ASX ANNOUNCEMENT
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REPORTED PROFIT INCREASES IN FIRST HALF 2006

Key Points

- **1H 2006 reported profit of A$524.3 million, up 19.9%** compared to the first half 2005 reported profit of A$437.4[(1)] million. Production of 29.9 MMboe was in line with that of the previous corresponding period. The increase in profit was primarily a result of higher commodity prices.
- **Underlying net profit after tax (NPAT) of A$542.9 million, up 24.1%** over the first half 2005 underlying NPAT of A$437.4 million (before significant items).
- **Record 1H oil and gas revenue of A$1,567.9 million and record 1H net operating cash flow of A$908.6 million,** up 26.3% and 34.6%[(2)] respectively**.** These increases were driven by a 32.8% rise in the average realised oil price.
- **Record interim fully franked dividend of 49 cps, up by 14 cps from first half 2005.**
- **1H 2006 exploration spend of A$338.6 million**, up 156.3%. The higher expenditure was largely due to increased exploration activity, primarily due to the newly acquired Gryphon Gulf of Mexico prospects (August 2005), as well as a general increase in drilling rig and seismic vessel rates.
- **Achieved first oil from the Chinguetti project in Mauritania.** Due to reservoir performance, production has not met expectations.
- **Committed to the Vincent Oil project** in March 2006 for planned start-up in 2008.
- In June the **2006 production target was revised from 76 to 72 MMboe.** The revised target represents a 21% increase over last year's production of 59.7 MMboe. 2H production is expected to be around 40% higher than 1H 2006 as new projects come online.

(1) 2005 first-half comparatives have been restated subsequent to the release of IFRIC (D15), which provided further guidance on the treatment of embedded derivatives under AASB 139.
(2) 2005 first-half cash flow comparatives have been reclassified by A$2.5 million from financing activities to operating activities.

FINANCIAL RESULTS

The reported net profit after tax (NPAT) of A$524.3 million for the first half (1H) 2006 is 19.9% higher than the A$437.4 million for the corresponding period in 2005. The 2006 reported net profit after tax includes significant items of -A$18.6 million (after tax). These significant items comprise the realised gain on the sale of Kipper A$31.1 million (after tax) and the unrealised time-value losses on Vincent oil hedges (-A$49.7M after tax).

Excluding these impacts, the underlying 1H 2006 NPAT (before significant items) is A$542.9 million, 24.1% higher than the underlying 1H 2005 NPAT (before significant items) of A$437.4 million.

The overall improvement in profit was largely due to increased revenue from higher realised oil prices. Profit also benefited from the weaker A$ compared to the comparative prior period. These increases were partially offset by the higher level of exploration expense and increases in the costs of production and depreciation due to the start-up of the Chinguetti oil project and the acquisition of the Gryphon Exploration Company in Q3 2005.

Revenues from oil and gas operations were A$1,567.9 million, up 26.3% from A$1,241.5 million in 1H 2005. During the period the US$ realised oil price increased to US$65.42/bbl (up 32.8%).

	1H 2006 A$M[1] AIFRS[2]	1H 2005 A$M[1] AIFRS[2]	Variance %
Production volume (MMboe)	29.9	29.9	-
Sales volume (MMboe)	29.1	30.0	(3.0)
Oil & Gas Revenues	1,567.9	1,241.5	26.3
EBITDAX [3]	1,231.3	865.2	42.3
Exploration and evaluation expensed	(229.4)	(104.8)	118.9
Depreciation and amortization expensed	(207.9)	(124.9)	66.4
EBIT [4]	794.0	635.5	24.9
Net interest received/(expense)	9.4	(0.1)	n.m.[7]
Income tax expense before significant items	(260.5)	(198.0)	31.5
NPAT before significant items	**542.9**	**437.4**	**24.1**
Gain on sale of Kipper interests	31.1	-	n.m.[7]
Time-value losses on Vincent Hedges [5]	(49.7)	-	n.m.[7]
Reported Profit (after significant items)	**524.3**	**437.4**	**19.9**
Interim dividend (c.p.s)	49.0	35.0	40.0
Net Operating Cash Flow	908.6	675.1	34.6
Gearing (%) [6]	30.2	12.8	135.9
Long term debt (US$M)	1,175.0	800.0	46.9
Cash and cash equivalent	181.2	617.1	(70.6)

(1) All amounts are in A$M unless otherwise stated.
(2) The 2006 results and 2005 comparative results, comply with the Australian Equivalents to the International Financial Reporting Standards (AIFRS).
(3) EBITDAX = earnings before interest, tax, depreciation, amortisation and exploration (before significant items).
(4) EBIT = earnings before interest and tax, (before significant items)
(5) Vincent project was approved in March 2006 with first oil planned for 2008. Woodside has hedged some production to more effectively manage the economic risk associated with the project. Zero cost collar derivatives were entered into to hedge Vincent's future oil production. The time value of the put and call options are offset and a difference of minus A$49.7 million after tax was taken to the income statement for 1H 2006.
(6) Gearing = (net debt) divided by (net debt + equity).
(7) n.m. = not meaningful.

PRODUCTION AND SALES

Woodside's production for 1H 2006 was 29.9 million barrels of oil equivalent (MMboe), consistent with the 29.9 MMboe of the previous corresponding period. Production benefited from the start-up of the Chinguetti oil project in February 2006 and Gulf of Mexico production (Gryphon acquisition Q3 2005). However, these benefits were offset by the impacts of cyclones and operational issues at the North West Shelf, Cossack Pioneer, Legendre, Mutineer-Exeter and Laminaria-Corallina projects.

1H 2006 sales volume of 29.1 MMboe was 3% lower than the 30.0 MMboe sold in 1H 2005.

EXPLORATION

Woodside drilled 15 exploration wells in 1H 2006, seven of which encountered hydrocarbons (including one identified subsequent to 1H). A further three wells were drilling at half-year end. This compares to the six exploration wells drilled in 1H 2005.

The 1H 2006 expensed exploration and evaluation amount of A$229.4 million was 119% higher than 1H 2005. The higher expense was primarily the result of a higher overall exploration spend of A$338.6 million in 1H 2006 compared to A$132.1 million in 1H 2005. This expenditure was the result of a larger exploration program, particularly in the Gulf of Mexico, plus higher drilling rig and seismic vessel rates. Rates have risen in response to increased demand during the recent period of higher commodity prices. Approximately 49% of the A$229.4 million was expensed in the Gulf of Mexico and included an amount of A$30.2 million which related to the amortisation of Gulf of Mexico leases.

ROYALTIES, EXCISE and PRRT CHARGES

Royalties and excise charges of A$118.2 million were lower by 20.5%, primarily due to lower sales volumes from Legendre and Cossack fields. Petroleum Resource Rent Tax (PRRT) of A$64.4 million was up 62.9% due to higher commodity prices and revenues.

US$ DEBT AND GEARING INCREASE

Long-term debt at the end of 1H 2006 was US$1,175 million in the form of bilateral loans and three 10-year US$ bonds, up US$375 million from 1H 2005. Gearing, (net debt/(net debt + equity)), at the end of the half-year increased to 30.2% compared with 12.8% at the end of 1H 2005, largely due to the progress of approved growth projects.

DEPRECIATION, AMORTISATION AND RESTORATION

Depreciation, amortisation and restoration increased 66.4% to A$207.9 million due to higher charges associated with the acquisition of Gryphon Exploration Company and the start-up of the Chinguetti oil project.

NET OPERATING CASH FLOW

The record net cash from operating activities of A$908.6 million was 34.6% higher than that of 1H 2005 (A$675.1 million), largely in response to the significantly higher revenue achieved in 1H 2006.

DIVIDEND

A total interim dividend of 49 cents per share fully franked will be paid on 20 September 2006 to all shareholders registered at 1 September 2006. This compares with a total interim dividend in the 2005 corresponding period of 35 cents per share fully franked. The dividend represents a payout ratio of 60% on first-half underlying profits (before significant items).

RESTATEMENT OF COMPARATIVE PERIOD

During 2005, Draft Interpretation D15 was released for comment by the International Financial Reporting Interpretations Committee (‘IFRIC’) which clarified that contract inception, rather than transition to IFRS, was the relevant date to make the determination of whether embedded derivatives require separate recognition.

On transition to IFRS in 2004, gas sales contracts were not typically indexed to certain commodity prices. However, when Woodside’s contracts were originally entered into, indexation to these commodities was commonly used. Therefore, in applying D15, these indices are not embedded derivatives that require separate recognition. Accordingly, embedded derivative assets of A$157 million with a corresponding entry in opening retained earnings initially recognised in the 30 June 2005 half-yearly report, have now been derecognised. This restatement resulted in an increase in revenue from sale of goods (A$9.6 million), a reduction in other income (A$108.2 million), a corresponding reduction in income tax expense (A$29.6 million) and reduction in retained earnings (A$69.0 million) for 1H 2005.

HEDGING

An oil hedging program was undertaken in the first half of 2006, to more effectively manage the economic risk associated with the Vincent oil field development. The oil hedging program comprised a portfolio of zero cost collars. In accordance with AASB139, the time value of the zero cost collars was not included in the hedge designation. Movements in the time value of the zero cost collars are taken to the income statement. It is important to note that the time value recognised in the income statement will reverse to a nil profit impact by the time the zero cost collars are exercised or expire.

1H 2006 OPERATING HIGHLIGHTS

CORPORATE

- **Safety performance** improved by 7% with a total recordable case frequency of 4.2 for every one million hours worked, down from the 4.5 recorded in 1H 2005. Woodside's safety performance was recognised externally in May by winning the Australian Petroleum Production and Exploration Association 2005 Safety Performance Award.

- **Environmental performance** improved by 160% with five reportable environmental incidents compared to 13 in the corresponding period.

AUSTRALIA

- **Vincent oil project.** The US$720 million (Woodside share US$432 million) Vincent oil project was approved in March 2006. First oil from Vincent is planned for 2008, with initial production of about 100,000 bbl of oil per day. Woodside has hedged some production to more effectively manage the economic risk associated with the project.

- **Pluto LNG.** Woodside and Kansai Electric Power Co. signed a Heads of Agreement for the supply of between 1.75 and 2 million tonnes of LNG a year over 15 years.

  After updated interpretations from Pluto-3 and Pluto-4 well appraisal information, the current best estimate dry gas contingent resource (excluding inerts, no allowance for future fuel and flare) was increased to 4.1 Tcf, an increase of 14% over the previously reported number (3.6 Tcf).

- **First LNG Cargo to China.** In May, the NWSV shipped the first LNG cargo to China's first LNG receival terminal at Guangdong in southern China.

- **NWSV Recontracting.** Heads of Agreement were signed between the NWSV and Chugoku Electric Power Co. in March for the supply of between 1.2 and 1.4 million tonnes of LNG per annum for 12 years and in May with Toho Gas Co. Ltd for the supply up to 760,000 tonnes of LNG per annum for 10 years.

- **Enfield project start-up brought forward.** First oil production was achieved at Enfield on 24 July 2006, well ahead of the original Q4 2006 target.

- **Otway gas project.** The project execution is well advanced with start-up scheduled for Q4 2006. Platform construction is near completion and offshore commissioning has started. Offshore drilling activities and onshore gas plant installation is progressing.

- **LNG Phase V Expansion project.** To date about 80% of the project's approved budget has been committed. The project is on schedule for first shipment in Q4 2008. Due to increasing cost pressures, a comprehensive cost review has been initiated and is expected to be completed in Q3 2006.

- **Browse gas development.** Drilling began in June on Brecknock-3, the first of four planned appraisal wells for 2006. During 1H 2006, a number of field studies and technical studies were undertaken to support concept selection, currently scheduled for 2007.

- **Angel project.** Work commenced at both the jacket fabrication site in China and the topsides fabrication site in Malaysia during the first half. The project is on schedule for a Q4 2008 start-up.

AFRICA

- **First production at Chinguetti oil project.** The Chinguetti oil project started production on 25 February 2006, contributing 2,431,735 barrels of crude oil to the company's 1H 2006 production total. With the start-up of Mauritanian production, Woodside now has production from four countries across three continents. Given the lower than expected production from the Chinguetti field to date, the reserves for this field are under review. The initial review of the Chinguetti reserves will be completed in 2H 2006.

- **Libyan exploration drilling campaign begins.** The first Libyan onshore exploration wells in the Sirte and Murzuq basins were drilled in 1H 2006. Both wells encountered hydrocarbons. The hydrocarbon intersections and flows in both these wells are encouraging.

UNITED STATES

- **OceanWay project**. Woodside Natural Gas Inc. announced plans to seek approval for an offshore sea-to-land pipeline that would bring a new secure supply of affordable natural gas to California. Location of the terminal is more than 32 km offshore from Los Angeles International Airport. The proposal has no visible terminal or offshore platform.

2H 2006 OUTLOOK

Production in 2H 2006 is forecast to increase by around 40% from 1H 2006 (29.9 MMboe). The main contributor to this increase is new production from the Enfield project which began on 24 July 2006. Production is also expected to benefit from the start-up of the Otway gas project in Q4, reduced downtime at the North West Shelf operations and from well repairs and interventions at the Cossack Pioneer, Laminaria-Corallina, Legendre and Mutineer-Exeter oil assets.

The revised full-year production target of 72.0 MMboe provides production growth of 21% over last year's production of 59.7 million barrels of oil equivalent.

Notwithstanding the fact that 1H 2006 exploration expenditure was A$338.6 million, Woodside's exploration budget for 2006 still stands at A$507 million. The second-half exploration spend will be lower than 1H 2006 as less drilling is planned and a higher proportion of this expenditure is on lower-cost, onshore wells.

This Announcement, Appendix 4D, Half-Yearly Report and the Investor Briefing presentation is available on our website at www.woodside.com.au.

The Half-Yearly Review will be mailed to shareholders with the interim dividend payment on 20 September, 2006.