WOODSIDE

ANNUAL REPORT | **2007**

CONTENTS

Chairman's Overview	2
Woodside's Strategy	4
Woodside's Performance	6
Financial Review	8
LNG Markets Overview	10
Business Integrity	12
People and Capability	14
Technical Capability	16
Operational Capability	18
North West Shelf Business	20
Australia Business	22
Pluto LNG Project	24
Browse and Sunrise Developments	26
Other Australia and Asia Business	28
Americas Business	30
Middle East and Africa Business	32
Reserves Statement	34
Woodside's Board of Directors	38
Corporate Governance Statement	40
Directors' Report:	50
Remuneration Report	51
Financial Report	61
Shareholder Information:	129
Shareholder Registry: Enquiries	130
Investor Relations: Enquiries	130
Key Announcements 2007	131
Events Calendar 2008	131
Business Directory	132
Glossary	132
Conversion Factors	132
10 Year Comparative Data Summary	133

About this Report

This 2007 Annual Report is a summary of Woodside's operations, activities and financial position as at 31 December 2007.

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 year ended 31 December 2007 unless otherwise stated. All dollar figures are expressed in Australian currency unless otherwise stated.

Dow Jones Sustainability Indexes
Member 2007/08

This year Woodside is reducing its environmental footprint associated with production of the Annual Report. In line with changes to the Corporations Act during 2007, printed copies of the Annual Report will only be posted to shareholders who have elected to receive a printed copy of the report. This has reduced the number of copies to be printed to less than one third of previous years. In addition, we will print only the one Annual Report, rather than a Concise Annual Report and a Full Financial Report, reducing the number of pages we print. Further, we have selected thinner, environmentally friendly paper sourced from environmentally responsible suppliers whose Environmental Management Systems have been awarded certification ISO14001 and who use Elemental Chlorine Free (EFC) pollution prevention technology to process the paper.

2007 Woodside Sustainable Development Report

Woodside also publishes a Sustainable Development Report that combines our Health, Safety, Environment and Community performance, which will be available on request or from the Company's website **(www.woodside.com.au)**.

Woodside has the energy, the experience and the drive to deliver sustainable growth and value to our shareholders.

About Woodside

Woodside is Australia's leading independent oil and gas company and a major supplier of energy to Asia. With a reserves to production ratio of 25 years, based on 2007 proved and probable reserves, we are positioned to deliver growth and value to our shareholders.

We operate Australia's two biggest resource projects, the North West Shelf Venture in Western Australia and the adjacent Pluto liquefied natural gas project, currently under construction. Woodside also operates or holds interests in other oil and gas projects in Australia, the United States and Africa. Our exploration interests extend to North Asia and South America.

The Browse LNG development is based on large gas fields about 400km north-west of Broome, Western Australia. We are also developing an LNG project utilising the Sunrise gas fields, which lie about 450km north-west of Darwin.

We pride ourselves on our talented and diverse workforce, seek to be an industry leader in health and safety and believe a strong environmental performance is essential to our success.

About the cover

The cover shows one of the Train 5 LNG modules making its way to the Karratha gas plant (in the background). Woodside's Pluto LNG plant will be built next to the Karratha gas plant and will also use our modular construction approach. The module in the photograph is the Train 5 liquefaction module, the largest of the modules. It weighs 1,800 tonnes and is 35m tall. The modules were delivered by ship from Batam in Indonesia to the nearby Dampier Port where they were unloaded.

Having set a new standard in LNG train design and construction with Train 5 at Karratha, we will leverage our modular LNG expertise to achieve our aspiration of LNG leadership.

Woodside's Chairman

Michael Chaney, AO

Michael has been on Woodside's Board since 2005 and Chairman since 31 July 2007.

The year 2007 was a very significant one for Woodside, with a number of decisions and achievements positioning the Company for long term growth.

The most significant achievement this year was the final investment decision (FID) taken in July on the Pluto LNG project. Pluto is one of only three LNG projects to receive approval worldwide over the last three years and is the fastest ever from discovery to FID.

First production was achieved from the Otway gas project in Victoria in September 2007 and from the non-operated Stybarrow oil development at the end of the year. It is anticipated that the Neptune, Vincent, North West Shelf (NWS) Train 5 and Angel projects will achieve first production in 2008.

The Company enjoyed a highly successful year of LNG marketing in 2007. All eight original Japanese customers have now recontracted for NWS LNG with additional contracts signed with Kogas of Korea and Tokyo Gas of Japan. Sales now total over 40 million tonnes to be delivered over a period of 6 -12 years after 2009, as existing supply contracts expire.

In addition, the Company has also received very positive market responses to the potential Browse LNG development and as a result signed Key Terms Agreements with PetroChina in September and with CPC Corporation in November 2007.

These are pleasing developments given the challenges currently facing the petroleum industry with respect to high activity levels, competition for resources and concerns about energy security. The following pages describe these in more detail, as well as Woodside's strategy to position the Company for LNG leadership.

Financial results

The Company's reported profit for 2007 was $1,030 million, which was 28% lower than in 2006. The decline was attributable to a loss on the sale of Mauritanian operations, a higher AUD/USD exchange rate and increased exploration expenses, depreciation and amortisation, which more than offset the higher revenues in 2007 arising from increased production and higher product prices.

The Directors declared a fully-franked final dividend of 55 cents per share (77 cents in 2006). The dividend will be paid on 31 March 2008, resulting in a full-year dividend of 104 cents a share (compared to 126 cents a share in 2006).

Board changes

During the year the Board established a Sustainability Committee in recognition of the importance of this issue to the Company.

Mr Charles Goode retired as a non-executive Director and Chairman of the Board on 31 July 2007. His enormous contribution to Woodside over nearly two decades is reflected in the growth of our Company since he joined the Board in 1988. Charles also played a very influential role in maintaining Woodside as an independent, publicly listed Company.

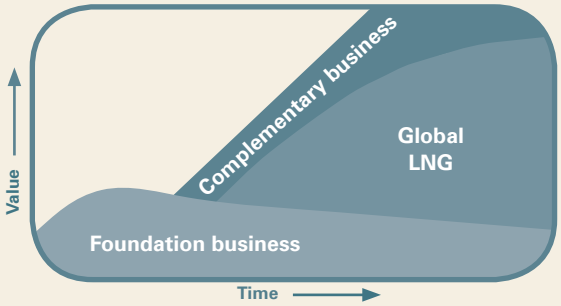
In December 2007, Mr Din Megat was appointed as a non-executive Director, following the resignation of Mr Russell Caplan on 11 October.

Dr Ashton Calvert resigned from the Board on 7 November due to ill health and, sadly, passed away soon afterwards. He had been a member of the Board since 2005 and made a significant contribution to Woodside during his time as a Director. His wisdom and insights were invaluable.

In closing, the Directors acknowledge with thanks the outstanding efforts of the Company's employees over the past year.

Michael Chaney, AO

We have the energy, the experience and the drive…



Foundation business

Woodside has an enviable portfolio of producing assets which provide strong and stable cash flow to our business. We look for ways to improve the efficiency and effectiveness of our technical, commercial and corporate operations to increase production and reduce overheads without compromising safety, the environment or our values. During 2008, Woodside expects four new projects to start up and we are dedicated to delivering these projects on track, despite industry cost and schedule pressures.

Global LNG

Woodside is uniquely positioned with world class gas assets, growing market demand and long term LNG contract prices continuing to strengthen around oil parity. We are focussing on delivering Pluto Train 1 and capturing growth opportunities for Pluto Train 2 and beyond, as well as progressing new developments at Browse and Sunrise. We will leverage our distinctive modular LNG experience and growing talent base with careful cost and schedule management to meet the challenges and move Woodside towards a position of global LNG leadership.

Complementary business

In Africa, we recognise that we have drilled out much of the material prospectivity in our current acreage and, with increasing fiscal and country risk in these areas, we will continue to review options for the remainder of our portfolio, including further asset sales.

Woodside will continue to pursue material deep water opportunities in the Gulf of Mexico. The low country risk and relatively stable fiscal regime of the Gulf of Mexico offers Woodside the opportunity to increase our exposure to high oil prices.

Woodside is distinctive amongst its peers in that our existing assets offer long-life growth potential in a stable political and fiscal environment. Nevertheless, we will continue to build our future through a considered approach to exploration and acquisitions.

Industry trends

Security of supply concerns

Over the last 40 years, global oil and gas production has been steadily growing in response to increasing demand for energy. As many of the world's large oil fields approach natural depletion, incremental production is becoming increasingly difficult and hence expensive.

At the same time, new discoveries of conventional hydrocarbons are reducing in number and in size, whilst tending to be more difficult to develop because of their location – remote or deep water and / or their complexity.

Production disruptions resulting from natural phenomena such as hurricanes, or due to social or geopolitical factors such as terrorism or civil unrest add to concerns about security of oil supplies.

Sustained high commodity prices

Supply security concerns have driven up commodity prices. They have also driven national oil companies (NOCs) to expand their activities beyond their home countries. Often well funded, with a lower cost of capital and little if any requirement to satisfy shareholders, NOCs can compete for acreage and resources to a degree that would be considered 'uneconomic' by most independent companies.

High activity levels

High commodity prices have generated increased revenues in the industry. Opportunities which were once marginal have become attractive, generating high activity levels in the resources industry. Governments across the globe have been eager to share in the new revenues, generating increased intervention ranging from nationalisation of assets, to changes in fiscal terms and the introduction of new or increased hydrocarbon taxes.

Increasing competition for resources

The dwindling supply of attractive opportunities is being sought after by an increasing number of competitors, resulting in unprecedented competition for assets, acreage and resources in the hydrocarbon industry.

Entry and acquisition costs for new opportunities have increased, as have service, materials and equipment costs. In addition, new supplies of ships and drill rigs have been quite slow, creating schedule issues throughout the industry.

The resulting potential for margin and schedule squeeze throughout the industry has caused many independent oil and gas companies to re-examine their strategy. Some have chosen to diversify their portfolio of opportunities, geographically or into new sources of supply such as coal bed methane and tar sands. Others, like Woodside, have

to deliver sustainable growth and value to our shareholders.

adopted a more focussed strategy, rationalising non-core assets to concentrate on those areas of the business with a competitive advantage or highest margins.

Woodside has the energy

Woodside stands apart from its peers with its large resource base. In 2007, Woodside produced 70.6 million barrels of oil equivalent. Even without new resource additions through exploration or acquisitions, at those rates, Woodside could sustain its production for almost 25 years from its proved and probable reserves. If all contingent resources were commercialised, current production rates could be maintained for almost 60 years. While many of our peers and several of the majors are struggling to replace production, Woodside's focus for 2008 and beyond is to build growth and value through maturing our resources into reserves and production. The LNG market has demonstrated it is able and willing to pay for all the gas that Woodside can deliver.

In addition to strong cash flows from the NWS and Timor Sea, Woodside is growing its oil production, particularly in the Exmouth area during historically high oil prices. At the same time, improving market efficiency has seen increasing prices for pipeline natural gas, enhancing Woodside's long standing business supplying natural gas into Western Australia.

We have the experience

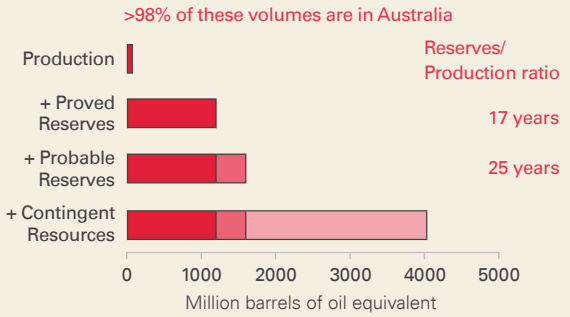
Woodside has 24 years of gas operating experience and with Train 5 we are delivering the world's first modular built LNG train. This modular approach means that we can use and re-use our proven designs, reducing costs and schedule uncertainty, in addition to facilitating parallel progress of our projects.

By developing our assets in sequence we can move our people from one LNG project to the next. Not only does that allow us to make best use of our resources, it enables us to attract and retain the best talent in the industry by offering long term, exciting career opportunities. In addition, we are able to secure the services of the best contractors across the globe.

We have the drive

At Woodside, we understand that our success comes from our people. We have developed a strategy for strong leadership. We have increased the number of graduates and trainees, and we are improving our development opportunities. In 2007, the determined effort of our employees generated great success. In 2008 and beyond, Woodside people will continue to make success happen.

Woodside has enviable energy resources

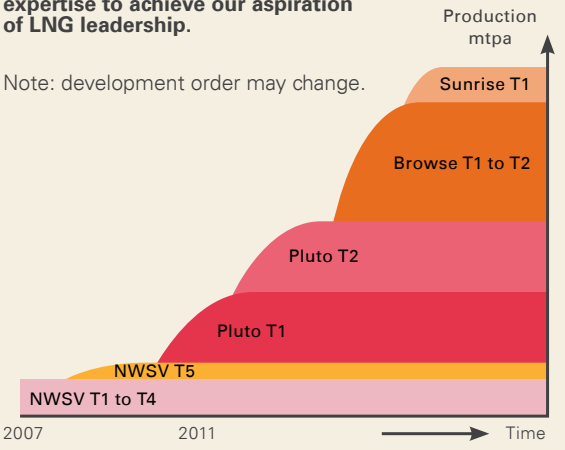


Modular LNG is key

We will leverage our substantial undeveloped gas resources, our distinctive modular LNG experience and talented staff to move Woodside towards global LNG leadership.

We will leverage our modular LNG expertise to achieve our aspiration of LNG leadership.

Note: development order may change.

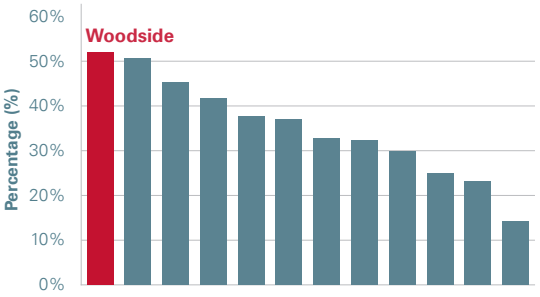


WOODSIDE'S PERFORMANCE

Don Voelte
Managing Director and Chief Executive Officer
Don has been with Woodside since April 2004.

Woodside achieved a pleasing Total Shareholder Return (dividends plus share price increase) of 53% in 2007, reflecting the achievement of important internal milestones by the company and, externally, a tightening of energy supplies and rising oil prices.

Total Shareholder Return (TSR)

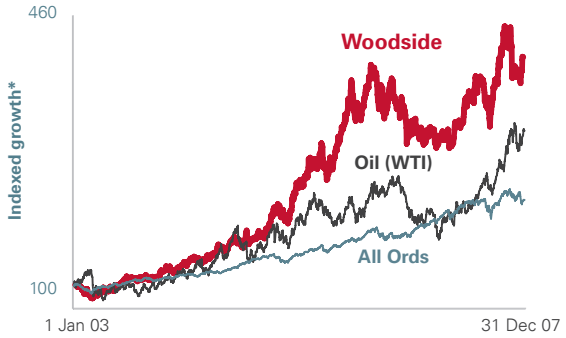


Woodside outperformed its peers in terms of 5 year average Total Shareholder Return. In 2007, we returned over 53% to shareholders, and averaged 52% TSR over 5 years.

Woodside's peer group comprises the following companies: Anadarko, Apache, BG, CNOOC, Marathon, Murphy, Petro-Canada, Pioneer, Repsol, Santos and Talisman.

Source: Bloomberg, 5 year average, annualised

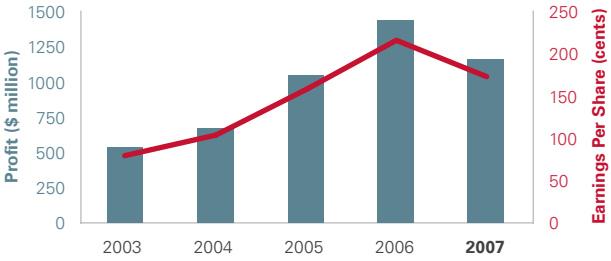
Share price performance



* Indexed growth is shown as a percentage from a 1/1/2003 base.

Woodside's share price has continued to outperform the WTI oil price and the Australian All Ordinaries for much of the past five years. The main changes to the 2007 share price occurred in August in line with the Australian market and in November following a downgraded target of near term production.

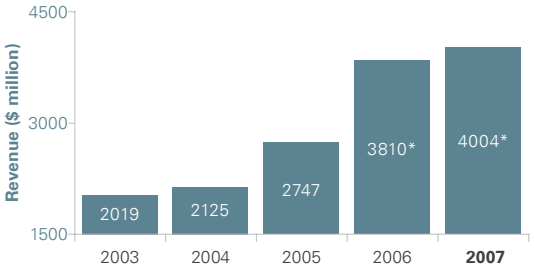
Profit and earnings performance*



* Before significant items

The 2007 reported net profit after tax (NPAT) of $1,030.2 million includes a net loss of $152.2 million in significant items (after tax) relating to the sale of various assets. After removing these effects, Woodside's 2007 underlying net profit after tax of $1,182.2 million was 15% lower than the comparable underlying profit in 2006. This was largely due to a higher AUD/USD exchange rate, increased depreciation and amortisation charges and larger exploration expenses, which outweighed the benefits of increased production and higher commodity prices. The earnings per share ratio was 153 cents reported and 176 cents before significant items.

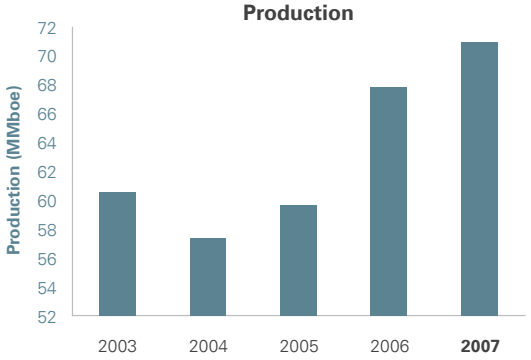
Revenue



* This includes a contribution from discontinued operations in Mauritania.

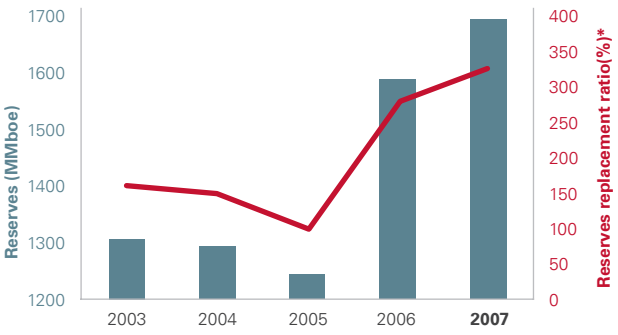
Woodside achieved record revenue of $4.0 billion this year. The 5% increase in sales revenue resulted from higher production and commodity prices, which outweighed adverse AUD/USD exchange rate movement.

Production



Record production of 70.6 MMboe was achieved this year through improved Enfield performance plus continued strong NWS Venture production and the start-up of Stybarrow.

Reserves (Proved + Probable)



* 3 year average organic reserves replacement ratio

Woodside added over 108 MMboe to its proved plus probable reserves during 2007. Taking production into account, we had a 3 year average organic reserves replacement ratio of 334%. Reserves growth resulted from new bookings from NWS and Pluto volumes.

Results at a glance		2007	2006	Change
Production	(MMboe)	70.6**	67.9	▲
Sales Revenue	($million)	4,004**	3,810**	▲
Operating Cashflow	(After Tax, $million)	2,967	2,349	▲
Net Profit after Tax	($million)	1,030	1,427	▼
Earnings per Share	(cents)	153	217	▼
Total Shareholder Return	(TSR, %)	53.4*	8.4*	▲
Proved plus Probable Reserves	(MMboe)	1,688	1,580	▲
Contingent Resources	(MMboe)	2,403	3,141	▼

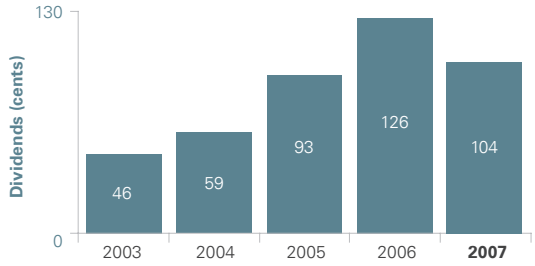
* Source: Bloomberg 1 year US$ basis **includes contribution from discontinued operations in Mauritania

Finance and operating ratios	2007	2006	Change
Safety & Health (TR CF / million man hrs)	4.1	5.1	▼
Environment (Reportable Environmental Incidents)	20	18	▲
Reserves Replacement Ratio (%)	334	285	▲
Dividends per share (c)	104	126	▼
Payout Ratio (%)*	59.9	60.2	–
Gearing (%)	14.9	26.4	▼
Return on Avg Capital Empl (%)*	19.4	26.8	▼
Finding Cost ($/boe)**	4.59	3.29	▲

*before significant items
** 3yr rolling average

Green ▲▼ = positive change
Red ▲▼ = negative change

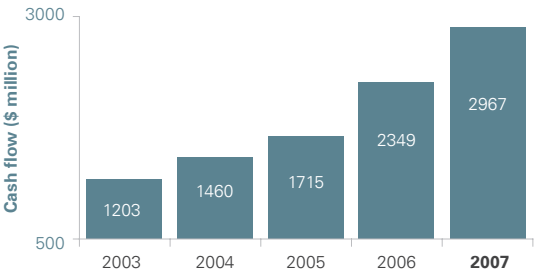
Continuing to pay attractive dividends



The Directors declared a fully-franked final dividend of 55 cents per share (77 cents per share in 2006). The dividend will be paid on 31 March 2008 resulting in a full-year dividend of 104 cents per share (compared to 126 cents per share in 2006). The dividend equates to a payout ratio of 59.9% in line with Woodside's historical practice.

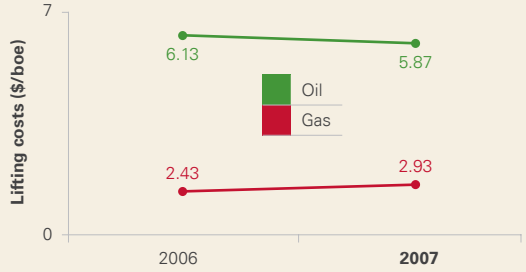
Given Woodside's current gearing and the continued strength in commodity prices, the Board has decided to suspend the use of the Dividend Reinvestment Plan (DRP) for the 2007 final dividend.

Strong operating cash flow



Net cash from operating activities of $2,967 million was 26% higher than the previous year ($2,349 million), largely due to increased sales volumes and commodity prices.

Lifting costs



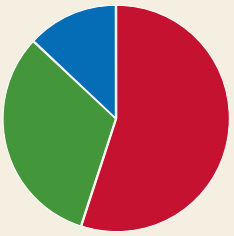
Gas lifting costs increased by 23.4% to $133.8 million. The gas lifting cost per barrel of oil equivalent was $2.93/boe (excluding Ohanet). This was largely attributable to higher maintenance costs associated with the Karratha Gas Plant and NWS offshore platforms.

Oil lifting costs* increased 4.2% to $133.4 million primarily due to the full year impact of Enfield production, and commencement of production from Stybarrow. The unit cost/boe decreased to $5.87/boe (2006: $6.13/boe) largely as a result of a change in the mix of production as Enfield's production increased from 21.0% of total oil production in 2006 to 45.3% in 2007.

*excluding FPSO leasing costs

Production

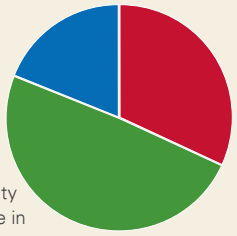
Natural gas*	54%
Oil	32%
Condensate	14%



Strong performance from a number of assets, particularly Enfield, boosted production by 4% this year.

Revenue

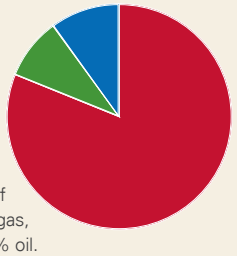
Natural gas*	32%
Oil	49%
Condensate	19%



Record production and high commodity prices drove a 5% increase in revenue in 2007 (including Mauritania).

Reserves (Proved + Probable)

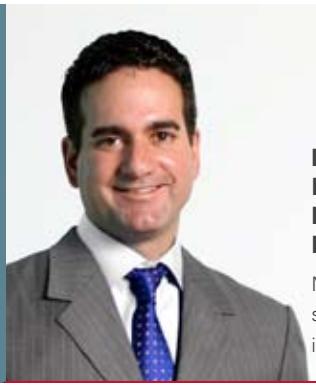
Dry gas	81%
Oil	10%
Condensate	9%



Over 80% of Woodside's proved and probable reserves are dry gas. 86% of Woodside's contingent resources are gas, with just over 10% condensate and 4% oil.

* Natural gas includes pipeline natural gas, LNG and LPG.

FINANCIAL REVIEW

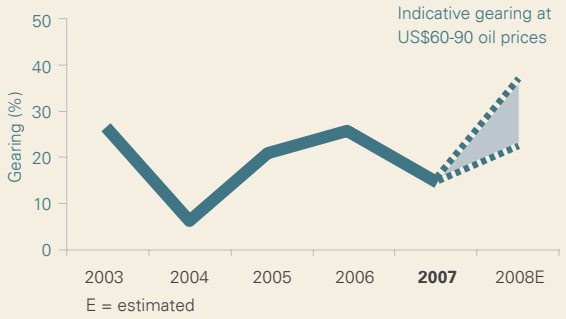


Mark Chatterji
Executive Vice President and Chief Financial Officer

Mark has been with Woodside since 2004 and became CFO in 2007.

Sustaining the growth whilst funding our future.

Maintaining our investment rating



Production and sales volumes

	2007 MMboe	2006 MMboe	Change
Pipeline natural gas	18.8	17.8	▲
LNG	17.1	17.3	▼
Condensate	9.4	9.7	▼
LPG	2.1	2.1	▶
Oil	22.4	20.8	▲
Total sales volumes	69.7	67.7	▲
Sales volumes attributable to discontinued operations	2.0	4.3	
Total production volumes	70.6	67.9	▲
Production volumes attributable to discontinued operations	2.2	4.4	

Small differences are due to rounding of the first decimal place.

External factors

	2007	2006	Change
Avg WTI oil price US$/bbl	72.5	66.3	▲
Avg AUD/USD	0.84	0.75	▲
Avg one month LIBOR %	5.2	5.1	▲
Avg derived oil price A$/bbl	86.6	88.1	▼

Capital management strategy

During 2007, Woodside's capital investment grew, as spending on the newly approved Pluto project ramped up. In 2008, Woodside expects capital expenditure to exceed $5 billion. The majority of this expenditure is to progress the Pluto project towards first gas at the end of 2010. Woodside is also spending to complete the current generation of projects in Australia and the Gulf of Mexico, to progress the Browse and Sunrise developments towards final investment decisions, and to continue our exploration program in Australia and the Gulf of Mexico.

Although our capital requirements are substantial, Woodside is able to underwrite its budget with robust cash flows. The NWS assets have been generating strong cash flows for many years, which will be supplemented in 2008 by our Greater Enfield area assets. Together, these businesses provide the base to fund Woodside's future.

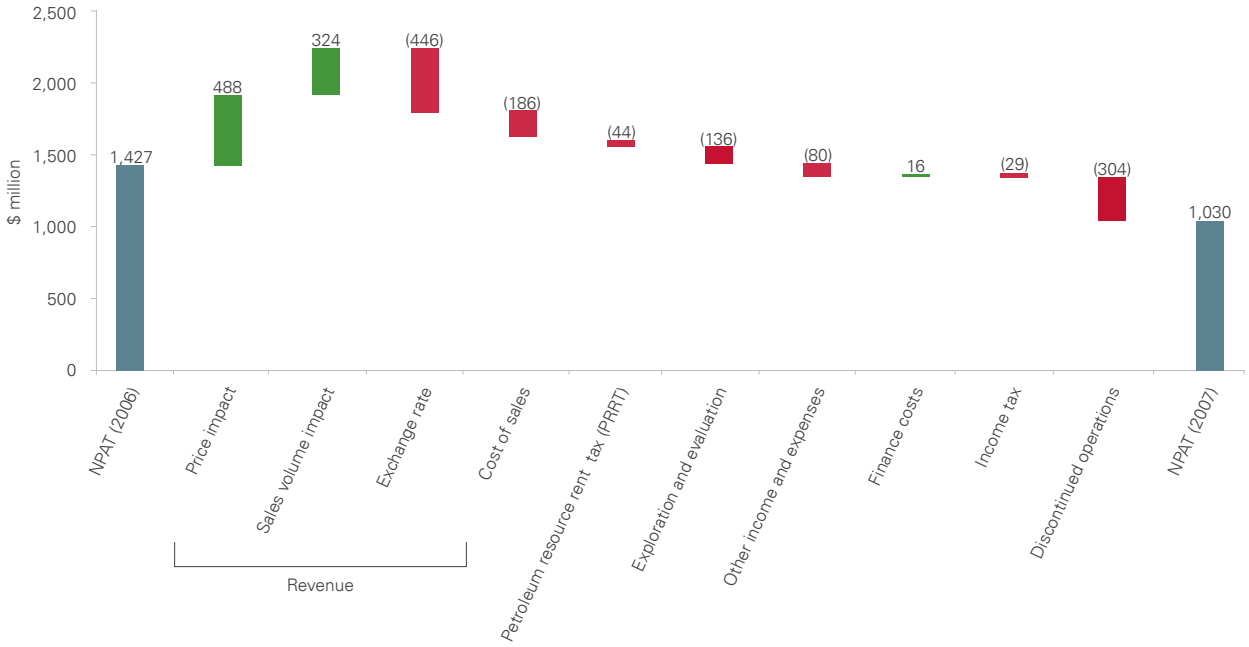
Woodside is committed to managing capital and debt to ensure we have the flexibility to fund our projects and continue to explore, while still paying dividends to our shareholders and maintaining our investment grade credit rating.

The extent of funding required over the next few years will depend on commodity prices, production and the order and timing of final investment decisions for our future LNG projects. Woodside maintains a portfolio of debt facilities to fund growth. At 31 December, our total debt was US$913 million. Further details on financial instruments can be found in the Financial Report.

In 2006, Woodside activated a fully underwritten dividend reinvestment plan (DRP) for the 2006 final and 2007 half year dividends increasing issued shares by $846 million. Given Woodside's current gearing and the continuing strength of commodity prices, the Board has decided to suspend the use of the DRP for the 2007 final dividend. To assist in funding future capital requirements, Woodside may continue to use the DRP or suspend it for one or more dividends depending on capital needs and gearing levels.

When necessary, Woodside places hedges to protect cash flows and to underpin the economics of a project. During 2007, no new hedges were placed.

Drivers of Woodside's 2007 profit



Overview

Woodside's reported profit after tax for the year ended 31 December 2007 decreased 28% to $1,030 million when compared to 2006.

The results were affected by the following key factors:

- the sale of Mauritanian assets;
- increased exploration costs associated with unsuccessful wells written off; and
- higher average AUD/USD exchange rate;

offset by:

- significantly higher realised liquid and gas prices; and
- a full year of production in Enfield and commencement of production from Stybarrow.

Revenue from sale of goods – increased by $366 million

Increased gas and liquids prices had a favourable impact to the value of $488 million.

Higher sales volumes increased revenue by $324 million, and were driven primarily by a full year of production from Enfield and the commencement of Stybarrow production.

Increased revenue was partially offset by the appreciation of the AUD against the USD ($446 million).

Cost of sales – increased $186 million

Key influences on our costs this year were higher production and depreciation costs as a result of the impact of a full year of Enfield production and commencement of Stybarrow production.

Petroleum resource rent tax (PRRT) – increased $44 million

Higher sales revenue from Enfield and Stybarrow was offset by increased deductible expenditure and augmentation of ring-fenced losses.

Exploration and evaluation costs – increased by $136 million

	2007 $m	2006 $m
Unsuccessful wells written off	235	126
General permit activity and seismic	167	141
Evaluation costs	19	30
Permit amortisation	95	83
Total exploration and evaluation expense	516	380

Other income and expenses – net expense increase of $80 million

This result was primarily influenced by:

- increased impairment losses recognised on the Gulf of Mexico assets ($50 million); and
- a defined benefit superannuation plan reduction in surplus and unfavourable financial derivative revaluations;

offset by:

- higher profit on sale of assets and investments ($51 million).

Finance costs – decreased by $15.6 million

This was due to an increase in interest capitalised as a result of higher eligible asset values.

Income tax costs – increased $29 million

The effective tax rate increased to 31.2% from 29.0% in 2006. This was principally due to an increase in non-deductible foreign losses.

Discontinued operations (Mauritania) – variance $304 million, after tax

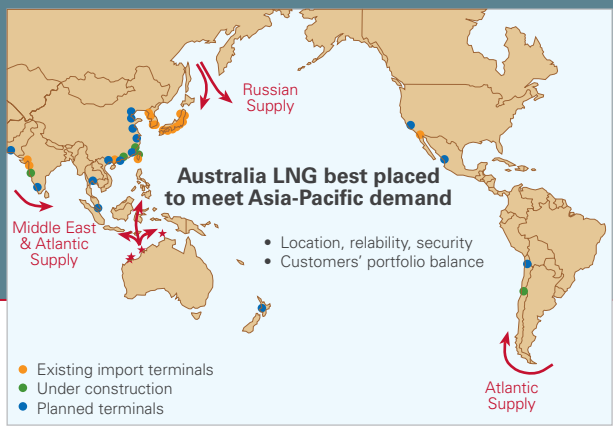
In 2007, Woodside recorded a book loss on the sale of its Mauritania interests of $233 million and a loss from Mauritanian operations of $6 million. In 2006, an operating gain of $65 million was recognised. Therefore, the 2006-2007 variance due to discontinued operations was $304 million.

Variance in results

Net profit after tax (NPAT)	**2007 $m**	2006 $m
Underlying NPAT	1,182	1,396
Significant items		
Sale of Kipper assets	-	31
Sale of Legendre assets	57	-
Sale of PNG assets	8	-
Sale of Jahal assets	16	-
Sale of Mauritanian assets	(233)	-
NPAT as reported	1,030	1,427

LNG MARKETS OVERVIEW

Reinhardt Matisons
President Marketing
Reinhardt first joined Woodside in 1996.



Woodside is positioned to capture premium markets.

As LNG markets evolve, Woodside is poised for LNG leadership.

Changes in global LNG markets, a growing recognition of the attractiveness of Australian supply, and Woodside's own developing capabilities all combine to create new opportunities for our Company. Woodside is positioning itself to take advantage of these opportunities and in doing so it is establishing itself as a global LNG leader.

LNG market evolution brings opportunities

The global LNG market is continuing to evolve rapidly in both the Asia Pacific region and in the Atlantic Basin.

Currently, there are about 30 LNG plants around the world producing about 180 million tonnes per annum (mtpa). By 2015, global demand for LNG is expected to grow to 380 mtpa, meaning that producers will have to more than double their output during that period to keep up.

Traditional Asian LNG markets in Japan, Korea and Taiwan continue to grow, and experienced buyers have moved quickly to contract available supplies. Through our role in the North West Shelf (NWS), Woodside has been an active participant in this growth. All eight of the original Japanese buyers have committed to recontract their NWS LNG for periods varying from six to twelve years after 2009, following the expiry of current contracts. Further sales from 2009 have also been secured with Korea Gas Corporation and Tohoku Electric Power Co. Ltd. By year end 2007, the NWS Venture had executed five sales and purchase agreements for 3.9 mtpa, with some extending out to 2021. Another five sales and purchase agreements totalling 2.2 mtpa are being finalised.

Traditional buyers in Japan, Korea, and Taiwan have existing import facilities and firm LNG requirements, and they see the strategic importance in having Australian LNG in their portfolios. They tend to prefer low risk sellers, with strong reputations for safe and reliable supply, such as Woodside.

The year 2007 saw innovations in long-term LNG contracting. Woodside led the way with its unique Pluto deals. As part of these deals, the foundation customers, Tokyo Gas Company and Kansai Electric Power Company Inc, became partners of Woodside in the Pluto field, infrastructure and associated exploration acreage. These deals underpinned the $11.2 billion dollar investment decision for the Pluto development whilst also providing certainty of supply to the buyers, and upside opportunities for all parties.

Woodside is also leading new efforts to participate in Asian markets. In September, in a ceremony attended by Prime Minister John Howard and Chinese President Hu Jintao, Woodside signed a Key Terms Agreement* with PetroChina Company Ltd for 2-3 mtpa of Browse LNG supplies over 15 to 20 years. In late 2007, Woodside secured a Key Terms Agreement* with CPC Corporation, Taiwan for 2 to 3 mtpa of LNG over 15 to 20 years.

Developments in 2007 confirmed China as an important LNG player, prepared to secure long-term LNG supplies at international market prices. Woodside expects significant growth in the emerging LNG markets of China, India, Hong Kong, Singapore, Thailand, Pakistan and New Zealand. However, considerable uncertainty about the timing and level of this potential demand from new buyers remains.

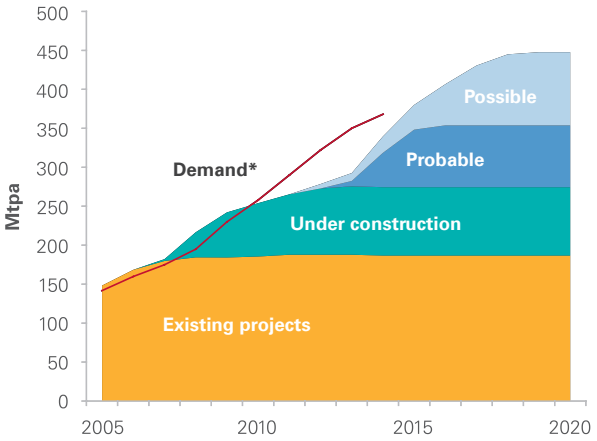
On the supply side, despite intense activity by suppliers, a number of factors have constrained the availability of new LNG supply. In the Asia Pacific region some suppliers, such as Indonesia, have either reached plateau or are in decline. Globally, new supply and supply expansion projects are facing delays. While escalating costs are a major factor contributing to delays, several countries such as Indonesia, Nigeria and Trinidad are concerned about supplying their domestic needs. Qatar, on its way to becoming the world's largest supplier, has put new developments beyond those already under construction on hold whilst it determines the capability of its North Field reservoir to sustain long term deliverability. In Asian markets, the countries with the greatest potential for increased LNG supply are Australia and Russia. In addition, Papua New Guinea may become a new supplier. However, increasingly, Asian LNG buyers are seeking to ensure that at least part of their portfolio comes from Australia. Woodside is well positioned geographically and in terms of its reputation for experience, reliability and security of supply.

The Woodside operated Pluto project, approved in July 2007, is one of only three new LNG supply projects to have achieved formal investment approval in the past two to three years.

Across the globe, delays in supply expansion and continuing strong demand growth – exacerbated by seasonal variation – mean that the gap between LNG supply and demand is expected to continue through to 2015 and beyond.

* A Key Terms Agreement sets the key commercial terms, including price, for good faith negotiations.

Global LNG demand and supply



* Source: *WoodMackenzie*

A new paradigm for LNG prices

Tight supply and demand fundamentals, coupled with strengthening short and long-term LNG prices, provide an opportunity for Woodside's LNG developments. After a period of price declines, prices for long term LNG supply contracts have been increasing.

In the current market there is increased indexation to oil, and the oil price range at which LNG prices are close to or above oil parity has been extended to around US$60/bbl and beyond. Price ceilings have fallen from favour, with both buyers and sellers agreeing to recognise the value of clean natural gas in times of high oil prices.

The value of LNG shipping

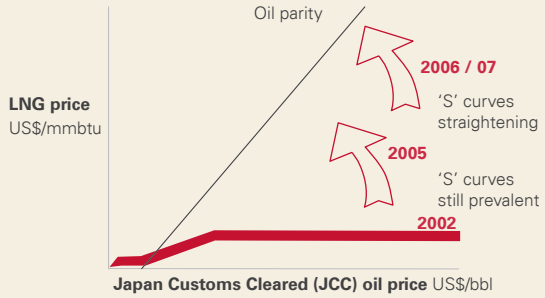
Woodside is positioned to capture additional value from the LNG value chain through shipping. Control, though not necessarily ownership, of shipping can deliver significant benefits through optimisation of capital expenditure, maximisation of production and by assisting the capture of spot market and arbitrage opportunities.

With the Pluto Train 1 project, our customers and joint ventures Tokyo Gas and Kansai Electric will each supply one ship that will operate primarily on a dedicated route back and forth to Japan. Operational co-operation will ensure that all parties can benefit from maximised production as well as fleet utilisation. Woodside has executed a 15 year time charter for the balance of Train 1 volumes and may consider other charters for any residual volumes. Through this strategy, we have been able to achieve a low cost shipping solution, with flexibility to capture emerging market opportunities. This strategy will extend to Pluto Train 2.

Poised for LNG leadership

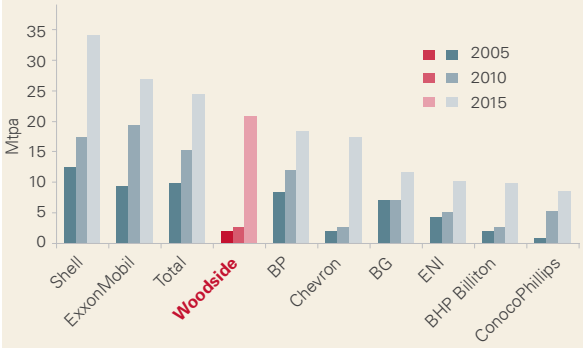
Woodside is increasingly being recognised as a LNG leader, and as a preferred partner for premium customers. Independent consultants Poten & Partners expect that with our new Australian LNG projects planned to come on line by 2015, Woodside will become the fourth largest non-state-owned LNG equity producer in the world. In terms of operated LNG liquefaction capacity, Poten & Partners see Woodside as being ranked second in the world by 2010, moving to the number one position by 2015 (excluding national oil companies).

LNG price trends



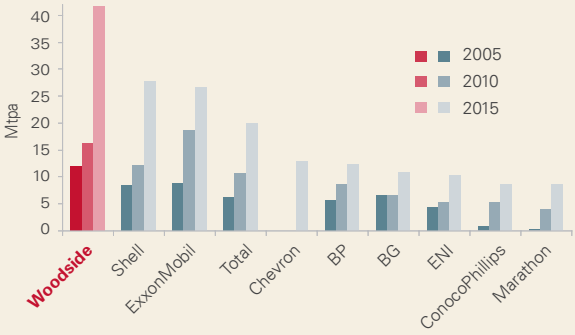
The 'S' curves formed by price floors and ceilings have fallen from favour as both buyers and sellers have recognised the value of clean natural gas in times of high oil prices.

LNG equity ranking by Poten & Partners



Excludes national oil companies.

Operated LNG capacity ranking by Poten & Partners



Excludes national oil companies.

Recently signed LNG agreements

Contract type	Field	Buyer	Quantity Mtpa	Period years
SPA	NWS	Chugoku Electric	1.2-1.4	12
SPA	NWS	Toho Gas	0.76	10
SPA	NWS	Tohoku Electric	0.5	8
SPA	NWS	Kyushu Electric	0.73	8
SPA	NWS	Korea Gas	0.5	7
HOA[1]	NWS	Tokyo Electric	0.3	8
HOA[1]	NWS	Tokyo Gas	0.53	8
HOA[1]	NWS	Kansai Electric	0.4	8
HOA[1]	NWS	Chubu Electric	0.5	7
HOA[1]	NWS	Osaka Gas	0.5	6
SPA	Pluto	Tokyo Gas	1.75	15
SPA	Pluto	Kansai Electric	2	15
KTA	Browse	PetroChina	2-3	15-20
KTA	Browse	CPC Corporation	2-3	15-20

(1) HOAs signed in 2006, Sales and Purchase Agreements being finalised.

Note: volumes are for agreements, not Woodside share

KTA: Key Terms Agreement
HOA: Heads of Agreement
SPA: Sales and Purchase Agreement

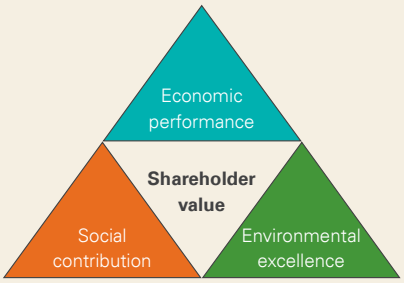
BUSINESS INTEGRITY

Rob Cole
Executive Vice President Corporate Affairs and Sustainability, General Counsel
Rob has been with Woodside since 2006.

Woodside's commitment to its values and business principles goes beyond sound governance… it underpins our approach to sustainable development.

Our Business Principles

Ten principles guide Woodside employees in the conduct of our business across the globe. Our Business Principles encompass our sustainable development framework.



Social contribution

- Respecting people
- Involving stakeholders
- Contributing to sustainable communities
- Maintaining culture and heritage

Economic performance

- Delivering economic benefits
- Being open and accountable
- Investing in innovation and enterprise

Environmental excellence

- Supplying energy for the future
- Using resources efficiently
- Minimising our ecological footprint

Further details are provided in our 2007 Sustainable Development Report.

Sustainable development in Woodside

Woodside recognises that to be sustainable, economic performance must be accompanied by environmental excellence and social contribution.

To us, sustainable development is about the viability of our Company. It is about being a company of choice that delivers shareholder value while supporting thriving communities and protecting the environment and natural resources upon which our business and society depends.

We published our first Sustainable Development Report for the 2006 year. For a copy of the 2007 Sustainable Development Report, please email investor@woodside.com.au or visit our website at: www.woodside.com.au.

Woodside values strong sustainable performance, care and respect, integrity and trust, initiative and accountability, working together, creativity and enterprise.

We recognise that our business must be profitable. We believe that our demonstration of these values makes us distinctive and is essential to our success.

Code of Conduct

Woodside is committed to appropriate and ethical corporate practices. Compliance with the Code of Conduct by Woodside's directors and employees assists the Company in effectively managing its operating risks and meeting its legal and compliance obligations as well as underpinning our corporate reputation.

The Code of Conduct summarises Woodside's policies on confidentiality, conflicts of interest, sound employment practices, compliance with laws and regulations and the protection and proper use of Woodside assets.

As a condition of employment, all Woodside employees are required to comply with the Code of Conduct, and annual retraining is compulsory for all Woodside employees.

Strong governance

Our focus on further integrating social and environmental considerations into our business activities led us to establish a new Board Sustainability Committee in early 2007. In addition, we have revised our Business Principles to incorporate our sustainable development framework of economic performance, social contribution and environmental excellence.

Woodside has adopted the revised Corporate Governance Principles and Recommendations released by the Australian Securities Exchange Corporate Governance Council in 2007. Woodside's Enterprise Risk and Internal Control Policy, as outlined on page 47, is aligned with the revised principles.

Woodside has adopted a structured governance system comprising two components – a framework which describes the way in which Woodside is organised and governed and a management system which outlines policy and provides clear responsibility, accountability and authority.

Woodside's Internal Audit function provides independent assurance that the design and operation of internal control and risk management across the Company is effective. During 2007, the Internal Audit function was independently reviewed and assessed by the Institute of Internal Auditors–Australia and was found to 'represent better practice in internal auditing'.

Our performance

During 2007, Woodside was proud to receive notice that it was to be included in the Dow Jones Sustainability Index.

Health and safety

During 2007, Woodside's frequency of safety incidents (Total Recordable Case Frequency) fell from 5.1 to 4.1, and the total number of safety incidents fell from 153 to 131. The number of high potential incidents (i.e. those with the potential to seriously injure people) fell from 49 to 43. Regrettably, while the number of lost-work-day injuries also fell from 32 to 24, there was one fatality amongst one of our sub-contractors. In addition, the number of work related illnesses also increased from 8 to 24.

Woodside is committed to 'no one gets hurt, no incidents' in the work place and, as outlined on page 19, is investing in understanding the factors behind maintenance failures, increasing facility integrity and improving infrastructure design, which we expect will have a positive impact on our safety record.

The environment

During 2007, Woodside reduced the number of reportable spills from 8 in 2006 to 6. However, over the same time period, the number of other reportable environmental incidents increased from 7 to 14. However, the impact of these incidents was short term and localised.

Woodside is proud to play a part in reducing global carbon-dioxide (CO_2) emissions by delivering LNG, a cleaner source of hydrocarbon based energy.

In addition, Woodside is taking steps by further reducing its environmental footprint. In 2007 Woodside, in partnership with CO_2 Australia, agreed to offset all reservoir carbon dioxide emissions from the Pluto LNG project through a carbon sequestration plantation project. Pluto will be one of the most environmentally efficient LNG plants in the world.

Further details on this agreement are provided in our 2007 Sustainable Development Report.

Communities

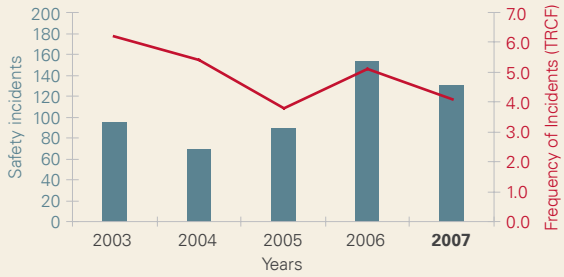
We aim to make a positive, sustainable contribution to the communities in which we operate. Our stakeholders include governments, non-government organisations, joint venture participants, customers, suppliers, shareholders, staff, local Indigenous and non-indigenous communities.

Woodside invested $6 million in 85 community partnerships in 2007, supporting the arts, environment, education, sports, community capacity building and Indigenous programs.

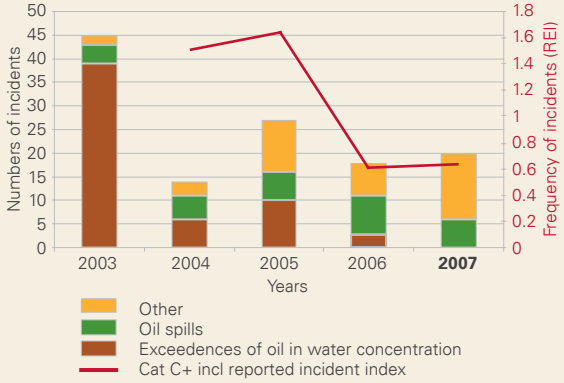
Woodside continues to engage with members of the Ngarluma, Yindjibarndi, Yaburara, Mardudhunera and Wong-Goo-Tt-Oo groups in relation to heritage management activities associated with the Burrup LNG Park. Feedback from these Indigenous groups has influenced cultural heritage management practices and the design of the LNG facility to avoid disturbance to places of high heritage value.

Woodside continues to directly engage Australian governments on many issues of public policy, including greenhouse emissions policy and climate change.

Safety incidents



Environmental incidents



Other incidents include dark smoke emissions, chemical spills, exceeding a turbidity limit and incorrectly following conditions of approval for a seismic survey.

Working with local communities to manage cultural heritage

Indigenous custodians working with Woodside near the Pluto site.

Karratha infrastructure

Attracting people to live and work in Karratha can be a challenge. During 2007, Woodside has helped stabilise core social services impacting on our Karratha workforce with an emphasis on child care and secondary education.

In addition, Woodside continues to work through the Pilbara Industry's Community Council to develop a co-ordinated, long term social infrastructure plan for Karratha and other Pilbara towns.

Together with the Chamber of Minerals and Energy, the NWS Venture and other businesses in the area, Woodside is co-operating with government on three priority action areas - improving health services, improving land release and accommodation programs to alleviate housing shortages and increasing Indigenous participation in employment across the Pilbara.

PEOPLE AND CAPABILITY

Tina Thomas
VP Human Resources
Tina has been with Woodside since 1989.

To deliver our LNG aspirations, Woodside will require a capable and high performing workforce.

Our organisation

We recognise that delivering performance from our existing oil and gas business, together with achieving our growth aspirations, requires us to have a workforce with the right capability and outstanding leadership.

We aim to create a climate in the organisation where:

- our people understand and operate by our corporate values;
- people know what is expected of them;
- challenging but attainable goals are set for the organisation and each employee;
- the standards and framework in which each person works are clear;
- there are no unnecessary rules or practices;
- people are given responsibility to accomplish tasks and held accountable for outcomes;
- new ideas are encouraged, good performance is recognised; and
- people are proud to belong to the organisation.

Woodside recognises that these elements underpin high performance and contribute to the retention and attraction of staff.

Our staff

At the end of 2007 we employed 2,981 people, an increase of almost 60% since 2003.

Although intense competition for experienced and skilled staff continued in 2007, we successfully recruited 426 people with 10% of our new hires coming from outside Australia.

Our voluntary turnover rate increased slightly during 2007 to 11.2%.

Remuneration

Woodside is committed to remunerating fairly and responsibly in accordance with the regional, and where appropriate, international markets. Our approach to remuneration takes into account the duties and accountabilities of our employees and their performance. We aim to provide competitive rewards that attract, retain and motivate the highest calibre people, whilst complying with all applicable legal requirements and appropriate standards of governance.

Details of Woodside's Board and Executive remuneration are provided in the Remuneration Report, on page 51.

Listening to our people

An employee survey was conducted in 2007 to review the current organisational climate, measure the extent of employee engagement and assess understanding of core business issues, including health and safety. The response rate was high (78%) which gives us confidence in the findings.

The survey revealed that our staff are committed to Woodside's success, feel positive about our future and are engaged in their work and team. Opportunities for improvement were identified and the actions to address these were widely communicated to employees, including staff briefings in Perth and Karratha. The survey will be conducted again in 2008 to measure progress against the 2007 baseline, the success of improvement actions and to reinforce our commitment to a high performance culture.

Building people capability

We recognise that to deliver our aspiration of LNG leadership, Woodside will need a highly skilled, stable and motivated workforce.

Planning for our future

Our LNG People Capability Plan is ensuring we have the people required to match our LNG growth aspirations. Key features of the plan include:

- establishment of an organisational structure that is aligned to the LNG business objectives;
- detailed workforce and skills planning in areas of project execution, delivery and operations;
- attraction and retention strategies and plans to grow our direct employed workforce capability through multiple entry points;
- internal development and succession planning to grow and retain capability;
- competitive remuneration and assignment conditions; and
- improving infrastructure in Karratha.

Developing our leaders

A major factor influencing organisational performance is the behaviours leaders display and the climate they create for their people. Effective leadership is therefore imperative for Woodside's future. Our Leadership for High Performance development program has been designed to develop this capability.

In 2007, we increased our commitment to the Leadership

for High Performance program with 197 managers now completing the program. The program is comprehensive and includes feedback of a manager's leadership style and the team climate they have created.

Growing our future

Woodside's structured graduate development program is a critical component of our strategy to build long term capability. Over the last five years we have recruited over 160 graduates into this program.

Graduates continually develop through extensive on-the-job training, with rotational assignments to ensure exposure to many different parts of the Company and the industry. Our structured mentoring system, complemented by structured training, ensures graduates receive the right experiences and knowledge as they move through assignments.

In addition, Woodside increased the capacity of our operations apprenticeship and process trainee programs, which are focussed on developing highly skilled process, instrument, electrical and mechanical technicians.

We currently have in excess of 80 trainees and apprentices working on our onshore and offshore facilities, and now have the capacity to develop over 30 qualified technicians every year.

Diversifying our demographics

Woodside values diversity and is working towards our workforce being representative of the diversity of the labour markets in which we participate. We focus in particular on two elements, gender and Indigenous diversity.

Gender diversity

Woodside's Diversity Policy was updated in July 2007 to uphold best practice.

Two key objectives of our strategy are to target the recruitment of women in senior positions and to develop women to compete for senior promotions. During 2007, the number of female employees in senior management positions increased by 33%.

Diversity initiatives progressed during 2007 included extending paid parental leave, improving child care access, reviewing flexible work options, enhancing career paths and auditing gender parity.

Woodside was deemed compliant with the Equal Opportunities for Women in the Workplace Act 1999 and has been granted a waiver from reporting to the EOWA for 2 years.

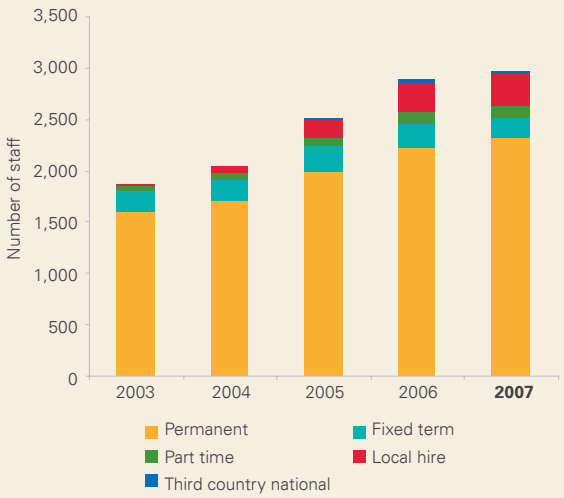
Indigenous diversity

Woodside is committed to increasing Indigenous employment and business participation. We have acted on our commitment and have increased the number of Indigenous employees/trainees to 118 in 2007 from only 2 in 2005.

Woodside is actively involved in and continues to develop training programs that allow Indigenous people to apply competitively for employment with Woodside and hence further increase Indigenous participation across the Company.

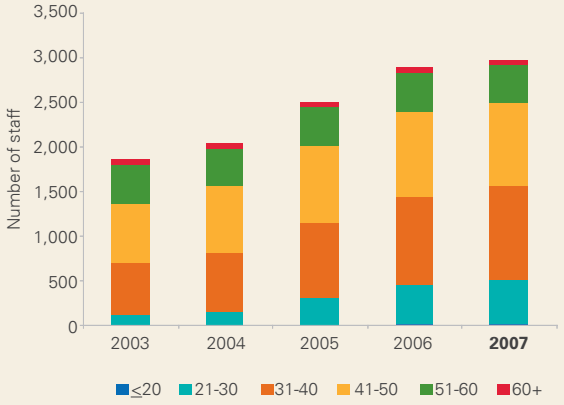
Further details are provided in our 2007 Sustainable Development Report (www.woodside.com.au).

Staff by employment type



Woodside employs just under 3,000 staff across more than 18 countries. Staff numbers have increased almost 60% since 2003.

Age distribution of staff



Unusually for the industry, almost 53% of our workforce are under 41 years of age, due to our long standing investment in training and developing graduates, trainees and apprentices.

Woodside's graduates studying subsurface data interpretation techniques.

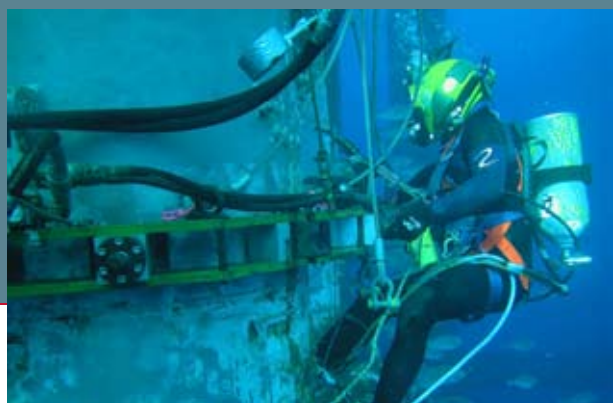
TECHNICAL CAPABILITY

Keith Spence
Executive Vice President
Enterprise Capability
Keith has been with Woodside since 1998.

Exploration: Woodside's exploration success has provided organic growth for the Company for many years.

Gas field development: We developed the North Rankin gas and condensate field over 20 years ago and the Goodwyn gas and condensate field in 1994. They are both still producing today.

Platforms: The Angel platform was launched from a barge to stand on the seabed. It weighs just over 7,000 tonnes and is over 90 metres high.



Pipelines: Woodside uses a combination of divers and remotely operated vehicles to check and maintain subsea equipment such as pipelines.

Capability is about technical expertise and innovation as well as ensuring that we have the right people with appropriate skills available when we need them.

Exploration

Woodside spudded its first exploration well in 1956. Since 1963 we have been a leader in deep water exploration off the West Australian coast through the acquisition of 2D, 3D and 4D seismic surveys and controlled source electro-magnetics. Our success with the drill bit has built up Woodside's enviable resource base over the last 35 years.

Gas field development

Woodside pioneered big bore well technology in a subsea environment on Echo Yodel in 2002. Big bore wells can produce three times as much gas as a conventional well – reducing the number of wells, costs and our environmental footprint. The gas from just one of these wells is enough to power more than two million homes. Woodside is now using this technology to develop the Angel field.

Platforms

When Woodside developed North Rankin in the 1980s, the gas platform was the biggest facility of its type in the world. Operating North Rankin and Goodwyn has helped us refine the design and fabrication of our platforms. Last year the Otway platform was our first operated unmanned platform. In 2007 we launched the latest platform, Angel, which will be unmanned and operated from North Rankin. The Pluto platform will be similar to Angel, and will incorporate our 25 years of experience.

Pipelines

Our first 134km 40 inch diameter pipeline has been delivering gas into Western Australia since 1985. In 2004 we completed a second 42 inch diameter trunkline of the same length and in 2006, we completed a 70km 20 inch diameter gas pipeline between the offshore platform and the onshore Otway plant.

In 2007, we completed the world's largest 'hot tap' into an operating gas pipeline, when we cut a 27 inch hole in the pipeline to tie in the Angel field, without having to stop North Rankin and Goodwyn production.

With the development of Pluto, we will be constructing a 180km pipeline carrying gas from the Pluto platform for processing and liquefaction in Train 1 at the onshore Pluto plant. This pipeline has been designed to be large enough to carry gas for future LNG trains at Pluto.

We have the experience and are building our capablity to deliver growth and value.

Modular LNG: Having set a new standard in LNG train design and construction, Woodside will use the same approach for Pluto.

Modular LNG

Traditionally, LNG trains have been 'stick built' onsite from individual components. Woodside built four LNG trains this way at Karratha in 1989, 1992, 1995 and 2004.

In 2005, we pioneered the modular design of LNG trains with the fifth train at the Karratha gas plant. With first production due from this train by Q4 2008, Train 5 is setting a new industry standard for LNG design and construction.

Woodside is now using the same modular design for the construction of the first train at the Pluto LNG plant.

Our competitive advantage in modular LNG underpins our aspiration to achieve LNG leadership.

Modularising our LNG trains reduces costs and schedule uncertainties. We can re-use existing designs, build the modules offsite and assemble them relatively quickly onsite. This allows parallel progression of projects, reducing the time spent building each train and will allow us to develop highly skilled construction teams who move from one LNG train to another.

Approvals

After announcing plans for the Pluto LNG project in August 2005, it took just 17 months for Woodside to secure the land and obtain all of the numerous necessary environmental and heritage approvals. Site preparation began in January 2007.

Operations

Woodside is operator of the North West Shelf, Australia's biggest resource project, including the Karratha gas plant and associated offshore fields and infrastructure. We also operate FPSO vessels over the Laminaria Corallina fields in the Timor Sea and Enfield in the Exmouth area. In Victoria, we operate the Otway gas plant and associated Thylacine platform. The Pluto plant, currently under construction, will be Australia's second biggest resource project when Train 1 is completed.

Shipping

Over 19 years of shipping without a single incident, we have successfully met all our contractual commitments. Access to shipping, through a combination of ownership and lease arrangements, gives us the ability to capture additional value from spot market and arbitrage opportunities.

Approvals: Woodside carried out a number of surveys and studies as part of the process of obtaining environmental and heritage approvals for the construction of the Pluto LNG plant.

Operations: Over almost two decades, we have established an exemplary LNG capability at the Karratha gas plant, whilst maintaining an excellent safety and environmental record.

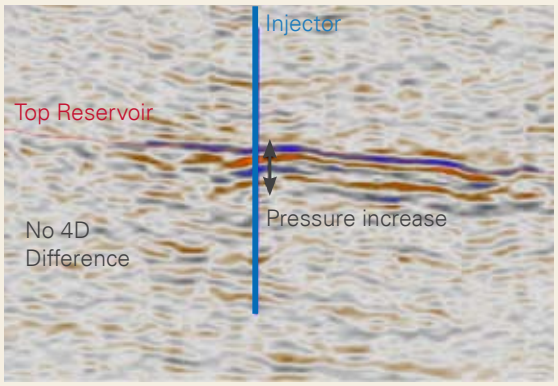
Shipping: With more than 2,400 cargoes delivered from a fleet of nine ships, Woodside has an enviable track record in deliveries.

Agu Kantsler
Executive Vice President Exploration and New Ventures, Mergers and Acquisitions
Agu has been with Woodside since 1995.

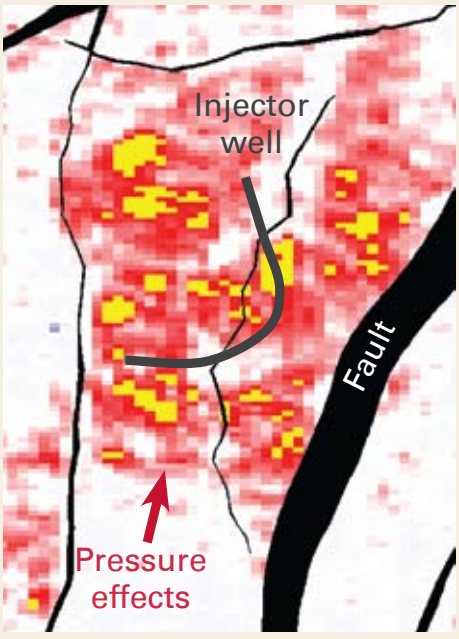
Investing in technology.

Image from Enfield 4D seismic survey

4D (timelapse) seismic allows us to better understand the changing distribution of pressure and fluids in a reservoir.



4D Vertical seismic difference section



Map view

At Woodside we understand that science, technology and the innovative thinking behind them are key tools for ensuring our future. We invest over $11 million directly into approximately 100 technology projects ranging from Woodside-specific projects undertaken by our own staff, collaborative research with industry partners and direct funding of university research. In 2007, over $180 million was invested in technological innovation to make our operations safer, more efficient, effective or environmentally friendly.

Sub-surface expertise

Woodside continues to be a geoscience technology leader in Australia. During 2007, we concluded the first ever Controlled Source Electromagnetic survey (CSEM) offshore Australia. Although in its early stages, we aim to use CSEM data in conjunction with seismic and other subsurface data to gain an improved understanding of the presence / extent of hydrocarbons in a reservoir.

Woodside was the first company in Australia to use 4D (time lapse) seismic to understand production behaviour of a reservoir. We broke new ground by applying the technology only seven months after first production on Enfield, where analysis of 4D seismic along with production data, enabled us to reduce the number of additional production wells needed to develop the field and to optimise their location (see page 22). Appraisal and development wells can cost four to ten times as much as a 4D seismic survey, making this a very cost effective approach.

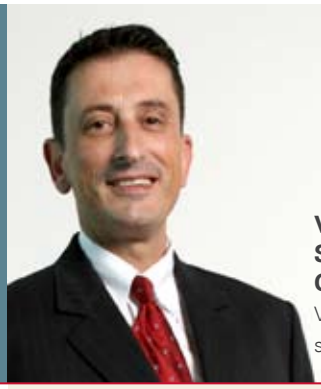
During 2008 we will conduct the first ever multi-azimuth 3D seismic survey in Australia, in addition to continuing our development of the CSEM technique.

Woodside maintains a high level of specialist sub-surface geoscience expertise and aims to be a "fast follower" in the deployment of all new, superior, cost-effective sub-surface tools and knowledge.

Designing for the future

The project work load over the next few years demands new approaches to project contracting. Woodside has developed frame agreements with a number of suppliers and has standardised equipment and designs. Our project teams will have new ways of working, and, to support the delivery of a new LNG project every second year there will,

Technology to improve safety and efficiency.



Vince Santostefano
Senior Vice President Operations
Vince has been with Woodside since 1999.

at any given time, be two separate project teams working in parallel to each deliver alternate LNG trains.

Ensuring safety and efficiency in a changing climate

The Woodside commissioned North West Australian Climate Change Study has improved understanding of 1-in-1000-year cyclone intensities. This will influence the design of offshore production platforms and submarine pipelines to enhance personnel safety and reduce the risk of supply interruptions. Future rainfall and temperature projections for the Pilbara region will be used to enhance LNG plant design.

Minimising our carbon-dioxide emissions

Woodside is a founding member of CO2CRC (Cooperative Research Centre for Greenhouse Gas Technologies), which brings universities, government and industry together. As one of the world's leading collaborative research organisations focused on carbon dioxide capture and geological storage (geosequestration), CO2CRC is running a $30 million research project to test the capability of a depleted gas field to hold reinjected carbon dioxide in the Otway Basin of Victoria. In addition to a financial commitment, Woodside also contributes with technical support for the drilling and sub-surface work of the project.

Improving safety and facility integrity

Over the past two years we have been focusing on improving plant availability through rigorous attention to maintenance routines and elimination of problem areas that repeatedly cause production outages. These efforts have been very successful to date and have been embedded as core operations processes. Integrity management also receives a high level of attention and we have many activities under way to improve this area.

Woodside is funding a three-year PhD research program to understand the human factors that contribute to maintenance failures. The study is in its first year, but we anticipate it will have a positive impact on our facility integrity and safety record.

Woodside and Chevron have established a Professorial Chair in corrosion engineering at Curtin University. The program will deliver post-graduate training for corrosion engineers, technical advice and research. Reducing corrosion will extend the life of Woodside operated infrastructure and reduce the risk of accidents.

Woodside's Intelligent Field Management initiative amalgamates real-time monitoring and analysis of production data such as fluid volumes, composition and pressures with reservoir models to optimise hydrocarbon recovery from the field.

Cutting edge drilling and rigless interventions

Woodside is applying cutting edge, multilateral drilling techniques to develop the challenging Vincent field. These wells optimise recovery and provide maximum exposure to the laterally extensive, thin reservoir whilst reducing the number of well heads, costs and environmental impact.

Woodside's innovative work with big bore wells (page 16) has established a new standard for Australian offshore gas fields.

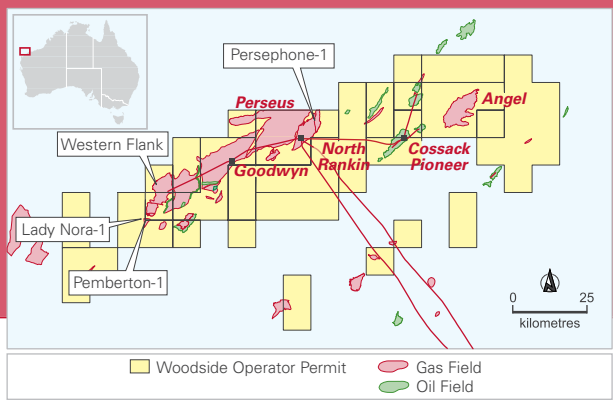
Woodside is also pioneering the use of rigless well intervention vessels in Australia, reducing the time and cost involved in equipment installation, maintenance and repairs. Having provided seed capital to a local company two years ago, the resulting Vessel Deployment System was rolled out in late 2007 and the Subsea Intervention System will be ready to install our Vincent subsea equipment in 2008.

Woodside uses leading edge pore pressure prediction techniques combined with world record riserless drilling technology to drill lowest cost deepwater wells.

The new well intervention equipment undergoing final integration testing in Perth with a Vincent subsea tree (wellhead) in the centre. Installation of the Vincent subsea tree in 2008, will be the first time this type of equipment has been used in Australia.

NORTH WEST SHELF BUSINESS

Eve Howell
Executive Vice President
North West Shelf
Eve joined Woodside in 2006 after 17 years with Apache Energy Ltd.



Fortifying our foundation business.

North West Shelf (NWS)		
Interest	NWS Venture Domestic Gas Joint Venture China LNG Joint Venture	16.67% 50.00%* 12.50%
Operator	Woodside	
Facilities	North Rankin A Platform (NRA) Goodwyn A Platform (GWA) Cossack Pioneer FPSO** Karratha Gas Plant	
Location	~130 km north west of Karratha, WA	
Water depth	80 — 130 metres	
Products	LNG, domestic gas, condensate, crude oil and LPG	
Start up	1984	

* During 2007 Woodside's average share of gas production was ~45%. Woodside's exact share of domestic gas production depends on the quantities and aggregate rate of production.

** Subsequent to the end of the year, Woodside has agreed to buy Shell's NWS oil assets.

At the beginning of 2007, Woodside, as operator of the North West Shelf Venture, delivered its 2,000th LNG cargo to Japan. During the year, Woodside loaded 206 cargoes of LNG, of which 8 were sold on the spot market. Woodside's share of 2007 LNG production was 1.953 million tonnes, consistent with 2006 production levels. This was due to reliable production from the North Rankin and Goodwyn platforms and from Trains 1 – 4 at the Karratha gas plant, which had no significant unplanned down time during 2007.

As a result of strong customer demand, pipeline natural gas production increased in 2007. Condensate and LPG production remained strong throughout the year and was consistent with 2006 levels.

In 2007 system availability was better than in 2006. However, NWS oil production declined in 2007 as a result of natural decline in the Cossack, Wanaea, Lambert and Hermes fields. Although these fields are experiencing natural depletion, sufficient reserves remain for the NWS Venture to consider redevelopment of the fields to extend production beyond 2009.

Perseus over Goodwyn

Development of the western part of the Perseus gas and condensate field via a four-well subsea tieback to the Goodwyn platform is well advanced, with three wells completed and on production. The final well, which has been drilled and completed, will be commissioned in 1H 2008.

Phase V LNG expansion, Train 5

During 2007, engineering and procurement services were completed as well as delivery of all equipment including 75 pre-assembled modules which were shipped from Indonesia. Construction and commissioning of the main components of Train 5 as well as electrical, painting and insulation work is now underway. Completion of this project will add 4.4 million tonnes of annual LNG processing capacity, bringing total capacity at the Karratha gas plant to 16.3 million tonnes per year. Production is expected to ramp up during the fourth quarter of 2008. The project is expected to be completed for less than $2.6 billion, which will be a good achievement in the current industry environment.

Angel

The Angel project, which will supply much of the Train 5 gas, has progressed well during the year. Development of the Angel field began in December 2005. During 2007, the Angel jacket was delivered from China and was launched in position over the Angel field in November. The topsides are under fabrication in Malaysia and are expected to be delivered and positioned onto the jacket in 1H 2008.

The Angel platform will be remotely operated from North Rankin and will have accommodation for visiting maintenance personnel. Gas and condensate will be exported through a 50km subsea pipeline to the first NWS (40 inch) trunkline. In preparation for this, Woodside carried out the world's largest subsea 'hot tap' in September 2007. This involved cutting a 27 inch diameter hole in the trunkline whilst it was under operating pressure. The hot tap avoided shut down of the trunkline and prevented delay to an estimated four to five cargoes of LNG. First production from Angel is expected in the Q3 2008.

Train 5 modules being assembled

Perseus 1C

This project involves drilling one well into the Perseus reservoir and an extended reach well from the North Rankin platform into the Persephone field which was discovered late in 2006. If completed on schedule, the Persephone field will have been developed within 18 months of discovery.

The addition of Persephone reserves, along with better than expected reservoir deliverability from the Perseus field, has allowed deferral of the Western Flank project, and hence significant capital savings over the next few years.

North Rankin

After almost 20 years of North Rankin production, the proposed North Rankin B platform will provide compression to recover low pressure gas from the North Rankin and Perseus fields. The platform will be bridge linked to the existing North Rankin A platform. Engineering and design are nearing completion with a final investment decision expected in 2008 and a potential completion date of 2013.

Exploration / reserves

Continuing the exploration successes of 2006 (Persephone and Pemberton) the Lady Nora discovery added 15 MMboe gas and condensate to proved and probable reserves. Development will be considered post North Rankin B, along with several other fields in the area which make up the Western Flank complex.

Outlook

All eight original Japanese customers have recontracted for NWS Venture LNG. Additional contracts have also been signed with Kogas of Korea and Tohuku Electric of Japan, bringing sales to over 40 million tonnes to be delivered for 6-12 years post 2009, as existing LNG supply contracts expire.

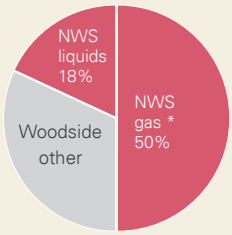
In 2008 Woodside will acquire its first multi-azimuth seismic data over the Tidepole field on the NWS. It is hoped that this technique, which essentially stacks differently oriented 3D seismic surveys, will produce the first clear image of this structurally complex field.

On 8 February, Woodside agreed to purchase Shell's NWS oil assets for US$398.5 million. The sale is subject to aprpoval by Company shareholders, as well as the Board of Shell, standard regulations and joint venture approvals.

North West Shelf production

During 2007, production from the NWS Venture contributed 47.7 MMboe to Woodside's 70.6 MMboe annual production.

*Gas includes pipeline natural gas, LNG and LPG.



NWS key metrics

		2007	2006
Sales revenue	($ million)	2,237	2,263
Net gas production	(MMboe)	34.9	34.2
Net liquids production	(MMbbl)	12.8	12.8
Proved + Probable reserves	(MMboe)	784	808.2
Acreage	(2007, km²)	*Gross* 3,300	*Net* 549

The operations and activities outlined on this page form part of NWS Business Unit. Financial details can be found on page 77.

Launch of the Angel remotely operated platform

Betsy Donaghey
Senior Vice President Australia Business Unit
Betsy has been with Woodside since 2000.

Woodside takes the lead in Australia's fastest growing oil province.

Woodside is operator of, and has a 60% interest in, the Enfield and Vincent oil fields, and also has a 50% interest in the newly developed Stybarrow field. Together these projects form part of the greater Enfield area, one of Australia's fastest growing new oil provinces. These fields lie in deep water off the North West Cape of Western Australia.

Enfield Oil Field		
Interest	WA-28-L, WA-271-P	60%
Operator	Woodside	
Facilities	Nganhurra FPSO	
Location	~40 km off the North West Cape, WA	
Water depth	400 - 550 metres	
Products	Crude oil	
Start up	July 2006	

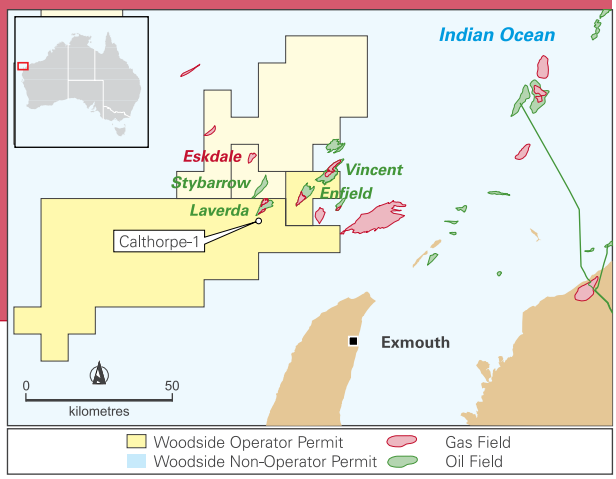
A successful work program was undertaken at Enfield in 2007 to better understand reservoir performance and improve production.

In February 2007 Woodside undertook Australia's first 4D seismic survey over Enfield, which provided insights into field fluid movements. Subsequently, a two well drilling campaign successfully restored production which had been lost in late 2006 due to sand screen issues in a major production well (ENA03).

In September, the ENA03 sidetrack was brought on line. By late December, production had stablised at approximately 50,000 barrels per day. In January 2008, the ENA01 production well was shut in due to sand production. The well will be sidetracked in 2008. In February 2008, production was stable at around 35,000 barrels per day.

The addition of the new water injector has brought the Enfield oil development to five production, seven water injection and two gas injection wells.

Oil is produced to the Nganhurra, a double hulled, disconnectable floating, production, storage and offloading vessel (FPSO).



Vincent Oil Project		
Interest	WA-28-L, WA-271-P	60%
Operator	Woodside	
Location	45 km off the North West Cape, WA	
Water depth	350 - 400 metres	
Project approval	March 2006	
Planned first oil	Q3 2008	
Project size	Medium	

The Vincent field is about 10 km to the north-east of Enfield, and will be developed through a stand-alone FPSO vessel with a double hull.

Like Nganhurra, the Vincent FPSO vessel will have a disconnectable turret to allow it to move away during bad weather. Initial production rates are expected to be in the range of 40,000-50,000 barrels of oil per day, from the first manifold with additional contribution from a second manifold later in the year.

This initial development will comprise eight production, one gas injection and two water re-injection wells. Full field development is likely to require additional wells. The configuration of additional development will be determined in 2008.

The Vincent project is anticipated to produce first oil from one subsea manifold late Q2 2008. A second manifold will then be brought onto production in Q4 2008.

Woodside is applying leading edge technology to develop the thin oil interval via horizontal bilateral wells with an average horizontal well length of 2km. By year end, the first three bilateral production wells had been successfully drilled.

In 2006, some Greater Enfield area (including Vincent) oil production was hedged to effectively manage the economic risk associated with the development. Details of the hedges can be found in the Financial Report on page 102.

In February 2008, the Vincent FPSO was officially named 'Maersk Ngujima-yin' (pronounced Nnh-jeema-yen). Ngujima-yin means 'to dream' in the Thalanyji language and complements the name of the nearby Enfield FPSO 'Nganhurra', which means 'we all' in the Baiungu language. The names of the FPSOs were chosen by the Indigenous people of North West Cape out of respect for past and present Elders.

Stybarrow Oil Field		
Interest	WA-32-L, WA-255-P	50%
Operator	BHP Billiton	
Facilities	Stybarrow Venture FPSO	
Location	~50km off the North West Cape, WA	
Water depth	825 metres	
Project approval	November 2005	
Products	Crude oil	
Start up	November 2007	

The Stybarrow development involves a subsea development of the main Stybarrow field and the satellite Eskdale field via a double-hulled, disconnectable FPSO.

Water depth is about 825 metres, making it Australia's deepest water oil field development. The Stybarrow oil field currently has five production, one gas injection and three water injection wells.

The Stybarrow development started production in November 2007. The ramp-up of all Stybarrow and Eskdale wells proceeded smoothly, with production stabilising at approximately 75,000 barrels a day in mid-December. Eskdale will initially be used for gas reinjection from Stybarrow, for later use as a source of fuel gas.

Exploration

Woodside is active in maturing known discoveries in the area. During 2007, the top hole of the Calthorpe exploration well was drilled. The well will be completed in 2008.

Community initiatives

During 2007, Woodside continued its active community support in the North West Cape area, with the aim of delivering meaningful and sustainable benefits to the people of the region.

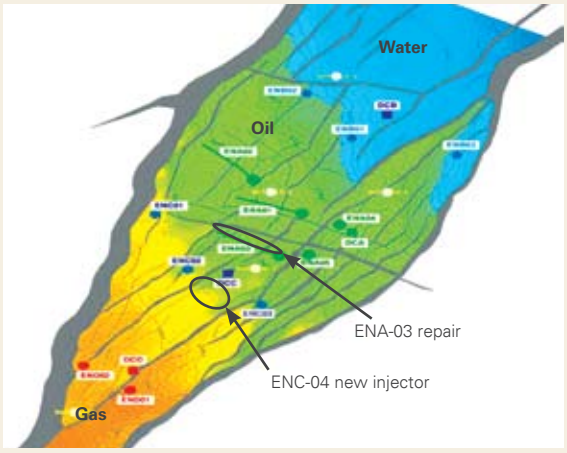
Woodside's community investment program in the region has a focus on education, environment and capacity building. Indigenous cultural and business support programs were also supported in 2007.

Highlights in 2007 included:

- the development of career awareness initiatives for students at Exmouth District High School;
- unique environmental and conservation programs through the Earthwatch Institute (whale shark research) and Conservation Volunteers Australia (rehabilitation of coastal land in Cape Range National Park); and
- support of community events that helped to attract many hundreds of visitors to Exmouth.

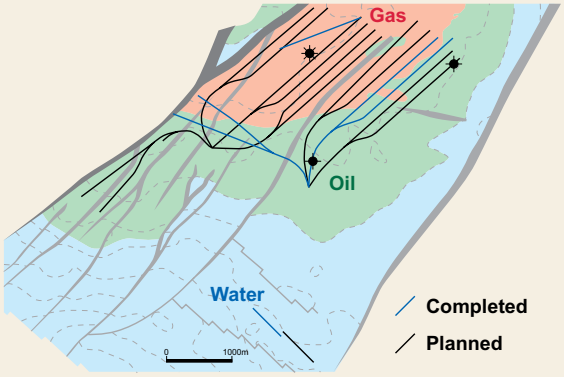
The 'Stybarrow Venture MV16' floating production, storage and offtake vessel (FPSO).

Enfield map showing location of 2007 drilling activity.



Woodside staff at the naming ceremony for the Vincent FPSO 'Maersk Ngujima-yin'.

Woodside is drilling multilateral wells to maximise exposure to the Vincent reservoir.

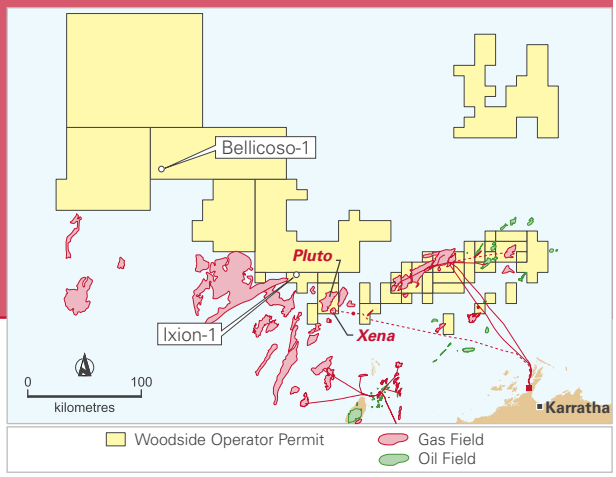


The operations and activities outlined on this page form part of Australia Business Unit. Financial details can be found on page 77.

PLUTO LNG PROJECT

Lucio Della Martina
Senior Vice President
Pluto

Lucio has been with Woodside since 1991.



Pluto is located adjacent to Woodside exploration acreage and a number of undeveloped gas discoveries.

Leveraging our strategic position

Pluto LNG		
Interest	WA-34-L	90%
	WA-350-P, WA-347-P	90%
	WA-269-P, WA-369-P,	50%
	WA-370-P, WA-404-P,	50%
	WA-348-P, WA-353-P	100%*
Operator	Woodside	
Location	190 km north west of Karratha, WA	
Agreage	Gross: 31,428 sq km, Net: 27,308 sq km	
Water depth	400 - 1,000 metres	
Proved Plus Probable Reserves	2007: 655 MMboe, 2006: 484 MMboe	
Planned start-up	December 2010	

* Tokyo Gas and Kansai Electric have options to each take 5% equity in these permits.

Transforming potential into reality

In July 2007, Woodside delivered on its promise to convert its April 2005 discovery of the Pluto field into an LNG project. Woodside's Board approved further expenditure of $11.2 billion to develop Pluto Train 1 and infrastructure. Later spend was also identified to develop the adjacent Xena field, drill additional development wells and add compression facilities.

Pluto foundation case

Located in the Burrup LNG Park, the initial Pluto development will be based on a single train with expected LNG production of 4.3 mtpa.

The development is underpinned by 15 year contracts for up to 3.75mtpa, with Pluto foundation customers and joint venturers, Tokyo Gas and Kansai Electric, who have each taken a 5% equity in the foundation project as part of a combined sales, purchase and shipping commercial package. Additional LNG capacity is available for either the spot market or further contracts.

The Pluto project, on a stand-alone basis generates an internal rate of return of 10-15% (using Board sanctioned assumptions and 5.0 Tcf of recoverable gas). This is expected to generate more than $2 billion revenue per year for Woodside.

The Pluto LNG project is expected to generate thousands of jobs and contribute more than $28 billion to the West Australian economy (based on a two train development), as well as provide significant opportunities for local businesses.

Focussed on project execution excellence

Woodside is constructing the first phase of the Burrup LNG Park to process Woodside's and other resource owners' gas. To ensure that we meet our schedule in the current challenging industry environment, Woodside is focusing on attracting and retaining the right people, engaging contractors with world class expertise and creating a high performance culture based on safety and sustainable development.

In the context of the Pluto project, sustainable development means a focus on cultural heritage, local communities, Indigenous participation and employment, as well as the environment.

Cultural heritage

The Dampier Archipelago is estimated to contain about one million Indigenous rock engravings, of which about 170 boulders with engravings fall within the Pluto development area. The Pluto plant was designed to avoid rock art, and where this was not possible Woodside worked with local communities to relocate engravings. Our rock art relocation program has been 100% successful, resulting in all boulders with engravings in the Pluto development area relocated without damage.

Environmentally efficient LNG

Woodside has taken a leadership role, by committing to offset all reservoir carbon emissions from Pluto. CO_2 Australia has been engaged to devise a program to establish and manage mallee tree plantings to provide that offset. These efforts will make Pluto one of the most environmentally efficient LNG production facilities in the world.

Addressing the people challenges

Pluto is expected to have a construction workforce of up to 3,000 during peak construction. To help accommodate these workers, Woodside is constructing a 1,500 bed camp at Gap Ridge in Karratha. With its focus on LNG, Woodside is able to attract and retain experienced LNG personnel.

Pluto planned timeline

Technical specialists and trades people involved in the construction of the NWS Train 5 project have progressively moved to the Pluto construction project, supporting the business objectives of both projects. To complement construction activity and support the project schedule, operations resources will be provided from Woodside's existing technician training capabilities.

Cost and schedule management

In the current industry environment, cost management is essential. In December 2006, the Woodside Board approved commitments of up to $1.4 billion for site preparation and long lead items for Pluto. By the time the final investment decision was made, most of these funds had been committed, and by the end of 2007, Woodside's level of commitment for the project was close to $5 billion.

During 2008, Woodside expects to spend around $3.4 billion and will have committed around 90% of the estimated total expenditure for Pluto by the end of the year. By securing vital equipment and services in advance, Woodside has been able to reduce both cost and schedule uncertainties for the Pluto project.

Prepared for growth

Feasibility studies for Train 2 are underway. Woodside holds a large portfolio of exploration acreage in the area to the north and west of Pluto. In addition, there are a large number of undeveloped gas discoveries in the area. As a result, Pluto has been designed with expansion in mind.

Facilities constructed as part of Train 1 will allow for expansion for a second LNG train and in some cases, a third LNG train at the site. With land agreements and some of the key environmental approvals in place, this pre-investment will facilitate expansion of the Burrup LNG Park.

Outlook

The key focus for 2008 is project execution excellence comprising no safety incidents, best practice environmental and cultural heritage management, and world class engineering, procurement and construction.

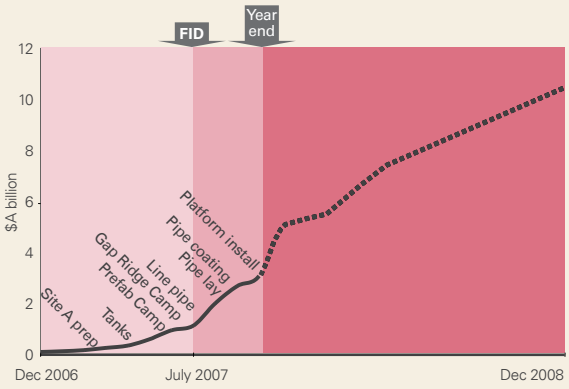
Construction of the storage tanks started on schedule in late 2007.

Fabrication of the LNG train modules in Thailand, dredging activity for the jetty and construction of the jetty structure are scheduled for commencement in 1Q 2008.

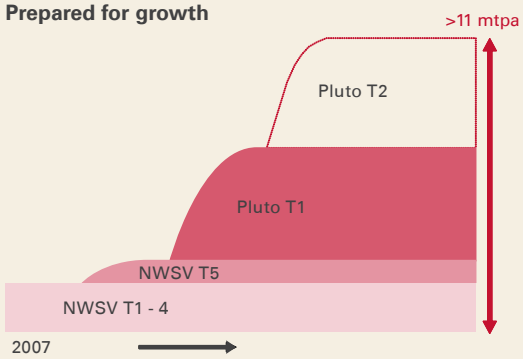
Following detailed design for the pipeline, subsea and platform, construction of the platform jacket in China and topside in Malaysia will also commence in 1Q 2008.

The Pluto project is on schedule with first gas planned for the end of 2010.

Cost management through early procurement commitments



Prepared for growth



Attractive expansion options created

	1 Train	2 Trains	3 Trains
Offshore			
Platform	✓	✓	
Trunkline	✓	✓	
Channel crossing	✓	✓	✓
Onshore			
Land availability	✓	✓	✓
Environmental approval*	✓	✓	
Antifreeze System	✓	✓	
Storage tanks	✓	✓	✓
Jetty	✓	✓	✓

* up to 12 million tonnes approved.

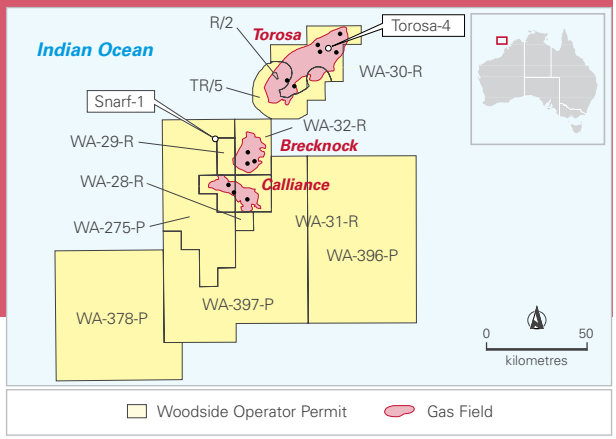
The table shows elements of Pluto Train 1 construction which have been designed to accommodate a second and third LNG processing train.

The official launch of the Pluto LNG project on the Burrup Peninsula.

The operations and activities outlined on this page form part of 'Group and Unallocated' for financial reporting purposes, as outlined on page 77.

BROWSE AND SUNRISE DEVELOPMENTS

Paul Moore
Executive Vice President Development
Paul has been with Woodside since 2005.



Browse permit map showing new exploration titles and location of Snarf.

Progressing sustainable developments.

Browse LNG		
Interest	TR/5, R/2, WA-30-R, WA-31-R, WA-32-R	50%
	WA-28-R, WA-29-R, WA-275-P	25%
	WA-378-P, WA-396-P, WA-397-P	100%
Operator	Woodside	
Location	Offshore 425 km north of Broome, WA	
Acreage	Gross: 2,847 sq km, Net: 1,299 sq km	
Water depth	up to 800 metres	
Start-up	2013 - 2015	

The Browse LNG development will commercialise the significant Torosa, Brecknock and Calliance fields. Currently booked as contingent resources, this potential development could add significantly to Woodside's reserves.

During 2007, Woodside has been working towards reducing uncertainty on field characteristics and volumes to underpin a decision on the most appropriate development concept.

Woodside has acquired a 3D seismic survey in the South Torosa area and Calliance on behalf of the joint venture. Further seismic surveys on Torosa and Calliance will be undertaken early in 2008. This seismic will provide additional delineation of the fields' extent.

In addition, a second appraisal well was drilled in Calliance while two appraisal wells were drilled in the Torosa field. One of these wells, Torosa-4 was also production tested, flowing at a maximum, surface facility constrained rate of 47 MMscf/d. This well has confirmed the presence of a significant area of high quality reservoir in the North Torosa area.

During the year, Woodside was awarded new exploration licences WA-396-P and WA-397-P, adjacent to the Browse development area. These are held 100% by Woodside.

During 2008, Woodside will complete the drilling of the Snarf-1 prospect in WA-275-P. The top hole section was drilled and suspended in July 2007 to accommodate rig availability. In addition, further appraisal drilling of at least three wells, targeted on the Torosa and Calliance fields, will take place during 2008.

During 2007, Woodside evaluated several sites on which LNG facilities could be built, and has matured upstream and LNG engineering concepts. Each option has its advantages and challenges.

Offshore option

Developing liquefaction facilities in the lagoonal waters adjacent to the emergent reef is the lowest cost option providing the simplest solution for carbon sequestration and maximum economic value. However, significant challenges in developing facilities in this environmentally sensitive area could reduce stakeholder support for the development.

Onshore option

Building liquefaction facilities onshore would avoid reef area environmental issues, and could be located in either the Kimberley or Darwin areas. Challenges around land / facility access, remote locations and carbon sequestration would be likely. However, onshore options may present opportunities for shared infrastructure, reducing costs and environmental footprint.

Browse to Burrup option

A pipeline of approximately 1,000 km and compression platform would be required to transport gas to Karratha (NWSV and / or Pluto gas plants) and would add cost and technical challenges, as well as requiring alignment of different joint ventures. However, it would minimise land access issues.

Woodside is maturing offshore and onshore development concepts in parallel, to ensure identification of the optimal technical, commercial and sustainable solution for field development.

Marketing

During 2007, Woodside signed Key Terms Agreements* with PetroChina Company Ltd and CPC Corporation, Taiwan, each for the supply of 2-3 million tonnes of LNG over 15 to 20 years from Browse, commencing in 2013 – 2015.

These agreements are significant to the extent that they underline buyer confidence in Woodside's ability to mature this development and deliver in the agreed timeframe. In addition, they confirm the presence of new buyers in the LNG market and illustrate the continued strength of LNG markets in south-east Asia.

* A Key Terms Agreement sets the key comercial terms, including price, for good faith negotiations.

Signing the Key Terms Agreement* with PetroChina.

Sunrise LNG Project

Sunrise LNG		
Interest	JPDA 03-19, JPDA 03-20, NT/RL 2, NT/RL4	33.44% (unitised)
Operator	Woodside	
Location	Offshore 450 km north west of Darwin, NT 150 km south of Timor-Leste	
Acreage	Gross: 2,998 sq km, Net: 958 sq km	
Water depth	75 - 750 metres	
Start-up	4-5 years post final investment decision	

The Sunrise field is currently a contingent resource which could add significantly to Woodside's reserves. Its gas contains a high proportion of condensate and a relatively low proportion of carbon-dioxide, making it an attractive development option.

Following ratification of the International Unitisation Agreement (IUA) and the Certain Maritime Arrangements in the Timor Sea Treaty (CMATS) in January 2007, Woodside has established a Sunrise team and has set up a representative office in Dili.

Woodside is currently considering three possible development options for building liquefaction facilities for Sunrise. These options include building LNG facilities onshore in Darwin or Timor Leste or on a floating LNG facility.

During 2007, the Sunrise team has been focused on refining the three development concepts to incorporate significant technology and cost changes since work was last carried out in 2004.

In addition, during 2007 a review of subsurface field information has been undertaken resulting in reduced contingent resource estimates. The existing 3D seismic data over the field is also being reprocessed utilising current technology and is being interpreted and integrated into reservoir models to improve understanding of the field's deliverability.

Outlook

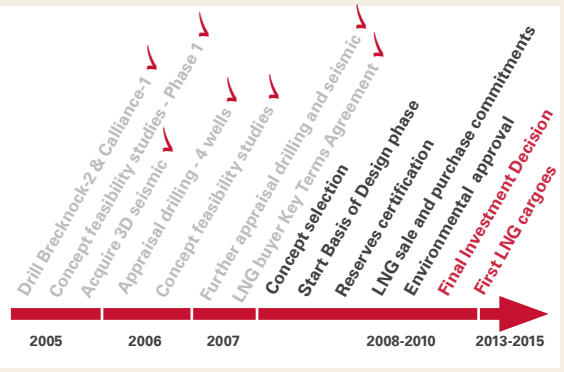
The key focus for 2008 will be balancing economic, environmental and social drivers to determine the optimal site location for Browse and Sunrise developments.

Following selection of the LNG sites, development concepts for both Browse and Sunrise can be progressed during 2009.

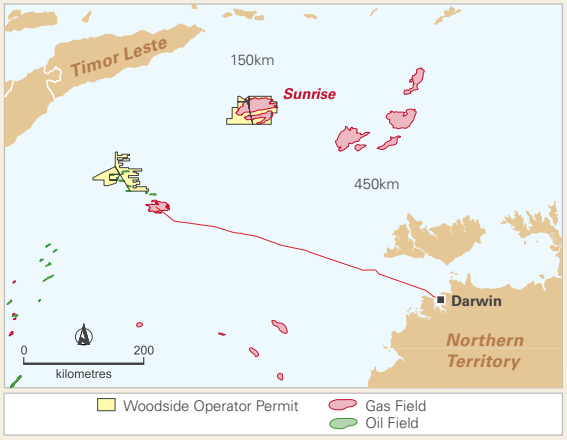
The Browse project is on schedule for delivery of first LNG within the 2013 - 2015 window.

Browse: multiple development options

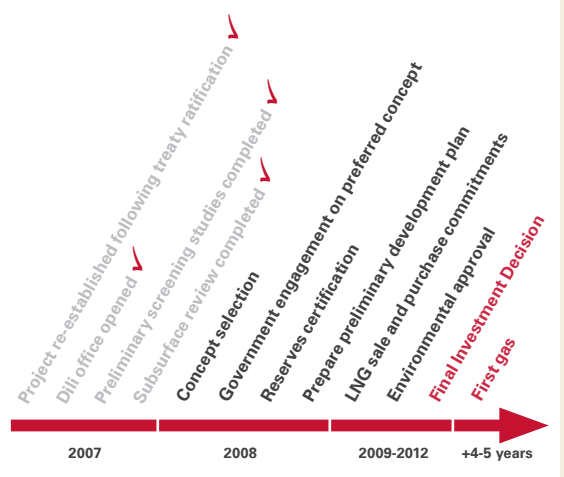
Browse planned timeline



Sunrise: permit map



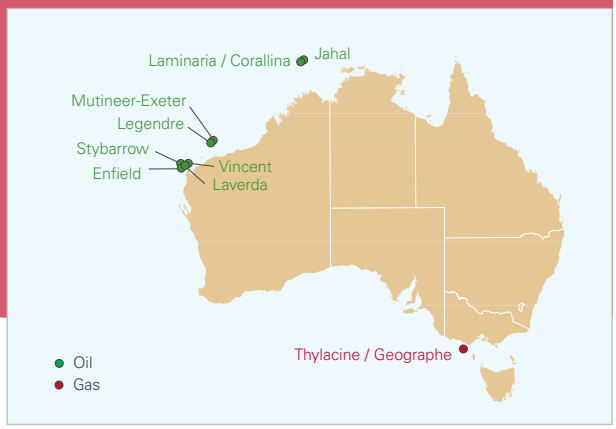
Sunrise planned timeline



The operations and activities outlined on this page form part of 'Group and Unallocated' for financial reporting purposes, as outlined on page 77.

OTHER AUSTRALIA AND ASIA BUSINESS

The Otway gas plant near Port Campbell, Victoria.



Woodside's foundation business also comprises a number of other Australasian assets.

Otway Gas		
Interest	T/L2, T/L3, VIC/L23, VIC/P43, T/30P, T/34P VIC/P37(V)*	51.55% 62.5%
Operator	Woodside	
Facilities	Thylacine Wellhead Platform, Otway Onshore Gas Plant, Subsea onshore gas and liquid pipelines	
Location	Otway Basin, offshore Victoria, 70 km south of Port Campbell	
Water depth	85-100 metres	
First gas	September 2007	
Products	Gas, Condensate, LPG	

* Woodside sold its interest in this permit on 6 February 2008.

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

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

During 2007, Woodside completed the construction of the Otway Gas plant, which processes gas from the offshore Thylacine field.

First gas was exported from the plant in September 2007. However, start-up issues at the gas plant caused production to be shut in for most of Q4 2007. Production was restored in February 2008.

Woodside will commence LPG and condensate production once stable gas production is achieved. Pipeline gas, LPG and condensate will be sold to Australia's east coast markets.

Woodside is considering Phase 2 development opportunities, which include tie-in of the Geographe field, tie-in of the Thylacine North field and development of onshore compression facilities to enhance recovery of low pressure gas from the fields.

The Laminaria and Corallina fields have been producing oil since 1999 and are now in natural decline. Work carried out during 2006 and early 2007 to improve recovery, particularly from the Laminaria field, successfully increased production through Northern Endeavour, a floating, production, storage and offloading vessel (FPSO) to over 19,000 barrels per day by Q3 2007.

Towards the end of September, a gas leak was detected in the Corallina riser, which connects the field to the FPSO. Woodside shut in the Corallina field which was at the time producing around 12,000 barrels of oil per day. At year end production through Northern Endeavour had fallen to about 6,000 barrels of oil per day.

Work during 2008 will focus on reinstating production from the Corallina field and drilling an appraisal well in the Corallina field.

Mutineer / Exeter Oil		
Interest	WA-26-L, WA-27-L	8.20%
Operator	Santos	
Facilities	Modec Venture 11 Production, Storage and Offtake vessel	
Location	~150km north of Dampier, WA	
Water Depth	~165 metres	
Products	Crude oil	
Start-up	March 2005	

Woodside is a non-operating participant in the Mutineer/ Exeter Joint Venture. Production in 2007 was impacted by electrical damage, which affected the operation of subsea pumps on a number of occasions. Production averaged 31,000 barrels of oil a day over the year. However, at year end production had fallen to 5,000 barrels of oil a day with none of the subsea pumps operating. Work during 2008 will focus on repairing the electrical damage and drilling at least one near-field exploration well. The Mutineer-13 appraisal well was unsuccessful.

Woodside sold its 8.2% interest in exploration licence WA-191-P to Tap (Shelfal) Pty. Ltd. in August 2007.

Legendre

In March 2007, Woodside completed the sale of its interests in the Legendre oil hub to Apache Northwest Pty. Ltd. for US$65 million. The assets in the sales package included Woodside's 45.94% interest in the Legendre field, production licence WA-20-L and varying interests in neighbouring exploration acreage.

The Legendre field had been producing since May 2001 and was approaching end of field life. The decision to divest the Legendre field was made as part of Woodside's ongoing portfolio management process, which strives to align Woodside's ownership of specific oil and gas assets with the company's strategic objectives.

Woodside participated in the Norbill well, drilled in WA-1-P, which was a dry hole.

Timor Sea

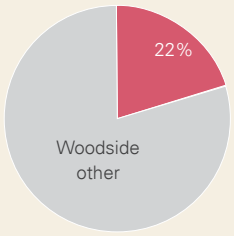
In September 2007, Woodside completed the sale of its 40% interest in JPDA 06-105 Jahal Assets (Kuda Tasi and Jahal fields), by selling the entity Woodside Petroleum (Timor Sea 1) Pty Ltd to ENI International BV.

Duntroon Sub-Basin (Great Australian Bight)

Woodside relinquished its 90% interest in EPP28, EPP29, EPP30 and EPP31 as part of continued portfolio high-grading.

Australian non-NWS Venture production

During 2007, Australian non-NWS production contributed 15.8 MMboe to Woodside's annual production.



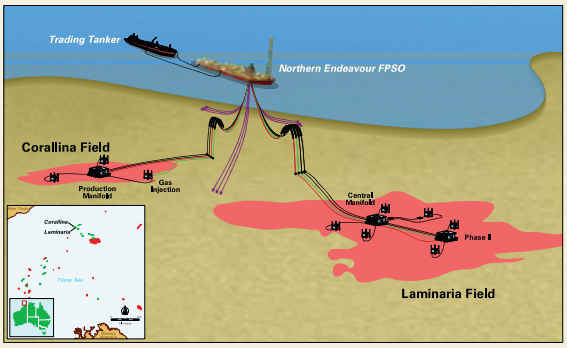
Australian (non-NWS) key metrics

		2007	2006
Sales revenue	($ million)	1,382	981
Net gas production	(MMboe)	0.03	-
Net liquidsproduction	(MMboe)	15.8	11.6
Proved + Probable reserves	(MMboe)	215	225.8
Acreage	(2007, km²)	*Gross* 48,206	*Net* 27,995

* These figures include all Woodside's Australian assets outside the NWS Venture, apart from Pluto, Browse and Sunrise.

The operations and activities outlined on this page form part of Australia Business Unit, except Korea, for financial reporting purposes, as outlined on page 77. Korea is included in Group and Unallocated.

Laminaria Corallina Field



During 2008, Woodside will replace the Corallina riser to the Northern Endeavour FPSO.

Asia

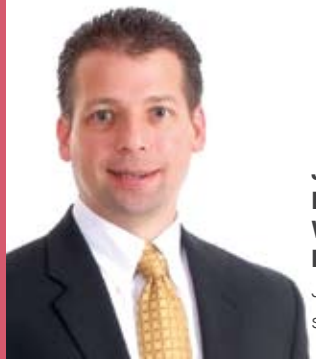
Papua New Guinea

Woodside sold its 40.45% interest in Petroleum Retention Lease 10 (Uramu field) by selling the entity Woodside Petroleum (PNG) Pty Ltd to ML Energy Investment Fund International. The sale was completed in May 2007 and concludes Woodside's exit from PNG as part of ongoing portfolio management.

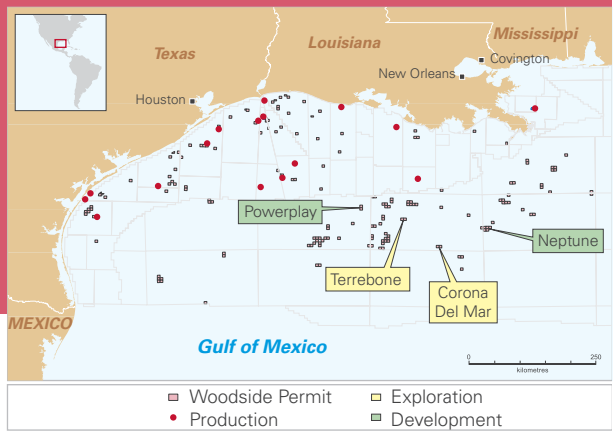
Korea

Woodside holds a 50% operator interest in offshore Block 8/6-1N, which covers 12,560 square kilometres (6,280 sq km net interest). A 3,500 km 2D seismic survey over block 6/8-1N is planned for 2008.

AMERICAS BUSINESS



Jeff Soine
President
Woodside Energy (USA) Inc.
Jeff has been with Woodside since 2005.



Deep water potential in a stable, proven province.

Gulf of Mexico shelf production	
Producing fields	15 - 20 fields
Operated fields	12 fields
Water depth	5-100 metres
Average interest	27% (reserve basis)
Annual production	2.6 MMboe

During 2007, Woodside produced oil, gas and condensate from 19 fields. Net production in 2007 averaged approximately 37 mmcfg per day and 550 bbls of liquids per day. Mustang Island 804 was brought back into production in July, following pipeline installation work, at a net rate of 15 mmcfg per day and 110 bbls of liquids per day.

Gulf of Mexico deep water

Neptune Oil Project		
Interest	AT 573-575, 617, 618	WI 20.0% NRI 17.5%
Operator	BHP Billiton	
Location	Atwater Valley 220 km offshore Louisiana	
Water depth	~2,000 metres	
Project approval	Mid-2005	
Planned first oil	1H 2008	
Project size	Small	

WI Working Interest NRI Net Revenue Interest

The Neptune field is a multi-well subsea development tied back to a stand alone Tension Leg Platform with a production capacity of up to 50,000 barrels of oil per day and 50 million standard cubic feet of gas per day. At the end of 2007, four wells had been drilled and completed and the fifth development well was in the process of being drilled. First oil is expected during late Q1 2008.

Powerplay Oil Project		
Interest	GB 302	WI 19.0% NRI 15.5%
Operator	Anadarko	
Location	Garden Banks 200 km offshore Louisiana	
Water depth	700 metres	
Project approval	1H 2007	
Planned first oil	Q3 2008	
Project size	Small	

WI Working Interest NRI Net Revenue Interest

Powerplay was discovered in August 2006, and will be developed via a one well subsea tieback to existing infrastructure. Development work is anticipated to continue through the first half of 2008.

Gulf of Mexico exploration

Woodside drilled its first operated deepwater exploration well, Corona del Mar, in Green Canyon Block 949, during 2007. Woodside holds a 14% net working interest. The well encountered hydrocarbon shows before being suspended pending a decision on whether to sidetrack the well updip in 1H 2008.

The deepwater Terrebonne well was also drilled in Green Canyon Block 452 in late 2007. Woodside farmed down its 100% interest to a 40% net working interest with only 8% cost exposure in the initial exploration well, in order to share risk. The well was unsuccessful.

During 2007, Woodside won 14 new deepwater leases in the deepwater regions of the Gulf of Mexico, capturing 11 exploration leads against strong competition, at a total net cost of US$26 million.

Woodside Energy USA

In 2005, Woodside formed an alliance with Explore Enterprises to provide management of our Gulf of Mexico business, while we developed our own regional capability. Three years later, having grown our capability, Woodside resumed management of its Gulf of Mexico assets in February 2008.

Neptune Platform.

Oceanway

Woodside has submitted an application for a USA Deepwater Port permit and a related pipeline permit to facilitate delivery of LNG to the Los Angeles area and beyond.

Oceanway will minimise environmental disturbance by avoiding the need for an onshore LNG terminal or an offshore platform. Instead, LNG will be converted into regular natural gas onboard ship, and delivered via an underwater buoy and underground pipeline to customers in the United States.

During 2007, the Oceanway application was deemed complete. This is a significant milestone, and means that the proposal will now go through a process of community consultations prior to consideration at local, state and federal level. Woodside expects this process to be completed by Q3 2009. Oceanway will offer Woodside an alternative LNG market in the United States.

South America

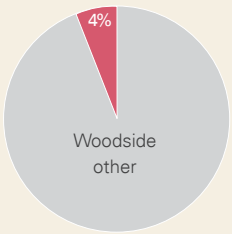
As part of our portfolio of potential new business opportunities, Woodside holds offshore acreage in Brazil.

Brazil exploration

Woodside acquired a 25% interest in nine offshore exploration blocks covering 2,095 km^2 of the Santos Basin in south eastern Brazil in November 2006. The blocks are about 180 km south east of Sao Paulo and approximately 60 km from Petrobras' 3.5Tcf Mexilhao gas field. The acreage lies in water depths ranging between 150 and 500 metres and is operated by Repsol YPF.

During 2007, Woodside participated in the acquisition of 987 km^2 of 3D seismic which covered blocks S-M-670, 728, 789, 616, 617, 673 and 674 and part of block S-M-675. One exploration well is planned for 2008/9.

Gulf of Mexico production



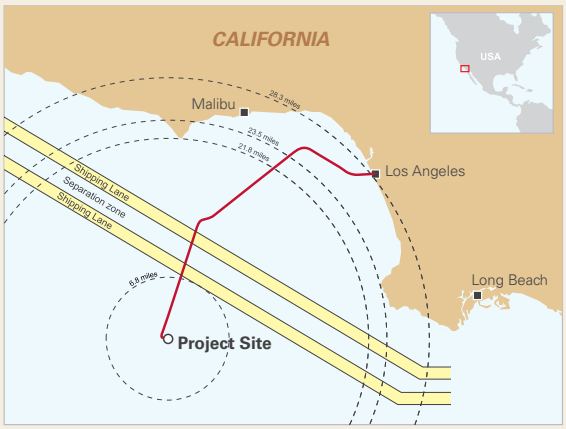
During 2007, our United States business contributed 2.6 million barrels of oil equivalent to Woodside's production.

Gulf of Mexico key metrics

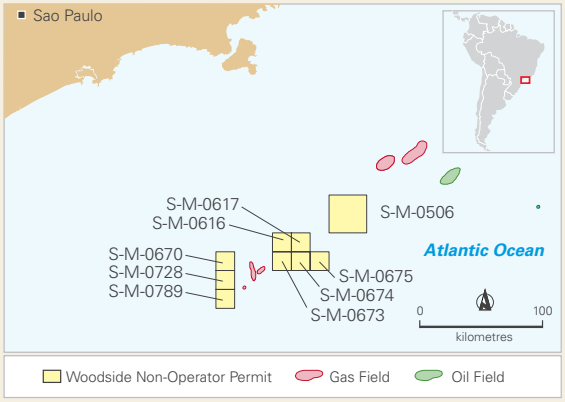
		2007	2006
Sales revenue	(A$ million)	158	157
Net production	(MMboe)	2.6	2.6
Proved + Probable reserves	(MMboe)	30	36
Acreage	(2007, km^2)	*Gross* 4,755	*Net* 2,012

The operations and activities outlined on this page form part of the United States Business Unit, except Brazil for financial reporting purposes, as outlined on page 77. Brazil is included in Group and Unallocated.

Oceanway



Brazil



Woodside has an interest in 9 blocks covering 2,095 sq km (524 sq km net to Woodside).

MIDDLE EAST AND AFRICA BUSINESS

Feisal Ahmed
Senior Vice President
Middle East and Africa
Feisal has been with Woodside since February 2007.

Reviewing options to maximise value.

Libya

Onshore Exploration — *Woodside 45% (operator)*

Sirte Basin Gas

Woodside continued its exploration and appraisal program, acquiring 476 km² exploration and 382 km² appraisal 3D seismic and completing the drilling of four exploration wells in the Sirte Basin during 2007. In the NC206 block, Woodside made a gas/condensate discovery in the Tocra field, which was not booked to reserves at the end of 2007, while the C1-NC206 well encountered non-commercial hydrocarbons.

Sirte Basin Oil

Woodside achieved commercial flow rates from a production test of the 2006 Zahra field discovery at A1ST1-NC209*. This field is being appraised with the A2-NC209 well. The B1-NC209 exploration well encountered non-commercial hydrocarbons, and it was temporarily plugged and abandoned. The A1-NC207 exploration well which commenced in December 2007 was unsuccessful.

Murzuq Basin Gas

In the Murzuq Basin, two wells (one spudded in 2006) were drilled in NC210 to appraise the 2006 gas discoveries.

During 2008, Woodside will continue to drill onshore oil and gas exploration and appraisal wells.

Offshore Exploration — *Woodside 55% (operator)*

Woodside drilled four wells in a frontier offshore area which is an extension of the prolific, onshore Sirte Basin. One well encountered hydrocarbon shows which were encouraging but non-commercial. The other wells were dry.

* A1ST1-NC209 was a sidetrack of the 2006 A1-NC209 exploration well which successfully tested the lower reservoir zone with a flow rate of 2,592 bopd on a 1"choke from a 24' perforation interval. The well has been suspended as a future producing well.

Algeria

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

In 2007, the Ohanet Joint Venture received its full revenue entitlement of US$54.6 million (Woodside share), which equals 1,363,884 barrels of condensate and 111,053 tonnes of LPG (at a 10 year average price at the time of initial production).

Onshore Exploration — *Woodside 26.25 – 37.5% (non-operator)*

Woodside holds a 26.25% interest in the Repsol operated Block 401d and a 37.5% interest in the BHP Billiton operated Ksar Hirane Blocks 408a and 409.

Sierra Leone

Offshore Exploration — *Woodside 50% (non-operator)*

Woodside is reviewing its options to farm down its equity in blocks SL-6 and SL-7. These blocks cover an area of 10,567 km² in water depths ranging from 50 to 400 metres. Repsol YPF operates both these leases.

Production test at the A1-NC209 well in Libya.

Liberia

Offshore exploration *Woodside 100% (operator)*

Woodside was awarded a 100% interest and operatorship of the offshore block LB-15 in 2005 which covers 3,400 km^2, with water depths ranging from 50 to 4,000 metres. Lease ratification by the Liberian parliament is expected in 2008. Woodside is reviewing its options to reduce its equity in this block.

Kenya

Offshore exploration *Woodside 30% (operator)*

At the end of 2006 / early 2007 Woodside drilled the deepwater Pomboo-1 well in Block L-5 of the untested sector of the Lamu Basin. The well failed to encounter hydrocarbons. The current exploration period in blocks L-5 and L-7 will expire in June/July 2008.

Canaries

Offshore exploration *Woodside 30% (non-operator)*

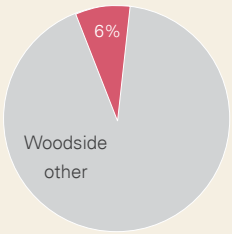
Woodside holds a 30% interest in the Canaries 1-9 blocks. Activity in this acreage is currently suspended until such time as the Royal Decree is reinstated.

Mauritania *Woodside exited*

In September 2007, Woodside announced that it had agreed to sell its Mauritanian interests to Petronas Australia Pty Limited. The sale included all Woodside's onshore and offshore producing, development and exploration interests in Mauritania. The sale was completed on 25 December 2007, with a final sale price of $518.3 million. This involved a write down of $233 million as detailed on page 9. Prior to the sale, the Chinguetti field produced 2.2MMboe during 2007.

Middle East and Africa production

Woodside's African production included Chinguetti for most of the year, supplemented by a full year of Algerian Ohanet condensate volumes.

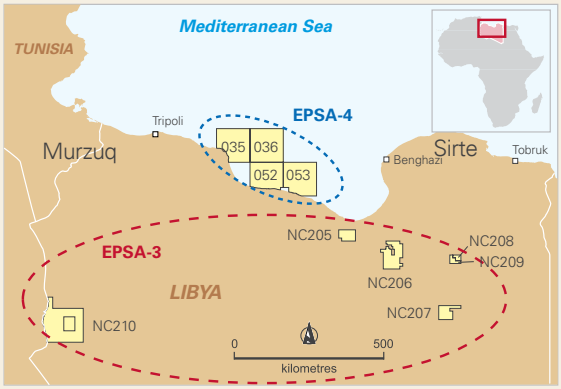


Africa key metrics

		2007	2006
Sales revenue	($ million)	228	409
Net production	(MMboe)	4.5	6.8
Proved + Probable reserves	(MMboe)	4.9	26.1
Acreage	(2007, km^2)	*Gross* 113,180	*Net* 51,588

The operations and activities outlined on this page form part of the Middle East & Africa Business Unit for financial reporting purposes, as outlined on page 77.

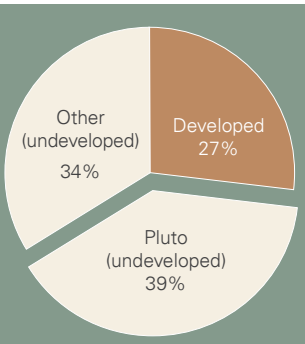
Libya exploration acreage



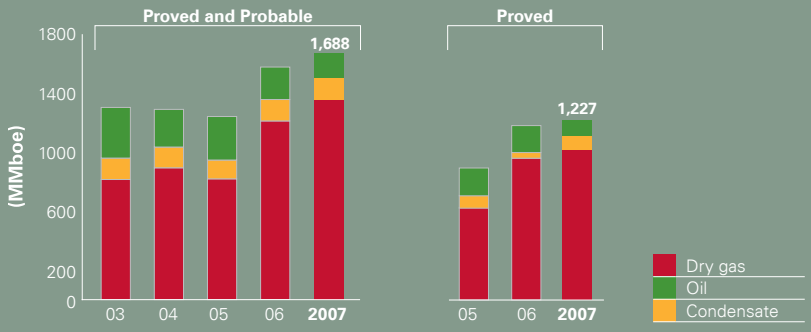
Woodside holds onshore and offshore interests in Libya.

Woodside acquired 3D seismic data in block NC206 in Libya.

RESERVES STATEMENT | 31 December 2007



Total undeveloped reserves are 73%



Woodside's Reserves[1] Overview

	2007	Comparison to 2006	% Change
Proved[2] (MMboe)	1,227.1	+34.2	+3%
Proved + Probable[3] (MMboe)	1,688.1	+108.2	+7%
Reserves Replacement Ratio (RRR)*	334%	+17%	+17%
Reserves Life	25 years	+1	+1%
Contingent Resources[4]	2,403	-738.0	-24%

* Organic 3 year average reserves replacement ratio

- Proved plus Probable Reserves[3] of 1,688.1 MMboe were 6.85% higher than last year, largely as a result of new bookings (North West Shelf gas fields) and field revisions (including further Pluto booking) of 194.7 MMboe, partly offset by divestments of 19.8 MMboe and annual production (66.7 MMboe)[5].

Key metrics

		Proved	Proved + Probable
Reserves Replacement*	%	265	334
3yr RRR	%	245	306
2007 RRR	%	151	262
2007 RRR Organic	%	166	292
Reserves Life	Years	18	25
Production[5]	MMboe	-66.7	-66.7
Divestments	MMboe	9.5	19.8

RRR: Reserves Replacement Ratio[6]

- Proved Reserves increased by 34.2 MMboe as a result of new bookings and other net upward revisions (110.4 MMboe), partly offset by divestments of 9.5 MMboe and annual production (66.7 MMboe) resulting in a closing balance of 1,227.1 MMboe (3% increase).

'Proved Plus Probable' Reserves annual reconciliation by product

(Woodside share, as at 31 December 2007)

	Dry Gas[7] Bcf	Condensate[8] MMbbl	Oil MMbbl	Total MMboe[11]
Reserves (as at 31 December 2006)	6,921	144.6	221.1	1,579.9
Revisions of previous estimates[12]	995	13.5	-8.4	179.6
Extensions and Discoveries[13]	72	2.3	-	15.0
Acquisitions and divestments	-	-	-19.8	-19.8
Annual Production	-204	-8.2	-22.8	-66.7[5]
Reserves (as at 31 December 2007)*	7,785	152.1	170.2	1,688.1

'Proved Plus Probable' Reserves Summary by Project

(Woodside share, as at 31 December 2007)

Project	Dry Gas[7] Bcf	Condensate[8] MMbbl	Oil MMbbl	Total MMboe[11]
North West Shelf	3,775	101.9	19.6	783.7
Pluto	3,498	41.0	-	654.8
Otway	450	6.0	-	84.9
Enfield	-	-	39.4	39.4
Vincent	-	-	43.8	43.8
Stybarrow and Eskdale	-	-	34.2	34.2
Gulf of Mexico Fields	50	0.5	20.8	30.1
Laminaria and Corallina	-	-	11.3	11.3
Ohanet (Algeria)	13	2.6	-	4.9
Exeter and Mutineer	-	-	1.2	1.2
Reserves (as at 31 December 2007)*	7,785	152.1	170.2	1,688.1

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

95% of the Company's Proved Reserves have been externally verified within the past four years.

Review of Assets

North West Shelf

		Proved	Proved + Probable
Dry Gas	Bcf	3,389	3,775
Condensate	MMbbl	70.6	101.9
Oil	MMbbl	11.2	19.6

New Reserves bookings were made for the Lady Nora discovery (40 Bcf Dry Gas and 1.2 MMbbl Condensate Proved and 72 Bcf Dry Gas and 2.3 MMbbl Condensate Proved plus Probable Reserves). In addition, under the new 2007 SPE PRMS* guidelines an incremental 406 Bcf Dry Gas Proved was booked, which takes into account the independence of the individual North West Shelf field reservoir characteristics.

In addition to production, negative revisions of 2.6 MMbbl Proved and 13.4 MMbbl Proved plus Probable Oil Reserves were the result of multi-disciplinary studies on Cossack Wanaea Lambert and Hermes and the transfer of Egret Reserves to Contingent Resources (5.1 MMbbl).

Note: These volumes do not include the agreement to purchase reserves from Shell, which was signed on 8 February 2008 (see page 120).

Enfield Area

		Proved	Proved + Probable
Enfield	MMbbl	17.7	39.4
Stybarrow & Eskdale	MMbbl	25.9	34.2
Vincent	MMbbl	24.0	43.8

Positive Reserves revisions for Enfield (0.9 MMbbl Proven, 5.6 MMbbl Proved plus Probable) were offset by 2007 production.

The Stybarrow Development started production in November 2007. Woodside's share of the combined Stybarrow and Eskdale remaining Oil Reserves at year end 2007 was lower due to production.

Vincent development activities proceeded as planned during 2007 and production is scheduled to start during 2008. Woodside's share of Oil Reserves for Vincent was unchanged at year end.

Pluto

		Proved	Proved + Probable
Dry Gas	Bcf	2,122	3,498
Condensate	MMbbl	24.9	41.0

The Pluto LNG project achieved formal sanction in July 2007 allowing additional volumes (Proved 212 Bcf Dry Gas, 2.1 MMbbl Condensate and Proved plus Probable 917 Bcf Dry Gas and 10.3 MMbbl Condensate) to be transferred to Reserve categories.

* See page 36.

Other Australian

		Proved	Proved + Probable
Laminaria & Corallina	MMbbl	5.5	11.3
Mutineer & Exeter	MMbbl	0.5	1.2
Otway Dry Gas	Bcf	294	450
Otway Condensate	MMbbl	3.8	6.0

Positive Reserve revisions for Laminaria and Corallina (3.2 MMbbl Proved, 0.1 MMbbl Proved plus Probable) were offset by 2007 production.

Positive Reserve revisions for Exeter and Mutineer occurred at the Proven level. At the Proved plus Probable Reserves level Exeter had a positive revision while Mutineer had a negative revision.

Woodside's share of Dry Gas Reserves for Otway was unchanged at year end.

Africa

		Proved	Proved + Probable
Ohanet Dry Gas	Bcf	12	13
Ohanet Condensate	MMbbl	2.6	2.6

The revision in Reserves at both levels reflects revised project costs, effective production entitlement and revisions to future production forecasts associated with the risk services contract[15].

Americas

		Proved	Proved + Probable
Neptune Oil	MMbbl	13	19.6
Neptune Gas	Bcf	8	12
Other US Oil	MMbbl	1.1	1.2
Other US Gas	Bcf	23	38
Other US Condensate	MMbbl	0.4	0.5

Woodside share, net of royalty, of Neptune Reserves was unchanged.

Woodside's remaining hydrocarbon assets in the Gulf of Mexico are predominantly gas fields and are either in production or under development.

Divestments

		Proved	Proved + Probable
Chinguetti	MMbbl	9.5	19.1
Legendre	MMbbl	-	0.7
Divestments	MMbbl	9.5	19.8

Contingent Resources

Contingent Resource annual reconciliation by product*

(Woodside share, as at 31 December 2007)

	Dry Gas[7] Bcf	Condensate[8] MMbbl	Oil MMbbl
Contingent Resources (as at 31 December 2006)	15,323	310.8	141.9
Transfers to Reserves Category*	-522	-5.4	5.1
Revisions of previous estimates[12]	-2,357	-46.4	-21.5
Extensions and Discoveries[13]	6	0.2	0.0
Acquisitions and divestments	-658	-4.6	-45.8
Contingent Resources (as at 31 December 2007)*	11,792	254.5	79.7

Major Contingent Resource projects*

(Woodside share, as at 31 December 2007)

Field(s)	Dry Gas[7] Bcf	Condensate[8] MMbbl	Oil MMbbl
Torosa, Calliance and Brecknock	8,645	145.1	-
Sunrise and Troubadour	1,820	81.3	-
Pluto and Xena	960	11.9	-
North West Shelf	277	14.1	17.6
Enfield, Laverda, Vincent, Stybarrow and Eskdale	-	1.0	54.6
Other[14]	90	1.1	7.5
Total (by product)	11,792	254.5	79.7
Total (MMboe)		2,403	

In accordance with the new 2007 SPE PRMS all Contingent Resource volumes are now reported at the 'P50' confidence level, exclude current estimates of Upstream Fuel and Flare and non-hydrocarbon content of Dry Gas Contingent Resources at sales product specifications.

Contingent Resources are those hydrocarbons which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be technically mature and/or commercially viable.

At 31 December 2007, Woodside's share of Contingent Resources was 2,403 MMboe, down from 3,141 MMboe at year end 2006. Approximately 40% of the reduction was due to the new SPE PRMS reporting changes. The transfer of Pluto volumes to Reserves, divestment of assets and downward revision of Sunrise and Troubadour volumes (161 MMboe) due to development studies, accounted for the rest.

In 2007, Woodside completed divestment of the Mauritania, Jahal and Papua New Guinea assets resulting in a 165 MMboe reduction in Contingent Resources.

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

Governance and Assurance

Woodside, as an Australian company listed on the Australian Securities Exchange, reports its hydrocarbon 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 Reserve estimation. Dry Gas Reserves are reported inclusive of LPG sales products. Unless otherwise stated, all hydrocarbon resource estimates are quoted as net Woodside share at standard conditions of 14.696 psia, 60 degrees Farenheit (101.324 KPa, 15.56 degrees Celsius).

Woodside has several processes to provide assurance for its Reserves reporting, including Woodside's Hydrocarbon Reserves Policy and management process, staff competency standards and training, and external Reserves audits. The audit program is aimed at having all major Reserves bookings verified, as a minimum, at least once every four years. More than 95% of Woodside's Proved[2] Reserves have been verified by independent review within the past four years.

Notes to the Reserves Report

1 'Reserves' are estimated volumes that have been demonstrated to be producible from known resources 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) fuel and flare gas required for production and non-hydrocarbons not present in sales products.

2 'Proved Reserves' are those Reserves which analysis of geological and engineering data suggests, to a high degree of certainty (90% confidence), are recoverable. There is relatively little risk associated with these Reserves.

3 'Probable Reserves' are those Reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. There is at least a 50% probability that the quantities actually recovered will exceed the sum of estimated Proved plus Probable Reserves.

4 'Contingent Resources' are those volumes associated with a hydrocarbon discovery for which implementation cannot be shown with sufficient confidence to be technically sound or commercially viable, but which could mature based on reasonable assumptions about the success of additional data gathering, improved reservoir management, a maturing technology from current research, relaxations in the market constraints and/or terms and conditions for implementing such a project. In general, there is a large degree of uncertainty associated with these volumetric estimates and they should not be assumed to necessarily represent future Reserves bookings.

5 'Annual Production' means the volumes of Dry Gas, Condensate and Oil (see Notes 7 and 8) produced during the year and converted to "MMboe" (see Note 11) for the specific purpose of Reserves reconciliation and the calculation of Annual Reserves Replacement Ratios. The Reserves Statement Annual Production differs from production volumes reported in the Company's annual and quarterly reports due to differences in the sales product definitions and the "MMboe" conversion factors applied.

6 The term 'Reserves Replacement Ratio' means Reserves change during the year, before the deduction of production, divided by production during the year. The term 'Three-year Reserves Replacement Ratio' means Reserves change over the three years, before the deduction of production for that period, divided by production during the same period. The term 'Organic annual Reserves Replacement Ratio' means Reserves change during the year, before the deduction of production and adjustment for acquisition and sales, divided by production during the year.

7 'Dry Gas' is defined as 'C4 minus' hydrocarbon 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 products.

8 'Condensate' is defined as 'C5 plus' hydrocarbon components for NWS Venture and Otway Basin fields, but is sales product for the Ohanet project.

9 'Bcf' means Billions (10^9) of standard cubic feet of gas.

10 'MMbbl' means millions (10^6) of standard barrels of oil and condensate.

11 'MMboe' means millions (10^6) of barrels of oil equivalent. In common with international practice, Dry Gas volumes are converted to oil equivalent volumes via a constant conversion factor, which for Woodside is 5,700 standard cubic feet of Dry Gas per 1 barrel of oil equivalent. Volumes of Oil and Condensate are converted from MMbbl to MMboe on a 1:1 ratio.

12 Revisions representing 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.

13 Additions to Reserves or Contingent Resources that result from (i) increased areal extensions of previously discovered fields demonstrated to exist subsequent to the original discovery, and (ii) discovery of Reserves in new fields or new reservoirs in old fields.

14 Includes Laminaria-Corallina, Mutineer-Exeter, Otway, Halladale, Black Watch and Neptune.

15 Woodside has a 15% interest in the Ohanet project in Algeria (operated by BHP Billiton) which is governed by a risk services contract with Algeria's national oil company, Sonatrach. Woodside does not have any share in the sales gas delivered from the development. As with production sharing contracts, Reserves associated with Woodside's interest in Ohanet are reported in accordance with the economic interest approach. Woodside has estimated equivalent Reserves volumes that reflect the value of this asset, using a five-year average Condensate price and an LPG price consistent with other Woodside Reserves estimations. Higher prices should not be applied to these volumes to estimate their value, as the risk service contract specifies a maximum return.

The Reserves Statement and reference to reserves in this Annual Report have 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.

WOODSIDE'S BOARD OF DIRECTORS

Michael A Chaney, AO

Chairman, *BSc, MBA, Hon LLD (UWA), FAIM, FAICD*

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

Independent: Yes.

Age: 57.

Experience: 22 years with Wesfarmers Limited, including Managing Director and CEO from 1992 to 2005. Three years with investment bank Australian Industry Development Corporation (1980 to 1983), and prior to that eight years as a petroleum geologist working on the North West Shelf and in the USA and Indonesia.

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).

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

Chancellor: University of Western Australia (since 2006).

Directorships of other listed entities within the past three years:

Director: Wesfarmers Limited (1984 to 2005), BHP Billiton Limited (1995 to 2005) and BHP Billiton Plc (2001 to 2005).

Jillian R Broadbent, AO

BA (Economics and Maths), Hon DLitt (UWS)

Term of office: Director since June 1998.

Independent: Yes.

Age: 59.

Experience: Extensive experience in the finance sector, principally as a senior executive of Bankers Trust Australia.

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

Current directorships:

Director: Coca-Cola Amatil Limited (since 1999) and Special Broadcasting Service (since 2002).

Board Member: Reserve Bank of Australia (since 1998).

Directorships of other listed entities within the past three years:

Director: Westfield Management Limited (2002 to 2004) and Westfield America Management Limited (2002 to 2004).

Donald R Voelte

Managing Director and CEO, *BSc (University of Nebraska)*

Term of office: Director since April 2004.

Independent: No.

Age: 55.

Experience: Over 33 years experience in the global oil and gas business, including 22 years with Mobil Corporation, three years with Atlantic Richfield Company and three years as Director, President and CEO of Chroma Energy Inc, a private exploration and production company.

Current directorships:

Director: University of Western Australia Business School (since 2006).

Andrew Jamieson, OBE

C. Eng., F.I. Chem E.

Term of office: Director since February 2005.

Independent: No.

Age: 60.

Experience: Executive Vice President Gas and Projects of Shell Gas and Power International BV. Over 30 years experience with Shell in Europe, Australia and Africa. From 1997 to 1999 Mr Jamieson was seconded to Woodside Energy Ltd as General Manager North West Shelf Venture.

Committee membership: Member of the Sustainability and Nominations Committees.

David I McEvoy

BSc (Physics), Grad Dip (Geophysics)

Term of office: Director since September 2005.

Independent: Yes.

Age: 61.

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

Erich Fraunschiel

BCom (Hons) (UWA)

Term of office: Director since December 2002.

Independent: Yes.

Age: 62.

Experience: Over 18 years experience in senior executive positions with Wesfarmers Limited, including ten years as CFO and Executive Director.

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

Current directorships:

Chair: The West Australian Opera Inc (director since 1999) and Wesfarmers Insurance Group comprising Lumley General Insurance Limited (since 2003), Wesfarmers Federation Insurance Limited (since 2002) and Australian International Insurance Limited (since 2006).

Director: WorleyParsons Limited (since 2003), West Australian Newspapers Holdings Limited (since 2002), Rabobank Australia Limited (since 2003), Rabobank New Zealand Limited (since 2007) and The WCM Group Ltd (since 2005).

Directorships of other listed entities within the past three years:

Director: Foodland Associated Limited (2002 to 2004).

Pierre JMH Jungels, CBE

PhD (Geophysics and Hydraulics) (Caltech)

Term of office: Director since December 2002.

Independent: Yes.

Age: 64.

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

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

Current directorships:

Chair: Rockhopper Exploration plc (since 2005) and Oxford Catalyst Ltd (since 2006).

Director: Imperial Tobacco Group PLC (since 2002) and Baker Hughes Inc (since 2006).

Directorships of other listed entities within the past three years:

Director: Offshore Logistics Inc (2002 to 2006) and Offshore Hydrocarbon Mapping plc (2004 to 2008).

Tan Sri Dato' Megat Zaharuddin (Din Megat)

BSc (Hons) (Mining Engineering)

Term of office: Director since December 2007.

Independent: Yes.

Age: 59.

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

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

Current directorships:

Director: Maybank Berhad (since 2004), Capital Market Development Fund (since 2004) and International Centre for Leadership in Finance (since 2004).

Directorships of other listed entities within the past three years:

Chair: Maxis Communications Berhad (2004 to 2007).

Jakob Stausholm

Ms Economics

Term of office: Director since June 2006.

Independent: No.

Age: 39.

Experience: Held a series of senior appointments with Shell during an 18 year career with the company, including chief internal auditor of Royal Dutch Shell plc for four years before becoming Vice President Finance for Shell Exploration and Production in the Asia Pacific region.

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

CORPORATE GOVERNANCE STATEMENT

Contents

1.	Corporate Governance at Woodside	40
2.	Board of Directors	40
2.1	Board Role and Responsibilities	40
2.2	Board Composition	41
2.3	Chairman	41
2.4	Director Independence	41
2.5	Conflicts of Interest	42
2.6	Board Succession Planning	42
2.7	Directors' Retirement and Re-election	43
2.8	Terms of Appointment, Induction Training and Continuing Education	43
2.9	Board Performance Evaluation	43
2.10	Board Access to Information and Independent Advice	43
2.11	Directors' Remuneration	44
2.12	Board Meetings	44
2.13	Company Secretaries	44
3.	Committees of the Board	44
3.1	Board Committees, Membership and Charters	44
3.2	Audit & Risk Committee	44
3.3	Nominations Committee	45
3.4	Human Resources & Compensation Committee	45
3.5	Sustainability Committee	45
4.	Shareholders	46
4.1	Shareholder Communication	46
4.2	Continuous Disclosure and Market Communications	46
5.	Promoting Responsible and Ethical Behaviour	46
5.1	Code of Conduct and Whistleblower Policy	46
5.2	Securities Ownership and Dealing	47
5.3	Political Donations	47
6.	Risk Management and Internal Control	47
6.1	Approach to Risk Management and Internal Control	47
6.2	Risk Management Roles and Responsibilities	47
6.3	Internal Audit	48
6.4	CEO and CFO Assurance	48
7.	External Auditor Relationship	48
8.	ASX Corporate Governance Council Recommendations Checklist	49

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.

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.

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 published by the ASX Corporate Governance Council (ASXCGC). In August 2007 the ASXCGC issued a second edition of its *Corporate Governance Principles and Recommendations*. Details of Woodside's compliance with the second edition are set out below. A checklist cross-referencing the ASXCGC Recommendations to the relevant sections of this statement and the Remuneration Report is provided on page 51 of this report and is published in the corporate governance section of Woodside's website (www.woodside.com.au).

Woodside believes that, throughout the 2007 year and to the date of this report, it has complied with all the ASXCGC Recommendations.

2 Board of Directors

2.1 Board Role and Responsibilities

ASXCGC Recommendations 1.1, 1.3

The Board has approved a formal Board Charter which details the Board's role, powers, duties and functions. 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;
- 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.

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.

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

At the date of this report, the Board is comprised of eight non-executive Directors and the CEO. Details of the Directors, including their qualifications, experience, date of appointment and independent status, are set out on pages 38 to 39.

The Board considers that collectively the Directors have the range of skills, knowledge and experience necessary to direct the Company.

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, 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.

It is the Board's current view that the appropriate composition of the Board is nine non-executive Directors and the CEO. This number may be increased (providing it does not exceed 15) where it is felt that additional expertise is required in specific areas, where an outstanding candidate is identified or to ensure a smooth transition between outgoing and incoming non-executive Directors.

The Board is in the process of selecting an independent non-executive Director to fill the vacancy created upon the resignation of Dr Ashton Calvert in November 2007 due to ill health.

2.3 Chairman

ASXCGC Recommendations 2.2, 2.3

On 31 July 2007, following a period of 20 months as a non-executive Director, Mr Michael Chaney was elected as Chairman of the Board upon the retirement of Mr Charles Goode. Mr 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 co-operation. The Chairman's responsibilities are set out in more detail in the Board Charter, which is available in the corporate governance section of Woodside's website.

Mr Chaney is also Chairman of National Australia Bank Limited (NAB). The Board considers that neither his Chairmanship of NAB, nor any of his other commitments (listed on page 38), interfere with the discharge of his duties to the Company. The Board is satisfied that Mr Chaney commits the time necessary to discharge his role effectively.

2.4 Director Independence

ASXCGC Recommendations 2.1, 2.6

The independence of a Director is assessed in accordance with Woodside's Policy on Independence of Directors, a copy of which is available in the corporate governance section of Woodside's website. This policy was reviewed and updated by the Board in 2007 to reflect the amended commentary on independence contained in the revised ASXCGC Principle 2.

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 advisor or a material consultant to the Company or another group member, or an employee materially associated with the service provided;

2 Board of Directors (continued)

- 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 and on an annual basis. The Board has reviewed the independence of each of the Directors in office at the date of this report and has determined that six of the nine Directors are independent. The three Directors that are not considered independent are:

- Mr Don Voelte as he is an executive Director and a member of management;
- Dr Andrew Jamieson as he is a current executive of Shell, which is a substantial shareholder of the Company; and
- Mr Jakob Stausholm as he is a current executive of Shell, which is a substantial shareholder of the Company.

For the vast majority of decisions made by the Board, the two Shell associated Directors bring substantial global oil and gas industry expertise to the Board. The Board considers that the value of this expertise outweighs any issues associated with those Directors not having "independent Director" status.

The Board considered the independence of Mr Din Megat at the time of his appointment to the Board in December 2007. Mr Megat was nominated to the Woodside Board by Shell and was previously an executive of Shell. At the time of his appointment to the Board, over three years had elapsed since Mr Megat retired as an executive of Shell. The Board is satisfied that Mr Megat has no continuing association with Shell that would interfere with his independent exercise of judgement, and that he is an independent Director.

Mr Erich Fraunschiel serves on the board of directors of WorleyParsons Limited, a supplier of engineering services to Woodside. The value of services provided by the WorleyParsons Limited group of companies to Woodside in 2007 exceeded the Board's materiality threshold relating to suppliers. The Board, having regard to the nature and value of the commercial relationship between Woodside and WorleyParsons Limited is satisfied that Mr Fraunschiel remains independent.

Where a matter involving WorleyParsons Limited comes before the Board, the Directors' Conflict of Interest Guidelines apply.

Certain non-executive Directors hold directorships or executive positions in companies with which Woodside has commercial relationships. Details of other directorships and executive positions held by non-executive Directors are set out on pages 38 to 39.

Two of the non-executive Directors have been employed by Woodside in the past, however a significant period of time has lapsed since they ceased employment. Dr Jamieson was seconded to Woodside as General Manager NWS Venture from 1997 to 1999 and Mr Chaney was employed by Woodside as a petroleum geologist in the 1970s.

The independence 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, that change will be disclosed immediately 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. 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 reviews annually the size and composition of the Board and the mix of existing and desired competencies across members and reports its conclusions to the Board. Where the committee identifies existing or projected competency gaps, it recommends a succession plan to the Board that addresses those gaps. Recognising the importance of Board renewal, the committee takes each Director's tenure into consideration in its succession planning. As a general rule Directors are not expected to serve on the Board beyond 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 skills, experience and expertise that will best complement Board effectiveness at the time. The Board may engage an independent recruitment firm to undertake a search for suitable candidates. Directors appointed by the Board are subject to shareholder election at the next AGM.

Prior to appointment, preferred candidates must disclose to the Chairman the nature and extent of their other appointments and activities. Candidates must also demonstrate that they understand what is expected of them and confirm that they are willing to make the necessary commitments, and will have available the time required, to discharge their responsibilities as a Director.

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

2.7 Directors' Retirement and Re-election

ASXCGC Recommendation 2.6

Non-executive Directors must retire at the third AGM following their election or most recent re-election. At least one non-executive Director must stand for election at each AGM. Any Director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM.

Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance (in accordance with the evaluation process described in section 2.9 below).

2.8 Terms of 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, meetings with the CEO and senior executives, information on the strategic plan and key corporate and Board policies and the option to visit Woodside's principle operations either upon appointment or with the Board during its next inspection tour.

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 Recommendation 1.3, 2.5, 2.6

The Nominations Committee is responsible for determining the process for evaluating Board performance. Evaluations are conducted every year 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 to 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, and the evaluation of, the performance of the CEO.

A description of the Company's process for evaluation of the Board, its committees and individual Directors is available in the corporate governance section of Woodside's website. The Remuneration Report on pages 51 to 59 discloses the process for evaluating the performance of senior executives, including the CEO.

In 2007, 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 Board of Directors (continued)

2.11 Directors' Remuneration

Details of remuneration paid to Directors (executive and non-executive) are set out in the Remuneration Report on pages 51 to 59. 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.

2.12 Board Meetings

During the year ended 31 December 2007, the Board held seven Board meetings. In addition a strategic planning session was held in conjunction with the June Board meeting. Details of Directors' attendance at Board and committee 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. Members of senior management attend meetings of the Board by invitation. At each scheduled Board meeting there is a session for non-executive Directors to meet without management present. This session is presided over by the Chairman.

Copies of Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider further information is necessary to support informed decision-making.

The Board works to an annual agenda encompassing periodic reviews of Woodside's operating business units, statutory obligations, business approvals and other responsibilities identified in the Board Charter.

2.13 Company Secretaries

Details of the Company Secretaries are set out on page 50 in the Directors' Report. The appointment and removal of a Company Secretary is a matter for decision by the Board. The Company Secretaries are responsible for ensuring that Board procedures are complied with and that governance matters are addressed.

3 Committees of the Board

3.1 Board Committees, Membership and Charters

ASXCGC Recommendations 2.4, 2.6, 4.1, 4.2, 4.3, 4.4, 8.1, 8.3

The Board has 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.

Until June 2007 the Board had a combined Governance & Nominations Committee. Due to the Board's growing focus on sustainability policies and practices, the committee was replaced with a Sustainability Committee and a separate Nominations Committee. Governance matters are now dealt with by the full Board.

Each committee's charter, detailing its role, duties and membership requirements, is available in the corporate governance section of Woodside's website. The committee charters are reviewed regularly and updated as required.

The composition of each committee and the attendance of members at meetings held during the year, is set out in table 1 on page 45 of this report.

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 all standing committee meetings are provided to all Directors and the proceedings of each meeting are reported by the Chair 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.

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.

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

- approval of the scope, plan and fees for the 2007 external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices;
- review of Internal Audit reports and approval of the 2008 Internal Audit programme;
- review of the Group's key risks and risk management framework as developed by management
- review of reports from management on the effectiveness of the Group's management of its material business risks; and
- review and recommendation to the Board for the adoption of the Group's half year and annual financial statements.

Members of the Audit & Risk Committee are identified in Table 1 on page 45. Their qualifications are listed on pages 38 and 39.

The external auditors, the Chairman, the CEO, the CFO, the Group Financial Controller and the head of Internal Audit and Business Risk attend Audit & Risk Committee meetings by invitation. At each committee meeting, time is scheduled for the committee to meet with the external auditors without management present.

Table 1 - Directors in office, committee membership and Directors' attendance at meetings during 2007.

Director	Board		Audit & Risk Committee		Human Resources & Compensation Committee		Sustainability Committee		Nominations Committee		Governance & Nominations Committee	
[1] [2]	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Executive Director												
DR Voelte (CEO)	7	7	6	6	8	8	2	2	3	1	2	2
Non Executive Directors												
MA Chaney (Chairman)	7	7	3	3	8	7	2	1	3	3		
JR Broadbent	7	7	6	6	8	8			3	3		
E Fraunschiel	7	7	6	6			2	2	3	3	2	2
A Jamieson	7	6[3]					2	2	3	1		
PJMH Jungels	7	7			8	7			3	3		
DI McEvoy	7	7	6	6			2	2	3	3	2	1
D Megat[6]	1	1			1	1	1	1	1	1		
J Stausholm	7	6[3]	6	6					3	3		
AT Calvert[7]	6	5			7	6	1	1	2	1	2	2
RR Caplan[8]	5	4[3]			6	6	1	1	1	1	2	2
CB Goode[9]	4	4	3	2	6	6					2	2

Legend:

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

Notes:

(1) 'Held' indicates the number of meetings held during the period of each Director's tenure.
(2) 'Attended' indicates the number of meetings attended by the Director.
(3) The non-independent Shell nominated Directors were conflicted from attending one special Board meeting.
(4) The Sustainability Committee and the Nominations Committee were formed on 19 June 2007.
(5) The Governance & Nominations Committee ceased on 19 June 2007.
(6) Mr Megat was appointed on 10 December 2007.
(7) Dr Calvert resigned on 7 November 2007.
(8) Mr Caplan resigned on 11 October 2007.
(9) Mr Goode retired on 31 July 2007.

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 the identifying, evaluating and recommending of candidates for the Board.

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

- review of the size and composition of the Board and Board succession plans;
- approval of the process for the annual Board performance evaluation; and
- evaluation and recommendation of Mr Megat for appointment to the Board.

3.4 Human Resources & Compensation Committee

ASXCGC Recommendations 8.1, 8.3

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

- enable the Company to attract talented Directors and to retain and motivate employees; and
- reward employees fairly and responsibly, having regard to the results of the group, individual performance and general remuneration conditions.

Key activities undertaken by the Human Resources & Compensation Committee during the year included the approval of the appointment and remuneration packages of executives reporting directly to the CEO and reviewing and making recommendations to the Board on:

- Woodside's Remuneration Policy and Diversity Policy;
- amendments to the Executive Incentive Plan and the implementation of new employee share based plans;
- the criteria for, and the evaluation of, the performance of the CEO;
- the remuneration of the CEO;
- incentives payable to the CEO and senior executives;
- the remuneration of non-executive Directors; and
- the annual Remuneration Report.

The Chairman, the CEO and the head of the Human Resources department attend Human Resources & Compensation Committee meetings by invitation.

3.5 Sustainability Committee

In June 2007 the Board established the Sustainability Committee to assist the Board to meet its oversight responsibilities in relation to the Company's sustainability policies and practices.

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

- reviewing and recommending to the Board adoption of a Greenhouse Policy and amendments to the group's Environment and Health & Safety policies;
- reviewing and recommending to the Board a sustainable development framework including changes to the Company's mission, vision, values and business principles to incorporate sustainable development principles;
- reviewing the group's environmental, health, safety and technical integrity performance; and
- reviewing the Sustainable Development Report.

The Chairman, the CEO, the head of the Sustainability department and the head of the Health and Safety department attend Sustainability Committee meetings by invitation.

4 Shareholders

4.1 Shareholder Communication

ASXCGC Recommendations 6.1, 6.2

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

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

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

Briefings on the financial results, and other significant briefings with major institutional investors and analysts, are webcast live and made available on Woodside's website. Presentation material from significant briefings or management speeches is also posted to the website.

The Company produces a short form half year review and has introduced a short form annual shareholder review for 2007. These reviews and the Annual Report 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.

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

The 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.

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

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.

Woodside's Continuous Disclosure and Market Communications Policy, referred to in section 4.1 above, 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.

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

5 Promoting Responsible and Ethical Behaviour

5.1 Code of Conduct and Whistleblower Policy

ASXCGC Recommendations 3.1, 3.3

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

The Code of Conduct describes Woodside's mission, vision and values together with the business principles approved by the Board. It sets out the principles, practices and standards of personal and corporate behaviour Woodside expects from people working for or with Woodside to adopt in their daily business activities. The Code 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.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct. Employees are required to complete on-line Code of Conduct training upon appointment and thereafter annually.

A summary of the main provisions of the Code of Conduct is available in the corporate governance section of Woodside's website.

Woodside also has a Whistleblower Policy which 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 helpline which can be used for reporting unacceptable conduct; and
- help protect people who report unacceptable conduct in good faith.

5.2 Securities Ownership and Dealing

ASXCGC Recommendations 3.2, 3.3, 8.3

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

The policy stipulates that the only appropriate time for a Director or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market. A Director wishing to deal in the Company's securities may only do so after first having advised the Chairman of his or her intention. A key executive wishing to deal must first notify the CEO.

Non-executive Directors, other than Shell-nominated Directors employed by Shell, may elect to participate in the Non-Executive Directors' Share Plan approved by shareholders at the 2000 AGM. On-market purchases as a result of such elections are made at predetermined intervals, but only after a determination has been made that the Directors are not in possession of price-sensitive information that has not been released to the market.

Any dealing in Woodside securities by Directors is notified to the ASX within five business days of the dealing.

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

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

5.3 Political Donations

The Board's policy is not to donate funds to any political party, politician, or candidate for public office in any country.

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 Enterprise Risk and Internal Control Policy was reviewed and updated by the Board in 2007 in response to the revised ASX Principles. Due to the maturity of Woodside's enterprise risk management and internal control processes, the Company is in a position where its processes reflect the revised ASXCGC Principle 7 on recognition and management of risk.

Woodside's Enterprise Risk and Internal Control Policy describes the manner in which Woodside:

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

A summary of Woodside's Enterprise Risk and Internal Control Policy is available in the corporate governance section of Woodside's website.

Woodside considers that effective risk management is about achieving a balanced approach to risk and reward. Risk management enables the Company to capitalise on potential opportunities while mitigating potential adverse effects. Both mitigation and optimisation strategies are considered equally important in risk management.

The group operates an enterprise-wide risk management process that provides an over-arching and consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Committee of Sponsoring Organisations of the US Treadway Commission (COSO) control framework for enterprise risk management. Risks are ranked using a common methodology. Where a risk is assessed as material it is reported to and reviewed by senior executives.

6.2 Risk Management Roles and Responsibilities

ASXCGC Recommendations 7.2, 7.4

The Board is responsible for reviewing and approving Woodside's risk management strategy, policy and key risk parameters, including determining the group's appetite for country risk and major investment decisions.

The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has delegated oversight of the Enterprise Risk & Management Policy, including review of the effectiveness of Woodside's internal control framework and risk management process, to the Audit & Risk Committee.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the policy. This responsibility includes developing business and functional risk identification, specific risk treatment, controls, monitoring and reporting capability. Within each major business and functional area there is a dedicated operational risk and assurance person, with specific responsibilities designed to guide compliance and reporting.

Every organisational unit has a risk management section within its annual business plan, and these plans are discussed at regular performance reviews. In addition each business unit reports annually to the Board on its business plan, risk profile and management of risk.

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 Risk Management and Internal Control (continued)

In 2007, both the Audit & Risk Committee and the Board reviewed the overall risk profile for the group and received reports from management on the effectiveness of the group's management of its material business risks.

6.3 Internal Audit

Internal Audit provides independent assurance that the design and operation of the group's risk management and internal control system is effective. A risk-based audit approach is used to ensure that the higher risk activities in each business unit are targeted by the audit programme. All audits are conducted in a manner that conforms to international auditing standards. Internal Audit is primarily staffed by a combination of Chartered Accountants and engineers.

The Audit & Risk Committee oversees the scope of Internal Audit and approves the annual audit programme. It approves the appointment of the head of Internal Audit and has access to Internal Audit without the presence of other management.

Internal Audit has a direct reporting relationship with the Audit & Risk Committee and provides written reports to the Committee on the effectiveness of the management of internal control and risk management in Woodside. Internal Audit provides recommendations for improvements to senior management and has all necessary access to management and information. 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.

Prior to the adoption by the Board of the 2007 half year and full year financial statements, the Board received written declarations from the CEO and 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 CFO have also stated to the Board in writing 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 senior managers complete and sign a questionnaire from the Directors on a half yearly basis. The questions relate to the financial position of the Company, disclosure, the application of Company policies and procedures, compliance with external obligations and other governance matters. This process assists the CEO and 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 in 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 (all terms defined by the IFAC's Code of Ethics).

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 ASX Corporate Governance Council Recommendations Checklist

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

	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2.1	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Remuneration Report	✓
1.3	Companies should provide the information indicated in Guide to reporting on Principle 1.	2.1, 2.9, Remuneration Report	✓
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	2.2, 2.4	✓
2.2	The chair should be an independent director.	2.2, 2.3	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2.2, 2.3	✓
2.4	The board should establish a nomination committee.	3.1, 3.3	✓
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	2.9	✓
2.6	Companies should provide the information indicated in Guide to reporting on Principle 2.	2.2, 2.4, 2.6, 2.7, 2.9, 2.10, 3.1, 3.3	✓
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	5.1	✓
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	5.2	✓
3.3	Companies should provide the information indicated in Guide to reporting on Principle 3.	5.1,5.2	✓
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee.	3.1, 3.2	✓
4.2	Structure the audit committee so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chairperson, who is not chairperson 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	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 resects in relation to financial reporting risks.	6.4	✓
7.4	Companies should provide the information indicated in Guide to reporting on Principle 7.	6.1, 6.2, 6.4	✓
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee.	3.1, 3.4	✓
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Remuneration Report	✓
8.3	Companies should provide the information indicated in Guide to reporting on Principle 8.	3.1, 3.4, 5.2	✓

DIRECTORS' REPORT

The Directors of Woodside Petroleum Ltd. present their report (including the Remuneration Report) together with the Financial Report of the consolidated entity, being Woodside Petroleum Ltd. and its controlled entities, for the year ended 31 December 2007.

Directors

The Directors of Woodside Petroleum Ltd. in office at any time during or since the end of the 2007 financial year are set out in table 1 on page 45. Additional information (including qualifications and experience) on the Directors is set out on pages 38 to 39.

The number of Directors' meetings held (including meetings of committees of the Board) and the number of meetings attended by each of the Directors of Woodside Petroleum Ltd. during the financial year are shown in table 1 on page 45.

Details of Director and senior executive remuneration is set out in the Remuneration Report on pages 51 to 59.

The particulars of Directors' interests in shares of the company as at the date of this report are set out in table 2 on page 60.

Principal Activities

The principal activities and operations of the group during the financial year were hydrocarbon exploration, evaluation, development, production and marketing.

Other than as previously referred to in the Annual Report, there were no other significant changes in the nature of the activities of the consolidated entity during the year.

Consolidated Results

The consolidated operating profit attributable to the company's shareholders after provision for income tax and individually significant items was $1,030 million ($1,427.0 million in 2006).

Review of Operations

A review of the operations of the Woodside group during the financial year and the results of those operations are set out on pages 1 to 37.

Significant Changes in State of Affairs

The review of operations (pages 1 to 37) sets out a number of matters which have had an 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

No events, other than those listed below have occurred subsequent to balance date which have or may have a significant effect on the operations, the results of those operations or the state of affairs of the Group in future financial years.

Sale of 10% interest in the Pluto project:

On 31 January 2008, Woodside sold 10% of its interests in the Pluto LNG project to Tokyo Gas(5%) and Kansai Electric (5%) for $179 million.

Purchase of Shell's NWS oil assets:

On 8 February 2008, Woodside agreed to acquire Shell's NWS oil assets for US$398.5 million.

Further details of these events can be found on page 120.

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.

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 of the Annual Report.

Through its Environmental Policy, Woodside plans and performs activities so that adverse effects on the environment are avoided or kept as low as reasonably practicable.

Dividends

The Directors have declared a final dividend out of profits of the Company in respect of the year ended 31 December 2007 of 55 cents per ordinary share (fully franked) payable on 31 March 2008.

A fully franked final dividend of 77 cents per ordinary share was paid to shareholders on 28 March 2007 in respect of the year ended 31 December 2006. Together with the fully franked interim dividend of 49 cents per share paid to shareholders on 26 September 2007, the total dividend paid during the 2007 year was $1.26 per share fully franked.

Woodside's DRP has been suspended for the 2007 final dividend. To assist in funding future capital requirements. Woodside may continue to use the DRP or suspend it for one or more dividends depending on capital needs and gearing levels.

Company Secretaries

The following individuals have acted as company secretary during 2007:

Robert J Cole

BSc, LLB (Hons) (ANU)

Mr Cole holds Bachelor of Science and Bachelor of Laws degrees and is the company's General Counsel. He was appointed a secretary of the company on 11 April 2006. Mr Cole joined Woodside after 14 years as a partner of international law firm, Mallesons Stephen Jaques, the last three years as partner in charge of the Perth office.

Frances M Kernot

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

Ms Kernot holds a Bachelor of Commerce degree and is a Chartered Accountant and Chartered Secretary.

Ms Kernot has over 15 years experience in company secretarial, compliance and financial accounting roles. She has been employed by Woodside since September 2003 and was appointed a secretary of the company on 16 April 2004.

Remuneration Report

This Remuneration Report forms part of the Directors' Report for 2007 and outlines the remuneration arrangements for Woodside's Directors, senior executives and company secretaries in accordance with the requirements of the Corporations Act and the Corporations Regulations. It also provides the audited remuneration disclosures required by Accounting Standard AASB 124 *Related Party Disclosures* which have been included in accordance with regulation 2M.6.04 of the Corporations Regulations.

The specific remuneration disclosures in this report cover the following Woodside personnel:

- the non-executive Directors;
- the Managing Director and Chief Executive Officer (CEO) who is the only executive Director;
- the senior managers of the Woodside group who have the authority and responsibility for planning, directing and controlling the activities of the Woodside group (Key Management Personnel); and
- Messrs Fraser and Rigden (Senior Executives), who together with Messrs Chatterji, Kantsler and Moore, were the five most highly remunerated executives of the Woodside group (other than the CEO) in 2007.

References to "Executives" in this report mean the CEO, Key Management Personnel and the Senior Executives.

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

Non-executive Directors

Woodside's non-executive Directors during 2007 were:

- M A Chaney (Chairman since 31 July 2007)
- J R Broadbent
- A T Calvert (resigned 7 November 2007)
- R R Caplan (resigned 11 October 2007)
- E Fraunschiel
- A Jamieson
- P J M H Jungels
- D Megat (appointed 10 December 2007)
- D I McEvoy
- J Stausholm
- C B Goode (retired as Chairman and Director on 31 July 2007)

Remuneration Policy

Woodside's Remuneration Policy aims to attract and retain talented and highly skilled non-executive Directors and to remunerate fairly and responsibly having regard to:

- the level of fees paid to non-executive Directors relative to other major Australian companies;
- the size and complexity of Woodside's operations; and
- the responsibilities and work requirements of Board members.

Fees paid to non-executive Directors are recommended by the Committee based on advice from external remuneration consultants and determined by the Board, subject to an aggregate limit of $3 million per financial year (approved by shareholders at the 2007 AGM).

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 are not entitled to any form of performance-linked remuneration.

Table 1 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.

Under the terms of the Non-Executive Directors' Share Plan (NEDSP), non-executive Directors (other than Shell-nominated Directors employed by Shell) may elect to sacrifice a percentage of their remuneration to be applied to the purchase of shares in Woodside. These shares are acquired on market. Participation in the NEDSP is voluntary and therefore the shares are not subject to any performance conditions.

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

The total remuneration paid to or in respect of each non-executive Director in 2007 is set out in Table 2 on page 52.

Table 1 - Annual base Board and committee fees for non-executive Directors

Position	Board	Audit & Risk Committee	Human Resources & Compensation Committee	Sustainability Committee[3]	Nominations Committee[3]
Chairman of the Board[1]	**$500,000** ($485,000 to 30 April 2007)				
Non-executive Directors[2]	$170,000 ($130,000 to 30 April 2007)				
Committee Chairman		$40,000 ($31,500 to 30 April 2007)	$21,000	$21,000	Nil
Committee Member		$20,000 ($14,000 to 30 April 2007)	$14,000	$14,000	Nil

(1) Inclusive of committee work.
(2) Board fees, other than the Chairman.
(3) In June 2007 the Committee structure was reviewed. The restructure resulted in the Governance and Nominations Committee ceasing and the introduction of a Sustainability Committee and Nominations Committee.

Table 2 - Total remuneration paid to non-executive Directors in 2007

Executives		Short–term				Post employment		
		Cash salary & fees		Cash bonuses	Non monetary	Pension super	Prescribed benefits	
		Salaries, fees and allowances	NEDSP[1]	Short-term incentive / bonus[2]	Benefits & allowances	Company contributions to super-annuation	Directors' retiring allowance[2]	Total
		$	$	$	$	$	$	$
M A Chaney[3]	2007	310,263	-	-	-	20,206	-	330,469
	2006	160,642	-	-	-	-	-	160,642
J R Broadbent	2007	195,667	48,914	-	-	17,610	-	262,191
	2006	122,783	40,928	-	-	14,734	-	178,445
A T Calvert[4]	2007	175,960	39,375	-	-	-	-	215,335
	2006	136,252	40,053	-	-	-	-	176,305
R R Caplan[5]	2007	153,836	-	-	-	-	-	153,836
	2006	149,439	-	-	-	-	-	149,439
E Fraunschiel	2007	207,833	-	-	-	18,705	-	226,538
	2006	184,625	-	-	-	5,265	-	189,890
A Jamieson[6]	2007	173,665	-	-	-	-	-	173,665
	2006	140,295	-	-	-	-	-	140,295
P J M H Jungels	2007	246,027	24,603	-	-	-	-	270,630
	2006	194,000	21,556	-	-	-	-	215,556
D Megat[7]	2007	13,008	-	-	-	-	-	13,008
	2006	-	-	-	-	-	-	-
D I McEvoy[8]	2007	249,697	-	-	-	17,073	-	266,770
	2006	156,711	-	-	-	14,104	-	170,815
J Stausholm[6]	2007	184,646	-	-	-	-	-	184,646
	2006	83,210	-	-	-	-	-	83,210
C B Goode[9]	2007	286,667	176,718	-	-	25,800	-	489,185
	2006	73,179	355,083	-	-	38,544	-	466,806

(1) Relates to participation in the Non-Executive Directors' Share Plan.
(2) Non-executive Directors are not entitled to cash bonuses nor Directors' retiring allowance.
(3) Chairman since 31 July 2007.
(4) Resigned 7 November 2007.
(5) Resigned 11 October 2007.
(6) Board fees for Shell-nominated Directors employed by Shell are paid directly to their employing company, not the individual.
(7) Appointed 10 December 2007.
(8) This amount includes $60,000 which Mr McEvoy received during the year as consulting fees for extra services he provided outside his normal Board and committee duties. These fees were paid on commercial terms and conditions at market rates.
(9) Retired as Chairman and Director on 31 July 2007.

Executives

The executive remuneration policy and structure discussed in this report applies to all Woodside senior executives. The specific remuneration disclosures in this report are provided for the following Executives:

- D Voelte, Managing Director & CEO
- M Chatterji, Executive Vice President & Chief Financial Officer
- R Cole, Executive Vice President Corporate Affairs & Sustainability and General Counsel (promoted 1 August 2007; prior to this R Cole was General Counsel)
- A Kantsler, Executive Vice President Exploration, New Ventures and Mergers & Acquisitions
- E Howell, Executive Vice President North West Shelf
- P Moore, Executive Vice President Development
- V Santostefano, Senior Vice President Operations
- K Spence, Executive Vice President Enterprise Capability
- I Fraser, General Manager Middle East Africa (retired 31 October 2007)
- J Rigden, Vice President Karratha Gas Plant (departed 31 October 2007)

Remuneration Policy

Woodside's Remuneration Policy aims to reward executives fairly and responsibly in accordance with the Australian (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 and is competitive within Australia and, for certain roles, internationally;
- benchmarks remuneration against appropriate comparator groups at the 75th percentile;
- 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 (compared against agreed financial and non-financial performance measures set at the start of the year), relevant comparative information and expert advice from both internal and independent external sources.

Executive remuneration and company performance

The Committee assists the Board in continually seeking to strengthen the link between executive remuneration and Woodside's performance. The Executive Incentive Plan (EIP), described in more detail below, is an integral part of Woodside's overall approach to performance-based remuneration. Under the EIP, the variable or 'at risk' element of executive remuneration is linked to financial and non-financial performance measures aimed at aligning remuneration with shareholder wealth.

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

Remuneration structure

Woodside's remuneration structure for executives has two components:

- Fixed Annual Reward (FAR) - the 'not at risk' component which includes base salary, superannuation contribution and other allowances such as motor vehicle and health insurance. FAR is determined on the basis of the scope of the executive's role and the individual level of knowledge, skill and experience.
- Variable Annual Reward (VAR) - the 'at risk' component which includes a short term incentive (STI) and a long term incentive (LTI). Executives are eligible to receive a VAR allocation based on a percentage of their FAR, as determined by the Board at the start of the year with reference to market comparator groups and the scope of the executive's role. VAR is delivered through the EIP, which is discussed in more detail below.

In addition, executive remuneration may include any participation in equity based retention plans or general employee share plans, as discussed below.

Table 4 sets out the target percentage of total remuneration 'not at risk' and 'at risk' for Woodside's Executives.

Table 4 - Target percentage of total remuneration 'not at risk' and 'at risk' for Woodside's Executives

	Not at Risk	At Risk	
Position	FAR	STI	LTI
CEO	38%	37%	25%
Executives	45%-50%	30%-33%	20%-22%

Executive Incentive Plan (EIP)

The EIP was approved by shareholders at the 2005 AGM. The EIP aims to reward Executives for meeting or exceeding their individual performance targets, while at the same time linking the reward to the creation of long term sustainable wealth for shareholders.

Executives are eligible to receive awards in the form of cash and variable pay rights (VPRs) under the EIP. VPRs are an equity-linked form of award, with one VPR representing a conditional right to either cash or shares with a value equivalent to the prevailing market value of a Woodside share. The value of the award is determined at the time of allocation. The number of VPRs awarded under the EIP is calculated by dividing the value of the award by the volume weighted average price of Woodside's shares over a specified five day pricing period.

The Board determines whether VPRs are to be satisfied in cash or shares at the time of vesting. If satisfied in shares, the shares would be purchased on market. If satisfied in cash, the amount would be based on the market value of a Woodside share at the vesting date (reflecting price movements from the time of allocation). No amount is payable by the recipient on the vesting of their award.

Over the last two years the Committee and the Board have monitored the effectiveness of the EIP and in 2007 they determined that the objectives of the EIP would be better achieved by simplifying its structure and underpinning measurements of performance. The following key changes have been implemented by the Board:

- the original performance measure at the point of allocation was Woodside Economic Value Added (Woodside EVA). This has been replaced by the EIP Scorecard (discussed below) for determining the value of the annual allocation for the STI component of the EIP;
- the LTI component is now only subject to a performance test at the time of vesting. Previously this component was also subject to an upfront performance measure, applied at the time of allocation of award;
- the absolute total shareholder return (TSR) hurdle for determining the vesting of the LTI VPRs has been replaced with a relative TSR (RTSR) hurdle; and
- re-testing of LTI VPRs (where no VPRs vest on the initial test) has been reduced from two year continuous re-testing to a one off re-test after one year.

Table 3 - Woodside five year performance

Year Ended 31 December	**2007**	2006	2005	2004	2003[1]
Net Profit After Tax ($m)	1,030	1,427	1,107	1,146	527
Earnings Per Share (cents)[2]	153	217	169	175	79
Dividends Per Share (cents)	104	126	93	59	46
Production (MMboe)	70.6	67.9	59.7	57.4	58.9
Shares closing price ($)	50.39	38.11	39.19	20.10	14.80
3 Year rolling TSR (%)[3]	41.25	42.55	54.71	21.95	8.21
Relative TSR[4]	2nd Quartile	2nd Quartile	1st Quartile	1st Quartile	1st Quartile

(1) Periods prior to 1 January 2004 have not been restated under Australian equivalents to International Financial Reporting Standards.

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

(3) This calculation is annualised and measured in Australian dollars.

(4) As discussed under the STI component of EIP on page 54.

This simplified framework provides greater clarity and incentive for participants, whilst ensuring the EIP is aligned with the expectations of shareholders. These changes have been applied for the 2007 award.

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

Short term incentives (STI)

Executive remuneration is linked to Woodside's short term performance through the STI component of VAR. The STI component is determined by the outcome of the EIP Scorecard, which is set and approved annually by the Board, and individual performance.

The Scorecard is currently based on four fundamental measures:

- safety – based on total recordable case frequency;
- production;
- operating expenditure; and
- Woodside's one year total return to shareholders, ranked within an international peer group (Peer Group). Total return to shareholders is the growth in the value of shares over the performance year, plus the value of dividends and other distributions paid out over that year (assuming that dividends and other distributions are reinvested in shares at the closing price on the first trading day after payment), less new equity subscribed.

The Peer Group for 2007 comprises Woodside and the following companies:

- Apache Corporation
- Anadarko Petroleum Corporation
- BG Group PLC
- CNOOC Limited
- Marathon Oil Company
- Murphy Oil Corporation
- Petro-Canada
- Pioneer Natural Resources Company
- Repsol YPF, S.A.
- Santos Ltd.
- Talisman Energy Inc.

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

The base STI award for each group of participants in the EIP is pooled and 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 participants based on their individual performance relative to other executives.

Under the EIP an Executive's performance is assessed against their individual performance agreement, which is set at the start of each year and includes key performance indicators (KPIs) relevant to the Executive's areas of responsibility. KPIs may include the following:

- financial (e.g. revenue, operating costs, EBIT(1), ROACE(2), lifting costs, drilling costs);
- operational (e.g. production volumes, project progress);
- health and safety (e.g. TRCF(3), HPIF(4));
- environment (e.g. greenhouse gas emissions, category "C" incidents, flared gas); and
- human resources (e.g. voluntary turnover).

(1) EBIT = Earnings Before Income Tax
(2) ROACE = Return on Average Capital Employed
(3) TRCF = Total Recordable Case Frequency
(4) HPIF = High Potential Incident Frequency

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

The Executive receives a performance rating in accordance with the annual performance review process. This rating is then used to determine entitlements under the STI component of VAR. This assessment is conducted by the CEO and approved by the Board.

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

The STI award is provided in both cash (2/3 or 66.67%) and VPRs with a time-tested hurdle of three years continued service (Time-tested VPRs) (1/3 or 33.33%).

Long term incentives (LTI)

Executive remuneration is linked to Woodside's long term performance through the LTI component of VAR. The LTI component is allocated in the form of VPRs which are subject to long term vesting conditions.

The vesting of the LTI VPRs is conditional on a satisfactory ranking of Woodside's total shareholder return (RTSR) over a three or four year period in comparison with the Peer Group, as described above. This measure was chosen because it aligns performance with achieving increased value to shareholders. The vesting schedule set out below in Table 5 is applied on the third anniversary of the allocation of the VPRs.

If no VPRs vest at this time (because Woodside has not performed at or above the 50th percentile of the Peer Group), the test would then be re-applied on the fourth anniversary of the allocation of the VPRs. If no VPRs vest at this time, all VPRs for the particular allocation year lapse.

For both the STI and LTI, vesting of all Time-tested, RTSR-tested and TSR-tested VPRs will only occur if an Executive's employment has not been terminated with cause or by resignation (prior to retirement).

Table 5 - Vesting schedule

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 Peer Group)

Vesting between these percentile points is on a pro rata basis.

Woodside Employee Share Plan (WESP)

Share ownership for Woodside employees in Australia was previously delivered through the WESP. In respect of executives this plan ceased with effect from 30 June 2004 with none of the executives being allocated any further WESP shares beyond this date. Participants received an interest-free, limited recourse loan which was provided at the discretion of the Board to purchase shares in the Company, in accordance with the WESP rules, as approved by shareholders in 1997. In order to assist with the closure of this plan, the three-year restriction on the disposal of shares was waived and participants were given the option of selling their shares, to meet the requirement to repay the loan. Executives were required to refinance or repay their outstanding WESP loans by 31 December 2007.

Equity based retention plans

An additional element of remuneration was introduced by the Board in February 2007 as part of a retention strategy for certain senior employees.

The total amount of the award for 2007 was determined by the Board. Participating Executives then received an allocation of pay rights (PRs) under the retention strategy. The number of PRs allocated, and the conversion rights attaching to the PRs, are determined in the same way as for VPRs allocated under the EIP.

The condition for award of PRs is outstanding individual performance, as assessed by the CEO by reference to the demonstrated capacity of the Executive to contribute to the generation of sustainable value for shareholders. Vesting of the PRs is conditional on maintenance of acceptable individual performance. As the intention of the PRs is to provide a retention mechanism, no other performance conditions are imposed on vesting. One third of the PRs will vest on each of the first, second and third anniversaries of the allocation date. Entitlement to PRs is lost if a participating Executive resigns or is terminated with cause before the due date for vesting.

The Board will determine whether PRs are to be satisfied in cash or in Woodside shares at the time of vesting. If satisfied in shares, the shares would be purchased on market. If satisfied in cash, the amount would be based on the market value of a Woodside share at the vesting date (reflecting price movements from the time of allocation).

Employee share plan

In April 2007 Woodside introduced the Share Purchase Plan (WSPP) which is available to all employees, including the Executives. The WSPP provides eligible employees with an opportunity to acquire Woodside shares and to share in the growth of the Company.

Participants in the WSPP elect to sacrifice an amount of salary, and this amount is applied by the WSPP Trustee to purchase Woodside shares on market. The maximum amount that could be salary sacrificed in the 2007 year was A$10,000 and the minimum was A$3,000. Woodside provides funds to the WSPP Trustee to buy additional Woodside shares (matching shares) on market at a fixed ratio to the shares purchased with sacrificed funds (in 2007 the ratio was one for one). This matching ratio and the minimum and maximum amounts may change from year to year at the discretion of the Board.

All shares purchased under the WSPP are held in trust. To become finally entitled to the matching shares funded by Woodside, a participant must remain a Woodside employee, for a three year qualification period. Participants cannot dispose of shares purchased with sacrificed funds within this three year qualification period, unless they cease employment with Woodside (in which case they become entitled to deal with the shares purchased with sacrificed funds, but lose their entitlement to matching shares). After the three-year qualification period participants may elect to have their WSPP shares retained in the trust for up to a further seven years, provided they remain in the employment of Woodside.

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

The matching shares are a form of remuneration that is not dependent on the Executives' individual performance or Woodside's performance.

2007 remuneration details

Table 11 on page 59 summarises the remuneration both paid and payable to the Executives for the 2007 performance year, including the VAR allocation.

The value of the Scorecard for 2007 was 0.83 out of a maximum possible result of 2.

The total potential amount of the STI pool for 2007 ranged from a minimum of $0 up to a maximum of $26.2 million. The actual STI pool for 2007 was $11.0 million for 95 participants (including the Executives).

Company Secretary remuneration

Mr Cole is remunerated in accordance with the Executive remuneration policies described above.

Ms Kernot is remunerated in accordance with Woodside's employee remuneration policy, which is a combination of FAR (as described above) and VAR in the form of a short term incentive bonus payment. The VAR component is determined on the basis of individual performance and the Scorecard used under the EIP. Ms Kernot is also able to participate in employee share plans.

Table 6 - Summary of terms and conditions for VPRs under the EIP

The following table summarises the terms and conditions of the VPRs awarded to the Executives under the EIP for 2007, 2006 and 2005. It reflects the different vesting arrangements following the changes to the EIP for the 2007 performance year.

Terms and Conditions	2007 VPR Allocation		2006 VPR Allocation		2005 VPR Allocation	
	Time-tested VPRs	RTSR Tested VPRs	Time-tested VPRs	TSR Tested VPRs	Time-tested VPRs	TSR Tested VPRs
Allocation Date	14 March 2008		15 March 2007		13 March 2006	
Pricing Date	31 December 2007		15 March 2007		13 March 2006	
Grant Date	1 January 2007		1 January 2006		19 April 2005	
Volume Weighted Average Price	$48.2501		$35.7804		$40.3049	
Performance condition (for allocation)	EIP Scorecard and individual performance assessment	Not applicable	Woodside Economic Value Added (EVA) and individual performance			
Reason for performance condition (allocation)	See above under "Short term incentives" (STI)	Not applicable	Woodside EVA was adopted as a measure of the value added by Woodside's operations during the relevant year, with a view to linking executive remuneration to value added for shareholders The individual performance measure assesses the contribution made by individual executives, against pre-set individual objectives aligned to Woodside's strategic plan, which has as its ultimate objective the maximization of shareholder returns			
Performance condition (for vesting)	Not applicable	If Woodside TSR performance equals or exceeds 50th Peer Group percentile for relevant period, VPRs vest on sliding scale	Not applicable	If compounded TSR of Woodside is equal to or above TSR Hurdle Rate of 11.5%pa* for 30 consecutive days ending on testing date	Not applicable	If compounded TSR of Woodside is equal to or above TSR Hurdle Rate of 11%pa* for 30 consecutive days ending on testing date
Reason for performance condition (vesting)	Not applicable	Relative TSR adopted in 2007 - is independent of market conditions and is considered a more relevant measure of management performance in terms of value delivered to shareholders over the medium to long term	Not applicable	TSR was adopted because it is a widely accepted measure of shareholder wealth creation over the medium to long term – initial approach was to set an absolute TSR benchmark percentage	Not applicable	TSR was adopted because it is a widely accepted measure of shareholder wealth creation over the medium to long term - initial approach was to set an absolute TSR benchmark percentage
Vesting Date**	14 March 2011	Initial vesting test 14 March 2011	15 March 2010	Initial vesting test as at 16 March 2010	13 March 2009	Initial vesting test as at 14 March 2009
Application of Retesting	Not applicable	If RTSR threshold not achieved as at 14 March 2011, retest on 14 March 2012	Not applicable	If TSR test not met as at 16 March 2010, retest over next 2 years until 15 March 2012	Not applicable	If TSR test not met as at 14 March 2009, retest over next 2 years until 13 March 2011
Lapse of VPRs before Vesting Date	If employment terminated for cause or by resignation all unvested VPRs will lapse		If employment terminated for cause or by resignation all unvested VPRs will lapse		If employment terminated for cause or by resignation all unvested VPRs will lapse	
Lapse of VPRs if not vested	Not applicable	If threshold RTSR not achieved on retest, TSR Tested VPRs will lapse	Not applicable	If TSR test not met by 15 March 2012, TSR-tested VPRs will lapse	Not applicable	If TSR test not met by 13 March 2011, TSR-tested VPRs will lapse

* The Board set the TSR Hurdle Rate with reference to Woodside's Cost of Equity Capital annually before VPRs were allocated.

** Provision is made for accelerated vesting in certain events such as total and permanent disablement, death or a change in control of Woodside.

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

Terms and Conditions	2007 Equity based retention plan
Allocation Date	15 March 2007
Pricing Date	15 March 2007
Grant Date	15 March 2007
Volume Weighted Average Price	$35.7804
Performance condition (for allocation)	Outstanding individual performance
Reason for performance condition (allocation)	See above under "Executive Remuneration Policy"
Performance condition (for vesting)	Maintenance of acceptable individual performance over three years from the allocation date. One third of the PRs will vest on each of the first, second and third anniversaries of the allocation date.
Reason for performance condition (vesting)	See above under "Executive Remuneration Policy"
Vesting date*	15 March 2008; 15 March 2009; 15 March 2010
Lapse of PRs before Vesting Date	If employment terminated for cause or by resignation all unvested PRs will lapse.

* Provision is made for accelerated vesting in certain events such as total and permanent disablement, death or a change in control of Woodside.

Table 8 - Summary of the Executives' interests in VPRs, PRs and other equity instruments

Time tested VPRs and PRs

Name	Allocation date	Expiry date[1]	Awarded	Fair value[2] of VPR/PR for performance year		
				2007	2006	2005
D Voelte	March 2006	13/03/2009	12,827			22.80
	March 2007[5]	15/03/2010	20,122		37.30	
	March 2008	14/03/2011	16,514	34.72		
Total			49,463			
M Chatterji	March 2006	13/03/2009	3,429			22.80
	March 2007	15/03/2010	5,517		37.30	
	March 2007	15/03/2010	26,270	31.87		
	March 2008	14/03/2011	4,314	34.72		
Total			39,530			
R Cole	March 2006	13/03/2009	-			22.80
	March 2007	15/03/2010	1,370		37.30	
	March 2007	15/03/2010	12,015	31.87		
	March 2008	14/03/2011	1,757	34.72		
Total			15,142			
E Howell[6]	March 2006	13/03/2009				22.80
	March 2007	15/03/2010	525		37.30	
	March 2007	15/03/2010	14,532	31.87		
	March 2008	14/03/2011	1,905	34.72		
Total			16,962			
A Kantsler	March 2006	13/03/2009	3,278			22.80
	March 2007	15/03/2010	1,650		37.30	
	March 2007	15/03/2010	19,563	31.87		
	March 2008	14/03/2011	2,542	34.72		
Total			27,033			
P Moore	March 2006	13/03/2009	2,186			22.80
	March 2007	15/03/2010	2,215		37.30	
	March 2007	15/03/2010	19,003	31.87		
	March 2008	14/03/2011	1,971	34.72		
Total			25,375			
V Santostefano[6]	March 2006	13/03/2009				22.80
	March 2007	15/03/2010	1,327		37.30	
	March 2007	15/03/2010	10,340	31.87		
	March 2008	14/03/2011	1,670	34.72		
Total			13,337			
K Spence	March 2006	13/03/2009	3,309			22.80
	March 2007	15/03/2010	2,010		37.30	
	March 2008	14/03/2011	1,748	34.72		
Total			7,067			
I Fraser[7][8]	March 2006	13/03/2009				22.80
	March 2007	15/03/2010	1,368		37.30	
	March 2008	14/03/2011	1,317	34.72		
Total			2,685			
J Rigden[7][8]	March 2006	13/03/2009				22.80
	March 2007	15/03/2010	685		37.30	
	March 2008	14/03/2011	501	34.72		
Total			1,186			

RTSR and TSR tested VPRs[3]

D Voelte	March 2006[4]	13/03/2011	50,464			14.25
	March 2007[5]	15/03/2012	40,245		22.30	
	March 2008	14/03/2012	33,161	29.16		
Total			123,870			
M Chatterji	March 2006	13/03/2011	6,859			14.25
	March 2007	15/03/2012	11,034		22.30	
	March 2008	14/03/2012	8,953	29.16		
Total			26,846			
R Cole	March 2006	13/03/2011	-			14.25
	March 2007	15/03/2012	2,741		22.30	
	March 2008	14/03/2012	4,862	29.16		
Total			7,603			
E Howell[6]	March 2006	13/03/2011				14.25
	March 2007	15/03/2012	1,051		22.30	
	March 2008	14/03/2012	3,954	29.16		
Total			5,005			
A Kantsler	March 2006	13/03/2011	6,554			14.25
	March 2007	15/03/2012	3,300		22.30	
	March 2008	14/03/2012	7,036	29.16		
Total			16,890			
P Moore	March 2006	13/03/2011	4,372			14.25
	March 2007	15/03/2012	4,430		22.30	
	March 2008	14/03/2012	5,453	29.16		
Total			14,255			
V Santostefano[6]	March 2006	13/03/2011				14.25
	March 2007	15/03/2012	2,654		22.30	
	March 2008	14/03/2012	3,465	29.16		
Total			6,119			
K Spence	March 2006	13/03/2011	6,618			14.25
	March 2007	15/03/2012	4,020		22.30	
	March 2008	14/03/2012	4,800	29.16		
Total			15,438			
I Fraser[7]	March 2006	13/03/2011				14.25
	March 2007	15/03/2012	2,737		22.30	
	March 2008	14/03/2012	3,646	29.16		
Total			6,383			
J Rigden[7]	March 2006	13/03/2011				14.25
	March 2007	15/03/2012	1,370		22.30	
	March 2008	14/03/2012	1,374	29.16		
Total			2,744			

Table 8 - Summary of the Executives' interests in VPRs, PRs and other equity instruments (continued)

(1) Expiry date and exercise date are the same.

(2) In accordance with the requirements of AASB 124 *Related Party Disclosures*, the fair value of rights as at their date of grant has been determined by applying the binomial valuation method. 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.

(3) Exercise date is from 13 March 2009 to 13 March 2011 in respect of 2006 allocations, from 15 March 2010 to 15 March 2012 in respect of March 2007 allocations and on 14 March 2011 or 14 March 2012 in respect of March 2008 allocations.

(4) Incorporates a TSR tested VPR allocation of $1,000,000 in respect of the 2005 performance year, awarded in addition to the EIP entitlements.

(5) Incorporates an allocation of $900,000 awarded in addition to the EIP entitlements in the form of VPRs for the 2006 performance year.

(6) Ms Howell and Mr Santostefano did not meet the definition of a Key Management Personnel under AASB 124 for the 2006 financial year but are considered Key Management Personnel for 2007. 2006 comparative figures are not shown.

(7) Mr Fraser and Mr Rigden are included as part of the top five most highly remunerated executives of the Woodside group for 2007. 2006 comparative figures are not shown.

(8) Mr Fraser and Mr Rigden's Time-tested VPRs allocated in March 2006 and March 2007 vested on their departure from Woodside in 2007. The Time-tested VPRs to be allocated in March 2008 will vest immediately on allocation.

As at 31 December 2007 other than the VPRs noted in footnote (8) no VPRs/PRs had vested. No VPRs/PRs held by any Executive lapsed.

The number of VPRs for March 2007 VPR allocation as reported in the 2006 Concise Annual Report was calculated using a share closing price of $36.95 (closing 7 February 2007 price). The actual number of VPRs allocated was determined using a weighted average share price for the five days to 15 March 2007, which has resulted in a restatement of the number of VPRs allocated in this 2007 Annual Report.

The number of VPRs for March 2008 VPR allocation as reported in this 2007 Annual Report has been determined using the volume weighted average price of a share over the five trading days preceeding 31 December 2007.

Shares

Name	Plan Type	Shares	Opening Balance	Lapsed	Closing Balance
D Voelte	2004 LTI Award[1]	Deferred Shares	69,404	-	69,404

(1) Awarded and vested in 2005 on the basis of individual performance for the 2004 performance year. The shares are held in trust and Mr Voelte may not deal with or dispose of any of the shares until the earliest of: the end of a period of 5 years commencing on the grant date; the time when Mr Voelte ceases to be employed by Woodside; or the time when any person acquires a relevant interest in 50.1% of Woodside's issued share capital. Mr Voelte's interest in the shares may be forfeited in certain circumstances, including summary termination of his employment with Woodside.

Table 9 - Summary of contractual provisions for Executives

Name	Employing company	Contract duration	Termination notice period company[2][3]	Termination notice period Executive[3]
D Voelte[1]	Woodside Petroleum Ltd.	Unlimited[4]	12 months	6 months
M Chatterji	Woodside Energy Ltd.	Unlimited	12 months	6 months
R Cole	Woodside Energy Ltd.	Unlimited	12 months	6 months
E Howell	Woodside Energy Ltd.	Fixed Term Contract until 20 September 2009 with one year option for extension by both parties	12 months	6 months
A Kantsler	Woodside Energy Ltd.	Unlimited	12 months	6 months
P Moore	Woodside Energy Ltd.	Unlimited	12 months	6 months
V Santostefano	Woodside Energy Ltd.	Unlimited	12 months	6 months
K Spence	Woodside Energy Ltd.	Unlimited	12 months	6 months
I Fraser	Woodside Energy Ltd.	Fixed Term Contract until 3 August 2008	12 months	6 months
J Rigden	Woodside Energy Ltd.	Unlimited	20 months	6 months

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

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

(3) On termination of employment, Executives will be entitled to the payment of any FAR calculated up to the termination date, any annual 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.

(4) Mr Voelte was appointed as Woodside's CEO with effect from 5 April 2004. Mr Voelte's employment contract with Woodside Petroleum Ltd. was originally for a fixed term of four years and 360 days. On 18 July 2006, Mr Voelte's employment contract was converted from a fixed term contract to a contract without a fixed term thereby providing greater stability for the executive management team. Subsequent to this, a consolidated employment contract, incorporating this and other minor amendments was approved by the Board in February 2007.

Table 10 - Summary of Executives' interests in shares under the WSPP

Name	Plan type	Opening balance	Shares purchased under WSPP	Matching shares	Closing balance
D Voelte	2007 WSPP	-	62	62	124
M Chatterji	2007 WSPP	-	62	62	124
R Cole	2007 WSPP	-	62	62	124
E Howell	2007 WSPP	-	-	-	-
A Kantsler	2007 WSPP	-	62	62	124
P Moore	2007 WSPP	-	62	62	124
V Santostefano	2007 WSPP	-	62	62	124
K Spence	2007 WSPP	-	-	-	-
I Fraser	2007 WSPP	-	-	-	-
J P Rigden	2007 WSPP	-	-	-	-

The matching shares were granted on 29 August 2007 and had a fair value of $48.25.

As at 31 December 2007, no matching shares had lapsed or vested.

Table 11 - Compensation of Executives for the year ended 31 December 2007

		Short–term			Post employment	Share-based payments			
		Cash salary & fees	Cash bonuses	Non monetary	Pension super	Options and rights			
Executives	Year	Salaries, fees and allowances[1]	Short-term incentive bonus[2]	Benefits & allowances[3]	Company contributions to superannuation	Share plan[4]	Termination / sign on benefits	Total remuneration	Performance related
		$	$	$	$	$	$	$	%
D Voelte, Executive Director	2007	2,287,623	1,593,600	41,313	12,908	864,810	-	4,800,254	51
	2006	1,876,525	1,440,000	44,718	12,413	530,145	-	3,903,801	50
M Chatterji, Executive Vice President & Chief Financial Officer	2007	729,507	416,273	230,890	88,065	644,575	-	2,109,310	50
	2006	465,162	394,821	101,784	81,679	128,281	-	1,171,727	45
R Cole, Executive Vice President Corporate Affairs & Sustainability and General Counsel	2007	412,097	169,545	1,000	73,966	261,852	-	918,460	47
	2006	274,726	98,091	5,853	48,265	22,961	-	449,896	27
E Howell[6], Executive Vice President North West Shelf	2007	394,853	183,854	8,008	71,396	284,283	-	942,394	50
	2006								
A Kantsler, Executive Vice President Exploration, New Ventures & Mergers & Acquisitions	2007	608,655	245,341	13,636	103,102	442,781	-	1,413,515	49
	2006	555,368	200,701	13,372	97,970	61,891	-	929,302	28
P Moore, Executive Vice President Development	2007	470,940	190,156	8,478	86,563	417,554	-	1,173,691	52
	2006	400,657	158,527	8,502	70,842	59,959	100,000[5]	798,487	27
V Santostefano[6], Senior Vice President Operations	2007	336,907	161,113	8,478	-	240,946	-	747,444	54
	2006								
K Spence, Executive Vice President Enterprise Capability	2007	637,023	168,730	12,352	-	111,425	-	929,530	30
	2006	629,494	161,183	12,324	77,162	68,258	-	948,421	24
I Fraser[7], General Manager Middle East Africa	2007	550,839	127,125	11,608	66,578	75,184	400,000	1,231,334	16
	2006								
J Rigden[7], Vice President Karratha Gas Plant	2007	303,168	48,302	4,045	-	35,586	936,851	1,327,952	6
	2006								

(1) Mr Voelte elected to be paid his balance of superannuation benefits as a superannuation-in-lieu allowance. The amount is included in salaries, fees and allowances.

(2) The amount represents the short-term incentive earned in the respective year, which is actually paid in the following year.

(3) Reflects the value of allowances and benefits including but not limited to travel, motor vehicle and health insurance.

(4) In accordance with the requirements of AASB 124 *Related Party Disclosures*, the fair value of rights as at their date of grant has been determined by applying the binomial valuation method. The fair value of rights is amortised over the vesting period, such that 'Total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.

(5) Mr Moore was entitled to a sign on bonus of $100,000 payable in 2006.

(6) Ms Howell and Mr Santostefano did not meet the definition of a Key Management Personnel under AASB 124 for the 2006 financial year but are considered Key Management Personnel for 2007. 2006 comparative figures are not shown.

(7) Mr Fraser and Mr Rigden are included as part of the top five most highly remunerated executives of the Woodside group for 2007. 2006 comparative figures are not shown.

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.

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 30 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.

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.

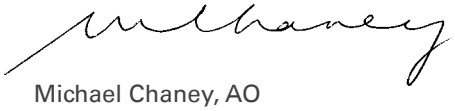
Proceedings on Behalf of the Company

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 one hundred thousand dollars under the option available to the company under Australian Securities and Investments Commission Class Order 98/0100 dated 10 July 1998.

Signed in accordance with a resolution of the Directors.



Michael Chaney, AO
Chairman
20 February 2008.

Donald Voelte
Chief Executive Officer
20 February 2008.

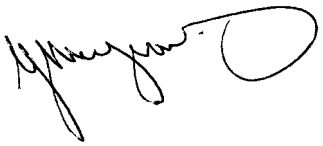
Table 12 - Directors' relevant interests in Woodside shares as at date of report.

Director	Relevant interest in shares
MA Chaney	20,000
DR Voelte	69,528
JR Broadbent	48,620
E Fraunschiel	74,552
A Jamieson	3,000
PJMH Jungels	8,454
DI McEvoy	2,526
D Megat	-
J Stausholm	-

Auditor's Independence Declaration

In relation to our audit of the financial report of Woodside Petroleum Ltd. for the year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young



G H Meyerowitz
Partner
Perth
20 February 2008.

INCOME STATEMENT		62
BALANCE SHEET		63
CASH FLOW STATEMENT		64
STATEMENT OF CHANGES IN EQUITY		65
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT		67
1.	Summary of Significant Accounting Policies	67
2.	Segment Reporting	77
3.	Revenues and Expenses	80
4.	Income Tax	82
5.	Earnings Per Share	85
6.	Dividends Paid and Proposed	85
7.	Receivables	86
8	Inventories	86
9.	Financial and Other Assets	87
10.	Exploration and Evaluation Assets	88
11.	Oil and Gas Properties	89
12.	Other Plant and Equipment	90
13.	Payables	90
14.	Interest-Bearing Liabilities	91
15.	Tax Payable	91
16.	Financial and Other Liabilities	91
17.	Provisions	92
18.	Contributed Equity	92
19.	Other Reserves	93
20.	Retained Earnings	94
21.	Notes to the Cash Flow Statement	94
22.	Financial and Capital Risk Management	95
23.	Discontinued Operations	107
24.	Expenditure Commitments	109
25.	Employee Benefits	110
26.	Key Management Personnel Compensation	116
27.	Events after the Balance Sheet Date	120
28.	Related Party Disclosure	120
29.	Contingent Liabilities	121
30.	Auditor Remuneration	121
31.	Joint Ventures	122
32.	Associated Entities	123
33.	Interests in Subsidiaries	124
DIRECTORS' DECLARATION		127
INDEPENDENT AUDIT REPORT		128
SHAREHOLDER INFORMATION		129

INCOME STATEMENT | For the year ended 31 December 2007

	Notes	Consolidated 2007 $m	Consolidated 2006 $m	Parent 2007 $m	Parent 2006 $m
Continuing operations					
Revenue from sale of goods	3(a)	3,841.4	3,475.5	-	-
Cost of sales	3(b)	(1,243.9)	(1,058.2)	-	-
Petroleum Resource Rent Tax	3(c)	(244.0)	(200.4)	-	-
Gross profit		2,353.5	2,216.9	-	-
Dividends and other income	3(d)	180.4	126.1	886.0	699.2
Other expenses	3(e)	(699.6)	(429.9)	(6.5)	(5.5)
Profit from continuing operations before income tax and net finance costs		1,834.3	1,913.1	879.5	693.7
Finance income	3(f)	37.9	38.2	12.5	13.3
Finance costs	3(g)	(29.0)	(44.5)	(19.5)	(17.2)
Profit from continuing operations before income tax		1,843.2	1,906.8	872.5	689.8
Income tax expense	4(a)	(574.1)	(544.8)	2.8	2.6
Profit from continuing operations after income tax		1,269.1	1,362.0	875.3	692.4
Discontinued operations					
(Loss)/profit from sale and discontinued operations after income tax	23(b)	(238.9)	65.0	-	-
Net profit		1,030.2	1,427.0	875.3	692.4
Basic and diluted earnings per share from continuing operations (cents)	5	189	207		
Basic and diluted earnings per share from total operations (cents)		153	217		
Dividend per share (cents)	6(b)	104	126		

The accompanying notes form part of the Financial Report.

BALANCE SHEET | As at 31 December 2007

	Notes	Consolidated 2007 $m	Consolidated 2006 $m	Parent 2007 $m	Parent 2006 $m
Current assets					
Cash and cash equivalents	21(a)	138.0	313.7	-	-
Receivables	7(a)	491.3	625.6	186.1	278.9
Inventories	8(a)	74.8	79.2	-	-
Financial assets	9(a)	3.4	12.8	-	-
Other assets	9(b)	88.9	170.1	-	-
Total current assets		796.4	1,201.4	186.1	278.9
Non-current assets					
Receivables	7(b)	-	-	1,843.8	1,107.6
Inventories	8(b)	8.7	5.1	-	-
Financial assets	9(a)	140.4	119.9	250.5	309.5
Other assets	9(b)	90.9	78.8	-	-
Exploration and evaluation assets	10	737.3	1,103.2	-	-
Oil and gas properties	11	7,619.2	6,174.9	-	-
Other plant and equipment	12	129.5	102.7	-	-
Deferred tax assets	4(d)	207.6	182.7	-	-
Total non-current assets		8,933.6	7,767.3	2,094.3	1,417.1
Total assets		9,730.0	8,968.7	2,280.4	1,696.0
Current liabilities					
Payables	13(a)	998.5	784.3	0.4	508.6
Interest-bearing liabilities	14(a)	413.7	313.3	-	-
Tax payable	15	327.1	207.9	328.4	196.4
Financial liabilities	16(a)	118.9	-	-	-
Other liabilities	16(b)	7.6	6.1	-	-
Provisions	17	98.7	74.6	-	-
Total current liabilities		1,964.5	1,386.2	328.8	705.0
Non-current liabilities					
Payables	13(b)	-	4.2	174.4	131.6
Interest-bearing liabilities	14(b)	618.1	1,507.0	-	-
Deferred tax liabilities	4(d)	674.6	809.4	-	-
Financial liabilities	16(a)	112.2	11.8	-	-
Other liabilities	16(b)	714.8	431.7	22.2	20.5
Provisions	17	551.9	616.6	-	-
Total non-current liabilities		2,671.6	3,380.7	196.6	152.1
Total liabilities		4,636.1	4,766.9	525.4	857.1
Net assets		5,093.9	4,201.8	1,755.0	838.9
Equity					
Issued and fully paid shares	18(a)	1,553.2	706.5	1,553.2	706.5
Shares reserved for employee share plans	18(b)	(137.0)	(177.9)	(137.0)	(177.9)
Other reserves	19	(155.2)	23.5	38.2	38.0
Retained earnings	20	3,832.9	3,649.7	300.6	272.3
Total equity		5,093.9	4,201.8	1,755.0	838.9

The accompanying notes form part of the Financial Report.

CASH FLOW STATEMENT | For the year ended 31 December 2007

	Notes	Consolidated 2007 $m	Consolidated 2006 $m	Parent 2007 $m	Parent 2006 $m
Cash flows from operating activities					
Receipts from customers		4,292.6	3,851.9	-	-
Interest received		20.4	19.8	12.5	13.4
Dividends received		6.7	10.0	847.1	713.3
Payments to suppliers and employees		(555.0)	(613.2)	(6.5)	(5.8)
Borrowing cost payments		(7.4)	(19.6)	(19.5)	(17.3)
Other fees and recoveries		19.6	18.5	-	19.3
Royalties and excise payments		(274.6)	(271.2)	-	-
Petroleum Resource Rent Tax refund/(payments)		6.1	(126.7)	-	-
Income tax payments		(582.5)	(491.4)	(567.4)	(468.1)
Purchase of shares relating to employee share plans		(15.1)	(82.1)	(15.1)	(82.1)
Payments received from employees relating to employee share plans		56.3	52.7	56.3	52.7
Net cash from operating activities	21(b)	2,967.1	2,348.7	307.4	225.4
Cash flows from investing activities					
Payments for capital and exploration expenditure		(3,130.6)	(2,374.1)	-	-
Proceeds from sale of investments		-	3.0	-	-
Proceeds from sale of exploration and evaluation assets		29.3	43.3	-	-
Proceeds from sale of other non-current assets		60.6	13.3	-	-
Proceeds from sale of/(payments for) investments in controlled entities		529.7	-	22.9	(17.0)
Payments for investments in other entities		(0.1)	(1.7)	-	-
Net cash (used in)/from investing activities		(2,511.1)	(2,316.2)	22.9	(17.0)
Cash flows from financing activities					
(Repayment of)/proceeds from short term borrowings		(179.1)	773.4	-	-
(Repayment of)/proceeds from long term borrowings		(442.9)	-	-	-
Advances (to)/from controlled entities		-	-	(330.3)	504.9
Proceeds from underwriters of Woodside's Dividend Reinvestment Plan (DRP)		338.0	-	-	-
Dividend payments (net of DRP)		(338.0)	(713.3)	-	(713.3)
Payments for finance lease liabilities		-	(4.7)	-	-
Net cash (used in)/from financing activities		(622.0)	55.4	(330.3)	(208.4)
Net (decrease)/increase in cash held		(166.0)	87.9	-	-
Cash and cash equivalents at the beginning of the financial year		313.7	232.9	-	-
Effects of exchange rate changes on the balances of cash held in foreign currencies		(9.7)	(7.1)	-	-
Cash and cash equivalents at the end of the financial year	21(a)	138.0	313.7	-	-

The accompanying notes form part of the Financial Report.

STATEMENT OF CHANGES IN EQUITY | For the year ended 31 December 2007

Consolidated	Issued and fully paid shares $m	Shares reserved for employee share plans $m	Other reserves (Note 19) $m	Retained earnings (Note 20) $m	Total equity $m
Balance at 1 January 2006	706.5	(148.0)	6.1	2,936.0	3,500.6
Currency translation differences	-	-	(57.8)	-	(57.8)
Cash flow hedges	-	-	35.5	-	35.5
Available-for-sale financial assets	-	-	17.5	-	17.5
Total expense for the year recognised directly in equity	-	-	(4.8)	-	(4.8)
Employee share plan purchases	-	(72.7)	-	-	(72.7)
Employee share plan redemptions	-	35.1	-	-	35.1
Dividends applied	-	7.7	-	-	7.7
Cost of share based payment	-	-	22.2	-	22.2
Net profit for the year	-	-	-	1,427.0	1,427.0
Dividends paid	-	-	-	(713.3)	(713.3)
Balance at 31 December 2006	706.5	(177.9)	23.5	3,649.7	4,201.8
Balance at 1 January 2007	706.5	(177.9)	23.5	3,649.7	4,201.8
Currency translation differences	-	-	(29.3)	-	(29.3)
Cash flow hedges	-	-	(147.1)	-	(147.1)
Available-for-sale financial assets	-	-	(8.3)	-	(8.3)
Total expense for the year recognised directly in equity	-	-	(184.7)	-	(184.7)
Dividend Reinvestment Plan	846.5	-	-	-	846.5
Share issue costs	0.6	-	-	-	0.6
Dividend Reinvestment Plan residual	(0.4)	-	-	-	(0.4)
Employee share plan purchases	-	(19.1)	-	-	(19.1)
Employee share plan redemptions	-	52.8	-	-	52.8
Dividends applied	-	7.2	-	-	7.2
Cost of share based payment	-	-	6.0	-	6.0
Net profit for the year	-	-	-	1,030.2	1,030.2
Dividends paid	-	-	-	(847.0)	(847.0)
Balance at 31 December 2007	1,553.2	(137.0)	(155.2)	3,832.9	5,093.9

The accompanying notes form part of the Financial Report.

STATEMENT OF CHANGES IN EQUITY | For the year ended 31 December 2007

Parent	Issued and fully paid shares $m	Shares reserved for employee share plans $m	Employee benefits reserves (Note 19) $m	Retained earnings (Note 20) $m	Total equity $m
Balance at 1 January 2006	706.5	(148.0)	18.7	293.2	870.4
Employee share plan purchases	-	(72.7)	-	-	(72.7)
Employee share plan redemptions	-	35.1	-	-	35.1
Dividends applied	-	7.7	-	-	7.7
Cost of share-based payment	-	-	19.3	-	19.3
Net profit for the year	-	-	-	692.4	692.4
Dividends paid	-	-	-	(713.3)	(713.3)
Balance at 31 December 2006	706.5	(177.9)	38.0	272.3	838.9
Balance at 1 January 2007	706.5	(177.9)	38.0	272.3	838.9
Dividend Reinvestment Plan	846.5	-	-	-	846.5
Share issue costs	0.6	-	-	-	0.6
Dividend Reinvestment Plan residual	(0.4)	-	-	-	(0.4)
Employee share plan purchases	-	(19.1)	-	-	(19.1)
Employee share plan redemptions	-	52.8	-	-	52.8
Dividends applied	-	7.2	-	-	7.2
Cost of share-based payment	-	-	0.2	-	0.2
Net profit for the year	-	-	-	875.3	875.3
Dividends paid	-	-	-	(847.0)	(847.0)
Balance at 31 December 2007	1,553.2	(137.0)	38.2	300.6	1,755.0

The accompanying notes form part of the Financial Report.

1. Summary of Significant Accounting Policies

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act, Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets, which have been measured at fair value.

The financial report is presented in Australian dollars, and all values are rounded to the nearest one hundred thousand dollars, unless otherwise stated.

The accounting policies set out below have been consistently applied to all periods presented in the financial report.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on or before 1 January 2007. These Standards and Interpretations give rise to additional disclosures without material effect on the financial statements of the Group and Company.

The Directors have elected to early adopt the following Accounting Standards and Interpretations even though the pronouncements are not required to be applied until subsequent reporting periods:

- AASB 2007-1 *Amendments to Australian Accounting Standards arising from AASB Interpretation 11*;
- Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*;
- AASB 123 *Borrowing Costs*;
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from* AASB 123; and
- Interpretation 4 *Determining whether an Arrangement contains a Lease (revised).*

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at 31 December each year.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date at which control is transferred out of the Group.

At acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values in accordance with the purchase method of accounting. 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. Investments in subsidiaries are carried at cost less allowances for diminution in value in the Company's financial statements.

All intercompany balances and transactions, including unrealised profits and losses arising from intra-group transactions, have been eliminated in full.

1. Summary of Significant Accounting Policies (continued)

(d) Revenue

Product revenue

Revenue earned from the sale of oil, gas and condensate produced is recognised when the risks and rewards of ownership of the product 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 legally enforceable entitlement to the proceeds.
- revenue earned under a production sharing contract is recognised on the basis of the Group's share of oil, gas or condensate allocated to the contractor party or parties under the contract.

Interest revenue

Interest revenue is recognised as interest accrues using the 'effective interest' method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument.

Dividend revenue

Dividend revenue is recognised when the right to receive payment is established.

Services revenue

Revenue for services rendered is recognised in proportion to the stage of completion of a contract.

(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, are expensed as incurred except where:

- the expenditure relates to an exploration discovery that, at balance date, has not been recognised as an area of interest, as 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.

1. Summary of Significant Accounting Policies (continued)

(f) Oil and gas properties

Oil and gas properties are carried at cost and 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 period in which they are incurred.

(g) Other plant and equipment

Other plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

(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 life. The major categories of assets are depreciated as follows:

Category	Method	Estimated useful lives (years)
Oil and gas properties		
Land and buildings	Straight line over useful life	40
Transferred exploration and evaluation assets and off-shore plant and equipment	Units-of-production basis over proved plus probable reserves	5-50
On-shore plant and equipment	Straight line over the lesser of useful life and the life of proved plus probable reserves	40
Marine vessels	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. 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.

The recoverable amount of an asset is determined as the higher of its value in use and net disposable value. Value in use is determined by estimating future cash flows after taking into account the risks specific to the asset and discounting them to their present value using a risk adjusted pre-tax discount rate that reflects current market assessment of the time value of money.

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.

1. Summary of Significant Accounting Policies (continued)

(j) Non-current assets 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 amount and net disposable value. They are not depreciated or amortised. To be classified as held for sale, an asset or 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 (or disposal group) to its net disposable value. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

(k) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as swaps, options, futures and forward contracts to hedge its risks associated with commodity prices, 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 value in line with market fluctuations. The unrealised gain or loss on remeasurement is immediately recognised in the income statement, except where hedge accounting applies. The fair values of derivative financial instruments that are traded on an active market are based on quoted market prices at the balance sheet date. The fair value of financial instruments not traded on an active market is determined using appropriate valuation techniques.

Hedge accounting

When a derivative is designated as a hedge for accounting purposes the Group documents the relationship between the derivative and the hedged item, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its 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 & risk	Accounting treatment
Fair value hedge	
Exposure to changes in the fair value of a recognised asset or liability or committed transaction	Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged risk that is attributable to the asset or liability or committed transaction.
Cash flow hedge	
Exposure to variability in cash flows associated with a highly probable forecasted transaction or a committed transaction	The effective portion of changes in the fair value of derivatives are recognised in equity in the hedging reserve. 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.

Hedge accounting is discontinued when the hedging instrument expires or no longer qualifies for hedge accounting or is terminated. 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 a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the year.

1. Summary of Significant Accounting Policies (continued)

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, with fair value movements reported in the income statement.

(l) Provision for restoration

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

A restoration provision is recognised and updated at different stages of the development and construction of a facility and then reviewed on an annual basis. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related exploration and evaluation assets or oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted 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 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 unincorporated joint venture 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 joint venture 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 joint venture 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 Group's proportionate share of the results of the venture.

(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 interest rate applicable to the Group's outstanding borrowings during the year.

(o) Foreign currency

The functional currency and presentation currency of Woodside Petroleum Ltd. and the majority of its Australian subsidiaries is Australian dollars (A$).

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 balance sheet date are translated at the rates of exchange ruling at that date. Exchange differences in the consolidated financial report 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 with a functional currency other than Australian dollars. These are taken directly to the foreign currency translation reserve until the disposal of the net investment, at which time they are recognised in the income statement.

1. Summary of Significant Accounting Policies (continued)

Translation of the financial results of foreign operations

Foreign subsidiaries and some Australian subsidiaries have a functional currency other than Australian dollars (usually US dollars) as a result of the economic environment in which they operate. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at balance sheet date. The income statements are translated at the average exchange rates for the reporting period, or at the exchange rates ruling at the date of the transaction. Exchange differences arising on the translation of foreign subsidiaries are taken to the foreign currency translation reserve.

On disposal of a subsidiary with a functional currency other than Australian dollars, the deferred cumulative amount recognised in the foreign currency translation reserve relating to that particular subsidiary is recognised in the income statement.

Hedge transactions

Derivatives and financial instruments are used to hedge foreign exchange risk relating to certain transactions (refer Note 1(k)).

(p) Leases

Assets held under leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased asset, are treated 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 balance sheet comprise cash at bank and short term deposits with an original maturity of three months or less. Cash also includes the Group's share of cash held as operator of joint ventures. Cash and cash equivalents are stated at nominal value in the balance sheet.

For the purposes of the cash flow statement, cash and cash equivalents are reported net of outstanding bank overdrafts. Interest is charged as an expense using the 'effective yield' method.

(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 overheads where applicable. Inventories determined to be obsolete or damaged are written down to net realisable value.

1. Summary of Significant Accounting Policies (continued)

(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 remeasured to 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 earnings. 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 balance sheet date. Where investments are not actively traded, fair value is established by using other market accepted valuation techniques.

(u) Investments in associates

The Group's investments in its associates are accounted for using the equity method of accounting in the consolidated financial statements. An associate is an entity in which the Group has significant influence and is neither a subsidiary nor a joint venture.

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 balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated 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, when applicable, in the consolidated statement of changes in equity.

(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 and salaries, annual leave and long service leave.

Liabilities in respect of employee services rendered that are expected to be settled after twelve months are recognised in the balance sheet and measured at the present value of the estimated future cash outflow to be made to the employee. In determining the present value of future cash outflows, consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

Liabilities expected to be settled within twelve months of the reporting date are measured at the amount expected to be paid. Expected future payments are discounted using appropriate discount rates.

(w) Share-based payments

Shares or rights over shares (equity-settled transactions) are offered as incentives to employees of the Group. The Group has three schemes being the Woodside Employee Share Plan ('WESP'), the Woodside Share Purchase Plan ('WSPP') and the Executive Incentive Plan ('EIP'). The WESP was closed in 2006, however, employees are required to repay or refinance WESP loans by 31 December 2009. The acquisition of shares on market under the WSPP and EIP is deducted from equity and disclosed as shares reserved for employee share plans. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the rights are granted, and recognised on a straight line basis over the period in which the vesting conditions are fulfilled, ending on the date at which the relevant employees become fully entitled to the award ('vesting date'). Fair value is determined by using a binomial or Black - Scholes option pricing model.

The cost of an equity-settled award is adjusted if modifications of its terms increase the fair value of the award at the date of modification.

1. Summary of Significant Accounting Policies (continued)

(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. A liability or asset in respect of the defined benefit component of the superannuation plan is recognised in the balance sheet 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 hedge relationship. Any difference between the proceeds and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Trade and other creditors are carried at amortised cost when goods and services are received, whether or not billed to the Group.

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.

Deferred tax assets and liabilities are recognised for temporary differences using the balance sheet liability method, at the tax rates expected to apply when the assets are realised or liabilities are settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that sufficient future taxable income will be available to utilise those temporary differences and losses.

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.

Petroleum Resource Rent Tax (PRRT)

Petroleum Resource Rent Tax is considered, for accounting purposes, to be a tax based on income. Accordingly, PRRT is measured on the same basis as income tax.

1. Summary of Significant Accounting Policies (continued)

Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities 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 balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from or payable to the taxation authority are classified as an operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

(aa) 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.

(ab) Issued capital

Ordinary share capital is classified as equity and recorded at the value of consideration received. The costs of issuing shares are charged against share capital.

(ac) 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 the judgements, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Critical accounting estimates and assumptions

(1) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations 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.

The carrying value of oil and gas properties, exploration and evaluation and other plant and equipment as at 31 December 2007 is $8,486.0 million (2006: $7,380.8 million).

(2) Restoration obligations

The Group estimates the future removal costs of offshore oil and gas platforms, production facilities, wells and pipelines at the time of installation of the assets. 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).

Restoration obligations have a carrying value as at 31 December 2007 of $540.4 million (2006: $594.8 million).

1. Summary of Significant Accounting Policies (continued)

(3) Reserve estimates

Estimates 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 and difficult 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 asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the income statement and the calculation of inventory. Reserve estimates are prepared in accordance with Woodside's Hydrocarbon Resource Inventory Management Process and guidelines prepared by the Society of Petroleum Engineers.

(ii) Critical judgements in applying the Group's accounting policies

(1) Exploration and evaluation

The Group's accounting policy for exploration and evaluation assets is set out at 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.

The carrying amount of exploration and evaluation assets as at 31 December 2007 is $737.3 million (2006: $1,103.2 million).

(2) United States of America deferred tax asset

The Group has recognised a net deferred tax asset in 2007 of $99.6 million (2006: $62.6 million) in respect of tax losses and temporary differences associated with its operations in the United States of America. In accordance with the recognition criteria outlined in AASB 112 *Income Taxes*, the Group has exercised its judgement in deciding that it is probable that sufficient future taxable income will be available to utilise the deferred tax assets.

(ad) New standards and interpretations not yet adopted

The following new standards and interpretations have a potential impact on the financial report, however have an effective date after the date of these financial statements.

AASB 8 *Operating Segments*	AASB 8 will replace AASB 114 *Segment Reporting* and adopts a management approach to report on a company's operating segments. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments.
AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*	AASB 2007-3 was issued as a consequence of the issuance of AASB 8.
AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*	These amendments are the result of the AASB's decision that, in principle, all accounting policy options that currently exist under IFRS should be included in AIFRS and additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.
Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction*	The interpretation clarifies how to determine the limit on the asset that an employer's balance sheet may contain in respect of its pension plan as well as how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement.
AASB 2007-7 *Amendments to Australian Accounting Standards*	The standard eliminates wording errors, discrepancies and inconsistencies in several accounting standards.
Interpretation 1003 *Australian Petroleum Resource Rent Tax*	The interpretation specifies that Australian Petroleum Resource Rent Tax (PRRT) falls within the scope of AASB 112 *Income Taxes*. This will change how the Group discloses PRRT in its financial report.

The potential effect of these standards and interpretations is yet to be fully determined, however, it is not expected that the new standards and interpretations will significantly affect the Group's financial reporting.

2. Segment Reporting

The Group's primary reporting format is business segments and its secondary reporting format is geographical segments.

(a) Business segments

The Group has the following reportable segments:

North West Shelf Ventures

Exploration, evaluation, development, production and sales of LNG, pipeline natural gas, condensate, LPG and crude oil from the North West Shelf ventures.

Australia Business Unit

Exploration, evaluation, development, production and sale of crude oil and pipeline natural gas in assigned permit areas including Laminaria, Legendre, Mutineer-Exeter, Enfield, Vincent, Otway, and Stybarrow ventures. (Legendre assets were sold on 30 March 2007).

Middle East & Africa Business Unit

Exploration, evaluation, development, production and sale of hydrocarbons in assigned permit areas including the Algerian Ohanet project.

United States of America Business Unit

Exploration, evaluation, development, production and sale of gas, condensate and crude oil in assigned permit areas.

Group and unallocated

This segment comprises the activities undertaken by all other business units and corporate costs.

Discontinued operation

On 25 December 2007, the Group disposed of its onshore and offshore producing, developments and exploration interests in Mauritania. The operations disposed previously formed part of the Middle East & Africa Business Unit.

(b) Geographical segments

The Group operates in four main geographical segments as follows:

Australia

The main operating activities, producing assets and a significant portion of sales of the Group are within Australia.

Asia

The majority of the Group's sales are made to customers within this region.

Africa

Revenues are received from the Algerian Ohanet project and the Chinguetti venture. Other segment information includes exploration and evaluation in Mauritania, Kenya, Sierra Leone and Libya. (Mauritanian assets were sold on 25 December 2007).

United States of America

Exploration, evaluation, development, production and sale of gas, condensate and crude oil in assigned permit areas.

Other

Exploration, evaluation and development activities in other areas.

Segment accounting policies

Segment accounting policies are the same as the consolidated entity's policies described in Note 1.

Primary reporting - business segments

	North West Shelf Ventures		Australia Business Unit		Middle East and Africa Business Unit		United States Business Unit		Group and Unallocated		Continuing Operations		Discontinued Operations		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	$m	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m	**$m**	$m
Revenue																
Revenue from sale of goods	2,236.8	2,263.6	1,381.6	980.8	65.2	74.2	157.8	156.9	-	-	3,841.4	3,475.5	162.9	334.9	4,004.3	3,810.4
Cost of sales																
Production costs	(417.6)	(415.8)	(86.6)	(112.3)	(10.6)	(10.7)	(19.2)	(14.4)	(1.3)	(3.3)	(535.3)	(556.5)	(45.3)	(45.3)	(580.6)	(601.8)
Shipping and direct sales costs	(56.9)	(59.9)	(4.3)	(4.4)	(0.4)	(2.3)	(7.4)	-	(13.4)	(6.9)	(82.4)	(73.5)	0.2	(1.7)	(82.2)	(75.2)
Depreciation and amortisation	(161.4)	(145.2)	(348.5)	(140.0)	(31.5)	(34.8)	(86.3)	(106.6)	1.5	(1.6)	(626.2)	(428.2)	(88.6)	(98.8)	(714.8)	(527.0)
Total cost of sales	(635.9)	(620.9)	(439.4)	(256.7)	(42.5)	(47.8)	(112.9)	(121.0)	(13.2)	(11.8)	(1,243.9)	(1,058.2)	(133.7)	(145.8)	(1,377.6)	(1,204.0)
Petroleum Resource Rent Tax	-	-	(318.8)	(231.5)	-	-	-	-	74.8	31.1	(244.0)	(200.4)	-	-	(244.0)	(200.4)
Gross profit	1,600.9	1,642.7	623.4	492.6	22.7	26.4	44.9	35.9	61.6	19.3	2,353.5	2,216.9	29.1	189.1	2,382.6	2,406.0
Dividends and other income	49.0	35.6	44.0	23.2	(1.2)	17.4	(7.2)	(5.2)	95.8	55.1	180.4	126.1	1.5	(4.0)	181.9	122.1
Other expenses	(15.8)	(0.9)	(40.1)	(18.3)	(37.7)	(24.2)	(69.3)	5.3	(20.9)	(11.9)	(183.8)	(50.0)	(240.5)	(20.5)	(424.3)	(70.6)
Exploration and evaluation expensed	(1.9)	(2.6)	(15.4)	(49.1)	(183.4)	(123.8)	(232.4)	(174.5)	(82.7)	(29.9)	(515.8)	(379.9)	(8.3)	(42.1)	(524.1)	(422.0)
Segment results	1,632.2	1,674.8	611.9	448.5	(199.6)	(104.2)	(264.0)	(138.5)	53.8	32.6	1,834.3	1,913.1	(218.2)	122.4	1,616.1	2,035.5
Finance income											37.9	38.2	2.6	3.3	20.4	20.2
Finance costs											(29.0)	(44.5)	(22.1)	(23.1)	(31.0)	(46.4)
Income tax expense											(574.1)	(544.8)	(1.2)	(37.5)	(575.3)	(582.3)
Net profit/(loss)											1,269.1	1,362.0	(238.9)	65.0	1,030.2	1,427.0
Segment assets	3,414.3	3,086.8	3,092.8	2,576.2	68.1	270.9	859.8	1,079.6	2,295.0	1,070.8	9,730.0	8,084.2	-	884.5	9,730.0	8,968.7
Segment liabilities	620.8	611.8	1,204.8	1,106.4	50.1	151.6	1,660.3	1,576.2	1,100.0	929.7	4,636.1	4,375.6	-	391.3	4,636.1	4,766.9
Other segment information																
Associates and other investments	6.4	5.5	-	-	-	-	-	-	47.2	58.8	53.6	64.3	-	-	53.6	64.3
Acquisition of oil and gas property assets, intangible assets and other non-current assets (excluding exploration)	380.7	464.8	1,612.2	735.2	-	6.1	179.3	259.2	90.7	23.0	2,263.0	1,488.2	9.1	154.5	2,272.1	1,642.7
Non-cash expenses other than depreciation and amortisation	28.9	34.4	45.4	28.6	23.1	24.2	21.2	16.9	34.1	(1.6)	152.7	102.5	2.7	9.2	155.4	111.7
Impairment losses	-	-	-	-	-	-	57.4	6.9	-	-	57.4	6.9	-	-	57.4	6.9
Loss on remeasurement of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	(233.1)	-	(233.1)	-

2. Segment Reporting (continued)

Secondary reporting – geographical segments

	Australia		Asia		Africa		United States		Other		Consolidated	
	2007 $m	2006 $m	**2007 $m**	2006 $m	**2007 $m**	2006 $m	**2007 $m**	2006 $m	**2007 $m**	2006 $m	**2007 $m**	2006 $m
Segment revenue												
Revenue from sale of goods (by location of customer)	409.1	425.6	3,290.3	2,930.0	-	77.4	157.7	303.2	147.2	74.2	4,004.3	3,810.4
Segment assets (by location of assets)	8,447.1	6,536.1	25.2	16.0	223.0	1,296.4	1,023.7	1,126.7	11.0	(6.5)	9,730.0	8,968.7
Other segment information												
Acquisition of oil and gas property assets, intangible assets and other non-current assets	2,074.9	1,222.4	-	-	10.8	160.5	186.4	259.1	-	0.7	2,272.1	1,642.7

3. Revenues and Expenses

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(a) Revenue from sale of goods				
Liquefied natural gas				
Australia	737.8	814.9	-	-
Pipeline natural gas				
Australia	270.7	241.8		
United States of America	140.5	132.4	-	-
	411.2	374.2	-	-
Condensate				
North West Shelf	688.2	678.1	-	-
Ohanet	39.1	44.5	-	-
United States of America	16.0	23.6	-	-
	743.3	746.2	-	-
Oil				
Laminaria	327.4	437.1	-	-
North West Shelf	431.4	428.8	-	-
Mutineer-Exeter	72.6	119.2	-	-
Legendre	4.9	91.0	-	-
Enfield	901.1	333.5	-	-
Stybarrow	75.1	-	-	-
United States of America	1.2	0.9	-	-
	1,813.7	1,410.5	-	-
Liquefied petroleum gas				
North West Shelf	109.3	100.0	-	-
Ohanet	26.1	29.7	-	-
	135.4	129.7	-	-
Total revenue from sale of goods	3,841.4	3,475.5	-	-
(b) Cost of sales				
Cost of production				
Production costs	(257.0)	(238.3)	-	-
Royalty and excise	(270.6)	(274.6)	-	-
Third party gas	(0.2)	(1.1)	-	-
Insurance	(32.8)	(40.2)	-	-
Inventory movement	25.3	(2.3)	-	-
	(535.3)	(556.5)	-	-
Shipping and direct sales costs	(82.4)	(73.5)	-	-
Oil and gas properties depreciation and amortisation				
Land and buildings	(17.3)	(8.8)	-	-
Transferred exploration and evaluation assets	(38.5)	(16.5)	-	-
Plant and equipment	(540.8)	(391.6)	-	-
Marine vessels and carriers	(29.6)	(11.3)	-	-
	(626.2)	(428.2)	-	-
Total cost of sales	(1,243.9)	(1,058.2)	-	-
(c) Petroleum Resource Rent Tax	(244.0)	(200.4)	-	-
Gross profit	2,353.5	2,216.9	-	-

3. Revenues and Expenses (continued)	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(d) Dividends and other income				
Dividends				
Controlled entities	-	-	847.0	713.3
Other entities	-	0.1	-	-
Other fees and recoveries	26.6	30.7	8.4	4.1
Share of associate's net profit/(loss)	6.6	19.5	-	-
Exchange gains – other	47.0	22.8	-	-
Profit on disposal of:				
Investments	23.3	2.4	23.0	-
Fixed Assets	45.8	15.7	-	-
Change in fair value of embedded derivatives	31.1	34.9	-	-
Provision for diminution	-	-	7.6	(18.2)
Total dividends and other income	180.4	126.1	886.0	699.2
(e) Other expenses				
Exploration and evaluation				
Exploration	(401.9)	(267.0)	-	-
Amortisation of licence acquisition costs	(94.8)	(82.9)	-	-
Evaluation	(19.1)	(30.0)	-	-
Total exploration and evaluation	(515.8)	(379.9)	-	-
Other costs				
Depreciation of other plant and equipment	(18.5)	(18.8)	-	-
(Losses)/gains on derivative financial instruments	(12.2)	41.0	-	-
Defined benefit superannuation plan net actuarial (losses)/gains	(24.1)	6.1	-	-
Exchange losses – cash balances	(9.7)	(7.1)	-	-
General, administrative and other costs	(61.9)	(64.3)	(6.5)	(5.5)
Impairment of oil and gas properties	(57.4)	(6.9)	-	-
Total other costs	(183.8)	(50.0)	(6.5)	(5.5)
Total other expenses	(699.6)	(429.9)	(6.5)	(5.5)
Profit from continuing operations before income tax and net finance costs	1,834.3	1,913.1	879.5	693.7
(f) Finance income				
Interest				
Financial institutions	9.8	6.2	-	-
Controlled entities	-	-	4.9	5.3
Other entities	28.1	32.0	7.6	8.0
Total finance income	37.9	38.2	12.5	13.3
(g) Finance costs				
Borrowing costs	(3.4)	(23.7)	(19.5)	(17.2)
Unwinding of present value discount	(25.6)	(20.8)	-	-
Total finance costs	(29.0)	(44.5)	(19.5)	(17.2)
Profit from continuing operations before income tax	1,843.2	1,906.8	872.5	689.8

4. Income Tax

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(a) Tax expense/(income) comprises:				
Current tax expense	724.8	516.3	(4.1)	(2.7)
Under/(over) provided in prior years	(13.0)	17.1	1.0	-
Deferred tax expense relating to the movement in deferred tax balances	(128.0)	61.3	0.3	0.1
Benefit arising from previously unrecognised tax losses or temporary differences used to reduce tax expense				
- Current tax expense	-	-	-	-
- Deferred tax expense	(9.7)	(49.9)	-	-
Total tax expense/(income) reported in the income statement	574.1	544.8	(2.8)	(2.6)
(b) Reconciliation of income tax expense to prima facie tax payable				
Profit before income tax from continuing operations	1,843.2	1,906.8	872.5	689.8
Profit/(loss) before income tax from discontinued operations	(237.7)	102.5	-	-
Profit before income tax	1,605.5	2,009.3	872.5	689.8
Income tax expense calculated at 30%	481.7	602.8	261.8	206.9
Tax effect of amounts which are deducted/(added) in calculating taxable income				
- Sale of assets	17.3	(12.4)	(6.9)	-
- Research and development	(14.3)	(15.0)	-	-
- Intercompany dividends	-	-	(254.1)	(214.0)
- Other	(0.9)	(10.7)	(4.6)	4.5
Foreign tax assets brought to account	(9.7)	(49.9)	-	-
Foreign exploration tax losses not brought to account	113.2	54.1	-	-
Tax rate differential on non-Australian income	1.0	(3.7)	-	-
Under/(over) provided in prior years	(13.0)	17.1	1.0	-
Income tax expense/(income) attributable to profit from ordinary activities	575.3	582.3	(2.8)	(2.6)
Aggregate income tax expense is attributable to:				
- Continuing operations	574.1	544.8	(2.8)	(2.6)
- Discontinued operations	1.2	37.5	-	-
	575.3	582.3	(2.8)	(2.6)

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 period.

(c) Income tax recognised directly in equity				
The following current and deferred amounts were charged directly to equity during the period:				
- Deferred tax	(31.5)	35.8	-	-

4. Income Tax (continued)	Balance at 1 January	Charged / (credited) to income	Charged / (credited) to equity	Acquisition / (disposal)	Balance at 31 December
	$m	$m	$m	$m	$m
(d) Deferred tax					
Consolidated					
2007					
Deferred tax assets					
Arising from temporary differences and tax losses					
- Foreign jurisdiction	182.7	46.0	(21.1)	-	207.6
Deferred tax liabilities					
Arising from temporary differences					
- Exploration and evaluation assets	307.7	(28.2)	(8.7)	(36.3)	234.5
- Oil and gas properties	692.6	48.5	(7.4)	(14.0)	719.7
- Financial instruments	107.3	1.3	(39.0)	-	69.6
- Other liabilities	(79.3)	(75.0)	-	-	(154.3)
- Provisions	(206.5)	5.7	-	11.3	(189.5)
- Other	16.3	(40.4)	2.5	16.2	(5.4)
Arising from tax losses	(28.7)	-	-	28.7	-
	809.4	(88.1)	(52.6)	5.9	674.6
2006					
Deferred tax assets					
Arising from temporary differences and tax losses					
- Foreign jurisdiction	131.5	59.3	(8.1)	-	182.7
Deferred tax liabilities					
Arising from temporary differences					
- Exploration and evaluation assets	153.7	160.9	-	(6.9)	307.7
- Oil and gas properties	646.1	46.5	-	-	692.6
- Financial instruments	84.1	(14.1)	37.3	-	107.3
- Other liabilities	(57.6)	(21.7)	-	-	(79.3)
- Provisions	(132.1)	(74.4)	-	-	(206.5)
- Other	(20.9)	46.1	(8.9)	-	16.3
Arising from tax losses	-	(28.0)	(0.7)	-	(28.7)
	673.3	115.3	27.7	(6.9)	809.4

4. Income Tax (continued)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(e) Unrecognised deferred tax assets				
Deferred tax assets have not been recognised for the following items:				
Tax losses not recognised				
- Revenue	80.6	73.2	-	-
- Capital	141.5	41.6	141.5	41.6
Tax credits not recognised	17.1	17.1	17.1	17.1
Temporary differences associated with investments	1.5	1.4	-	-
	240.7	133.3	158.6	58.7

(f) Tax losses

At balance sheet date the Group has unused (recognised and not recognised) tax losses and credits of $937.8 million (2006: $917.3 million) that are available for offset against future taxable profits.

A deferred tax asset has been recognised of $73.9 million (2006: $162.8 million) because it is probable that sufficient future taxable profit will be available for use against such losses.

No deferred tax asset has been recognised in respect of the remaining tax losses and credits due to the uncertainty of future profit streams.

Unrecognised tax losses of $13.3 million have an expiry of 2027. In 2006, all unrecognised tax losses were carried forward indefinitely.

Tax credits of $17.1 million (2006: $17.1 million) are held and will begin to expire in 2009.

(g) Tax consolidation

The parent and its wholly-owned Australian controlled entities have elected to enter tax consolidation, with Woodside Petroleum Ltd. as the head entity of the tax-consolidated group. The members of the tax-consolidated group are identified at Note 33(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 has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities, should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax-sharing agreement is considered remote.

5. Earnings Per Share

	Consolidated	
	2007	2006
Net profit ($m)	1,030.2	1,427.0
Weighted average number of shares on issue[1]	671,447,950	657,178,947
Basic and diluted earnings per share from continuing operations (cents)[2]	189	207
Basic and diluted earnings per share from discontinued operations (cents)[2]	(36)	10

(1) There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

(2) Earnings per share is calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The weighted average number of shares makes allowance for shares reserved for employee share plans. Diluted earnings per share is not significantly different from basic earnings per share.

6. Dividends Paid and Proposed

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(a) Dividends paid during the year[1]				
Prior year fully franked final dividend 77 cents, paid 28 March 2007 (2006: 58 cents, paid 22 March 2006)	513.3	386.6	513.3	386.6
Current year fully franked interim dividend 49 cents, paid 26 September 2007 (2006: 49 cents, paid 20 September 2006)	333.7	326.7	333.7	326.7
	847.0	713.3	847.0	713.3
(b) Dividend declared (not recorded as a liability)[1]				
Fully franked final dividend 55 cents, to be paid 31 March 2008 (2006: 77 cents, paid 28 March 2007)	378.6	513.3	378.6	513.3
Dividend per share in respect of financial year (cents)	104	126	104	126
(c) Franking credit balance				
Franking credits available for the subsequent financial year arising from:				
Franking account balance as at the beginning of the financial year	1,059.5	895.6	1,059.5	895.6
Current year tax payment instalments and adjustments	371.0	327.5	371.0	327.5
Franked dividends received	-	-	-	-
Interim dividends paid	(143.0)	(140.0)	(143.0)	(140.0)
Franking account balance as at the end of the financial year	1,287.5	1,083.1	1,287.5	1,083.1
Current year income tax payable	326.9	196.4	326.9	196.4
Dividends declared	(162.3)	(220.0)	(162.3)	(220.0)
Franking account balance after payment of tax and dividends	1,452.1	1,059.5	1,452.1	1,059.5

(1) Fully franked at 30.0% (2006: 30.0%).

7. Receivables

(a) Receivables (current)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Trade receivables[1]	293.0	328.1	-	-
Other receivables				
Controlled entities[2]	-	-	186.1	278.8
Other entities[3]	194.7	293.1	-	0.1
Accrued interest income	0.1	0.1	-	-
Dividends receivable[4]				
Other entities	3.5	4.3	-	-
	491.3	625.6	186.1	278.9

(b) Receivables (non-current)

Other receivables – controlled entities[2]	-	-	1,843.8	1,107.6

(1) Denominated in a mixture of Australian and US dollars, interest free, and settlement terms of between 7 and 30 days.
(2) For terms and conditions relating to receivables from controlled entities, refer to Note 28(b).
(3) Receivables are interest free with various maturities.
(4) Dividends receivable from other entities are receivable within 30 days of period end.

8. Inventories

(a) Inventories (current)

Petroleum products				
Work in progress	0.4	0.3	-	-
Goods in transit	4.5	3.5	-	-
Finished stocks	29.0	14.8	-	-
Warehouse stores and materials	40.9	60.6	-	-
	74.8	79.2	-	-

(b) Inventories (non-current)

Warehouse stores and materials	8.7	5.1	-	-

9. Financial and Other Assets

	Consolidated		Parent	
(a) Financial assets	**2007 $m**	2006 $m	**2007 $m**	2006 $m
Financial assets (current)				
Derivative instruments[1]	3.4	12.8	-	-
Financial assets (non-current)				
Investment in controlled entities	-	-	250.5	309.5
Investment in associated entities – equity accounted	1.8	1.0	-	-
Other investments				
Listed	47.2	58.8	-	-
Unlisted	4.6	4.5	-	-
Derivative instruments[1]	11.9	2.1	-	-
Embedded derivatives	74.9	53.5	-	-
	140.4	119.9	250.5	309.5
(b) Other assets				
Other assets (current)				
PRRT asset	27.0	65.7	-	-
Prepayments	58.5	100.7	-	-
Other	3.4	3.7	-	-
	88.9	170.1	-	-
Other assets (non-current)				
Defined benefit superannuation plan	22.6	48.5	-	-
Prepayments	19.4	0.3	-	-
Development asset	48.9	30.0	-	-
	90.9	78.8	-	-

(1) For terms and conditions relating to derivative instruments, refer Note 22(f).

10. Exploration and Evaluation Assets (Non-Current)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(a) Regions of focus				
Australia				
Browse Basin	332.9	180.0	-	-
Carnarvon Basin	126.0	390.6	-	-
Bonaparte Basin	60.4	51.3	-	-
Victoria	13.1	13.4	-	-
The Americas				
Gulf of Mexico	290.1	328.2	-	-
Brazil	6.4	5.8	-	-
Africa				
West Africa (Sierra Leone, Mauritania)	3.2	161.8	-	-
North Africa (Algeria, Libya)	73.6	73.2	-	-
East Africa (Kenya)	1.1	1.0	-	-
Total exploration and evaluation assets	906.8	1,205.3	-	-
Less: Accumulated amortisation	(169.5)	(102.1)	-	-
	737.3	1,103.2	-	-
(b) Reconciliations of the carrying amounts of capitalised exploration and evaluation at the beginning and end of the financial year are set out below:				
Balance at beginning of year	1,103.2	694.6	-	-
Expenditure	527.7	576.1	-	-
Amortisation	(94.8)	(82.9)	-	-
Expensed (previously capitalised)	(39.7)	(39.7)	-	-
Disposals at written down value	(150.7)	(25.7)	-	-
Transferred to oil and gas properties	(579.9)	8.0	-	-
Currency translation difference	(28.5)	(27.2)	-	-
Balance at end of year	737.3	1,103.2	-	-

11. Oil and Gas Properties (Non-Current)

Consolidated	Land and buildings $m	Transferred exploration and evaluation $m	Plant and equipment $m	Marine vessels and carriers $m	Projects in development $m	Total $m
At 1 January 2006						
Historical cost	271.2	218.0	4,852.1	416.7	2,393.7	8,151.7
Accumulated depreciation	(155.0)	(131.8)	(2,398.6)	(223.8)	(39.9)	(2,949.1)
Net carrying amount	116.2	86.2	2,453.5	192.9	2,353.8	5,202.6
Year ended 31 December 2006						
Carrying amount at 1 January 2006	116.2	86.2	2,453.5	192.9	2,353.8	5,202.6
Additions	0.8	73.8	326.1	0.2	1,221.1	1,622.0
Disposals at written down value	(0.2)	(9.3)	(2.3)	(0.1)	(7.1)	(19.0)
Depreciation and amortisation	(9.1)	(40.0)	(466.6)	(11.3)	-	(527.0)
Impairment	-	-	(6.9)	-	-	(6.9)
Completions and transfers	4.4	223.9	1,605.5	-	(1,841.8)	(8.0)
Currency translation differences	-	(28.7)	(56.0)	-	(4.1)	(88.8)
Carrying amount at 31 December 2006	112.1	305.9	3,853.3	181.7	1,721.9	6,174.9
At 31 December 2006						
Historical cost	275.6	491.6	6,706.9	416.6	1,755.6	9,646.3
Accumulated depreciation	(163.5)	(185.7)	(2,853.6)	(234.9)	(33.7)	(3,471.4)
Net carrying amount	112.1	305.9	3,853.3	181.7	1,721.9	6,174.9
Year ended 31 December 2007						
Carrying amount at 1 January 2007	112.1	305.9	3,853.3	181.7	1,721.9	6,174.9
Additions	15.7	-	25.2	0.6	2,186.7	2,228.2
Disposals at written down value	(1.6)	(128.2)	(341.5)	(0.5)	(11.7)	(483.5)
Depreciation and amortisation	(8.9)	(56.0)	(636.7)	(20.4)	-	(722.0)
Impairment	-	-	(57.4)	-	-	(57.4)
Completions and transfers	34.8	138.3	1,319.1	9.8	(922.1)	579.9
Currency translation differences	(0.2)	(10.1)	(61.9)	(0.2)	(28.5)	(100.9)
Carrying amount at 31 December 2007	151.9	249.9	4,100.1	171.0	2,946.3	7,619.2
At 31 December 2007						
Historical cost	323.9	426.4	7,412.7	417.2	2,946.3	11,526.5
Accumulated depreciation	(172.0)	(176.5)	(3,312.6)	(246.2)	-	(3,907.3)
Net carrying amount	151.9	249.9	4,100.1	171.0	2,946.3	7,619.2

Borrowing costs capitalised in oil and gas properties during the period is $95.0 million (2006: $77.3 million), at a weighted average capitalisation rate of 5.9% (2006: 5.8%).

12. Other Plant and Equipment (Non-Current)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Other plant and equipment				
Plant and equipment	168.0	158.3	-	-
Less: Accumulated depreciation	(83.0)	(64.6)	-	-
	85.0	93.7	-	-
Assets under construction	44.5	9.0	-	-
	129.5	102.7	-	-
(a) Reconciliations of the carrying amounts of other plant and equipment at the beginning and end of the financial year are set out below:				
Carrying amount at 1 January	102.7	100.9	-	-
Additions	45.3	20.7	-	-
Disposals at written down values	-	(0.1)	-	-
Depreciation and amortisation	(18.5)	(18.8)	-	-
Carrying amount at 31 December	129.5	102.7	-	-

13. Payables

(a) Payables (current)

Trade payables[1]	288.5	243.1	-	-
Other payables[1]	694.6	485.1	-	0.2
Amounts payable – controlled entities[2]	-	-	0.4	508.4
Interest payable – other entities[3]	15.4	21.6	-	-
PRRT payable	-	34.5	-	-
	998.5	784.3	0.4	508.6

(b) Payables (non-current)

Amounts payable – controlled entities[2]	-	-	174.4	131.6
Other payables	-	4.2	-	-
	-	4.2	174.4	131.6

(1) Trade and other payables are non-interest bearing and normally settled on 30 day terms.

(2) For terms and conditions relating to payables from controlled entities, refer to Note 28(b).

(3) Details regarding interest payable are contained in Note 22(g).

14. Interest-Bearing Liabilities

(a) Interest-bearing liabilities (current)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
364-day facility	-	313.3	-	-
Bridge facility	128.9	-	-	-
Bonds	284.8	-	-	-
	413.7	313.3	-	-

(b) Interest-bearing liabilities (non-current)

Bonds	618.1	1,002.2	-	-
Bi-lateral loans	-	504.8	-	-
	618.1	1,507.0	-	-

Additional detail regarding interest bearing liabilities is contained in Note 22(e).

15. Tax Payable (Current)

Income tax payable	327.1	207.9	328.4	196.4

16. Financial and Other Liabilities

(a) Financial liabilities

Financial liabilities (current)				
Derivative instruments[1]	118.9	-	-	-
Financial liabilities (non-current)				
Derivative instruments[1]	112.2	11.8	-	-

(b) Other liabilities

Other liabilities (current)				
Unearned revenue	5.1	3.9	-	-
Gas purchase commitments	2.5	2.2	-	-
	7.6	6.1	-	-
Other liabilities (non-current)				
Unearned revenue	150.5	115.2	-	-
Gas purchase commitments	22.7	20.8	-	-
Deferred PRRT liabilities	541.6	295.7	-	-
Financial guarantees[2]	-	-	22.2	20.5
	714.8	431.7	22.2	20.5

(1) For terms and conditions relating to derivative instruments refer to Note 22(f).
(2) Guarantees provided by the parent for Group companies refer to Note 29.

17. Provisions

	Restoration of operating locations	Employees benefits	Total
	$m	$m	$m
Consolidated			
At 1 January 2007	594.8	96.4	691.2
Change in provision	(34.7)	11.3	(23.4)
Provision related to discontinued operation	(42.6)	-	(42.6)
Unwinding of present value discount	22.9	2.4	25.3
At 31 December 2007	540.4	110.1	650.5
2007			
Current	2.7	95.9	98.6
Non-current	537.7	14.2	551.9
	540.4	110.1	650.5
2006			
Current	1.9	72.7	74.6
Non-current	592.9	23.7	616.6
	594.8	96.4	691.2

Restoration of operating locations

Details regarding restoration of operating locations are contained in Note 1(l) and 1(ac).

Employee benefits

Details regarding employee benefits are in Note 1(v) and 25.

18. Contributed Equity

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(a) Issued and fully paid shares				
688,330,535 (2006: 666,666,667) ordinary shares	1,553.2	706.5	1,553.2	706.5
(b) Shares held for employee share plan				
6,338,700 (2006: 9,008,866) ordinary shares	(137.0)	(177.9)	(137.0)	(177.9)

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.

Information relating to the number of Woodside Petroleum Ltd. shares reserved for employee share plans can be found in Note 25(a) and (b).

(c) Movements in issues and fully paid shares	**2007** **shares**	2006 shares	**2007** **$m**	2006 $m
Balance at 1 January	666,666,667	666,666,667	706.5	706.5
DRP underwriting agreement				
Ordinary shares issued at $35.93 (2006 final dividend)	5,721,577	-	205.6	-
Ordinary shares issued at $46.51 (2007 interim dividend)	2,846,557	-	132.4	-
DRP				
Ordinary shares issued at $35.28 (2006 final dividend)	8,709,831	-	307.3	-
Ordinary shares issued at $45.86 (2007 interim dividend)	4,385,903	-	201.2	-
Share issue costs			0.6	-
DRP fractional amount			(0.4)	-
Balance at 31 December	688,330,535	666,666,667	1,553.2	706.5

19. Other Reserves

	Employee benefits reserve	Foreign currency translation reserve	Hedging reserve	Investment fair value reserve	Total
	$m	$m	$m	$m	$m
Consolidated					
Balance at 1 January 2006	18.7	0.7	(21.8)	8.5	6.1
Cost of share-based payment	22.2	-	-	-	22.2
Cash flow hedges					
Deferred gain recognised in equity	-	-	60.1	-	60.1
Gain recognised in revenue	-	-	(24.6)	-	(24.6)
Available-for-sale financial assets	-	-	-	17.5	17.5
Currency translation differences	-	(57.8)	-	-	(57.8)
Balance at 31 December 2006	40.9	(57.1)	13.7	26.0	23.5
Balance at 1 January 2007	40.9	(57.1)	13.7	26.0	23.5
Cost of share-based payment	6.0	-	-	-	6.0
Cash flow hedges					
Deferred loss recognised in equity	-	-	(133.4)	-	(133.4)
Gain recognised in revenue	-	-	(13.7)	-	(13.7)
Available-for-sale financial assets	-	-	-	(8.3)	(8.3)
Currency translation differences	-	(29.3)	-	-	(29.3)
Balance at 31 December 2007	46.9	(86.4)	(133.4)	17.7	(155.2)
Parent					
Balance at 1 January 2006	18.7	-	-	-	18.7
Cost of share-based payment	19.3	-	-	-	19.3
Balance at 31 December 2006	38.0	-	-	-	38.0
Balance at 1 January 2007	38.0	-	-	-	38.0
Cost of share-based payment	0.2	-	-	-	0.2
Balance at 31 December 2007	38.2	-	-	-	38.2

Nature and purpose of reserves

Employee benefits reserve
Used to record the cost of 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 subsidiaries with foreign functional currencies, and
- liabilities that hedge the net investment in subsidiaries with foreign functional currencies.

Hedging reserve
Used to record the effective portion of changes in the fair value of cash flow hedges.

Investment fair value reserve
Used to record changes in the fair value of the Group's available-for-sale investments.

20. Retained Earnings

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Movements in retained earnings				
Balance at beginning of year	3,649.7	2,936.0	272.3	293.2
Net profit for the year	1,030.2	1,427.0	875.3	692.4
Dividends	(847.0)	(713.3)	(847.0)	(713.3)
Balance at end of year	3,832.9	3,649.7	300.6	272.3

21. Notes to the Cash Flow Statement

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(a) Components of cash and cash equivalents				
Cash at bank[1]	129.5	299.7	-	-
Money market deposits[2]	8.5	14.0	-	-
Total cash and cash equivalents	138.0	313.7	-	-

(1) Cash at bank earns interest at 4.0% (2006: 4.5%).

(2) Money market deposits are denominated in A$ and US$ with an average maturity of 1.5 days (2006: 1.2 days) and effective interest rate of 4.4% to 7.5% (2006: 4.9% to 5.8%).

(b) Reconciliation of net cash from operating activities to operating profit after income tax				
Net profit	1,030.2	1,427.0	875.3	692.4
Depreciation and amortisation	829.2	631.0	-	-
Foreign exchange loss/(gain)	2.8	(7.3)	-	-
(Loss)/profit on sale of assets	5.8	(18.1)	-	-
(Loss)/profit on sale of investment	155.7	-	(23.0)	-
Evaluation expense	19.1	30.2	-	-
Diminution in value of investments	-	-	(7.7)	18.2
Transfer of exploration activities to investing	411.0	308.9	-	-
Derivative instruments loss/(gain)	2.9	(61.5)	-	-
Share of associate's net profit	(6.6)	(19.5)	-	-
Impairment losses	57.4	6.9	-	-
Defined benefit superannuation actuarial loss	24.1	-	-	-
Share-based payments recognised directly in equity	41.3	(7.2)	41.3	(10.1)
Decrease/(increase) in assets				
Trade receivables	(5.1)	(100.4)	-	-
Interest receivable	0.2	0.2	-	-
Dividends receivable	6.7	2.9	-	-
Inventories	(35.1)	(0.7)	-	-
Prepayments	(69.3)	(83.4)	-	-
Other assets	42.8	(111.5)	(745.2)	(577.1)
(Decrease)/increase in liabilities				
Payables and other liabilities	407.3	202.4	34.6	30.3
Tax payable	129.7	38.1	132.1	71.6
Deferred tax	(137.0)	76.8	-	0.1
Provisions	54.0	33.9	-	-
Net cash from operating activities	2,967.1	2,348.7	307.4	225.4

22. Financial and Capital Risk Management

(a) Financial risk management objectives and policies

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 forecast project developments and exploration strategy;
- pay a reasonable dividend; and
- maintain a long-term credit rating of not less than 'investment grade'.

The Group continually 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 which may lead to hedging activities include the purchase of reserves and underpinning the economics of a new project.

Market, liquidity and credit risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of the Group's business. These risks are managed under Board approved directives which underpin treasury policies and processes. The Group's principal financial instruments, other than derivatives, comprise interest-bearing debt, finance leases, cash and short term deposits. Other financial instruments include trade receivables and trade payables, which arise directly from operations.

The Group's forecast financial risk position with respect to key financial objectives and compliance with treasury policy are regularly reported to the Board. The Audit & Risk Committee oversees both the internal and external audit reviews of the treasury function.

It is, and has been, throughout the period under review, the Group Treasury policy that no speculative trading in financial instruments shall be undertaken.

(b) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the Group's functional currency. Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Group's financial position.

The Group's borrowings and deposits are largely denominated in US dollars. Currently there are no foreign exchange hedge programmes in place, however, the Group Treasury manages the purchase of foreign currency to meet operational requirements.

The financial instruments denominated in US dollars are as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	A$m	A$m	**A$m**	A$m
Financial Assets				
Cash and cash equivalents	66.6	106.3	-	-
Receivables	418.7	458.6	-	-
Financial and other assets	15.3	14.9	-	-
	500.6	579.8	-	-
Financial Liabilities				
Payables	408.8	338.7	-	-
Interest-bearing liabilities	1,041.1	1,832.8	-	-
Financial and other liabilities	231.1	11.8	-	-
	1,681.0	2,183.3	-	-

22. Financial and Capital Risk Management (continued)

(b) Market risk (continued)

(i) Foreign exchange risk (continued)

Borrowings of US$913 million (2006: US$1,445 million) are designated as a hedge of the net investments in the US dollar functional currency subsidiaries outlined in Note 33, and offset the exposure to foreign exchange risk. Foreign exchange gains or losses on these borrowings are recognised in equity to offset the gains or losses on translation of the net investments in the subsidiaries, to the extent that they are effective.

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the Australian dollar to the US dollar, with all other variables held constant. The 5% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding 5 year period.

	Impact on profit				Impact on equity			
	Consolidated		Parent		Consolidated		Parent	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Post-tax gain/(loss)	**A$m**	A$m	**A$m**	A$m	**A$m**	A$m	**A$m**	A$m
AUD/USD +5%	4.6	(12.8)	-	-	34.7	61.1	-	-
AUD/USD -5%	(5.1)	14.1	-	-	(38.4)	(67.5)	-	-

(ii) Commodity price risk

The Group's revenues are exposed to commodity price fluctuations, in particular oil and gas prices.

The Group Treasury measures exposure to commodity price risk by monitoring and stress testing the Group's forecast financial position to sustained periods of low oil and gas prices. This analysis is regularly performed on the Group's portfolio and, as required, for discrete projects and acquisitions.

The Group's commodity hedging programs utilise financial instruments based on regional benchmarks including NYMEX WTI for oil and NYMEX Natural Gas Henry Hub for gas. Note 22(f) details existing hedging programs. No hedging programs were placed during 2007.

The following table summarises the sensitivity of the fair value of financial instruments held at balance date to movement in the relevant forward commodity price, with all other variables held constant. The 10% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical prices for the preceding 5 year period.

	Impact on profit				Impact on equity			
	Consolidated		Parent		Consolidated		Parent	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Post-tax gain/(loss)	**A$m**	A$m	**A$m**	A$m	**A$m**	A$m	**A$m**	A$m
10% Increase:								
Oil forward price	(10.5)	(45.2)	-	-	91.9	-	-	-
Gas forward price	-	(1.6)	-	-	(3.3)	(6.3)	-	-
10% Decrease:								
Oil forward price	18.9	42.1	-	-	(91.9)	-	-	-
Gas forward price	-	1.6	-	-	3.3	6.3	-	-

22. Financial and Capital Risk Management (continued)

(b) Market risk (continued)

(iii) Interest rate risk

Interest rate risk is the risk that the Group's financial position will be adversely affected by movements in interest rates that will increase the cost of floating rate debt or opportunity losses that may arise on fixed rate borrowings in a falling interest rate environment. Interest rate risk on cash and short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

The Group's main interest rate risk arises from long-term debt. Floating rate debt exposes the Group to cash flow interest rate risk and fixed rate debt exposes the Group to fair value interest rate risk. Interest rate risk is managed by maintaining an appropriate mix of fixed and floating rate debt. The Group may enter into interest rate swaps to manage the ratio of fixed rate debt to floating rate debt. Hedging is undertaken against specific rate exposures only, as disclosed in Note 22(f). No hedging programs were placed during 2007.

The financial instruments exposed to interest rate risk are as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	A$m	A$m	**A$m**	A$m
Financial Assets				
Financial and other assets	11.9	-	-	-
	11.9	-	-	-
Financial Liabilities				
Interest-bearing liabilities	(1,041.1)	(1,832.8)	-	-
Financial and other liabilities	-	(0.1)	-	-
	(1,041.1)	(1,832.9)	-	-

The following table summarises the sensitivity of the fair value of financial instruments held at balance date, following a movement to LIBOR, with all other variables held constant. The 1% sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding 5 year period. The sensitivity analysis below excludes impact on borrowing costs arising from interest-bearing liabilities as these are capitalised as part of long-term qualifying development projects.

	Impact on profit			
	Consolidated		Parent	
	2007	2006	**2007**	2006
Post-tax gain/(loss)	**A$m**	A$m	**A$m**	A$m
LIBOR +1%	(10.7)	-	-	-
LIBOR -1%	11.3	-	-	-

22. Financial and Capital Risk Management (continued)

(c) Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet our financial commitments in a timely and cost-effective manner.

The Group Treasury continually reviews our liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels. Notes 22(e) and (f) detail the repayment obligations in respect of the amount of the facilities and derivatives utilised.

		Payables ageing analysis between			Currency of payables		
2007	Total A$m	< 30 days A$m	30-60 days A$m	> 60 days A$m	AUS A$m	USD A$m	Other A$m
Consolidated							
Trade Payables	288.5	228.8	0.4	59.3	161.7	120.6	6.2
Other Payables	694.6	623.6	0.4	70.6	347.0	272.8	74.8
Interest Payable	15.4	-	9.6	5.8	-	15.4	-
Total Payables	998.5	852.4	10.4	135.7	508.7	408.8	81.0
Parent							
Other Payables	0.4	0.4	-	-	0.4	-	-
Amounts Payable – Controlled Entities	174.4	-	-	174.4	174.4	-	-
Total Payables	174.8	0.4	-	174.4	174.8	-	-

		Payables ageing analysis between			Currency of payables		
2006	Total A$m	< 30 days A$m	30-60 days A$m	> 60 days A$m	AUS A$m	USD A$m	Other A$m
Consolidated							
Trade Payables	243.1	166.5	11.4	65.2	198.8	42.1	2.2
Other Payables	485.1	427.2	0.3	57.6	169.0	275.0	41.1
Interest Payable	21.6	2.5	12.1	7.0	-	21.6	-
Total Payables	749.8	596.2	23.8	129.8	367.8	338.7	43.3
Parent							
Other Payables	0.2	0.2	-	-	0.2	-	-
Amounts Payable – Controlled Entities	508.4	-	-	508.4	508.4	-	-
Total Payables	508.6	0.2	-	508.4	508.6	-	-

22. 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 that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

The Group manages its credit risk on trade debtors and financial instruments by predominantly dealing with counterparties with a credit rating equal to or better than the Group. Customers who wish to trade on unsecured credit terms are subject to credit verification procedures. Receivables balances are monitored on an ongoing basis with the results that the Parent's and Group's exposure to bad debts is not significant. The Group's credit risk is limited to the carrying value of its financial assets. At balance date there were no significant concentrations of credit risk.

The maximum exposure to credit risk at the reporting date was as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	A$m	A$m	**A$m**	A$m
Current				
Cash	138.0	313.7	-	-
Trade receivables	293.0	328.1	-	-
Other receivables – controlled entities	-	-	186.1	278.8
Other receivables – other entities	194.7	293.1	-	0.1
Dividends receivable – other entities	3.5	4.3	-	-
Derivative instruments	3.4	12.8	-	-
Non-current				
Derivative instruments	11.9	2.1	-	-
Embedded derivatives	74.9	53.5	-	-

The ageing of receivables at the reporting date was as follows:

		Receivables ageing analysis between			Currency of receivables		
2007	**Total A$m**	**< 30 days A$m**	**30-60 days A$m**	**> 60 days A$m**	**AUS A$m**	**USD A$m**	**Other A$m**
Consolidated							
Trade receivables	293.0	292.7	-	0.3	-	293.0	-
Other receivables	194.7	179.5	12.3	2.9	68.6	122.2	3.9
Dividends receivable	3.5	3.5	-	-	-	3.5	-
Total receivables	491.2	475.7	12.3	3.2	68.6	418.7	3.9
Parent							
Trade receivables	-	-	-	-	-	-	-
Other receivables	186.1	-	-	186.1	186.1	-	-
Dividends receivable	-	-	-	-	-	-	-
Total receivables	186.1	-	-	186.1	186.1	-	-

22. Financial and Capital Risk Management (continued)

(d) Credit risk (continued)

2006	Total A$m	Receivables ageing analysis between < 30 days A$m	30-60 days A$m	> 60 days A$m	Currency of receivables AUS A$m	USD A$m	Other A$m
Consolidated							
Trade Receivables	328.1	326.0	0.1	2.0	28.3	296.3	3.5
Other Receivables	293.1	284.1	2.4	6.6	132.7	158.0	2.4
Dividends Receivable	4.3	4.3	-	-	-	4.3	-
Total Receivables	625.5	614.4	2.5	8.6	161.0	458.6	5.9
Parent							
Trade Receivables	-	-	-	-	-	-	-
Other Receivables	278.9	0.1	-	278.8	278.9	-	-
Dividends Receivable	-	-	-	-	-	-	-
Total Receivables	278.9	0.1	-	278.8	278.9	-	-

(e) Financing facilities

Bi-lateral loan facilities

The Group has ten bi-lateral loan facilities totalling US$700 million. Three facilities expire in 2011 with two of these being evergreen facilities. The remaining seven facilities all are evergreen facilities with a five year term. Each year these facilities may be extended by a year subject to the bank's agreement. All facilities are dual currency in US and Australian dollars with six of these facilities also being multi-currency. Interest rates are based on the London Inter-bank Offered Rate (LIBOR) (for US dollar drawings) and are fixed at the commencement of the drawdown period. Interest is paid at the end of the drawdown period. The facilities are subject to a financial covenant and a negative pledge restricting the amount of future secured borrowings. Neither the covenant nor the negative pledge have been breached at any time during the reporting period.

Bonds

The Group has three unsecured bonds issued to 'qualified institutional buyers' in the United States of America as defined in Rule 144A under the US Securities Act 1933. The 2008 US$250 million bond has a fixed rate coupon of 6.60% p.a. and matures on 15 April 2008. The 2011 US$300 million bond has a fixed rate coupon of 6.70% p.a. and matures on 1 August 2011. The 2013 US$250 million bond has a fixed rate coupon of 5.00% p.a. and matures on 15 November 2013. Interest on all bonds is payable six monthly in arrears. The bonds are subject to various covenants and a negative pledge restricting the amount of future secured borrowings. Neither the covenants nor the negative pledge have been breached at any time during the reporting period.

364-day revolving credit facility

The Group has five dual currency (US and Australian dollars) 364-day revolving credit facilities totalling US$350 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 facilities are subject to a financial covenant and a negative pledge restricting the amount of future secured borrowings. Neither the covenant nor the negative pledge have been breached at any time during the reporting period.

Bridge facility

In October 2007, the Group entered into a bridging facility agreement totalling US$500 million, available in US dollars only. The facility expires 31 July 2008. 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 facilities are subject to a financial covenant and a negative pledge restricting the amount of future secured borrowings. Neither the covenant nor the negative pledge have been breached at any time during the reporting period.

22. Financial and Capital Risk Management (continued)

(e) Financing facilities (continued)

Repayment obligations in respect of the amount of the facilities utilised are as follows:

	2007 A$m	2006 A$m
Due:		
No later than one year	413.7	313.3
Later than one year but not later than two years	-	317.1
Later than two years but not later than three years	-	-
Later than three years but not later than four years	342.2	48.2
Later than four years but not later than five years	-	837.1
Later than five years	285.2	317.1
	1,041.1	1,832.8

(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. Hedging is undertaken against specific interest rate exposures only.

Instrument	**Notional amount**	**Rate**	**Expiry**	**Hedge type**	**Fair value**	
					2007 A$m	2006 A$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.	11.9	(0.1)

22. Financial and Capital Risk Management (continued)

(f) Hedging and derivatives (continued)

Commodity prices

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

Instrument	Notional amount	Rate	Expiry	Hedge type	Fair value 2007 A$m	Fair value 2006 A$m
Crude oil zero cost collars	Sell 6,600,000 bbl 4,400,000 bbl 2,500,000 bbl	Receive US$55 – 77.34/bbl US$55 – 75.94/bbl US$55 – 73.68/bbl	 2008 2009 2010	Cash flow hedge - Manages risk from anticipated oil production receipts from projects in the Greater Enfield area. Notional volumes amount to approximately 41% of total anticipated production from 2008 to 2010.	 (118.9) (72.0) (40.2)	 (4.0) (3.7) (4.0)
Natural gas swaps	Sell 4,670,000 Mmbtu 5,310,000 Mmbtu	Receive US$9.01/Mmbtu US$8.39/Mmbtu	 2007 2008	Cash flow hedge - Manages risk from anticipated gas production receipts from Gryphon Exploration Company. Notional volumes amount to approximately 68% of anticipated production in 2008.	 - 3.3	 11.7[1] 2.0

(1) $10.6 million was transferred from equity in 2007 as realised gains.

22. Financial and Capital Risk Management (continued)

(g) Effective interest rates and maturity profile

The effective interest rates on financial assets and liabilities as at 31 December 2007 were as follows:

	Floating interest rate	Fixed interest rate maturing in between						Non interest-bearing	Total	Effective interest rate
		1 year or less	1-2	2-3	3-4	4-5	more than 5 years			
				years						
2007	$m	$m	$m	$m	$m	$m	$m	$m	$m	%
Consolidated										
Financial assets										
Cash	124.0	14.0	-	-	-	-	-	-	138.0	4.3
Receivables	-	-	-	-	-	-	-	491.3	491.3	-
Other financial assets	11.9	-	-	-	-	-	-	130.1	142.0	-
Financial liabilities										
Payables	-	-	-	-	-	-	-	(998.5)	(998.5)	-
Interest-bearing liabilities[1]	-	(413.7)	-	-	(342.2)	-	(285.2)	-	(1,041.1)	5.9
Other financial liabilities	-	-	-	-	-	-	-	(231.1)	(231.1)	-
Net financial assets/ (liabilities)	135.9	(399.7)	-	-	(342.2)	-	(285.2)	(608.2)	(1,499.4)	-
Parent										
Financial assets										
Receivables	-	-	-	-	-	-	-	2,029.9	2,029.9	-
Other financial assets	-	-	-	-	-	-	-	250.5	250.5	-
Financial liabilities										
Payables	-	-	-	-	-	-	-	(174.8)	(174.8)	7.2
Other financial liabilities	-	-	-	-	-	-	-	(22.2)	(22.2)	-
Net financial assets/ (liabilities)	-	-	-	-	-	-	-	2,083.4	2,083.4	-

(1) The average effective interest rate recognises the impact of interest rate swaps.

22. Financial and Capital Risk Management (continued)

(g) Effective interest rates and maturity profile (continued)

The effective interest rates on financial assets and liabilities as at 31 December 2006 were as follows:

	Floating interest rate	Fixed interest rate maturing in between						Non interest-bearing	Total	Effective interest rate
		1 year or less	1-2	2-3	3-4	4-5	more than 5 years			
				years						
2006	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**%**
Consolidated										
Financial assets										
Cash	299.7	14.0	-	-	-	-	-	-	313.7	4.5
Receivables	-	-	-	-	-	-	-	625.6	625.6	-
Other financial assets	-	-	-	-	-	-	-	131.7	131.7	-
Financial liabilities										
Payables	-	-	-	-	-	-	-	(749.8)	(749.8)	-
Interest-bearing liabilities[1]	-	(313.3)	(317.1)	-	(48.2)	(837.1)	(317.1)	-	(1,832.8)	5.8
Financial liabilities-other	(0.1)	-	-	-	-	-	-	(11.7)	(11.8)	-
Net financial assets/ (liabilities)	299.6	(299.3)	(317.1)	-	(48.2)	(837.1)	(317.1)	(4.2)	(1,523.4)	-
Parent										
Financial assets										
Receivables	-	-	-	-	-	-	-	1,386.5	1,386.5	-
Other financial assets	-	-	-	-	-	-	-	309.5	309.5	-
Financial liabilities										
Payables	(508.6)	-	-	-	-	-	-	(131.6)	(640.2)	5.9
Other financial liabilities	-	-	-	-	-	-	-	(20.5)	(20.5)	-
Net financial assets/ (liabilities)	(508.6)	-	-	-	-	-	-	1,543.9	1,035.3	-

(1) The average effective interest rate recognises the impact of interest rate swaps.

22. Financial and Capital Risk Management (continued)

(h) Fair values

The carrying amounts and estimated fair values of financial assets and financial liabilities are as follows:

	Carrying amount		Fair value	
	2007 $m	2006 $m	**2007 $m**	2006 $m
Consolidated				
Financial instruments				
Loans and receivables				
Receivables	491.3	625.6	491.3	625.6
Available-for-sale financial assets				
Derivative instruments: current	3.4	12.8	3.4	12.8
Listed entity investments	47.2	58.8	47.2	58.8
Derivative instruments: non-current	86.8	55.6	86.8	55.6
Unlisted entity investments: at cost	4.6	4.5	4.6	4.5
Financial assets				
Cash	138.0	313.7	138.0	313.7
Financial liabilities				
Payables: current	(998.5)	(784.3)	(998.5)	(784.3)
Payables: non-current	-	(4.2)	-	(4.2)
Interest-bearing liabilities: current	(413.7)	(313.3)	(414.8)	(313.3)
Interest-bearing liabilities: non-current	(618.1)	(1,507.0)	(630.6)	(1,525.9)
Derivative instruments: current	(118.9)	-	(118.9)	-
Derivative instruments: non-current	(112.2)	(11.8)	(112.2)	(11.8)
Parent				
Financial instruments				
Loans and receivables				
Receivables: current	186.1	278.9	186.1	278.9
Other receivables controlled entities: non-current	1,843.8	1,107.6	1,843.8	1,107.6
Financial liabilities				
Payables: current	(0.4)	(508.6)	(0.4)	(508.6)
Payables: non-current	(174.4)	(131.6)	(174.4)	(131.6)
Financial guarantees	(22.2)	(20.5)	(22.2)	(20.5)

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/payables

Due to the short term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

22. Financial and Capital Risk Management (continued)

(h) Fair values (continued)

Other financial assets/liabilities

For financial assets and liabilities that are actively traded in active markets, fair value is determined by reference to quoted market prices at the close of business on the balance sheet date. Where financial assets and liabilities are not actively traded, fair value is established by using other market accepted valuation techniques. Estimated discounted cash flows are used to determine fair value for the remaining financial instruments such as interest rate swaps.

Interest-bearing liabilities

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

(i) Capital management

The Group Treasury is responsible for our capital management. 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. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements. Group Treasury monitors gearing and treasury policy breaches and exceptions. The gearing ratio as at balance date is 15% (2006: 26%).

The 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 a dividend reinvestment program 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 commenced with the final 2006 dividend being fully underwritten.

23. Discontinued Operations

(a) Details of operations disposed

On 26 September 2007, the Group entered into a sale agreement to dispose of all of its shares in Woodside Mauritania Pty Ltd and WEL Mauritania B.V. to Petronas Australia Pty Limited. The disposal was completed on 25 December 2007 for A$518.3 million, on which date control of the business passed to the acquirer.

The entities sold formed part of the Middle East and Africa Business Unit and include all of the Group's onshore and offshore producing, development, and exploration interests in Mauritania. The disposed entities are reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operations for the period to the date of disposal is set out below. Further information is presented in Note 2 - Segment Reporting.

(b) Financial performance of operations disposed

The results of the discontinued operations for the year until disposal and the prior year end comparatives are presented below:

	2007	2006
	A$m	A$m
Revenue	162.9	334.9
Expenses	(167.5)	(232.4)
Profit/(loss) before income tax	(4.6)	102.5
Income tax	(1.2)	(37.5)
Profit/(loss) after income tax of discontinued operations	(5.8)	65.0
Total disposal consideration	518.3	-
Net assets attributable to discontinued operations	(669.7)	-
Foreign currency translation associated with the carrying value of the entities sold	(79.7)	-
Transaction costs	(2.0)	-
Loss on remeasurement of discontinued operations	(233.1)	-
Income tax	-	-
Loss on sale after income tax	(233.1)	-
(Loss)/profit from discontinued operations	(238.9)	65.0

23. Discontinued Operations (continued)

(c) Assets and liabilities and cash flow information of disposed entity

The major classes of assets and liabilities of Woodside Mauritania Pty Ltd and WEL Mauritania B.V. at disposal date and the prior year end comparatives are as follows:

	2007 $m	2006 $m
Assets		
Cash and cash equivalents	12.4	97.8
Receivables	9.8	22.6
Inventories	23.7	18.0
Financial and other assets	4.8	12.7
Exploration and evaluation assets	152.1	162.4
Oil and gas properties	509.7	571.0
Total assets	712.5	884.5
Liabilities		
Payables	2.1	349.5
Tax payable	(5.2)	(5.8)
Provisions	42.6	45.4
Deferred tax liabilities	3.3	2.2
Total liabilities	42.8	391.3
Net assets attributable to discontinued operations	669.7	493.2

The net cash flows of Woodside Mauritania Pty Ltd and WEL Mauritania B.V. are as follows:		
Net cash inflow from operating activities	89.4	152.9
Net cash outflow from investing activities	(53.3)	(127.0)
Net cash (outflow)/inflow from financing activities	(121.5)	74.3

Net cash inflow on disposal	
Cash consideration	518.3
Less cash and cash equivalents balance disposed of	(12.4)
	505.9

24. Expenditure Commitments

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
(a) Operating Lease Commitments				
Rentals payable on non-cancellable operating leases, due:				
Within one year	476.4	269.5	-	-
After one year but not more than five years	1,622.4	621.3	-	-
Later than five years	852.6	514.1	-	-
	2,951.4	1,404.9	-	-

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. Most 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 $211.5 million during the year (2006: $252.4 million).

(b) Capital Expenditure				
Expenditure contracted for but not provided for in the accounts, due:				
Within one year	2,868.2	1,083.6	-	-
After one year but not more than five years	1,846.1	636.9	-	-
Later than five years	8.2	-	-	-
	4,722.5	1,720.5	-	-
(c) Other Expenditure Commitments				
Other expenditure commitments predominantly for the future supply of services contracted for but not provided for in the accounts, due:				
Within one year	40.1	89.6	-	-
After one year but not more than five years	9.3	87.0	-	-
Later than five years	2.3	105.0	-	-
	51.7	281.6	-	-
(d) Exploration Commitments				
Exploration expenditure obligations contracted for but not provided for in the accounts, due:				
Within one year	161.7	122.7	-	-
After one year but not more than five years	324.4	135.5	-	-
Later than five years	2.6	1.7	-	-
	488.7	259.9	-	-
By region:				
Australia				
Browse Basin	107.2	0.4	-	-
Barrow Basin	145.0	0.6	-	-
Carnarvon Basin	103.6	81.9	-	-
Bonaparte Basin	-	8.0	-	-
Great Australian Bight	-	1.8	-	-
Victoria	46.4	16.0	-	-
The Americas				
Gulf of Mexico	19.7	5.0	-	-
Brazil	30.0	35.2	-	-
Africa				
West Africa (Mauritania, Sierra Leone)	-	31.3	-	-
North Africa (Algeria, Libya)	21.5	66.2	-	-
East Africa (Kenya)	15.3	13.5	-	-
	488.7	259.9	-	-

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

25. Employee Benefits

(a) Woodside employee share plans

(i) Woodside employee share plan

During 2006, following a review of the Group's total reward strategy across global operations, it was decided to close the Woodside Employee Share Plan ('WESP' or 'the plan') with the last allocation being made to employees in 2006. On announcement of plan closure, unrestricted possession (full entitlement) of these shares was provided immediately to employees. Employees are required to repay or refinance WESP loans by 31 December 2009.

Under the WESP eligible employees were granted loans for the on-market purchase of shares in Woodside Petroleum Ltd. The loans are interest-free, limited-recourse, are reduced by the application of dividends (after taking into account employee liability for tax on those dividends), and are repayable upon the sale of shares or termination of the employee. Prior to closing the WESP, the Group assessed incremental loan offer entitlements in accordance with pre-established criteria based on remuneration levels.

WESP members receive all of the rights of ordinary shareholders. Where the loan is repaid by the sale of shares, any remaining surplus on sale is paid to the employee while any shortfall is borne by the Group. The WESP had 2,190 employees participating in 2006.

The following table illustrates the number and weighted average prices of shares reserved, acquired and redeemed during the year under the WESP on behalf of employees.

	2007			2006		
	Number of shares	Weighted average price $	Cost $m	Number of shares	Weighted average price $	Cost $m
Opening balance	8,806,436	20.92	184.5	10,536,682	15.42	162.5
Purchases during the year	-	-	-	1,684,910	43.12	72.7
Redemptions during the year	(3,233,938)	18.70	(60.5)	(3,415,156)	14.91	(50.7)
Closing balance	5,572,498	22.21	124.0	8,806,436	20.92	184.5
Less cumulative dividends applied			(16.4)			(16.3)
Shares reserved for employees	5,572,498	19.33	107.6	8,806,436	19.10	168.2
Shares eligible for unrestricted possession	5,572,498	22.21	124.0	8,806,436	20.92	184.5

Loans to employees under WESP are accounted for as share-based payments to employees for services provided. The fair value of the benefit provided is estimated using the Binomial option pricing model as follows:

Grant date	Shares acquired	Share price at acquisition date[1]	Employee benefit fair value[2]	Valuation assumptions[3]		
				Expected volatility	Risk free interest rate	Expected life
		($)	($/share)	(%)	(%)	(years)
2006						
February	192,970	44.87	14.06	22.9	5.2	5.0
May	1,172,912	42.90	11.16	22.9	5.5	3.6
August	319,028	42.87	10.93	22.9	5.9	3.4

(1) The share price at acquisition date is deemed to be the exercise price.
(2) The closure of WESP did not result in incremental employee benefit fair value.
(3) The expected life of the instrument is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. All features have been included in the valuation of the benefit.

25. Employee Benefits (continued)

(a) Woodside employee share plans (continued)

(ii) Woodside share purchase plan

During the 2007 year, the Woodside Share Purchase Plan ('WSPP') was activated for employees. Eligible employees may elect to salary sacrifice an amount of base salary and receive shares in the Company. Additional shares are granted in the Company (matching shares) at a fixed annual ratio (i.e. up to a max of 100% or 1:1) of the shares awarded for the salary sacrifice amount. Conditions apply in order for employees to become entitled to the matching shares.

Share acquisitions under the WSPP for the employee sacrificed amounts are made quarterly in arrears. The shares are purchased by the Trustee on market (option to issue) 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 is 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) is paid to the participant or carried over to the next sacrifice period if employee elects to participate. If an employee ceases (for whatever reason) to be an employee during a quarter, or after the end of a quarter, but before any shares have been purchased in respect of the quarter, no shares would be 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 needs to hold shares purchased through the sacrificed amount for three years and remain employed by the company at the end of that qualification period.

Company matching shares are purchased on a quarterly basis at the same time as the shares purchased using the employee's sacrificed amount.

If an employee ceases to be an employee because of resignation or termination for cause before the end of the three year qualification period, the participant forfeits their interest in any company matching shares. Shares acquired using any sacrificed amount are released to the participant.

The WSPP had 1,307 employees participating in 2007. This includes senior executives, who are also entitled to participate in the WSPP.

Matching shares acquired under the WSPP are accounted for as share-based payments to employees for service provided and are measured at cost, being the fair value.

Grant date	Shares acquired	Share price at acquisition date[1] ($)	Employee benefit fair value ($/share)
2007			
August	70,768	48.25	48.25

(1) The share price at acquisition date is deemed to be the exercise price.

25. Employee Benefits (continued)

(b) Executive share plan

The Executive Incentive Plan (EIP) became effective 1 January 2005. For details regarding the EIP and the Group's remuneration structure for the CEO and senior executives refer to the Remuneration Report included in the 2007 Directors' Report.

An additional element of executive remuneration was introduced in February 2007 by the Board as part of a retention strategy for certain senior employees. Participating employees are entitled to receive an allocation of pay rights (PR) under the retention strategy at the discretion of the Board. The number of PRs allocated, and the conversion rights attaching to the PRs, are determined in the same way as for variable pay rights (VPR) allocated under the EIP, as discussed in the Remuneration Report included in the 2007 Directors' Report.

The Board will determine whether these pay rights are to be satisfied in cash or in the Company's shares at the time of vesting. If satisfied in shares, the shares will be purchased on market. If satisfied in cash, the amount will be based on the market value of a share in the Company at the vesting date.

The following table illustrates the number and weighted average prices of shares reserved and acquired during the year by the plan.

	2007			2006		
	Number of shares	Weighted average price $	Cost $m	Number of shares	Weighted average price $	Cost $m
Opening balance	202,430	46.66	9.4	-	-	-
Purchases during the year	422,236	37.55	15.9	202,430	46.66	9.4
Shares reserved for executives under EIP	624,666	40.50	25.3	202,430	46.66	9.4

Shares for the March 2006 and March 2007 grants are held in Trust and the senior employees do not have any beneficial rights to these shares until approval is given by the Board.

The Executive share plan is accounted for as a share-based payment to employees for services provided. The fair value of the benefit provided is estimated using the Binomial option pricing model:

	Long term incentive VPRs issued	Share price at grant date	Employee benefit fair value	Exercise period		Valuation assumptions		
						Expected volatility	Risk free interest rate	Expected life
Allocation date[1]		($)	($/VPR)	From	To	(%)	(%)	(years)
Time tested VPR								
March 2006	59,202	24.50	22.80	13/03/2009	13/03/2009	23	5.7	3.0
March 2007	56,351	40.00	37.30	14/03/2010	14/03/2010	24	5.2	3.0
March 2008	77,771	38.31	34.72	14/03/2011	14/03/2011	24	6.1	3.0
Total	193,324							
RTSR[2] tested VPR								
March 2006	143,228	24.50	14.25	13/03/2009	13/03/2011	23	5.7	3.0-5.0
March 2007	112,723	40.00	22.30	14/03/2010	14/03/2012	24	5.2	3.0-5.0
March 2008	180,768	38.31	29.16	14/03/2011	14/03/2012	24	6.1	3.0-4.0
Total	436,719							

(1) The grant date of VPRs is 1 January of the respective year.

(2) Relative total shareholder return.

There were no VPRs eligible for unrestricted possession as at 31 December 2007 and 6,415 (2006: 8,868) VPRs were forfeited during the year then ended. The exercise price payable on the exercise of VPR is $1 for the total number exercised on any calendar date.

25. Employee Benefits (continued)

(c) Defined benefit superannuation plan

Employees of the Group may be entitled to superannuation benefits on retirement, disability or death under the Group's Superannuation Plan. The Group has one funded plan with a defined benefits 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.

(i) 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

The Group intends to contribute 3% of salaries for defined benefit members eligible for award contributions and at the rates allocated to accumulation member's accounts in line with the actuary's latest recommendations. Employer contributions to the defined benefit section of the plan are based on recommendations by the plan's actuary. Actuarial assessments are made regularly, and the last such assessment was made with respect to 31 December 2006 balances.

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.

	Consolidated	
	2007	2006
	$m	$m
(ii) Defined benefit plan balance sheet amounts		
Present value of the defined benefit obligation	(151.0)	(126.6)
Fair value of defined benefit plan assets	173.6	175.1
Net assets in the balance sheet	22.6	48.5

	Consolidated	
	2007	2006
	%	%
(iii) Defined benefit plan categories of plan assets		
The major categories of plan assets are as follows:		
Cash	17	13
Australian equity	33	36
International equity	28	28
Fixed income	13	15
Property	9	8
	100	100

25. Employee Benefits (continued)

(c) Defined benefit superannuation plan (continued)

	Consolidated	
	2007	2006
	$m	$m
(iv) Defined benefit plan reconciliations		
Reconciliation of the present value of the defined benefit obligation, which is fully funded:		
Balance at beginning of year	(126.6)	(118.1)
Current service cost	(10.7)	(8.5)
Interest on obligation	(6.7)	(5.3)
Actuarial losses	(23.2)	(5.4)
Plan participants' contributions	(6.8)	(5.2)
Benefits, administrative expenses, premiums and tax paid	24.3	16.3
Net transfers out	(1.3)	(0.4)
Defined benefit obligation at end of year	(151.0)	(126.6)
Reconciliation of the fair value of plan assets/(liabilities):		
Balance at beginning of year	175.1	157.7
Expected return on plan assets	12.0	10.9
Actuarial (losses)/gains	(0.9)	11.5
Employer contributions	3.5	5.8
Plan participants' contributions	6.8	5.2
Benefits, administrative expenses, premiums and tax paid	(24.3)	(16.3)
Net transfers in	1.4	0.3
Fair value of plan assets at end of year	173.6	175.1
Reconciliation of superannuation asset/(liability):		
Present value of defined benefit obligation	(154.4)	(133.8)
Provision for contributions tax	3.4	7.2
Fair value of plan assets	173.6	175.1
Fair value of surplus assets at end of year	22.6	48.5
(v) Defined benefit plan amounts recognised in income statement		
The amounts recognised in the income statement are as follows:		
Current service cost	(10.7)	(8.5)
Interest cost	(6.7)	(5.2)
Expected return on plan assets	12.0	10.9
Net actuarial (loss)/gains recognised in year	(24.1)	6.1
Superannuation (expense)/income	(29.5)	3.3

25. Employee Benefits (continued)

(c) Defined benefit superannuation plan (continued)

(vi) Defined benefit plan principal actuarial assumptions

The principal actuarial assumptions used as at balance sheet date for the purpose of calculating the present value of the defined benefit obligation were as follows:

	Financial year ended	
	2007	2006
Discount rate – active members	5.40% p.a.	4.90% p.a.
Discount rate – pensioners	6.30% p.a.	5.80% p.a.
Expected rate of return on plan assets – active members	7.00% p.a.	7.00% p.a.
Expected rate of return on plan assets – pensioners	8.00% p.a.	7.00% p.a.
Expected salary increase rate	7.00% p.a. for 3 yrs and 5.00% p.a. thereafter	4.00% p.a.
Expected pension increase rate	2.50% p.a.	2.50% 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. This resulted in the selection of a 5.80% rate of return on assets (discount rate).

(vii) Defined benefit plan historical information

	Financial year ended		
	2007	2006	2005
	$m	$m	$m
Present value of defined benefit obligation[1]	151.0	126.6	118.1
Fair value of plan assets	173.6	175.1	157.7
Surplus in plan	22.6	48.5	39.6
Experience adjustments (loss)/gain – plan assets	(0.9)	11.5	11.9
Experience adjustments gain/(loss) – plan liabilities	(9.8)	(5.5)	1.3

(1) Includes any provision for contribution tax on plan surplus or deficit.

(d) Employee benefits expense

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Employee benefits	180.9	130.4	1.1	0.6
Defined contribution plan costs	11.0	8.0	-	-
Defined benefit plan loss/(income)	30.3	(3.3)	-	-
	222.2	135.1	1.1	0.6

26. Key Management Personnel Compensation

(a) Key Management Personnel

Key Management Personnel (KMP) refers to those persons who have authority and responsibility for planning, directing and controlling the activities of Woodside Petroleum Ltd. and the Woodside Group of companies, directly or indirectly, including any Director (whether executive or otherwise) of the Company. The KMP of the Company during the year were:

Name	Position	Period
Non-executive Directors		
M A Chaney	Chairman	Chairman since 31 July 2007
J R Broadbent	Director (Non-Executive)	
A T Calvert	Director (Non-Executive)	Resigned 7 November 2007
R R Caplan	Director (Non-Executive)	Resigned 11 October 2007
E Fraunschiel	Director (Non-Executive)	
A Jamieson	Director (Non-Executive)	
P H J M Jungels	Director (Non-Executive)	
D Megat	Director (Non-Executive)	Appointed 10 December 2007
D I McEvoy	Director (Non-Executive)	
J Stausholm	Director (Non-Executive)	
C B Goode	Chairman	Retired as Chairman and Director on 31 July 2007
Executives		
D Voelte	Managing Director & CEO	
M Chatterji	Executive Vice President & CFO	
R Cole	Executive Vice President Corporate Affairs & Sustainability and General Counsel	Promoted 1 August 2007; prior to this Mr Cole was General Counsel
E Howell	Executive Vice President North West Shelf	
A J Kantsler	Executive Vice President Exploration, New Ventures and Mergers & Acquisitions	
P Moore	Executive Vice President Development	
V Santostefano	Senior Vice President Operations	
K Spence	Executive Vice President Enterprise Capability	

(b) Compensation of non-executive Directors and Key Management Personnel

The Group has applied the exemption in relation to compensation disclosures under Corporation Amendments Regulation 2006 which exempts listed companies from providing compensation disclosures in relation to KMP in their annual financial reports normally required by AASB 124 *Related Party Disclosures* paragraphs Aus 25.4 to 25.7.2. These remuneration disclosures are provided in the Remuneration Report included in the 2007 Directors' Report. These transferred disclosures have been audited.

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short-term employee benefits	7,894,715	5,339,321	3,922,536	3,361,243
Post employment benefits	522,486	448,565	12,908	12,413
Other long-term benefits	-	-	-	-
Termination/sign on benefits	-	100,000	-	-
Share-based payment	2,403,416	341,350	864,810	530,145
	10,820,617	6,229,236	4,800,254	3,903,801

26. Key Management Personnel Compensation (continued)

(c) Key Management Personnel shareholdings

Details of shares held by KMP including their personally related entities for the financial period are as follows:

	2007					2006				
	Opening holding[1]	NEDSP[2]	WESP[3]	Acquired/ (disposal)	Closing holding	Opening holding[1]	NEDSP[2]	WESP[3]	Acquired/ (disposal)	Closing holding
Non-executive Directors										
C B Goode[4]	259,846	5,276	-	3,052	268,174	216,361	8,485	-	35,000	259,846
M A Chaney	20,000	-	-	-	20,000	20,000	-	-	-	20,000
J R Broadbent	47,355	1,102	-	163	48,620	46,357	998	-	-	47,355
A T Calvert[4]	1,236	828	-	-	2,064	262	974	-	-	1,236
R R Caplan[4]	-	-	-	-	-	-	-	-	-	-
E Fraunschiel	52,702	-	-	21,850	74,552	52,702	-	-	-	52,702
A Jamieson	3,000	-	-	-	3,000	3,000	-	-	-	3,000
P H J M Jungels	7,893	561	-	-	8,454	7,367	526	-	-	7,893
D I McEvoy	2,500	-	-	26	2,526	2,500	-	-	-	2,500
D Megat	-	-	-	-	-	-	-	-	-	-
J Stausholm	-	-	-	-	-	-	-	-	-	-
Executives										
D Voelte	69,404[5]	-	-	124	69,528	69,404	-	-	-	69,404
M Chatterji	20	-	-	124	144	-	-	-	20	20
R Cole	-	-	-	124	124	-	-	-	-	-
E Howell[6]	1,000	-	-	32	1,032					
A J Kantsler[7]	124,343	-	(27,353)	124	97,114	124,445	-	(122)	20	124,343
P Moore	-	-	-	124	124	-	-	-	-	-
V Santostefano[6][7]	21,890	-	(21,890)	124	124					
K Spence[7]	24,700	-	(24,700)	-	-	158,433	-	(133,733)	-	24,700
I Fraser[8]	78,296	-	-	(35,000)	43,296					
J P Rigden[8]	19,000	-	-	(9,000)	10,000					

(1) Opening holding represents amounts carried forward in respect of KMP or amounts held by KMP who commenced during the period.

(2) Relates to participation in the Non-Executive Directors' Share Plan.

(3) Represents the number of shares redeemed under the Woodside Employee Share Plan.

(4) The Directors' closing shareholding represents the amount of shares held at the date of cessation of being a Director.

(5) Awarded and vested in 2005 on the basis of individual performance for the 2004 performance year. The shares are held in trust and Mr Voelte may not deal with or dispose of any of the shares until the earliest of: the end of a period of 5 years commencing on the grant date; the time when Mr Voelte ceases to be employed by Woodside; or the time when any person acquires a relevant interest in 50.1% of Woodside's issued share capital. Mr Voelte's interest in the shares may be forfeited in certain circumstances, including summary termination of his employment with Woodside.

(6) Ms Howell and Mr Santostefano did not meet the definition of a KMP under AASB 124 for the 2006 financial year, but are considered KMP for 2007. 2006 comparative figures are not shown.

(7) WESP shares disposed by KMP had the following exercise prices: A J Kantsler $13.61 (2006: nil); V Santostefano $14.25 (2006: nil); K Spence $12.97 (2006: $13.72). All shares held by these executives are WESP shares.

(8) Mr Fraser and Mr Rigden are included as part of the top five most highly remunerated executives of the Group for 2007. 2006 comparative figures are not shown.

26. Key Management Personnel Compensation (continued)

(d) Executives' interests in variable pay rights (VPR) and pay rights (PR)

Time tested VPRs and PRs

Name	Allocation date[1]	Expiry date[2]	Awarded	Fair value[3] of VPR/PR for performance year		
				2007	2006	2005
D Voelte	March 2006	13/03/2009	12,827			22.80
	March 2007[4]	15/03/2010	20,122		37.30	
	March 2008	14/03/2011	16,514	34.72		
Total			49,463			
M Chatterji	March 2006	13/03/2009	3,429			22.80
	March 2007	15/03/2010	5,517		37.30	
	March 2007	15/03/2010	26,270	31.87		
	March 2008	14/03/2011	4,314	34.72		
Total			39,530			
R Cole	March 2006	13/03/2009	-			22.80
	March 2007	15/03/2010	1,370		37.30	
	March 2007	15/03/2010	12,015	31.87		
	March 2008	14/03/2011	1,757	34.72		
Total			15,142			
E Howell[5]	March 2006	13/03/2009				22.80
	March 2007	15/03/2010	525		37.30	
	March 2007	15/03/2010	14,532	31.87		
	March 2008	14/03/2011	1,905	34.72		
Total			16,962			
A J Kantsler	March 2006	13/03/2009	3,278			22.80
	March 2007	15/03/2010	1,650		37.30	
	March 2007	15/03/2010	19,563	31.87		
	March 2008	14/03/2011	2,542	34.72		
Total			27,033			
P Moore	March 2006	13/03/2009	2,186			22.80
	March 2007	15/03/2010	2,215		37.30	
	March 2007	15/03/2010	19,003	31.87		
	March 2008	14/03/2011	1,971	34.72		
Total			25,375			
V Santostefano[5]	March 2006	13/03/2009				22.80
	March 2007	15/03/2010	1,327		37.30	
	March 2007	15/03/2010	10,340	31.87		
	March 2008	14/03/2011	1,670	34.72		
Total			13,337			
K Spence	March 2006	13/03/2009	3,309			22.80
	March 2007	15/03/2010	2,010		37.30	
	March 2008	14/03/2011	1,748	34.72		
Total			7,067			
I Fraser[6][7]	March 2006	13/03/2009				22.80
	March 2007	15/03/2010	1,368		37.30	
	March 2008	14/03/2011	1,317	34.72		
Total			2,685			
J P Rigden[6][7]	March 2006	13/03/2009				22.80
	March 2007	15/03/2010	685		37.30	
	March 2008	14/03/2011	501	34.72		
Total			1,186			

(1) The grant date of VPRs is 1 January of the respective year.

(2) Expiry date and exercise date are the same.

(3) In accordance with the requirements of AASB 124 *Related Party Disclosures*, the fair value of rights as at their date of grant has been determined by applying the binomial valuation method. The fair value of rights is amortised over the vesting period, such that 'Total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.

(4) Incorporates an allocation of $900,000 awarded in addition to the EIP entitlements in the form of VPRs for the 2006 performance year.

(5) Ms Howell and Mr Santostefano did not meet the definition of a KMP under AASB 124 for the 2006 financial year, but are considered KMP for 2007. 2006 comparative figures are not shown.

(6) Mr Fraser and Mr Rigden are included as part of the top five most highly remunerated executives of the Group for 2007. 2006 comparative figures are not shown.

(7) Mr Fraser and Mr Rigden's Time-tested VPRs allocated in March 2006 and March 2007 vested on their departure from Woodside in 2007. The Time-tested VPRs to be allocated in March 2008 will vest immediately on allocation.

As at 31 December 2007, other than the VPRs noted in footnote (7), no VPRs/PRs had vested. No VPRs/PRs held by any Executive lapsed.

The number of VPRs for March 2007 VPR allocation as reported in the 2006 Full Financial Report was calculated using a share closing price of $36.95 (closing 7 February 2007 price). The actual number of VPRs allocated was determined using a weighted average share price for the five days to 15 March 2007, which has resulted in a restatement of the number of VPRs allocated in this 2007 Financial Report.

The number of VPRs for March 2008 VPR allocation as reported in this 2007 Financial Report has been determined using the volume weighted average price of a share over the five trading days preceeding 31 December 2007.

26. Key Management Personnel Compensation (continued)

(d) Executives' interests in variable pay rights (VPR) and pay rights (PR) (continued)

RTSR and TSR tested[1]

Name	Allocation date[2]	Expiry date[3]	Awarded	Fair value[4] of VPR/PR for performance year		
				2007	2006	2005
D Voelte	March 2006[5]	13/03/2011	50,464			14.25
	March 2007[6]	15/03/2012	40,245		22.30	
	March 2008	14/03/2012	33,161	29.16		
Total			123,870			
M Chatterji	March 2006	13/03/2011	6,859			14.25
	March 2007	15/03/2012	11,034		22.30	
	March 2008	14/03/2012	8,953	29.16		
Total			26,846			
R Cole	March 2006	13/03/2011	-			14.25
	March 2007	15/03/2012	2,741		22.30	
	March 2008	14/03/2012	4,862	29.16		
Total			7,603			
E Howell[7]	March 2006	13/03/2011				14.25
	March 2007	15/03/2012	1,051		22.30	
	March 2008	14/03/2012	3,954	29.16		
Total			5,005			
A J Kantsler	March 2006	13/03/2011	6,554			14.25
	March 2007	15/03/2012	3,300		22.30	
	March 2008	14/03/2012	7,036	29.16		
Total			16,890			
P Moore	March 2006	13/03/2011	4,372			14.25
	March 2007	15/03/2012	4,430		22.30	
	March 2008	14/03/2012	5,453	29.16		
Total			14,255			
V Santostefano[7]	March 2006	13/03/2011				14.25
	March 2007	15/03/2012	2,654		22.30	
	March 2008	14/03/2012	3,465	29.16		
Total			6,119			
K Spence	March 2006	13/03/2011	6,618			14.25
	March 2007	15/03/2012	4,020		22.30	
	March 2008	14/03/2012	4,800	29.16		
Total			15,438			
I Fraser[8]	March 2006	13/03/2011				14.25
	March 2007	15/03/2012	2,737		22.30	
	March 2008	14/03/2012	3,646	29.16		
Total			6,383			
J P Rigden[8]	March 2006	13/03/2011				14.25
	March 2007	15/03/2012	1,370		22.30	
	March 2008	14/03/2012	1,374	29.16		
Total			2,744			

(1) Relative total shareholder return and total shareholder return tested. Exercise date is from 13 March 2009 to 13 March 2011 in respect of 2006 allocations, from 15 March 2010 to 15 March 2012 in respect of March 2007 allocations and on 14 March 2011 or 14 March 2012, in respect of March 2008 allocations.

(2) The grant date of VPRs is 1 January of the respective year.

(3) Expiry date and exercise date are the same.

(4) In accordance with the requirements of AASB 124 *Related Party Disclosures*, the fair value of rights as at their date of grant has been determined by applying the binomial valuation method. The fair value of rights is amortised over the vesting period, such that 'Total remuneration' includes a portion of the fair value of unvested equity compensation during the year. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual executives may ultimately realise should these equity instruments vest.

(5) Incorporates a TSR tested VPR allocation of $1,000,000 in respect of the 2005 performance year, awarded in addition to the EIP entitlements.

(6) Incorporates an allocation of $900,000 awarded in addition to the EIP entitlements in the form of VPRs for the 2006 performance year.

(7) Ms Howell and Mr Santostefano did not meet the definition of a KMP under AASB 124 for the 2006 financial year, but are considered KMP for 2007. 2006 comparative figures are not shown.

(8) Mr Fraser and Mr Rigden are included as part of the top five most highly remunerated executives of the Group for 2007. 2006 comparative figures are not shown.

As at 31 December 2007, no VPRs/PRs had vested. No VPRs/PRs held by any Executive lapsed.

The number of VPRs for March 2007 VPR allocation as reported in the 2006 Full Financial Report was calculated using a share closing price of $36.95 (closing 7 February 2007 price). The actual number of VPRs allocated was determined using a weighted average share price for the five days to 15 March 2007, which has resulted in a restatement of the number of VPRs allocated in this 2007 Financial Report.

The number of VPRs for March 2008 VPR allocation as reported in this 2007 Financial Report has been determined using the volume weighted average price of a share over the five trading days preceeding 31 December 2007.

26. Key Management Personnel Compensation (continued)

(e) Summary of Executives' interests in shares under the Woodside share purchase plan (WSPP)

Name	Plan type	Opening balance	Shares purchased under WSPP	Matching shares	Closing balance
D Voelte	2007 WSPP	-	62	62	124
M Chatterji	2007 WSPP	-	62	62	124
R Cole	2007 WSPP	-	62	62	124
E Howell	2007 WSPP	-	-	-	-
A Kantsler	2007 WSPP	-	62	62	124
P Moore	2007 WSPP	-	62	62	124
V Santostefano	2007 WSPP	-	62	62	124
K Spence	2007 WSPP	-	-	-	-
I Fraser	2007 WSPP	-	-	-	-
J P Rigden	2007 WSPP	-	-	-	-

The matching shares were granted on 29 August 2007 and had a fair value of $48.25.

As at 31 December 2007, no matching shares had lapsed or vested.

27. Events after the Balance Sheet Date

(a) Dividends

Since the reporting date, the Directors have declared a fully franked dividend of 55 cents (2006: 77 cents), payable in March 2008. The amount of this dividend will be $378.6 million (2006: $513.3 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.

(b) Sale of interest in the Pluto Project

On 31 January 2008, Woodside Burrup Pty. Ltd. sold 10% of its interests in the Pluto project, being permit WA-350-P, Production licence WA-34-L, Infrastructure licence WA-1-IL, Burrup Train 1 Pty. Ltd., Burrup Facilities Company Pty. Ltd. and Pluto LNG Pty. Ltd. to Tokyo Gas Pluto Pty Ltd (5%) and Kansai Electric Power Australia Pty Ltd (5%) for $179 million cash consideration.

(c) Purchase of NWS oil assets

On 8 February 2008, Woodside Energy Ltd. entered into a Sale and Purchase Agreement with Shell Development Australia Pty Ltd to acquire Shell's North West Shelf oil assets, including its share in the Cossack, Wanaea, Lambert and Hermes oil fields (including the Cossack Pioneer production facility), the Egret oil discovery and remaining active oil exploration portfolio within a tieback distance to the Cossack Pioneer for US$398.5 million, effective 1 August 2007. The sale is subject to standard regulatory and joint venture participant approvals, and additional approvals by the Woodside shareholders, as well as the Board of Shell.

In a related agreement, Shell will have a "right of final offer" for Woodside's assets in Libya should Woodside agree to proceed with a sale.

28. Related Party Disclosure

(a) Entities with significant influence over the entity

Shell Energy Holdings Australia Ltd. is deemed a related party through its 34.27% (2006: 34.27%) interest of 235,880,145 ordinary shares (2006: 228,456,275 ordinary shares) in the shareholding of the Group. In 2007, Shell Energy Holdings Australia Ltd. participated in the Woodside Dividend Reinvestment Plan resulting in an increase in its shareholding in the Company. Shell Energy Holdings Australia Ltd. is a member of the Royal Dutch Shell Group.

During the year petroleum products with a total value of $35,959,000 (2006: $46,608,000) were purchased from the Shell Company of Australia Ltd by the Group in its own right or as operator of various joint ventures. These transactions were on normal commercial terms and conditions. At year end the liability outstanding to Shell Company of Australia Ltd. in relation to these purchases was $552,117 (2006: $30,208).

Companies within the Royal Dutch Shell Group provide the Group with various technical services, technology, research and information networks and secondment of management and technical staff on normal commercial terms and conditions. The cost of these various services to the Group was $29,901,000 (2006: $38,362,000). At year end the liability outstanding to the Royal Dutch Shell Group in relation to these services was $2,331,282 (2006: $1,344,371).

The Group sold $339,534,000 (2006: $435,307,000) of oil and gas products to members of the Royal Dutch Shell Group on normal commercial terms and conditions. At year end the trade receivable outstanding in relation to these sales was $35,003,000 (2006: $39,131,000).

28. Related Party Disclosure (continued)

Solen Versicherungen AG (a wholly owned captive insurance company of the Royal Dutch Shell Group) participates in the Group's various operational and construction insurance programs. In 2007, the total paid by the Group to Solen Versicherungen AG for its participation was $2,170,471 (2006: $2,631,310). Applicable insurance premiums are negotiated at arms-length with lead insurers via Woodside's insurance brokers, with Solen Versicherungen AG following the terms set by the lead insurers.

The Group and Shell have common interests in joint ventures (refer Note 31).

(b) Transactions with related parties in the wholly owned group

Dividends, interest received/receivable and diminution in value of investments in subsidiaries are as per Note 3. Current amounts receivable from controlled entities in Note 7 are inter-company current balances that attract interest at commercial rates. Non-current amounts owing by controlled entities in Note 7 are long term interest-free inter-company advances. Non-current amounts payable to controlled entities in Note 13 are long-term interest-free inter-company advances. Refer to Note 33 for a description of the relationship between the parent company and its controlled entities.

(c) Transactions with Directors

Mr McEvoy received $60,000 during the year as consulting fees for extra services he provided outside his normal board and committee duties. These fees were paid on commercial terms and conditions at market rates.

29. Contingent Liabilities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Contingent liabilities at balance date				
Not otherwise provided for in the financial report				
Contingent liabilities arising from subsidiaries[1]	14.2	21.5	-	-
Guarantees[2]	3.1	2.5	1,041.1	1,832.8
	17.3	24.0	1,041.1	1,832.8

(1) Contingent liabilities relate predominately to actual or potential litigation of the Group for which amounts are reasonably estimable but the liability is not probable and therefore the Group has not provided for such amounts in these financial statements. Additionally, there are a number of other claims and possible claims, indeterminable in amount, that have arisen in the course of business against entities in the Group. The Group believes that any resultant liability will not materially affect the financial position of the Group, and therefore no amounts have been included in the table above.

(2) Guarantees:
- Woodside Petroleum Ltd. and Woodside Energy Ltd. are parties of a deed of cross guarantee (refer Note 33(b)).
- Woodside Petroleum Ltd. has guaranteed the discharge by Woodside Finance Ltd. of its financial obligations under debt facilities mentioned in Note 22(e).
- The Group also has issued guarantees relating to workers compensation liabilities.

30. Auditor Remuneration

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$000	$000	**$000**	$000
Amounts received or due and receivable by the auditors of the company for:				
Auditing and review of financial reports				
Ernst & Young (Australia)	1,057	978	-	-
Overseas Ernst & Young firms	385	335	-	-
	1,442	1,313	-	-
Non audit services				
Ernst & Young (Australia)				
Other assurance/advisory services	226	185	-	-
Other accounting services	81	176	-	-
	307	361	-	-

31. Joint Ventures

(a) Joint venture interests

The Group has the following interests in joint venture assets as at 31 December 2007. Exploration, development and production of hydrocarbons are the principal activities performed across joint assets. Related party interests are indicated where applicable, refer Note 28.

Joint assets	Group interest %	Related party interest %
Australasia		
Producing & Developing Assets		
North West Shelf Joint Ventures	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	-
Otway	51.6	-
Exploration & Evaluation Assets		
Browse Basin	25.0 - 50.0	8.3 - 15.0
Carnarvon Basin	8.2 - 60.0	0.0 - 15.8
Bonaparte Basin	26.7 - 66.7	25.0 - 33.3
Victoria	51.6 - 62.5	-
Middle East & Africa		
Producing Assets		
Ohanet	15.0	-
Exploration & Evaluation Assets		
Algeria	26.3 - 37.5	-
Canary Islands	30.0	-
Kenya	30.0	-
Libya	45.0 - 55.0	-
Sierra Leone	50.0	-
The Americas		
Producing & Developing Assets		
Gulf of Mexico	11.3 - 75.0	-
Exploration & Evaluation Assets		
Gulf of Mexico	2.8 - 95.0	-
Brazil	25.0	-
Asia		
Exploration & Evaluation Assets		
Korea	50.0	-

31. Joint Ventures (continued)

(b) The aggregate of the Group's interest in the assets in all jointly controlled assets is:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$m	$m	**$m**	$m
Current assets				
Receivables	82.1	142.1	-	-
Inventories and other	69.3	61.6	-	-
Financial and other assets	11.1	73.1	-	-
	162.5	276.8	-	-
Non-current assets				
Exploration and evaluation assets	617.9	577.0	-	-
Oil and gas properties	6,075.1	5,925.0	-	-
Inventories	8.7	5.1	-	-
Financial and other assets	19.1	-	-	-
	6,720.8	6,507.1	-	-
	6,883.3	6,783.9	-	-

(c) The aggregate of the Group's commitments through jointly controlled assets is:

Operating lease	1,013.6	919.2	-	-
Capital	301.3	830.4	-	-
Exploration and other commitments	353.0	360.1	-	-
	1,667.9	2,109.7	-	-

(d) Details regarding joint venture entities are as follows:

Entity	Principal activity	Country of incorporation	Group interest %	
			2007	2006
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 Ventures structure and are held proportionately with the other venturers. There have been no changes to the investment in these entities in the period. All relevant commitments arising through these entities are included in Note 24.

32. Associated Entities

Name of entity	Principal activity	Group interest %	
		2007	2006
Australian Technical College Pilbara Limited[1]	Provision of academic and technical training in local communities.	-	-
International Gas Transportation Company Limited[2]	LNG vessel fleet management.	16.67	16.67

(1) Australian Technical College Pilbara Limited was incorporated on 6 December 2006 and is limited by guarantee to a maximum amount of $1. Woodside is one of four members of the company, of which significant influence is present. The associate is incorporated in Australia.

(2) Where material, investments in joint venture entities are accounted for using the equity method of accounting. The associate is incorporated in Bermuda.

33. Interests in Subsidiaries

(a) 100% owned subsidiaries

Name of entity	Notes	Country of incorporation	Functional currency
Parent entity			
Woodside Petroleum Ltd.	(1,2,3)	Australia	Australian Dollars
Subsidiaries			
Woodside Energy Ltd.	(2,3)	Australia	Australian Dollars
Woodside Energy Holdings Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Energy Holdings (USA) Inc.		USA	US Dollars
Woodside Insurance Inc.		USA	US Dollars
Woodside Energy (USA) Inc.		USA	US Dollars
Gryphon Exploration Company		USA	US Dollars
Woodside Energy (Sahara) Inc.		USA	US Dollars
Gander Inc. (formerly ATS Inc.)		USA	US Dollars
Woodside Offshore LLC	(7)	USA	US Dollars
Woodside Natural Gas Inc.		USA	US Dollars
ABD Inc.		USA	US Dollars
Woodside Eastern Energy Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Energy (Senegal) Pty. Ltd.	(2,6)	Australia	Australian Dollars
Woodside Energy (Algeria) Pty. Ltd.	(2)	Australia	US Dollars
Woodside SSW Solutions Pty. Ltd.	(2,5)	Australia	Australian Dollars
Woodside Petroleum (NEDSP) Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Technical Services Pty. Ltd.	(2)	Australia	Australian Dollars
Metasource Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside West Kimberley Energy Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Guangdong Shipping (One) Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Guangdong Shipping (Two) Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Mauritania Investments Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Energy Holdings (UK) Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Energy (UK) Ltd.		UK	US Dollars
Woodside Energy Iberia S.A.		Spain	US Dollars
Woodside Energy (N.A.) Ltd.		UK	US Dollars
Woodside Energy (Kenya) Pty. Ltd.	(2)	Australia	US Dollars
Woodside Quest Energy Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Energy (Carbon Capture) Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Energy (SL) Pty. Ltd.	(2)	Australia	US Dollars
Woodside Energy Liaison Company (Korea) Pty. Ltd.	(2,5)	Australia	US Dollars
Woodside Energy Technologies Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside China Liaison Pty. Ltd.	(2,6)	Australia	US Dollars
Woodside Japan Liaison Pty. Ltd.	(2,6)	Australia	US Dollars
Woodside Energy (Norway) Pty. Ltd.	(2)	Australia	US Dollars
Woodside Energy (M.E.) Pty. Ltd.	(2)	Australia	US Dollars
Woodside Energy Middle East and Africa Pty. Ltd.	(2)	Australia	US Dollars
Woodside Browse Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Burrup Pty. Ltd.	(2)	Australia	Australian Dollars
Pluto LNG Pty. Ltd.	(2,4)	Australia	Australian Dollars
Burrup Facilities Company Pty. Ltd.	(2,4)	Australia	Australian Dollars
Burrup Train 1 Pty. Ltd.	(2,4)	Australia	Australian Dollars
Woodside Energy Australia Asia Holdings Pte. Ltd.		Singapore	US Dollars
WelCap Insurance Pte. Ltd.		Singapore	US Dollars
Woodside Energy (Korea) Pte. Ltd.		Singapore	US Dollars
Woodside Energy Holdings (South America) Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Energia (Brasil) Investimento em Exploração de Petróleo Ltda.		Brazil	US Dollars
Woodside Finance Ltd.	(2)	Australia	Australian Dollars
Woodside Holdings Pty. Ltd.	(2,5)	Australia	Australian Dollars
Woodside Petroleum Holdings Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Petroleum (Timor Sea 19) Pty. Ltd.	(2)	Australia	US Dollars
Woodside Petroleum (Timor Sea 20) Pty. Ltd.	(2)	Australia	US Dollars
Woodside South East Asia Pty. Ltd.	(2,5)	Australia	Australian Dollars
Mermaid Sound Port and Marine Services Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Group Staff Superannuation Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside LNG Pty. Ltd.	(2,6)	Australia	Australian Dollars
Woodside Petroleum (Northern Operations) Pty. Ltd.	(2)	Australia	Australian Dollars
Woodside Petroleum (W.A. Oil) Pty. Ltd.	(2)	Australia	Australian Dollars

Notes

(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 2007.

(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) On 31 January 2008, Kansai Electric and Tokyo Gas each acquired 5% of the shares in each of these companies.

(5) These companies were placed into voluntary liquidation on 21 December 2007.

(6) These companies were placed into voluntary liquidation on 28 June 2007 and were deregistered on 13 February 2008.

(7) On 5 September 2007, Explore Louisiana LLC acquired a 5% holding in Woodside Offshore LLC.

(8) The following companies were sold during the year – Woodside Petroleum (PNG) Pty. Ltd. (28 May 2007), Woodside Petroleum (Timor Sea 1) Pty. Ltd. (7 September 2007), Woodside Mauritania Pty. Ltd. (25 December 2007) and WEL Mauritania B.V. (25 December 2007).

33. Interests in Subsidiaries (continued)

(b) Deed of cross guarantee and Closed Group

Woodside Petroleum Ltd. and Woodside Energy Ltd. are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the entities have been granted relief from the Corporations Act requirements for 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 balance sheet of the members of the Closed Group is set out below.

Closed Group Income Statement	**2007 $m**	2006 $m
Profit before income tax	1,631.6	1,602.6
Income tax expense	(659.9)	(609.7)
Net profit	971.7	992.9
Retained profits at the beginning of the financial year	3,320.1	3,040.5
Dividends	(847.1)	(713.3)
Retained profits at the end of the financial year	3,444.7	3,320.1

33. Interests in Subsidiaries (continued)

(b) Deed of cross guarantee and Closed Group (continued)

Closed Group Consolidated Balance Sheet	2007 $m	2006 $m
Current assets		
Cash and cash equivalents	70.4	98.1
Receivables	639.4	2,548.7
Inventories	61.7	50.9
Financial and other assets	14.2	103.5
Total current assets	785.7	2,801.2
Non-current assets		
Receivables	1,877.1	1,231.6
Inventories	8.7	5.1
Exploration and evaluation assets	150.1	109.2
Oil and gas properties	5,637.8	4,821.3
Other plant and equipment	135.5	106.4
Financial and other assets	3,121.1	2,145.8
Total non-current assets	10,930.3	8,419.4
Total assets	11,716.0	11,220.6
Current liabilities		
Payables	1,683.4	2,841.7
Income tax payable	328.4	196.4
Financial and other liabilities	136.9	4.1
Provisions	95.5	72.8
Total current liabilities	2,244.2	3,115.0
Non-current liabilities		
Payables	2,727.9	924.2
Interest-bearing liabilities	-	1,832.8
Deferred tax liabilities	313.4	498.7
Financial and other liabilities	719.5	408.1
Provisions	530.9	552.2
Total non-current liabilities	4,291.7	4,216.0
Total liabilities	6,535.9	7,331.0
Net assets	5,180.1	3,889.6
Equity		
Issued and fully paid shares	1,962.7	706.5
Shares reserved for employee share plans	(137.0)	(177.9)
Reserves	(90.3)	40.9
Retained earnings	3,444.7	3,320.1
Total equity	5,180.1	3,889.6

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 additional disclosures included in the audited pages of the 2007 Remuneration Report, comply with Australian Accounting Standards and the Corporations Act;

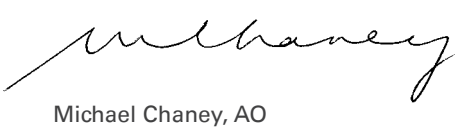
   (b) the financial statements and notes thereto give a true and fair view of the financial position of the Company and the Group as at 31 December 2007 and of the performance of the Company and the Group for the financial year ended 31 December 2007;

   (c) 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

   (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 33 will be able to meet any obligations or liabilities to which they are or may become subject to, by virtue of the deed of cross guarantee.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act for the year ended 31 December 2007.

For and on behalf of the Board



Michael Chaney, AO
Chairman

Don Voelte
Chief Executive Officer

Perth
20 February 2008

INDEPENDENT AUDIT REPORT

Independent audit report to members of Woodside Petroleum Ltd.

We have audited the accompanying financial report of Woodside Petroleum Ltd. and the entities it controlled during the year, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement 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.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 "Related Party Disclosures" ("remuneration disclosures"), under the heading "Remuneration Report" on pages 51 to 59 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(b) the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 "Related Party Disclosures".

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Woodside Petroleum Ltd. is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Woodside Petroleum Ltd. and the consolidated entity at 31 December 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).
3. the remuneration disclosures that are contained on pages 51 to 59 of the directors' report comply with Accounting Standard AASB 124 "Related Party Disclosures".

Ernst & Young

G H Meyerowitz
Partner
Perth
20 February 2008

SHAREHOLDER INFORMATION

As at 15 February 2008

Number of Shareholdings

There were 131,460 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	92,385	40,212,602	5.84
1,001 - 5,000	34,159	71,087,542	10.33
5,001 - 10,000	3,150	22,316,620	3.24
10,001 - 100,000	1,639	36,625,352	5.32
100,001 and over	127	518,088,419	75.27
Total	131,460	688,330,535	100.00

Unmarketable Parcels

There were 742 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	235,880,145	34.27
J P Morgan Nominees Australia Limited	65,080,042	9.45
HSBC Custody Nominees (Australia) Limited	59,020,863	8.57
National Nominees Limited	50,694,246	7.36
ANZ Nominees Limited (Cash Income Account)	26,196,218	3.81
Citicorp Nominees Pty Limited	15,656,370	2.27
Queensland Investment Corporation	5,216,355	0.76
UBS Wealth Management Australia Nominees Pty Ltd	4,884,629	0.71
AMP Life Limited	4,617,098	0.67
Cogent Nominees Pty Limited	4,135,236	0.60
Citicorp Nominees Pty Limited (CFS Wsle Geared Shr Fnd Account)	3,649,011	0.53
Australian Foundation Investment Company Limited	2,170,000	0.32
Citicorp Nominees Pty Limited (CFS Wsle Imputation Fnd Account)	1,907,948	0.28
Perpetual Trustee Company Limited	1,499,892	0.22
RBC Dexia Investor Services Australia Nominees Pty Limited (Bkcust Account)	1,485,010	0.22
Citicorp Nominees Pty Limited (CFS Imputation Fund Account)	1,318,500	0.19
Australian Reward Investment Alliance	1,315,569	0.19
Argo Investments Limited	1,283,057	0.19
Cogent Nominees Pty Limited (SMP Accounts)	1,244,143	0.18
RBC Dexia Investor Services Australia Nominees Pty Limited (MLCI Account)	1,232,468	0.18
Total	488,486,800	70.97

Substantial shareholders as disclosed in substantial shareholder notices given to the Company are as follows:

Shell Energy Holdings Australia Ltd. (notice dated 3 May 2001).	228,456,275	34.27

Annual General Meeting

The 37th AGM of Woodside Petroleum Ltd. will be held at 10am (AWST) on Thursday 1 May 2007 in the Riverside Theatre, Level 2, Perth Convention Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia. Details of the business of the meeting will be provided in the AGM notice.

The AGM will be webcast live on the internet. An archive version of the webcast will be placed on the website to enable the proceedings to be viewed at a later time. Copies of the Chairman's and CEO's speeches will be available on the company's website.

SHAREHOLDER INFORMATION

Shareholder 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.computershare.com

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.

Shareholders should quote their Security Reference Number (SRN) or Holder Identification Number (HIN) when communicating with the share registry.

The share registry website allows shareholders direct access to their holding information and to make changes to address and banking details online.

Dividend Payments

Shareholders may have their 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 download the appropriate form from the share registry website.

The history of dividends paid by the company can be found on the company's website www.woodside.com.au.

Dividend Reinvestment Plan

Woodside's Dividend Reinvestment Plan has been suspended until further notice. Shareholders who were participants in the plan will be automatically reinstated when the plan is recommenced unless they advise the share registry that they no longer wish to participate in the plan. Information on the Dividend Reinvestment Plan is available on the company's website www.woodside.com.au.

Change of Address or Banking Details

Shareholders should immediately notify the share registry in writing of any change to their address or banking arrangements for dividends electronically credited to a bank account. Appropriate forms can be downloaded from the share registry website.

Stock Exchange Listing

Woodside Petroleum Ltd. securities are listed on the Australian Securities Exchange (ASX) under the code WPL. Share price information can be accessed on the company's website www.woodside.com.au.

American Depositary Receipts

The Bank of New York sponsors a level one American Depositary Receipts (ADR) programme 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 on all matters related to their ADRs. Enquiries should be directed to:

The Bank of New York
Depositary Receipts Division
101 Barclay Street,
22nd Floor,
New York NY 10286

Telephone: 1-888-269-2377 (within United States)
212-815-3700 (outside United States)
Email: shareowners@bankofny.com
Website: www.adrbny.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, Western Australia 6000

Telephone: (61) 8 9348 4000
Facsimile: (61) 8 9348 2777
Email: investor@woodside.com.au
Postal address: GPO Box D188
Perth, Western Australia 6840

Website

For various reports and updates visit Woodside's website: www.woodside.com.au

SHAREHOLDER INFORMATION

Key Announcements 2007

January
- NWSV and Kogas extend LNG agreement
- Appointment of Chief Financial Officer – Mark Chatterji

February
- Woodside signs Republic of Korea Concession Contract
- NWSV and Kyushu Electric sign LNG Heads of Agreement

March
- NWSV and Tohoku Electric sign LNG Heads of Agreement

July
- Woodside approves Pluto LNG project
- Change of Chairman

August
- Pluto export deal signed

September
- Statutory review of Oceanway LNG facility begins
- Woodside agrees key terms with PetroChina for Browse LNG
- Otway exports first gas
- Sale of Mauritania Interests

October
- Pluto receives environmental approval

November
- Woodside agrees key terms with CPC Corporation
- Stybarrow project produces first oil

December
- Sale of Mauritania Interests completed

Events Calendar 2008

Key calendar dates for Woodside shareholders in 2008. Please note, dates are subject to review.

January	
17	Fourth Quarter 2007 Report
February	
20	2007 Full Year Result and Final Dividend Announcement
25	Ex-Dividend date for Final Dividend
29	Record date for Final Dividend
March	
31	Payment date for Final Dividend
April	
17	First Quarter 2008 Report
29	Proxy returns close at 10.00am (AWST)
May	
1	Annual General Meeting
June	
30	Woodside Half Year End
July	
17	Second Quarter 2008 Report
August	
27	2008 Half Year Result and Interim Dividend Announcement
September	
1	Ex-Dividend date for Interim Dividend
5	Record date for Interim Dividend
October	
1	Payment date for Interim Dividend
18	Third Quarter 2008 Report
December	
31	Woodside Year End

SHAREHOLDER INFORMATION

Business Directory

Australia

Registered Office

Perth

Woodside Petroleum Ltd.
Woodside Plaza
240 St Georges Terrace
Perth, WA 6000

Telephone: (61) 8 9348 4000
Email: investor@woodside.com.au

Mail Address
GPO Box D188
Perth, WA 6840

Karratha

Burrup Peninsula
Karratha, WA 6714
Telephone: (61) 8 9348 4000

Africa

Dubai

Woodside Energy Middle East
and Africa Pty. Ltd.
10th Floor, Union House
Port Saeed Road, Deira
Dubai, United Arab Emirates
Telephone: (971) 4 295 5829

Tripoli

Woodside Energy (NA) Ltd.
Corinthia Bab Africa Hotel
Commercial Centre Zone C, Level 3
Souk Al Thulatha Al Gadim
Tripoli, Libya
Telephone: (218) 21 335 0605

America

Covington

Woodside Energy (USA) Inc.
71683 Riverside Drive
Covington
Louisiana, 70433 USA
Telephone: (1) 985 249 5300

Los Angeles

Woodside Natural Gas Inc.
2425 Olympic Blvd
Ste 4030W
Santa Monica
California, 90404 USA
Telephone: (1) 310 264 4400

Glossary

1H	first half of the calendar year (i.e. the period 1 January to 30 June).
appraisal well	a well drilled to follow up a discovery and evaluate its commercial potential
condensate	hydrocarbons, which are gaseous in a reservoir, but which condense to form liquids as they rise to the surface
development well	a well drilled specifically into a previously discovered field
FPSO	floating production and storage offtake vessel
LNG	liquefied natural gas
LPG	liquefied petroleum gas
MMbbl	million barrels
MMboe	million barrels of oil equivalent
project sizes	project sizes referred to in the text have been categorised according to their gross approximate capital expenditure as small (less than $500 million), medium (less than $2 billion) or large (more than $2 billion).
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).
$, $m	Australian dollars unless otherwise stated, millions of dollars

Conversion Factors

boe = barrel of oil equivalent
TJ = Terajoules
t = tonne
bbl = barrel
MMBtu = million British Thermal Units
Mcfg = thousand cubic feet of gas
MMcfg = million cubic feet of gas
Mtpa = million tonnes per annum
kPa = thousands of Pascals
psia = pounds per square inch absolute

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

SHAREHOLDER INFORMATION

Ten-Year Comparative Data Summary

Year Ended 31 December	2007[12]	2006[12]	2005	2004[7]	2003	2002	2001	2000	1999	1998
Profit and Loss ($m)										
Sales Revenues										
Australia										
Pipeline Gas	271	242								
LNG & LPG	847	915								
NWS Gas (Pipeline, LNG & LPG)	-	-	1,052	789	763	725	765	692	595	570
NWS Oil/Condensate	1,119	1,106	1,005	772	696	694	644	683	303	377
Australia - other	1,381	981	591	487	552	773	936	979	91	-
Gulf of Mexico	158	157	28	-	-	-	-	-	-	-
Algeria	65	74	71	77	8	-	-	-	-	-
Continuing Operations	3,841	3,475	2,747	2,125	2,019	2,192	2,345	2,354	989	947
Mauritania (Discontinued Operations)	163	335	-	-	-	-	-	-	-	-
Total	4,004	3,810	2,747	2,125	2,019	2,192	2,345	2,354	989	947
EBITDAX Before Significant Items[1, 2]	3,034	2,979	2,018	1,550	1,386	1,382	1,779	1,937	605	691
EBITDA[2]	2,348	2,582	1,781	1,867	1,090	404	1,683	1,908	587	676
EBIT[2]	1,615	2,036	1,501	1,589	854	114	1,331	1,510	443	523
Exploration & Evaluation	524	422	306	253	296	978	96	29	18	16
Depreciation & Amortisation	733	546	280	277	236	290	352	398	144	153
Finance Costs	10	26	9	1	26	46	70	102	59	52
Tax Expense	575	582	385	442	301	160	351	441	53	170
NPAT Before Significant Items[3]	1,182	1,396	1,038	672	527	658	818	877	327	300
NPAT	1,030	1,427	1,107	1,146	527	(92)	910	967	331	300
EPS (cents) Before Significant Items[3, 8]	176	212	158	103	79	99	123	132	49	45
EPS (cents)[8]	153	217	169	175	79	(14)	137	145	50	45
DPS (cents)[4]	104	126	93	59	46	62	70	82	26	23
Payout ratio (%) Before Significant Items[3]	59.9	60.2	59.7	58.5	58.2	62.8	57.1	62.3	53.0	51.1
EBITDA/Op Cash Flow (%)	79.3	109.9	103.9	127.8	90.6	33.5	151.8	127.8	105.7	171.6
Balance Sheet ($m)										
Total Assets	9,730	8,969	6,969	5,446	4,782	5,011	6,115	5,969	4,721	4,403
Debt	1,032	1,820	1,128	1,013	1,068	1,429	1,662	1,415	1,835	1,583
Net Debt	894	1,507	895	216	891	1,274	1,502	1,140	1,691	1,466
Shareholder Equity	5,094	4,202	3,501	2,771	2,434	2,320	2,554	2,111	1,691	1,533
Cash Flow & Capital Expenditure ($m)										
Cash Flow From										
Operations	2,967	2,349	1,715	1,460	1,203	1,207	1,108	1,493	555	394
Investing	(2,511)	(2,316)	(1,845)	(356)	(741)	(730)	(811)	(428)	(717)	(637)
Financing	(622)	55	(462)	(352)	(419)	(484)	(418)	(948)	212	265
Capital Expenditure										
Exploration	487	499	361	264	305	232	278	243	148	216
PP&E and E&D[9]	2,817	1,837	1,906	794	516	482	511	245	288	554
Ratios (%)										
ROACE Before Significant Items[3]	19.4	26.8	26.5	19.7	15.0	16.5	22.4	26.8	11.0	11.9
ROACE	17.1	27.1	26.5	31.5	15.0	(1.5)	24.8	30.7	12.4	12.7
Return on Shareholders Funds Before Significant Items[3]	22.5	33.5	30.2	29.3	21.6	28.4	32.0	41.5	19.4	19.6
Return on Shareholders Funds	20.2	34.0	31.6	41.4	21.6	(4.0)	35.6	45.8	19.6	19.6
Gearing	14.9	26.4	20.4	7.2	26.8	35.5	37.0	35.1	50.0	48.9
Volumes										
Sales (million boe)										
Australia										
Pipeline Gas	16.4	15.5								
LNG & LPG	18.2	18.5								
NWS Gas (Pipeline, LNG & LPG)	-	-	34.8	30.8	31.0	27.9	28.2	24.8	26.7	25.8
NWS Oil/Condensate	12.6	12.8	14.0	14.4	16.2	15.7	15.0	15.1	9.8	13.8
Australia - other	15.6	11.7	8.0	9.1	13.3	19.1	23.2	24.8	2.6	-
Gulf of Mexico	2.6	2.6	0.4	-	-	-	-	-	-	-
Mauritania	2.0	4.3	-	-	-	-	-	-	-	-
Algeria	2.3	2.3	2.3	2.3	0.1	-	-	-	-	-
Total (million boe)[6]	69.7	67.7	59.5	56.6	60.6	62.7	66.4	64.7	39.1	39.6
Production (million boe)										
Australia										
Pipeline Gas	16.4	15.6								
LNG & LPG	18.6	18.6								
NWS Gas (Pipeline, LNG & LPG)	-	-	35.0	31.5	31.1	28.3	28.5	25.2	26.7	26.3
NWS Oil/Condensate	12.7	12.8	13.8	14.3	16.4	16.0	14.8	14.9	10.4	13.0
Australia - other	15.8	11.6	8.2	9.3	13.1	19.9	23.0	24.9	2.6	-
Gulf of Mexico	2.6	2.6	0.4	-	-	-	-	-	-	-
Mauritania	2.2	4.4	-	-	-	-	-	-	-	-
Algeria	2.3	2.3	2.3	2.3	0.1	-	-	-	-	-
Total (million boe)[6]	70.6	67.9	59.7	57.4	60.7	64.2	66.3	65.0	39.7	39.3
Reserves (Proved plus probable)										
Gas (Tcf)	7.8	6.9	4.7	5.1	4.7	4.8	4.5	4.6	4.7	4.6
Condensate (MMbbl)	152.1	144.6	129.7	138.0	145.7	154.9	154.6	149.4	159.2	158.9
Oil (MMbbl)	170.2	221.1	294.5	258.8	341.5	300.1	263.3	236.4	146.1	137.3
Other										
Employees[10]	2,981	2,888	2,508	2,528	2,219	2,418	2,420	2,198	2,141	2,365
Shares										
High ($)	56.66	49.80	39.39	21.48	15.10	15.05	16.42	15.25	12.25	10.86
Low ($)	34.81	34.81	19.87	14.11	10.00	11.50	12.29	9.30	7.10	6.80
Close ($)	50.39	38.11	39.19	20.10	14.80	12.38	13.39	14.75	11.25	7.30
Number (000's)	688,331	666,667	666,667	666,667	666,667	666,667	666,667	666,667	666,667	666,667
No. Shareholders	131,460	119,003	83,829	72,267	69,491	67,523	55,347	42,135	43,201	43,898
Market Capitalisation ($m)	34,685	25,407	26,127	13,400	9,867	8,253	8,927	9,833	7,500	4,867
Finding Costs ($/boe) (3 year average)[5, 11]	4.59	3.29	5.50	2.22	2.06	1.37	1.23	0.61	0.52	0.73
Effective Tax Rate (%)	35.8	29.0	25.8	27.8	36.4	235.8	27.9	31.3	13.8	36.2
Net Debt/Total Cap (%)	2.6	5.9	3.4	1.6	9.0	15.4	16.8	11.6	22.6	30.1

(1) Includes Significant Items other than 2002 Successful Efforts and 2001 Gulf of Mexico write-off.
(2) EBIT is calculated as a profit before income tax and net finance costs.
(3) Excludes Significant Items (2002 results restated to reflect effect of successful efforts policy from January 2002).
(4) DPS for 2002 includes a 41.0 cents dividend that was declared after 31 December 2002.
(5) Finding cost for 2003 includes acquisitions of additional Scope for Recovery volumes.
(6) From 2003, Woodside reports oil and condensate on a volumetric basis.
(7) 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 the information provided for 2004 has been restated. Information pre 1 January 2004 has not been adjusted for the effects of AIFRS.
(8) Earnings per share (EPS) has been calculated using the following weighted average number of shares 2007: 671,447,950, 2006: 657,178,947, 2005: 655,150,640, 2004: 653,790,795, Pre 2004: 666,666,667.
(9) 2005 PP&E capital expenditure includes acquitions through business combinations of $415,063,000, relating to Gryphon Exploration Company.
(10) From 2005 employee numbers do not include third party contractors. Previous years have included third party contractors.
(11) Finding cost methodology has changed from 2004 to be in accordance with the FAS69/SEC industry standard.
(12) 2006 and 2007 data is presented inclusive of Mauritania operating results. This differs from the Income Statement which presents the result in Discontinued Operations. Further information on the Discontinued Operation is presented in Note 2: Segment Reporting.

Head Office
240 St Georges Terrace
Perth, Western Australia 6000
Telephone: (+61) 8 9348 4000
Facsimile: (+61) 8 9214 2777

www.woodside.com.au