reserves	(MMboe)	7.7	8.5

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

		2012*	2011
Sales revenue	($ million)	0.0	43
Net production	(MMboe)	0.0	1.8
Proved plus Probable reserves	(MMboe)	0.0	0.0

*The Ohanet Risk Sharing Contract expired on 27 October 2011. Consequently there was no production from this region in 2012.

Neptune oil field

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

WI - Working interest , NRI - Net revenue interest

Neptune is a multi-well subsea development tied back to a stand-alone tension leg platform. The Neptune field produced first oil in 2008.

A successful recompletion and bottom hole pressure reduction campaign has reduced the effects of natural field decline.

The near-term development plan for Neptune includes the drilling of one appraisal well.

Power Play oil field

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

WI - Working interest , NRI - Net revenue interest

Power Play began production in 2008 as a subsea tieback to the deepwater Baldpate facility. During 2012, the current producing zone at the Power Play well continued to outperform expectations. Development work at Power Play confirmed flow rates of a higher zone.

The near-term development plan for Power Play includes movement to the higher rate zone once the current producing zone is depleted, or suitable conditions exist.

Outlook

In 2013, the operator plans to drill one appraisal well at Neptune as well as focus on reducing the effects of natural field decline for its GoM properties.

Woodside anticipates participating in exploratory drilling operations in the deepwater GoM in 2013, subject to joint venture participation.

Broadening the portfolio

Israel

Woodside 30% (non-operator)*

In December 2012 Woodside reached an in-principle agreement to acquire a 30% participating interest in each of the 349/Rachel and 350/Amit petroleum licences which contain the Leviathan gas field offshore Israel.

Leviathan is one of the largest recent gas discoveries worldwide, estimated to contain approximately 17 Tcf of recoverable natural gas.

The agreement positions Woodside to grow its portfolio in the emerging Eastern Mediterranean Basin, and play a key role in the potential development of Israel's LNG industry.

Under the agreement Woodside will be the operator of any LNG development of the field, while Noble Energy will remain upstream operator. Noble Energy targets initial production to the domestic gas market in 2016. A pre-front-end engineering and design assessment for an LNG project is underway.

The agreement is subject to various conditions and will allow Woodside to participate in further exploration opportunities in the Leviathan licences.

Myanmar

AD-7 Woodside 40% (non-operator)*
A-6 Woodside 50% (non-operator)*

In late 2012 Woodside obtained in-principle agreements to farm-in to two Production Sharing Contracts (PSCs) for blocks AD-7 and A-6 in the Rakhine Basin, located in the western offshore area of the Republic of the Union of Myanmar.

The Rakhine Basin is a prospective frontier exploration area that aligns with Woodside's strong deepwater capabilities.

Woodside's offer to take a 40% participating interest in the PSC covering block AD-7 was accepted by Daewoo International Corporation (Daewoo) in October 2012. Daewoo remains as operator of the PSC.

The agreement provides the opportunity for Woodside and Daewoo to undertake a 3D seismic acquisition program in 2013. The transaction also provides the option to drill an exploration well in a subsequent exploration period.

In December 2012, MPRL E&P Pte Ltd (MPRL) accepted Woodside's offer to take a 50% participating interest in the PSC covering block A-6. MPRL will remain operator of Block A-6 for the current term of the exploration period.

The proposal provides the opportunity for Woodside and MRPL to undertake a 3D seismic survey program in the block and also provides an option for future drilling.

The proposed agreement also provides Woodside and MPRL with the opportunity to participate jointly in future deepwater bid rounds.

Other

Brazil

Woodside holds a 12.5% interest in one concession agreement covering 314 km^2 in the Santos Basin of Brazil. Woodside continues to evaluate the Panoramix oil field. The Joint Venture is preparing to drill the Panoramix-3 appraisal well in 2013 and is considering a Vampira drill stem test.

Canary Islands

Woodside holds a 30% interest in blocks 1-9 operated by Repsol. Full rights to the permit activity have been reinstated following the issue of a Royal Decree on 16 March 2012; however, the Royal Decree is currently the subject of legal proceedings initiated by third party interest groups.

Peru

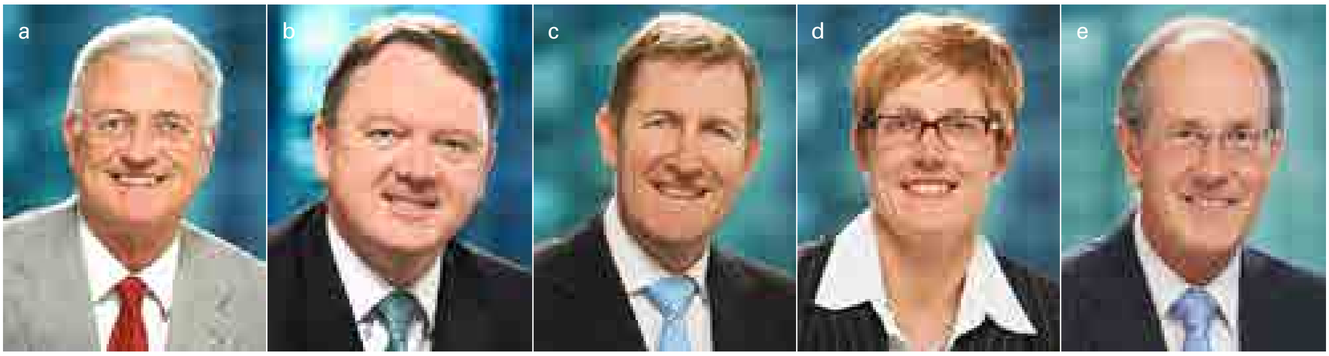
Woodside has a 20%, non-operated interest in onshore block 108, which is currently under force majeure conditions. Once force majeure conditions cease, the Joint Venture plans to acquire 800 km of 2D seismic.

Republic of Korea

Jujak-1 was drilled as the first deepwater well in the frontier Ulleung Basin. The well explored a Miocene fan complex within a four way dip closure. The well found excellent reservoir at the objective section, but no hydrocarbons were encountered.

* Subject to conditions including execution of fully-termed agreements, completion of due diligence, and necessary government and other approvals.

BOARD OF DIRECTORS



a) Michael A Chaney, AO

Chairman - BSc, MBA, Hon LLD (UWA), FAICD
Director since November 2005,
Chairman since July 2007
Independent: Yes
Age: 62
Residence: Perth, Australia

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 eight years as a petroleum geologist working on the North West Shelf and in the USA and Indonesia. Previously a non-executive director of BHP Billiton Limited (1995 to 2005) and BHP Billiton Plc (2001 to 2005).

Committee membership

Chair of the Nominations Committee. Attends other Board committee meetings.

Current directorships

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

b) Peter J Coleman

CEO and Managing Director - BEng, MBA
Director since May 2011
Independent: No
Age: 52
Residence: Perth, Australia

Experience

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

Committee membership

Attends Board committee meetings.

Current directorships

Member: The University of Western Australia Business School Board (since 2011) and the Executive Committee of the Australia Japan Business Co-operation Council (since 2011).
Commissioner: West Australian Football Commission (since 2012).

c) Robert J Cole

Executive Director and Executive Vice President, Corporate and Commercial - BSc, LLB (Hons)
Director since February 2012
Independent: No
Age: 50
Residence: Perth, Australia

Experience

Joined Woodside as General Counsel in April 2006. Executive Vice President Corporate Centre and General Counsel (2008 to 2010). Executive Vice President Commercial and General Counsel (2010 to 2012), until he was appointed to his current role of Executive Director. Prior to joining Woodside, Mr Cole had more than 21 years experience in corporate, energy and resources law, including three years as partner in charge of the Perth office of Mallesons Stephen Jaques.

Committee membership

Attends Board committee meetings.

Current directorships

Vice Chair: Australian Petroleum Production and Exploration Association (since 2011).
Director: Committee for Perth (since 2011).

d) Melinda A Cilento

BA, BEc (Hons), MEc
Director since December 2008
Independent: Yes
Age: 47
Residence: Melbourne, Australia

Experience

Significant public and private sector experience in economic analysis, policy development and advice. Deputy Chief Executive (2006 to 2010) and Chief Economist (2002 to 2010) of the Business Council of Australia. Previously worked with County Investment Management (now Invesco) as Head of Economics, the Department of Treasury and the International Monetary Fund.

Committee membership

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

Current directorships

Director: Wesfarmers General Insurance Limited (since 2010).
Co-chair: Reconciliation Australia (director since 2010, co-chair since 2011).
Councillor: Victorian Division of the Australian Institute of Company Directors.
Member: Advisory Panel of the Australian Scholarships Foundation and Advisory Council of the Global Foundation.

e) Frank C Cooper[1]

BCom, FCA
Director since February 2013
Independent: Yes
Age: 57
Residence: Perth, Australia

Experience

More than 35 years experience in corporate tax, specialising in the mining, energy and utilities sector, including most recently as a partner of PricewaterhouseCoopers. Director of Alinta Infrastructure Limited and Alinta Funds Management Limited (2005 to 2006).

Committee membership

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

Current directorships

Chair: Insurance Commission of Western Australia, University of Western Australia Strategic Resources Committee and West Australian Football Commission.
Member: Senate of the University of Western Australia and State Health Research Advisory Council.

f) Erich Fraunschiel[2]

BCom (Hons)
Director since December 2002
Independent: Yes
Age: 67
Residence: Perth, Australia

Experience

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

Committee membership

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

Current directorships

Chair: Wesfarmers General Insurance Limited (since 2003).
Director: WorleyParsons Limited (since 2003).

g) Christopher M Haynes, OBE

BSc, DPhil, CEng, FIMechE
Director since June 2011
Independent: Yes
Age: 65
Residence: United Kingdom

Experience

38 year career with Shell including as Executive Vice President, Upstream Major Projects within Shell's Projects and Technology Business, General Manager of Shell's operations in Syria and a secondment as Managing Director of Nigeria LNG Ltd. From 1999 to 2002 Dr Haynes was seconded to Woodside as General Manager of the North West Shelf Venture. Retired from Shell on 31 August 2011.

Committee membership

Member of the Audit & Risk, Sustainability and Nominations Committees.

Current directorships

Director: WorleyParsons Limited (since 2012).

h) Andrew Jamieson, OBE

FREng, CEng, FIChemE
Director since February 2005
Independent: Yes
Age: 65
Residence: United Kingdom

Experience

Former Executive Vice President Gas and Projects of Shell Gas and Power International BV with more than 30 years experience with Shell in Europe, Australia and Africa. From 1997 to 1999, Dr Jamieson was seconded to Woodside as General Manager North West Shelf Venture. Retired from Shell in June 2009.

Committee membership

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

Current directorships

Chair: Seven Energy International Limited (director since 2011, chair since 2012).
Director: Leif Hoegh & Co Ltd (since 2009) and Oxford Catalysts Group PLC (since 2010).

i) David I McEvoy

BSc (Physics), Grad Dip (Geophysics)
Director since September 2005
Independent: Yes
Age: 66
Residence: Sydney, Australia

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).
Directorships of other listed entities within the past three years: Acer Energy Limited (2002 to November 2012) and Po Valley Energy Ltd (2004 to May 2012).

j) Sarah E Ryan

PhD (Petroleum and Geophysics), BSc (Geophysics) (Hons 1), BSc (Geology)
Director since December 2012
Independent: Yes
Age: 46
Residence: Sunshine Coast, Australia

Experience

More than 20 years international experience in the oil and gas industry in various technical, operational and senior management positions, including 15 years with Schlumberger Limited. Dr Ryan also served as Chief Operating Officer of MTEM Ltd, an oilfield technology company. Dr Ryan is Director, Equity Investment at institutional investment firm Earnest Partners where she is responsible for research and portfolio management in the global energy sector.

Committee membership

Member of the Audit & Risk, Sustainability and Nominations Committees.

Current directorships

Director: Aker Solutions ASA (since 2011).

NOT PICTURED

Pierre JMH Jungels, CBE

PhD (Geophysics and Hydraulics)

Dr Pierre Jungels retired with effect on 7 December 2012 after ten years of service on Woodside's Board of Directors. Dr Jungels served on a number of Woodside Board committees including the Human Resources & Compensation, Audit & Risk and Nominations Committees.

1 Mr Cooper will be appointed Chair of the Audit & Risk Committee with effect from 28 February 2013, following Mr Fraunschiel's retirement.
2 Mr Fraunschiel will retire on 28 February 2013.

CORPORATE GOVERNANCE STATEMENT

WE BELIEVE HIGH STANDARDS OF GOVERNANCE AND TRANSPARENCY ARE ESSENTIAL.

CONTENTS

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 2012 year and to the date of this report, it has complied with all the ASXCGC Recommendations. A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this statement and the Remuneration Report is provided on page 51.

Information on Woodside's governance framework is also provided in the corporate governance section of Woodside's website.

The website contains copies of Board and committee charters and copies of many of the policies and documents mentioned in this statement. The website is updated regularly to ensure it reflects Woodside's most current corporate governance information.

2 Board of directors

2.1 Board role and responsibilities

ASXCGC Recommendations 1.1, 1.3

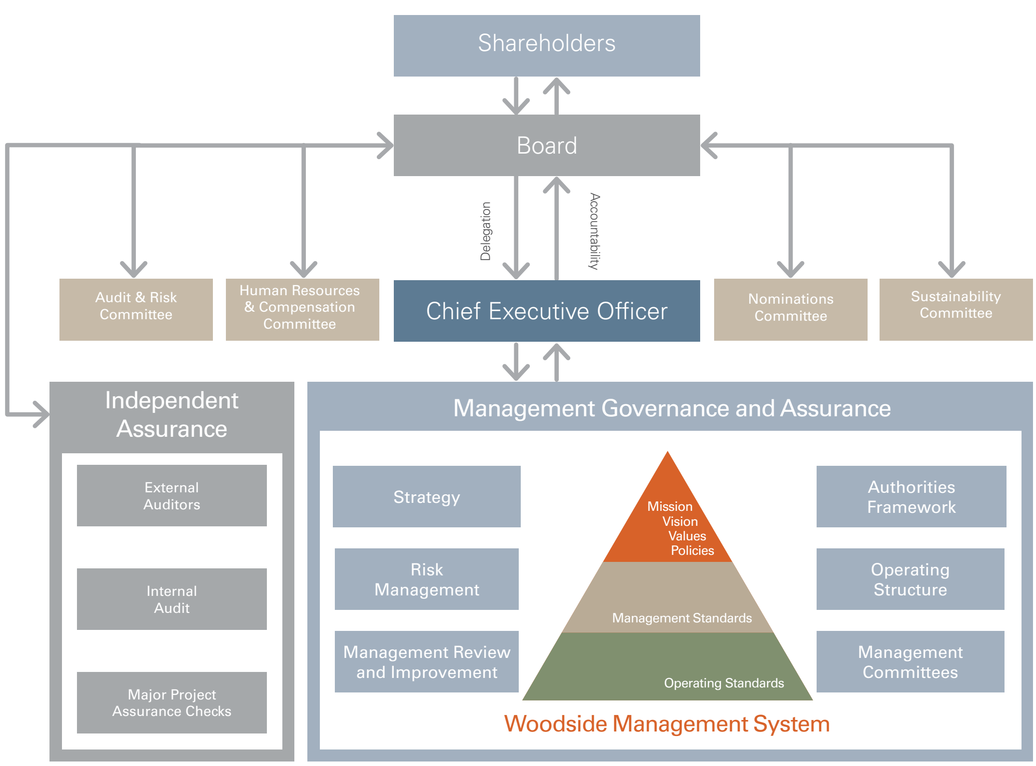
The Constitution provides that the business and affairs of the Company are to be managed by or under the direction of the Board. The Board has approved a formal Board Charter which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Woodside's business activities is delegated to the CEO who is accountable to the Board. The Board Charter and the delegation of Board authority to the CEO are reviewed regularly.

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

In addition to matters required by law to be approved by the Board, the following powers are reserved to the Board for decision:

- the appointment and removal of the CEO and the Company Secretary and determination of their remuneration and conditions of service;

Woodside Corporate Governance Model



- approving the appointment and, where appropriate, the removal of executives who report directly to the CEO together with their remuneration and conditions of service;
- approving senior management succession plans and significant changes to organisational structure;
- authorising the issue of shares, options, equity instruments or other securities;
- authorising borrowings, other than in the ordinary course of business, and the granting of security over the undertaking of the company or any of its assets;
- authorising expenditures which exceed the CEO's delegated authority levels;
- approving strategic plans and budgets;
- approving the acquisition, establishment, disposal or cessation of any significant business of the company;
- approving annual and half-year reports and disclosures to the market that contain or relate to financial projections, statements as to future financial performance or changes to the policy or strategy of the company;
- approving policies of company-wide or general application;
- the appointment of directors who will come before shareholders for election at the next annual general meeting (AGM); and
- establishing procedures which ensure that the Board is in a position to exercise its powers and to discharge its responsibilities as set out in the Board Charter.

A copy of the Board Charter is available in the corporate governance section of Woodside's website.

2.2 Board composition

ASXCGC Recommendations 2.1, 2.2, 2.3, 2.6

The Board is comprised of eight non-executive directors, the CEO and the Executive Director and Executive Vice President, Corporate and Commercial. Mr Erich Fraunschiel will retire with effect on 28 February 2013, reducing the number of non-executive directors to seven. Details of the directors, including their qualifications, experience, date of appointment and independent status, are set out on pages 36 and 37.

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 and the Executive Director and Executive Vice President, Corporate and Commercial bring an additional perspective to the Board through a thorough understanding of Woodside's business. The directors on the Board represent a diverse range of nationalities and backgrounds. Dr Sarah Ryan was appointed as a non-executive director effective 6 December 2012, increasing the number of women on the Board to two. The Board recognises that there is still a gender imbalance, and that an opportunity exists to address this upon future retirements of non-executive directors.

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

2.3 Chairman

ASXCGC Recommendations 2.2, 2.3

The Chairman of the Board, Mr Michael Chaney, is an independent, non-executive director and a resident Australian citizen.

The Chairman is responsible for leadership and effective performance of the Board and for the maintenance of relations between directors and management that are open, cordial and conducive to productive cooperation. The Chairman's responsibilities are set out in more detail in the Board Charter.

A copy of the Board Charter is available in the corporate governance section of Woodside's website.

Mr Chaney is also chairman of National Australia Bank Limited (NAB). The Board considers that neither his chairmanship of NAB, nor any of his other commitments (listed on page 36), 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 change 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 eight of the ten directors are independent. The directors that are not considered independent are Mr Peter Coleman and Mr Robert Cole as they are both executive directors and members of management.

Dr Christopher Haynes and Dr Andrew Jamieson were nominated to the Woodside Board by Shell and were both previously executives of Shell. Dr Haynes and Dr Jamieson retired from Shell on 31 August 2011 and 30 June 2009 respectively and continue to serve on the Woodside Board.

The Board is satisfied that Dr Haynes and Dr Jamieson have no continuing association with Shell that would interfere with their independent exercise of judgement, and that each is an independent director.

Mr Fraunschiel and Dr Haynes serve on the board of directors of WorleyParsons Limited, a supplier of engineering services to Woodside. The value of services provided by the WorleyParsons Limited group of companies to Woodside in 2012 exceeded the Board's materiality threshold relating to suppliers. The Board, having regard to the nature and value of the commercial relationship between Woodside and WorleyParsons Limited, is satisfied that Mr Fraunschiel and Dr Haynes remain independent. Where a matter involving WorleyParsons Limited comes before the Board, the Directors' Conflict of Interest Guidelines apply (refer *section 2.5* below).

Certain non-executive directors hold directorships or executive positions in companies with which Woodside has commercial relationships. Details of other directorships and executive positions held by non-executive directors are set out on pages 36 and 37.

Four of the non-executive directors have been employed by Woodside in the past and a significant period of time has elapsed since they ceased employment. Dr Haynes and Dr Jamieson were both seconded to Woodside as General Manager of the North West Shelf Venture from 1999 to 2002 and from 1997 to 1999 respectively. Dr Ryan was employed by Woodside as a member of the North West Shelf petroleum production team from 1993 to 1996. 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. The Board does not currently consider that there are any existing or projected competency 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 ten years.

The Nominations Committee is responsible for evaluating Board candidates and recommending individuals for appointment to the Board. The committee evaluates prospective candidates against a range of criteria including the skills, experience, expertise and diversity that will best complement Board effectiveness at the time. The Board may engage an independent recruitment firm to undertake a search for suitable candidates.

In its evaluation of candidates for the Board, the Nominations Committee will have regard to normally accepted nomination criteria, including:

- honesty and integrity;
- the ability to exercise sound business judgement;
- appropriate experience and professional qualifications;
- absence of conflicts of interest or other legal impediments to serving on the Board;

- willingness to devote the required time; and
- availability to attend Board and committee meetings.

In considering overall Board balance, the Nominations Committee will give due consideration to the value of a diversity of backgrounds and experiences among the members, and to having some of the directors based in the centres of operation of Woodside.

With the exception of the Managing Director, directors appointed by the Board are subject to shareholder election at the next AGM.

A copy of the Nominations Committee Charter and a description of Woodside's procedure for the selection and appointment of new directors and the re-election of incumbent directors are available in the corporate governance section of Woodside's website.

In December 2012, Mr Fraunschiel and Dr Jungels had both served ten years on the Board. Dr Jungels retired with effect on 7 December 2012 and Mr Fraunschiel will retire with effect on 28 February 2013. During the year, the Board directly engaged executive recruitment specialists, to conduct an extensive search for suitable candidates for the Board. The search culminated in the appointment by the Board of Dr Ryan with effect on 6 December 2012 and Mr Frank Cooper with effect on 1 February 2013. Mr Cole was appointed to the Board as an executive director, effective 23 February 2012. Prior to his appointment as a director, Mr Cole worked for Woodside in senior executive roles since 2006, most recently as Executive Vice President Commercial.

2.7 Directors' retirement and re-election

ASXCGC Recommendation 2.6

With the exception of the Managing Director, directors must retire at the third AGM following their election or most recent re-election. At least one 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.

The Remuneration Report on pages 53 to 65 discloses the process for evaluating the performance of senior executives, including the CEO. In 2012, 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 53 to 65. 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 2013 AGM.

2.12 Board meetings

During the year ended 31 December 2012, 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 45.

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 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 led 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 52 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. During 2012, Mr Cole and Ms Frances Kernot resigned as Company Secretaries following their appointment to other roles at Woodside. Woodside's General Counsel Mr Michael Abbott and Senior Legal Counsel Mr Warren Baillie were appointed as Company Secretaries.

3 Committees of the Board

3.1 Board committees, membership and charters

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

The Board has the ability under the company's constitution to delegate its powers and responsibilities to committees of the Board. This allows the directors to spend additional and more focused time on specific issues.

The Board has four standing committees to assist in the discharge of its responsibilities. These are the:

- Audit & Risk Committee;
- Nominations Committee;
- Human Resources & Compensation Committee; and
- Sustainability Committee.

The committees operate principally in a review or advisory capacity, except in cases where powers are specifically conferred on a committee by the Board.

Each committee has a charter, detailing its role, duties and membership requirements. The committee charters are reviewed regularly and updated as required. Prior to the commencement of each year, the committees set an annual agenda for the coming year with reference to the committee charters and other issues the committee members or Board consider appropriate for consideration by the committees.

Each committee's charter is available in the corporate governance section of Woodside's website.

Membership of the committees is based on directors' qualifications, skills and experience. Each standing committee is comprised of:

- only non-executive directors;
- at least three members, the majority of whom are independent; and
- a chairman appointed by the Board who is one of the independent non-executive directors.

The Audit & Risk Committee and the Human Resources & Compensation Committee have additional membership requirements which are discussed in *sections 3.2* and *3.4*.

The composition of each committee and details of the attendance of members at meetings held during the year are set out in *Table 1* on page 45.

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 2012 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 45 which sets out their attendance at meetings. Their qualifications are listed on pages 36 and 37.

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 2012 external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices, including with respect to the financial implications of the enactment of the Clean Energy Act 2011 (Cth) and the transition of the North West Shelf project into the Petroleum Resources Rent Tax regime;
- review of Internal Audit reports and approval of the 2013 Internal Audit plan;
- 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;
- reviewing and making recommendations to the Board on amendments to the committee's charter, the Group Treasury Policy and the Risk Management 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 Executive Director and Executive Vice President, Corporate and Commercial, the CFO, the Group Financial Controller, the head of Internal Audit, the head of Corporate Risk and the head of Taxation are regular attendees at Audit & Risk Committee meetings. At each committee meeting, time is scheduled for the committee to meet with the external auditors without management present.

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

3.3 Nominations Committee

ASXCGC Recommendations 2.4, 2.6

The role of the Nominations Committee is to assist the Board to review Board composition, performance and succession planning. This includes identifying, evaluating and recommending candidates for the Board.

The Nominations Committee's charter, which sets out further details on the role and duties of the committee, is available in the corporate governance section of Woodside's website.

All non-executive directors are currently members of the Nominations Committee.

Table 1 on page 45 sets out their attendance at committee meetings.

Key activities undertaken by the Nominations Committee during the year included:

- review of the size and composition of the Board;
- Board and CEO succession planning, including recommending that the Board appoint Mr Cole as Executive Director and Executive Vice President, Corporate and Commercial and Mr Cooper and Dr Ryan as non-executive directors;
- making recommendations to the Board regarding the directors seeking re-election at the 2013 AGM; and
- approval of the process for the annual Board performance evaluation.

3.4 Human Resources & Compensation Committee

ASXCGC Recommendations 8.1, 8.2, 8.4

The role of the Human Resources & Compensation Committee is to assist the Board in establishing human resources and compensation policies and practices which:

- enable the company to attract, retain and motivate employees who achieve operational excellence and create value for shareholders; and
- reward employees fairly and responsibly, having regard to the results of the Group, individual performance and general remuneration conditions.

The Human Resources & Compensation Committee's charter, which sets out further details on the role and duties of the committee, is available in the corporate governance section of Woodside's website.

The committee's charter requires at least one member to have been a director of Woodside for not less than three years and states that it is desirable that at least one member has an understanding of remuneration policies and practices.

Members of the Human Resources & Compensation Committee are identified in *Table 1* on page 45 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, approving the use of remuneration consultants to provide recommendations in respect of the remuneration of Woodside's key management personnel and considering advice on the remuneration of Woodside's key management personnel;
- reviewing and making recommendations to the Board on amendments to the committee's charter;
- reviewing the company's recruitment and retention strategies;
- approval of the appointment and remuneration packages of executives reporting directly to the CEO (other than the Executive Director and Executive Vice President, Corporate and Commercial);
- monitoring progress against measurable objectives in respect of gender diversity; and
- reviewing and making recommendations to the Board on:
  - remuneration for non-executive directors;
  - the remuneration of the CEO and the Executive Director and Executive Vice President, Corporate and Commercial;
  - the criteria for the evaluation of the performance of the CEO;
  - incentives payable to the CEO and the Executive Director and Executive Vice President, Corporate and Commercial;
  - employee equity based plans; and
  - the annual Remuneration Report.

Review of the 2012 performance of the CEO and executive succession planning was conducted by the Board.

The Human Resources & Compensation Committee assists the Board to ensure that Woodside's remuneration arrangements are equitable and consistent with the delivery of superior performance that is aligned to the creation of value for shareholders. To ensure it is fully informed when making remuneration decisions, the committee draws on services from a range of external sources, including remuneration consultants where appropriate.

Woodside's guidelines on the use of remuneration consultants set out requirements to ensure the independence of remuneration consultants from

Woodside's management, including the process for the selection of consultants and their terms of engagement. Remuneration consultants are engaged by, and report directly to, the committee. Further information on the activities of the Human Resources & Compensation Committee in relation to the use of remuneration consultants during 2012 is provided in the Remuneration Report on page 59.

The Chairman, the CEO, the head of the Corporate function and the head of the Human Resources function are regular attendees at the Human Resources & Compensation Committee meetings. The CEO was not present during any committee or Board agenda item where his remuneration was considered or discussed.

3.5 Sustainability Committee

The role of the Sustainability Committee is to assist the Board to meet its oversight responsibilities in relation to the company's sustainability policies and practices.

The Sustainability Committee's charter, which sets out further details on the role and duties of the committee, is available in the corporate governance section of Woodside's website.

Members of the Sustainability Committee are identified in *Table 1* 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 process safety performance, incidents and improvement plans;
- consideration of heritage and land access affecting the company and security and emergency management performance;
- monitoring Australian government policy development in respect of climate change and the enactment of the Clean Energy Act 2011 (Cth) and reviewing Woodside's initiatives to reduce greenhouse gas emissions;
- review of delivery against Woodside's Reconciliation Action Plan commitments;
- review of community relations activities and social investment themes and planned expenditure;
- reviewing and making recommendations to the Board on amendments to the committee's charter and sustainability-related Board policies, including the Environment Policy; and
- approval of the annual Sustainable Development Report.

Further information on the activities of the Sustainability Committee will be provided in the Sustainable Development Report to be released in March 2013, which will be made available in the sustainable development section of Woodside's website.

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

4 Shareholders

4.1 Shareholder communication

ASXCGC Recommendations 6.1, 6.2

Directors recognise that shareholders, as the ultimate owners of the company, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

Table 1. Directors in office, committee membership and directors' attendance at meetings during 2012

Director	Board		Audit & Risk Committee		Human Resources & Compensation Committee		Sustainability Committee		Nominations Committee	
(1) (2)	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Executive Director										
PJ Coleman	6	6		6		7		6		6
RJ Cole (3)	5	5		5				2		4
Non-executive directors(4)										
MA Chaney	6	6		6		7		6	6	6
MA Cilento	6	6		5	7	7	6	6	6	6
E Fraunschiel(5)	6	6	6	6			6	6	6	6
CM Haynes(6)	6	6			7	7	6	6	6	6
A Jamieson	6	6		2	7	7	6	6	6	6
PJMH Jungels(7)	6	6	6	6	7	7		4	6	6
DI McEvoy	6	6	6	6		1	6	6	6	6
SE Ryan (8)	1	1	1	1		1	1	1	1	1

Legend:

- Current Chairman
- Current member
- Prior member

Notes:

(1) 'Held' indicates the number of meetings held during the period of each director's tenure.
(2) 'Attended' indicates the number of meetings attended by each director.
(3) Mr Cole was appointed with effect on 23 February 2012.
(4) Mr Frank Cooper was appointed a director with effect on 1 February 2013. He did not attend any meetings during 2012.
(5) Mr Fraunschiel will retire with effect on 28 February 2013.
(6) Dr Haynes ceased to be a member of the Human Resources & Compensation Committee on 7 December 2012. He became a member of the Audit & Risk Committee with effect on the same date.
(7) Dr Jungels retired with effect on 7 December 2012.
(8) Dr Ryan was appointed a director with effect on 6 December 2012.

Woodside's Continuous Disclosure and Market Communications Policy encourages effective communication with the company's shareholders by requiring:

- the disclosure of full and timely information about Woodside's activities in accordance with the disclosure requirements contained in the ASX Listing Rules and the Corporations Act;
- all information released to the market to be placed on Woodside's website promptly following release;
- the company's market announcements to be maintained on Woodside's website for at least three years; and
- that all disclosures, including notices of meetings and other shareholder communications, are drafted clearly and concisely.

A copy of the Continuous Disclosure and Market Communications Policy is available in the corporate governance section of Woodside's website.

Briefings on the financial results, and other briefings with institutional investors and analysts containing material information not previously released to the market, are webcast and made available on Woodside's website.

Shareholders are notified in advance of the date of investor briefing webcasts. Presentation material from briefings or speeches containing material information not previously released is disclosed to the market via ASX and posted to the website.

The company produces a short form annual and half-year shareholder review. The Annual Report, the Sustainable Development Report and the short form shareholder reviews are available on the company's website, or shareholders can elect to receive hard copies. Shareholders can elect to receive email notification when these reports are posted to the website. Shareholders can also receive email notification of Woodside's ASX announcements and media releases.

Any person wishing to receive email alerts of significant market announcements can subscribe through Woodside's website.

The company recognises the importance of shareholder participation in general meetings and supports and encourages that participation. The company has direct voting arrangements in place, allowing shareholders unable to attend the AGM to vote on resolutions without having to appoint someone else as a proxy. Shareholders are also able to register their voting instructions electronically.

The company's AGM is webcast live and is archived for viewing on Woodside's website. The company also makes available podcasts of the AGM. Copies of the addresses by the Chairman and the CEO are disclosed to the market and posted to the company's website. The outcome of voting on the items of business are disclosed to the market and posted to the company's website after the AGM.

All of Woodside's directors attended the company's 2012 AGM and are expected to attend the 2013 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 and monitoring reporting processes and controls and setting guidelines for the release of information. The Disclosure Committee is comprised of senior executives. The Disclosure Committee reports at least annually to the Board on the performance of Woodside's reporting processes and controls. Continuous disclosure matters are considered at each Board meeting.

The Board approves any announcement relating to the annual and half year financial reports and any other information for disclosure to the market that contains or relates to financial projections, statements as to future financial performance or changes to the policy or strategy of the company (taken as a whole).

Woodside's Continuous Disclosure and Market Communications Policy, referred to in ***section 4.1***, and associated guidelines reinforce Woodside's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance. The policy also describes Woodside's guiding principles for market communications. Each Woodside employee is required to ensure potentially price-sensitive information concerning Woodside is assessed with reference to the Continuous Disclosure and Market Communications Policy and associated guidelines as soon as the employee becomes aware of the information.

A copy of the Continuous Disclosure and Market Communications Policy is available in the corporate governance section of Woodside's website.

5 Promoting responsible and ethical behaviour

5.1 Code of Conduct and Whistleblower Policy

ASXCGC Recommendation 3.1

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

The Code of Conduct describes Woodside's mission, vision and values and 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. Managers are expected to take reasonable steps to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Code and to foster an environment that encourages ethical behaviour and compliance with the Code. Directors and employees are required to complete online Code of Conduct training upon appointment and thereafter annually.

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

The Sustainable Development Report, which will be released in March 2013 and made 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 the 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 managers and all employees and contractors within their area of responsibility with the Code of Conduct, the Securities Dealing Policy, the Whistleblower Policy and the Continuous Disclosure and Market Communications Policy. The responses to the questionnaire, together with a report on breaches of the Code of Conduct and matters raised through the Whistleblower helpline (refer below) are considered by the Audit & Risk Committee.

Woodside's Whistleblower Policy documents Woodside's commitment to maintaining an open working environment in which employees and contractors are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

The purpose of the Whistleblower Policy is to:

- help detect and address unacceptable conduct;
- help provide employees and contractors with a supportive working environment in which they feel able to raise issues of legitimate concern to them and to Woodside;
- provide an external confidential helpline which can be used for reporting unacceptable conduct; and
- help protect people who report unacceptable conduct in good faith.

A summary of the Whistleblower Policy is available in the corporate governance section of Woodside's website.

5.2 Securities ownership and dealing

ASXCGC Recommendation 8.4

Woodside's Securities Dealing Policy applies to all directors, employees, contractors, consultants and advisers. This policy provides a brief summary of the law on insider trading and other relevant laws; sets out the restrictions on dealing in securities by people who work for, or are associated with, Woodside; and is intended to assist in maintaining market confidence in the integrity of dealings in the company's securities. The policy is aligned with the ASX Listing Rules on trading policies and associated ASX guidelines.

The policy prohibits directors and employees from dealing in the company's securities when they are in possession of price-sensitive information that is not generally available to the market. It also prohibits dealings by directors and certain restricted employees during "black-out" periods, including during the periods between the end of the financial half-year and the announcement of the half-year results and the end of the financial full-year and the announcement of the full-year results. Directors are required to seek the approval of the Chairman (or in the case of the Chairman, the CEO) before dealing in the company's securities or entering into any financial arrangement by which Woodside securities are used as collateral. Restricted employees are required to notify their manager and the General Counsel before dealing in the company's securities. In addition, executives reporting directly to the CEO, and the Company Secretaries, have notification requirements in respect of entering into any financial arrangement by which Woodside securities are used as collateral.

The Board has adopted a requirement for non-executive directors to have a minimum holding of 2,000 shares in Woodside. Non-executive directors who have less than the minimum holding are required to direct 25% of their net fees to the purchase of shares in Woodside until the minimum holding requirement is satisfied.

Non-executive directors (other than directors who are both nominated and employed by Shell) are eligible to participate in Woodside's non-executive directors' share plan. Under the plan a proportion of the director's after tax remuneration is applied to the purchase of shares in Woodside. These shares are acquired on market at market value at predetermined intervals.

Any dealing in Woodside securities by directors is notified to the ASX within five business days of the dealing. It is a condition of the Securities Dealing Policy that directors, and executives participating in an equity-based incentive plan, are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any person the risk of any fluctuation in the value of any unvested entitlement in Woodside securities. This prohibition is also contained in the terms of the Executive Incentive Plan.

A copy of the Securities Dealing Policy is available in the corporate governance section of Woodside's website.

5.3 Political donations

Woodside's Code of Conduct prohibits donations to any political party, politician or candidate for public office in any country without prior Board approval. In certain circumstances Woodside representatives may attend a party-political function which charges an attendance fee without Board approval. Attendance at these functions must be approved by the head of the Government Affairs function, and a register of attendances and the cost of attending each function is maintained by Woodside at a corporate level.

6 Risk management and internal control

6.1 Approach to risk management and internal control

ASXCGC Recommendations 7.1, 7.4

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance.

Woodside's Risk Management Policy describes the manner in which Woodside:

- provides a consistent process for the recognition and management of risks across Woodside's business; and
- confers responsibility on Woodside staff at all levels to proactively identify, manage, review and report on risks relating to the objectives those staff are accountable for delivering.

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

The Woodside Group operates a standardised enterprise-wide risk management process that provides an over-arching and consistent framework for the identification, assessment, monitoring and management of material business risks. Woodside has a Risk function, separate to Internal Audit, and aligns the company's risk management process with the International Standard for risk management (ISO 31000 Risk Management). Risks are identified, assessed and prioritised using a common methodology. Assessed risk is escalated to increasingly senior levels of management based on corporate materiality thresholds.

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 promoting and applying the Risk Management Policy. This responsibility involves identifying and assessing business and operational risks, developing and implementing appropriate risk treatment strategies and controls, monitoring the effectiveness of risk controls and reporting on risk management capability and performance. Within each major business and functional area there is a designated senior risk role, with specific responsibilities to ensure appropriate application of Woodside's risk management process and regular risk review 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 Risk function is responsible for Woodside's risk management process, development of risk management capability, and providing risk management reports to the executive team and the Audit & Risk Committee on the corporate risk profile and the Group's risk management performance.

In 2012, both the Audit & Risk Committee and the Board reviewed the 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, environmental, financial, legal and compliance, social and cultural and reputational exposures.

Internal Audit is responsible for providing an independent appraisal of the adequacy and effectiveness of the Group's risk management and internal control system.

6.3 Internal Audit

Internal Audit is independent of both business management and of the activities it reviews. Internal Audit provides assurance that the design and operation of the Group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the higher risk activities in each business unit or function are targeted by the audit program. All audits are conducted in a manner that conforms to international auditing standards. Internal Audit has all necessary access to management and information and is staffed by industry professionals including qualified accountants and engineers.

The Audit & Risk Committee oversees and monitors Internal Audit's activities and reviews Internal Audit's performance. It approves the annual audit program and receives reports from Internal Audit concerning the effectiveness of internal control and risk management. The Audit & Risk Committee approves the appointment of the head of Internal Audit. The head of Internal Audit is jointly accountable to the Audit & Risk Committee and the Executive Director and Executive Vice President, Corporate and Commercial. 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 2012 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

ASXCGC Recommendations 3.2, 3.3, 3.4, 3.5

Woodside recognises that workforce diversity provides a key competitive advantage and our success is a reflection of the quality and skills of our people. To this end Woodside leadership continues to focus on the development of a workplace climate that promotes diversity as a key contributor to our business success.

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; and
- the Board annually reviewing the measurable objectives it has set for achieving improvement in the diversity mix of Woodside and the progress in achieving those objectives.

During 2012, Woodside continued to meet its specific commitments under its Reconciliation Action Plan (RAP) to increase Indigenous participation at Woodside. Woodside has increased Indigenous employment by over 188% since the RAP was adopted in 2010 and at the end of 2012 had 92 Indigenous employees, 54 people on Indigenous pathway programs and four Indigenous university students participating in Woodside's cadetship program. Since 2009, Woodside has successfully converted 70% of its Indigenous pathway participants to employment following completion of their training program and had 75 participants at its peak during the year. Woodside also significantly enhanced its support for the establishment or expansion of Indigenous businesses during the year, internally through its commercial contracting activities, as well as through its support of external programs operating in the Kimberley, the Pilbara and Perth. Woodside has already exceeded its target of more than 750 employees attending cultural awareness training and is now looking beyond that target and devising new programs to support Woodside's Indigenous employees, such as formal mentoring and supervisor training.

Woodside continued to undertake initiatives in 2012 aimed at improving gender diversity across the organisation. A detailed review and analysis of gender diversity progress occurred at the end of 2011 with the aim of reducing female turnover and increasing female progression into senior roles. The review resulted in the development, communication and implementation in 2012 of a three-year gender diversity strategy.

Key activities carried out in 2012 to support Woodside's gender diversity strategy included improvements to the graduate program recruitment process which delivered a 40% increase in applications and an improved gender diversity balance outcome. A critical review of female talent conducted through an organisation-wide capability review resulted in improved gender balance in senior management succession planning. A review of remuneration demonstrated effective pay parity for males and females doing similar roles.

During the year, Woodside strengthened its general recruitment processes to ensure gender diversity in candidate short-listing and on interview panels. These changes will be fully embedded in 2013 and aim to deliver improved gender recruitment and promotion outcomes over time.

During 2012, Woodside's overall female representation remained stable at 26.7%. Women are represented at all levels within the organisation. In particular, female representation in middle and senior management roles remained steady at approximately 10% at the end of 2012.

The focus in 2013 will continue to be on building a strong pipeline of female talent to fill senior roles in the future. To this end, a specific development program for high talent females and a job design toolkit will be developed and implemented to increase part-time and flexible working opportunities, support ongoing competency development and facilitate improved career progression.

Table 2 on page 50 sets out Woodside's 2012 measurable objectives, as disclosed in the 2011 Annual Report, and progress made towards achieving those objectives.

The 2013 measurable objectives agreed by the Board to improve gender diversity remain consistent with the 2012 objectives, so that Woodside is able to measure and demonstrate cumulative progress. The 2013 diversity measurable objectives, set out below, will continue to be centred on the five themes of Leadership, Process and Practice, Education, Government and Community Engagement, and Metrics and Measurement established in 2012.

2013 measurable objectives

- Achieve gender balance in Woodside's graduate intake;
- Increase the percentage of women in senior management roles;
- Maintain remuneration equity between men and women in the same role at the same level;
- Achieve female senior management turnover that is equal to or less than total senior management turnover;
- Achieve overall female turnover that is equal to or less than organisational turnover;
- Increase the overall percentage of females employed by Woodside; and
- Deliver diversity development programs, including Equal Employment Opportunity training, recruitment and promotion training and 'Leading Diverse Teams' programs.

Woodside will report on progress against these objectives in its 2013 Annual Report.

Table 2 - Woodside's 2012 measurable diversity objectives

2012 measurable objectives	Progress
Graduates	
Achieve gender balance in Woodside's graduate intake	Changes to the 2012 graduate recruitment process resulted in a 40% increase in the total number of applicants and 50% overall female graduate intake representation, with 43% of the technical graduate intake being female. This represents a significant improvement from 2011.
Senior management development	
Increase the representation of women in senior management roles	Representation of females in middle and senior management roles remains stable at approximately 10%. Continued focus is required in this area which will be supported by 2013 initiatives.
Executive development	
Increase the number of senior women who are ready to move into executive leadership roles	Woodside remains ahead of target for female succession into executive roles, having doubled the number of women ready to move into executive leadership roles through a critical review of talent in the bi-annual organisation wide capability review process.
Remuneration	
Remuneration equity between men and women in the same role at the same level	In the annual remuneration review process there was a continued reduction in the average difference between men and women in the same role at the same level such that the gap is now negligible.
Voluntary turnover	
Female turnover levels no greater than organisation turnover levels	Although overall company turnover has increased, female turnover remains on par with overall organisational turnover at 8.5%.
Attraction and retention	
Increase overall percentage of women employed by Woodside	The overall percentage of female employees remained stable at 26.7%, short of the target of 28%.
Education and awareness	
'Leading Diverse Teams' program rolled out to 300 managers	The leading diverse teams program continued to be delivered in 2012 and was reshaped to enable broader attendance. Attendance was lower than planned at 98 attendees.
Equal Employment Opportunity (EEO) program rolled out to 150 managers	EEO training was attended by 47 employees, below the target of 150. There will be renewed focus on this in early 2013.
Selection and promotion program rolled out to 100 managers	Selection and promotion process training was deferred to 2013. A practical 'How to Interview' guide, which includes tools to ensure any bias is removed from the selection process, is being finalised and will be rolled out in the first quarter of 2013. Woodside's strong focus in 2012 on its Organisational Effectiveness program and supporting training for leaders and managers impacted on the roll-out and delivery of gender diversity training and development initiatives.

Further information regarding Woodside's commitment to diversity will be available in Woodside's 2012 Sustainable Development Report which will be released in March 2013 and made available in the sustainable development section of Woodside's website.

Table 3 - Woodside workforce gender profile

	Female	Female %	Male	Male %
Administration	234	65.9	121	34.1
Technical	366	25.4	1,076	74.6
Supervisory / Professional	395	26.6	1,089	73.4
Middle Management	69	10.3	602	89.7
Senior Management	4	8.9	41	91.1
Total	**1,068**	**26.7**	**2,929**	**73.3**
Board Members	2	22.2	7	77.8

9 ASX Corporate Governance Council recommendations checklist

This table cross-references the ASXCGC Recommendations to the relevant sections of the Corporate Governance Statement and the Remuneration Report.

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

DIRECTORS' REPORT (INCLUDING REMUNERATION REPORT)

The directors of Woodside Petroleum Ltd present their report (including the Remuneration Report) together with the Financial Report of the consolidated entity, being Woodside Petroleum Ltd and its controlled entities, for the year ended 31 December 2012.

Directors

The directors of Woodside Petroleum Ltd in office at any time during or since the end of the 2012 financial year are set out in the Remuneration Report on page 55. 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 36 and 37.

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 45.

Details of director and senior executive remuneration is set out in the Remuneration Report on pages 53 to 65.

The particulars of directors' interests in shares of the company as at the date of this report are set out on page 66.

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 was $2,983 million ($1,507 million in 2011).

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 35.

Significant changes in state of affairs

The review of operations (pages 1 to 35) 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 US65 cents (2011: US55 cents), payable on 3 April 2013. The amount of this dividend will be US$536 million (2011: US$443 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 13.

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 2012.

Dividends

The directors have declared a final dividend out of profits of the company in respect of the year ended 31 December 2012 of US65 cents per ordinary share (fully franked) payable on 3 April 2013.

A fully franked final dividend of US55 cents per ordinary share was paid to shareholders on 4 April 2012 in respect of the year ended 31 December 2011. Together with the fully franked interim dividend of US65 cents per share paid to shareholders on 2 October 2012, the total dividend paid during the 2012 year was US120 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 2012:

Michael Abbott
BJuris LLB, BA, MBA (UWA)
General Counsel and
Joint Company Secretary

Mr Abbott joined Woodside in 2007 and was appointed to the role of General Counsel effective 23 February 2012. He was appointed Joint Company Secretary effective 3 May 2012. Mr Abbott holds Bachelor of Laws and Bachelor of Arts degrees and a Masters of Business Administration.

Warren Baillie
LLB, BCom, Grad. Dip. CSP
Company Secretary

Warren Baillie joined Woodside in 2005 and was appointed Company Secretary effective 1 February 2012. Mr Baillie holds Bachelor of Laws and Bachelor of Commerce degrees and is a solicitor and chartered secretary. He is a member of the National Board and WA State Council of Chartered Secretaries Australia.

Robert Cole
BSc, LLB (Hons) (ANU)
Executive Director and Executive Vice President, Corporate and Commercial

Mr Cole retired as a Joint Company Secretary effective 3 May 2012 following his appointment to the role of Executive Director and Executive Vice President, Corporate and Commercial effective 23 February 2012.

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

Ms Kernot resigned as Company Secretary effective 29 February 2012 to take another role in the company.

CONTENTS

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Overview

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

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

Woodside's 2012 AGM was held on 2 May. The Remuneration Report for 2011 was adopted at the AGM with a clear majority of 479,930,217 votes in favour of the motion (representing 96.4% of the votes received).

Review of executive incentive arrangements

During 2012 the Committee undertook with the assistance of PricewaterhouseCoopers a review of the approach, framework and structure of the executive incentive arrangements to ensure ongoing alignment with Woodside's strategic direction and values.

As a result of the review the Board approved a number of changes to the short and long-term incentives applicable to Woodside executives under the Executive Incentive Plan (EIP).

In respect of the short-term incentive the Board has determined to award restricted shares instead of variable pay rights for the deferred portion of the short-term award. These are awards which have already been earned, a portion of which is taken in shares which are only time restricted and therefore the Board considers it reasonable for the executives to earn dividends on the shares during the restriction period.

To enhance the alignment of the long-term award with company strategy and executive performance the Board has determined to:

- Extend the initial performance testing period from three years to four years;
- Remove the ability for greater than 100% of an award to vest;
- Change the approach to re-testing (while continuing to ensure that executives only benefit from re-testing if the company's relative performance improves);
- Use the "fair value", as determined by the relevant accounting standards, to determine the number of performance tested variable pay rights to award to participants;
- Extend the international oil and gas peer group to 18 companies (including Woodside); and
- Introduce a second peer group, being the ASX top 50.

Details of the EIP are provided on pages 55 to 57 of this report.

Executive remuneration outcomes for 2012

Performance outcomes for 2012 for the Chief Executive Officer and the broad executive group, including Key Management Personnel (KMP) were as follows:

- The value of the short-term award (STA) scorecard for 2012 was 1.27 out of a maximum possible result of 2.
- The total potential amount of the STA pool for 2012 ranged from a minimum of A$ nil to a maximum of A$30,943,948. The actual STA pool for 2012 was A$20,271,351 for 102 participants including the executive directors.
- One third of the STA for the 2012 performance year for current executives (A$6,757,117) will be deferred as an equity award, the vesting of which is dependent on three years continuous service.
- A long-term award (LTA) in respect of the 2012 performance year will be allocated in February 2013 to eligible participants.

Vested Awards during 2012:

- Time-tested Variable Pay Rights that were allocated in 2009 as deferred STA in respect of the 2008 performance year vested during 2012.
- The LTA awarded in 2009 was subject to performance testing during 2012 and as the 50th percentile of the peer group was attained 50% of the award vested and 50% of the award lapsed.
- The LTA awarded in 2008 was subject to a second test in 2012 and failed to satisfy the vesting requirements and as such the award lapsed.

In 2012, Woodside also made awards of equity rights under the Woodside Equity Plan to Key Management Personnel (KMP), excluding the Chief Executive Officer, Executive Director and Executive Vice President Corporate and Commercial and the non-executive directors.

There were no individual retention arrangements for KMP entered into or vested in 2012.

Executive remuneration and company performance

Whilst there are a number of internal and external factors relevant to Woodside's performance, the Board believes Woodside's performance is also attributable to the ability to motivate and retain its executives and, thus, the effectiveness of its remuneration policies. *Table 1* below shows the key financial measures of company performance over the past five years.

Table 1 - Woodside five year performance

Year Ended 31 December		2012	2011	2010	2009[4]	2008[4]
Net Profit After Tax	(US$ million)	2,983	1,507	1,575	1,474	1,546
Earnings Per Share	(US cents)[1]	366	190	204	210	225
Dividends Per Share	(US cents)	130	110	105	95	100
Production	(MMboe)	84.9	64.6	72.7	80.9	81.3
Share closing price (last trading day of the year)[5]	(A$)	33.88	30.62	42.56	47.20	36.70
5 Year rolling TSR[2]	(%)	(0.33)	4.58	12.11	26.44	19.65
Relative TSR[3]	(1 year)	2nd Quartile	4th Quartile	4th Quartile	1st Quartile	2nd Quartile

(1) Basic and diluted earnings per share from total operations.
(2) This calculation is annualised and measured in US dollars.
(3) As discussed under the STA component of EIP on page 55.
(4) Amounts were translated to US dollars using monthly average exchange rates.
(5) The share closing price (last trading day) for 2007 was A$50.39.

Executives	Non-executive directors
Executive directors	M A Chaney (Chairman)
P Coleman - (Managing Director and Chief Executive Officer) (CEO)	M A Cilento
R Cole (Executive Director and Executive Vice President, Corporate and Commercial)(1)	F Cooper(6)
Senior executives	E Fraunschiel(7)
F Ahmed (Executive Vice President Technology)(2)	C M Haynes
L Della Martina (Executive Vice President Pluto)(3)	A Jamieson
R Edwardes (Executive Vice President Development)(4)	P J M H Jungels(8)
P Moore (Executive Vice President Exploration)	D I McEvoy
G Roder (Executive Vice President Corporate Strategy and Planning)	S Ryan(9)
V Santostefano (Chief Operations Officer)(5)	
L Tremaine (Executive Vice President and Chief Financial Officer)	

(1) On 23 February 2012 Mr Cole was appointed to the position of Executive Director and Executive Vice President, Corporate and Commercial. He previously held the position of Executive Vice President Commercial and General Counsel and Joint Company Secretary.
(2) On 19 June 2012 Mr Ahmed was appointed to the position of Executive Vice President Technology. He previously held the position of Executive Vice President Development.
(3) On 10 May 2012 Mr Della Martina departed from Woodside.
(4) On 7 May 2012 Mr Edwardes joined Woodside and became key management personnel.
(5) On 1 May 2012 Mr Santostefano was appointed to the position of Chief Operations Officer. He previously held the position of Executive Vice President Production.
(6) Effective 1 February 2013 Mr Cooper was appointed a non-executive director of Woodside.
(7) On 28 February 2013 Mr Fraunschiel will retire as a non-executive director of Woodside.
(8) On 7 December 2012 Dr Jungels retired as a non-executive director of Woodside.
(9) On 6 December 2012 Dr Ryan was appointed a non-executive director of Woodside.

Executive remuneration

Remuneration Policy

Woodside's Remuneration Policy aims to reward executives fairly and responsibly in accordance with the regional (and in some instances, international) market and ensure that Woodside:

- provides competitive rewards that attract, retain and motivate executives of the highest calibre;
- sets demanding levels of performance which are clearly linked to an executive's remuneration;
- structures remuneration at a level that reflects the executive's duties and accountabilities;
- benchmarks remuneration against appropriate comparator groups;
- aligns executive incentive rewards with the creation of value for shareholders; and
- complies with applicable legal requirements and appropriate standards of governance.

Executive remuneration is reviewed annually having regard to individual and business performance and relevant comparative information.

Executive remuneration structure

Woodside's remuneration structure for executives has several components:

- Fixed remuneration - the 'not at risk' component which includes base salary, superannuation contribution and other allowances such as motor vehicle and health insurance. Fixed remuneration 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 EIP and comprises:
  - Short-term award (detailed on page 56);
  - Long-term award (detailed on page 56);
- Participation in general employee share plans; and
- Participation in retention plans from time to time.

Proportion of remuneration at risk

The target allocation of remuneration between fixed remuneration and VAR for Woodside's executives is shown in *Table 2* on this page. Participation in retention plans and participation in general employee share plans is not taken into account for the calculation of the percentages shown in the table.

Table 2 - Allocation of executive remuneration between fixed and variable annual reward

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

Executive Incentive Plan

The short-term and long-term awards which are described in more detail below are delivered through the EIP. The EIP aims to reward executives for meeting or exceeding their individual performance targets, while at the same time linking their reward to the creation of long-term sustainable wealth for shareholders.

Under the EIP executives may receive a VAR which is based on a percentage of an executive's fixed remuneration. This percentage is determined by the Board with reference to market comparator data and the scope of the executive's role.

VAR has two elements:

1. The STA (which links remuneration to short-term performance) which is delivered two thirds in cash and one third as a deferred equity award the vesting of which is dependent on three years continuous service; and
2. The LTA (which links remuneration to long-term performance) which is delivered as a grant of variable pay rights, the vesting of which is dependent on service and total shareholder return on Woodside shares relative to two identified peer groups (RTSR tested VPRs).

Short-term award

The STA is determined by reference to both individual performance and a company scorecard which is set and approved annually by the Board (Scorecard).

The Scorecard for 2012 was based on four equally weighted measures:

- safety and environmental factors;
- production;
- operating expenditure; and
- Woodside's one year total return to shareholders, ranked against an international peer group (STA Peer Group, see *Table 7* on page 61). Total return to shareholders is the growth in the value of shares over the performance year, plus the value of dividends, other distributions paid out over that year (assuming that dividends and other distributions are reinvested in shares on the payment date) and pro rata buybacks.

The measures for the Scorecard were chosen because of the impact they have on shareholder value. The specific measurable targets related to each performance measure are approved by the Board at the commencement of the performance year.

For the 2012 performance year Woodside exceeded its targets on three of the four equally weighted scorecard measures which resulted in an overall scorecard multiple of 1.27 out of a maximum of two. In summary:

- Production volume achieved for the 2012 year exceeded the production target falling within the upper 10% of the potential production range which resulted in a scorecard multiple of 1.8 out of a maximum of two, weighted at 25%;
- Woodside achieved a better than budget performance on operating cost which resulted in a scorecard multiple of 1.49 out of a maximum of two, weighted at 25%;
- Woodside's good day frequency measure for health safety and environment tracked below target. The resulting scorecard multiple was 0.4 out of a maximum of two, weighted at 25%; and
- Woodside achieved fourth place in the STA peer group of 12, which resulted in a scorecard multiple of 1.4 out of a maximum possible of two, weighted at 25%.

The total STA available for all participating executives is pooled in each pool group by adding the target STA 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 in that pool. Therefore the potential value of the STA for an individual executive is in part dependent on the performance rating of the other executives in the pool.

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

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

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

Each executive receives a performance rating based upon the assessment of their performance and demonstrated values and behaviour. This assessment is conducted by the CEO and approved by the Committee. This rating is then used to determine the short-term award (if any).

The short-term award for a performance year is delivered two thirds in cash and one third as deferred equity. For the 2012 performance year the deferred equity component will be delivered in the form of restricted shares. Participants will receive any dividends paid on their restricted shares after they have been allocated. The deferred portion of STA made in respect of performance years 2008 to 2011 were delivered in the form of Time-tested VPRs.

Generally, vesting of the deferred STA is subject to the executive's employment not being terminated with cause, or by resignation for three years after allocation. The deferred STA 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. Deferred STA granted will also generally vest upon redundancy, retirement or the cessation of a fixed term employment contract.

There are no further performance conditions for vesting of deferred STA.

A summary of the terms of deferred STA awarded to key management personnel is provided in *Table 10* on page 61. Details of restricted shares awarded to KMP are provided in *Table 12* on page 62. Details of Time-tested VPRs awarded for previous performance periods are provided in *Table 11* on page 62. No amount is payable by the executives on the grant or vesting of either restricted shares or Time-tested VPRs.

Long-term award (LTA) 2012

The LTA for the 2012 performance year is granted in the form of variable pay rights, the vesting of which is linked to service and total shareholder return. A variable pay right is a right to receive a fully paid ordinary share in Woodside, subject to satisfaction of vesting conditions. The number of variable pay rights awarded under the EIP for long-term award purposes for the 2012 performance year is calculated by dividing the value of the award by the fair value of a variable pay right (as calculated in accordance with the relevant accounting standards).

The RTSR-tested VPRs are divided into two tranches which will each be subject to a separate relative total shareholder return (RTSR) performance hurdle tested over a four or five year period.

One tranche weighted at 33% will be tested against a comparator group that comprises the entities within the S&P/ASX 50 index at 7 December 2012. The other tranche, weighted at 67%, will be tested against an international group of oil and gas companies. The oil and gas companies used for the 2012 performance year are set out in *Table 8* on page 61.

RTSR was chosen in order to ensure that Woodside's Executives' remuneration is aligned with the company's performance in relation to the performance of peer companies.

The RTSR in respect of Woodside and both peer groups is calculated by an external advisor in accordance with the EIP rules on the fourth 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 61. Any RTSR-tested VPRs which do not vest at this time are subject to a second RTSR test on the fifth anniversary of the allocation date, but further vesting in accordance with the schedule will only occur if Woodside achieves a superior RTSR ranking at the second test date. Any RTSR-tested VPRs that do not vest on the fifth anniversary lapse.

RTSR-tested VPRs will lapse if the executive's employment is terminated with cause, or by resignation, prior to vesting.

RTSR-tested VPRs may vest prior to the satisfaction of the vesting conditions upon a change of control event, or on the death or total and permanent disablement of the executive. In the event of retirement, redundancy or the cessation of a fixed term employment contract of a participant RTSR-tested VPRs continue in the plan and remain subject to the normal performance measures.

Long-term awards 2008 – 2011

The LTA for the performance years 2008 to 2011 inclusive was granted in the form of variable pay rights, the vesting of which is linked to service and total shareholder return.

The vesting of the 2008 to 2011 RTSR-tested VPRs is conditional on a satisfactory ranking of Woodside's RTSR, as calculated under the EIP rules, over a three or four year period in comparison with an international peer group. The international oil and gas LTA Peer Group for the grant of RTSR-tested VPRs for the performance years 2008 to 2011 is set out in *Table 7* on page 61.

The RTSR in respect of Woodside and the peer group is calculated by an external advisor in accordance with the EIP rules on the third anniversary of the allocation of these RTSR-tested VPRs. The outcome of the test is measured against the schedule shown in *Table 6* on page 61. If no RTSR-tested VPRs vested at the first test then the award is subject to a second RTSR test on the fourth anniversary of the allocation date. Any RTSR-tested VPRs that do not vest on the fourth anniversary lapse.

RTSR-tested VPRs will lapse if the executive's employment is terminated with cause, or by resignation, prior to vesting.

RTSR-tested VPRs may vest prior to the satisfaction of the vesting conditions upon a change of control event, or on the death or total and permanent disablement of the executive. In the event of retirement, redundancy or the cessation of a fixed term employment contract of a participant RTSR-tested VPRs continue in the plan and are subject to the normal vesting.

Variable pay rights

The Board has a discretion to satisfy variable pay rights that vest in cash rather than shares (although participants in the EIP cannot elect to receive one or the other).

The shares used to satisfy vested variable pay rights may be acquired through on market purchase or by subscription. If the Board exercises its discretion to satisfy vested variable pay rights in cash, the cash amount will be based on the market value of a Woodside share at the vesting date calculated by reference to the Volume Weighted Average Price (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.

A summary of the terms and conditions of VPRs under each award made to executives under the EIP is provided in *Table 9* on page 61. A summary of executives' interests in Time-tested VPRs and RTSR-tested VPRs are in *Tables 11* and *13* on pages 62 and 63.

CEO remuneration

Mr Coleman's remuneration is governed by his contract of employment which, in summary, for 2012 is comprised of:

- 30% fixed remuneration;
- 30% short-term award component; and
- 40% long-term award component.

Short-term award

The grant of an STA to the CEO is determined by the Scorecard and individual performance as determined by the Board. The Scorecard and performance against the scorecard measures is described on page 56 of this report under the section related to executive Short-term Award.

Each year the Board determines and documents the factors which will be used to assess the annual performance of the CEO.

The individual performance of the CEO is reviewed by the Board against the following factors which were chosen because of their impact on shareholder value:

- setting and pursuing the growth agenda;
- achieving effective execution;
- building enterprise and organisational capacity;
- enhancing culture and reputation; and
- ensuring shareholder focus.

At the completion of the performance year each Board member contributes to the documented review of the CEO's performance for that year.

The STA for the CEO is calculated by multiplying the CEO's fixed remuneration by the scorecard multiple and the CEO's individual performance factor.

For the 2012 performance year, STA is allocated as two-thirds cash and one-third Restricted Shares. Restricted Shares have the same terms and conditions as those awarded to other executives under the EIP as described on pages 55 to 57.

Long-term award

The LTA entitlement for the 2012 performance year will be allocated in February 2013 and will be subject to Relative Total Shareholder Return (RTSR) testing in February 2017. The vesting conditions for the LTA allocation reflect those contained in the EIP as outlined on page 55 and summarised in *Table 9* on page 61 in respect of the 2012 EIP allocation.

A summary of the CEO's equity awards is provided in *Tables 11* to *13* on pages 62 and 63.

Sign-on bonus

Mr Coleman was awarded a one-off sign on incentive with a grant date of 30 May 2011 to recognise certain rights he was giving up with his former employer. Woodside acquired 66,004 Woodside Petroleum Ltd shares which are held in trust for Mr Coleman. The sign-on award was structured such that one third of these shares vest on each anniversary after the date of his appointment. In accordance with the award rules one third of the shares vested on 30 May 2012 being the first anniversary of Mr Coleman's employment. The fair value of each of the shares awarded is USD$49.19. Any unvested entitlements will be forfeited if Mr Coleman's employment is terminated for cause or by his resignation. There are no performance conditions attached to this award.

General employee share plans

Woodside has a history of providing employees with the opportunity to participate in ownership of shares in the Company. This has supported staff retention and alignment of employees with shareholder interests. As part of the strategy to attract, retain and motivate employees, the Board approved the introduction from November 2011 of a broad-based, long-term equity plan called the Woodside Equity Plan to recognise and reward the commitment of eligible employees.

Woodside Equity Plan

The Woodside Equity Plan (WEP) is available to all Australian based permanent employees including executives, other than the CEO and any executive director. Woodside's intention is to enable eligible employees to build up a holding of equity in the Company as they progress through their career at Woodside.

The number of equity rights (ERs) offered to each eligible employee is calculated with reference to salary and performance as assessed under the performance review process as described on page 56 under the heading Short-term Award. There are no further ongoing performance conditions upon allocation of each individual's ERs. The linking of performance to an allocation allows Woodside to recognise and reward eligible employees for high performance. Participants do not make any payment in respect of the ERs at grant nor at vesting.

Eligible participants receive an allocation of ERs. Each ER entitles the participant to receive a Woodside share on the vesting date three years after the effective date. ERs may vest prior to the vesting date on a change of control or on a pro rata basis, at the discretion of the CEO, limited to the following circumstances; redundancy, retirement (after six months participation), death, termination due to medical illness or incapacity or total and permanent disablement of a participating employee. An employee whose employment is terminated by resignation or for cause prior to the vesting date will forfeit all of their ERs.

Participants in the WEP cannot dispose of or otherwise deal with an ER and do not receive any dividends or have voting rights in respect of an ER. Allocations of ERs to participants will be adjusted in the event of Woodside making a bonus issue of shares or upon reconstruction of the Company's share capital.

Table 16 on page 65 provides a summary of KMP executives' interests in ERs under the WEP.

Historical plans

During 2012 the Woodside Employee Equity Plan 2009 – 2012 and the Woodside Share Purchase Plan were formally ended. Details of the KMP executives' participation in these plans are provided in *Tables 14* and *15* on page 64.

Contracts for KMP executives

Each KMP executive has a contract of employment. *Table 3* below contains a summary of the key contractual provisions of the contracts of employment for the KMP executives.

Termination provisions

Under each executive contract of employment Woodside may choose to terminate the contract immediately by making a payment equal to the 'Company Notice Period' of Fixed Annual Reward in lieu of notice as shown in *Table 3* below. Since 2009 new executive contracts ensure that any payments made in the event of a company-initiated termination of an executive contract would be consistent with the Corporations Amendment (Improving Accountability on Termination Payments) Act 2009.

Non-executive directors

Remuneration Policy

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

- the level of fees paid to non-executive directors relative to other major Australian companies;
- the size and complexity of Woodside's operations; and
- the responsibilities and work requirements of Board members.

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

The annual base Board fees and committee fees were increased with effect from 1 July 2012 in line with general movements in the comparator market as reported by Mercer.

Table 3 - Summary of contractual provisions for KMP executives

Name	Employing company	Contract duration	Termination notice period company(1)(2)	Termination notice period executive(2)
P Coleman	Woodside Petroleum Ltd	Unlimited	12 months	6 months
F Ahmed	Woodside Energy Ltd	Fixed Term Contract until 13 February 2015	12 months	6 months
R Cole	Woodside Energy Ltd	Unlimited	12 months	6 months
L Della Martina(3)	Woodside Energy Ltd	Unlimited	12 months	6 months
R Edwardes	Woodside Energy Ltd	Fixed Term Contract until 6 May 2015	6 months	6 months
P Moore	Woodside Energy Ltd	Unlimited	12 months	6 months
G Roder	Woodside Energy Ltd	Fixed Term until 31 August 2017	6 months	6 months
V Santostefano	Woodside Energy Ltd	Unlimited	12 months	6 months
L Tremaine	Woodside Energy Ltd	Unlimited	12 months	6 months

(1) Termination provisions – Woodside may choose to terminate the contract immediately by making a payment equal to the 'Company Notice Period' fixed remuneration in lieu of notice. In the event of termination for serious misconduct or other nominated circumstances, executives are not entitled to this termination payment.
(2) On termination of employment, executives will be entitled to the payment of any fixed remuneration calculated up to the termination date, any leave entitlement accrued at the termination date and any payment or award permitted under the EIP Rules. Executives are restrained from certain activities for specified periods after termination of their employment in order to protect Woodside's interests.
(3) Mr Della Martina departed Woodside on 10 May 2012.

The Woodside Petroleum Ltd shareholding guideline for non-executive directors requires non-executive directors to hold a minimum holding of 2,000 Woodside Petroleum Ltd shares and non-executive directors who have less than the minimum holding 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 Directors' Share Plan (NEDSP) to acquire the shares on market at market value. As the shares are acquired with net fees the shares in the NEDSP are not subject to any forfeiture conditions.

Remuneration structure

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

Table 17 on page 65 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 or other executive directors, as the time spent on Board work and the responsibilities of Board membership are considered in determining the remuneration package provided as part of the normal employment conditions.

The total remuneration paid to, or in respect of, each non-executive director in 2012 is set out in *Table 18* on page 65.

Human Resources & Compensation Committee

The Human Resources & Compensation Committee (Committee) assists the Board to determine appropriate remuneration policies and structures for non-executive directors and executives. Further information on the role of the Committee is described in the Corporate Governance Statement set out in this Annual Report at pages 44 to 45.

Securities Dealing Policy

Woodside's Securities Dealing Policy prohibits executives who participate in an equity-based 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 director 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 47.

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

Use of remuneration consultants

The Committee directly engages external advisors to provide input to the process of reviewing non-executive director, executive director and executive remuneration.

Following a formal tender process the Committee engaged PricewaterhouseCoopers to undertake a review of the EIP in 2012 and to provide recommendations to the Committee in regard to the alignment of the plan with the Woodside values and strategies. The reports and recommendations prepared by PricewaterhouseCoopers were provided directly to the Human Resources & Compensation Committee chairman. The fee for the provision of the recommendations was $320,000. A statement was provided by PricewaterhouseCoopers to the Committee that the recommendations had been prepared free of undue influence from KMP. The Committee had full oversight of the review process and therefore it, and the Board, were satisfied the recommendations made by PricewaterhouseCoopers were free from undue influence by KMP. PricewaterhouseCoopers provided other services to Woodside including provision of taxation advice, support for international assignee movements and general financial and business consulting which resulted in a total of $3,852,790 fees being paid by Woodside.

Mercer Consulting provided market data and a recommendation in regard to non-executive director fees in May 2012. Mercer Consulting also provided market data and a recommendation in November 2012 in relation to the remuneration of the CEO. In both cases, the market data reports and the recommendations were provided directly to the Committee chairman. The fee for the provision of the reports was A$55,728. Mercer Consulting provided a statement to the Committee that the reports had been prepared free of undue influence from KMP. The Committee had full oversight of the review process and therefore it, and the Board, were satisfied that the recommendations made by Mercer Consulting were free from undue influence by KMP. Woodside's superannuation arrangements for all participating employees are provided through Woodside's participation in the Mercer Master Trust. The total of fees paid by Woodside to Mercer in respect of services provided directly to Woodside during 2012 was $35,605.

Reporting notes

Reporting in United States dollars

In this report the remuneration and benefits reported have been presented in US dollars. This is consistent with the change in functional currency of the company 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 applicable exchange rate at the date of payment. Valuation of equity awards is converted at the spot rate applying when the equity award is granted.

RTSR fair values

During the year, a review of the RTSR valuation model was conducted to ensure it accurately reflected the EIP rules. This review concluded that the fair values for the RTSR tested VPR's that were granted from 2007 to 2011 had been overstated. The revised fair values are reflected in Table 13 on page 63. The impact on total compensation of executives as reported for the year ended 31 December 2011 is an aggregate decrease of $236,333.

Table 4 - Compensation of KMP executives for the year ended 31 December 2012 and 2011[1][2]

Executives	Year	Fixed Annual Reward			Variable Annual Reward				
		Short Term		Post employment	Short Term	Share based payments			
		Salaries, fees and allowances	Benefits and allowances (inc non-monetary)[3]	Company contributions to superannuation	Short-term award (cash)[5]	Share Plans[6][13]	Termination benefits	Total remuneration	Performance related
		$	$	$	$	$	$	$	%
P Coleman, Chief Executive Officer[7],[8]	2012	2,255,383	84,745	16,693	2,380,590	2,559,787	-	7,297,198	68
	2011	1,375,146	38,730	9,569	978,550	1,430,807	-	3,832,802	63
F Ahmed, Executive Vice President Technology[4],[9]	2012	658,746	275,676	-	280,857	(139,313)	-	1,075,966	13
	2011	473,808	363,684	-	285,544	622,667	-	1,745,703	52
R Cole, Executive Director and Executive Vice President Corporate and Commercial	2012	825,899	27,609	38,722	556,487	439,589	-	1,888,306	53
	2011	726,382	12,516	23,065	415,541	398,011	-	1,575,515	52
R Edwardes, Executive Vice President Development[10]	2012	509,534	366,898	36,714	330,317	75,884	-	1,319,347	31
	2011	-	-	-	-	-	-	-	-
P Moore, Executive Vice President Exploration	2012	405,206	62,241	88,927	181,211	245,583	-	983,168	43
	2011	380,764	41,352	83,643	183,111	216,825	-	905,695	44
G Roder, Executive Vice President Corporate Strategy and Planning[11]	2012	738,321	48,779	59,761	270,387	48,785	-	1,166,033	27
	2011	114,680	25,281	10,301	-	-	-	150,262	-
V Santostefano, Chief Operations Officer	2012	631,571	19,827	129,549	616,037	389,325	-	1,786,309	56
	2011	544,433	13,003	110,784	362,194	319,626	-	1,350,040	51
L Tremaine, Executive Vice President and Chief Financial Officer	2012	593,264	21,657	49,938	489,505	291,218	-	1,445,582	54
	2011	503,712	12,516	27,584	294,809	221,457	-	1,060,078	49
L Della Martina, Executive Vice President Pluto[12]	2012	173,641	23,933	38,201	-	(492,083)	355,266	98,958	-
	2011	455,952	51,148	100,309	248,483	290,747	-	1,146,639	47

(1) The Australian dollar compensation paid during the year ended 31 December 2012 was converted to US dollars at the average exchange rate of US$1:A$0.96586, and valuation of equity awards at 1 January 2012 was converted to US dollars at the spot rate of US$1:A$0.97885. The Australian dollar compensation paid during the year ended 31 December 2011 was converted to US dollars at the average exchange rate of US$1:A$0.96834, and valuation of equity awards at 1 January 2011 was converted to US dollars at the spot rate of US$1:A$0.97585.

(2) KMP Executives in 2011 who are no longer KMP Executives in 2012 have not been disclosed.

(3) Reflects the value of allowances and benefits including but not limited to travel, motor vehicle and health insurance.

(4) As a non-resident for Australian tax purposes Mr Ahmed has 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 his normal monthly salary. The amount is included in salaries, fees and allowances.

(5) The amount represents the short-term incentive earned in the respective year, which is actually paid in the following year.

(6) 'Share plan' incorporates all equity based plans. In accordance with the requirements of AASB 2 Share-based Payment, the fair value of rights as at their date of grant has been determined by applying the Black-Scholes option pricing technique or binomial valuation method combined with a Monte Carlo simulation with the exception of Mr Ahmed's 2008 VPR's which are to be settled in cash as a result of his international secondment. The fair value of rights is amortised over the vesting period, such that 'Total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.

(7) Mr Coleman commenced with Woodside on 30 May 2011.

(8) On Mr Coleman's commencement 66,004 Woodside Petroleum Limited shares were acquired and held in trust for Mr Coleman. Details were provided under the heading sign-on bonus in the 2011 Remuneration Report. The proportionate fair value for the shares is included in the Share-based Payments.

(9) Mr Ahmed's 2011 share-based payment amortisation expense was accelerated as his contract was due to expire on the 13 February 2012 and details of an extension had not been finalised at the time of reporting. Mr Ahmed's contract has since been extended to the 13 February 2015. The 2012 share-based payment amortisation expense has been adjusted accordingly.

(10) Mr Edwardes commenced with Woodside on 7 May 2012.

(11) On 27 October 2011 Mr Roder was appointed to KMP. Mr Roder was engaged as a third party contractor through Energy Resourcing Australia, he transferred to a Fixed Term contract on 1 September 2012.

(12) On 10 May 2012 Mr Della Martina departed Woodside. The Australian dollar compensation paid for the period from 1 January 2012 to 10 May 2012 was converted to US dollars at the average exchange rate of US$1:A$0.95450.

(13) 2011 comparatives have been appropriately restated to reflect the revised fair values. The impact on total compensation of executives as reported for the year ended 31 December 2011 is an aggregate decrease of $236,333.

EXECUTIVE INCENTIVE PLAN

Table 5 - Vesting schedule for RTSR-tested VPRs awarded for the 2012 performance year

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

Vesting between these percentile points is on a pro rata basis.

Table 6 - Vesting schedule for RTSR-tested VPRs awarded for the performance years 2008 to 2011

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 LTA Peer Group)

Vesting between these percentile points is on a pro rata basis. While a VPR generally only confers an entitlement to a single share on vesting (or its cash value), when greater than 100% vesting is achieved additional shares are allocated in respect of each RTSR-tested VPR to achieve the necessary uplift.

Table 7 - STA Peer Group and LTA Peer Group for performance years 2008 to 2011[(1)]

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

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

Table 8 - LTA Peer Group 2012 performance year – International Oil and Gas Companies

Apache Corporation
Anadarko Petroleum Corporation
BG Group PLC
ConocoPhillips
ENI S.p.A
Hess Corporation
Inpex Corporation
Marathon Oil Company
Murphy Oil Corporation
Oil Search Limited
Origin Energy Limited
Pioneer Natural Resources Company
Repsol YPF, S.A
Santos Ltd
Statoil ASA
Talisman Energy Inc
Tullow Oil PLC

Table 9 - Summary of terms and conditions of unvested RTSR tested VPRs

The following table summarises the terms and conditions of the RTSR tested VPRs awarded for performance years 2012, 2011, 2010 and 2009.

Terms and conditions	2012 VPR allocation	2011 VPR allocation	2010 VPR allocation	2009 VPR allocation
Allocation Date	22 February 2013	1 March 2012	25 February 2011	5 March 2010
Pricing Date	7 December 2012	31 December 2011	31 December 2010	31 December 2009
Grant Date	1 January 2012	1 January 2011	1 January 2010	1 January 2009
Allocation Price[(4)]	A$19.65	A$31.93	A$42.78	A$47.86
Vesting Date[(1)]	22 February 2017	1 March 2015	25 February 2014	5 March 2013
Retesting Date	22 February 2018[(2)]	1 March 2016[(3)]	25 February 2015[(3)]	5 March 2014[(3)]

(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) Any VPRs that do not vest as a result of the first test will be re-tested based on a five year performance period. Retesting is not applicable in respect of Time-tested VPRs.
(3) Retesting is applied to the RTSR tested VPRs if the RTSR threshold is not achieved at the vesting date.
(4) For allocations made for the years prior to 2012, the allocation price was determined by calculating the Volume Weighted Average Price of Woodside shares for the trading days in the month of December of the respective performance year. For the 2012 performance year, the allocation price is the fair value of a variable pay right, as at 7 December 2012, as determined by the relevant accounting standard.

Table 10 - Summary of terms and conditions of unvested deferred STA

The following table summarises the terms and conditions of the deferred short-term award for performance years 2012, 2011, 2010 and 2009.

Terms and conditions	2012 allocation	2011 allocation	2010 allocation	2009 allocation
Deferral Instrument	Restricted Shares	Time-tested VPRs	Time-tested VPRs	Time-tested VPRs
Allocation Date	22 February 2013	1 March 2012	25 February 2011	5 March 2010
Pricing Date	31 December 2012	31 December 2011	31 December 2010	31 December 2009
Grant Date	1 January 2012	1 January 2011	1 January 2010	1 January 2009
Volume Weighted Average Price	A$34.09	A$31.93	A$42.78	A$47.86
Vesting Date[(1)]	22 February 2016	1 March 2015	25 February 2014	5 March 2013

(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 11 - Summary of KMP executives' interests in time-tested VPRs[1]

Name	Allocation date	Vesting date[2]	Awarded but not vested	Vested in 2012	% of total vested	Lapsed in 2012	Fair value[3] of VPRs by performance year
P Coleman	March 2012	March 2015	14,791	-	-	-	38.87
F Ahmed	February 2009	February 2012	-	3,245	100	-	31.26
	December 2009[4]	February 2012	-	27	100	-	31.26
	March 2010	March 2013	3,692	-	-	-	29.57
	February 2011	February 2014	2,415	-	-	-	38.32
	March 2012	March 2015	4,330	-	-	-	38.87
R Cole	February 2009	February 2012	-	4,543	100	-	39.81
	December 2009[4]	February 2012	-	38	100	-	39.92
	March 2010	March 2013	4,599	-	-	-	29.57
	February 2011	February 2014	4,302	-	-	-	38.32
	March 2012	March 2015	6,301	-	-	-	38.87
P Moore[5]	February 2009	February 2012	-	1,344	100	-	39.81
	December 2009[4]	February 2012	-	11	100	-	39.92
	February 2011	February 2014	2,018	-	-	-	38.32
	March 2012	March 2015	2,776	-	-	-	38.87
V Santostefano	February 2009	February 2012	-	2,910	100	-	39.81
	December 2009[4]	February 2012	-	24	100	-	39.92
	March 2010	March 2013	3,786	-	-	-	29.57
	February 2011	February 2014	2,286	-	-	-	38.32
	March 2012	March 2015	5,492	-	-	-	38.87
L Tremaine[6]	February 2009	February 2012	-	1,252	100	-	39.81
	December 2009[4]	February 2012	-	10	100	-	39.92
	March 2012	March 2015	4,470	-	-	-	38.87
L Della Martina[7]	February 2009	February 2012	-	2,916	100	-	39.81
	December 2009[4]	February 2012	-	24	100	-	39.92
	March 2010	March 2013	2,950	-	-	2,950	29.57
	February 2011	February 2014	2,753	-	-	2,753	38.32
	March 2012	March 2015	3,768	-	-	3,768	38.87

(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 for the cash settled awards is recalculated at the end of every reporting period. In 2011 the fair value of the 2008 cash settled VPRs was $31.26.

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

(3) In accordance with the requirements of AASB 2 Share-based Payment, the fair value of rights as at their date of grant has been determined by applying the Binomial or Black Scholes option pricing technique with the exception of Mr Ahmed as noted in (1). The fair value of rights is amortised over the vesting period, such that 'Total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.

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

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

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

(7) A total of 9,471 Time-tested VPRs with a value of A$316,331 were forfeited on Mr Della Martina's departure on 10 May 2012.

Table 12 - Summary of KMP executives' interests in restricted shares[1]

Name	Allocation date	Vesting date[1]	Awarded but not vested	Vested in 2012	% of total vested	Lapsed in 2012	Value[2] of restricted shares by performance year
P Coleman	February 2013	February 2016	33,720	-	-	-	30.98
F Ahmed	February 2013	February 2016	3,978	-	-	-	30.98
R Cole	February 2013	February 2016	7,882	-	-	-	30.98
R Edwardes	February 2013	February 2016	4,710	-	-	-	30.98
P Moore	February 2013	February 2016	2,566	-	-	-	30.98
G Roder	February 2013	February 2016	3,829	-	-	-	30.98
V Santostefano	February 2013	February 2016	8,726	-	-	-	30.98
L Tremaine	February 2013	February 2016	6,933	-	-	-	30.98

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

(2) The modifications made to the EIP only affect awards made from the 2012 performance year onwards. The fair value of the awards allocated in February 2013 at the grant date based on the original plan rules was $28.22, the fair value at modification date under the original rules was $33.19 and the fair value at the modification date after the changes was $35.95. Accordingly, the value of the restricted shares is represented by the sum of the grant date fair value and the incremental benefit on modification date amounting to $2.76.

Table 13 - Summary of KMP executives' interests in RTSR tested VPRs[1]

Name	Allocation date	Vesting date [2],[3]	Awarded but not vested	Vested in 2012	% of total vested	Lapsed in 2012[4]	Fair value[5],[9],[10] of VPRs
P Coleman	March 2012	March 2016	51,769	-	-	-	21.36
	February 2013	February 2018	150,665	-	-	-	15.90
F Ahmed	March 2008	March 2012	-	-	-	2,050	0.21
	December 2009	March 2012	-	-	-	17	0.21
	February 2009	February 2012	-	4,119	50	4,119	7.44
	December 2009	February 2012	-	34	50	34	7.46
	March 2010	March 2014	6,017	-	-	-	14.82
	February 2011	February 2015	7,042	-	-	-	20.02
	March 2012	March 2016	9,768	-	-	-	21.36
	February 2013	February 2018	16,503	-	-	-	15.90
R Cole	March 2008	March 2012	-	-	-	4,862	14.36
	December 2009	March 2012	-	-	-	40	22.94
	February 2009	February 2012	-	4,325	50	4,325	19.08
	December 2009	February 2012	-	36	50	36	25.53
	March 2010	March 2014	6,305	-	-	-	14.82
	February 2011	February 2015	7,526	-	-	-	20.02
	March 2012	March 2016	10,661	-	-	-	21.36
	February 2013	February 2018	19,430	-	-	-	15.90
R Edwardes	February 2013	February 2018	11,923	-	-	-	15.90
P Moore[6]	March 2008	March 2012	-	-	-	1,541	14.36
	December 2009	March 2012	-	-	-	13	22.94
	February 2009	February 2012	-	1,208	50	1,208	19.08
	December 2009	February 2012	-	10	50	10	25.53
	February 2011	February 2015	4,412	-	-	-	20.02
	March 2012	March 2016	6,264	-	-	-	21.36
	February 2013	February 2018	10,788	-	-	-	15.90
G Roder	February 2013	February 2018	5,774	-	-	-	15.90
V Santostefano	March 2008	March 2012	-	-	-	3,465	14.36
	December 2009	March 2012	-	-	-	29	22.94
	February 2009	February 2012	-	2,770	50	2,770	19.08
	December 2009	February 2012	-	23	50	23	25.53
	March 2010	March 2014	5,190	-	-	-	14.82
	February 2011	February 2015	6,665	-	-	-	20.02
	March 2012	March 2016	9,293	-	-	-	21.36
	February 2013	February 2018	18,259	-	-	-	15.90
L Tremaine[7]	March 2008	March 2012	-	-	-	1,422	14.36
	December 2009	March 2012	-	-	-	12	22.94
	February 2009	February 2012	-	1,126	50	1,126	19.08
	December 2009	February 2012	-	10	50	9	25.53
	March 2012	March 2016	7,564	-	-	-	21.36
	February 2013	February 2018	14,631	-	-	-	15.90
L Della Martina[8]	March 2008	March 2012	-	-	-	3,481	14.36
	December 2009	March 2012	-	-	-	29	22.94
	February 2009	February 2012	-	2,776	50	2,776	19.08
	December 2009	February 2012	-	23	50	23	25.53
	March 2010	March 2014	4,045	-	-	4,045	14.82
	February 2011	February 2015	6,020	-	-	6,020	20.02
	March 2012	March 2016	8,500	-	-	8,500	21.36

(1) For valuation purposes all VPRs are treated as if they will be equity settled, with the exception of Mr Ahmed's 2007 and 2008 VPRs which are to be settled in cash as a result of his international secondment. The fair value for the cash settled awards is recalculated at the end of every reporting period. In 2011 the fair value of the 2007 and 2008 cash settled VPR's was $0.21, $7.44 and $7.46 respectively.

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

(3) Vesting date is 14 March 2012 in respect of March 2008 allocations, on 27 February 2012 in respect of February 2009 allocations, on 5 March 2013 or 5 March 2014 in respect of March 2010 allocations, 25 February 2014 or 25 February 2015 in respect of February 2011 allocations and 1 March 2015 or 1 March 2016 in respect of March 2012 allocations. Vesting date is 22 February 2017 or 22 February 2018 in respect of March 2013 allocations.

(4) The 2007 performance year RTSR-tested VPRs lapsed as they did not meet the vesting conditions. The VPRs lapsed on 14 March 2012 and the Share Price at that date was $35.59. For the 2008 performance year Woodside's TSR was at the 50th Peer Group Percentile, therefore 50% RTSR-tested VPRs vested and 50% lapsed. The VPRs lapsed on 27 February 2012 and the Share Price at that date was $37.16.

(5) In accordance with the requirements of AASB 2 Share-based Payment, the fair value of rights as at their date of grant has been determined by applying the Binomial or Black Scholes option pricing technique with the exception of Mr Ahmed as noted in (1). The fair value of rights is amortised over the vesting period, such that 'Total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.

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

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

(8) A total of 18,565 RTSR-tested VPRs with a value of A$620,071 were forfeited on Mr Della Martina's departure on 10 May 2012.

(9) The modifications made to the EIP were made on the 7 December 2012 where the share price was A$34.22. The modification only affects awards made from the 2012 performance year onwards. The fair value of the awards allocated in February 2013 at the grant date based on the original plan rules was $15.90, the fair value at modification date under the original rules was $21.64 and the fair value at the modification date after the changes was $20.64. Accordingly, there was no incremental benefit from the modification.

(10) A review of the RTSR valuation model was conducted to ensure it accurately reflects the EIP rules. Prior year fair values have been appropriately restated to reflect the modification.

RETENTION AND GENERAL EMPLOYEE SHARE PLANS

Table 14 - Summary of KMP executives' interests in shares under the WSPP(1)(2)

Name	WSPP year	Opening balance	Shares purchased under WSPP	Matching shares(3)	Vested shares	Lapsed / forfeited	Closing balance
R Cole	2012	395	-	-	395	-	-
	2011	769	-	-	374	-	395
	2010	893	-	-	124	-	769
	2009 WSPP(4)	498	158	237	-	-	893
	2008 WSPP(5)	124	173	201	-	-	498
	2007 WSPP(6)	-	62	62	-	-	124
P Moore(7)	2011	234	-	-	234	-	-
	2010	358	-	-	124	-	234
V Santostefano	2012	395	-	-	395	-	-
	2011	769	-	-	374	-	395
	2010	893	-	-	124	-	769
	2009 WSPP(4)	498	158	237	-	-	893
	2008 WSPP(5)	124	173	201	-	-	498
	2007 WSPP(6)	-	62	62	-	-	124
L Della Martina(8)	2012	395	-	-	395	-	-
	2011	769	-	-	374	-	395
	2010	893	-	-	124	-	769
	2009 WSPP(4)	498	158	237	-	-	893
	2008 WSPP(5)	124	173	201	-	-	498

(1) For a full summary of executives interests in shares see note 28b to the financial report on page 125.

(2) 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. Woodside provided funds to the WSPP Trustee to buy additional Woodside Shares (matching shares) on Market.

(3) To become entitled to the matching shares funded by Woodside, the participant had to remain a Woodside employee for the three year qualification period.

(4) 2009 WSPP refers to the purchases made in 2009 for the 2008/09 Plan. The matching shares for the 2009 WSPP with a grant date of 2 Janaury 2009 had a fair value of $31.46 and a grant date of 1 April 2009 had a fair value of $34.49 per share.

(5) 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 with a grant date of 3 March 2008 had a fair value of $49.97, with a grant date of 13 June 2008 had a fair value of $56.16 and with a grant date of 1 October 2008 has a fair value of $47.19 per share.

(6) 2007 WSPP refers to the plan for the 2007/08 Plan Year granted in 2007. The matching shares for the 2007 WSPP with a grant date of 27 November 2007 had a fair value of $43.11 per share.

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

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

Table 15 - Summary of KMP executives' interests in Equity Rights under the EEP(1)

Name	Grant date	Number of Equity Rights granted	Number of Equity Rights which have lapsed/forfeited	Number of Equity Rights which have vested during 2012	Fair Value of Equity Rights(2)
F Ahmed	31 October 2009	4,350	-	4,350	39.81
	30 April 2010	36	-	36	39.83
R Cole	31 October 2009	4,350	-	4,350	39.81
	30 April 2010	36	-	36	39.83
P Moore	31 October 2009	4,350	-	4,350	39.81
	30 April 2010	36	-	36	39.83
V Santostefano	31 October 2009	4,350	-	4,350	39.81
	30 April 2010	36	-	36	39.83
L Tremaine	31 October 2009	4,350	-	4,350	39.81
L Della Martina(3)	31 October 2009	4,350	4,350	-	39.81

(1) Under the EEP eligibility participants received a one-off allocation of Equity Rights entitling the participant to receive a Woodside share on the vesting date. There were no performance conditions attached. Participants did not make any payment in respect of the Equity Rights at grant nor at vesting.

(2) 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 received upon vesting in August 2012.

(3) A total of 4,350 Equity Rights with a value of A$145,390 were forfeited on Mr Della Martina's departure on 10 May 2012.

Table 16 - Summary of KMP executives' interests in Equity Rights under the WEP

Name	Grant date	Number of Equity Rights granted	Number of Equity Rights which have lapsed/forfeited	Number of Equity Rights which have vested during 2012	Fair Value of Equity Rights(1)
R Cole	30 November 2011	1,830	-	-	30.49
P Moore	30 November 2011	1,830	-	-	30.49
	1 October 2012	2,000	-	-	31.99
V Santostefano	30 November 2011	1,830	-	-	30.49
	1 October 2012	2,000	-	-	31.99
L Tremaine	30 November 2011	1,830	-	-	30.49
	1 October 2012	2,000	-	-	31.99
L Della Martina(2)	30 November 2011	1,830	1,830	-	30.49

(1) The fair value of Equity Rights as at their date of grant has been determined by reference to the share price at acquisition. The fair value of Equity Rights is amortised over the vesting period, such that 'Total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.

(2) A total of 1,830 Equity Rights with a value of A$61,122 were forfeited on Mr Della Martina's departure on 10 May 2012.

Table 17 - Annual base Board and committee fees for non-executive directors

Position	Board	Audit & Risk Committee	Human Resources & Compensation Committee	Sustainability Committee	Nominations Committee
	A$	A$	A$	A$	A$
Chairman of the Board(1)	679,200(3)	-	-	-	-
Non-executive directors(2)	206,500(3)	-	-	-	-
Committee Chairman	-	54,400(3)	46,000(3)	46,000(3)	Nil
Committee Member	-	27,100(3)	23,000(3)	23,000(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 2012.

Table 18 - Total remuneration paid to non-executive directors in 2012 and 2011(1)

		Cash salary and fees	Pension super	
		Salaries, fees and allowances	Company contributions to superannuation	Total
		$	$	$
M A Chaney	2012	689,698	62,073	751,771
	2011	659,941	59,395	719,336
M A Cilento	2012	255,162	22,965	278,127
	2011	242,889	21,860	264,749
F C Cooper(2)	2012	-	-	-
E Fraunschiel(3)	2012	287,672	25,891	313,563
	2011	274,592	24,713	299,305
C Haynes	2012	278,127	-	278,127
	2011	155,712	-	155,712
A Jamieson	2012	302,898	-	302,898
	2011	278,700	-	278,700
P J M H Jungels(4)	2012	326,670	-	326,670
	2011	332,451	-	332,451
D I McEvoy	2012	282,702	25,444	308,146
	2011	264,111	23,770	287,881
S Ryan(5)	2012	19,132	1,722	20,854
	2011	-	-	-

(1) The total remuneration for 2011 was converted at the average exchange rate of US$1:A$0.96834 and the 2012 total remuneration was converted at the average exchange rate of US$1:A$0.96586.

(2) Effective 1 February 2013 Mr Cooper was appointed a non-executive director of Woodside.

(3) On 28 February 2013 Mr Fraunschiel will retire as a non-executive director of Woodside.

(4) Dr Jungels retired on 7 December 2012. The Australian dollar compensation paid for the period from 1 January 2012 to 7 December 2012 was converted to US dollars at the average exchange rate of US$1:A$0.96659.

(5) Dr Ryan was appointed to the Board on 6 December 2012. The Australian dollar compensation paid for the period from 6 December 2012 to 31 December 2012 was converted to US dollars at the average exchange rate of US$1:A$0.95543.

DIRECTORS' REPORT (CONTINUED)

Indemnification and insurance of directors and officers

The company's constitution requires the company to indemnify each director, secretary, executive officer or employee of the company or its wholly-owned subsidiaries against liabilities (to the extent the company is not precluded by law from doing so) incurred in or arising out of the conduct of the business of the company or the discharge of the duties of any such person. The company has entered into deeds of indemnity with each of its directors, secretaries, certain senior executives, and employees serving as officers on wholly-owned or partly-owned companies of Woodside in terms of the indemnity provided under the company's constitution.

From time to time, Woodside engages its external auditor, Ernst & Young, to conduct non-statutory audit work and provide other services in accordance with Woodside's External Auditor Guidelines. The terms of engagement include an indemnity in favour of Ernst & Young:

- against all losses, claims, costs, expenses, actions, demands, damages, liabilities or any proceedings (liabilities) incurred by Ernst & Young in respect of third party claims arising from a breach by the Group under the engagement terms; and
- for all liabilities Ernst & Young has to the Group or any third party as a result of reliance on information provided by the Group that is false, misleading or incomplete.

The company has paid a premium under a contract insuring each director, officer, secretary and employee who is concerned with the management of the company or its subsidiaries against liability incurred in that capacity. Disclosure of the nature of the liability covered by and the amount of the premium payable for such insurance is subject to a confidentiality clause under the contract of insurance. The company has not provided any insurance for the external auditor of the company or a body corporate related to the external auditor.

Non-audit services and auditor independence declaration

Details of the amounts paid or payable to the external auditor of the company, Ernst & Young, for audit and non-audit services provided during the year are disclosed in note 32 to the Financial Report.

Based on advice provided by the Audit & Risk Committee, the directors are satisfied that the provision of non-audit services by the external auditor during the financial year is compatible with the general standard of independence for auditors imposed by the Corporations Act for the following reasons:

- all non-audit services were provided in accordance with Woodside's External Auditor Policy and External Auditor Guidelines; and
- all non-audit services were subject to the corporate governance processes adopted by the company and have been reviewed by the Audit & Risk Committee to ensure that they do not affect the integrity or objectivity of the auditor.

Further information on Woodside's policy in relation to the provision of non-audit services by the auditor is set out in *section 7* of the Corporate Governance Statement on pages 48 to 49.

The auditor independence declaration, as required under section 307C of the Corporations Act, is set out on this page and forms part of this report.

Proceedings on behalf of the company

No proceedings have been brought on behalf of the company, nor has any application been made in respect of the company, under section 237 of the Corporations Act.

Rounding of amounts

The amounts contained in this report have been rounded to the nearest million dollars under the option available to the company under Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998.

Directors' relevant interests in Woodside shares as at date of report

Director	Relevant interest in shares
MA Chaney	20,000
RJ Cole[1,2,3]	28,502
PJ Coleman[2,3]	55,004
MA Cilento	2,086
F Cooper	-
E Fraunschiel	81,930
CM Haynes	1,333
A Jamieson	4,235
DI McEvoy	8,040
SE Ryan	-

(1) Mr Cole holds 1,830 equity rights under the Woodside Equity Plan, on the terms and conditions summarised in the Remuneration Report on page 58.

(2) Messrs Cole and Coleman hold variable pay rights under Woodside's Executive Incentive Plan, details of which are set out in the Remuneration Report on pages 62 to 63.

(3) Messrs Cole and Coleman will be allocated restricted shares under Woodside's Executive Incentive Plan on 22 February 2013, as set out in the Remuneration Report on page 62.

Signed in accordance with a resolution of the directors.

M A Chaney, AO
Chairman
Perth, Western Australia

20 February 2013

P J Coleman
Chief Executive Officer and
Managing Director
Perth, Western Australia

20 February 2013

Auditor's Independence Declaration to the Directors of Woodside Petroleum Ltd

In relation to our audit of the financial report of Woodside Petroleum Ltd for the year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R J Curtin
Partner
Perth, Western Australia

20 February 2013

Liability limited by a scheme approved under Professional Standards Legislation.

2012 FINANCIAL REPORT

Consolidated income statement

For the year ended 31 December 2012

	Notes	**2012 US$m**	2011 US$m
Operating revenue	3(a)	6,348	4,802
Cost of sales	3(b)	(2,618)	(1,657)
Gross profit		3,730	3,145
Other income	3(c)	830	97
Other expenses	3(d)	(765)	(1,030)
Profit before tax and net finance costs		3,795	2,212
Finance income	3(e)	8	10
Finance costs	3(f)	(145)	(36)
Profit before tax		3,658	2,186
Petroleum Resource Rent Tax expense	4(a)	523	(17)
Income tax expense	4(a)	(1,137)	(660)
Profit after tax		3,044	1,509
Profit attributable to			
Equity holders of the parent		2,983	1,507
Non-controlling interest		61	2
Profit for the year		3,044	1,509
Basic and diluted earnings per share attributable to the equity holders of the parent (US cents)	5	366	190

The accompanying notes form part of the Financial Report.

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	2012 US$m	2011 US$m
Profit for the year	3,044	1,509
Other comprehensive income		
Net change in fair value of available-for-sale financial assets	(2)	(3)
Companies voluntarily liquidated	-	(16)
Other comprehensive income for the year, net of tax	(2)	(19)
Total comprehensive income for the year	3,042	1,490
Total comprehensive income attributable to		
Equity holders of the parent	2,981	1,488
Non-controlling interest	61	2
Total comprehensive income for the year	3,042	1,490

The accompanying notes form part of the Financial Report.

Consolidated statement of financial position

As at 31 December 2012

	Notes	2012 US$m	2011 US$m
Current assets			
Cash and cash equivalents	7(a)	2,422	41
Receivables	8	574	669
Inventories	9(a)	241	195
Other financial assets	10(a)	32	16
Other assets	11(a)	20	93
Total current assets		3,289	1,014
Non-current assets			
Inventories	9(b)	7	18
Other financial assets	10(b)	64	86
Other assets	11(b)	3	3
Exploration and evaluation assets	12	1,120	2,235
Oil and gas properties	13	19,375	19,289
Other plant and equipment	14	60	62
Deferred tax assets	4(c)	892	524
Total non-current assets		21,521	22,217
Total assets		24,810	23,231
Current liabilities			
Payables	15(a)	829	1,214
Interest-bearing liabilities	16(a)	575	770
Tax payable	17	647	74
Other liabilities	19(a)	24	27
Provisions	20	290	327
Total current liabilities		2,365	2,412
Non-current liabilities			
Payables	15(b)	196	215
Interest-bearing liabilities	16(b)	3,765	4,332
Deferred tax liabilities	4(c)	1,368	1,825
Other financial liabilities	18	7	6
Other liabilities	19(b)	165	181
Provisions	20	1,117	991
Total non-current liabilities		6,618	7,550
Total liabilities		8,983	9,962
Net assets		15,827	13,269
Equity			
Issued and fully paid shares	21(a)	6,547	5,880
Shares reserved for employee share plans	21(b)	(44)	(67)
Other reserves	22	859	1,063
Retained earnings	23	7,786	5,782
Equity attributable to equity holders of the parent		15,148	12,658
Non-controlling interest		679	611
Total equity		15,827	13,269

The accompanying notes form part of the Financial Report.

Consolidated statement of cash flows

For the year ended 31 December 2012

	Notes	2012 US$m	2011 US$m
Cash flows from/(used in) operating activities			
Profit after tax for the year		3,044	1,509
Adjustments for:			
Non-cash items			
Depreciation and amortisation		1,217	664
Impairment of exploration and evaluation assets		26	14
Impairment/(reversal) of oil and gas properties and other assets		131	(17)
Unrealised foreign exchange loss/(gain)		3	(3)
Gain on disposal of exploration and evaluation assets		(762)	(7)
Loss/(gain) on disposal of oil and gas properties		7	(5)
Gain on disposal of investments		(2)	-
Change in fair value of derivative financial instruments		10	5
Change in fair value of other financial instruments		-	(12)
Net finance costs		137	26
Tax expense		614	677
Exploration and evaluation written off		129	176
Other		63	59
Changes in assets and liabilities			
Decrease/(increase) in trade and other receivables		23	(175)
Increase in inventories		(38)	(63)
(Decrease)/increase in provisions		(66)	250
Increase/(decrease) in other assets and liabilities		12	(45)
(Decrease)/increase in trade and other payables		(6)	13
Cash generated from operations		4,542	3,066
Purchases of shares and payments relating to employee share plans		(11)	(10)
Interest received		5	10
Dividends received		5	4
Interest paid		(198)	(200)
Income tax paid		(604)	(496)
Petroleum Resource Rent Tax paid		(260)	(132)
Payments for restoration		(4)	-
Net cash from operating activities		3,475	2,242
Cash flows from/(used in) investing activities			
Payments for capital and exploration expenditure		(1,914)	(3,584)
Proceeds from disposal of investments		7	-
Proceeds from disposal of exploration and evaluation assets		2,068	16
Proceeds from disposal of oil and gas properties		-	35
Net cash from/(used in) investing activities		161	(3,533)
Cash flows from/(used in) financing activities			
(Repayments of)/proceeds from borrowings		(772)	172
Contributions from non-controlling interests		67	194
Proceeds from underwriters of Dividend Reinvestment Plan (DRP)		320	648
Dividends paid (net of DRP)		(325)	(652)
Dividends paid outside of DRP		(542)	-
Net cash (used in)/from financing activities		(1,252)	362
Net increase/(decrease) in cash held		2,384	(929)
Cash and cash equivalents at the beginning of the year		41	963
Effects of exchange rate changes on the balances of cash held in foreign currencies		(3)	7
Cash and cash equivalents at the end of the year	7(b)	2,422	41

The accompanying notes form part of the Financial Report.

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Issued and fully paid shares	Shares reserved for employee share plans	Employee benefits reserve	Foreign currency translation reserve	Hedge of net investment 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 23			
	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m	US$m
At 1 January 2012	5,880	(67)	303	663	110	(13)	5,782	12,658	611	13,269
Profit for the year	-	-	-	-	-	-	2,983	2,983	61	3,044
Other comprehensive income	-	-	-	-	-	(2)	-	(2)	-	(2)
Total comprehensive income for the year	-	-	-	-	-	(2)	2,983	2,981	61	3,042
Non-controlling interest	-	-	-	-	-	-	-	-	7	7
Dividend Reinvestment Plan	431	-	-	-	-	-	-	431	-	431
Shares issued	236	(236)	-	-	-	-	-	-	-	-
Employee share plan purchases	-	(11)	-	-	-	-	-	(11)	-	(11)
Employee share plan redemptions	-	270	(270)	-	-	-	-	-	-	-
Share-based payments	-	-	68	-	-	-	-	68	-	68
Dividends paid	-	-	-	-	-	-	(979)	(979)	-	(979)
At 31 December 2012	6,547	(44)	101	663	110	(15)	7,786	15,148	679	15,827
At 1 January 2011	5,036	(57)	192	679	110	(10)	5,141	11,091	595	11,686
Profit for the year	-	-	-	-	-	-	1,507	1,507	2	1,509
Other comprehensive income	-	-	-	(16)	-	(3)	-	(19)	-	(19)
Total comprehensive income for the year	-	-	-	(16)	-	(3)	1,507	1,488	2	1,490
Non-controlling interest	-	-	-	-	-	-	-	-	14	14
Dividend Reinvestment Plan	844	-	-	-	-	-	-	844	-	844
Shares issued	-	-	-	-	-	-	-	-	-	-
Employee share plan purchases	-	(10)	-	-	-	-	-	(10)	-	(10)
Employee share plan redemptions	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	111	-	-	-	-	111	-	111
Dividends paid	-	-	-	-	-	-	(866)	(866)	-	(866)
At 31 December 2011	5,880	(67)	303	663	110	(13)	5,782	12,658	611	13,269

The accompanying notes form part of the Financial Report.

Notes to and forming part of the Financial Report

For the year ended 31 December 2012

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 20 February 2013.

Woodside Petroleum Ltd is a for-profit entity. The nature of the operations and principal activities of the Group are described in the Directors' Report.

Except as disclosed below, the accounting policies adopted are consistent with those disclosed in the Annual Financial Report for the year ended 31 December 2011. Certain comparative information has been reclassified to be presented on a consistent basis with the current year's presentation.

Changes in accounting policy and disclosures

The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective from 1 January 2012 including:

- AASB 1054 *Australian Additional Disclosures*
- AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]

New and amended Standards and Interpretations did not result in any significant changes to the Group's accounting policies.

The Group has not elected to early adopt any other new or amended Standards or Interpretations that are issued but not yet effective (refer Note 1(af)).

(b) Statement of compliance

The Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards, as issued by the International Accounting Standards Board.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date at which control is transferred out of the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. At acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

Notes to and forming part of the Financial Report

For the year ended 31 December 2012

1. Summary of significant accounting policies (continued)

(c) Basis of consolidation (continued)

A change in ownership of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

On loss of control of a subsidiary, all carrying amounts of assets, liabilities and non-controlling interests are derecognised. Any retained interest in the subsidiary is remeasured to its fair value and a gain or loss is recognised in the income statement.

Investments in subsidiaries are carried at cost less impairment charges in the separate financial statements of the parent company. Dividends received from subsidiaries are recorded as other income in the separate income statement of the parent company and do not impact the recorded cost of investment. The parent company will assess whether any indicators of impairment of the carrying amount of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying amount of the investment exceeds its recoverable amount, an impairment loss is recognised.

Non-controlling interests are allocated their share of the net profit after tax in the consolidated income statement, their share of other comprehensive income, net of tax in the consolidated statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

(d) Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Product revenue

Revenue earned from the sale of oil, gas and condensate produced is recognised when the risks and rewards of ownership of the products are transferred to the customer. This policy is applied to the Group's different operating arrangements as follows:

- revenue earned under a lease or licence conferring ownership rights to production, in which the Group has a working interest with other producers, is recognised in earnings on the basis of the Group's interest in the relevant lease or licence (entitlements method). Revenue is not reduced for royalties and other taxes payable from production, except where royalties are payable in kind;
- revenue from take or pay contracts is recognised in earnings when the product has been drawn by the customer or recorded as unearned revenue when not drawn by the customer;
- revenue earned under a risk service contract is recognised when the Group has a legally enforceable entitlement to the proceeds;
- 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; and
- revenue earned from LNG processing services is recognised when the services are rendered.

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.

1. Summary of significant accounting policies (continued)

(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.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil and gas properties.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Where a potential impairment is indicated, assessment is performed for each area of interest to which the exploration and evaluation expenditure is attributed. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

In the statement of cash flows, those cash flows associated with capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities. Exploration and evaluation expenditure expensed is classified as cash flows used in operating activities.

(f) Oil and gas properties

Oil and gas properties are stated at cost less accumulated depreciation and impairment charges. Oil and gas properties include construction, installation or completion of production and infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation assets, development wells and the cost of dismantling and restoration.

Subsequent capital costs, including major maintenance, are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Otherwise costs are charged to the income statement during the financial year in which they are incurred.

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

1. Summary of significant accounting policies (continued)

(g) Other plant and equipment

Other plant and equipment is stated at cost less accumulated depreciation and any impairment charges.

(h) Depreciation and amortisation

Oil and gas properties and other plant and equipment are depreciated to their estimated residual values at rates based on their expected useful lives. The major categories of assets are depreciated as follows:

Category	Method	Estimated useful lives (years)
Oil and gas properties		
Land	Not depreciated	-
Buildings	Straight-line over useful life	24-40
Transferred exploration and evaluation assets and offshore plant and equipment	Units of production basis over Proved plus Probable reserves	5-50
Onshore plant and equipment	Straight-line over the lesser of useful life and the life of Proved plus Probable reserves	5-50
Marine vessels and carriers	Straight-line over useful life	10-40
Other plant and equipment	Straight-line over useful life	5-15

(i) Impairment of assets

The carrying amounts of all assets, other than inventory, financial assets and deferred tax assets, are reviewed half-yearly to determine whether there is an indication of an impairment loss. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is determined as the higher of its value in use and fair value less costs to sell. Value in use is determined by estimating future cash flows after taking into account the risks specific to the asset and discounting them to its present value using a pre-tax discount rate that reflects current market assessment of the time value of money.

For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs. If the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is written down. Generally, the Group evaluates its oil and gas properties on a field-by-field basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale and measured at the lower of their carrying amounts and fair values less cost to sell. They are not depreciated or amortised. To be classified as held for sale, an asset or a disposal group must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset to its fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent impairment 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.

1. Summary of significant accounting policies (continued)

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

The fair values of derivative financial instruments that are traded on an active market are based on quoted market prices at the reporting date. The fair values of financial instruments not traded on an active market are determined using a valuation technique based on cash flows discounted to present value using current market interest rates.

Hedge accounting

When a derivative is designated as a hedge for accounting purposes, the relationship between the derivative and the hedged item is documented, as is its risk management objective and strategy for undertaking the hedge transaction. Also documented is the assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

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

Hedge type and risk	Accounting treatment
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.

Notes to and forming part of the Financial Report

For the year ended 31 December 2012

1. Summary of significant accounting policies (continued)

(l) Provision for restoration (continued)

Over time, the liability is increased for the change in the present value based on a pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer to Note 1(h)).

Costs incurred that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

(m) Joint ventures

The Group's interests in jointly controlled assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures, except where as operator, Woodside takes on the role as independent contractor. In these instances, receivables and payables relating to jointly controlled operations are brought to account on a gross basis.

Joint venture expenses and the Group's entitlement to production are recognised on a pro-rata basis according to the Group's joint venture interest.

Investments in jointly controlled entities, where the Group has significant influence, but not control, are accounted for using the equity method of accounting. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Group's share of the net assets of the venture.

On loss of joint control in a jointly controlled entity, any retained interest in the former entity is recognised at its fair value at the date that joint control is lost. A gain or loss, on loss of joint control, is recognised in the income statement.

(n) Borrowing costs

Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial (greater than 12 months).

The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average effective interest rate applicable to the Group's outstanding borrowings during the year.

(o) Foreign currency

The functional and presentation currency of Woodside Petroleum Ltd and all its subsidiaries is US dollars.

Translation of foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency of the transacting entity at the exchange rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates of exchange ruling at that date. Exchange differences in the consolidated financial statements are taken to the income statement, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in subsidiaries which are taken directly to the hedge of net investment reserve until the disposal of the net investment, at which time they are recognised in the income statement.

Translation of the financial results of foreign operations prior to 2010

Prior to 1 January 2010, certain entities within the Group had a functional currency of Australian dollars as a result of the economic environment in which they were operating. For the period prior to the date of change in functional currency assets and liabilities of these entities were translated into the presentation currency of the Group (US dollars) at the rate of exchange ruling at the respective reporting dates. The income statements were translated at the average exchange rates for the reporting period, or at the exchange rates ruling at the date of transactions. Exchange differences arising on translation were taken to the foreign currency translation reserve in equity.

Hedge transactions

Derivatives and other financial instruments are used to hedge foreign exchange risk relating to certain transactions (refer to Note 1(k)).

Disposal of foreign operations

On disposal of a foreign operation, the proportionate share of exchange differences recognised in the foreign currency translation reserve relating to the particular foreign operation is recognised in the income statement.

1. Summary of significant accounting policies (continued)

(p) Leases

The determination of whether an arrangement is or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Assets held under leases that transfer to the Group substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Finance leases are capitalised at the inception of the lease, at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement over the lease term.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease assets are not capitalised and payments are recognised in the income statement as an expense over the lease term. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(q) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less. Cash and cash equivalents are stated at face value in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents are reported net of outstanding bank overdrafts.

(r) Trade and other receivables

Trade and other receivables, including receivables from related parties, are initially recognised at fair value and subsequently measured at amortised cost less an allowance for uncollectible amounts. Collectability and impairment are assessed on a regular basis. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(s) Inventories

Inventories include hydrocarbon stocks, consumable supplies and maintenance spares. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable. Inventories determined to be obsolete or damaged are written down to net realisable value.

(t) Investments

Investments are classified as either available-for-sale or held for trading and are initially recognised at fair value plus, in the case of investments not held for trading, any directly attributable transaction costs.

After initial recognition investments are carried at fair value. Changes in the fair value of available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative change in fair value previously reported in equity is included in the income statement. Changes in the fair value of held for trading investments are recognised in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of business on the reporting date. Where investments are not actively traded, fair value is established by using other market accepted valuation techniques.

Notes to and forming part of the Financial Report

For the year ended 31 December 2012

1. Summary of significant accounting policies (continued)

(u) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and is neither a subsidiary nor a joint venture.

The financial statements of associates, prepared for the same reporting period as the Group and applying consistent accounting policies, are used by the Group to apply the equity method. The investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate less any impairment. The income statement reflects the Group's share of the associate's after tax profit or loss from operations.

Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, where applicable, in the consolidated statement of changes in equity.

On loss of significant influence of an associate, any retained investment in the former associate is recognised at its fair value. A gain or loss, on loss of significant influence, is recognised in the income statement.

(v) Employee provisions

Provision is made for employee benefits accumulated as a result of employees rendering services up to the end of the reporting period. These benefits include wages, salaries, annual leave and long service leave.

Liabilities in respect of employees' services rendered that are not due to be settled within one year after the end of the period in which the employees render the related services are recognised in the statement of financial position. These liabilities are measured at the present value of the estimated future cash outflow to be made to the employees using the projected unit credit method. In determining the present value of the estimated future cash outflow, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Estimated future payments are discounted using appropriate discount rates. Liabilities due to be settled within one year after the end of the period in which the employees render the related services are measured at the amount due to be paid.

(w) Share-based payments

Equity-settled transactions

The Group provides benefits to its employees (including key management personnel) in the form of share-based payments whereby employees render services for shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured by reference to the fair values of the equity instruments at the date at which they are granted. The fair value is determined by using a Binomial or Black-Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the awards (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the result of:

- the grant date fair value of the award;
- the current best estimate of the number of awards that will vest, taking into account the likelihood of employee turnover; and
- the expired portion of the vesting period.

The charge to the income statement for the year is the cumulative amount, as calculated above, less the amounts charged in the previous years. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated.

An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any expense not yet recognised for the award is recognised immediately.

Shares in the Group reacquired on-market are classified and disclosed as reserved shares and deducted from equity (refer to Note 1(ac)). No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

1. Summary of significant accounting policies (continued)

(w) Share-based payments (continued)

Cash-settled transactions

The Group provides benefits to employees who have been on international assignment or secondment at any time during the vesting period in the form of cash-settled share-based payments. Employees render services in exchange for cash, the amounts of which are determined by reference to the price of the shares of Woodside Petroleum Ltd.

The ultimate cost of these cash-settled share-based payments will be equal to the actual cash paid to the employees which will be the fair value at settlement date. The cumulative cost recognised until settlement is held as a liability. All changes in the liability are recognised in the income statement for the year.

The fair value of the liability is determined, initially and at each reporting date until it is settled, by using a Binomial or Black-Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant.

(x) Retirement benefits

All employees of the Group's Australian entities are entitled to benefits under the Group's superannuation plan due to retirement, disability or death. The Group has a defined benefit component and a defined contribution component within the plan. The defined benefit section of the plan is closed to new members.

The defined benefit component provides defined lump sum benefits based on years of service and final average salary. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. A liability or asset in respect of the defined benefit component of the superannuation plan is recognised in the statement of financial position and is measured at the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date. The defined benefit obligation includes actuarial estimates of future variables such as employee turnover and the plan's rate of return.

The cost of the defined benefit component is charged to the income statement systematically over the employee's service life.

Gains and losses arising from changes in actuarial estimates are recognised immediately as income or expense in the income statement.

The defined contribution component receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions. Contributions to the defined contribution fund are recognised as an expense as incurred.

(y) Financial liabilities

Borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost, except for those designated in a fair value hedge relationship as described previously. Any difference between the proceeds received and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Trade and other payables are carried at amortised cost when goods and services are received, whether or not billed to the Group, prior to the end of the financial year.

Dividends payable are recognised when declared by the Group.

(z) Tax

Income tax

Income tax expense on the profit or loss for the year comprises current and deferred tax expense.

Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Temporary differences arise between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax expense is determined based on changes in temporary differences.

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

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. This is to the extent that the Group is able to control the reversal of the temporary difference and the temporary difference is not expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax expenses are recognised in the income statement, except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Petroleum Resource Rent Tax (PRRT)

PRRT is considered, for accounting purposes, to be a tax based on income. Accordingly, current and deferred PRRT expense is measured and disclosed on the same basis as income tax.

Tax consolidation

The parent and its wholly owned Australian controlled entities have elected to enter into tax consolidation, with Woodside Petroleum Ltd as the head entity of the tax consolidated group.

The tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group, using the stand alone approach.

(aa) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the taxation authority is classified as an operating cash flow.

(ab) Royalties and excise duty

Royalties and excise duty under existing regimes are considered to be production based taxes and are therefore accrued on the basis of the Group's entitlement to physical production.

(ac) Issued capital

Ordinary shares are classified as equity and recorded at the value of consideration received. The cost of issuing shares is shown in share capital as a deduction, net of tax, from the proceeds.

Reserved shares

The Group's own equity instruments, which are reacquired for later use in employee share-based payment arrangements (reserved shares), are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

1. Summary of significant accounting policies (continued)

(ad) Carbon emissions

Carbon emission units purchased for compliance purposes under the Australian Carbon Pricing Mechanism are recognised at cost as an intangible asset. Carbon emission units granted by the Australian Government are recognised at nominal value (nil value).

An emissions liability is recognised as a provision when actual emissions exceed the emission units granted by the Australian Government. Any provision recognised is measured at the value of purchased units held, with any excess measured at the current market value of carbon units at the reporting date. The movement in the provision is recognised in the income statement.

(ae) 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.

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.

Exploration and evaluation

The Group's accounting policy for exploration and evaluation assets is set out in Note 1(e). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Notes to and forming part of the Financial Report

For the year ended 31 December 2012

1. Summary of significant accounting policies (continued)

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

PRRT - North West Shelf Project

The Group's accounting policy for PRRT is set out in Note 1(z). The application of this policy to the North West Shelf Project as a result of its transition into the PRRT regime initially results in a deductible temporary difference which is available to offset against future taxable profits. An estimated deferred tax asset (refer Note 4(d)) in respect of this deductible temporary difference has not been recognised on the basis deductions from future augmentation of the deductible temporary difference will be sufficient to offset future taxable profit. Had an alternative approach been used to assess recovery of the deferred tax asset, whereby future augmentation was not included in the assessment, the estimated deferred tax asset would have been recognised, with a corresponding benefit to income tax expense.

It was determined that the approach adopted provides the most meaningful information on the implications of transition of the North West Shelf Project to the PRRT regime, whilst ensuring compliance with AASB 112 *Income Taxes*.

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

The following Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group as at the financial reporting date.

Title	Application date of the Standard	Summary
AASB 9 *Financial Instruments*	Periods beginning on or after 1 January 2015	AASB 9 includes requirements for the classification and measurement of financial assets and financial liabilities and the recognition and derecognition requirements for financial instruments. This standard will be applied retrospectively.
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]*	Periods beginning on or after 1 January 2013	This Standard adds the requirements for classifying and measuring financial liabilities to AASB 9. The Standard also makes amendments to several Australian Accounting Standards and Interpretations. These amendments arise from the issuance of AASB 9 *Financial Instruments* as issued in December 2010.
AASB 10 *Consolidated Financial Statements*	Periods beginning on or after 1 January 2013	AASB 10 introduces a revised definition of control and establishes a single control model that applies to all entities. This Standard replaces AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and will be applied on a modified retrospective basis.
AASB 11 *Joint Arrangements*	Periods beginning on or after 1 January 2013	This Standard supersedes AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers* and establishes principles for the financial reporting by parties to a joint arrangement. Changes will be applied on a modified retrospective basis.
AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*	Periods beginning on or after 1 January 2013	This Standard makes amendments to several Australian Accounting Standards and Interpretations arising from the issuance of the consolidation and joint arrangements Standards.

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

1. Summary of significant accounting policies (continued)

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

AASB 12 *Disclosures of Interests in Other Entities*	Periods beginning on or after 1 January 2013	This standard provides a single source of guidance for all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.
AASB 13 *Fair Value Measurement*	Periods beginning on or after 1 January 2013	This standard defines fair value and provides a single framework for measuring fair value when required by individual Standards. The requirements of AASB 13 will be applied prospectively.
AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]*	Periods beginning on or after 1 January 2013	This Standard makes amendments to several Australian Accounting Standards and Interpretations. These amendments principally arise from the issuance of AASB 13.
AASB 119 *Employee Benefits (revised)*	Periods beginning on or after 1 January 2013	The revised Standard requires the immediate recognition of defined benefit costs, improves the presentation and disclosure requirements for defined benefit plans and requires the recognition of short-term and other long-term employee benefits to be based on the expected timing of settlement rather than employee entitlement. These revisions will be applied retrospectively.
AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretation 14]*	Periods beginning on or after 1 January 2013	This Standard makes amendments to several Australian Accounting Standards and Interpretations. These amendments principally arise from amendments to the revised employee benefits Standard.
AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]*	Periods beginning on or after 1 July 2013	This Standard removes the requirements to include individual key management personnel disclosures in the notes to and forming part of the Financial Report.
AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]*	Periods beginning on or after 1 July 2012	This Standard amends the presentation of components of other comprehensive income including presenting separately those items that will be reclassified to profit or loss in the future and those that would not. Amendments will be applied retrospectively.
AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1,101, 116, 132, & 134 and Interpretation 2]*	Periods beginning on or after 1 January 2013	This Standard makes amendments to several Australian Accounting Standards. These amendments primarily relate to clarification of narrative requirements for comparative information and segment disclosures for interim financial reports.

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

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

2. Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The following operating segments are identified by management based on the nature and geographical location of the business or venture.

North West Shelf Business Unit

Exploration, evaluation, development, production and sale of liquefied natural gas, pipeline natural gas, condensate, liquefied petroleum gas and crude oil from the North West Shelf ventures.

Australia Oil Business Unit

Exploration, evaluation, development, production and sale of crude oil in assigned permit areas including Laminaria, Mutineer–Exeter, Enfield, Vincent and Stybarrow ventures.

Pluto Business Unit

Exploration, evaluation, development, production and sale of liquefied natural gas and condensate in assigned permit areas.

Browse Business Unit

Exploration, evaluation and development of liquefied natural gas and condensate in assigned permit areas.

United States Business Unit

Exploration, evaluation, development, production and sale of pipeline natural gas, condensate and crude oil in assigned permit areas.

Other

This segment comprises the activities undertaken by Exploration, International and Sunrise Business Units.

Unallocated items

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.

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.

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

2. Operating segments (continued)

(a) Revenue and profit after tax for the year ended 31 December 2012

	North West Shelf Business Unit	Australia Oil Business Unit	Pluto Business Unit	Browse Business Unit	United States Business Unit	Other	Unallocated items	Consolidated
	2012 US$m	2012 US$m	2012 US$m	2012 US$m	2012 US$m	2012 US$m	2012 US$m	2012 US$m
Revenue								
Operating revenue	3,300	1,545	1,427	-	76	-	-	6,348
Cost of sales								
Cost of production	(739)	(365)	(178)	-	(12)	-	(1)	(1,295)
Shipping and direct sales costs	(57)	(1)	(81)	-	(5)	-	(6)	(150)
Oil and gas properties depreciation and amortisation	(267)	(356)	(526)	-	(33)	-	9	(1,173)
Total cost of sales	(1,063)	(722)	(785)	-	(50)	-	2	(2,618)
Gross profit	2,237	823	642	-	26	-	2	3,730
Exploration and evaluation	(19)	(11)	(17)	(95)	(75)	(176)	1	(392)
Share of associates net profit	4	-	-	-	-	-	-	4
Change in fair value of derivative financial instruments	-	-	-	-	-	-	(10)	(10)
Change in fair value of other financial instruments	-	-	-	-	-	-	-	-
Loss on disposal of oil and gas properties	(7)	-	-	-	-	-	-	(7)
Depreciation of other plant and equipment	-	-	-	-	-	-	(11)	(11)
Gain on disposal of exploration and evaluation assets	-	-	-	3	5	-	754	762
Gain on disposal of investments	2	-	-	-	-	-	-	2
Net defined benefit plan loss	-	-	-	-	-	-	(3)	(3)
Exchange loss on cash balances	-	1	(17)	-	-	1	12	(3)
Other exchange gain	-	(1)	3	-	-	1	4	7
Impairment loss	-	(82)	(49)	-	-	(26)	-	(157)
Other income	21	8	3	1	1	-	21	55
Other expenses	(3)	-	(112)	-	(17)	(1)	(49)	(182)
Profit before tax and net finance income/(costs)	2,235	738	453	(91)	(60)	(201)	721	3,795[1]
Finance income								8
Finance costs								(145)
Profit before tax								3,658
Taxes								(614)
Profit after tax								3,044
	2011 US$m	2011 US$m	2011 US$m	2011 US$m	2011 US$m	2011 US$m	2011 US$m	2011 US$m
Revenue								
Operating revenue	2,989	1,677	-	-	93	43	-	4,802
Cost of sales								
Cost of production	(692)	(252)	(1)	-	(13)	(10)	(13)	(981)
Shipping and direct sales costs	(43)	(1)	(6)	-	(6)	-	(5)	(61)
Oil and gas properties depreciation and amortisation	(182)	(374)	-	-	(32)	(26)	(1)	(615)
Total cost of sales	(917)	(627)	(7)	-	(51)	(36)	(19)	(1,657)
Gross profit	2,072	1,050	(7)	-	42	7	(19)	3,145
Exploration and evaluation	(4)	(3)	(278)	(31)	(69)	(194)	(8)	(587)
Share of associates net profit	3	-	-	-	-	-	-	3
Change in fair value of derivative financial instruments	-	-	-	-	-	-	(5)	(5)
Change in fair value of other financial instruments	-	-	12	-	-	-	-	12
Gain on disposal of oil and gas properties	1	-	-	-	4	-	-	5
Depreciation of other plant and equipment	-	-	-	-	(1)	-	(11)	(12)
Gain on disposal of exploration and evaluation assets	-	-	-	-	1	6	-	7
Gain on disposal of investments	-	-	-	-	-	-	-	-
Net defined benefit plan loss	-	-	-	-	-	-	(7)	(7)
Exchange gain on cash balances	-	6	14	(3)	-	-	(10)	7
Other exchange gain	-	(3)	(3)	-	-	-	52	46
Impairment reversal/(loss)	-	(14)	-	-	17	-	-	3
Other income	14	3	2	-	-	-	10	29
Other expenses	(39)	(4)	(330)	(3)	(22)	(1)	(35)	(434)
Profit before tax and net finance income/(costs)	2,047	1,035	(590)	(37)	(28)	(182)	(33)	2,212[1]
Finance income								10
Finance costs								(36)
Profit before tax								2,186
Taxes								(677)
Profit after tax								1,509

(1) The performance of operating segments is evaluated based on profit before finance income, finance costs and tax. Financing requirements, finance income, finance costs and taxes are managed on a Group basis.

There were no significant inter-segment transactions during the financial year.

Notes to and forming part of the Financial Report

For the year ended 31 December 2012

2. Operating segments (continued)

(b) Segment assets and liabilities and other segment information at 31 December 2012

	North West Shelf Business Unit	Australia Oil Business Unit	Pluto Business Unit	Browse Business Unit	United States Business Unit	Other	Unallocated items	Consolidated
	2012 US$m	**2012 US$m**	**2012 US$m**	**2012 US$m**	**2012 US$m**	**2012 US$m**	**2012 US$m**	**2012 US$m**
Segment assets	4,083	1,704	14,981	48	318	227	3,449	24,810
Segment liabilities	1,714	448	771	57	49	71	5,873	8,983
Other segment information								
Investment in associates	2	-	-	-	-	-	-	2
Additions to oil and gas properties	328	132	899	-	25	(2)	-	1,382
Additions to exploration and evaluation assets	7	58	8	283	2	43	(12)	389
Additions to other plant and equipment	-	-	-	-	-	-	9	9
	2011 US$m	2011 US$m	2011 US$m	2011 US$m	2011 US$m	2011 US$m	2011 US$m	2011 US$m
Segment assets	3,975	1,941	14,672	1,184	365	216	878	23,231
Segment liabilities	1,632	573	1,028	86	41	112	6,490	9,962
Other segment information								
Investment in associates	2	-	-	-	-	-	-	2
Additions to oil and gas properties	460	366	2,446	-	15	-	-	3,287
Additions to exploration and evaluation assets	28	48	283	460	(10)	7	-	816
Additions to other plant and equipment	-	-	-	-	-	-	2	2

(c) Geographical information

Revenue from external customers and non-current assets by geographical locations is detailed below. Revenue is attributable to geographic location based on the location of the customers.

	Australia		Asia		United States of America		Other		Consolidated	
	2012 US$m	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m
Revenue from external customers	549	507	5,483	3,400	187	224	129	671	6,348	4,802
Non-current assets	20,303	21,272	-	6	291	342	2	25	20,596[2]	21,645[3]

(2) Non-current assets excludes derivatives (US$33 million) and deferred tax (US$892 million).

(3) Non-current assets excludes derivatives (US$48 million) and deferred tax (US$524 million).

(d) Major customer information

The Group has one major customer which accounts for 11% of external revenue within the Pluto Business Unit (2011: nil).

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

3. Revenue and expenses

	2012 US$m	2011 US$m
(a) Operating Revenue		
Revenue from sale of goods		
Liquefied natural gas		
North West Shelf	1,670	1,509
Pluto	1,164	-
	2,834	1,509
Pipeline natural gas		
North West Shelf	367	375
United States of America	3	8
	370	383
Condensate		
North West Shelf	765	860
Pluto	138	-
Ohanet[1]	-	26
United States of America	-	1
	903	887
Oil		
North West Shelf	373	118
Laminaria	222	152
Mutineer–Exeter	20	11
Enfield	325	475
Vincent	713	589
Stybarrow	265	450
United States of America	73	84
	1,991	1,879
Liquefied petroleum gas		
North West Shelf	125	127
Ohanet[1]	-	17
	125	144
Total revenue from sale of goods	6,223	4,802
LNG processing revenue	125	-
Total operating revenue	6,348	4,802
(b) Cost of sales		
Cost of production		
Production costs	(692)	(505)
Royalties and excise	(501)	(466)
Carbon costs	(17)	-
Insurance	(40)	(31)
Inventory movement	(45)	21
	(1,295)	(981)
Shipping and direct sales costs	(150)	(61)
Oil and gas properties depreciation and amortisation		
Land and buildings	(41)	(7)
Transferred exploration and evaluation	(42)	(21)
Plant and equipment	(1,084)	(581)
Marine vessels and carriers	(6)	(6)
	(1,173)	(615)
Total cost of sales	(2,618)	(1,657)
Gross profit	3,730	3,145

(1) Woodside's interest in the Ohanet risk sharing contract expired in October 2011.

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For the year ended 31 December 2012

3. Revenue and expenses (continued)

	2012 US$m	2011 US$m
(c) Other income		
Other fees and recoveries	55	29
Share of associates' net profit	4	3
Other exchange gain	7	46
Gain on disposal of exploration and evaluation assets[1]	762	7
Gain on disposal of investments	2	-
Change in fair value of other financial instruments	-	12
Total other income	830	97
(d) Other expenses		
Exploration and evaluation		
Exploration expensed in current year	(230)	(381)
Exploration expensed previously capitalised	(38)	(147)
Amortisation of license acquisition costs	(26)	(28)
Evaluation	(98)	(31)
Total exploration and evaluation	(392)	(587)
Other costs		
Net defined benefit plan loss	(3)	(7)
(Loss)/gain on disposal of oil and gas properties	(7)	5
Change in fair value of derivative financial instruments	(10)	(5)
Exchange (loss)/gain on cash balances	(3)	7
Depreciation of other plant and equipment	(11)	(12)
General, administrative and other costs	(96)	(130)
Pluto mitigation and initial start up costs	(86)	(304)
Impairment of exploration and evaluation assets	(26)	(14)
(Impairment)/reversal of oil and gas properties[2]	(131)	17
Total other costs	(373)	(443)
Total other expenses	(765)	(1,030)
Profit before tax and net finance income/(costs)	3,795	2,212
(e) Finance income		
Interest	8	10
Total finance income	8	10
(f) Finance costs		
Unwinding of present value discount (accretion)	(26)	(27)
Other finance costs	(119)	(9)
Total finance costs	(145)	(36)
Profit before tax	3,658	2,186

(1) On 18 September 2012, the Group sold a 14.7% interest in the Browse LNG permits on an assumed unitised basis to Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) for US$2 billion. The proceeds were treated as a reimbursement of previously incurred costs and credited against the exploration and evaluation assets. The excess was recognised as a gain on sale.

(2) As part of the Group's regular review of assets whose value may be impaired, the impairment loss includes, a charge of US$82 million recognised in relation to the Laminaria-Corallina field (which is part of the Australia Oil Business Unit segment). This followed an assessment of the expected ultimate reserve recovery. The recoverable amount for the cash-generating unit was determined based on the value in use calculation. The nominal pre-tax discount rate applied to the cash generating unit was 12%.

4. Taxes

	2012 US$m	2011 US$m
(a) Tax expense comprises		
PRRT		
Current tax expense	387	92
Under/(over) provided in prior years	-	-
Deferred tax expense related to the movements in deferred tax balances	(910)	(75)
	(523)	17
Income tax		
Current tax expense	1,030	579
Under provided in prior years	14	(5)
Deferred tax expense related to the movements in deferred tax balances	93	86
	1,137	660
Total tax expense reported in the income statement	614	677
(b) Reconciliation of tax expense to prima facie tax payable		
Profit before tax	3,658	2,186
PRRT expense	523	(17)
Profit after PRRT expense	4,181	2,169
Tax expense calculated at 30%	1,254	651
Tax effect of items which are non-deductible/(assessable)		
Sale of assets	(186)	-
Research and development	(6)	(9)
Other	(1)	(4)
Foreign expenditure not brought to account	58	21
Tax rate differential on non-Australian income	-	2
Under/(over) provided in prior years	14	(5)
Foreign exchange impact on tax expense	4	4
PRRT expense	(523)	17
Tax expense	614	677

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.

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4. Taxes (continued)

(c) Deferred tax

	At 1 January US$m	Charged/ (credited) to income statement US$m	Acquisition/ (disposal) US$m	At 31 December US$m
2012				
Deferred tax assets				
Arising from temporary differences and tax losses				
Foreign jurisdiction	11	-	-	11
Domestic jurisdiction	22	(22)	-	-
Arising from PRRT	491	390	-	881
	524	368	-	892
Deferred tax liabilities				
Arising from temporary differences				
Exploration and evaluation assets	563	(71)	(308)	184
Oil and gas properties	686	229	-	915
Financial instruments	39	(6)	-	33
Other liabilities	(203)	118	121	36
Provisions	(374)	(53)	-	(427)
Other	(53)	33	-	(20)
Arising from PRRT	1,167	(117)	(403)	647
	1,825	133	(590)	1,368
2011				
Deferred tax assets				
Arising from temporary differences and tax losses				
Foreign jurisdiction	11	-	-	11
Domestic jurisdiction	30	(8)	-	22
Arising from PRRT	211	280	-	491
	252	272	-	524
Deferred tax liabilities				
Arising from temporary differences				
Exploration and evaluation assets	410	153	-	563
Oil and gas properties	548	138	-	686
Financial instruments	114	(75)	-	39
Other liabilities	(238)	35	-	(203)
Provisions	(203)	(171)	-	(374)
Other	(49)	(4)	-	(53)
Arising from PRRT	962	205	-	1,167
	1,544	281	-	1,825

4. Taxes (continued)

	2012 US$m	2011 US$m
(d) Unrecognised deferred tax assets		
Tax losses not recognised		
Revenue	250	205
Capital	-	100
Deductible temporary differences not recognised[1]	3,203	144
Temporary differences associated with investments	5	4
	3,458	453

(1) Includes a deductible temporary difference of $3 billion related to the transition of the North West Shelf Project to the PRRT regime. Refer Note 1(ae).

(e) Tax losses

At the reporting date the Group has unused (recognised and not recognised) tax losses of US$751 million (2011: US$981 million) that are available for offset against future taxable profits.

There are no deferred tax assets recognised in respect of tax losses as they have been fully utilised in 2012 (2011: US$16 million).

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 2012 (2011: nil).

(f) Tax consolidation

The parent and its wholly-owned Australian controlled entities have elected to enter tax consolidation, with Woodside Petroleum Ltd as the head entity of the tax consolidated group. The members of the tax consolidated group are identified at Note 35(a).

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Woodside Petroleum Ltd and each of the entities in the tax consolidated group have agreed to make a tax equivalent payment to or from the head entity calculated on a stand alone basis based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the tax consolidated group.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Notes to and forming part of the Financial Report

For the year ended 31 December 2012

5. Earnings per share

	2012	2011
Profit attributable to equity holders of the parent (US$m)	2,983	1,507
Weighted average number of shares on issue	814,751,356	791,668,973
Basic and diluted earnings per share (US cents)(1)	366	190

(1) Earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares makes allowance for shares reserved for employee share plans. Diluted earnings per share is not significantly different from basic earnings per share.

There have been no transactions involving ordinary shares between the reporting date and the date of completion of this Financial Report.

6. Dividends paid and proposed

	2012 US$m	2011 US$m
(a) Dividends paid during the financial year		
Prior year fully franked final dividend US$0.55, paid on 4 April 2012 (2011: US$0.55, paid on 6 April 2011)	443	430
Current year fully franked interim dividend US$0.65, paid 2 October 2012 (2011: US$0.55 paid on 30 September 2011)	536	436
	979	866
(b) Dividend declared (not recorded as a liability)		
Final dividend US$0.65,to be paid on 3 April 2013 (2011: US$0.55, paid on 4 April 2012)	536	443
Dividend per share in respect of financial year (US cents)	130	110
(c) Franking credit balance		
Franking credits available for the subsequent periods	3,391	2,785

Notes to and forming part of the Financial Report
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7. Cash and cash equivalents

		2012 US$m	2011 US$m
(a)	**Components of cash and cash equivalents**		
	Cash at bank	94	20
	Money market deposits	2,328	21
	Total cash and cash equivalents	2,422	41

(b) **Reconciliation to statement of cash flows**

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

	2012 US$m	2011 US$m
Cash at bank	94	20
Money market deposits	2,328	21
	2,422	41

8. Receivables

	2012 US$m	2011 US$m
Trade receivables(1)	449	339
Other receivables(2)	122	328
Dividends receivable(3)	2	2
Interest receivable	1	-
	574	669

(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

		2012 US$m	2011 US$m
(a)	**Inventories (current)**		
	Petroleum products (at cost)		
	Work in progress	1	1
	Goods in transit	106	3
	Finished stocks	63	119
	Warehouse stores and materials (at cost)	71	72
		241	195
(b)	**Inventories (non-current)**		
	Warehouse stores and materials (at cost)	7	18

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10. Other financial assets

	2012 US$m	2011 US$m
(a) Other financial assets (current)		
Derivative instruments (at fair value)[1]	10	9
Embedded derivatives (at fair value)[2]	4	7
Cash held in reserve	18	-
	32	16
(b) Other financial assets (non-current)		
Other investments (available-for-sale)		
Listed (at fair value)	1	3
Unlisted (at cost)	-	5
Cash held in reserve[3]	30	30
Derivative instruments (at fair value)[1]	-	10
Embedded derivatives (at fair value)[2]	33	38
	64	86

(1) Details regarding derivative instruments are contained in Note 25(f).
(2) Embedded derivatives relate to sales contracts.
(3) Represents restricted cash associated with JBIC facility, refer to Note 25(e).

11. Other assets

	2012 US$m	2011 US$m
(a) Other assets (current)		
Prepayments	17	41
Other	3	52
	20	93
(b) Other assets (non-current)		
Other	1	1
Investment in associates	2	2
	3	3

12. Exploration and evaluation assets

	2012 US$m	2011 US$m
(a) Reconciliations of the carrying amounts of exploration and evaluation assets		
Carrying amount at 1 January	2,235	1,801
Additions	389	816
Disposals at written down value[(1)]	(1,311)	(10)
Amortisation of licence acquisition costs	(26)	(28)
Expensed (previously capitalised):		
Exploration	(38)	(147)
Evaluation	(91)	(29)
Impairment loss	(26)	(14)
Transferred exploration and evaluation	(12)	(154)
Carrying amount at 31 December	1,120	2,235

(b) Carrying amounts of exploration and evaluation assets	2012 US$m	2011 US$m
Regions		
Australia		
Browse Basin	87	1,200
Carnarvon Basin	773	712
Bonaparte Basin	147	136
The Americas		
Gulf of Mexico	111	155
Brazil	2	26
Asia		
Korea	-	6
	1,120	2,235

(1) On 18 September 2012, the Group sold a 14.7% interest in the Browse LNG permits on an assumed unitised basis to Japan Australia LNG (MIMI Browse) Pty Ltd (MIMI) for US$2 billion. The proceeds were treated as a reimbursement of previously incurred costs and credited against the exploration and evaluation assets. The excess was recognised as a gain on sale.

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13. Oil and gas properties

	Land and buildings	Transferred exploration and evaluation	Plant and equipment	Marine vessels and carriers	Projects in development	Total
	US$m	US$m	US$m	US$m	US$m	US$m
Year ended 31 December 2012						
Carrying amount at 1 January 2012	304	120	4,314	126	14,425	19,289
Additions	-	-	93	-	1,289	1,382
Disposals at written down value	-	-	(1)	-	(3)	(4)
Depreciation and amortisation	(41)	(42)	(1,084)	(6)	-	(1,173)
Impairment loss	-	-	(82)	-	(49)	(131)
Completions and transfers	522	444	13,585	-	(14,539)	12
Carrying amount at 31 December 2012	785	522	16,825	120	1,123	19,375
At 31 December 2012						
Historical cost	1,106	845	23,014	373	1,172	26,510
Accumulated depreciation and impairment	(321)	(323)	(6,189)	(253)	(49)	(7,135)
Net carrying amount	785	522	16,825	120	1,123	19,375
Year ended 31 December 2011						
Carrying amount at 1 January 2011	338	141	3,827	132	12,079	16,517
Additions	-	-	332	-	2,955	3,287
Disposals at written down value	-	-	(61)	-	(10)	(71)
Depreciation and amortisation	(7)	(21)	(581)	(6)	-	(615)
Impairment reversal	-	-	17	-	-	17
Completions and transfers	(27)	-	780	-	(599)	154
Carrying amount at 31 December 2011	304	120	4,314	126	14,425	19,289
At 31 December 2011						
Historical cost	574	402	9,384	373	14,425	25,158
Accumulated depreciation and impairment	(270)	(282)	(5,070)	(247)	-	(5,869)
Net carrying amount	304	120	4,314	126	14,425	19,289

Borrowing costs capitalised in oil and gas properties during the year were US$101 million (2011: US$200 million) at a weighted average interest rate of 3.4% (2011: 3.3%).

14. Other plant and equipment

		2012 US$m	2011 US$m
(a)	**Other plant and equipment**		
	Plant and equipment	170	161
	Less: Accumulated depreciation	(110)	(99)
		60	62
(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	62	72
	Additions	9	2
	Depreciation	(11)	(12)
	Carrying amount at 31 December	60	62

15. Payables

		2012 US$m	2011 US$m
(a)	**Payables (current)**		
	Trade payables[1]	268	343
	Other payables[1]	517	827
	Interest payable[2]	44	44
		829	1,214
(b)	**Payables (non-current)**		
	Trade payables	2	-
	Loan payables[3]	194	215
		196	215

(1) Trade and other payables are interest-free and normally settled on 30 day terms.
(2) Details regarding interest-bearing liabilities are contained in Note 25(e).
(3) Loan payables are unsecured, interest-free and have a repayment period of 10 years.

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16. Interest-bearing liabilities

		2012 US$m	2011 US$m
(a)	**Interest-bearing liabilities (current)**[1]		
	Bonds	250	-
	Debt facilities	325	770
		575	770
(b)	**Interest-bearing liabilities (non-current)**[1]		
	Bonds	2,386	2,626
	Debt facilities	1,379	1,706
		3,765	4,332

(1) Details regarding interest-bearing liabilities are contained in Note 25(e).

17. Tax payable

	2012 US$m	2011 US$m
PRRT payable	116	(10)
Income tax payable	531	84
	647	74

18. Other financial liabilities

	2012 US$m	2011 US$m
Other financial liabilities (non-current)		
Other financial liability	7	6
	7	6

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19. Other liabilities

		2012 US$m	2011 US$m
(a)	**Other liabilities (current)**		
	Unearned revenue	21	24
	Gas purchase commitments	3	3
		24	27
(b)	**Other liabilities (non-current)**		
	Unearned revenue	118	134
	Gas purchase commitments	17	17
	Defined benefit superannuation plan	30	30
		165	181

20. Provisions

	Restoration of operating locations[1] US$m	Employee benefits[2] US$m	Other US$m	Total US$m
Year ended 31 December 2012				
At 1 January 2012	899	175	244	1,318
Change in provision	115	25	(75)	65
Unwinding of present value discount	24	-	-	24
At 31 December 2012	1,038	200	169	1,407
At 31 December 2012				
Current	9	153	128	290
Non-current	1,029	47	41	1,117
	1,038	200	169	1,407
Year ended 31 December 2011				
At 1 January 2011	581	156	11	748
Change in provision	295	19	233	547
Unwinding of present value discount	23	-	-	23
At 31 December 2011	899	175	244	1,318
At 31 December 2011				
Current	26	134	167	327
Non-current	873	41	77	991
	899	175	244	1,318

(1) Details regarding restoration of operating locations are contained in Note 1(l) and 1(ae).
(2) Details regarding employee benefits are contained in Note 1(v) and 27.

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21. Contributed equity

		2012 US$m	2011 US$m
(a)	**Issued and fully paid shares**		
	823,910,657 (2011: 805,671,604) ordinary shares[1]	6,547	5,880
(b)	**Shares reserved for employee share plans**		
	961,799 (2011: 1,298,284) ordinary shares[2]	(44)	(67)

(1) All shares are a single class with equal rights to dividends, capital distributions and voting. The company does not have authorised capital nor par value in respect of its issued shares.
(2) Information relating to the number of Woodside Petroleum Ltd shares reserved for employee share plans can be found in Note 27(a) and (b).

		2012 Shares	2011 Shares	2012 US$m	2011 US$m
(c)	**Movements in issued and fully paid shares**				
	At 1 January	805,671,604	783,401,631	5,880	5,036
	Dividend reinvestment plan:				
	2010 final dividend[1]	-	9,828,189	-	440
	2011 interim dividend[2]	-	12,441,784	-	404
	2011 final dividend[3]	11,639,053	-	431	-
	Employee share plans:				
	2012 employee equity plan[4]	6,600,000	-	236	-
	Balance at the end of the period	823,910,657	805,671,604	6,547	5,880

(1) 7,397,386 ordinary shares issued at A$43.80 and 2,430,803 ordinary shares issued at A$42.32.
(2) 9,507,762 ordinary shares issued at A$33.43 and 2,934,022 ordinary shares issued at A$33.49.
(3) 2,924,534 ordinary shares issued at A$34.88 and 8,714,519 ordinary shares issued at A$35.40.
(4) 6,600,000 ordinary shares issued at A$34.71.

22. Other reserves

	Employee benefits reserve	Foreign currency translation reserve	Hedge of net investment reserve	Investment fair value reserve	Total
	US$m	US$m	US$m	US$m	US$m
Year ended 31 December 2012					
At 1 January 2012	303	663	110	(13)	1,063
Share-based payments	68	-	-	-	68
Share plan redemptions	(270)	-	-	-	(270)
Available-for-sale financial assets	-	-	-	(2)	(2)
Companies voluntarily liquidated	-	-	-	-	-
At 31 December 2012	101	663	110	(15)	859
Year ended 31 December 2011					
At 1 January 2011	192	679	110	(10)	971
Share-based payments	111	-	-	-	111
Share plan redemptions	-	-	-	-	-
Available-for-sale financial assets	-	-	-	(3)	(3)
Companies voluntarily liquidated	-	(16)	-	-	(16)
At 31 December 2011	303	663	110	(13)	1,063

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.

Investment fair value reserve

Used to record changes in the fair value of the Group's available-for-sale financial assets.

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23. Retained earnings

	2012 US$m	2011 US$m
At 1 January	5,782	5,141
Net profit for the year	2,983	1,507
Dividends	(979)	(866)
At 31 December	7,786	5,782

24. Parent entity information

	2012 US$m	2011 US$m
Information relating to Woodside Petroleum Ltd		
Current assets	31	-
Total assets	7,800	6,800
Current liabilities	(427)	(131)
Total liabilities	(934)	(426)
Net assets	6,866	6,374
Issued and fully paid shares	6,547	5,880
Share reserved for employee share plans	(44)	(67)
Employee benefits reserve	79	264
Foreign currency translation reserve	303	303
Retained earnings	(19)	(6)
Total shareholders' equity	6,866	6,374
Profit of the parent entity	965	885
Total comprehensive income of the parent entity	965	885

Guarantees

Woodside Petroleum Ltd and Woodside Energy Ltd (a subsidiary company) are parties to a Deed of Cross Guarantee as disclosed in Note 35(b). The effect of the Deed is that Woodside Petroleum Ltd has guaranteed to pay any deficiency in the event of winding up of the subsidiary company under certain provisions of the *Corporations Act 2001*. The subsidiary company has also given a similar guarantee in the event that Woodside Petroleum Ltd is wound up.

Woodside Petroleum Ltd has guaranteed the discharge by a subsidiary company of its financial obligations under debt facilities disclosed in Note 25(e).

25. Financial and capital risk management

(a) Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise interest-bearing debt, cash and short-term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

Market (including foreign exchange, commodity price and interest rate risk), liquidity and credit risks arise in the normal course of the Group's business. Primary responsibility for identification and control of financial risk rests with a central treasury department (Treasury) under directives approved by the Board.

The Group's management of financial risk is aimed at ensuring net cash flows are sufficient to:

- meet all its financial commitments as and when they fall due;
- maintain the capacity to fund its committed project developments;
- pay a reasonable dividend; and
- maintain a long-term credit rating of not less than 'investment grade'.

The Group monitors and tests its forecast financial position against these criteria and, in general, will undertake hedging activity only when necessary to ensure that these objectives are achieved. Other circumstances that may lead to hedging activities include the purchase of reserves and the underpinning of the economics of a new project.

25. Financial and capital risk management (continued)

(a) Financial risk management objectives and policies (continued)

It is, and has been throughout the period, the Group Treasury policy that no speculative trading in financial instruments shall be undertaken. The Group's forecast financial risk position with respect to key financial objectives and compliance with Treasury policy is regularly reported to the Board. The Audit & Risk Committee oversees the internal auditor review of the treasury function.

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency in which they are measured. The functional currency of all entities within the Group is US dollars.

Currency exposure relates to transactions and balances in currencies other than US dollars. The majority of the operations' revenue is denominated in US dollars whereas the majority of operating expenditure and capital expenditure is incurred in currencies other than US dollars (including Australian dollars). As a result, most operations within the Group are exposed to foreign currency risk arising from Australian dollars. Monetary items denominated in currencies other than the functional currency are translated into US dollar equivalents and any associated gain or loss is taken to the income statement.

Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Group's financial position. Currently there are no foreign exchange hedge programs in place. Group Treasury manages the purchase of foreign currency to meet operational requirements.

The following table shows financial instruments by currency. The Group is principally exposed to foreign exchange risk on those financial instruments denominated in Australian dollars.

	2012				2011			
	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	2,366	37	19	2,422	16	22	3	41
Receivables	474	98	2	574	555	114	-	669
Other financial assets	38	58	-	96	48	54	-	102
	2,878	193	21	3,092	619	190	3	812
Financial liabilities								
Payables	224	770	31	1,025	475	915	39	1,429
Interest-bearing liabilities[1]	4,366	-	-	4,366	5,136	-	-	5,136
Other financial liabilities	7	-	-	7	6	-	-	6
	4,597	770	31	5,398	5,617	915	39	6,571

(1) Excludes transaction costs.

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25. Financial and capital risk management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

The following table summarises the sensitivity of the balance of financial instruments held at the reporting date to movement in the exchange rate of the US dollar to the Australian dollar, with all other variables held constant. The 12% 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	**2012 US$m**	2011 US$m	**2012 US$m**	2011 US$m
US$:A$ +12% (2011:+15%)	43	66	-	-
US$:A$ -12% (2011:-15%)	(55)	(89)	-	-

(ii) Commodity price risk

The Group's revenue is exposed to commodity price fluctuations, in particular oil and gas prices. As at reporting date, the Group had no financial instruments with material exposure to commodity price risk.

Group Treasury measures exposure to commodity price risk by monitoring and stress testing the Group's forecast financial position to sustained periods of low oil and gas prices. This analysis is regularly performed on the Group's portfolio and, as required, for discrete projects and acquisitions.

(iii) Interest rate risk

Interest rate risk is the risk that the Group's financial position will fluctuate due to changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to financial instruments with floating interest rates including long-term debt obligations and cash and short-term deposits.

The Group aims to manage its interest rate risk by maintaining an appropriate mix of fixed and floating rate debt. To manage the ratio of fixed rate debt to floating rate debt, the Group may enter into interest rate swaps. Derivatives are entered into against specific rate exposures only, as disclosed in Note 25(f). No hedging programs were placed during 2012 (2011: nil).

Cash and short-term deposits are short term in nature and are therefore monitored by Group Treasury to achieve the optimal outcome.

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:

	2012 US$m	2011 US$m
Financial assets		
Cash and cash equivalents	2,422	41
Other financial assets	10	19
	2,432	60
Financial liabilities		
Interest-bearing liabilities[1]	(1,717)	(2,487)
Derivative instruments	(250)	(250)
	(1,967)	(2,737)

(1) Excludes transaction costs.

25. Financial and capital risk management (continued)

(b) Market risk (continued)

(iii) Interest rate risk (continued)

The following table summarises the sensitivity of the balance of financial instruments held at the reporting date, following a movement to London Interbank Offered Rate (LIBOR), with all other variables held constant. The LIBOR +1.8%/- 0.5% 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, bound by a lower limit of 0%.

	Post tax profits (decrease)/increase		Other comprehensive income (decrease)/increase	
Judgements of reasonably possible movements	**2012 US$m**	2011 (2) US$m	**2012 US$m**	2011 US$m
LIBOR +1.8% (2011: +1.5%)	16	(5)	-	-
LIBOR -0.5% (2011: -1.5%)	(5)	5	-	-

(2) Excludes impact of sensitivities on interest-bearing liabilities where borrowing costs are capitalised to qualifying assets. For 2011 no interest bearing liabilities were considered as all borrowing costs were capitalised.

Significantly higher cash and cash equivalents at 31 December 2012 has favourably impacted net profit sensitivity (for an increase in LIBOR).

(c) Liquidity risk

Liquidity risk arises from financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay financial liabilities as and when they fall due.

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet its financial commitments in a timely and cost-effective manner.

Group Treasury continually reviews the Group's liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. At 31 December 2012, the Group has a total of US$4,122 million available undrawn facilities and cash at its disposal. Financing facilities available to the Group are disclosed in Note 25(e). Refer to Note 25(g) for details of the repayment obligations in respect of the amount of facilities drawndown.

	2012 Payables maturity analysis				2011 Payables maturity analysis			
	< 30 days	**30-60 days**	**> 60 days**	**Total**	< 30 days	30-60 days	> 60 days	Total
	US$m	**US$m**	**US$m**	**US$m**	US$m	US$m	US$m	US$m
Trade payables	182	6	82	270	255	6	82	343
Other payables	490	3	24	517	827	-	-	827
Loan payables	-	-	194	194	-	-	215	215
Interest payable	6	-	38	44	6	-	38	44
Total payables	678	9	338	1,025	1,088	6	335	1,429

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25. Financial and capital risk management (continued)

(d) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument, resulting in a financial loss to the Group. Credit risk arises from the financial assets of the Group, which comprise trade and other receivables and deposits with banks and financial institutions.

The Group manages its credit risk on trade receivables and financial instruments by predominantly dealing with counterparties with an investment grade credit rating. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis. As a result, the Group's exposure to bad debts is not significant. The Group's maximum credit risk is limited to the carrying amount of its financial assets. At the reporting date, the Group held $2,422 million in cash on deposit with 10 financial institutions. The amounts held with these institutions are within the counterparty limits as approved by the Chief Financial Officer and the Board approved Group Treasury Policy.

	2012 Receivables maturity analysis				2011 Receivables 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 receivables	449	-	-	449	339	-	-	339
Other receivables	119	1	2	122	323	1	4	328
Dividends receivable	2	-	-	2	2	-	-	2
Interest receivable	1	-	-	1	-	-	-	-
Total receivables	571	1	2	574	664	1	4	669

(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 12 bi-lateral loan facilities totalling US$950 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	USD	Not evergreen
1	4	AUD, USD	Evergreen
1	3	AUD, USD	Evergreen
1	4	USD	Evergreen

Interest rates are based on LIBOR and are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. Evergreen facilities may be extended continually by a year subject to the bank's agreement. The bi-lateral loan facilities are subject to various covenants and a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledges have been breached at any time during the reporting year.

25. 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 2013 US$250 million bond has a fixed rate coupon of 5.00% p.a. and matures on 15 November 2013;
- The 2014 US$400 million bond has a fixed rate coupon of 8.125% p.a. and matures on 1 March 2014;
- The 2014 US$700 million bond has a fixed rate coupon of 4.50% p.a. and matures on 10 November 2014;
- The 2019 US$600 million bond has a fixed rate coupon of 8.75% p.a. and matures on 1 March 2019; and
- The 2021 US$700 million bond has a fixed rate coupon of 4.60% p.a. and matures on 10 May 2021.

Interest on the bonds is payable semi-annually in arrears. The bonds are subject to various covenants and a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledges have been breached at any time during the reporting year.

Japan Bank for International Cooperation (JBIC) Facility

On 24 June 2008, the Group entered into a committed loan facility totalling US$1,500 million (JBIC Facility). The JBIC Facility comprises a 15-year, US$1,000 million tranche with JBIC (JBIC Tranche), and a five-year, US$500 million commercial tranche with a syndicate of eight Australian and international banks arranged by The Bank of Tokyo-Mitsubishi UFJ, Ltd (Commercial Tranche). There is a prepayment option for both the Commercial Tranche and the JBIC Tranche. Interest rates are based on LIBOR. Interest is payable semi-annually in arrears on the JBIC Tranche and with a choice of one, two, three, six, nine or twelve months in arrears on the Commercial Tranche. Both tranches amortise on a straight-line basis, with equal instalments of principal due on each interest payment date (every six months) starting on 7 January 2012. Under the JBIC Facility, 90% of the receivables from designated Pluto LNG Project Sale and Purchase Agreements, are secured in favour of the lenders through a trust structure, with a required reserve amount of US$30 million. To the extent that this reserve amount remains fully funded and no default notice or acceleration notice has been given, the revenue from the Pluto LNG Project continues to flow directly to the Group from the trust account. The JBIC Facility is subject to various covenants and a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledge has been breached at any time during the reporting year.

Asian syndicated facility

On 8 December 2010, the Group executed a five-year US$1,100 million syndicated loan facility with 34 banks. Funds from the loan were used to repay the US$1,100 million syndicated loan facility executed in May 2009. Australia and New Zealand Banking Group Limited and The Bank of Tokyo-Mitsubishi UFJ, Ltd were joint-mandated lead arrangers of the syndicated loan. The loan is composed of a US$550 million term facility (Facility A) and a US$550 million revolving facility (Facility B). Interest rates are based on LIBOR for both facilities and are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. The syndicated loan is subject to various covenants, including a negative pledge restricting future secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledge has been breached at any time during the reporting year.

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25. Financial and capital risk management (continued)

(f) Hedging and derivatives

Interest rates

The Group manages its exposure to interest rate risk by maintaining a mix of fixed rate and floating rate debt. In general, the fixed rate debt and floating rate debt ratio is managed through an appropriate choice of debt instrument. The Group may enter into interest rate swaps to manage the ratio of fixed rate debt to floating rate debt.

Instrument	Notional amount	Rate	Expiry	Hedge type	Fair value 2012 US$m	Fair value 2011 US$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.	10	19

(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 US$m	1-2 years US$m	2-3 years US$m	3-4 years US$m	4-5 years US$m	More than 5 years US$m	Total US$m
2012							
Interest-bearing liabilities(1)	(757)	(1,335)	(736)	(172)	(172)	(1,987)	(5,159)
2011							
Interest-bearing liabilities(1)	(952)	(761)	(1,339)	(740)	(174)	(2,167)	(6,133)

(1) Excludes deferred transaction costs.

The amounts disclosed in the tables above are the contractual undiscounted cash flows, representing principal and interest, and hence will not necessarily reconcile with the amounts disclosed in the consolidated statement of financial position.

25. Financial and capital risk management (continued)

(h) Fair values

The Group uses various methods in estimating the fair value of a financial instrument. These methods and financial instruments to which the method applies are as follows:

- Level 1 - the fair value of listed equity instruments is based on quoted market prices in active markets at reporting date.
- Level 2 - the fair value is estimated using valuation techniques comparable to similar instruments such as present value techniques for which market observable prices exist. Financial instruments that use valuation techniques with only observable market inputs, that are not significant to the overall valuation, include interest rate swaps and forward commodity contracts.
- Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data. This methodology applies to the fair value measurement of embedded derivatives.

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.

The fair values of financial instruments are as follows:

	2012				2011			
	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	-	10	-	10	-	9	-	9
Non-current	-	-	-	-	-	10	-	10
Other investments (available-for-sale):								
Listed entity investments	1	-	-	1	3	-	-	3
Embedded derivatives:								
Current	-	-	4	4	-	-	7	7
Non-current	-	-	33	33	-	-	38	38

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25. Financial and capital risk management (continued)

(h) Fair values (continued)

Transfer between categories

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

Reconciliation of Level 3 fair value movements

	2012 US$m	2011 US$m
At 1 January	45	54
Amortisation recognised in the income statement	(7)	(9)
At 31 December	38	45
Total amortisation stated in the above table for assets held at the end of the financial year	(7)	(9)

(i) Capital management

Group Treasury is responsible for the Group's capital management including cash, debt and equity. Capital management is undertaken to ensure that a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. This involves the use of corporate forecasting models, which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements.

Group Treasury maintains a stable capital base from which the Group can pursue its growth aspirations, whilst maintaining a flexible capital structure that allows access to a range of debt and equity markets to both draw upon and repay capital. An example of the Group's capital management is the activation of the Dividend Reinvestment Plan (DRP) during a period of high capital expenditure.

The DRP was approved by shareholders at the Annual General Meeting in 2003 for activation as required to fund future growth. The Group announced the activation of the DRP in December 2006 to manage capital requirements. The DRP was activated with the 2006 final dividend and deactivated for the 2007 final dividend. The DRP was reactivated in 2008, and remained in force up to and including the 2012 interim dividend. The DRP will be deactivated for the 2012 final dividend.

Group Treasury monitors a range of financial metrics, including gearing, and treasury policy breaches and exceptions. The gearing ratio which is net debt divided by total equity (excluding non controlling interest) plus net debt is 11% (2011: 29%) at reporting date.

26. Expenditure commitments

	2012 US$m	2011 US$m
(a) Operating lease commitments		
Rentals payable on non-cancellable operating leases, due		
Within one year	241	411
After one year but not more than five years	572	482
Later than five years	619	337
	1,432	1,230

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$487 million during the year (2011: US$540 million). A portion of this amount relates to arrangements containing non-lease elements, which are not practicable to separate.

(b) Capital expenditure commitments

The Group has capital expenditure commitments contracted for but not provided for in the Financial Report of US$174 million (2011:US$568 million).

(c) Exploration commitments

The Group has exploration obligations for the following regions which are contracted for but not provided for in the Financial Report:

	2012 US$m	2011 US$m
Australia		
Browse Basin	4	18
Canning Offshore Basin	238	187
Carnarvon Basin	185	153
The Americas		
Gulf of Mexico	86	11
Peru	16	2
Asia		
Korea	-	72
Middle East & Africa		
Canary Islands	140	-
	669	443

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

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27. Employee benefits

(a) Woodside employee share plans

(i) Woodside share purchase plan

The Woodside Share Purchase Plan (WSPP) was introduced in April 2007 and was available to all employees, including executives up to March 2009. The plan was suspended in May 2009 due to uncertainty regarding the future operation of the plan created by proposed taxation legislation changes announced in the 2009 Federal budget. The WSPP provided eligible employees with an opportunity to acquire Woodside shares and to share in the growth of the company. The WSPP year was based on a 1 July to 30 June period (WSPP Year).

Participants in the WSPP elected to salary sacrifice an amount of base salary and this amount was applied by the WSPP Trustee to purchase shares in Woodside Petroleum Ltd. Additional shares were granted (matching shares) at a fixed annual ratio of the shares awarded for the salary sacrifice amount. In the 2008/09 WSPP Year, the ratio was one for one and a half; the ratio for the 2007/08 WSPP Year was one for one. Conditions applied in order for employees to become entitled to the matching shares.

Share acquisitions under the WSPP for the employee sacrificed amounts were made quarterly in arrears. The shares were purchased by the Trustee on market by dividing the sacrificed amount by the volume weighted average price paid for all the shares purchased for participating employees. The sacrificed amount is rounded down to the nearest whole share. Any amount not used was carried forward and applied to the sacrificed amount for the next quarter. Any balance at the end of the specified sacrifice period (normally 12 months) was paid to the participant or carried over to the next sacrifice period if the employee elected to participate. If employment ceased (for whatever reason) during a quarter or after the end of a quarter, but before any shares had been purchased in respect of the quarter, no shares were transferred to the participant in relation to that quarter.

In order for the matching shares to beneficially vest to the participating employees in the WSPP, the employee was required to hold shares purchased through the sacrificed amount for three years and remain employed at the end of that qualification period.

Matching shares were purchased on a quarterly basis at the same time as the shares were purchased using the employee's sacrificed amount.

If employment ceased because of resignation or termination before the end of the three-year qualification period, the participants forfeited their interests in any matching shares. Shares acquired using any sacrificed amount were released to the participant.

The WSPP vested in April 2012 and had 39 employees participating as at 31 December 2012.

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.

27. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(ii) Woodside employee equity plan

In July 2009 Woodside introduced the Woodside Petroleum Ltd 2009 - 2012 Employee Equity Plan (EEP) which was available to all employees including executives, other than the CEO. The EEP was 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.

Eligible participants were entitled to receive an allocation of ERs. Each ER entitled the participants to receive a Woodside share on vesting. The ERs vested on 1 August 2012 and unrestricted possession (full entitlement) of these shares was transferred to employees.

Shares were issued by the company to satisfy vesting ER entitlements. The number of ERs that vested was adjusted for any interruptions to an employee's service. Participants in the EEP could not dispose of or otherwise deal with an ER and did not receive any dividends or have voting rights in respect of an ER. Allocations of ERs to participants were adjusted when the company made a bonus issue of shares.

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 was accounted for as a share-based payment to employees for services provided. The fair value of the benefit provided was estimated using the Black-Scholes option pricing technique.

The number of ERs and movements in each EEP offer was as follows:

			2012		
Grant date	On issue at beginning of year	Granted during the year	Vested during the year[1]	Forfeited/lapsed during the year	On issue at end of year
29 February 2012	-	69,644	(67,404)	(2,240)	-
16 December 2011	82,602	-	(81,581)	(1,021)	-
16 September 2011	83,605	-	(80,228)	(3,377)	-
10 June 2011	98,387	-	(92,845)	(5,542)	-
18 March 2011	115,098	-	(111,412)	(3,686)	-
17 December 2010	186,549	-	(178,871)	(7,678)	-
24 September 2010	207,563	-	(193,317)	(14,246)	-
25 June 2010	296,414	-	(286,726)	(9,688)	-
30 April 2010	39,352	-	(37,222)	(2,130)	-
19 March 2010	232,567	-	(223,569)	(8,998)	-
30 December 2009	194,013	-	(186,899)	(7,114)	-
31 October 2009	5,235,377	-	(4,994,681)	(240,696)	-
	6,771,527	69,644	(6,534,755)	(306,416)	-

(1) Amount includes 93,867 rights that were settled in cash.

			2011		
Grant date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year
16 December 2011	-	82,602	-	-	82,602
16 September 2011	-	83,605	-	-	83,605
10 June 2011	-	104,048	-	(5,661)	98,387
18 March 2011	-	125,477	-	(10,379)	115,098
17 December 2010	192,851	-	-	(6,302)	186,549
24 September 2010	227,999	-	-	(20,436)	207,563
25 June 2010	323,173	-	-	(26,759)	296,414
30 April 2010	41,677	-	-	(2,325)	39,352
19 March 2010	257,654	-	-	(25,087)	232,567
30 December 2009	202,176	-	(241)	(7,922)	194,013
31 October 2009	5,568,584	-	(2,975)	(330,232)	5,235,377
	6,814,114	395,732	(3,216)	(435,103)	6,771,527

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27. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(ii) Woodside employee equity plan (continued)

The following table lists the inputs to the Black-Scholes option pricing technique used for the years ended 31 December 2012, 31 December 2011, 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)
29 February 2012	1 August 2012	37.24	32.46	2.5	0.42
16 December 2011	1 August 2012	31.30	30.59	2.5	0.63
16 September 2011	1 August 2012	34.25	32.50	2.5	0.88
10 June 2011	1 August 2012	43.55	39.79	2.5	1.15
18 March 2011	1 August 2012	44.41	42.17	2.5	1.38
17 December 2010	1 August 2012	43.17	40.81	2.5	1.62
24 September 2010	1 August 2012	44.48	40.51	2.5	1.85
25 June 2010	1 August 2012	43.28	35.71	2.5	2.10
30 April 2010	1 August 2012	45.40	39.83	2.5	2.26
19 March 2010	1 August 2012	46.73	40.53	2.5	2.37
30 December 2009	1 August 2012	47.35	39.68	2.5	2.59
31 October 2009	1 August 2012	47.70	39.81	2.5	2.75

(iii) Woodside equity plan

In November 2011 Woodside introduced the Woodside Petroleum Ltd - Woodside Equity Plan (WEP) which is available to all Australian based permanent employees including executives, other than the CEO and executive directors. Woodside's intention is to enable eligible employees to build up a holding of equity in the company as they progress through their career at Woodside. The number of Equity Rights (ERs) offered to each eligible employee is calculated with reference to salary and performance. The linking of performance to an allocation allows Woodside to recognise and reward eligible employees for high performance. The WEP is intended to provide an opportunity to share in the growth of the company as well as provide a retention mechanism for participating employees. Participants do not make any payment in respect of the ERs at grant or at vesting.

Eligible participants receive an allocation of ERs. Each ER entitles the participant to receive a Woodside share on the vesting date three years after the effective date. ERs may vest prior to the vesting date on a change of control or on a pro rata basis, at the discretion of the CEO, limited to the following circumstances; redundancy, retirement (after six months participation), death, termination due to medical illness or incapacity or total and permanent disablement of a participating employee. An employee whose employment is terminated by resignation or for cause prior to the vesting date will forfeit all of their ERs.

Shares will either be issued by Woodside or acquired on market to satisfy vesting ER entitlements. The number of ERs that vest may be adjusted for any interruptions to an employee's service. Eligible participants who are on an international assignment may receive a cash amount subject to Board discretion.

Participants in the WEP cannot dispose of or otherwise deal with an ER and do not receive any dividends or have voting rights in respect of an ER. Allocations of ERs to participants will be adjusted in the event of Woodside making a bonus issue of shares or upon reconstruction of the company's share capital.

The WEP is accounted for as a share-based payment to employees for services provided. The fair value of the benefit provided will be estimated using the Black-Scholes option pricing technique.

27. Employee benefits (continued)

(a) Woodside employee share plans (continued)

(iii) Woodside equity plan (continued)

The WEP had 3,144 employees participating at 31 December 2012.

The number of equity rights and movements in each WEP offer are as follows:

2012					
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
1 October 2012	-	1,912,965	-	-	1,912,965
30 November 2011	1,664,607	9,960	(2,940)	(150,265)	1,521,362
	1,664,607	1,922,925	(2,940)	(150,265)	3,434,327

2011					
Grant date	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/lapsed during the year	On issue at end of year
30 November 2011	-	1,669,427	-	(4,820)	1,664,607

The following table lists the inputs to the Black-Scholes option pricing technique used for the years ended 31 December 2012 and 31 December 2011.

				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)
1 October 2012	1 October 2015	33.20	31.99	2.5	3
30 November 2011	30 November 2014	32.80	30.49	2.5	3

(b) Executive share plans

The Executive Incentive Plan (EIP) and Pay Rights (PR) Plans became effective 1 January 2005 and 15 March 2007 respectively. For further details regarding the EIP, PR Plans and the Group's remuneration structure for the CEO and senior executives refer to the Remuneration Report included in the 2012 Directors' Report.

The following table illustrates the number and weighted average prices of shares reserved and acquired during the year by the plan.

	2012			2011		
	Number of shares	Weighted average price (A$/share)	Cost US$m	Number of shares	Weighted average price (A$/share)	Cost US$m
Opening balance	562,830	42.61	18	503,244	46.88	18
Purchases during the year	300,000	35.54	11	200,000	35.50	7
Vested during the year	(172,823)	34.77	(6)	(140,414)	47.80	(7)
Shares reserved for executives under EIP/PR	690,007	33.35	23	562,830	42.61	18

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27. Employee benefits (continued)

(b) Executive share plans (continued)

Equity rights are granted on 1 January of each performance year. 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.

On 7 December, the Board approved a modification to the EIP rules for equity rights granted for the 2012 performance year. The modifications effected both the Short Term Award (STA) and Long Term Award (LTA).

For the 2012 performance year, the STA deferred equity component will be delivered in the form of restricted shares. Participants will receive any dividends paid on their restricted shares after they have been allocated.

The LTA award for the 2012 performance year is granted in the form of Variable Pay Rights (VPRs), the vesting of which is linked to service and Relative Total Shareholder Return (RTSR). The vesting of RTSR-tested VPRs is conditional on satisfactory ranking of Woodside's RTSR, as calculated under the EIP rules, over a four or five year period in comparison with an international peer group and separately the ASX top 50. The international oil and gas LTA Peer Group for grant of the RTSR-tested VPRs for the 2012 performance year is set out in Table 8 of the Remuneration Report. This peer group has a weighting of 67%. The ASX 50 Index as at 7 December 2012, the plan modification date, was taken as the second peer group. The selection of the ASX 50 as a second peer group with a weighting of 33% was made in order to reflect Woodside's performance against similar organisations traded on the Australian Securities Exchange. The RTSR in respect of Woodside and both peer groups is calculated by an external advisor in accordance with the EIP rules on the fourth anniversary of the allocation of these RTSR-tested VPRs. The outcome of the test is measured against the schedule shown in Table 5 of the Remuneration Report. Any RTSR-tested VPRs which do not vest at this time are subject to a second RTSR test on the fifth anniversary of the allocation date. Any RTSR-tested VPRs that do not vest on the fifth anniversary lapse.

For further details regarding the 2008 to 2011 plans, refer to the Remuneration Report included in the 2012 Directors' Report. As a consequence of the rule modifications, the fair value of the benefit provided was revalued at modification date.

EIP Time-tested variable pay rights (VPRs)/restricted shares			Valuation assumptions
	Employee benefit fair value (US$/VPR)	Share Price at grant date (A$/share)	Expected dividend yield (%)
Fair value of the original equity right at 1 January, 2012	28.22	30.62	2.5
Fair value of modified equity right at 7 December, 2012	35.95	34.22	-
Less: Fair value of original equity right at 7 December, 2012	(33.19)	34.22	2.5
Incremental value of modified equity right at 7 December, 2012	2.76		

EIP relative total shareholder return (RTSR) tested VPRs			Valuation assumptions		
	Employee benefit fair value (US$/VPR)	Share Price at grant date (A$/share)	Expected volatility (%)	Risk free interest rate (%)	Expected dividend yield (%)
Fair value of the original equity right at 1 January, 2012	15.90	30.62	36	3.9	2.5
Weighted average of fair value equity right at 7 December, 2012	20.64	34.22	22	2.7	3.4
Less: Fair value of original equity right at 7 December, 2012	(21.68)	34.22	24	3.2	2.5
Decrement in value of modified equity right at 7 December, 2012	(1.04)				

27. Employee benefits (continued)

(b) Executive share plans (continued)

EIP Time-tested variable pay rights (VPRs)/restricted shares

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 (%)
Restricted shares										
2012	1 January 2012	22 February 2016	-	191,848	-	-	191,848	30.62	30.98(1)	-
Variable pay rights										
2011	1 January 2011	25 February 2015	133,469	-	(11,058)	(7,986)	114,425	42.56	38.87	2.5
2010	1 January 2010	25 February 2014	67,985	-	(7,078)	(5,898)	55,009	47.20	38.32	2.5
2009	1 January 2009	5 March 2013	79,765	-	(9,476)	(6,824)	63,465	36.70	29.57	2.5
2008	1 January 2008	27 February 2012	59,974	-	(59,974)(2)	-	-	50.39	39.81	3.0

(1) Fair value of restricted shares is represented by the sum of the grant date fair value of $28.22 and the incremental benefit on modification date amounting to $2.76.
(2) Amount includes 13,951 shares that were settled with a fair value of $31.26.

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 2008 performance year.

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	513	-	(498)(3)	(15)	-	47.18	39.92	2.5

(3) Amount includes 116 shares that were settled in cash with a fair value of $31.26.

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27. Employee benefits (continued)

(b) Executive share plans (continued)

EIP relative total shareholder return (RTSR) 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[2]	Valuation assumptions: Expected volatility[2]	Valuation assumptions: Risk free interest rate	Valuation assumptions: Expected dividend yield
								(A$/ share)	(US$/ VPR)	(%)	(%)	(%)
2012	1 January 2012	22 February 2017 22 February 2018	-	597,680	-	-	597,680	30.62	15.90	36	3.9	2.5
2011	1 January 2011	25 February 2015 25 February 2016	337,524	-	-	(17,956)	319,568	42.56	21.36	36	5.7	2.5
2010	1 January 2010	25 February 2014 25 February 2015	211,740	-	-	(12,338)	199,402	47.20	20.02	38	5.3	2.5
2009	1 January 2009	5 March 2013 5 March 2014	165,640	-	-	(7,911)	157,729	36.70	14.82	36	3.6	2.5
2008	19 February 2008	27 February 2012	81,606	-	-	(81,606)	-	51.26	19.90	29	4.5	3.0
2008	1 January 2008	27 February 2012	226,580	-	(113,299)[1]	(113,281)	-	50.39	19.08	26	6.6	3.0
2007	1 January 2007	4 March 2012	150,345	-	-	(150,345)	-	38.11	14.36	25	6.0	3.0

(1) Amount includes 15,183 shares that were settled with cash with a fair value of $7.44.

(2) A review of the RTSR valuation model was conducted to ensure it accurately reflects the EIP rules. Prior year fair values have been appropriately restated to reflect the changes.

EIP RTSR tested - 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 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[3]	Valuation assumptions: Expected volatility[3]	Valuation assumptions: Risk free interest rate	Valuation assumptions: Expected dividend yield
								(A$/ share)	(US$/ VPR)	(%)	(%)	(%)
2008	13 December 2009	27 February 2012	1,882	-	(941)[4]	(941)	-	47.18	25.53	44	5.0	2.5
2008	13 December 2009	31 March 2012	678	-	-	(678)	-	47.18	23.07	47	5.3	2.5
2007	13 December 2009	14 March 2012	1,245	-	-	(1,245)	-	47.18	22.94	48	4.7	2.5

(3) A review of the RTSR valuation model was conducted to ensure it accurately reflects the EIP rules. Prior year fair values have been appropriately restated to reflect the changes.

(4) Amount includes 253 shares that were settled with cash with a fair value of $7.46.

27. Employee benefits (continued)

(b) Executive share plans (continued)

Pay rights

Pay rights are accounted for as a share-based payment, with fair value estimated using the Binomial or Black Scholes option pricing technique combined with a Monte Carlo simulation methodology, where relevant. Historical volatility has been used to estimate the volatility of the share price.

Performance year (1)	Grant date	Vesting dates	On issue at beginning of year	Granted during the year	Vested during the year	Forfeited/ lapsed during the year	On issue at end of year	Share price at grant date	Employee benefit fair value (2)	Valuation assumptions: Expected volatility (2)	Risk free interest rate (2)	Expected dividend yield (2)
								(A$/share)	(US$/VPR)	(%)	(%)	(%)
2010	1 June 2010	15 March 2012 15 March 2013 15 March 2014	17,022	-	-	(5,674)	11,348	43.59	21.25	41	4.5	2.5
2008	5 May 2008	5 March 2012	11,972	-	-	(11,972)	-	59.22	26.48	31	6.5	3.0

(1) Pay rights granted on 5 May 2008 and 1 June 2010 are RTSR-tested.
(2) Valuation assumptions and employee benefit fair values are based on weighted averages.

Pay rights - additional allocation following renounceable rights issue

As a consequence of the renounceable rights issue by the Group in December 2009, the Board exercised its discretion under the Pay Rights Plan rules to adjust the number of VPRs held by participants to maintain the value equivalence of the unvested VPR awards for the 2008 performance year.

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 (3)	Valuation assumptions: Expected volatility (3)	Risk free interest rate (3)	Expected dividend yield (3)
								(A$/share)	(US$/VPR)	(%)	(%)	(%)
2008	13 December 2009	5 March 2012	98	-	-	(98)	-	47.18	28.35	40	4.3	2.5

(3) Valuation assumptions and employee benefit fair values are based on weighted averages.

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27. Employee benefits (continued)

(c) CEO sign-on incentive shares

Mr Coleman gave up certain rights with his former employer to join Woodside as CEO. To recognise these interests, he was paid a one off sign-on incentive. Woodside acquired Woodside Shares to the value of $3 million to be held in trust for Mr Coleman. One third of these shares will vest each anniversary after the date of his appointment (in the absence of any accelerating event, including a change of control, in which case all shares will vest on the date of the control event).

Any unvested entitlements will be forfeited if Mr Coleman's employment is terminated for cause or by his resignation. Mr Coleman cannot dispose of or deal with any restricted shares until such restricted shares vest. In the event bonus shares are allotted in respect of the sign-on shares, the bonus shares will be allotted to the Trustee and held for Mr Coleman on the same terms and conditions as the underlying restricted shares.

The number of equity rights and movements in the CEO Sign-On Incentive share offer was as follows:

Year	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
2012	30 May 2011	66,004	-	(22,002)	-	44,002
2011	30 May 2011	-	66,004	-	-	66,004

The following table lists the inputs to the Black-Scholes option pricing technique used for the year ended 31 December 2012.

				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)
30 May 2011	30 May 2012	45.97	49.19	-	1
30 May 2011	30 May 2013	45.97	49.19	-	2
30 May 2011	30 May 2014	45.97	49.19	-	3

(d) Superannuation plan

Employees of the Group may be entitled to superannuation benefits on retirement, disability, death or withdrawal under the Group's Superannuation Plan. The Group has one funded plan with a defined benefit section and a defined contribution section.

The defined benefit section of the plan is closed to new members. All new members receive accumulation only benefits. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

Defined benefit superannuation plan

The Group has a legal obligation to settle defined benefit plan deficits, however, these do not need to be settled with an immediate contribution or additional one-off contribution. Any defined benefit plan surplus may only be used to reduce future contributions from the Group.

The present value of the defined benefit obligation has been determined using the projected unit credit method.

Employer contributions

Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made at no more than yearly intervals and the last such assessment was made as at 31 December 2012.

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 2012 were US$17 million (2011: US$20 million).

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27. Employee benefits (continued)

(d) Superannuation plan (continued)

	2012 US$m	2011 US$m
Defined benefit plan asset/(liability) included in the statement of financial position		
Present value of the defined benefit obligation	(211)	(184)
Fair value of defined benefit plan assets	181	154
Net defined benefit liability - non-current	(30)	(30)

	2012 %	2011 %
Defined benefit plan categories of plan assets		
Cash	7	8
Australian equity	26	28
International equity	29	29
Fixed income	18	14
Property	15	16
Other	5	5
	100	100

	2012 US$m	2011 US$m
Defined benefit plan reconciliations		
Reconciliation of the present value of the defined benefit obligation, which is fully funded		
At 1 January	(184)	(160)
Current service cost	(12)	(10)
Interest on obligation	(7)	(9)
Actuarial (loss)/gain	(17)	(13)
Plan participants' contributions	(3)	(3)
Benefits, administrative expenses, premiums and tax paid	14	14
Currency translation differences	(2)	(3)
At 31 December	(211)	(184)
Reconciliation of the fair value of plan assets		
At 1 January	154	146
Expected return on plan assets	11	10
Actuarial gain/(loss)	8	(13)
Employer contributions	17	20
Plan participants' contributions	3	3
Benefits, administrative expenses, premiums and tax paid	(14)	(14)
Currency translation differences	2	2
At 31 December	181	154
Defined benefit plan amounts recognised in the income statement		
Current service cost	14	7
Interest on obligation	9	7
Expected return on plan assets	(13)	(8)
Net actuarial loss	10	21
Defined benefit plan expense	20	27

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27. Employee benefits (continued)

(d) Superannuation plan (continued)

Defined benefit plan principal actuarial assumptions

The principal actuarial assumptions used as at the reporting date for the purpose of calculating the present value of the defined benefit obligation are as follows:

	Financial year 2012	Financial year 2011
Discount rate – active members	3.10% p.a.	3.70% p.a.
Discount rate – pensioners	3.10% p.a.	3.70% p.a.
Expected salary increase rate	5.00% p.a.	5.00% p.a.

The expected rate of return on plan assets is determined by weighting the expected long-term return for each asset class by the benchmark allocation of assets to each class. The returns for each asset class are net of investment tax and investment fees.

Defined benefit plan historical information

	Financial year				
	2012 US$m	2011 US$m	2010 US$m	Restated 2009 US$m	Restated 2008 US$m
Present value of defined benefit obligation[1]	(211)	(184)	(160)	(133)	(115)
Fair value of plan assets	181	154	146	119	83
(Deficit)/surplus in plan	(30)	(30)	(14)	(14)	(32)
Experience adjustments gain/(loss) - plan assets	8	(13)	(3)	7	(43)
Experience adjustments (loss)/gain - plan liabilities	(7)	3	3	4	(1)

(1) Includes any provision for contribution tax on plan surplus or deficit.

(e) Employee benefits expense

	2012 US$m	2011 US$m
Employee benefits	265	191
Defined contribution plan costs	26	18
Defined benefit plan expense	20	27
	311	236

28. Key management personnel compensation

(a) Compensation of key management personnel

Key management personnel (KMP) compensation for the financial year is as follows:

	2012 US$	2011 US$
Short-term employee benefits	12,828,321	12,346,879
Post employment benefits	458,505	632,747
Share-based payments	3,418,775	6,060,666
Long-term employee benefits	-	(533,441)
Termination benefits	355,266	986,775
	17,060,867	19,493,626

28. Key management personnel compensation (continued)

(b) Key management personnel shareholdings

Details of shares held by KMP including their personally related entities[1] for the financial year are as follows:

	2012					2011				
	Opening holding[2]	NEDSP[3]	Acquisition/ (disposal)	Net change - other	Closing holding	Opening holding[2]	NEDSP[3]	Acquisition/ (disposal)[4]	Net change- other	Closing holding
Non-executive directors										
M A Chaney	20,000	-	-	-	20,000	20,000	-	-	-	20,000
E Fraunschiel	81,930	-	-	-	81,930	81,930	-	-	-	81,930
A Jamieson	3,000	1,235	-	-	4,235	3,000	-	-	-	3,000
P J M H Jungels[4]	9,205	-	-	(9,205)	-	9,205	-	-	-	9,205
D I McEvoy	7,924	116	-	-	8,040	7,702	222	-	-	7,924
M Cilento	1,382	704	-	-	2,086	613	769	-	-	1,382
C Haynes[5]	186	1,147	-	-	1,333	-	186	-	-	186
S Ryan[6]	-	-	-	-	-	-	-	-	-	-
Executives										
P Coleman[7]	66,004	-	(11,000)	-	55,004	-	-	66,004	-	66,004
L Tremaine	2,224	-	3,748	-	5,972	1,354	-	870	-	2,224
R Cole	15,174	-	13,328	-	28,502	13,403	-	1,771	-	15,174
V Santostefano	28,051	-	10,113	-	38,164	19,846	-	8,205	-	28,051
L Della Martina[8]	54,884	-	5,739	(60,623)	-	53,193	-	1,691	-	54,884
P Moore	6,190	-	6,959	-	13,149	5,436	-	754	-	6,190
F Ahmed	2,500	-	4,386	-	6,886	2,500	-	-	-	2,500
G Roder[9]	-	-	-	-	-	-	-	-	-	-
R Edwardes[10]	-	-	-	543	543	-	-	-	-	-

(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) Dr Jungels departed Woodside on 7 December 2012.
(5) Dr Haynes was appointed a non-executive director of Woodside on 1 June 2011.
(6) Dr Ryan was appointed a non-exectutive director of Woodside on 6 December 2012.
(7) Mr Coleman was appointed as CEO on 30 May 2011. Prior to this Mr Coleman was not employed by the Group.
(8) Mr Della Martina departed Woodside on 10 May 2012.
(9) Mr Roder became a KMP on 27 October 2011.
(10) Mr Edwardes became a KMP on 7 May 2012.

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28. Key management personnel compensation (continued)

(c) Executives' interests in variable pay rights (VPR), pay rights (PR) and equity rights (ER)

VPR, PR and ER holdings of key management personnel

2012

Name	At 1 January 2012	Allocated in 2012	Vested in 2012	Net change - other	At 31 December 2012
P Coleman(1)	-	66,560	-	-	66,560
L Tremaine	20,400	14,034	(6,748)	(2,569)	25,117
R Cole	47,153	16,962	(13,328)	(9,263)	41,524
V Santostefano	36,157	16,785	(10,113)	(6,287)	36,542
L Della Martina(2)	34,032	12,268	(5,739)	(40,561)	-
P Moore	24,379	11,040	(6,959)	(2,772)	25,688
F Ahmed(3)	37,197	14,098	(11,811)	(6,220)	33,264
G Roder (4)	-	-	-	-	-
R Edwardes(5)	-	-	-	-	-

2011

Name	At 1 January 2011	Allocated in 2011	Vested in 2011	Net change - other	At 31 December 2011
P Coleman	-	-	-	-	-
L Tremaine	14,673	7,961	(870)	(1,364)	20,400
R Cole	35,266	13,658	(1,771)	-	47,153
V Santostefano	27,059	10,781	(1,683)	-	36,157
L Della Martina	25,120	10,603	(1,691)	-	34,032
P Moore	16,873	8,260	(754)	-	24,379
F Ahmed	30,790	9,457	(1,003)	(2,047)	37,197
G Roder	-	-	-	-	-

(1) Mr Coleman was appointed as CEO on 30 May 2011. Prior to this Mr Coleman was not employed by the Group.
(2) Mr Della Martina departed Woodside on 10 May 2012.
(3) Amount includes 3,272, 4,119 and 34 shares that were settled in cash with a fair value of $31.36, $7.44 and $7.46 respectively.
(4) Mr Roder became a KMP on 27 October 2011.
(5) Mr Edwardes became a KMP on 7 May 2012.

28. Key management personnel compensation (continued)

(d) Summary of Executives' interests in shares under the Woodside Share Purchase Plan (WSPP)

Name	Year	Opening balance	Shares purchased under WSPP	Matching shares	Shares vested	Net change - other	Closing balance
P Coleman[1]	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
L Tremaine	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
R Cole	2012	395	-	-	(395)	-	-
	2011	769	-	-	(374)	-	395
	2010	893	-	-	(124)	-	769
	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
	2007	-	62	62	-	-	124
V Santostefano	2012	395	-	-	(395)	-	-
	2011	769	-	-	(374)	-	395
	2010	893	-	-	(124)	-	769
	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
	2007	-	62	62	-	-	124
L Della Martina[2]	2012	395	-	-	(395)	-	-
	2011	769	-	-	(374)	-	395
	2010	893	-	-	(124)	-	769
	2009	498	158	237	-	-	893
	2008	124	173	201	-	-	498
P Moore	2012	-	-	-	-	-	-
	2011	234	-	-	(234)	-	-
	2010	358	-	-	(124)	-	234
F Ahmed	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
	2010	-	-	-	-	-	-
	2009	-	-	-	-	-	-
G Roder[3]	2012	-	-	-	-	-	-
	2011	-	-	-	-	-	-
R Edwardes[4]	2012	-	-	-	-	-	-

(1) Mr Coleman was appointed as CEO on 30 May 2011. Prior to this Mr Coleman was not employed by the Group.
(2) Mr Della Martina departed Woodside on 10 May 2012.
(3) Mr Roder became a KMP on 27 October 2011.
(4) Mr Edwardes became a KMP on 7 May 2012.

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

29. Events after the end of the reporting period

Dividends

Since the reporting date, the directors have declared a fully franked dividend of US$0.65 (2011: US$0.55), payable on 3 April 2013. The amount of this dividend will be US$536 million (2011: US$443 million). No provision has been made for this dividend in the Financial Report as the dividend was not declared or determined by the directors on or before the end of the financial year.

30. Related party disclosures

(a) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

		Sales to related parties US$m	Purchases from related parties US$m	Outstanding balances receivable from/ (payable to) related parties US$m	Commitments US$m
Entities with significant influence over the Group					
Royal Dutch Shell Group (Shell Group)					
Shell Company of Australia Ltd					
- purchases of goods	**2012**	-	70	(1)	-
	2011	-	108	-	-
Other members of Shell Group					
- purchases of services	**2012**	-	27	-	12
	2011	-	18	1	14
Other members of Shell Group					
- sales of goods	**2012**	313	-	6	-
	2011	467	-	-	-

Shell Energy Holdings Australia Ltd is deemed a related party through its 23.1% (2011: 23.6%) interest of 190,119,364 ordinary shares (2011: 190,119,364 ordinary shares) in the shareholding of the Group.

The Group and Shell have common interests in joint ventures (refer to Note 33(a)).

(b) Terms and conditions of transaction with related parties

Sales to and purchases from related parties are made at arm's length on normal market prices and on normal commercial terms. Applicable insurance premiums are negotiated at arm's length with lead insurers via Woodside's insurance brokers with Solen Versicherungen AG following the terms set by the lead insurers.

Outstanding balances at year end are unsecured, interest-free and settlement occurs in cash.

No guarantees are provided or received for any related party receivables or payables.

No provision for doubtful debts has been recognised on any outstanding balances and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(c) Transactions with directors

No transactions with directors occurred outside of their normal Board and committee duties in 2012 (2011: nil).

31. Contingent liabilities and contingent assets

	2012 US$m	2011 US$m
Contingent liabilities at the reporting date		
Not otherwise provided for in the Financial Report		
Contingent liabilities[1]	17	15
Guarantees[2]	7	5
	24	20

(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.

32. Auditor remuneration

	2012 US$'000	2011 US$'000
Fees of the auditors of the company for:		
Audit and review of financial reports		
Ernst & Young		
Audit	1,731	1,463
	1,731	1,463
Non-audit services		
Ernst & Young		
Other assurance/advisory services	1,960	839
Other services	30	27
	1,990	866

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

33. Joint ventures

(a) Joint venture interests

The Group's interests in joint venture assets as at 31 December 2012 is detailed below. Exploration, development and production of hydrocarbons are the principal activities performed across these assets. Related party interests are indicated where applicable (refer to Note 30).

Joint venture assets	Group interest %	Related party interest %
Australasia		
Producing and Developing Assets		
North West Shelf Joint Venture	12.5 - 50.0	8.3 - 16.7
Enfield and Vincent	60.0	-
Laminaria–Corallina	59.9 - 66.7	-
Mutineer–Exeter	8.2	-
Stybarrow	50.0	-
Pluto	90.0	-
Exploration and Evaluation Assets		
Browse Basin	17.0 - 75.0	25.0 - 35.0
Carnarvon Basin	15.8 - 90.0	15.8
Bonaparte Basin	26.7 - 35.0	25.0 - 33.3
Canning Offshore Basin	55.0	45.0
Middle East and Africa		
Exploration and Evaluation Assets		
Canary Islands	30.0	-
The Americas		
Producing and Developing Assets		
Gulf of Mexico	20.0	-
Exploration and Evaluation Assets		
Gulf of Mexico	10.0 - 65.0	-
Brazil	12.5	-
Peru	20.0	-
Asia		
Exploration and Evaluation Assets		
Republic of Korea	50.0	-

33. Joint ventures (continued)

(b) Jointly controlled assets

The aggregate of the Group's interest in all jointly controlled assets is as follows:

	2012 US$m	2011 US$m
Current assets		
Receivables	14	30
Inventories	48	50
Other assets	5	15
	67	95
Non-current assets		
Inventories	9	10
Exploration and evaluation assets	652	1,582
Oil and gas properties	9,640	9,409
	10,301	11,001
	10,368	11,096

(c) Commitments through jointly controlled assets

The aggregate of the Group's commitments through jointly controlled assets is as follows:

	2012 US$m	2011 US$m
Capital	153	316
Exploration commitments	534	384
	687	700

(d) Jointly controlled entities

Interests in jointly controlled entities are as follows:

Entity	Principal activity	Country of incorporation	Group interest % 2012	Group interest % 2011
North West Shelf Gas Pty Ltd	Marketing services for venturers in the sale of gas to the domestic market.	Australia	16.67	16.67
North West Shelf Liaison Company Pty Ltd	Liaison for venturers in the sale of LNG to the Japanese market.	Australia	16.67	16.67
North West Shelf Australia LNG Pty Ltd	Marketing services for venturers in the sale of LNG to international markets.	Australia	16.67	16.67
North West Shelf Shipping Service Company Pty Ltd	LNG vessel fleet advisor.	Australia	16.67	16.67

These entities exist as integrated components of the overall North West Shelf Joint Venture structure and are held proportionately with the other venturers. There have been no changes to the investment in these entities during the year.

34. Associated entities

Entity	Principal activity	Group interest % 2012	Group interest % 2011
International Gas Transportation Company Ltd[1]	LNG vessel fleet management.	16.67	16.67

(1) The associate is incorporated in Bermuda.

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

35. Subsidiaries

(a) Subsidiaries

Name of entity	Notes	Country of incorporation
Parent entity		
Woodside Petroleum Ltd	(1,2,3)	Australia
Subsidiaries		
Woodside Energy Ltd	(2,3,4)	Australia
Woodside Energy Holdings Pty Ltd	(2,4)	Australia
Woodside Energy Holdings (USA), Inc	(4)	USA
Woodside Energy (USA), Inc	(4)	USA
Gryphon Exploration Company	(4)	USA
Gander, Inc (formerly ATS, Inc)	(4,7)	USA
Woodside Offshore LLC	(4,8)	USA
Woodside Natural Gas, Inc	(4)	USA
Avilla 8 LLC	(4,9)	USA
Woodside Energy (Peru) Pty Ltd	(2,4)	Australia
Woodside Energy (Myanmar) Pte Ltd	(10)	Singapore
Woodside Energy (Algeria) Pty Ltd	(2,4)	Australia
Woodside Technical Services Pty Ltd	(2,4,6)	Australia
Metasource Pty Ltd	(2,4)	Australia
Woodside Guangdong Shipping (One) Pty Ltd	(2,4)	Australia
Woodside Guangdong Shipping (Two) Pty Ltd	(2,4)	Australia
Woodside Mauritania Investments Pty Ltd	(2,4,6)	Australia
Woodside Energy Holdings (UK) Pty Ltd	(2,4)	Australia
Woodside Energy (UK) Ltd	(4)	UK
Woodside Energy Iberia S.A.	(4)	Spain
Woodside Energy (N.A.) Ltd	(4)	UK
Woodside Energy (Kenya) Pty Ltd	(2,4)	Australia
Woodside Energy (Carbon Capture) Pty Ltd	(2,4)	Australia
Woodside Energy (SL) Pty Ltd	(2,4)	Australia
Woodside West Africa Pty Ltd	(2,4)	Australia
Woodside Energy Technologies Pty Ltd	(2,4)	Australia
Woodside Energy (Norway) Pty Ltd	(2,4)	Australia
Woodside Energy (M.E.) Pty Ltd	(2,4)	Australia
Woodside Energy Middle East and Africa Pty Ltd	(2,4)	Australia
Woodside Browse Pty Ltd	(2,4)	Australia
Woodside Burrup Pty Ltd	(2,4)	Australia
Pluto LNG Pty Ltd	(5)	Australia
Burrup Facilities Company Pty Ltd	(5)	Australia
Burrup Train 1 Pty Ltd	(5)	Australia
Woodside Energy Australia Asia Holdings Pte Ltd	(4)	Singapore
WelCap Insurance Pte Ltd	(4)	Singapore
Woodside Energy (Korea) Pte Ltd	(4)	Singapore
Woodside Energy Holdings (South America) Pty Ltd	(2,4)	Australia
Woodside Energia (Brasil) Investimento em Exploração de Petróleo Ltda.	(4)	Brazil
Woodside Finance Ltd	(2,4)	Australia
Woodside Petroleum Holdings Pty Ltd	(2,4)	Australia
Woodside Petroleum (Timor Sea 19) Pty Ltd	(2,4)	Australia
Woodside Petroleum (Timor Sea 20) Pty Ltd	(2,4)	Australia
Mermaid Sound Port and Marine Services Pty Ltd	(2,4)	Australia
Woodside Group Staff Superannuation Pty Ltd	(2,4,6)	Australia
Woodside Petroleum (Northern Operations) Pty Ltd	(2,4)	Australia
Woodside Petroleum (W.A. Oil) Pty Ltd	(2,4)	Australia

(1) Woodside Petroleum Ltd is the ultimate holding company and the head entity within the tax consolidated group.
(2) These companies were members of the tax consolidated group at 31 December 2012.
(3) Pursuant to ASIC Class Order 98/1418, relief has been granted to the controlled entity, Woodside Energy Ltd from the *Corporations Act 2001* requirements for preparation, audit and publication of accounts. As a condition of the Class Order, Woodside Petroleum Ltd and Woodside Energy Ltd are parties to a Deed of Cross Guarantee.
(4) All subsidiaries are wholly owned except for those listed in Note 5 below.
(5) Kansai Electric Power Australia Pty Ltd and Tokyo Gas Pluto Pty Ltd each have 5% of the shares in these companies.
(6) These companies were deregistered on 7 August 2012.
(7) The dissolution of Gander Inc was effective on 5 December 2012.
(8) The dissolution of Woodside Offshore LLC was effective on 1 November 2012.
(9) The dissolution of Avila 8 LLC was effective on 7 January 2011 and formally notified to the authorities on 10 October 2012.
(10) Woodside Energy (Myanmar) Pte Ltd was incorporated on 5 December 2012.

35. Subsidiaries (continued)

(b) Deed of Cross Guarantee and closed group

Woodside Petroleum Ltd and Woodside Energy Ltd are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the other. By entering into the Deed, the entities have been granted relief from the *Corporations Act 2001* requirements for the preparation, audit and publication of accounts, pursuant to Australian Securities and Investment Commission (ASIC) Class Order 98/1418. The two entities represent a Closed Group for the purposes of the Class Order.

The consolidated income statement and statement of financial position of the members of the Closed Group are set out below.

Closed Group consolidated income statement	**2012 US$m**	2011 US$m
Profit before tax	2,325	2,723
Taxes	(1,129)	(1,042)
Profit after tax	1,196	1,681
Retained earnings at the beginning of the financial year	6,932	6,117
Dividends	(979)	(866)
Retained earnings at the end of the financial year	7,149	6,932

Notes to and forming part of the Financial Report
For the year ended 31 December 2012

35. Subsidiaries (continued)

(b) Deed of Cross Guarantee and closed group (continued)

Closed Group consolidated statement of financial position	2012 US$m	2011 US$m
Current assets		
Cash and cash equivalents	34	(61)[1]
Receivables	500	700
Inventories	187	177
Other financial assets	4	7
Other assets	13	65
Total current assets	738	888
Non-current assets		
Inventories	6	7
Other financial assets	17,809	16,549
Other assets	1	1
Exploration and evaluation assets	777	697
Oil and gas properties	4,870	5,119
Other plant and equipment	59	61
Deferred tax assets	14	-
Total non-current assets	23,536	22,434
Total assets	24,274	23,322
Current liabilities		
Payables	520	744
Tax payable	542	72
Other financial liabilities	26	23
Other liabilities	24	27
Provisions	166	158
Total current liabilities	1,278	1,024
Non-current liabilities		
Payables	6,844	6,974
Deferred tax liabilities	767	758
Other financial liabilities	7	6
Other liabilities	165	181
Provisions	812	682
Total non-current liabilities	8,595	8,601
Total liabilities	9,873	9,625
Net assets	14,401	13,697
Equity		
Issued and fully paid shares	6,547	5,880
Shares reserved for employee share plans	(44)	(67)
Other reserves	749	952
Retained earnings	7,149	6,932
Total equity	14,401	13,697

(1) Excess joint venture funds were put on deposit in interest- bearing accounts in Woodside Finance Ltd.

36. Corporate information

Woodside Petroleum Ltd is a company limited by shares incorporated and domiciled in Australia. Its shares are publicly traded on the Australian Securities Exchange.

Directors' declaration

In accordance with a resolution of directors of Woodside Petroleum Ltd, we state that:

1. In the opinion of the directors:
   (a) the financial statements and notes thereto, and the disclosures included in the audited 2012 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 2012 and of the performance of the Group for the financial year ended 31 December 2012;
   (c) the financial statements and notes thereto also comply with International Financial Reporting Standards as disclosed in Note 1(b);
   (d) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
   (e) there are reasonable grounds to believe that the members of the Closed Group identified in Note 35 will be able to meet any obligations or liabilities which they are or may become subject to, by virtue of the Deed of Cross Guarantee.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 31 December 2012.

For and on behalf of the Board

M A Chaney, AO
Chairman
Perth, Western Australia

20 February 2013

P J Coleman
Chief Executive Officer and
Managing Director
Perth, Western Australia

20 February 2013

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 2012, and the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have 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.

Opinion

In our opinion:

a. the financial report of Woodside Petroleum Ltd is in accordance with the *Corporations Act 2001*, including:
   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 53 to 65 of the Directors' Report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Woodside Petroleum Ltd for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

R J Curtin, Partner
Perth, Western Australia
20 February 2013

Liability limited by a scheme approved under Professional Standards Legislation.

SHAREHOLDER INFORMATION

As at 12 February 2013

Number of shareholdings

There were 208,277 shareholders. All issued shares carry voting rights on a one for one basis.

Distribution of shareholdings

Size of shareholding	Number of holders	Number of shares	% of issued capital
1 - 1,000	152,552	58,711,412	7.13
1,001 - 5,000	49,436	98,611,429	11.97
5,001 - 10,000	4,247	29,221,449	3.55
10,001 - 100,000	1,934	40,041,409	4.86
100,001 and over	108	597,324,958	72.50
Total	**208,277**	**823,910,657**	**100.00**

Unmarketable parcels

There were 3,204 members holding less than a marketable parcel of shares in the company.

Twenty largest shareholders

Shareholder	Shares held	% of issued capital
Shell Energy Holdings Australia Limited	190,119,364	23.08
HSBC Custody Nominees (Australia) Limited	123,613,279	15.00
J P Morgan Nominees Australia Limited	83,140,887	10.09
National Nominees Limited	80,836,852	9.81
Citicorp Nominees Pty Limited	25,403,171	3.08
JP Morgan Nominees Australia Limited <Cash Income A/C>	12,772,531	1.55
BNP Paribas Noms Pty Ltd <Master Cust DRP>	9,728,129	1.18
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	7,733,468	0.94
AMP Life Limited	5,682,812	0.69
UBS Wealth Management Australia Nominees Pty Ltd	5,364,039	0.65
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	3,687,376	0.45
Australian Foundation Investment Company Limited	3,182,886	0.39
Pacific Custodians Pty Limited <WPL Plans Ctrl A/C>	2,960,376	0.36
BNP Paribas Noms Pty Ltd <SMP Accounts DRP>	2,928,814	0.36
BNP Paribas Noms Pty Ltd <DRP>	2,769,981	0.34
Perpetual Trustee Company Limited	2,082,481	0.25
Argo Investments Limited	1,700,873	0.21
Navigator Australia Ltd <MLC Investment Sett A/C>	1,510,929	0.18
QIC Limited	1,289,143	0.16
Nulis Nominees (Australia) Limited <Navigator Mast Plan Sett A/C>	1,047,257	0.13
Total	**567,554,648**	**68.89**

Substantial shareholders as disclosed in substantial shareholder notices given to the company are as follows:

Shell Energy Holdings Australia Limited	**190,119,364**	**23.26***

*Since Shell Energy Holdings Australia Ltd's most recent notice of change of interests of substantial shareholder was given on 4 April 2012, its interest in Woodside's issued capital has reduced to 23.08%, as a result of additional shares being issued by Woodside.

Annual General Meeting

The 2013 AGM of Woodside Petroleum Ltd will be held at 10 am (AWST) on 24 April 2013, at the Perth Convention Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia. Details of the business of the meeting will be provided in the AGM notice.

The AGM will be webcast live on the internet. An archive version of the webcast will be placed on the Woodside website to enable the proceedings to be viewed at a later time.

Copies of the Chairman's and CEO's speeches will be available on the company's website.

Share registry: enquiries

Investors seeking information about their shareholdings should contact the company's share registry:

Computershare Investor Services Pty Limited

Level 2, 45 St Georges Terrace
Perth, Western Australia 6000

Postal address: GPO Box D182
Perth, Western Australia 6840

Telephone: 1300 558 507
(within Australia)

+61 3 9415 4632 (outside Australia)

Facsimile: +61 8 9323 2033

Email: web.queries@computershare.com.au
Website: www.investorcentre.com/wpl

The share registry can assist with queries on share transfers, dividend payments, the dividend reinvestment plan, notification of tax file numbers and changes of name, address or bank account details.

Details of shareholdings can be checked conveniently and simply by visiting the share registry website at www.investorcentre.com/wpl.

For security reasons you will need your Security Reference Number (SRN) or Holder Identification Number (HIN) when communicating with the share registry.

The share registry website allows shareholders to make changes to address and banking details online.

Dividend payments

Woodside declares its dividends in US dollars as it is our functional and presentation currency. Woodside pays its dividends in Australian dollars unless a shareholder's registered address is in the United Kingdom where they are paid in UK pounds sterling, or in the United States where they are paid in US dollars.

Shareholders who reside outside of the United States can elect to receive their dividend in US dollars. Shareholders must make an election to alter their dividend currency by the record date for the dividend by contacting the share registry on 1300 558 507 (within Australia) or +61 3 9415 4632 (outside Australia).

Shareholders may have their Australian dollar dividends paid directly into any bank or building society account within Australia. Payments are electronically credited on the dividend payment date and confirmed by payment advice. To request direct crediting of dividend payments please contact the share registry or visit the share registry website (www.investorcentre.com/wpl).

The history of dividends paid by the company can be found on the company's website.

Dividend reinvestment plan

Woodside's Dividend Reinvestment Plan (DRP) was suspended by the Board in February 2013 until further notice. However, shareholders with registered addresses in Australia and New Zealand can still elect to participate in the DRP, pending a decision by the Board to recommence the DRP at some future date. If the DRP is recommenced in the future, the ASX will be notified via an announcement lodged with the ASX Market Announcements Platform. If the DRP is recommenced, shareholders who have elected to participate in the DRP will have the dividends on some or all of their shares automatically reinvested in additional shares. Information on the DRP 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
240 St Georges Terrace, Perth, WA 6000
Telephone: +61 8 9348 4000
Postal address: GPO Box D188
Perth, WA 6840

Broome

29 Coghlan Street, Broome, WA 6725
Telephone: 1800 036 654

Karratha

Burrup Peninsula, Karratha, WA 6714
Telephone: 1800 634 988

Houston (USA)

Woodside Energy (USA) Inc.
Sage Plaza
5151 San Felipe, Suite 1200
Houston, TX 77056, USA
Telephone: +1 713 401 0000

Key announcements 2012

February	Appointment of Executive Director
March	Pluto LNG Project achieves ready for start-up
April	Variation to Browse Basin retention leases approved
	Pluto begins LNG production
	Offer for sale of Browse equity and LNG volumes
August	Equity changes in Browse Joint Ventures
	Woodside reports 2012 half-year profit of $812 million
September	Sale of Browse equity completed
October	Farm-in offer accepted for offshore Myanmar PSC
	Speculation regarding Israeli petroleum licences
	Changes to Board of Directors
December	Woodside enters major gas discovery offshore Israel
	Changes to Board of Directors

Events calendar 2013

Key calendar dates for Woodside shareholders in 2013.

Please note dates are subject to review.

January	17	Fourth quarter 2012 report
February	20	2012 full-year result and final dividend announcement
	25	Ex-dividend date for final dividend
March	1	Record date for final dividend
April	3	Payment date for final dividend
	18	First quarter 2013 report
	22	AGM proxy returns close at 10.00 am (AWST)
	24	Annual General Meeting
June	30	Woodside half-year end
July	18	Second quarter 2013 report
August	21	2013 half-year result and interim dividend announcement
	TBA	Ex-dividend date for interim dividend
	TBA	Record date for interim dividend
October	TBA	Payment date for interim dividend
	17	Third quarter 2013 report
December	31	Woodside year end

Units, conversion factors and glossary

Units

bbl	barrel
Bcf	billion cubic feet
boe	barrel of oil equivalent
kPa	thousands of Pascals
Mcf	thousand cubic feet
MMbbl	million barrels
MMboe	million barrels of oil equivalent
MMBtu	million British thermal units
mtpa	million tonnes per annum
psi	pounds per square inch
t	tonnes
Tcf	trillion cubic feet
TJ	terajoules

Conversion factors

Product	Factor	Conversion Factors*
Domestic Gas	1TJ	163.6 boe
Liquefied Natural Gas (LNG)	1 tonne	8.9055 boe
Condensate	1 bbl	1.000 boe
Oil	1 bbl	1.000 boe
Liquefied Petroleum Gas (LPG)	1 tonne	8.1876 boe
Gulf of Mexico Gas	1 MMBtu	0.1724 boe

* Minor changes to some conversion factors can occur over time due to gradual changes in the process stream.

Glossary

$, $m	US dollars unless otherwise stated, millions of dollars
1H, 2H	Halves of the calendar year (i.e. 1H is 1 January to 30 June, 2H is 1 July to 31 December)
APPEA	Australian Petroleum Production and Exploration Association
Appraisal well	A well drilled to follow up a discovery and evaluate its commercial potential
ASEAN	Association of Southeast Asian Nations
Basis of design	Specification of owner's requirements
Brent	Intercontinental Exchange (ICE) Brent Crude deliverable futures contract (oil price)
Brownfield	An exploration or development project located within an existing province which can share infrastructure and management with an existing operation
Condensate	Hydrocarbons, which are gaseous in a reservoir, but which condense to form liquids as they rise to the surface
Crude oil	Oil that is produced from a reservoir after any associated gas has been removed
CWLH	Cossack Wanaea Lambert Hermes
Development well	A well drilled for the purpose of recovering hydrocarbons
DRP	Dividend reinvestment plan
EEP	Employee equity plan
EIP	Executive incentive plan
EIS	Environmental Impact Statement
EPA	Enviromental Protection Authority
EPS	Earnings per share
ER	Equity rights
Front-end engineering and design (FEED)	Preliminary design and cost and schedule confirmation before a final investment decision
FID	Final investment decision
Flaring	Flaring is the term used to describe the controlled burning of gas found in oil and gas reservoirs.
FPSO	Floating production storage and offloading vessel
Gearing	Net debt divided by (net debt + equity)
GoM	Gulf of Mexico
Greenfield	Development or exploration located outside the area of influence of existing operations/infrastructure
GWF	Greater Western Flank
Infill well	Drilled for the purpose of increasing production
ISO	International Organisation for Standardisation
JV	Joint Venture
KGP	Karratha Gas Plant
KPI	Key performance indicator
LIBOR	London Inter-Bank Offer Rate
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
LTA	Long-term award
Net debt	Total debt less cash and cash equivalents
NPAT	Net profit after tax
NRB	North Rankin B platform
NR2	North Rankin Redevelopment Project
NWS	North West Shelf Project
PRRT	Petroleum Resources Rent Tax
PSC	Production Sharing Contract
Q1, Q2, Q3, Q4	Quarters of the calendar year (i.e. Q1 is 1 January to 31 March, Q2 is 1 April to 30 June,Q3 is 1 July to 30 September, Q4 is 1 October to 31 December)
RAP	Woodside's Reconciliation Action Plan
Return on equity	A measure of company performance calculated as equity attributable to shareholders (excluding non-controlling interests) divided by reported NPAT (excluding non-controlling interests) expressed as a percentage
ROACE	Return on average capital employed is calculated as net profit after tax and net finance costs (after tax) divided by average debt and equity
RTSR, TSR	Relative total shareholder return, total shareholder return
STA	Short-term award
TRCF	Total recordable case frequency (per million hours worked)
TSR	Total shareholder return
Unit production costs	Production costs ($ million) divided by production volume (MMboe)
USD	US dollars
VAR	Variable annual reward
VPR	Variable pay rights
VWAP	Volume weighted average price
WEP	Woodside's equity plan
WSPP	Woodside share purchase plan

Index

▸ *For our areas of activity refer to page iv.*

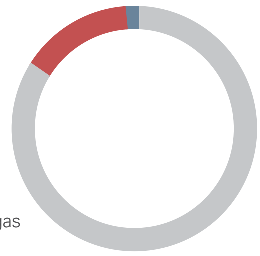
2012 Summary charts

Product view

Investment

	2012	2011
Gas and condensate*	85%	75%
Oil*	14%	12%
Exploration and other	<2%	13%

* Indicative only as some assets produce oil and gas

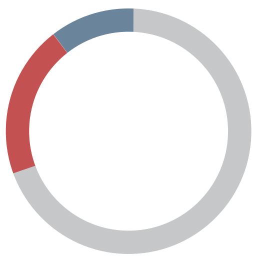


The majority of our investment expenditure was directed towards our LNG projects including North West Shelf, Pluto LNG and the proposed Browse LNG Development.

Production

	2012	2011
Natural gas*	69%	60%
Oil	20%	26%
Condensate	11%	14%

* Includes LNG, LPG and pipeline gas

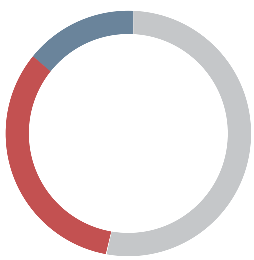


With the start-up of Pluto LNG, the proportion of natural gas in Woodside's portfolio mix has increased, while oil and condensate has decreased.

Revenue

	2012	2011
Natural gas*	53%	42%
Oil	32%	39%
Condensate	15%	19%

* Includes LNG, LPG and pipeline gas

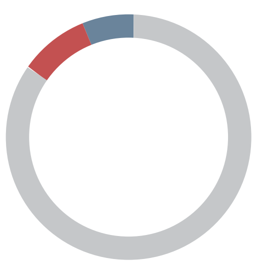


The revenue profile is largely derived from the increased gas streams following the Pluto start-up. While oil production in 2012 represented only 20% of Woodside's total production volume, ongoing strong oil prices resulted in the oil portfolio contributing 32% to Woodside's total revenue. ▶ *Refer to page 3 to view the Brent oil price graph indexed over ten years.*

Reserves (Proved plus Probable)

	2012	2011
Natural gas*	85%	85%
Oil	6%	7%
Condensate	9%	8%

* Includes LNG, LPG and pipeline gas

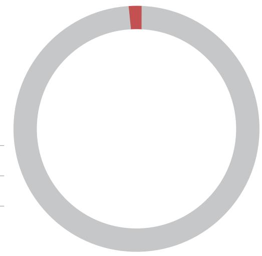


With gas representing the larger portion of Woodside's reserves, our focus is on commercialising the undeveloped volumes of the gas assets we hold, in order to maximise shareholder return.

Regional view

Investment

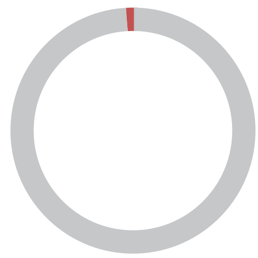
	2012	2011
Australia	98%	99%
United States	2%	<1%
Rest of World	0%	<1%



Capital expenditure in the north-west of Australia continues to dominate regional investment.

Production

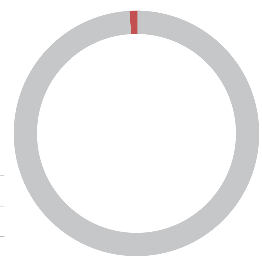
	2012	2011
Australia	99%	95%
United States	1%	2%
Rest of World	0%	3%



The Australian projects provide the majority of Woodside's production volumes. ▶ *Refer to our areas of activity map on page iv, which shows the locations of our producing assets.*

Revenue

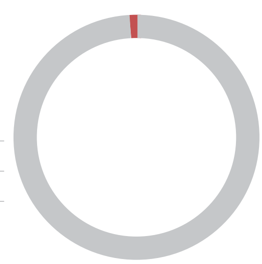
	2012	2011
Australia	99%	97%
United States	1%	2%
Rest of World	0%	1%



While the bulk of our revenue is currently derived from Australia, Woodside's growth strategy seeks to capture new opportunities to broaden our portfolio. ▶ *Refer to the CEO report on pages 6 and 7 for further information on our strategy.*

Reserves (Proved plus Probable)

	2012	2011
Australia	99%	99%
United States	<1%	<1%
Rest of World	<0.1%	<0.1%



The majority of Woodside's Proved plus Probable reserves are located in Australia, however we anticipate a greater diversity will result from the implimentation of our growth strategy.

10 year comparative data summary

	2012	2011	2010	2009	2008	2007	2006	2005	2004[8] (Restated)	2003
Profit and Loss (USDm)[1]										
Operating Revenues										
Australia										
Pipeline Gas	367	375	309	378	320	227	182	185	177	167
LNG	2,834	1,509	1,310	769	1,007	619	614	548	360	296
LPG	125	127	115	94	112	92	75	70	44	36
Condensate	903	860	708	571	669	577	512	480	342	268
Oil	1,918	1,795	1,579	1,496	2,685	1,521	1,062	736	586	546
LNG Processing Revenue	125	-	-	-	-	-	-	-	-	-
Gulf of Mexico	76	93	117	124	197	133	119	21	-	-
Algeria	-	43	55	55	55	55	56	55	56	5
Mauritania	-	-	-	-	-	137	252	-	-	-
Total	6,348	4,802	4,193	3,487	5,045	3,361	2,872	2,095	1,565	1,318
EBITDAX	5,371	3,426	3,334	3,308	3,885	2,541	2,339	1,685	1,603	905
EBITDA	4,979	2,839	3,005	3,055	3,584	2,101	2,021	1,452	1,417	712
EBIT[2]	3,795	2,212	2,256	2,303	2,852	1,560	1,684	1,238	1,213	558
Exploration and Evaluation	392	587	329	253	301	440	318	234	186	193
Depreciation and Amortisation	1,184	627	749	752	732	541	337	213	204	154
Finance Costs	137	26	(18)	12	19	8	20	7	0	17
Tax Expense	614	677	697	823	1,287	687	590	387	367	197
Non-controlling interest	61	2	2	(6)	-	-	-	-	-	-
Reported NPAT	2,983	1,507	1,575	1,474	1,546	864	1,075	844	845	344
Underlying NPAT	2,061	1,655	1,418	1,052	1,823	948	1,030	791	495	344
Reported EPS (cents)[3]	366	190	204	210	225	128	163	128	129	51
Underlying EPS (cents)[3]	253	209	183	150	266	141	157	120	75	51
DPS (cents)	130	110	105	95	100	91	98	70	44	33
Underlying payout ratio (%)	51	53	57	64	38	64	63	58	58	64
EBITDA/Op Cash Flow (%)	143	127	143	206	111	101	139	138	160	91
Balance Sheet (USDm)[1]										
Total Assets	24,810	23,231	20,196	17,753	10,317	8,515	7,072	5,107	4,250	3,596
Debt	4,340	5,102	4,915	4,939	2,044	903	1,435	826	791	803
Net Debt	1,918	5,061	3,952	3,732	1,946	782	1,188	656	169	670
Shareholder Equity	15,148	12,658	11,091	8,812	4,633	4,458	3,313	2,565	2,162	1,830
Cash Flow (USDm) and Capital Expenditure (USDm)										
Cash Flow From										
Operations	3,475	2,242	2,104	1,483	3,224	2,082	1,457	1,053	883	785
Investing	161	(3,533)	(2,941)	(4,708)	(3,892)	(1,700)	(1,432)	(1,152)	(69)	(484)
Financing	(1,252)	362	608	4,207	684	(522)	41	(352)	(259)	(273)
Capital Expenditure										
Exploration and Evaluation	383	778	703	273	418	447	376	210	77	74
Oil and Gas Properties[4]	1,145	2,651	2,933	3,992	4,031	1,965	1,091	993	480	250
Ratios (%)										
Reported ROACE	16.5%	9.0%	10.5%	14.5%	25.9%	17.2%	26.8%	26.8%	30.3%	15.0%
Underlying ROACE	11.8%	9.9%	9.5%	10.5%	29.6%	18.8%	26.0%	26.8%	18.9%	13.8%
Reported Return on Shareholders Funds	19.7%	11.9%	14.2%	16.7%	33.4%	19.4%	32.5%	32.9%	39.1%	18.8%
Underlying Return on Shareholders Funds	14.5%	12.9%	13.0%	12.5%	37.1%	20.9%	31.5%	31.5%	27.3%	18.8%
Gearing	11.2%	28.6%	26.3%	29.8%	29.6%	14.9%	26.4%	20.4%	7.2%	26.8%
Volumes										
Sales (million boe)										
Australia										
Pipeline Gas	13.9	14.0	14.8	18.4	18.9	16.4	15.5	16.6	16.5	18.0
LNG	42.6	22.4	22.7	21.3	17.0	17.0	17.3	17.0	13.3	11.9
LPG	1.1	1.1	1.3	1.5	1.2	1.2	1.2	1.2	1.0	1.1
Condensate	8.6	7.8	9.1	9.7	7.9	7.8	8.0	8.7	8.8	9.7
Oil	16.8	15.7	19.8	24.3	29.8	20.4	16.5	13.3	14.7	19.8
Gulf of Mexico	0.8	1.1	2.2	3.2	3.1	2.6	2.6	0.4	-	-
Mauritania	-	-	-	-	-	2.0	4.3	-	-	-
Algeria	-	1.8	2.3	2.3	2.3	2.3	2.3	2.3	2.3	0.1
Total (million boe)	83.8	63.9	72.2	80.7	80.2	69.7	67.7	59.5	56.6	60.6
Production (million boe)										
Australia										
Pipeline Gas	13.8	14.0	14.8	18.4	18.9	16.4	15.6	16.6	16.6	18.0
LNG	43.9	22.6	23.2	21.5	17.4	17.4	17.4	17.2	13.8	12.1
LPG	1.1	1.2	1.4	1.5	1.2	1.2	1.2	1.2	1.1	1.0
Condensate	9.3	7.9	9.1	9.5	7.9	8.0	8.0	8.6	8.7	9.8
Oil	16.0	16.0	19.7	24.5	30.5	20.5	16.4	13.4	14.9	19.7
Gulf of Mexico	0.8	1.1	2.2	3.2	3.1	2.6	2.6	0.4	-	-
Mauritania	-	-	-	-	-	2.2	4.4	-	-	-
Algeria	-	1.8	2.3	2.3	2.3	2.3	2.3	2.3	2.3	0.1
Total (million boe)	84.9	64.6	72.7	80.9	81.3	70.6	67.9	59.7	57.4	60.7
Other ASX Data										
Reserves (Proved plus Probable)										
Gas (Tcf)	7.51	7.80	8.02	7.79	7.90	7.80	6.90	4.67	5.11	4.65
Condensate (MMbbl)	130.90	138.70	154.74	147.80	151.40	152.10	144.60	129.70	138.00	145.70
Oil (MMbbl)	95.90	108.50	117.50	136.10	168.80	170.20	221.10	294.50	258.80	341.50
Other										
Employees[5]	3,997	3,856	3,650	3,219	3,124	2,981	2,888	2,508	2,528	2,219
Shares High (A$)	38.16	50.85	49.28	53.87	70.51	56.66	49.80	39.39	21.48	15.10
Low (A$)	30.09	29.76	40.56	31.19	26.81	34.81	34.81	19.87	14.11	10.00
Close (A$)	33.88	30.62	42.56	47.20	36.70	50.39	38.11	39.19	20.10	14.80
Number (000's)	823,911	805,672	783,402	748,599	698,553	688,331	666,667	666,667	666,667	666,667
No. Shareholders	208,277	205,868	201,134	175,257	141,035	131,460	119,003	83,829	72,267	69,491
Market Capitalisation (USD equivalent at reporting date)	28,983	25,287	33,745	31,567	17,717	30,353	20,033	19,146	10,456	7,420
Market Capitalisation (AUD equivalent at reporting date)	27,914	24,670	33,342	35,334	25,637	34,685	25,407	26,127	13,400	9,867
Finding Costs ($/boe) (3 year average)[6,7]	14.09	12.67	6.12	5.71	3.35	3.60	2.47	3.95	1.43	1.18
Reported effective Income Tax Rate (%)	27.2%	30.5%	25.2%	33.7%	32.6%	35.8%	35.4%	31.4%	30.3%	36.4%
Net Debt/Total Market Cap (%)	6.6%	20.0%	11.6%	11.8%	11.0%	2.6%	5.9%	3.4%	1.6%	9.0%

1 Comparative financial information prior to 2010 has been converted on a consistent basis in accordance with Note 1(o) to the Financial Report. Cash flow and capital expenditure have been converted using a consistent approach adopted on a conversion of expenses.

2 EBIT is calculated as a profit before income tax, PRRT and net finance costs.

3 Earnings per share has been calculated using the following weighted average number of shares (2012: 814,751,356 ; 2011: 791,668,973 ; 2010: 773,388,154 ; 2009: 703,310,697 ; 2008: 685,179,496 ; 2007: 671,447,950 ; 2006: 657,178,947 ; 2005: 655,150,640 ; 2004: 653,790,795 ; Pre 2004: 666,666,667).

4 2005 Oil and Gas Properties capital expenditure includes acquitions through business combinations of A$415m, relating to the acquisition of Gryphon Exploration Company.

5 From 2005 employee numbers do not include third party contractors. Previous years have included third party contractors.

6 Finding cost for 2003 includes acquisitions of additional Scope for Recovery volumes.

7 Finding cost methodology has changed from 2004 to be in accordance with the FAS69/ SEC industry standard.

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 effect of AIFRS.

woodside

2012 ANNUAL REPORT

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