



## Notice of 2008

Annual General Meeting and  
Explanatory Memorandum

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## Notice of 2008 Annual General Meeting

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Notice is hereby given that the 37<sup>th</sup> Annual General Meeting of shareholders of Woodside Petroleum Ltd. (Company) will be held on Thursday, 1 May 2008 at 10am (WST) in the Riverside Theatre, Level 2, Perth Convention Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia.

### Ordinary Business

1. **Financial Statements and Reports**

To receive and consider the Financial Report of the Company and the reports of the Directors and Auditor for the year ended 31 December 2007.

2. **Election of Directors**

To consider and if thought fit to pass as separate ordinary resolutions:

- (a) *Dr Andrew Jamieson is re-elected as a Director.*
- (b) *Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor (Din Megat) is elected as a Director.*

3. **Remuneration Report**

To consider and if thought fit to pass as an ordinary resolution:

*The Remuneration Report for the year ended 31 December 2007 is adopted.*

Note – the vote on this resolution is advisory only and does not bind the Directors or the Company.

### Special Business

4. **Ratification of Employee Share Plans**

To consider and if thought fit to pass the following as an ordinary resolution:

*That the establishment and operation of the following employee share plans be ratified:*

- (a) *Woodside Share Purchase Plan (introduced August 2007), as described in the Remuneration Report for the year ended 31 December 2007;*
- (b) *Equity-based retention plan for senior executives (introduced March 2007), as described in the Remuneration Report for the year ended 31 December 2007; and*
- (c) *Woodside Employee Share Award Plan (introduced May 2007), as described in paragraph 4.1(c) of the Explanatory Memorandum.*

**Voting exclusion statement**

The Company will disregard any votes cast on this resolution by any employees of the Company or its subsidiaries unless the vote is cast as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form specifying how the proxy is to vote.

5. **Amendment of Constitution**

To consider and if thought fit to pass the following as a special resolution:

*That the Constitution tabled at the Annual General Meeting and signed by the Chairman of the Meeting for the purpose of identification be approved and adopted as the Constitution of the Company, in place of the current Constitution.*

## 6. Approval of Proposed Transaction

To consider and if thought fit to pass the following as an ordinary resolution:

*That for the purposes of Listing Rule 10.1 and for all other purposes, the Proposed Transaction involving:*

- (a) *the acquisition by Woodside Energy Ltd. (WEL) from Shell Development (Australia) Proprietary Ltd (SDA) of the NWS Oil Interests in consideration of the payment of US\$388.5 million (as adjusted in accordance with the Sale and Purchase Agreement) and otherwise on the terms set out in the Sale and Purchase Agreement;*
- (b) *the acquisition by WEL from SDA of the Future NWS Oil Interests in consideration of the payment of US\$10 million and otherwise on the terms set out in the Oil Interests Agreement; and*
- (c) *the grant of rights by WEL to Shell Exploration Company B.V. (SEC) on the terms set out in the Right of Final Offer Deed,*

*each as more particularly described in the Explanatory Memorandum accompanying this Notice, be and is hereby approved.*

### Voting exclusion statement

The Company will disregard any votes cast on this resolution by SDA, SEC and any associate of SDA or of SEC (including Shell Energy Holdings Australia Ltd) unless:

- the vote is cast as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form specifying how the proxy is to vote; or
- the vote is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

By order of the Board



Frances Kernot  
Company Secretary  
18 March 2008

## NOTES

The accompanying Explanatory Memorandum forms part of this Notice of Annual General Meeting and should be read in conjunction with it. Unless the context otherwise requires, terms which are defined in the Explanatory Memorandum have the same meanings when used in this Notice of Annual General Meeting.

### Voting Entitlements

Pursuant to regulation 7.11.37 of the *Corporations Regulations 2001 (Cth)* the Board has determined that, for the purpose of voting at the meeting, shareholders are those persons who are the registered holders of Company shares at 5pm (WST) on Tuesday, 29 April 2008.

### Proxies

All shareholders who are entitled to attend and vote at the meeting have the right to appoint a proxy to attend and vote for them. The proxy does not have to be a shareholder. Shareholders holding 2 or more shares can appoint either 1 or 2 proxies. If 2 proxies are appointed, the appointing shareholder can specify what proportion of their votes they want each proxy to exercise. A form for appointment of a proxy is enclosed with this notice as a separate document. If you wish to appoint a proxy, please complete the form in accordance with the instructions on the back. The completed form and, if applicable, the authority appointing an attorney, must be received at one of the addresses, or faxed to the number, shown on the back of the form by 10am (WST) on Tuesday, 29 April 2008.

### Bodies Corporate

A body corporate may appoint an individual as its representative to attend and vote at the meeting and exercise any other powers the body corporate can exercise at the meeting. The appointment may be a standing one. The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed, unless it has previously been given to the Company.

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the shareholders of Woodside Petroleum Ltd. (**Company**) to provide information about the items of business to be considered at the Annual General Meeting of shareholders to be held on Thursday, 1 May 2008.

Resolutions 2(a), 2(b), 3, 4 and 6 are ordinary resolutions. Ordinary resolutions require a simple majority of votes cast by shareholders entitled to vote on the resolution. Resolution 5 is a special resolution which requires a majority of at least 75% of votes cast by shareholders entitled to vote on it.

This Explanatory Memorandum and the Independent Expert's Report in Annexure A are important documents and should be read carefully by all shareholders.

### ITEM 1 Financial Statements and Reports

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- 1.1 The *Corporations Act 2001 (Cth) (Corporations Act)* requires the Company to lay its Financial Report, Directors' report and Auditor's report for the last financial year before the Annual General Meeting.
- 1.2 No resolution is required for this item, but shareholders will be given the opportunity to ask questions and to make comments on the reports and the management and performance of the Company.
- 1.3 The Company's Auditor will also be present at the meeting and shareholders will be given the opportunity to ask the Auditor questions about the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company and the independence of the Auditor.
- 1.4 The Company's 2007 Annual Report is available on the Company's website at [www.woodside.com.au/Investors/Annual+Reports/](http://www.woodside.com.au/Investors/Annual+Reports/).

### ITEM 2 Election of Directors

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#### Re-election of a Director – Dr Andrew Jamieson, OBE

- 2.1 Item 2(a) on the agenda seeks approval for the re-election of Dr Jamieson who is retiring by rotation under Rule 75(a) of the Company's Constitution. This Rule states that a Director must retire from office at the third Annual General Meeting after the Director was elected or most recently re-elected. Dr Jamieson is eligible for election under Rule 75(c) and offers himself for re-election as a Director of the Company.
- 2.2 Dr Jamieson has been a non-executive Director since 16 February 2005. He is a member of the Nominations and Sustainability Committees. Dr Jamieson is currently Executive Vice President Gas and Projects of Shell Gas and Power International B.V. He has over 30 years experience with Shell in Europe, Australia and Africa. From 1997 to 1999 Dr Jamieson was seconded to Woodside Energy Ltd. as General Manager North West Shelf Venture. Dr Jamieson is 60 years old. He is a chartered engineer and has a BSc with First Class Honours and a PhD from Glasgow University in Scotland.
- 2.3 Dr Jamieson is not an independent Director because he is a full-time executive of a company related to Shell Energy Holdings Australia Limited, a 34.27% shareholder in the Company.
- 2.4 Following the annual review of the performance of Directors conducted by the Board, the Board recommends the re-election of Dr Jamieson as a Director of the Company.



## Election of a Director – Tan Sri Dato’ Megat Zaharuddin bin Megat Mohd Nor (Din Megat)

- 2.5 Item 2(b) on the agenda seeks approval for the election of Mr Megat who was appointed to the Board since the last Annual General Meeting under Rule 63 of the Company’s Constitution. Any Director appointed under this Rule may hold office only until the next Annual General Meeting and is then eligible for election at that meeting. Mr Megat is eligible for election under Rules 63 and 75(c) and offers himself for election as a Director of the Company.
- 2.6 Mr Megat was appointed as a non-executive Director on 10 December 2007 to fill the vacancy created by the resignation of Mr Russell Caplan on 11 October 2007. Mr Megat was nominated for election by Shell Energy Holdings Australia Limited, which is a 34.27% shareholder in the Company. Mr Megat is a member of the Human Resources & Compensation, Sustainability and Nominations Committees.
- 2.7 Mr Megat is a non-executive director of financial services group Maybank Berhad and was, until recently, chairman of Malaysian telecommunications company Maxis Communications Berhad. He sits on the boards of several Malaysian government-related organisations including the Capital Market Development Fund and the International Centre for Leadership in Finance.
- 2.8 Mr Megat retired from Shell in 2004 after a 31-year career with the company, during which he held various senior positions including Regional Business CEO/Managing Director of Shell Exploration and Production B.V. 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). Mr Megat is 58 years old and has a BSc with Honours in Mining Engineering.
- 2.9 Mr Megat has no continuing association with Shell and joined the Company as an independent Director.
- 2.10 The Board recommends the election of Mr Megat as a Director of the Company.



## ITEM 3 Remuneration Report

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- 3.1 A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with the Corporations Act.
- 3.2 The Remuneration Report details the Company’s policy on the remuneration of non-executive Directors, the CEO and senior executives and is set out on pages 51 to 59 of the Company’s Annual Report, which is available on the Company’s website at [www.woodside.com.au/Investors/Annual+Reports/](http://www.woodside.com.au/Investors/Annual+Reports/).
- 3.3 The vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.
- 3.4 Shareholders will be given the opportunity to ask questions and to make comments on the Remuneration Report.

## ITEM 4 Ratification of Employee Share Plans

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- 4.1 In an environment of global competition for talented people, Woodside is obliged to keep its remuneration and retention strategies under constant review. As part of this process of reviewing and updating the overall package of remuneration offered to its people, Woodside introduced three new employee share plans during the year ended 31 December 2007. These are:
- (a) The Woodside Share Purchase Plan, described in the Remuneration Report (see page 55 of the Annual Report). This allows employees to dedicate an amount (currently between \$3,000 and \$10,000) of sacrificed salary to the purchase of Woodside shares on market, through a trustee. The sacrificed amount is matched by Woodside, subject to the conditions of the Plan.
  - (b) The equity-based retention plan for certain senior executives, also described in the Remuneration Report (see page 55 of the Annual Report). This provides a retention incentive to participating executives, recognising their outstanding individual performance and potential contribution to the achievement of the Company's strategic objectives.
  - (c) The Woodside Employee Share Award Plan, which provides for an award of \$1,000 worth of Woodside shares per annum under a "tax exempt" share plan arrangement. The shares are purchased on market on behalf of participants by the plan's administrator. The shares are registered in the participant's name but are subject to a three year holding lock to prevent any transfer being registered during this restriction period. Participation in this plan is only available to employees who are not participating in the Woodside Share Purchase Plan.
- 4.2 The overall structure of Woodside's equity-based remuneration plans is:
- (a) Senior executives participate in the Executive Incentive Plan, approved by shareholders at the Annual General Meeting in 2005 and amended by the Board in 2007 – see the description in the Remuneration Report (page 53 of the Annual Report).
  - (b) Certain senior executives participate in the equity-based retention plan referred to in paragraph 4.1(b) above.
  - (c) All employees are eligible to participate in the Woodside Share Purchase Plan (based on salary sacrifice), referred to above.
- Employees who do not participate in the Executive Incentive Plan or the Woodside Share Purchase Plan receive an award under the Woodside Employee Share Award Plan (unless they specifically elect not to).
- 4.3 Under all of the plans referred to in section 4.1, shares awarded are purchased on-market. No new shares are issued under the plans, so there is no dilutive effect on existing shareholders.
- 4.4 The Board resolved to establish the plans referred to in section 4.1 in 2007, to meet competitive pressures in the market for the talented people that Woodside needs in order to meet its growth objectives.
- 4.5 The Company's Constitution provides in rule 99(1) that the Board may establish and give effect to employee share plans, with the approval of the Company in general meeting. This reference to general meeting approval is no longer supported by any requirement of the Corporations Act, the ASX Listing Rules or the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations*. It is proposed to delete this requirement from the Constitution – see the reference to rule 99 at the end of Item 5 below.
- 4.6 However, under the Constitution as it stands at present, employee share purchase plans are to be presented to a general meeting for approval. At the time of introduction of the plans referred to in section 4.1, the requirements of Rule 99(1) were inadvertently overlooked. Resolution 4 therefore seeks ratification for the three employee share purchase plans established during 2007.
- 4.7 Employees of the Company and its subsidiaries will be excluded from voting on resolution 4.

## ITEM 5 Amendment of Constitution

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- 5.1 It is proposed that the Company's Constitution should be updated to reflect changes in the regulatory and market environment, and corporate governance practice. The main change proposed is to make provision in the Constitution for the Board to allow direct voting at general meetings (that is, to allow shareholders to send in votes directly without attending the meeting or appointing a proxy). Changes are also proposed in several other areas. Information on all the proposed changes is set out in section 5.3 below.
- 5.2 A pro forma version of the amended Constitution, marked up to show the effect of the proposed changes, is available on the Company's website at [www.woodside.com.au](http://www.woodside.com.au). Copies may be obtained by emailing the Company ([investor@woodside.com.au](mailto:investor@woodside.com.au)).

### 5.3 **Direct Voting: new rule 61A**

The ASX Corporate Governance Council encourages companies to consider electronic communication as a means of effectively communicating with shareholders and providing improved access and participation for those unable to be physically present at meetings.

New rule 61A and consequential amendments to other rules will allow the Directors to determine that shareholders can cast their votes by sending them to the Company before the meeting by physical means (eg by post), electronic means (eg by fax, email or via a website) or both.

Direct voting is designed to enhance shareholder participation by providing an additional voting method and enabling shareholders to vote on resolutions without needing to attend the meeting or appoint someone else as a proxy. Direct voting is similar in concept to voting by postal vote in an election.

Key aspects of direct voting under the proposed new rule are as follows:

- Shareholders may lodge votes directly with the Company in advance of the meeting.
- A direct vote will be counted on a poll (as one vote for each share held) but will not be counted on a show of hands.
- A shareholder who has lodged a direct vote for a meeting will still be able to attend and vote personally at the meeting. In this case, the shareholder's direct vote will be revoked and will not be counted.
- A direct vote may be withdrawn by written notice to the Company.

Directors may make regulations about the direct voting procedure, including methods of sending votes to the Company and the time by which the Company must receive them.

### **Other changes**

#### **Postponement: effect on voting instructions: new rule 42A**

New rule 42A clarifies the Board's ability to postpone, cancel or change the place of a meeting and also ensures that a shareholder's voting instructions for the original meeting will automatically apply for a postponed meeting, unless the shareholder tells the Company otherwise.

#### **When a poll will be called: revised rule 51**

Existing rule 51 provides that:

- resolutions at a general meeting will be decided by a show of hands unless a poll is demanded; and
- the demand for a poll may be made by the Chairman or the requisite number of shareholders either **immediately** before or immediately after the show of hands.

The proposed amendment will delete the word above in bold. This will allow a poll to be called on all resolutions at the beginning of the formal business of the meeting without having to repeat the process immediately before the show of hands on each resolution.

Proxy votes and direct votes are not counted on a show of hands, only on a poll. The proposed amendment obliges the Chairman to demand a poll in circumstances where the voting intentions of shareholders who are not present at the meeting (but have appointed a proxy or sent in a direct vote) indicate that a poll may produce a different outcome from a show of hands. The amendment aims to ensure that voting outcomes reflect the majority of voting power represented at the meeting.

#### Election of Directors – eligible candidates: revised rule 75(c)(ii)

ASX Listing Rule 14.3 formerly contained an absolute requirement for listed companies to accept nominations for election of Directors up to 35 business days before the date of any general meeting at which Directors could be elected (or 30 business days, in the case of meetings that shareholders have requested Directors to convene). This Listing Rule has been amended to provide that companies' constitutions may specify an earlier cut-off date for Director nominations.

It is proposed to extend the lead time for Director nominations by 10 business days. This extension will allow the Company to balance meeting preparation requirements (28 clear days' notice, plus the time required to prepare and print the notice of meeting and delivery time) against the need to give shareholders a reasonable opportunity to nominate candidates for election as Directors. The extended periods are in line with the practice adopted by a number of other listed companies of similar size.

#### Employee share plans: revised rule 99

Existing rule 99 contains a reference to approval of employee share plans by the Company in general meeting. In the past, the ASX Listing Rules required shareholder approval to the introduction or amendment of employee share schemes, but this requirement was removed in July 2000. Recommendation 9.4 in the original (March 2003) version of the ASX Corporate Governance Council *Principles of Good Corporate Governance and Best Practice Recommendations* recommended that payment of equity-based remuneration should be made in accordance with thresholds set in plans approved by shareholders. The revised (August 2007) version of the ASX Corporate Governance Council *Corporate Governance Principles and Recommendations* no longer contains this recommendation.

It is proposed to delete the general reference to shareholder approval for employee share plans. The revised rule will remain subject to the Corporations Act and the ASX Listing Rules. These do not contain any general requirement for shareholder approval of employee share plans, but they do refer to some specific situations where shareholder approval may be required, and those requirements will continue to apply under the rule as amended.

#### Definitions

A number of definitions have been updated, particularly to reflect changes in terminology in the Corporations Act, the ASX Listing Rules and the ASTC Settlement Rules.

## ITEM 6 Approval of Proposed Transaction

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### 6.1 Background

On 11 February 2008, the Company announced that it had entered into definitive agreements in relation to the acquisition by Woodside Energy Ltd. (WEL) of Shell Development (Australia) Proprietary Ltd's (SDA) North West Shelf oil interests for US\$398.5 million, with an effective date of 1 August 2007.

SDAs North West Shelf oil interests comprise:

- (a) a one-sixth participating interest share in the Cossack, Wanana, Lambert and Hermes oil fields (including Production Licences WA-3-L, WA-9-L, WA-11-L and WA-16-L, and the Cossack Pioneer production facility), and a one-sixth participating interest share in the Egret oil discovery (including Retention Lease WA-10-R) (together, the **NWS Oil Interests**); and
- (b) current and future oil prospects in an area within approximately 30km of the Cossack Pioneer production facility (the **Defined Area**) covering production licences WA-3-L, WA-9-L, WA-11-L and WA-16-L, retention lease WA-10-R together with certain areas within exploration permit WA-28-P and production licences WA-1-L, WA-2-L and WA-4-L (the **Future NWS Oil Interests**).

WEL has also agreed to grant Shell Exploration Company B.V. (SEC) a right of final offer in respect of any disposal of shares in Woodside Energy (N.A.) Ltd. (WENA) or of any Libyan petroleum exploration rights or licences held by the Group.

The acquisition of SDA's North West Shelf oil interests will increase the Group's participating interest in the Cossack, Wanana, Lambert and Hermes fields to 33 $\frac{1}{3}$ %. The Group's interests in the Egret oil discovery area and the Future NWS Oil Interests will increase to 50% on completion of the Proposed Transaction.

For further detail on the assets the subject of the Proposed Transaction, please refer to the Independent Expert's Report in Annexure A.

## 6.2 Reason for seeking approval

ASX Listing Rule 10.1 prohibits the Company, and each of its subsidiaries and controlled entities, from acquiring a substantial asset from, or disposing of a substantial asset to, (amongst other persons) a substantial shareholder (where the substantial shareholder and its associates had a relevant interest in at least 10% of the Shares at any time in the six months before the transaction) or any of its associates, without the approval of Shareholders.

An asset is a "substantial asset" if its value, or the value of the consideration for it, is 5% or more of the equity interests of the Company as set out in its latest accounts given to ASX under the ASX Listing Rules. The assets the subject of the Proposed Transaction are a "substantial asset" for the purposes of this test.

Shell Energy Holdings Australia Ltd. (SEHA) holds 235,880,145 Shares (comprising approximately 34.27% of the Company's issued share capital as at the date of this Explanatory Memorandum), and is therefore a "substantial shareholder" within the meaning of ASX Listing Rule 10.1.3. Each of SDA and SEC (both being members of the Royal Dutch Shell Group) are under common control with SEHA and are associates of SEHA.

Accordingly, the Company is seeking the approval of Non-associated Shareholders for the Proposed Transaction.

## 6.3 Summary of the Proposed Transaction

The terms of the Proposed Transaction are set out in three main agreements, each of which was entered into on 8 February 2008:

- (a) the Sale and Purchase Agreement, which provides for the acquisition by WEL of the NWS Oil Interests;
- (b) the Oil Interests Agreement, which provides for the acquisition by WEL of the Future NWS Oil Interests; and
- (c) the Right of Final Offer Deed, which grants certain rights to SEC in respect of any disposal of shares in WENA or of any Libyan petroleum exploration rights or licences held by the Group.

The key terms of each of these agreements are summarised below.

### Sale and Purchase Agreement

#### Acquisition

WEL has agreed to acquire the NWS Oil Interests from SDA on the terms and conditions set out in the Sale and Purchase Agreement.

#### Consideration

The consideration for the acquisition is a cash payment of US\$388.5 million at completion of the acquisition, subject to adjustments to reflect an effective date of the acquisition of 1 August 2007. The adjustments include:

- (a) adjustments to reflect capital and operating expenditure, and revenue (including in respect of sales of oil entitlements), since the effective date;
- (b) an adjustment to reflect the working capital position as at the effective date; and
- (c) an adjustment in respect of interest from the effective date.

#### Conditions precedent

The conditions precedent to completion of the acquisition of the NWS Oil Interests under the Sale and Purchase Agreement are:

- (a) the other parties to the Cossack, Wanaea, Lambert and Hermes joint venture consenting to the acquisition, and the other parties to the Cossack, Wanaea, Lambert and Hermes joint venture documentation and the Egret joint venture documentation entering into certain documents;
- (b) approval of the acquisition under the *Foreign Acquisitions and Takeovers Act 1975 (Cth)*;
- (c) the dealings under the Sale and Purchase Agreement being approved and registered under applicable petroleum legislation;
- (d) confirmation by Deloitte that the acquisition is fair and reasonable to Shareholders (this has been confirmed in the Independent Expert's Report in Annexure A);
- (e) Shareholders approving the acquisition (this condition precedent will be satisfied if resolution 6 is passed at the Meeting);

- (f) approval by the Board of Directors of the Company; and
- (g) approval by the Board of Directors of SDA.

The time limit for satisfaction or waiver of the conditions precedent set out in paragraphs (a) to (f) above to the extent not yet satisfied or waived is (unless the parties otherwise agree) 30 September 2008. The time limit for satisfaction or waiver of the condition precedent set out in paragraph (g) above to the extent not yet satisfied or waived is (unless the parties otherwise agree) 9 March 2008.

In addition, if an event occurs which WEL reasonably considers is likely to become a Catastrophic Event, WEL must, before completion of the acquisition, give a notice to SDA that the event has occurred. If a Catastrophic Event has occurred, or WEL and SDA agree (or if they fail to agree, an independent expert determines) that the event notified by WEL is likely to become a Catastrophic Event, WEL may terminate the Sale and Purchase Agreement.

#### **Allocation of liabilities**

SDA remains liable for (and has agreed to indemnify WEL in respect of) all costs, expenses, loss, damages, obligations and other liabilities in respect of the NWS Oil Interests which accrue or relate to production in the period prior to 1 August 2007, other than any liability in relation to abandonment, environmental, reclamation, remediation or restoration undertaken or arising after 1 August 2007 (even if it relates to activities prior to 1 August 2007).

SDA has also undertaken to pay (and reimburse WEL in respect of) any crude oil excise and royalty in respect of production from the NWS Oil Interests in the period prior to 1 August 2007.

WEL is liable for (and has agreed to indemnify SDA in respect of) all costs, expenses, loss, damages, obligations and other liabilities in respect of the NWS Oil Interests which accrue or relate to the period on and after 1 August 2007, and for all liability in relation to abandonment, environmental, reclamation, remediation and restoration in respect of the NWS Oil Interests (irrespective of whether they relate to the period prior to or after 1 August 2007).

#### **Conduct pending completion of the acquisition**

WEL and SDA have agreed that SDA must (to the extent it is permitted under the joint venture arrangements), in the period prior to completion of the acquisition, consult with WEL on all material matters relating to the NWS Oil Interests and conduct its business in relation to the NWS Oil Interests in the ordinary and normal course and in accordance with all applicable laws and agreements.

#### **Warranties**

SDA has given (and will give on the date of completion of the acquisition) certain warranties of the type commonly found in agreements of this kind in respect of SDA's status, capacity, power and authority to enter into the Sale and Purchase Agreement, and as to SDA's title to the NWS Oil Interests (including that the NWS Oil Interests are free of encumbrances).

WEL's ability to claim under these warranties is subject to certain limitations and exclusions commonly found in agreements of this kind, including a time limit for claims running from completion of the acquisition, an exclusion from liability unless the amount (together with the amount of any claims under SDA's undertaking to pay crude oil excise and royalty in respect of the period prior to 1 August 2007) exceeds a threshold of US\$5 million, and a cap on SDA's aggregate liability for claims (together with any other claims under the Sale and Purchase Agreement) equal to the purchase price (as adjusted in accordance with the Sale and Purchase Agreement).

WEL has given (and will give on each day up to and including completion of the acquisition) certain representations and warranties of the type commonly found in agreements of this kind in respect of WEL's status, capacity, power and authority to enter into the Sale and Purchase Agreement.

#### **Insurance**

SDA is obliged to maintain its current property damage and well control insurances over the NWS Oil Interests in the period up to completion of the acquisition, and to pass on the benefit of claims made under those insurances in respect of incidents during the period from 1 August 2007 to completion and WEL's right to claim in respect of loss or damage to the underlying assets is limited to the proceeds of such insurances. WEL will reimburse SDA for a pro-rata share of the premia costs of those insurances in respect of the period from 1 August 2007 to completion.

### **Oil Interests Agreement**

Under the Oil Interests Agreement, SDA has agreed to sell and WEL has agreed to acquire all of SDA's right, title and interests in the Future NWS Oil Interests for US\$10 million.

The agreement is conditional on:

- (a) the completion of the Sale and Purchase Agreement; and
- (b) obtaining the consent of the other parties to the Australian North West Shelf Project Agreement.

The purchase price of US\$10 million is payable five business days after satisfaction of the conditions precedent.

Under the Oil Interests Agreement, SDA agrees to act in accordance with any directions given by WEL in relation to activities involving exploration, appraisal, evaluation and planning in the Defined Area and WEL agrees to reimburse SDA for the costs of any exploration, appraisal or evaluation activities in the Defined Area.

Then, if the parties to the Australian North West Shelf Project Agreement decide to further develop an oil prospect within the Defined Area and enter into a separate joint venture agreement in relation to that prospect, SDA agrees to enter into a novation agreement whereby its rights, title and interests in the relevant oil prospects are transferred to WEL.

SDA has given warranties relating to its capacity and authority to enter into the agreement, SDA's interests in the Defined Area being free and clear of all encumbrances and that there are no disputes affecting SDA's interest in the Defined Area. These warranties are given on the date of the agreement, on completion of the agreement and on the execution of each novation agreement entered pursuant to the arrangements set out in the agreement.

### **Right of Final Offer Deed**

Under the Right of Final Offer Deed, WEL has agreed that it and each of its related bodies corporate will not, directly or indirectly, dispose (or agree to dispose) of:

- (a) any of the shares in WENA; or
- (b) any interest in any of the Libyan petroleum exploration rights and licences held by the Group, including the interests held by WENA in respect of EPSA3 areas NC205, NC206, NC207, NC208, NC209, NC210 and the Atshan field, and EPSA4 areas 35, 36, 52 and 53 (the **Contracts**),

prior to 31 December 2010 to a person other than SEC, and other than as required by law or regulatory requirement, unless the procedure in the Right of Final Offer Deed is followed.

The rights and obligations under the Right of Final Offer Deed are subject to receipt by WEL of any necessary or desirable governmental approvals, and all approvals required by law, in relation to the entry into or performance of the obligations set out in it.

The procedure in the Right of Final Offer Deed requires that, if WEL or any member of the Group has negotiated terms with a third party for the disposal of the shares in WENA or of some or all of the Contracts, WEL (or the relevant Group member) must make an offer to dispose of those shares or Contracts to SEC on substantively equivalent terms. WEL (or the relevant Group member) may only dispose of the shares or the Contracts (as the case may be) to the third party if SEC does not accept that offer or (having accepted the offer) does not proceed to enter into definitive agreements for the disposal.

Each party's liability under the Right of First Offer Deed is limited to an aggregate amount of A\$7.5 million.

## **6.4 Funding**

WEL intends to fund the purchase price for the Proposed Transaction (totalling US\$398.5 million, subject to adjustment in accordance with the Sale and Purchase Agreement as summarised above), out of revenues from current operations and drawdown of existing debt facilities.

## 6.5 **Independent Expert's Report**

The Company has appointed Deloitte to prepare the Independent Expert's Report on the Proposed Transaction, which is included at Annexure A to this Explanatory Memorandum. The Independent Expert's Report contains a detailed assessment of the Proposed Transaction and sets out information to enable Non-associated Shareholders to assess the merits of, and decide whether to approve, the Proposed Transaction.

**Based on its review of the Proposed Transaction, and on the assumptions set out in its report, Deloitte has concluded that, in its opinion, the Proposed Transaction is fair and reasonable to the Non-associated Shareholders.**

In section 7.2 of the Independent Expert's Report, the Independent Expert made the following statements in support of its opinion:

- a) the consideration being paid by WEL is below the Independent Expert's range of estimates of the fair market value of the assets being acquired pursuant to the Proposed Transaction; and
- b) the rights granted to SEC under the Right of Final Offer Deed are unlikely to have an impact on the value of the consideration WEL would receive on any sale of the shares in WENA or of any interest in the Contracts.

Non-associated Shareholders should carefully read the Independent Expert's Report in its entirety to understand the scope of the report, the methodology of assessment, the sources and bases of information and the assumptions made.

## 6.6 **Independent Directors' Recommendation**

The Board of the Company comprises nine Directors, three of whom are nominated by SEHA. The SEHA nominated Directors who are also employees of the Royal Dutch Shell Group may have a material interest in the Proposed Transaction and have therefore declined to make a recommendation in respect of the Proposed Transaction.

The Independent Directors, having considered the potential advantages and disadvantages of the Proposed Transaction together with the conclusion of the Independent Expert, are unanimously of the opinion that the Proposed Transaction is in the best interests of the Company and the Non-associated Shareholders.

**The Independent Directors therefore unanimously recommend that Non-associated Shareholders vote in favour of resolution 6.**

## 6.7 **Voting Exclusion**

SDA, SEC and any associate of SDA or of SEC (including Shell Energy Holdings Australia Ltd) will be excluded from voting on Item 6.

## GLOSSARY

In this Explanatory Memorandum, and in the Notice of Annual General Meeting, the following expressions have the following meanings unless stated otherwise and unless the context otherwise requires:

**A\$** means Australian Dollars.

**Annual General Meeting** or **Meeting** means the annual general meeting of the Shareholders to be held on Thursday, 1 May 2008 convened by the Notice, or any adjournment of that meeting.

**ASX** means the Australian Securities Exchange.

**ASX Listing Rules** means the listing rules of the ASX.

**Catastrophic Event** means an event which results in no oil being produced from the NWS Oil Interests over a period of 90 or more consecutive days (other than due to reservoir failure or damage to a reservoir).

**Company** means Woodside Petroleum Ltd., ACN 004 898 962.

**Defined Area** has the meaning given in paragraph 6.1 of this Explanatory Memorandum.

**Deloitte** means Deloitte Corporate Finance Pty Limited, ACN 003 833 127.

**Explanatory Memorandum** means this document.

**Future NWS Oil Interests** has the meaning given in paragraph 6.1 of this Explanatory Memorandum.

**Group** means the Company and its subsidiaries from time to time.

**Independent Directors** means the Directors of the Company other than Dr Andrew Jamieson and Mr Jakob Stausholm.

**Independent Expert's Report** means Deloitte's report included as Annexure A to this Explanatory Memorandum.

**Non-associated Shareholders** means Shareholders other than SDA, SEC and their respective associates (including SEHA).

**Notice of Annual General Meeting** or **Notice** means the notice of the Annual General Meeting accompanying this Explanatory Memorandum.

**NWS Oil Interests** has the meaning given in paragraph 6.1 of this Explanatory Memorandum.

**Oil Interests Agreement** means the oil interests agreement dated 8 February 2008 between SDA and WEL, the key terms of which are summarised in paragraph 6.3 of this Explanatory Memorandum.

**Proposed Transaction** means the proposed transaction described and summarised in paragraphs 6.1 and 6.3 of this Explanatory Memorandum.

**Proxy Form** means the proxy form accompanying the Notice.

**Right of Final Offer Deed** means the deed dated 8 February 2008 between WEL and SEC, the key terms of which are summarised in paragraph 6.3 of this Explanatory Memorandum.

**Sale and Purchase Agreement** means the sale and purchase agreement dated 8 February 2008 between SDA and WEL, the key terms of which are summarised in paragraph 6.3 of this Explanatory Memorandum.

**SDA** means Shell Development (Australia) Proprietary Ltd., ACN 009 663 576.

**SEC** means Shell Exploration Company B.V.

**SEHA** means Shell Energy Holdings Australia Ltd.

**Share** means an ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**US\$** means United States dollars.

**WEL** means Woodside Energy Ltd., ACN 005 482 986, a wholly-owned subsidiary of the Company.

**WENA** means Woodside Energy (N.A.) Ltd.

**Woodside Petroleum Ltd.**

**18 March 2008**

Annexure A  
Independent Expert's Report



**Acquisition of Shell's North West Shelf oil  
interests**

**Independent expert's report**

**19 February 2008**

# Financial services guide

19 February 2008

## What is a Financial Services Guide?

This Financial Services Guide (FSG) is an important document the purpose of which is to assist you in deciding whether to use any of the general financial product advice provided by Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127). The use of “we”, “us” or “our” is a reference to Deloitte Corporate Finance Pty Limited as the holder of Australian Financial Services Licence (AFSL) No. 241457. The contents of this FSG include:

- who we are and how we can be contacted
- what services we are authorised to provide under our AFSL
- how we (and any other relevant parties) are remunerated in relation to any general financial product advice we may provide
- details of any potential conflicts of interest
- details of our internal and external dispute resolution systems and how you can access them.

## Information about us

We have been engaged by Woodside Petroleum Limited (WPL) to give general financial product advice in the form of a report to be provided to you in connection with a proposed acquisition by Woodside Energy Limited (WEL). You are not the party or parties who engaged us to prepare this report. We are not acting for any person other than the party or parties who engaged us. We are required to give you an FSG by law because our report is being provided to you. You may contact us using the details located above.

Deloitte Corporate Finance Pty Limited is ultimately owned by the Australian partnership of Deloitte Touche Tohmatsu. The Australian partnership of Deloitte Touche Tohmatsu and its related entities provide services primarily in the areas of audit, tax, consulting, and financial advisory services. Our directors may be partners in the Australian partnership of Deloitte Touche Tohmatsu.

The Australian partnership of Deloitte Touche Tohmatsu is a member firm of the Deloitte Touche Tohmatsu Verein. As the Deloitte Touche Tohmatsu Verein is a Swiss Verein (association), neither it nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names “Deloitte”, “Deloitte & Touche”, “Deloitte Touche Tohmatsu”, or other related names.

The financial product advice in our report is provided by Deloitte Corporate Finance Pty Limited and not by the Australian partnership of Deloitte Touche Tohmatsu, its related entities, or the Deloitte Touche Tohmatsu Verein.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and the Australian partnership of Deloitte Touche Tohmatsu (and its related bodies corporate) may from time to time provide professional services to financial product issuers in the ordinary course of business.

## What financial services are we licensed to provide?

The AFSL we hold authorises us to provide the following financial services to both retail and wholesale clients:

- to provide financial product advice in respect of securities, debentures, stocks or bonds issued or proposed to be issued by the government and interests in managed investment schemes including investor directed portfolio schemes
- to deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of financial products in respect of securities and debentures, stocks or bonds issued or proposed to be issued by the government.

## Information about the general financial product advice we provide

The financial product advice provided in our report is known as “general advice” because it does not take into account your personal objectives, financial situation or needs. You should consider whether the general advice contained in our report is appropriate for you, having regard to your own personal objectives, financial situation or needs.

We recommend you obtain and read carefully the explanatory memorandum provided by WPL. The purposes of this document is to help you make an informed decision about the proposed acquisition by WEL.

## How are we and our employees remunerated?

Our fees are usually determined on an hourly basis; however they may be a fixed amount or derived using another basis. We may also seek reimbursement of any out-of-pocket expenses incurred in providing the services.

Fee arrangements are agreed with the party or parties who actually engage us, and we confirm our remuneration in a written letter of engagement to the party or parties who actually engage us.

Neither Deloitte Corporate Finance Pty Limited nor its directors and officers, nor any related bodies corporate or associates and their directors and officers, receives any commissions or other benefits, except for the fees for services rendered to the party or parties who actually engage us. Our fee is AUD200,000, excluding GST.

All of our employees receive a salary. Our employees are eligible for annual salary increases and bonuses based on overall performance but do not receive any commissions or other benefits arising directly from services provided to you. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits in connection with our advice.

We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

**What should you do if you have a complaint?**

If you have any concerns regarding our report, you may wish to advise us. Our internal complaint handling process is designed to respond to your concerns promptly and equitably. Please address your complaint in writing to:

The Complaints Officer  
Practice Protection Group  
PO Box N250  
Grosvenor Place  
Sydney NSW 1220

If you are not satisfied with the steps we have taken to resolve your complaint, you may contact the Financial Industry Complaints Service (FICS). FICS provides free advice and assistance to consumers to help them resolve complaints relating to members of the financial services industry. Complaints may be submitted to FICS at:

Financial Industry Complaints Service  
PO Box 579  
Collins Street West  
Melbourne VIC 8007  
Telephone: 1300 780 808  
Fax: +61 3 9621 2291  
Internet: <http://www.fics.asn.au>

If your complaint relates to the professional conduct of a person who is a Chartered Accountant, you may wish to lodge a complaint in writing with the Institute of Chartered Accountants in Australia (ICAA). The ICAA is the professional body responsible for setting and upholding the professional, ethical and technical standards of Chartered Accountants and can be contacted at:

The Institute of Chartered Accountants  
GPO Box 3921  
Sydney NSW 2001  
Telephone: +61 2 9290 1344  
Fax: +61 2 9262 1512

Specific contact details for lodging a complaint with the ICAA can be obtained from their website at <http://www.icaa.org.au/about/index.cfm>.

The Australian Securities and Investments Commission (ASIC) regulates Australian companies, financial markets, financial services organisations and professionals who deal and advise in investments, superannuation, insurance, deposit taking and credit. Their website contains information on lodging complaints about companies and individual persons and sets out the types of complaints handled by ASIC. You may contact ASIC as follows:

Info line: 1 300 300 630  
Email: [infoline@asic.gov.au](mailto:infoline@asic.gov.au)  
Internet: <http://www.asic.gov.au/asic/asic.nsf>

The Directors  
Woodside Petroleum Limited  
Woodside Plaza  
240 St Georges Terrace  
PERTH WA 6000

19 February 2008

Dear Directors

## Independent expert's report

### Introduction

On 8 February 2008, Woodside Energy Ltd (WEL) and Shell Development (Australia) Pty Ltd (SDA) entered into a sale and purchase agreement (SPA) and an Oil Interests Agreement (collectively, the Proposed Transaction).

Pursuant to the SPA, WEL will purchase, as at 1 August 2007 (the Effective Date):

- SDA's 16.67% participating interest in the Cossack Wanaea Lambert Hermes (CWLH) Project Area and the related rights and obligations arising under the CWLH Project Agreement (CWLH Project Agreement) dated 8 March 2001 (collectively the CWLH Asset) for USD368.5 million
- SDA's 16.67% oil discovery area interest in the Egret Oil Discovery Area and the related rights and obligations arising under the Egret Oil Discovery Area Joint Venture Agreement (Egret ODAJV Agreement) dated 29 April 2003 (collectively the Egret Asset) for USD20.0 million.

Pursuant to the Oil Interests Agreement, WEL will reimburse SDA in respect of further expenditure incurred in relation to exploration for oil, appraisal, evaluation or development of oil discoveries or development of oil fields in a defined area within an approximate 30 kilometre (km) radius of the Cossack Pioneer floating production storage and offtake facility (Cossack Pioneer FPSO) (Defined Area), effective from the date of the agreement. SDA's 16.67% interest in any current and future oil prospects in the Defined Area which go on to be developed will be transferred to WEL for nominal consideration (Oil Exploration Prospects). The consideration payable to SDA for entering into this agreement is USD10.0 million.

The CWLH Asset, Egret Asset and the Oil Exploration Prospects are collectively referred to as the Assets. The purchase price for the CWLH Asset and the Egret Asset is USD388.5 million (Base Purchase Price) and the consideration for entering into the Oil Interests Agreement is USD10.0 million, giving total consideration of USD398.5 million. Certain adjustments will be made to the Base Purchase Price to take account of the period between the Effective Date and the completion date, which is expected to be in May 2008 (Completion Date).

WEL has also granted Shell Exploration Company BV (SEC) a right of final offer to acquire 100% of the issued shares in Woodside Energy (N.A.) Ltd (WENA) or some or all of the Libyan petroleum rights and licences of the WEL group. WENA owns various assets associated with the conduct of the business of exploring for and producing hydrocarbons in Libya, including the petroleum exploration rights and licences in Libya legally and/or beneficially held by WEL or its related parties (the Libyan Contracts).

Shell Energy Holdings Australia Limited (SEHA) holds a 34.27% interest in Woodside Petroleum Limited (WPL) and is therefore a substantial holder of WPL within the meaning of Listing Rule 10.1 of the Australian Securities Exchange Listing Rules (the ASX Listing Rules). SDA and SEC are associates of SEHA (all are members of the Royal Dutch Shell Group) within the meaning of Listing Rule 10.1.

### **Purpose of the report**

Where the acquisition of a substantial asset from substantial holders or their associates is proposed, Chapter 10 of the ASX Listing Rules requires the preparation of a report by an independent expert stating whether the proposed transaction is fair and reasonable to the holders of the entity's ordinary securities whose votes are not to be disregarded. The directors of WPL (the Directors) have requested Deloitte Corporate Finance Pty Limited (Deloitte) to provide an independent expert's report advising whether, in our opinion, the Proposed Transaction is fair and reasonable to the shareholders of WPL other than SEHA and its associates (Shareholders).

We have prepared this report having regard to Chapter 10 of the ASX Listing Rules and the relevant Australian Securities and Investments Commission (ASIC) Regulatory Guides.

This report is to be included in the explanatory memorandum (the Explanatory Memorandum) accompanying the notice of WPL's 2008 annual general meeting or extraordinary general meeting (the Meeting) where shareholder approval will be sought for the Proposed Transaction.

This report has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction. This report should not be used for any other purpose.

### **Basis of evaluation**

In order to assess whether the Proposed Transaction is fair and reasonable we have considered the overall effect of the Proposed Transaction on the Shareholders and formed a judgement as to whether the expected benefits to the Shareholders outweigh any disadvantages that may result.

In forming our opinion as to whether the Proposed Transaction is 'fair and reasonable', we have treated the concepts of fairness and reasonableness as a single opinion, that is, the Proposed Transaction is or is not fair and reasonable.

In assessing whether the Proposed Transaction is fair and reasonable we have estimated the fair market value of the Assets and compared this value with the consideration to be paid by WEL. We have also considered the other advantages and disadvantages to Shareholders.

## Summary and conclusion

In our opinion the Proposed Transaction is fair and reasonable. In arriving at this opinion, we have had regard to the following factors.

### Advantages of the Proposed Transaction

#### *Fair market value of the Assets is greater than the consideration*

The final consideration will not be determined until the Completion Date, therefore our analysis is based on WEL's assessment of the consideration as at 31 January 2008.

Set out in the table below is a comparison of our assessment of the fair market value of the Assets with the consideration to be paid by WEL, both as at 31 January 2008.

**Table 1: Comparison of the fair market value of the Assets with the consideration offered**

	Low (USDm)	High (USDm)
<i>Fair market value:</i>		
CWLH Asset <sup>1</sup>	395.0	471.0
Egret Asset	8.0	8.0
Oil Exploration Prospects	10.0	10.0
<b>Fair market value of the Assets as at 31 January 2008</b>	<b>413.0</b>	<b>489.0</b>
<i>Consideration offered:</i>		
Base Purchase Price	388.5	388.5
Adjustments <sup>2</sup>	(80.9)	(80.9)
Adjusted Purchase Price as at 31 January 2008	307.6	307.6
Oil Interests Agreement	10.0	10.0
<b>Total consideration as at 31 January 2008</b>	<b>317.6</b>	<b>317.6</b>

Source: Deloitte analysis

Note 1: Includes contingent volumes of USD5.0 million

Note 2: Principally interest and cashflow since 1 August 2007 and value of oil stock on hand as at 31 January 2008

The consideration being paid by WEL is below the range of our estimate of the fair market value of the Assets.

The value attributed to the Assets by SDA and WEL is likely to reflect different assumptions to those adopted by us in our discounted cash flow valuation, particularly in relation to assumptions on capital expenditure, the extent of recoverable hydrocarbon resources from the CWLH Asset and future oil prices.

Our valuation of the CWLH Asset is sensitive to changes in the long term oil price assumed. It is not sensitive to changes in the discount rate assumed. These sensitivities are shown in the table below.

**Table 2: Sensitivity of the CWLH Asset value in USDm**

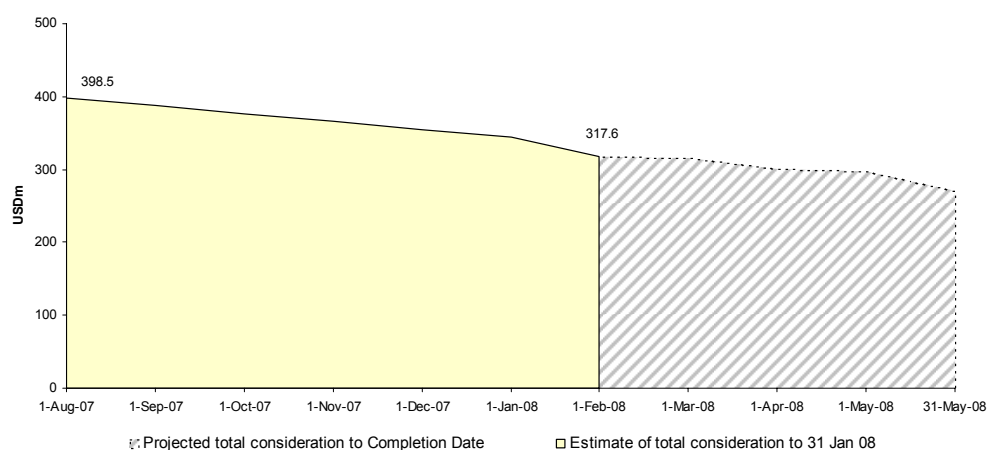
Discount rate	Long term oil price				
	USD40	USD45	USD 50	USD55	USD60
8.50%	332	369	406	442	479
9.00%	328	364	400	436	471
9.25%	326	362	397	433	468
9.50%	324	359	395	429	464
10.00%	320	355	389	423	457

Source: Deloitte analysis

WPL is currently examining its options in relation to its remaining African assets, which may include further sales of these assets. Any sale of WPL's Libyan assets would be subject to an acceptable offer being received, any pre-emption rights of the joint venture participants and required approvals by Libyan government authorities. In our view, the right of final offer granted to SEC over the issued shares in WENA or some or all of the Libyan Contracts is unlikely to have an impact on the value of the consideration received by WEL. However, we do recognise that these assets may have strategic value to SEC given its other activities in Libya.

WEL's estimate of the net change in the total consideration between the Effective Date and the Completion Date is shown in the following figure.

**Figure 1: Profile of consideration**



Source: WEL

Our opinion is that the consideration is fair based on our assessment of the fair market value as at 31 January 2008. We expect it to remain fair through to the Completion Date as the Base Purchase Price adjustment mechanism is broadly in line with the net cash flows from the CWLH Asset.

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### ***Valuation of the Assets***

We have estimated the fair market value of the CWLH Asset using the discounted cash flow method, which estimates the value of the asset by discounting its estimated future cash flows to their present value.

The discounted cash flow method requires the determination of an appropriate discount rate and the projection of future cash flows. The CWLH Asset is based in Australia, however, the outputs, operational expenditures and capital expenditures are predominantly denominated in United States dollars (USD). In addition, the value of the project is analysed by the external market (i.e. equity analysts, potential purchasers and competitors) largely on a USD basis. Accordingly, our discount rate has been derived based on USD variables. We selected a nominal after tax discount rate in the range of 9.0% to 9.5% to discount the estimated future USD cash flows of the CWLH Asset to their present value.

A detailed financial model prepared by the management of WEL (the Model) formed the basis of our estimated future cash flows. We have undertaken sufficient work to assess whether the financial projections are suitable for the purposes of assessing the fairness and reasonableness of the Proposed Transaction.

Gaffney, Cline & Associates (Consultants) Pte Ltd (GCA) were engaged by Deloitte to provide technical advice in relation to the reasonableness of the assumptions in the Model relating to CWLH's projected production profile, capital expenditure and operating expenditure.

GCA's work scope was controlled by Deloitte and GCA reported directly to Deloitte. Given the time constraints, GCA has not independently certified reserves or resources or prepared a report for inclusion in our independent expert's report but we have adjusted the Model for GCA's findings.

In addition to providing adjusted production and cost profiles, GCA also provided an estimate of the risked value of the post 2019 production from the CWLH Asset.

GCA were also requested to comment on the reasonableness of the values of USD20 million and USD10 million ascribed to the Egret Asset and the Oil Exploration Prospects in the SPA and the Oil Interests Agreement respectively. GCA provided a risked net present value (NPV) for the Egret Asset. Given the time constraints and limited information available, GCA could not independently confirm the value of USD10 million assigned to the Oil Exploration Prospects. However, nothing has come to GCA's attention to indicate a value different to that agreed by the parties and therefore, for the purposes of our comparison to the consideration, we have assumed a value of USD10 million for the Oil Exploration Prospects.

### ***Greater influence over future development of CWLH Asset and Egret Asset***

The Proposed Transaction increases WEL's interest in the CWLH Asset to 33.33% and in the Egret Asset to 50%. This increased interest in the assets will enable WEL to exercise greater influence over the future development of these assets.

### **Disadvantages of the Proposed Transaction**

We are not aware of any significant disadvantages to Shareholders if the Proposed Transaction proceeds.

## Opinion

In our opinion, the Proposed Transaction is fair and reasonable to Shareholders. This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully  
DELOITTE CORPORATE FINANCE PTY LIMITED



**Nicki Ivory**  
Director



**Stephen Reid**  
Director

*Note: All amounts stated in this report are USD unless otherwise stated.*

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# 1 Terms of the Proposed Transaction

## 1.1 Summary

WEL and SDA entered into the SPA and the Oil Interests Agreement on 8 February 2008.

Pursuant to the SPA, WEL will purchase, as at the Effective Date:

- SDA's 16.67% participating interest in the CWLH Asset for USD368.5 million. The CWLH Project Area comprises of the CWLH producing fields and the Cossack Pioneer FPSO within permit areas WA-3-L, WA-9-L, WA-11-L and WA-16-L
- SDA's 16.67% interest in the Egret Asset for USD20.0 million. The Egret Oil Discovery Area comprises of the Egret discovery within WA-10-R.

Pursuant to the Oil Interests Agreement, WEL will reimburse SDA in respect of further expenditure incurred in relation to exploration for oil, appraisal, evaluation or development of oil discoveries or development of oil fields in the Defined Area, effective from the date of the agreement. SDA's 16.67% interest in any current and future oil prospects in the Defined Area which go on to be developed will be transferred to WEL for nominal consideration. The consideration payable to SDA for entering into this agreement is USD10.0 million.

WEL has also granted SEC a right of final offer to acquire 100% of the issued shares in WENA or some or all of the Libyan Contracts. WENA owns various assets associated with the conduct of the business of exploring for and producing hydrocarbons in Libya, including the petroleum exploration rights and licences in Libya legally and/or beneficially held by WEL or its related parties. WPL is currently examining its options in relation to its remaining African assets, which may include further sales of these assets. Any sale of WPL's Libyan assets would be subject to an acceptable offer being received, any pre-emption rights of the joint venture participants and required approvals by Libyan government authorities.

## 1.2 Consideration

The total consideration payable by WEL for the Assets is USD398.5 million, which has been allocated in the SPA and Oil Interests Agreement as follows:

**Table 3: Consideration**

	USDm
CWLH Asset	368.5
Egret Asset	20.0
<b>Base Purchase Price</b>	<b>388.5</b>
Oil Interests Agreement	10.0
<b>Total consideration</b>	<b>398.5</b>

Source: Executed agreements between SDA and WEL

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The Base Purchase Price is adjusted for the period between the Effective Date and the Completion Date for the following:

- interest on the Base Purchase Price at the London inter-bank offer rate (LIBOR) plus 2%, less USD3 million
- an amount relating to profits from oil sold for the period, plus interest at LIBOR plus 2%
- an amount relating to the capital costs for the period, plus interest at LIBOR plus 2%
- working capital amount of approximately USD1 million, plus interest at LIBOR plus 2%.

The Base Purchase Price after making the above adjustments (Adjusted Purchase Price) is payable by WEL on the Completion Date. The consideration for entering into the Oil Interests Agreement is payable by WEL five business days after the latter of the Completion Date or the date on which the parties to the North West Shelf Project Agreement dated 18 December 2004 (NPA) give consent to the arrangements set out in the Oil Interests Agreement.

### 1.3 Conditions Precedent

As set out in the Explanatory Memorandum, the Proposed Transaction will not become effective and the obligations of WEL and SDA will not be binding without the satisfaction or waiver of a number of conditions including:

- consent from the other parties to the CWLH Project Agreement
- entering into an assumption deed and, where required, a deed of charge in accordance with the CWLH Project Agreement, the Amended Co-ordination Deed dated 8 March 2001 as amended on 18 December 2004 to cater for the introduction of China National Offshore Oil Limited (CNOOC) to the North West Shelf Project (NWS Project) (CWLH Co-ordination Deed) and the CWLH offtake agreement
- entering into an assumption deed in accordance with the Egret ODAJV Agreement and the Egret Oil Discovery Area Co-ordination Deed dated 29 April 2003 as amended on 18 December 2004 to cater for the introduction of CNOOC to the NWS Project (Egret Co-ordination Deed)
- obtaining relevant approval from the Federal Treasurer that there are no objections under Australia's foreign investment policy to the proposed acquisition by WEL
- the independent expert's report concluding the Proposed Transaction is fair and reasonable to holders of WPL's ordinary securities whose votes are not be disregarded in accordance with Listing Rules 10.1 and 10.10
- shareholder approval of the Proposed Transaction
- approval by the board of directors of WPL
- approval by the board of directors of SDA.

The Oil Interests Agreement is also conditional upon receipt of certain consents and waivers from the other parties to the NPA.

## 2 Scope of the report

### 2.1 Purpose of the report

The Directors have requested that Deloitte provide an independent expert's report advising whether, in our opinion, the Proposed Transaction is fair and reasonable to Shareholders.

This report is to be included in the Explanatory Memorandum accompanying the notice of Meeting, where shareholder approval will be sought for the Proposed Transaction.

This report has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Transaction. The report should not be used for any other purpose.

### 2.2 Basis of evaluation

#### 2.2.1 Guidance

Neither the ASX Listing Rules, nor the Corporations Law provide a definition of 'fair and reasonable' for the purposes of ASX Listing Rule 10. In evaluating whether the Proposed Transaction is fair and reasonable to Shareholders we have considered the ASX Listing Rules, ASIC Regulatory Guides, in particular, Regulatory Guide 111 (RG111) issued by ASIC in relation to independent expert's reports, and common market practice.

ASX Listing Rule 10 can encompass a wide range of transactions. Accordingly, 'fair and reasonable' must be capable of broad interpretation to meet the particular circumstances of each transaction. This involves judgement on the part of the expert as to the alternatives available.

RG111 provides guidance in relation to the content of independent expert's reports prepared for various transactions. It does not provide specific guidance on the form and content of reports prepared in respect of related party transactions. It provides general guidance that an expert, in deciding the appropriate form of analysis for the report, should ensure that the reasonably anticipated concerns of the people affected by the proposed transaction are adequately dealt with.

We have therefore had regard to the underlying rationale of the requirement of ASX Listing Rule 10, which is to ensure that, as far as practicable, non-associated shareholders are not disadvantaged as a result of a substantial transaction by the company with persons that are in a position of influence in the company.

#### 2.2.2 Fair and reasonable

In our opinion the most appropriate basis on which to evaluate whether the Proposed Transaction is 'fair and reasonable', is to consider the overall effect of the Proposed Transaction on the Shareholders and to form a judgement as to whether the expected benefits to the Shareholders outweigh any disadvantages that may result from the Proposed Transaction. Value is an important element, but not the only element, of this assessment given the circumstances of the Proposed Transaction.

In forming our opinion as to whether the Proposed Transaction is 'fair and reasonable', we have therefore treated the concepts of fairness and reasonableness as a single opinion, that is, the Proposed Transaction is or is not fair and reasonable.

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The Assets have been valued at fair market value, which we have defined as the amount at which the assets would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of the Assets has not been premised on the existence of a special purchaser.

We have also considered the other advantages and disadvantages to Shareholders.

### **2.3 Limitations and reliance on information**

The opinion of Deloitte is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. This report should be read in conjunction with the declarations outlined in Appendix 6.

Our procedures and enquiries do not include verification work nor constitute an audit in accordance with Australian Auditing Standards (AUS), nor do they constitute a review in accordance with AUS 902 applicable to review engagements.

### 3 The Assets

The following section provides a description of the:

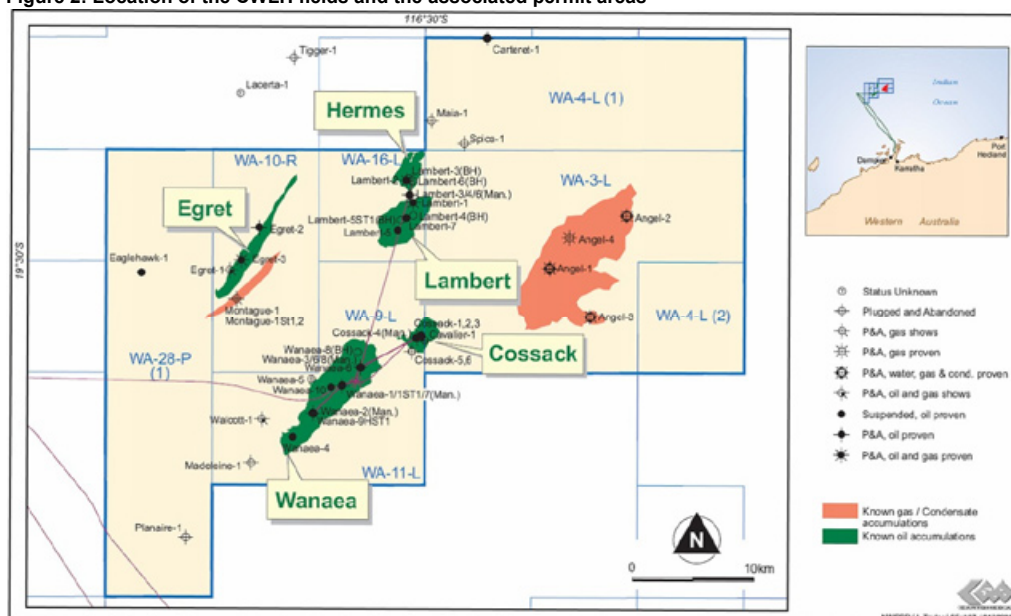
- CWLH Asset
- Egret Asset
- Oil Exploration Prospects
- associated project agreements.

#### 3.1 CWLH Asset

The CWLH Asset comprises four separate oil fields produced through the Cossack Pioneer FPSO. The Cossack and Wanaea fields are located approximately 130km north of Karratha, Western Australia while the Lambert and Hermes fields are located approximately 15km further north.

The following figure shows the location of the CWLH fields and the associated permit areas.

**Figure 2: Location of the CWLH fields and the associated permit areas**



Source: WEL

Production from the Cossack and Wanaea fields commenced in November 1995 using a system of subsea wells and manifolds, tied back to the Cossack Pioneer FPSO via subsea flowlines. Production from the Hermes field commenced in October 1997, while production from the Lambert field commenced in October 1999. The oil produced is offloaded at sea from the Cossack Pioneer FPSO to crude oil carriers while the associated gas is piped to the North Rankin A (NRA) platform for delivery into the North West Shelf Joint Venture's (NWSJV) gas production system. The Cossack Pioneer FPSO has production capacity of 140,000 barrels of crude oil per day (bopd) and 117 million standard cubic feet (MMscf) of gas per day.

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The discovery and production timeframe of the fields is summarised in the table below:

**Table 4: CWLH Asset discovery and production timeframe**

Field	Discovery date	Exploration well	Production commencement date	Number of current wells
Cossack	December 1989	Cossack-1	November 1995	1 horizontal
Wanaea	June 1989	Wanaea-1	November 1995	6 deviated / 1 horizontal
Lambert	December 1973	Lambert-1	October 1999	1 deviated
Hermes	February 1996	Lambert-2	October 1997	2 deviated

Source: WEL

The CWLH Asset development and production interests are held under production licences WA-3-L, WA-9-L, WA-11-L and WA-16-L.

### 3.1.1 Cossack

The Cossack field is considered mature, with slow development of water cut and slow decline in oil rate over the 12 years of production history. Performance for the Cossack field in 2007 was in line with expectations, with the only key variation due to the performance of the gas lift system. Production well Ck-4 produces at approximately 11,000 bopd with gas lift and approximately 9,000 bopd without gas lift. Total production from the Cossack field in 2007 was 3.28 million barrels of oil (mmbbl).

### 3.1.2 Wanaea

There are currently seven producing wells in the Wanaea field (Wa-1, Wa-2, Wa-3, Wa-6, Wa-7, Wa-8 and Wa-9), however Wa-2 is currently suspended. Total production from the Wanaea field in 2007 was 15.29 mmbbl.

There has recently been a revision in Wanaea reserves mainly as a result of the Wa-10 well drilled in late 2006, which found the south western flank of the field swept, in addition to recent increases in water cut in the southern wells (Wa-7, Wa-9), which have indicated that potential upside volumes in the south east flank are unlikely to be realised.

### 3.1.3 Hermes

There are currently two producing wells in Hermes (Lh-3 and Lh-6). Total production from the Hermes field in 2007 was 6.53 mmbbl.

The two production wells in the Hermes field are significantly different from each other. Lh-3 has produced dry oil (with no water-cut) from a single reservoir unit since 1997. Lh-6 has produced from four reservoir units since 2004 and has experienced a rise in water-cut over this time.

Recent reservoir modelling is predicting further upside in Hermes and a future appraisal campaign is now being planned.

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### 3.1.4 Lambert

The Lambert field remains the most immature of all the CWLH fields with less than 50% of the P50 ultimate recovery produced, compared with 70-80% for the other three fields. This is largely due to the poor production performance of La-4, which ceased production in 2004 at a water cut of only 13% following a suspected well damage incident. La-4 is awaiting gaslift to allow it to recommence production. La-7 was drilled and completed in late 2006 and commenced production in March 2007. Early performance from La-7 is encouraging, however as this well is located in the crest of the field and perforated only in the top reservoir layer, significant water production is not expected to occur until later in the field's life. Total production from the Lambert field in 2007 was 3.18 mmbbl.

### 3.1.5 Production

The following table summarises total production from the CWLH fields in 2007.

**Table 5: CWLH production for 2007 (100%)**

Field	2007 production mmbbl
Cossack	3.28
Wanaea	15.29
Lambert	3.18
Hermes	6.53
<b>Total</b>	<b>28.28</b>

Source: WEL

Production performance has significantly exceeded initial expectations for Cossack, Wanaea and Hermes whereas Lambert has been lagging behind the other three fields, due mainly to stronger reservoir performance from the Hermes field (Lambert and Hermes are produced through the same subsea flowline system) and suspected well performance issues with Lambert-4.

### 3.1.6 Reserves and Resources

The hydrocarbon reserves and resources of 100% of the CWLH Asset as at 31 December 2007 are shown in the following tables:

**Table 6: Hydrocarbon reserves as at 31 December 2007 (100%)**

Field (mmbbl)	P90	P50	P10
Cossack	11.1	20.1	36.1
Wanaea	32.7	57.7	83.7
Lambert	11.1	18.1	25.1
Hermes	11.7	20.7	41.7
<b>Total</b>	<b>66.6</b>	<b>116.6</b>	<b>186.6</b>

Source: WEL

**Table 7: Contingent resources as at 31 December 2007 (100%)**

	P90	P50	P10
Cossack	8.1	16.0	16.6
Wanaea	4.7	13.3	19.9
Lambert	1.2	5.5	13.5
Hermes	0.0	8.4	6.6
<b>Total</b>	<b>14.0</b>	<b>43.2</b>	<b>56.6</b>

Source: WEL

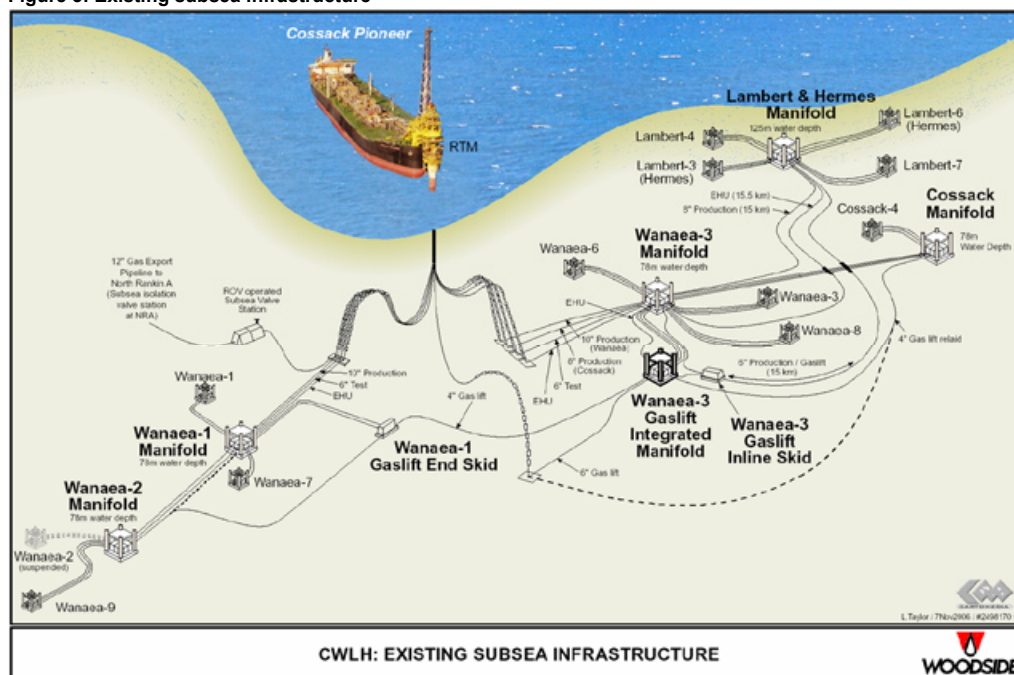
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### 3.1.7 Cossack Pioneer FPSO

The Cossack Pioneer FPSO, commissioned in 1995, is a converted single hull 1972 trading tanker located 112km north-west of Karratha, Western Australia and 34km east of the North Rankin platform. It operates in a water depth of 80 metres.

The following figure shows the location of the Cossack Pioneer FPSO in relation to the CWLH subsea infrastructure:

Figure 3: Existing subsea infrastructure



Source: WEL

The Cossack Pioneer FPSO must undertake an out-of-water survey in the fourth quarter of 2009 (Q4 2009) under class requirements and due to the age of the facility it is expected that a major refurbishment will need to be undertaken at the same time.

In October 2006, the CWLH joint venture participants (JVPs) agreed to proceed with refurbishment of the Cossack Pioneer FPSO and associated subsea infrastructure to extend the life of the Cossack Pioneer FPSO and subsea facilities beyond 2009. At that time it was recognised that changes in reservoir performance, significant cost or schedule increases and/or vessel integrity concerns could open the option for a replacement production facility.

Detailed engineering reviews during 2007 saw a significant increase in scope and enhanced appreciation of the technical and execution risks associated with major refurbishment of the Cossack Pioneer FPSO. As a result, production deferral during the shipyard visit in 2009/10 has increased from an estimated 5 months to around 10 months and the expenditure required (AUD855+ million based on 100% project cost) is equivalent to the cost of a replacement facility.

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The changes in execution cost and the production downtime associated with refurbishment of the Cossack Pioneer FPSO led to a market scan being undertaken in mid 2007 to ascertain if a replacement vessel was available. An independent market assessment, feedback from the JVPs and direct discussions between WEL and FPSO contractors confirmed that a replacement FPSO was economically attractive if the current Cossack Pioneer FPSO mooring system was retained and an optimal vessel was available for conversion from the first quarter in 2008 (Q1 2008).

Single Buoy Moorings Inc. (SBM) have made a firm offer to convert their floating, storage and offloading facility, the Okha, into a FPSO to replace the Cossack Pioneer FPSO in 2010.

Negotiations with SBM are underway to procure the FPSO through a 10 year commercial arrangement with extension, purchase and termination options. The replacement of the Cossack Pioneer FPSO reduces production deferral in 2009/10 from the current expected 10 months to 2 to 3 months. Contract award is expected late Q1 2008. Subject to WEL meeting its on-going inspection obligations, Class and Flag support has been given to keep the Cossack Pioneer FPSO on-station and producing until arrival of the replacement FPSO in 2010.

The decision to replace the Cossack Pioneer FPSO requires the approval of all CWLH JVPs. If JVP approval is delayed beyond the end of Q1 2008 value will be eroded and if JVP approval is delayed beyond Q2 2008 the production facility strategy would need to be reconsidered. At the date of this report WEL had approved the replacement of the Cossack Pioneer FPSO. Other JVP approval remains outstanding.

## 3.2 Egret Asset

The Egret oil accumulation was discovered in 1973 through the Egret-1 exploration well, which encountered a 9 metre net oil column. A subsequent appraisal well (Egret-2, 1984) encountered a 25 metre gross oil column (with an interpreted gas cap) in the northern part of the field. Egret-2 encountered very low net to gross in the upper reservoir section. The Egret-3 appraisal well, drilled in the centre of the field in 2003, encountered a 24 metre net oil column. Egret-3 confirmed the likelihood of a gas cap and also indicated a variable net-to-gross ratio.

During 2005 and 2006 focused work was carried out to better understand the range of potential subsurface realisations to determine an optimum Egret development concept.

The Egret Asset lies within retention lease WA-10-R. An application for renewal of the WA-10-R retention lease was made in 2007 for a period of 5 years to 11 July 2012. At the date of this report the retention lease renewal had not yet been granted.

The contingent resources of 100% of the Egret Asset as at 31 December 2007 are shown in the following table:

**Table 8: Contingent resources as at 31 December 2007 (100%)**

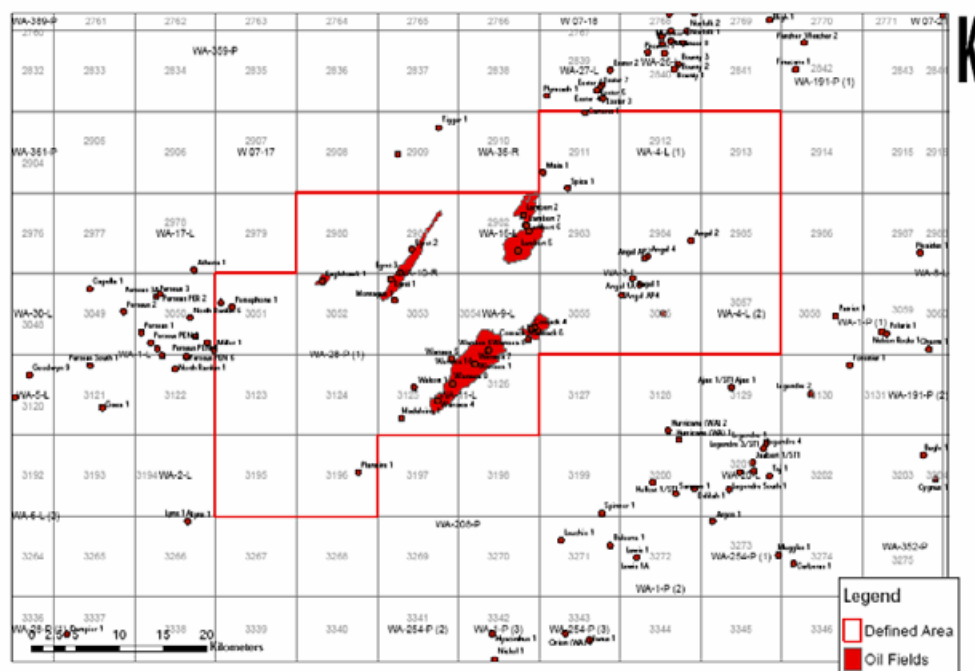
	P90	P50	P10
Egret	7.1	12.3	20.0

Source: WEL

### 3.3 Oil Exploration Prospects

The location of the Oil Exploration Defined Area is shown in the figure below.

Figure 4: Oil Exploration Defined Area



Source: WEL

The NPA divides the NWS Project Area into a Designated Area and a Non Designated Area. The Designated Area is a series of field outlines that covers fields that are either already producing or have been substantially explored and evaluated. It is delineated by reference to the North Rankin, Perseus, Goodwyn, Goodwyn South, Tidepole, Pueblo, Angel, Echo & Yodel and Searipple fields. The Non Designated Area encompasses the remainder of the project area. All oil exploration and evaluation operations take place in the Non Designated Area and are governed by the NPA.

All parties to the NPA, excluding CNOOC, are involved in exploration for oil in the Non Designated Area, subject to an Oil Interests Agreement between WEL and BP Developments Australia Ltd (BPD) dated 25 May 2000 (BP Oil Interests Agreement). This agreement provides for the sale and transfer by BPD to WEL of each oil discovery area interest of BPD, which may come into existence from time to time. All JVPs contribute 16.67% of the costs of exploration in the Non Designated Area, except where the exploration operation is a non consent or a sole risk operation. In the case of BPD, WEL will reimburse BPD for its share of the costs of activities in the Non Designated Area relating to exploration for and discovery of oil and development of oil fields.

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### 3.4 Associated project agreements

The Assets are part of the NWS Project, Australia's largest resource development that produces gas for Western Australia's domestic market and gas, condensate and crude oil for export.

Operation of the NWS Project is governed by a number of agreements, which cover the following:

- the scope of the NWS Project
- the joint venture ownership and the rights and obligations of the JVPs
- the implementation of the NWS Project
- establishment of the legal foundation for the overall NWS Project.

Production and evaluation of petroleum from the CWLH areas is governed by the CWLH Project Agreement and the CWLH Co-ordination Deed. The CWLH areas are located within the areas covered by production licences, WA-3-L, WA-9-L, WA-11-L and WA-16-L.

The CWLH Co-ordination Deed provides for all associated gas from the CWLH fields to be owned by the NPA venturers in accordance with the provisions of the NPA.

The evaluation and development of petroleum from the area constituting the Egret oil field and the Egret field outline is governed by Egret ODAJV Agreement and the Egret Co-ordination Deed. This covers a particular area within Retention Lease, WA-10-R. The BP Oil Interests Agreement resulted in WEL having a 33.33% interest in the Egret ODAJV Agreement.

Like the CWLH Co-ordination Deed, the Egret Co-ordination Deed provides for all associated gas from the Egret field to be owned by the NPA venturers in accordance with the provisions of the NPA.

Each of the JVPs and their respective interests in the CWLH Project Agreement and the Egret ODAJV Agreement before the Proposed Transaction is set out in the table below:

**Table 9: CWLH Project and Egret ODAJV Agreement before the Proposed Transaction**

	CWLH Project Agreement %	Egret ODAJV Agreement %
WEL*	16.67	33.33
BPD	16.67	-
Chevron Australia Pty Ltd	16.67	16.67
BHP Billiton Petroleum (North West Shelf) Pty Ltd	16.67	16.67
SDA	16.67	16.67
Japan Australia LNG (MIMI) Pty Ltd	16.67	16.67
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

Source: WEL

\* Operator

Note 1: JVP interests may be held in subsidiary entities

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### 3.5 WEL as operator of the CWLH and Egret Assets

WPL has been appointed the operator of the CWLH Asset and has delegated this function to WEL, which has also been appointed as the operator of the Egret Asset. WEL is responsible for implementing the CWLH Project Agreement and the Egret ODAJV Agreement as an agent for the JVPs in accordance with the terms of the agreements and the applicable laws and regulations. WEL is also the delegated operator under the NPA.

WEL, as the delegated operator recognised by all JVPs, executes the operator's duties in accordance with these agreements. These duties include directly operating the necessary plant and equipment, employing personnel and entering into contracts as permitted by the agreements. WEL is reimbursed by the JVPs for all expenses incurred in carrying out the operations in accordance with the provisions of the agreements.

## 4 The oil industry

The oil and gas industry consists of two principal segments. The upstream segment produces and processes crude oil, natural gas liquids and natural gas and the downstream segment refines these outputs into fuels, lubricants and petrochemical products. Upstream oil and gas companies are often referred to as exploration and production companies.

The Assets being valued in this report fall into the upstream segment. Accordingly, in this section we have presented an analysis of the international crude oil market and the factors affecting it.

### 4.1 International crude oil market

The quality of crude oil produced from a reservoir is primarily determined by its hydrocarbon content, density and the sulphur content. While the quality of crude oil varies from field to field, the refining industry has adapted its input capability sufficiently to deal with a range of qualities. The diversity of this input capability combined with a low transportation cost for crude oil transported in large tankers has resulted in the development of substantial inter-continental trade in crude oil. Consequently, the price for crude oil is determined by worldwide demand and supply.

### 4.2 Crude oil demand

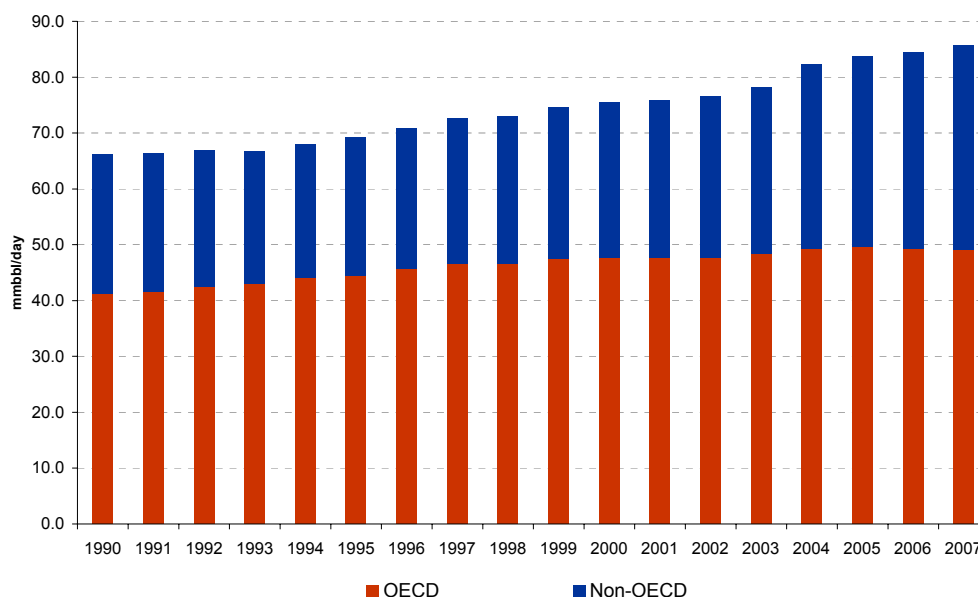
The demand for crude oil is dependent on the demand for other goods and services which require oil-related products as inputs. Transportation, in particular road and air transportation, is the principal source of oil demand, constituting approximately 90%<sup>1</sup> of petroleum demand. Accordingly, the most important products made from crude oil are petrol and diesel. Other applications of oil derived products include the operation of stationary industrial equipment, including power stations, heating and road building.

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<sup>1</sup> IBISWorld Pty Ltd

Annual world demand for crude oil from 1990 to 2007 (in millions of barrels of oil per day) split between Organisation for Economic Cooperation and Development (OECD) countries and non-OECD countries is summarised in the following graph.

**Figure 5: Global oil demand 1990 - 2007**



Source: International Energy Agency

The demand for petroleum products, and therefore crude oil, is linked to overall levels of activity in the economy. IBISWorld Pty Ltd (IBIS) cites regression analysis studies undertaken that indicate that the level of real gross domestic product (GDP) can explain just under 90% of the demand for petrol and approximately 98% of the demand for diesel.

The weak economy of the early 1990s resulted in stagnant growth in demand for oil. The revival of economic growth in the member countries of the OECD and rapid industrialisation in Asia since the mid 1990s led to an increase in world demand for crude oil.

### Australian crude oil demand

The demand for crude oil in Australia is relatively closely matched by the volumes of crude oil produced in Australia. The bulk of Australia's crude oil production is lighter grade crude oil which is typically used in the manufacture of automotive fuel and other light petroleum products. Heavier grade crude oils are used in the manufacture of petroleum products such as fuel oil, diesel oil and lubricating oils. Australia exports lighter grade crudes that are surplus to domestic requirements and supplements the production of heavier grade crudes with imports.

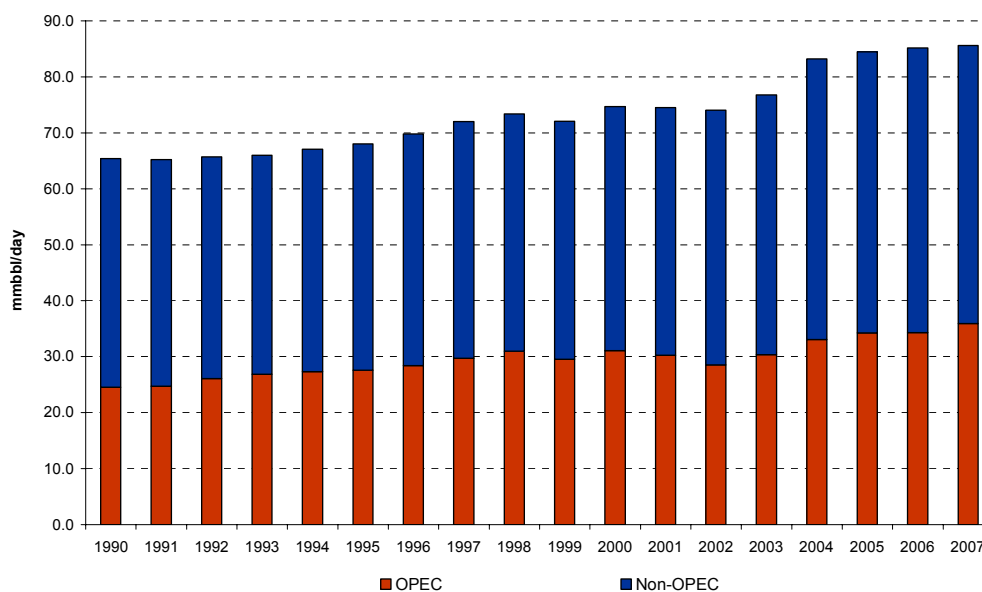
## 4.3 Crude oil supply

The world's crude oil supply system can be viewed as having two suppliers: the primarily state-owned producers located in countries that are members of the Organisation of Petroleum Exporting Countries (OPEC) and the mainly privately-owned producers located in non-OPEC countries. OPEC is an inter-governmental association established to represent the interests of the crude oil exporting countries.

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Despite holding over 77% of the current world oil reserves, OPEC production accounted for only 40%<sup>2</sup> of crude oil production in 2007, as demonstrated in the following diagram.

**Figure 6: Global oil supply 1990 - 2007**



Source: International Energy Agency

The non-OPEC countries comprise the member states of the OECD, the countries of the former Soviet Union and the rest of the world.

The reason for the disparity between OPEC's percentage of reserves and production is its role in restricting crude oil production. As part of its mandate, OPEC sets a production quota for each of the member states. History has shown that certain members of OPEC comply with the quota system and others do not, though in recent years there has been an unprecedented level of discipline among member countries in quota compliance.

The role of OPEC influences the crude oil market in a number of ways. Firstly, OPEC to a large extent supports crude oil prices in the medium term. Although currently stating that there is no target price range for crude oil prices, OPEC has in the past indicated a target price range and typically varies the output of the member countries to support the target price.

Secondly, in the short term, crude oil prices can be volatile as OPEC's supply remains relatively constant despite short term changes in demand.

Thirdly, the major oil companies, that own most of the world's transportation, refining and marketing systems, do not have an equity interest in OPEC originated crude oil. For this reason, integrated companies tend to add value to their own oil in the downstream segment before calling on OPEC production. History has shown that as the call on OPEC crude increases to near the cartel's capacity to deliver, prices tend to rise.

<sup>2</sup> International Energy Agency – Oil Market Report January 2008

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## 4.4 Crude oil pricing

There are approximately 160 different types of internationally traded crude oil (known as markers), which vary in terms of characteristics, quality and market penetration. Crude oil is generally priced relative to a number of key benchmarks or markers. The main criteria for marker crude is for it to be sold in sufficient volumes to provide liquidity (i.e. many buyers and sellers) in the physical market as well as having similar physical qualities of alternative crudes.

The predominant global crude oil markers used today include:

- West Texas Intermediate (WTI)
- Asia Pacific Pricing Index (APPI) Tapis
- Brent
- OPEC Basket Price.

While Brent and the OPEC Basket Price are commonly used global crude oil price markers, we consider WTI and APPI to be the most relevant to the Australian crude oil market, and these markers are discussed below.

In addition, we have considered the importer refinery acquisition cost (IRAC), which shows the average cost of imported oil into the United States of America (US) and the New York Mercantile Exchange (NYMEX) futures price. Whilst these are not markers, they are representative of the oil price and commonly referred to by market participants.

### 4.4.1 WTI

WTI crude oil is of very high quality and is excellent for refining. WTI is generally described as a light, sweet crude oil. This combination of characteristics, combined with its location, makes it an ideal crude oil to be refined in the US, the largest gasoline-consuming country in the world. Although the production of WTI crude oil is on the decline, it is still the major benchmark of crude oil in the Americas.

WTI is deeply traded on NYMEX. WTI is generally priced at a premium of approximately USD 2 per barrel to the OPEC Basket price and approximately USD 1 per barrel to the Brent price, although on a daily basis the pricing relationships between these can vary greatly.

### 4.4.2 APPI Tapis

In Asia, the pricing mechanism is based on an independent panel approach where producers, refiners and traders are asked for information on actual trades and where there have been none, their best estimate. Any estimates that are wildly high or low are discarded and the quoted price is then an average of views on the market price for APPI Tapis. The paper trade in APPI Tapis is limited to approximately six months into the future, which allows a meaningful comparison to be made when making decisions to buy APPI Tapis, Brent or Oman/Dubai linked crude, but prevents its use as a long term risk management tool.

### 4.4.3 IRAC

The Energy Information Administration (EIA) uses the IRAC, which although not a marker, is used in the EIA's projections.

IRAC is a volume-weighted average price of all crude oils imported into the US over a specified period. The US imports more types of crude oil than any other country, and consequently, it may represent the truest world oil price among all published crude oil prices. The IRAC is generally similar to the OPEC basket price, and is typically traded at a discount of approximately USD 2 per barrel to the WTI spot price and approximately USD 1 per barrel to the Brent price. The IRAC is used by EIA as the world oil price in all of its projection publications, including the Short-Term Energy Outlook, released monthly, as well as the Annual Energy Outlook and International Energy Outlook, both of which are released annually and provide an annual projection looking out approximately 20 years in the future.

### 4.4.4 NYMEX futures

The NYMEX futures price for crude oil represents (on a per barrel basis) the market-determined value of a futures contract to either buy or sell 1,000 barrels of WTI at a specified time. The NYMEX market provides important price information to buyers and sellers of crude oil in the US (and around the world), making WTI the benchmark for many different crude oils, especially in the US.

Generally, these benchmarks move in concert with each other, though on occasion demand differentials for various types of crude create a pricing disparity. Figure 7 illustrates the historical movement between the benchmark prices mentioned above.

The oil price history between January 1991 and January 2008, as represented by the above markers, is shown in the chart below.

Figure 7: Crude Oil Benchmarks



Source: Bloomberg

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## 4.5 Measurement of reserves

Oil reserves are typically quoted as proved (1P or P90), proved and probable (2P or P50) or proved, probable and possible (3P or P10) with proved reserves having the highest confidence and possible reserves having the least confidence.

The following table provides a summary of the definitions of each of these classifications.

**Table 10: Probability of recovery of oil and gas reserves**

Probability of recovery	Reserve definition	Definition
90%	Proved reserves	There is a reasonable certainty that the reserves will be commercially recoverable using current technology at current prices, with current commercial terms and government consent.
50%	Probable reserves	There is a 'reasonable probability' of being produced using current or likely technology at current prices, with current commercial terms and government consent.
10%	Possible reserves	Has a chance of being developed under favourable circumstances.

Source: Society of Petroleum Engineers and World Petroleum Council

The requirements for 2P or P50 certification are quite stringent, typically requiring established market demand or a contract in place with a third party in order to demonstrate the commerciality of reserves. Accordingly, in addition to the above classifications a further definition arises, being a 'contingent resource'. Contingent resources are 'potentially recoverable', however, due to the lack of a sales contract and/or required infrastructure and/or other conditions or uncertainties, do not satisfy the requirements for certification.

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## 5 Valuation methodology

### 5.1 Valuation methodologies

To estimate the fair market value of the Assets we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 112 regarding valuation reports of independent experts. These are discussed below.

#### 5.1.1 Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent security trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

#### 5.1.2 Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

#### 5.1.3 Asset based methods

Asset based methods estimate the market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to share holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

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The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.

## 5.2 Selection of valuation methodologies

We are of the opinion that the most appropriate methodology to value the CWLH Asset is the discounted cash flow method due to the following factors:

- WEL's management have prepared long term cash flow forecasts
- the CWLH Asset has a finite life and thus it is not possible to use a capitalisation of maintainable earnings approach
- significant capital expenditure will be required by the CWLH Asset in the near future.

GCA also provided a risked NPV for the volumes considered as contingent in the CWLH Asset.

In addition, we have cross checked our valuation of the CWLH Asset with reference to reserve ratios implied by our valuation, compared with those observed for comparable listed companies and in recent transactions.

We also engaged GCA to comment on the reasonableness of the values of USD20 million and USD10 million ascribed to the Egret Asset and the Oil Exploration Prospects in the SPA and the Oil Interests Agreement respectively. GCA provided a risked NPV for the Egret Asset. Given the time constraints and limited information available, GCA could not independently confirm the value of USD10 million assigned to the Oil Exploration Prospects. However, nothing has come to GCA's attention to indicate a value different to that agreed by the parties and therefore, for the purposes of our comparison to the consideration, we have assumed a value of USD10 million for the Oil Exploration Prospects.

## 6 Valuation of the Assets

### 6.1 Valuation of the CWLH Asset

In determining the fair market value for the CWLH Asset we have used the discounted cash flow method.

In addition, we have cross checked our valuation of the CWLH Asset with reference to reserve ratios implied by our valuation, compared with those observed for comparable listed companies and in recent transactions.

These are discussed in the following sections.

#### 6.1.1 The discounted cash flow method

The discounted cash flow method estimates market value by discounting an asset's future cash flows to their net present value. To value the CWLH Asset using the discounted cash flow method requires the determination of the following:

- future cash flows
- an appropriate discount rate to be applied to the cash flows.

Our considerations on each of these are discussed separately below.

#### Future cash flows of the CWLH Asset

As operator of the CWLH Asset, WEL has prepared an estimate of the future cash flows of the CWLH Asset. The future cash flows of the CWLH Asset are contained in the internally developed Model. The Model is based on:

- WEL's P50 production profiles for the CWLH Asset
- the updated field development plan for the CWLH Asset dated 30 June 2006
- the 2008 CWLH Venture business plan.

The Model was built by WEL and includes projections of nominal after-tax cash flows for the CWLH Asset for the 21 years to 2029. The assumptions used in the Model are based on the most recent technical information and analysis available to the management of WEL. The majority of the cash flows of the CWLH Asset are denominated in USD.

We have undertaken an analysis of the CWLH Asset cash flow projections that included:

- analysing the Model, including limited procedures regarding the mathematical accuracy of the Model (but we have neither formally reviewed nor audited the Model)
- analysing the reasonableness of assumptions such as production profile, capital expenditure, operating costs, site rehabilitation and abandonment costs, depreciation, royalties and taxes. GCA also assisted Deloitte in analysing the reasonableness of the production profile, capital expenditure and operating cost assumptions
- holding discussions with WEL management regarding the preparation of the projections and their views regarding the assumptions on which the projections are based.

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Deloitte has made some adjustments to the cash flows in the Model provided by WEL where it was considered appropriate. These adjustments included, but were not limited to our assessment of future oil prices, foreign exchange rates and inflation rates. Deloitte has also adjusted the production profile, operating expenditure and capital expenditure based on GCA's findings.

We have valued the CWLH Asset based on the cash flows derived from the adjusted Model and the discount rate applicable to the cash flow projections.

We have not undertaken a review of the projections in accordance with AUS 804 – The Audit of Prospective Financial Information. However, nothing has come to our attention as a result of our analysis that suggests the assumptions on which the projections are based have not been prepared on an appropriate basis.

## **Model assumptions**

### *Crude oil pricing*

WEL sells its share of oil on a spot cargo basis to local or international oil refineries. In considering an appropriate price to apply to the future sales of oil, we have had regard to the following:

- WTI crude oil price
- IRAC reported by the EIA
- NYMEX futures prices
- APPI Tapis crude oil prices
- other publicly available industry estimates and commentary, including but not limited to industry research and brokers estimates.

Based on our analysis, we have adopted crude oil pricing, as set out below:

- the average NYMEX futures price for 2008, declining to a longer term oil price assumption
- a long term real oil price in the range of USD50 per barrel to USD60 per barrel.

We have also adopted an inflation rate of 2.4% per annum (p.a.), consistent with the EIU long term inflation projection for the US to apply to our long term pricing assumptions.

### *Price differential*

Crude oil from the CWLH Asset has historically traded at a 0.6% premium to WTI. We have adopted this price differential for the purposes of our valuation.

### *Production profile*

The estimated production profiles reviewed by GCA for the CWLH fields were based on existing studies conducted by WEL, which GCA found to be reasonable and in line with standard industry practice.

The original WEL production profiles were adjusted by GCA to give a projected cumulative recovery of 129.5 mmbbl to 2019 for the CWLH Asset. The remaining producible oil volumes after 2019 were considered to be contingent due to uncertainties, including but not limited to, the risks associated with high water cut production and late life field behaviour.

The rate of production of oil assumed in the Model is projected to maximise oil recovery and the value of the CWLH Asset. However, these rates are limited to the infrastructure in place and hence the amount of capital expenditure on facilities, including the replacement of the Cossack Pioneer FPSO, drilling of development wells and refurbishment of subsea infrastructure.

We have assumed replacement of the Cossack Pioneer FPSO in 2010. WEL also considered a number of alternative scenarios including refurbishment of the Cossack Pioneer FPSO, none of which were considered to be economically superior to the replacement option. The Model currently assumes that the replacement vessel will be leased under a 10 year commercial arrangement with extension, purchase and termination options.

We have adopted GCA's adjusted production profile, which extends to 2019, for the purposes of our valuation.

### *Capital costs*

Capital costs have been projected to provide sufficient production capacity to enable the projected production rates to be handled satisfactorily. The major capital items comprise of the following:

- replacement of the Cossack Pioneer FPSO in 2010
- refurbishment of the CWLH subsea infrastructure in 2010 including an additional Lambert Hermes flowline
- drilling two development wells in 2009
- abandonment costs in 2019.

Any Australian dollar (AUD) costs (including some subsea infrastructure costs) have been converted to USD using the forward curve.

GCA has assisted in assessing the reasonableness of the capital expenditure assumptions in the Model. The projected capital costs, based on the integrated field development plan, service contracts and firm offers obtained by management of WEL appeared reasonable in general and, where appropriate, adjustments were made by GCA.

### *Operating costs*

The Model includes USD projections of operating costs, including:

- operating costs associated with the Cossack Pioneer FPSO to 2009 and the replacement FPSO thereafter
- lease costs for the replacement FPSO from 2010 onwards based on a firm offer from SBM
- onshore costs comprising of business unit costs
- subsea costs
- escalation – all operating costs are escalated at 2.4% p.a.

These assumptions are based on WEL's historical operating costs, the updated field development plan and recent studies for a new FPSO. GCA has assisted in assessing the reasonableness of the operating expenditure assumptions in the Model. The operating costs projected in the Model do not appear unreasonable, based on the data and information provided by WEL.

### *Royalty*

Royalties are levied on the net wellhead value of all petroleum produced in the Model. Royalty rates vary by field. The royalty rates in the Model are 10.825% for Cossack, 10.15% for Lambert and 10% for Wanaea and Hermes.

### *Excise*

In accordance with the *Petroleum (Submerged Lands) (Royalty) Act 1967* the CWLH JVPs are liable to pay to the Commonwealth of Australia an excise applicable to revenues derived from the CWLH Asset. The excise is calculated on a sliding scale based on the annual rate of production of crude oil, the date of discovery of the petroleum reservoir and the date on which production commenced, with the first 30 mmbbls of production from each separate field being exempt.

### *Other*

In addition to the above assumptions, the Model assumes the following:

- salvage value of the Cossack Pioneer FPSO on its replacement in 2010
- a corporate tax rate of 30% over the life of the fields, with all taxes paid quarterly in arrears
- there are no material working capital requirements.

### *Discount rates*

The discount rate used to equate the future cash flows to present value reflects the risk adjusted rate of return demanded by a hypothetical investor. The CWLH Asset is based in Australia, however, the outputs, operational expenditures and capital expenditures are predominantly denominated in USD. In addition, the value of the project is analysed by the external market (i.e. equity analysts, potential purchasers and competitors) largely on a USD basis. Accordingly, our discount rate has been derived based on USD variables. We have selected a nominal after tax discount rate in the range of 9.0% to 9.5% to discount the future USD cash flows of the CWLH Asset to their present value.

In selecting this range of discount rate, we have considered the following:

- the required rates of return for the comparable listed Australian and international exploration and production companies
- the debt to equity ratios of comparable oil and gas exploration and production companies
- an appropriate long term cost of debt for the CWLH Asset.

A detailed consideration of these matters is provided in Appendix 2.

### The discounted cash flow valuation

In the following table we have set out the fair market value of a 16.67% interest in the CWLH Asset derived from the discounted cash flow method.

**Table 11: Summary of the discounted cash flow valuation**

	Discount rate	
	Low 9.5%	High 9.0%
CWLH Asset (USDm) – 16.67% interest	390.0	466.0
Implied USD/boe <sup>1</sup>	18.06	21.61

Source: Deloitte analysis

boe = barrel of oil equivalent

Note 1: Based on WEL production profiles from 31 January 2008 onwards as adjusted by GCA

CWLH Asset volumes post 2019 have been considered as contingent by GCA due to uncertainties including, but not limited to, the risks associated with high water cut production and late life field behaviour. Based on the Model and oil price assumptions, the estimated discounted cash flow associated with these contingent volumes has been separately risked by GCA at USD5 million (16.67%).

**Table 12: Summary of the value of the CWLH Asset**

	Low USDm	High USDm
Discounted cash flow valuation	390.0	466.0
Value of the contingent volumes	5.0	5.0
<b>Total value of the CWLH Asset</b>	<b>395.0</b>	<b>471.0</b>

Source: Deloitte analysis

Our valuation of the CWLH Asset is sensitive to changes in the long term oil price assumed. It is not sensitive to changes in the discount rate assumed. These sensitivities are shown in the table below.

**Table 13: Sensitivity of the CWLH Asset value in USDm**

Discount rate	Long term oil price				
	USD40	USD45	USD 50	USD55	USD60
8.50%	332	369	406	442	479
9.00%	328	364	400	436	471
9.25%	326	362	397	433	468
9.50%	324	359	395	429	464
10.00%	320	355	389	423	457

Source: Deloitte analysis

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## 6.1.2 Cross checks

The reserve ratio implied by our discounted cash flow valuation is in the range of USD18.06/boe to USD21.61/boe.

We have compared the implied reserve ratio range with reserve ratios derived from market prices of comparable listed companies and prices achieved in mergers and acquisitions of comparable companies and oil producing assets. These are discussed separately below.

In addition, we considered an earnings before interest and tax (EBIT) multiple implied by our discounted cash flow valuation but concluded that the multiple is not meaningful for the following reasons:

- the large volumes projected to be produced by the CWLH Asset in 2008 and 2009, which decline thereafter
- the CWLH Asset is a single asset. Most of the comparable companies have interests in multiple projects at various stages of development
- the CWLH Asset is a mature asset with a large proportion of cash flows projected to be realised in 2008 in particular, and in the years to 2013
- significant capital expenditure is projected for the CWLH Asset in 2010 in order to replace the Cossack Pioneer FPSO
- a number of the Australian comparable companies have not yet commenced full-scale production and hence meaningful comparison of EBIT multiples is not possible.

### Market trading multiples

The market valuation of listed companies provides evidence of an appropriate reserve ratio for the CWLH Asset. The price of a listed company represents the market value of a minority interest in that company.

We have compiled reserve ratios (USD/boe) for companies comparable to the CWLH Asset. The average reserve ratios for the Australian companies, oil and gas majors and international companies are summarised in the following table.

**Table 14: Reserve ratios**

	EV USDm	USD / boe
Australian companies	5,337	17.8
Oil and gas majors	269,127	24.4
International companies	14,324	22.5
<b>Average</b>	<b>52,163</b>	<b>21.8</b>
<b>High</b>	<b>445,770</b>	<b>68.8</b>
<b>Low</b>	<b>137</b>	<b>7.9</b>

Source: Bloomberg

EV = Enterprise value

Specific details regarding the above companies and the calculation of the reserve ratios are provided at Appendix 3.

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General comments regarding the reserve ratios are:

- enterprise values were calculated by summing the total of the net borrowings at each company's most recent reporting date and the market capitalisation at 31 January 2008
- the majority of the above companies are considerably larger than the CWLH Asset. In general, larger companies have higher reserve ratios
- the reserve ratio is based on P50 reserves and is expressed as enterprise value (EV) in USD per boe.

The reserve ratio range implied by our valuation of the CWLH Asset of USD18.06/boe to USD21.61/boe is broadly consistent with reserve ratios observed for the comparable listed companies.

### Merger and acquisition multiples

The price achieved in mergers or acquisitions of comparable companies and oil producing assets provides evidence of an appropriate reserve ratio for the CWLH Asset. The acquisition price of a company represents the market value of a controlling interest in that company.

We compiled merger and acquisition multiples for companies and oil producing assets comparable to the CWLH Asset. These companies and assets, together with their reserve ratios, are summarised in the following table.

**Table 15: Reserve ratios – mergers and acquisitions**

Company / Asset	Acquirer	Effective date	Interest acquired %	Net mmbbl acquired	Consideration USDm	USD/boe
<b>Company transaction:</b>						
Anzon Australia <sup>1</sup>	Nexus	23-Jan-08	100.00	14.9	451 <sup>3</sup>	30.30
<b>Asset transactions:</b>						
Basker Manta Gummy	Itochu	10-Aug-07	20.00	7.8	208 <sup>3</sup>	26.50
Cliff Head field and BassGass project	ARC Energy	29-Jun-07	24.00	12.7	190	15.00
Wandoo oil field <sup>2</sup>	Vermilion	9-May-07	40.00	9.7	125	12.90
Legendre oil field	Apache	1-Jan-07	45.94	0.9	51	56.70
Wandoo oil field	Vermilion	31-Mar-05	60.00	16.0	78	4.90
Laminaria oil field and Corallina oil field	Paladin Oil & Gas	11-Mar-05	33.00	13.0	150	11.50
Enfield oil field	Mitsui	31-Mar-04	40.00	120.0	464	3.90
					<b>Average</b>	<b>20.20</b>
					<b>High</b>	<b>56.70</b>
					<b>Low</b>	<b>3.90</b>

Source: Mergermarket, company announcements

Note:

1. At the date of this report the Anzon Australia and Nexus Energy merger was still pending.
2. This transaction has been inferred from company announcements made by ARC Energy relating to Vermilion exercising a pre-emptive right over the stake in the Wandoo field under the joint operating agreement for the project.
3. Transactions have been converted to USD at the applicable rate on the transaction date.

Specific details regarding the above companies and the calculation of the merger and acquisition reserve ratios are provided at Appendix 4.

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The reserve ratio range implied by our valuation of the CWLH Asset of USD18.06/boe to USD21.61/boe is broadly consistent with reserve ratios observed for the comparable transactions.

## 6.2 Egret Asset and Oil Exploration Prospects

GCA agrees with WEL that the Egret Asset should be considered as contingent. The production and cost profiles were reviewed by GCA and the discounted cash flow was risked resulting to give a value of USD8 million (16.67%).

Given the time constraints and limited information available, GCA were unable to independently confirm the value WEL assigned to the Oil Exploration Prospects of USD10 million. However, nothing has come to GCA's attention to indicate a value different to that agreed by the parties and therefore, for the purposes of our comparison to the consideration, we have assumed a value of USD10 million for the Oil Exploration Prospects.

## 6.3 Conclusions

The valuation of the Assets is summarised in the following table.

**Table 16: Valuation of the Assets**

	Low value USDm	High value USDm
CWLH Asset <sup>1</sup>	395.0	471.0
Egret Asset	8.0	8.0
Oil Exploration Prospects	10.0	10.0
<b>Total</b>	<b>413.0</b>	<b>489.0</b>

Source: Deloitte analysis

Note 1: Includes contingent volumes of USD5 million

## 7 Evaluation and conclusion

### 7.1 Summary and conclusion

In our opinion the Proposed Transaction is fair and reasonable. In arriving at this opinion, we have had regard to the following factors.

### 7.2 Advantages of the Proposed Transaction

#### *Fair market value of the Assets is greater than the consideration*

The final consideration will not be determined until the Completion Date, therefore our analysis is based on WEL's assessment of the consideration as at 31 January 2008.

Set out in the table below is a comparison of our assessment of the fair market value of the Assets with the consideration to be paid by WEL, both as at 31 January 2008.

**Table 17: Comparison of the fair market value of the Assets with the consideration offered**

	Low (USDm)	High (USDm)
<i>Fair market value:</i>		
CWLH Asset <sup>1</sup>	395.0	471.0
Egret Asset	8.0	8.0
Oil Exploration Prospects	10.0	10.0
<b>Fair market value of the Assets as at 31 January 2008</b>	<b>413.0</b>	<b>489.0</b>
<i>Consideration offered:</i>		
Base Purchase Price	388.5	388.5
Adjustments <sup>2</sup>	(80.9)	(80.9)
Adjusted Purchase Price as at 31 January 2008	307.6	307.6
Oil Interests Agreement	10.0	10.0
<b>Total consideration as at 31 January 2008</b>	<b>317.6</b>	<b>317.6</b>

Source: Deloitte analysis

Note 1: Includes contingent volumes of USD5.0 million

Note 2: Principally interest and cashflow since 1 August 2007 and value of oil stock on hand as at 31 January 2008

The consideration being paid by WEL is below the range of our estimate of the fair market value of the Assets.

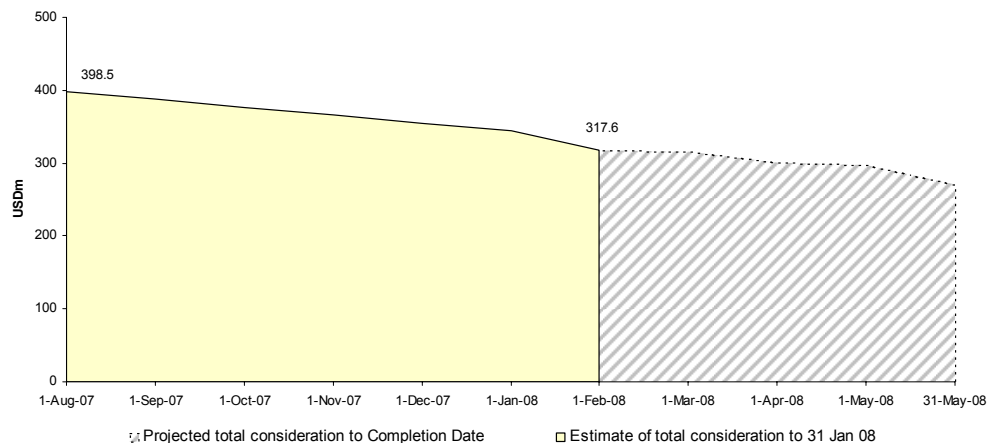
The value attributed to the Assets by SDA and WEL is likely to reflect different assumptions to those adopted by us in our discounted cash flow valuation, particularly in relation to assumptions on capital expenditure, the extent of recoverable hydrocarbon resources from the CWLH Asset and future oil prices.

WPL is currently examining its options in relation to its remaining African assets, which may include further sales of these assets. Any sale of WPL's Libyan assets would be subject to an acceptable offer being received, any pre-emption rights of the joint venture participants and required approvals by Libyan government authorities. In our view, the right of final offer granted to SEC over the issued shares in WENA or some or all of the Libyan Contracts is unlikely to have an impact on the value of the consideration received by WEL. However, we do recognise that it may have strategic value to SEC given its other activities in Libya.

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WEL's estimate of the net change in the total consideration between the Effective Date and the Completion Date is shown in the following figure.

**Figure 8: Profile of consideration**



Source: WEL

Our opinion is that the consideration is fair based on our assessment of the fair market value as at 31 January 2008. We expect it to remain fair through to the Completion Date as the Base Purchase Price adjustment mechanism is broadly in line with the net cash flows from the CWLH Asset.

#### *Greater influence over future development of CWLH Asset and Egret Asset*

The Proposed Transaction increases WEL's interest in the CWLH Asset to 33.33% and in the Egret Asset to 50%. This increased interest in the assets will enable WEL to exercise greater influence over future development of the assets.

### 7.3 Disadvantages of the Proposed Transaction

We are not aware of any significant disadvantages to Shareholders if the Proposed Transaction proceeds.

## Appendix 1: Glossary

Reference	Definition
Adjusted Purchase Price	Base purchase price after making certain adjustments and payable by WEL on the Completion Date
AFSL	Australian Financial Services Licence
AGSM	Australian Graduate School of Management
Anzon Australia	Anzon Australia Limited
Apache	Apache Corporation
APPI	Asian Pacific Pricing Index
ARC Energy	ARC Energy Limited
ASIC	Australian Securities and Investments Commission
Assets	CWLH Asset, Egret Asset and the Oil Exploration Prospects
ASX	Australian Securities Exchange Limited
ASX Listing Rules	Australian Securities Exchange Listing Rules
AUD	Australian dollars
AUS	Australian Auditing Standards
AU	Australia
AWE	Australian Worldwide Exploration Limited
Base Purchase Price	USD388.5 million payable by WEL for the CWLH Asset and the Egret Asset
Beach	Beach Petroleum Limited
$\beta$	Beta
BMG JV	Basker Manta Gummy Joint Venture
bopd	Barrels of crude oil per day
BP	BP Plc
BP Oil Interests Agreement	Oil Interests Agreement between WEL and BP Developments Australia Ltd dated 25 May 2000
BPD	BP Developments Australia Ltd
boe	Barrel of oil equivalent
bps	Basis points
CA	Canada
CAPM	Capital Asset Pricing model
Chevron	Chevron Corporation
CNOOC	China National Offshore Oil Limited
Completion Date	Completion date, expected to be in May 2008
ConocoPhillips	ConocoPhillips Company
Cossack Pioneer FPSO	Cossack Pioneer FPSO facility
CWLH	Cossack Wanaea Lambert Hermes
CWLH Asset	The CWLH Project Area and the related rights and obligations arising under the CWLH Project Agreement
CWLH Co-ordination Deed	CWLH Co-ordination Deed dated 8 March 2001 as amended on 18 December 2004 to cater for the introduction of CNOOC to the NWS Project
CWLH Project Agreement	CWLH Project Agreement dated 8 March 2001
Defined Area	A defined area within an approximate 30 km radius of the Cossack Pioneer FPSO
Deloitte	Deloitte Corporate Finance Pty Limited
Directors	Directors of WPL
EBIT	Earnings before interest and tax
Effective Date	1 August 2007

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Reference	Definition
Egret Asset	The Egret Oil Discovery Area and the related rights and obligations arising under the Egret ODAJV Agreement
Egret Co-ordination Deed	Egret Oil Discovery Area Co-ordination Deed dated 29 April 2003 as amended on 18 December 2004 to cater for the introduction of CNOOC to the NWS Project
Egret ODAJV Agreement	Egret Oil Discovery Area Joint Venture Agreement dated 29 April 2003
EIA	Energy Information Administration
EMRP	Equity Market Risk Premium
EV	Enterprise value
Explanatory Memorandum	Explanatory memorandum accompanying notice of meeting sent to shareholders to convene a meeting to approve the Proposed Transaction
Exxon Mobil	Exxon Mobil Corporation Limited
FICS	Financial Industry Complaints Service
FR	France
FSG	Financial Services Guide
FPSO	Floating, Production, Storage and Offtake facility
GCA	Gaffney, Cline & Associates (Consultants) Pte Ltd
GDP	Gross Domestic Product
Hess	Hess Corporation
Husky Energy	Husky Energy Inc.
IBIS	IBIS World Pty Ltd
ICAA	Institute of Chartered Accountants in Australia
IRAC	Importer Refinery Acquisition Cost
Itochu	Itochu Minerals and Energy of Australia Pty Ltd
JVP	CWLH joint venture participants
$K_d$	Cost of debt capital
$K_e$	Cost of equity capital
km	Kilometre
LIBOR	London inter-bank offer rate
Libyan Contracts	The petroleum exploration rights and licences in Libya legally and/or beneficially held by WEL or its related parties
m	million
Meeting	WPL's 2008 annual general meeting or extraordinary general meeting
mmbbl	Million barrels of oil
MMscf	Million standard cubic feet
Mitsui	Mitsui and Company Limited
Model	WEL's internally developed financial model of future cash flows of the CWLH Asset
Murphy Oil	Murphy Oil Corporation
NE	Netherlands
Nexen	Nexen Inc.
NPA	North West Shelf Project Agreement dated 18 December 2004
NRA	North Rankin A
NPV	Net present value
NWSJV	North West Shelf Joint Venture
NWS Project	North West Shelf Project
NYMEX	New York Mercantile Exchange
OECD	Organisation for Economic Cooperation and Development
Oil Exploration Prospects	Any current and future oil prospects in the Defined Area, which go on to be developed

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Reference	Definition
OPEC	Organisation of Petroleum Exporting Countries
Paladin Oil and Gas	Paladin Oil and Gas (Australia) Pty Ltd
p.a.	Per annum
Proposed Transaction	WEL's agreement with SDA to acquire the CWLH Asset, the Egret Asset and the Oil Exploration Prospects
Qx 200x	Quarter x year x
$R_f$	Risk free rate of return
$R_m$	Expected return on the market portfolio
RG111	Regulatory Guide 111
Roc Oil	Roc Oil Company Limited
Royal Dutch Shell	Royal Dutch Shell Plc
Santos	Santos Limited
SBBI	Stocks, Bonds, Bills and Inflation
SBM	Single Buoy Moorings Inc
SDA	Shell Development (Australia) Pty Ltd
SEC	Shell Exploration Company BV
SEHA	Shell Energy Holdings Australia Limited
Shareholders	Shareholders of WPL other than SEHA and its associates
SPA	Sale and purchase agreement
Total	Total SA
UK	United Kingdom
US	United States of America
USD	United States Dollars
WACC	Weighted average cost of capital
Vermilion	Vermilion Energy Trust
Wandoo Petroleum	Wandoo Petroleum Pty Ltd
WEL	Woodside Energy Limited
WENA	Woodside Energy (N.A.) Ltd
WPL	Woodside Petroleum Limited
WTI	West Texas Intermediate

## Appendix 2: Discount rate

The discount rate used to equate the future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor. Discount rates are determined based on the cost of an entity's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital (WACC). The WACC can be derived using the following formula:

$$WACC = \left( \frac{E}{V} * K_e \right) + \left( \frac{D}{V} * K_d (1 - t_c) \right)$$

The components of the formula are:

$K_e$	=	cost of equity capital
$K_d$	=	cost of debt
$t_c$	=	corporate tax rate
$E/V$	=	proportion of company funded by equity
$D/V$	=	proportion of company funded by debt

The adjustment of  $K_d$  by  $(1 - t_c)$  reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be 30%, in line with the current corporate tax rate in Australia.

### International derived discount rate

The CWLH Asset is based in Australia, however, the outputs, operational expenditures and capital expenditures are predominantly denominated in USD. In addition, the value of the project is analysed by the external market (i.e. equity analysts, potential purchasers, and competitors) largely on a USD basis. Accordingly, our discount rate has been derived based on USD variables, in particular regarding the risk-free rate and the equity risk premium. The other discount rate variables such as beta and capital structure are derived from an analysis of international comparable companies. The tax rate is assumed to be the Australian corporate tax rate as WPL pays tax in Australia.

### Cost of equity capital ( $K_e$ )

The cost of equity,  $K_e$ , is the rate of return that investors require to make an equity investment in a firm.

We have used the Capital Asset Pricing Model (CAPM) to estimate the  $K_e$  for the CWLH Asset. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta(R_m - R_f) + \alpha$$

The components of the formula are:

$K_e$	=	required return on equity
$R_f$	=	the risk free rate of return
$R_m$	=	the expected return on the market portfolio
$\beta$	=	beta, the systematic risk of a stock which can be objectively measured by the responsiveness of company returns to movements in returns earned on the market portfolio
$\alpha$	=	specific company risk premium

Each of the components in the above equation is discussed below.

### Risk free rate ( $R_f$ )

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term government bond rate.

In determining  $R_f$  we have used the 20-year US Treasury bond yield of 4.31% as at 1 February 2008. The long term bond rate is a widely used and accepted benchmark for the risk free rate in the US. This rate represents a nominal rate and thus includes inflation.

### Equity market risk premium (EMRP)

The Equity Market Risk Premium (EMRP) ( $R_m - R_f$ ) represents the risk associated with holding a market portfolio of investments, that is, the difference between the expected return on holding the market portfolio and the risk free rate. It is the excess return above the risk free rate that investors demand for their increased exposure to risk when investing in equity securities.

In selecting an appropriate EMRP to include in the estimation of the cost of equity a number of factors need to be considered:

- whether to use historical or prospective measures
- the use of arithmetic or geometric averaging for historical data
- selection of an appropriate benchmark risk free rate
- time periods for use in historical analysis.

### Historical and prospective EMRP

In evaluating the EMRP, we have considered both the historically observed and the prospective EMRP. The most appropriate EMRP to use in our analysis is the prospective risk premium that investors are using to evaluate current investment opportunities. However, while being theoretically preferable, it is not possible to reliably measure prospective EMRP.

The historically observed EMRP is typically used as a proxy for the prospective EMRP. The historical EMRP is estimated by comparing the historical returns on equities against the returns on risk free assets such as Government bonds. The historical EMRP has the benefit of being capable of estimation from reliable data; however it is possible that historical returns achieved on stocks were different from those that were expected by investors when making investment decisions in the past and thus the use of historical market returns to estimate the EMRP would be inappropriate.

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It is also likely that the EMRP is not constant over time. The forward-looking EMRP will be influenced by several factors such as population demographics, savings rates and the increasing globalisation of world markets. In particular, relatively pessimistic investors believe that the days of high EMRPs have passed and that in the future, the market will perform similarly to the bond market. However, these views are balanced by optimistic investors who believe that the returns on securities will continue to outperform the returns on bonds by a similar margin to the past. It does seem likely that equity investors will continue to be rewarded for the additional risk of their investment and so, in the absence of any conclusive evidence to the contrary, we have placed most emphasis on the historically observed risk premium in our analysis and choice of EMRP.

We have considered the expected future EMRP for the US based on data presented in the 2007 edition of *Stocks, Bonds, Bills and Inflation (SBBI)*, published by Morningstar.

#### *Arithmetic or geometric averaging of historical returns*

Empirical studies seeking to measure the historical EMRP typically average the results using either an arithmetic or geometric averaging process. Geometric averaging assumes that returns are reinvested in later periods and will be less than the arithmetic average if the returns show some variance between periods.

We consider the arithmetic average equity risk premium to be more appropriate when discounting future cash flows. The geometric average is more appropriate when reporting past performance, since it represents the compound average return, but we believe that investors today would demand a higher premium than that calculated using a geometric average.

#### *Risk free rate used in the analysis of historical returns*

Risk free securities of different maturities can be used to measure the historical EMRP. For example, Morningstar reports the EMRP calculated over long-term (20-year), intermediate-term (5-year) and short-term (30-day) US Government bonds and treasury bills. To match, as closely as possible, the risk free rate included in the CAPM and discussed above, we have considered the premium calculated over the return on 20-year US Treasury bonds.

#### *Time period for observations*

In empirical studies seeking to measure the EMRP, it is necessary to select a time period over which observations are considered. In general a longer time period is preferred as a larger number of observations are available which narrows the confidence intervals for the observed EMRP. However, it is possible that the EMRP does not remain stable over time and therefore a shorter observation period could be used to incorporate the recent observed risk premium only.

#### *Selected EMRP*

A recent study published by Morningstar in the 2007 edition of *SBBI*, estimates that the future EMRP for the US to be 7.1%, which is based on an arithmetic average.

In addition, we note a recent study undertaken by the Centre for Research in Finance at the Australian Graduate School of Management (AGSM) detailed a number of estimates for the EMRP in the Australian market which we consider to be of similar maturity to a developed market such as the US. The EMRP calculated using arithmetic averaging of returns between January 1974 and June 2004, including October 1987, without adjusting for franking credits was 5.81%. This EMRP is consistent with other studies in developed markets. In particular, Roger Ibbotson and Peng Chen, of Morningstar and the Yale School of Management respectively, estimated the expected long-term equity risk premium in the US (relative to the long-term government bond yield) to be about 6% arithmetically and 4% geometrically (*Financial Analysis Journal*, Vol. 59, No.1, February 2003).

We have adopted 6% as the EMRP for the purpose of our valuation.

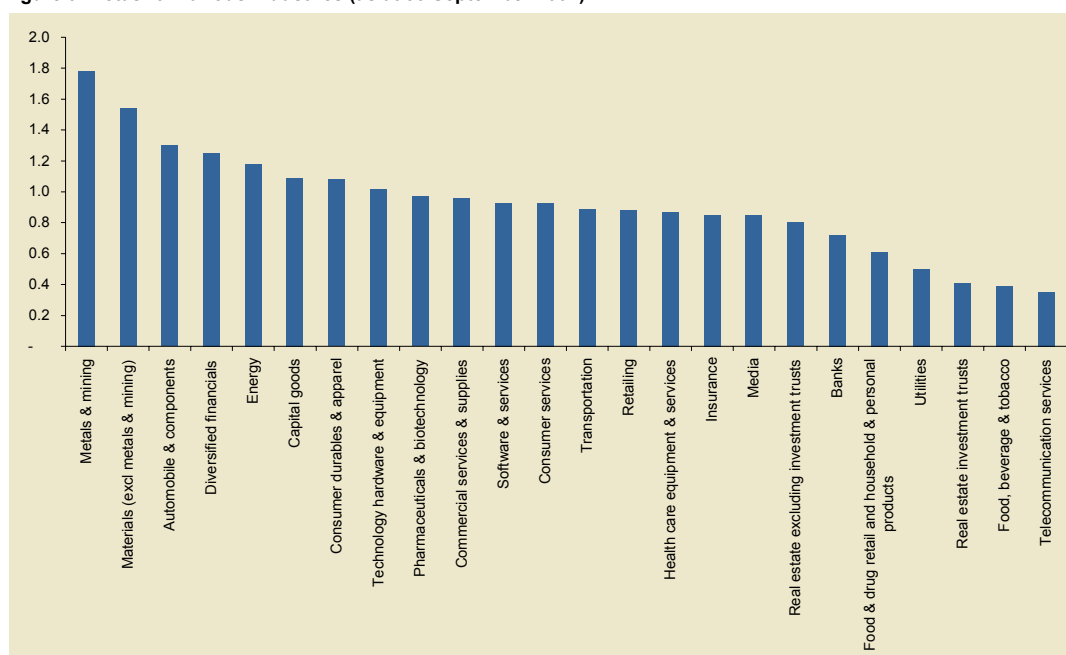
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## Beta estimate ( $\beta$ )

### Description

The beta coefficient measures the systematic risk of a company in comparison to the market as a whole. A beta of greater than one indicates greater market related risk than average, while a beta of less than one indicates less risk than average. The betas of various Australian industries listed on the Australian Securities Exchange Limited (ASX) are reproduced below and give an example of the relative industry betas for a developed market.

Figure 9: Betas for various industries (as at 30 September 2007)



Source: AGSM Risk Management Service

The differences are related to the business risks associated with the industry. For example, the above diagram indicates the media industry is riskier than the utilities industry. The beta for an asset can be estimated by regressing the returns on any asset against returns on an index representing the market portfolio, over a reasonable time period.

### Market evidence

In estimating an appropriate beta for the CWLH Asset we have considered the betas of listed companies that have comparable operations to the CWLH Asset. In selecting the companies that are comparable to the CWLH Asset, we have focussed on oil and gas exploration and production companies in Australia (AU), Canada (CA), the US and the United Kingdom (UK). These betas, which are presented below, have been calculated based on weekly returns, over a two year period, compared to a domestic and international accumulation index.

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Table 18: Analysis of betas for listed companies with comparable operations to the CWLH Asset

Company Name	Country	EV USDm	Gearing <sup>1</sup>	Domestic Index		International Index	
				Levered Beta	Unlevered Beta	Levered Beta	Unlevered Beta
<b>Australian Companies:</b>							
Woodside Petroleum Limited	AU	30,405	3%	1.13	1.11	1.27	1.25
Santos Limited	AU	7,753	18%	1.37	1.21	0.96	0.85
Australian Worldwide Exploration Limited	AU	1,413	3%	0.88	0.86	0.62	0.61
Beach Petroleum Limited	AU	1,295	15%	1.43	1.29	0.90	0.81
Roc Oil Company Limited	AU	702	16%	1.53	1.37	1.15	1.03
Anzon Australia Limited	AU	619	12%	1.35	1.24	0.88	0.81
Arc Energy Limited	AU	375	6%	1.13	1.08	1.00	0.96
Tap Oil Limited	AU	137	(66%)	1.56	1.56	1.40	1.40
<b>Average</b>		<b>5,337</b>	<b>1%</b>	<b>1.30</b>	<b>1.22</b>	<b>1.02</b>	<b>0.97</b>
<b>Oil and Gas Majors:</b>							
Exxon Mobil Corporation	US	445,770	(5%)	0.99	0.99	0.97	0.97
Chevron Corporation	US	173,395	(1%)	1.06	1.06	1.03	1.03
Conoco Phillips Company	US	147,974	14%	1.17	1.07	1.22	1.12
Total SA	FR	205,918	16%	0.88	0.79	0.86	0.78
Royal Dutch Shell Plc	NE	310,002	3%	0.73	0.72	0.68	0.67
BP Plc	UK	331,703	18%	1.10	0.98	0.88	0.78
<b>Average</b>		<b>269,127</b>	<b>7%</b>	<b>0.99</b>	<b>0.94</b>	<b>0.94</b>	<b>0.89</b>
<b>International Companies:</b>							
Devon Energy Corporation	US	43,283	13%	1.03	0.95	1.08	0.99
Marathon Oil Corporation	US	38,487	6%	1.48	1.42	1.39	1.34
Husky Energy Inc	CA	36,212	4%	1.11	1.08	0.59	0.58
Canadian Natural Resources Limited	CA	45,355	24%	1.63	1.40	0.94	0.80
Apache Corporation	US	36,164	13%	0.98	0.90	1.07	0.99
Hess Corporation	US	32,400	11%	1.19	1.11	1.18	1.11
Anadarko Petroleum Corporation	US	41,957	36%	1.10	0.89	1.12	0.91
Petro-Canada	CA	24,467	7%	1.28	1.22	0.80	0.76
Talisman Energy Inc	CA	21,209	23%	1.84	1.59	1.23	1.06
Nexen Inc	CA	19,531	24%	1.68	1.44	1.05	0.90
Murphy Oil Corporation	US	14,652	3%	0.88	0.86	0.83	0.82
Denbury Resources Inc	US	6,791	10%	1.35	1.27	1.54	1.45
Plains Exploration & Production Company	US	7,095	21%	1.17	1.03	1.26	1.11
Pioneer Natural Resources Company	US	7,190	31%	0.94	0.78	1.00	0.83
Tullow Oil Plc	UK	9,164	11%	1.38	1.28	1.59	1.48
Forest Oil Corporation	US	6,108	35%	1.15	0.94	1.21	0.98
Whiting Petroleum Corporation	US	3,329	32%	1.42	1.17	1.38	1.14
W&T Offshore Inc	US	2,726	20%	0.86	0.76	1.09	0.96

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Company Name	Country	EV USDm	Gearing <sup>1</sup>	Domestic Index		International Index	
				Levered Beta	Unlevered Beta	Levered Beta	Unlevered Beta
St Mary Land & Exploration Company	US	2,572	14%	0.93	0.85	1.07	0.98
Mariner Energy Inc	US	2,718	22%	1.19	1.05	1.23	1.08
Encore Acquisition Company	US	3,016	43%	1.29	1.01	1.33	1.04
Berry Petroleum Company	US	2,110	22%	1.45	1.26	1.53	1.33
Swift Energy Company	US	1,667	24%	1.27	1.10	1.29	1.12
Dana Petroleum Plc	UK	2,201	(5%)	1.61	1.61	1.46	1.46
Premier Oil Plc	UK	2,147	2%	1.14	1.12	1.13	1.12
Tristar Oil & Gas Limited	CA	1,038	7%	1.13	1.08	0.69	0.66
Venoco Inc	US	841	7%	1.17	1.11	1.32	1.26
Celtic Exploration Limited	CA	608	20%	0.74	0.65	0.43	0.38
Kereco Energy Limited	CA	372	41%	1.08	0.85	0.64	0.50
<b>Average</b>		<b>14,324</b>	<b>18%</b>	<b>1.22</b>	<b>1.10</b>	<b>1.12</b>	<b>1.00</b>
<b>Average</b>		<b>48,206</b>	<b>13%</b>	<b>1.20</b>	<b>1.10</b>	<b>1.08</b>	<b>0.98</b>
<b>Median</b>		<b>7,095</b>	<b>14%</b>	<b>1.17</b>	<b>1.08</b>	<b>1.08</b>	<b>0.98</b>
<b>Low</b>		<b>137</b>	<b>(66%)</b>	<b>0.73</b>	<b>0.65</b>	<b>0.43</b>	<b>0.38</b>
<b>High</b>		<b>445,770</b>	<b>43%</b>	<b>1.84</b>	<b>1.61</b>	<b>1.59</b>	<b>1.48</b>

Source: Bloomberg

Note 1: Negative gearing positions may arise as a consequence of cash reserves exceeding total debt

A description of each of the selected comparable companies is provided in Appendix 3.

The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The capital structure and tax position of the entities in the table above may not be the same as the CWLH Asset. The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity.

### *Selected beta ( $\beta$ )*

The comparable companies typically hold a portfolio of assets, and accordingly the unlevered beta for the comparable companies represents a beta for a portfolio of assets. The risks associated with a single production asset, such as the CWLH Asset, may vary from the risks associated with a portfolio of assets, including exploration and development assets. Notwithstanding this issue, the best evidence of an appropriate beta for the CWLH Asset is the betas for listed comparable companies.

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In selecting an appropriate beta for the CWLH Asset we have considered the following:

- the Australian comparable companies provide a broad range in terms of size, operations and maturity. With the exception of WPL and Santos Limited (Santos), the majority of the Australian companies are generally more involved in exploration activities and hold fewer producing assets. The Australian comparable companies have an average unlevered beta of 1.22 and 0.97 against the domestic and international accumulation indices respectively
- we consider Anzon Australia Limited (Anzon Australia) to be the most comparable Australian company as Anzon Australia is currently also engaged in a single project, the Basker Manta Gummy Joint Venture (BMG JV). Anzon Australia has been producing oil, through a FPSO vessel since October 2005 and has not yet commenced gas production. Anzon's unlevered beta at the report date is 1.24 and 0.81 against the domestic and international accumulation indices respectively
- the oil and gas majors are significantly larger and more diversified than the CWLH Asset and have an average unlevered beta of 0.94 and 0.89 against the domestic and international accumulation indices respectively
- the other international companies also provide a broad range in terms of size, operations and maturity and have an average unlevered beta of 1.1 and 1.0 against the domestic and international accumulation indices respectively
- the CWLH Asset comprises of just one project, consequently the risks associated with its operations are not mitigated by diversification and the fields are mature and in decline, so there is less upside potential compared to many of the comparables. However, as the CWLH Asset is a producing oil project it is considered less risky than many of the comparable companies which have a mixture of oil and gas, production and exploration assets
- in addition, we have considered WPL and Royal Dutch Shell Plc (Royal Dutch Shell) betas at the report date. The unlevered beta of WPL and Royal Dutch Shell against the domestic index is 1.11 and 0.72 respectively, while the unlevered beta against the international index is 1.25 and 0.67 respectively
- we have selected an unlevered beta range of 0.9 to 1.0, an Australian corporate tax rate of 30% and a target gearing ratio of 30% resulting in a levered beta range of 1.17 to 1.30.

On this basis we have selected a levered beta of 1.2 to 1.3 for the CWLH Asset.

### Conclusion on cost of equity

Based on the above factors we arrive at a cost of equity,  $K_e$ , as follows:

**Table 19:  $K_e$  applied to valuation of CWLH Asset**

Input	Low	High
Risk free rate (%)	4.31	4.31
EMRP (%)	6.00	6.00
Unlevered Beta	0.90	1.00
Relevered Beta	1.20	1.30
<b>Cost of equity capital (<math>K_e</math>) (%)</b>	<b>11.51</b>	<b>12.11</b>
<b>Selected <math>K_e</math></b>	<b>11.5</b>	<b>12.0</b>

Source: Deloitte analysis

### Cost of debt capital ( $K_d$ )

We have adopted a pre-tax cost of debt of 5.16% for the CWLH Asset, which is 85 basis points (bps) above the US risk free rate and is based on comparable bonds and also taking into account WPL's current cost of debt.

### Debt and equity mix

Current industry debt to equity ratios are below historical levels due to high commodity prices resulting in exploration and production companies having low (or negative) net debt positions and high market capitalisations. The current average gearing position for the selected comparable companies is 13%.

The mature nature of the CWLH Asset and the relative certainty of future cash flows enable the CWLH Asset to be financed with a higher level of gearing.

We have selected a target gearing ratio of 30% for the CWLH Asset.

### Calculation of WACC

Based on the above, we have assessed the nominal post-tax WACC for the CWLH Asset to be:

**Table 20: WACC applied to valuation of CWLH Asset**

	Low %	High %
Cost of equity capital	11.50	12.00
Cost of debt capital	5.16	5.16
Gearing level	30.00	30.00
Tax rate	30.00	30.00
<b>WACC</b>	<b>9.13</b>	<b>9.48</b>
<b>Selected WACC</b>	<b>9.0</b>	<b>9.5</b>

Source: Deloitte analysis

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## Appendix 3: Comparable companies

The table below provides analysis of companies with comparable activities to the CWLH Asset.

**Table 21: Comparable companies**

	Country	EV USDm	USD / boe <sup>1</sup>
<b>Australian companies</b>			
Woodside Petroleum Limited	AU	30,405	18.0
Santos Limited	AU	7,753	9.5
Australian Worldwide Exploration Limited	AU	1,413	24.8
Beach Petroleum Limited	AU	1,295	14.5
Roc Oil Company Limited	AU	702	25.6
Anzon Australia Limited	AU	619	10.3
Arc Energy Limited	AU	375	21.7
Tap Oil Limited	AU	137	18.2
<i>Average</i>		<i>5,337</i>	<i>17.8</i>
<b>Oil and gas majors</b>			
Exxon Mobil Corporation	US	445,770	38.5
Chevron Corporation	US	173,395	20.2
Conoco Phillips Company	US	147,974	15.7
Total SA	FR	205,918	10.0
Royal Dutch Shell Plc	NE	310,002	36.7
BP Plc	GB	331,703	25.2
<i>Average</i>		<i>269,127</i>	<i>24.4</i>
<b>International companies</b>			
Devon Energy Corporation	US	43,283	18.2
Marathon Oil Corporation	US	38,487	29.6
Husky Energy Inc	CA	36,212	36.1
Canadian Natural Resources Limited	CA	45,355	19.8
Apache Corporation	US	36,164	34.1
Hess Corporation	US	32,400	26.1
Anadarko Petroleum Corporation	US	41,957	13.9
Petro-Canada	CA	24,467	19.2
Talisman Energy Inc	CA	21,209	12.7
Nexen Inc	CA	19,531	18.6
Murphy Oil Corporation	US	14,652	37.8
Denbury Resources Inc	US	6,791	39.0
Plains Exploration & Production Company	US	7,095	12.3
Pioneer Natural Resources Company	US	7,190	7.9
Tullow Oil Plc	GB	9,164	43.1
Forest Oil Corporation	US	6,108	25.2
Whiting Petroleum Corporation	US	3,329	13.4
W&T Offshore Inc	US	2,726	22.2
St Mary Land & Exploration Company	US	2,572	16.6
Mariner Energy Inc	US	2,718	22.8
Encore Acquisition Company	US	3,016	14.7

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	Country	EV USDm	USD / boe <sup>1</sup>
Berry Petroleum Company	US	2,110	12.5
Swift Energy Company	US	1,667	12.2
Dana Petroleum Plc	GB	2,201	16.9
Premier Oil Plc	GB	2,147	14.1
Tristar Oil & Gas Limited	CA	1,038	68.8
Venoco Inc	US	841	9.6
Celtic Exploration Limited	CA	608	23.1
Kereco Energy Limited	CA	372	11.5
<i>Average</i>		<i>14,324</i>	<i>22.5</i>
<b>Average</b>		<b>52,163</b>	<b>21.8</b>
<b>High</b>		<b>445,770</b>	<b>68.8</b>
<b>Low</b>		<b>137</b>	<b>7.9</b>

Source: Bloomberg

Note 1: Based on 2P reserves where available

We provide descriptions for each of the above comparable companies as follows:

### Santos

Santos explores for and produces natural gas, crude oil, condensate and liquid petroleum gas. The company conducts major onshore and offshore petroleum exploration activities at oil and gas fields in Australia and internationally and is Australia's largest domestic gas producer. Santos also transports crude oil by pipeline.

### AWE

Australian Worldwide Exploration Limited (AWE) is an oil and gas exploration and evaluation company which has interests in Australia, Papua New Guinea and Argentina. AWE's oil and gas interests are spread out in the Carnarvon, Otway and Bass Basins along with the Papuan and Neuquen Basins.

### Beach

Beach Petroleum Limited (Beach) explores for, develops and produces crude oil and natural gas. Beach's exploration activities are located in the Cooper/ Eromanga, Otway and Browse Basins.

### Roc Oil

Roc Oil Company Limited (Roc Oil) is an oil and gas production, exploration and development company. Roc Oil's assets and activities are located in the UK, Mauritania, Australia, Equatorial Guinea, Angola, China and New Zealand.

### Anzon Australia

Anzon Australia is an upstream oil and gas company focussing on the development, commercialisation and further exploration of oil and gas fields in Australia, New Zealand and South East Asia.

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### **ARC Energy**

ARC Energy Limited (ARC Energy) is an oil and gas exploration and production company based in Western Australia. The company's exploration projects in the northern Perth Basin along with interests in the Timor Sea, the US, and Yemen.

### **Tap Oil**

Tap Oil Limited is an oil and gas exploration company operating in the Carnarvon Basin in Western Australia and onshore at the Taranaki Basin in New Zealand. The company holds permits for exploration in the basin through joint ventures and operating companies.

### **Exxon Mobil**

Exxon Mobil Corporation (Exxon Mobil) operates petroleum and petrochemicals businesses on a worldwide basis. The company's operations include exploration and production of oil and gas, electric power generation, and coal and minerals operations. Exxon Mobil also manufactures and markets fuels, lubricants, and chemicals.

### **Chevron**

Chevron Corporation (Chevron) is an integrated energy company with operations in countries located around the world. The company produces and transports crude oil and natural gas. Chevron also refines, markets, and distributes fuels and other energy products.

### **ConocoPhillips**

ConocoPhillips Company (ConocoPhillips) is an international, integrated energy company which operates in several business segments. The company explores for and produces petroleum, and refines, markets, supplies, and transports petroleum. ConocoPhillips also gathers and processes natural gas, and produces and distributes chemicals and plastics.

### **Total**

Total SA (Total) explores for, produces, refines, transports, and markets oil and natural gas. Total also operates a chemical division and gasoline filling stations in Europe, the US and Africa.

### **Royal Dutch Shell**

Royal Dutch Shell, through subsidiaries, explores for, produces, and refines petroleum. The company produces fuels, chemicals, and lubricants. Shell owns and operates gasoline filling stations worldwide.

### **BP**

BP Plc (BP) is an oil and petrochemicals company. BP explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates solar energy, and manufactures and markets chemicals.

### **Devon Energy**

Devon Energy Corporation is an independent energy company involved in oil and gas property acquisition, exploration, and production. The company operates in the Permian Basin and the Rocky Mountains, in the Gulf Coast area and offshore Gulf of Mexico, in the Western Canada Sedimentary Basin in Alberta and British Columbia, and in Azerbaijan and Brazil.

### **Marathon Oil**

Marathon Oil Corporation is an integrated oil firm with operations worldwide. The company explores for and produces crude oil and natural gas on a worldwide basis and also conducts operations in the refining, marketing, and transportation of petroleum products in the US.

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### **Husky Energy**

Husky Energy Inc (Husky Energy) is involved in the exploration, development, and production of crude oil and natural gas in Canada and in international areas. The company also conducts upgrading operations, pipeline operations, commodity trading, and energy infrastructure projects. In addition, Husky Energy manufactures and markets refined products and operates a retail network.

### **Canadian Natural Resources**

Canadian Natural Resources Limited acquires, explores for, develops, and produces natural gas, crude oil, oil sands and related products. The company operates in the Canadian provinces of Alberta, north eastern British Columbia and Saskatchewan.

### **Apache**

Apache Corporation (Apache) explores for and produces natural gas, crude oil, and natural gas liquids. Apache has operations in North America, Egypt, Western Australia, Poland, and the People's Republic of China.

### **Hess**

Hess Corporation (Hess) and its subsidiaries explore for, produce, purchase, transport, and sell crude oil and natural gas. The company also manufactures, purchases, transports, and markets refined petroleum products. Hess' exploration and production activities are located primarily in the US, UK, Norway, and Gabon.

### **Anadarko Petroleum**

Anadarko Petroleum Corporation is an independent oil and gas exploration and production company. The company operates in the US, Africa, Asia, South America, and the Caribbean.

### **Petro-Canada**

Petro-Canada is a Canadian company that explores for, develops, produces, and markets crude oil, natural gas, and natural gas liquids. The company also refines, distributes, and markets petroleum products and related goods and services.

### **Talisman Energy**

Talisman Energy Inc is an independent oil and gas producer operating in North America, the North Sea, and Indonesia. The company is also conducting exploration in Southeast Asia, Algeria, Qatar, Colombia and Trinidad.

### **Nexen**

Nexen Inc (Nexen), an energy and chemicals company, explores for, produces, and markets crude oil and natural gas. The company's oil and gas exploration and development activities are conducted in the US, Yemen, Canada, Nigeria, Australia, Colombia, and Indonesia. Nexen also produces chemicals in Canada, the US, and Brazil.

### **Murphy Oil**

Murphy Oil Corporation (Murphy Oil) is a worldwide oil and gas exploration and production company with refining and marketing operations. The company's principal activities are located in the US and the UK. Murphy Oil also conducts pipeline and crude oil trading operations in Canada.

### **Denbury Resources**

Denbury Resources Inc acquires, develops, operates, and explores oil and gas properties, primarily in the Gulf Coast region of the US.

### **Plains Exploration and Production**

Plains Exploration & Production Company is an independent oil and gas company with onshore and offshore operations in the United States. The company is primarily involved in the upstream activities of acquiring, exploiting, developing, and producing oil and gas.

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### **Pioneer Natural Resources**

Pioneer Natural Resources Company is an oil and gas exploration and production company. The company operates in the US, Argentina, Canada, South Africa, Tunisia, and Gabon.

### **Tullow Oil**

Tullow Oil Plc explores for and produces oil and natural gas. The company operates in the North Sea, Africa, and South Asia.

### **Forest Oil**

Forest Oil Corporation is involved in the acquisition, exploration, development, production, and marketing of natural gas and crude oil in North America and Canada.

### **Whiting Petroleum**

Whiting Petroleum Corporation is involved in oil and natural gas exploitation, acquisition, and exploration activities. The company is focussed on lower risk, long-lived oil and natural gas properties located primarily in the US.

### **W&T Offshore**

W&T Offshore Inc is an independent oil and natural gas company focused primarily on the Gulf of Mexico area in the US.

### **St. Mary Land and Exploration**

St. Mary Land & Exploration Company is an independent energy company that explores for and produces natural gas and crude oil. The company's operations are focused in the US.

### **Mariner Energy**

Mariner Energy Inc is an independent oil and gas exploration, development and production company with principal operations in the US.

### **Encore Acquisition**

Encore Acquisition Company acquires, develops, and exploits oil and natural gas reserves. The company's reserves are concentrated in the US.

### **Berry Petroleum**

Berry Petroleum Company produces, explores for, and markets crude oil and natural gas. The company's principal reserves and producing properties are located in the US.

### **Swift Energy**

Swift Energy Company is an independent oil and gas company that explores, develops, acquires, and operates oil and gas properties. The company focuses on the US and New Zealand.

### **Dana Petroleum**

Dana Petroleum Plc is an independent oil and gas exploration and production company with producing assets in the North Sea and Russia and offshore exploration interests in the North Sea West Africa, Kenya and Western Australia.

### **Premier Oil**

Premier Oil Plc is an international oil and gas exploration and development company with producing interests in the UK, Indonesia, and Pakistan. The company has continuing exploration and appraisal efforts in the UK, South East Asia and Africa.

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**Tristar Oil and Gas**

Tristar Oil & Gas Limited explores for and produces oil and natural gas in Canada.

**Venoco**

Venoco Inc is an independent energy company primarily engaged in the acquisition, exploitation and development of oil and natural gas properties in the US.

**Celtic Exploration**

Celtic Exploration Limited explores and develops oil and natural gas properties. The company is currently conducting exploration activities in the Western Canadian Sedimentary Basin.

**Kereco Energy**

Kereco Energy Limited is an energy company that conducts exploration, development, and production activities. The company has natural gas and crude oil properties in Canada.

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## Appendix 4: Comparable transactions

Below are the details of recent comparable Australian transactions.

### Anzon Australia

Nexus Energy Ltd, an Australian listed energy group, announced on 23 January 2008 an agreement to acquire Anzon Australia for AUD518m.

Anzon's main asset is a 40% stake in the BMG JV which currently produces 12,500 bopd and has remaining total reserves of 37mmbbl. The BMG JV also includes an associated FPSO vessel and a planned gas development.

The transaction was pending shareholder approval at the date of this report.

### Basker Manta Gummy

Itochu Minerals and Energy of Australia Pty Ltd (Itochu), through its subsidiary CIECO Exploration and Production (Australia) Pty Ltd, agreed to acquire a 20% stake in the BMG JV from Anzon Australia and Beach for AUD246m.

The transaction was completed on 5 October 2007.

### Cliff Head and BassGas

ARC Energy acquired an interest in the Cliff Head and BassGas assets from Wandoo Petroleum Pty Ltd (Wandoo Petroleum) on 29 June 2007 for USD190m.

The acquisition included a 24% interest in the Cliff Head oil field, which currently produces 2,700bopd, has reserves of 12.7mmbbl and includes the recent Frankland gas discovery and a 12.5% interest in the BassGas project, which is an early stage gas condensate producer with additional development potential.

The original offer from ARC Energy was for USD315m and included Wandoo Petroleum's 40% interest in the Wandoo oil field until Vermilion Energy Trust (Vermilion), the Canadian energy trust, exercised its pre-emptive right over the stake in the field.

### Wandoo oil field

Vermilion exercised a pre-emptive right under the joint operating agreement for the Wandoo oil field project and purchased the remaining 40% stake in the Wandoo oil field previously held by Wandoo Petroleum.

The Wandoo oil field had total remaining reserves of 25mmbbl at the transaction date

The transaction was worth USD125m and was completed on 9 May 2007.

### Legendre oil field

Apache acquired a 45.94% stake in the Legendre oil field from WPL on 1 January 2007 for USD51m. Legendre is a mature oil field which was producing 2,400bopd, with Apache's share in the remaining reserves being 0.9mmbbl at the time of the transaction.

### Wandoo oil field

Vermilion acquired an initial 60% interest in the Wandoo oil field from Mobil Oil Australia Pty Ltd on 31 March 2005 for USD78m.

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### **Laminaria and Corallina oil fields**

Paladin Oil and Gas (Australia) Pty Ltd (Paladin Oil and Gas) acquired a 33% stake in the Laminaria oil field, a 25% stake in the Corallina oil field and an associated FPSO vessel from BHP Petroleum on 11 March 2005 for USD150m.

Laminaria and Corallina are two mature fields which have declined from peak production of 180,000bopd in 2000 to around 30,900bopd in 2005. Paladin Oil and Gas' share in the remaining reserves was 13mmbbl at the transaction date.

### **Enfield oil field**

Mitsui and Company Limited (Mitsui) acquired a 40% interest in the Enfield oil field from WPL on 31 March 2004 for USD46m.

The deal included a stake in the WA-271-P exploration permit and the WA-28-L production license. The Enfield oil field had total reserves of 300mmbbl at the time of the transaction.

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## Appendix 5: Sources of information

In preparing this report we have had access to the following principal sources of information:

- Sale and Purchase Agreement, Oil Interests Agreement and Right of Final Offer dated 8 February 2008
- CWLH asset business plan
- CWLH updated field development plan dated 30 June 2006
- CWLH year end 2007 reserves report dated 31 December 2007
- CWLH redevelopment project – concept selection review (AC3)
- WA-10-R retention lease renewal application dated April 2007
- NPA, CWLH project agreement, Egret ODAJV
- reserves report for CWLH as at 31 July, 2007 by Netherland, Sewell & Associates, Inc.
- individual field data including presentation material, production and engineering data and Petrel geological models
- internal documents on Cossack Pioneer FPSO refurbishment and replacement options
- annual reports for WPL for the years ended 31 December 2005 and 31 December 2006
- annual reports for comparable companies
- company websites for WPL and comparable companies
- publicly available information on comparable companies and market transactions published by Bloomberg Financial markets and Mergermarket
- IBIS industry reports
- International Energy Agency Oil Market Report 16 January 2008
- other publicly available information, ASX announcements, media releases and brokers reports on WPL, comparable companies and the oil industry.

We engaged GCA to provide technical assistance in relation to a number of assumptions in the Model. GCA had access to simulation models and other technical data provided by WEL and held discussions with Greg Mogan, Development Manager – NWS Oil/Laminaria Corallina, and the Reservoir Team.

In addition, Deloitte have had discussions and correspondence with certain directors and executives, including Don Spector, Treasurer and Manager Taxation; Robin de Vries, Commercial Analysis Manager and Alan Green, Deputy General Counsel – NWS in relation to the above information and to current operations and prospects.

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## Appendix 6: Qualifications, declarations and consents

The report has been prepared at the request of the Directors of WPL and is to be included in the Explanatory Memorandum to be given to Shareholders for approval of the Proposed Transaction in accordance with Chapter 10 of the ASX Listing Rules. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Explanatory Memorandum in their assessment of the Proposed Transaction outlined in the report and should not be used for any other purpose. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Transaction.

The report represents solely the expression of Deloitte of its opinion as to whether the Proposed Transaction is fair and reasonable in relation to Chapter 10 of the ASX listing rules.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte has relied upon the information provided by the directors and executives of WPL which Deloitte believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to WPL management for confirmation of factual accuracy.

Furthermore, recognising that Deloitte may rely on information provided by WPL and its officers and/or associates, WPL has agreed to make no claim against Deloitte to recover any loss or damage which WPL may suffer as a result of that reliance and also has agreed to indemnify Deloitte against any claim arising out of the assignment to give this report, except where the claim has arisen as a result of any proven wilful misconduct by Deloitte.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of WPL personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit in accordance with Australian Auditing Standards, nor did they constitute a review in accordance with AUS 902 applicable to review procedures.

Based on these procedures and enquiries, Deloitte considers that there are reasonable grounds to believe that the prospective financial information for WPL included in this report has been prepared on a reasonable basis. In relation to the prospective financial information, actual results may be different from the prospective financial information of WPL referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte principally involved in the preparation of this report were Nicki Ivory, Director, B.Comm (Hons), CA, CFA, Stephen Reid, Director, M App. Fin. Inv., B.Ec, F Fin, CA and AnnMarie Mahony, Associate Director, B.A., M.Acc, CA. Each have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

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Neither Deloitte, Deloitte Touche Tohmatsu, nor any partner or executive or employee thereof has any financial interest in the outcome of the proposed transaction which could be considered to affect our ability to render an unbiased opinion in this report. Deloitte will receive a fee of AUD200,000 exclusive of GST in relation to the preparation of this report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Proposed Transaction.

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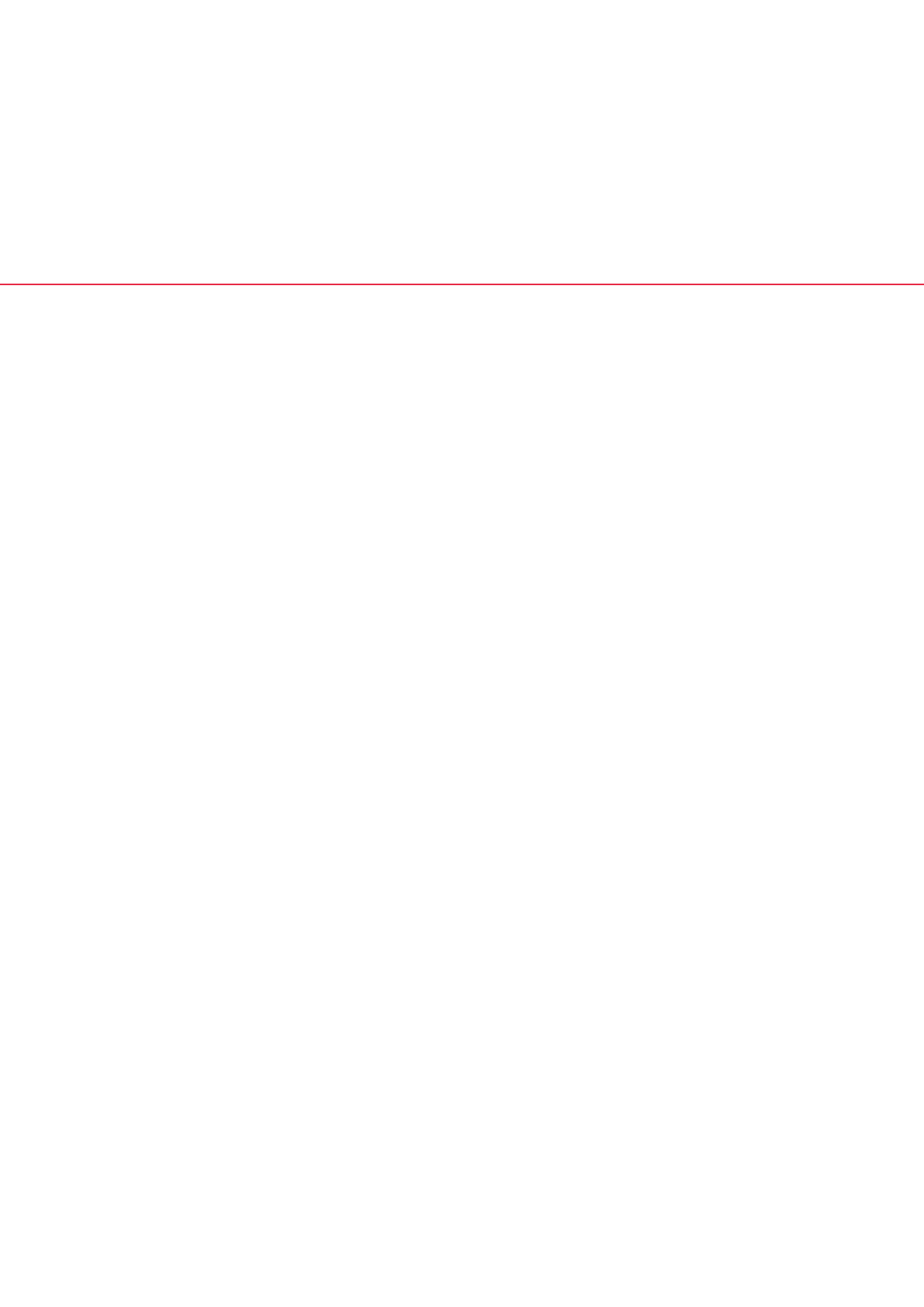
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Woodside Petroleum Ltd  
ABN 55 004 898 962

WOODSIDE PETROLEUM LTD.  
ABN 55 004 898 962

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 **FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECEIVED BY 10.00AM (WST) ON TUESDAY 29 APRIL 2008**



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For secure online access you will require your SRN/HIN and postcode. These details are available overleaf. **! FOR SECURITY REASONS IT IS IMPORTANT THAT YOU KEEP YOUR SRN/HIN CONFIDENTIAL.**

## HOW TO COMPLETE THIS PROXY FORM Please read these notes prior to completion of the voting form.

### VOTES ON ITEMS OF BUSINESS

**Voting 100% of your holding.** You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

**Voting a portion of your holding.** You may indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. The sum of the votes cast on each item or the percentages for and against an item must not exceed your voting entitlement or 100%.

**A proxy need not be a securityholder of the Company.**

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the proportion or number of votes each proxy may exercise, otherwise each proxy may exercise half of the votes. Fractions of votes will be disregarded. A separate Proxy Form should be used for each proxy. You can obtain additional forms by telephoning the company's share registry or you may copy this form. If you lodge two proxies please lodge both forms together.

### SIGNING INSTRUCTIONS

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.


If a representative of a corporate securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained by telephoning the company's share registry or at [www.computershare.com](http://www.computershare.com).

**LODGEMENT OF A PROXY FORM.** This form (and any Power of Attorney under which it is signed) must be received at the address or facsimile number given above not later than 10.00am (WST) on Tuesday, 29 April 2008. Any Proxy Form received after that time will not be valid for the scheduled meeting.

## STEP 1 APPOINT A PROXY TO VOTE ON YOUR BEHALF

I/We being a member/s of Woodside Petroleum Ltd hereby appoint

the Chairman of the Meeting OR

 Please leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Woodside Petroleum Ltd to be held at Perth Convention Centre, The Esplanade, Perth, Western Australia on Thursday, 1 May 2008 at 10.00am (WST) and at any adjournment of that meeting.

## STEP 2 ITEMS OF BUSINESS

**PLEASE NOTE:** If you mark the **Abstain** box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

ORDINARY BUSINESS		For	Against	Abstain
Item 2(a)	Elect Dr Jamieson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2(b)	Elect Mr Megat	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	Adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	Ratification of Employee Share Plans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5	Amendment of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6	Approval of Proposed Transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

## SIGN SIGNATURE OF SECURITYHOLDER(S) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

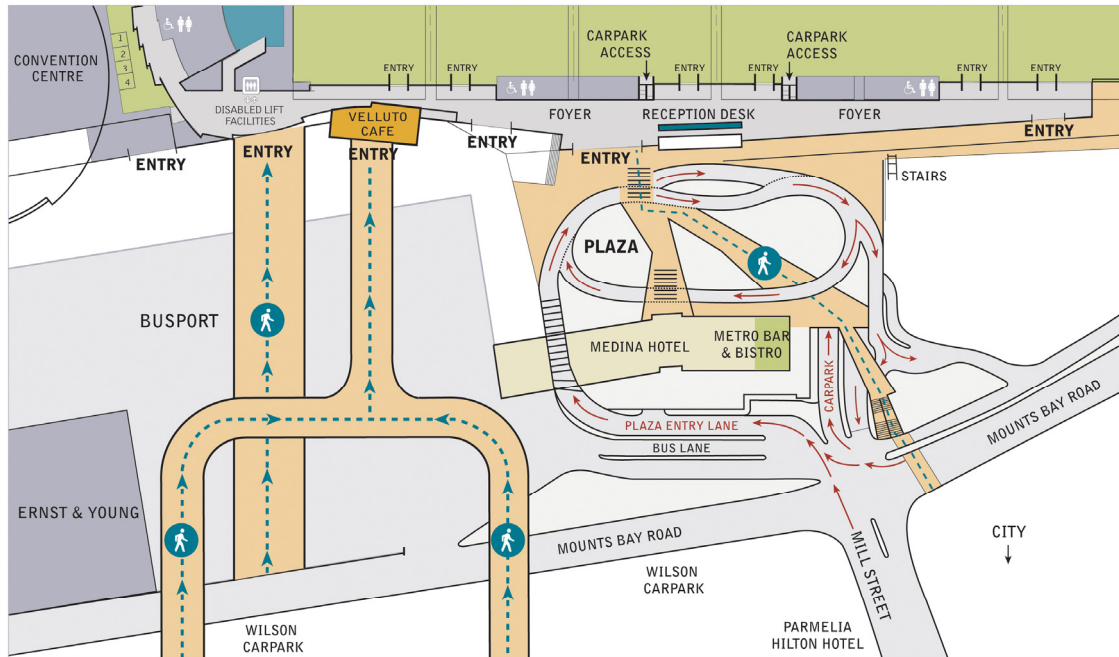
Securityholder 3

Director/Company Secretary

**Change of name and/or address.** If your name and/or address is incorrect, please mark this box and make the correction on this form. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes. *Please note, you cannot change ownership of your securities using this form.*



## Location of the Perth Convention Exhibition Centre (PCEC)



### **PUBLIC TRANSPORT AND PARKING INFORMATION**

#### **Parking**

The PCEC carpark is popular and fills up early. Alternate parking is available at:

#### Wilson Carparking

- The Quadrant – entry via Mounts Bay Road
- Westralia Square – entry via Mounts Bay Road
- Central Park Carpark – entry via 152-158 St Georges Terrace

For more information on Wilson Carparking please call 9481 6244 or visit [www.wilsonparking.com.au](http://www.wilsonparking.com.au).

#### City of Perth Parking

- His Majesty's Carpark – entry via Murray Street

For more information on City of Perth carparks please call 9461 3333 or visit [www.cityofperth.wa.gov.au](http://www.cityofperth.wa.gov.au).

Disabled parking bays are available in the PCEC carpark, with nearby ramp/lift access available. For further information on City of Perth's special facilities within the carpark please call 9464 2844 or email [info.city@cityofperth.wa.gov.au](mailto:info.city@cityofperth.wa.gov.au).

#### **Bus**

Perth's central bus port is located adjacent to the PCEC. For bus timetables and further information, visit [www.transperth.wa.gov.au](http://www.transperth.wa.gov.au).

#### **Train**

The new Esplanade train station is located next to the PCEC. For train timetables and further information visit [www.transperth.wa.gov.au](http://www.transperth.wa.gov.au).