

WOOLWORTHS LIMITED A.B.N. 88 000 014 675
**NOTICE OF ANNUAL
GENERAL MEETING 2006**

Notice is hereby given that the eighty-first Annual General Meeting of Members of Woolworths Limited will be held on Friday, 24 November 2006 at the Parkside Auditorium, Sydney Convention and Exhibition Centre, Darling Harbour, Sydney, NSW, commencing at 11.00am.

AGENDA

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 financial period ended 25 June 2006.

2. Remuneration Report

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

“That the Remuneration Report (which forms part of the Directors’ Report) for the financial year ended 25 June 2006 be adopted”.

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

3. Election of Directors

- (a) To elect as a Director Mr Thomas William Pockett, such appointment to take effect at the conclusion of the Annual General Meeting.
- (b) To re-elect as a Director Mr John Frederick Astbury who retires by rotation in accordance with Article 10.3 of the Company’s Constitution and being eligible offers himself for re-election.
- (c) To elect as a Director Mr Stephen Mayne, such appointment to take effect at the conclusion of the Annual General Meeting.
- (d) To elect as a Director Mr Michael Gerard Luscombe who retires in accordance with Article 10.10 of the Company’s Constitution and being eligible offers himself for election.
- (e) To re-elect as a Director Mr James Alexander Strong who retires by rotation in accordance with Article 10.3 of the Company’s Constitution and being eligible offers himself for re-election.

*Note: There are five candidates standing for four available Board positions. Shareholders may vote in favour of up to four candidates. Votes in favour of five candidates will be **invalid**. Shareholders may vote against as many candidates as they wish. Refer to pages 4-6 of the Explanatory Notes for information regarding how voting on Resolutions 3(a) to (e) will be determined.*

Special Business

4. Executive Directors' Options

(a) Group Managing Director's Options

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

"That the grant to the Group Managing Director and Chief Executive Officer of the Company, Mr Michael Luscombe, of up to a maximum of 1,500,000 options to subscribe for ordinary shares in the Company, such options to be granted pursuant to the Woolworths Long Term Incentive Plan ("Plan") in accordance with the terms of the Plan and as described in the Notes accompanying the Notice of Annual General Meeting convening this meeting, be approved for all purposes including for the purpose of ASX Listing Rule 10.14".

(b) Director of Finance's Options

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

"That the grant to the Director of Finance, Mr Thomas William Pockett of up to a maximum of 750,000 options to subscribe for ordinary shares in the Company, such options to be granted pursuant to the Plan in accordance with the terms of the Plan and as described in the Notes accompanying the Notice of Annual General Meeting convening this meeting, be approved for all purposes including for the purpose of ASX Listing Rule 10.14".

Note: If shareholders approve Resolutions 4(a) and (b), a maximum of 1,500,000 Options will be issued to Mr Luscombe and a maximum of 750,000 Options will be issued to Mr Pockett by no later than three years after the passing of this resolution. It is anticipated that the first grant of Options to Mr Luscombe and Mr Pockett under the Plan will be made in 2006 (the "2006 Grant"). The maximum number of Options that will be granted to Mr Luscombe and Mr Pockett under the 2006 Grant will be determined by the Directors, but will not exceed 500,000 in the case of Mr Luscombe, and 250,000 in the case of Mr Pockett. Refer to pages 6-8 of the Explanatory Notes for more information regarding the proposed 2006 Grant.

5. Adoption of New Constitution

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

"That the Constitution of the Company is repealed and the Constitution in the form tabled at the meeting and initialled by the Chairman for the purposes of identification, is adopted as the Constitution of the Company, with effect from the close of this meeting."

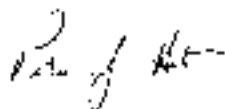
Voting Exclusion Statement

The Company will disregard any votes cast on Resolutions 4 (a) or (b) by any of the Directors (except a Director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associate of a Director. However, the Company need not disregard a vote if:

- (a) it is cast by a Director or an associate of a Director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a Director who is chairing the meeting 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.

Dated: 11 October 2006

By order of the Board



P J Horton
Company Secretary

Eligibility to Vote

Regulation 7.11.37 of the *Corporations Regulations 2001* permits the Company to specify a time, not more than 48 hours before the meeting, at which a 'snapshot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting.

The Company's Directors have determined that all shares of the Company that are quoted on ASX at 7.00pm (Sydney time) on Wednesday 22 November 2006 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the shares at that time.

This means that any person registered as the holder of an ordinary share in the capital of the Company at 7.00pm (Sydney time) on Wednesday 22 November 2006, is entitled to attend and vote at the Annual General Meeting in respect of that share.

Proxies

A Member entitled to attend and vote is entitled to appoint not more than two proxies.

A proxy need not be a Member of the Company. A Member who is entitled to cast two or more votes may appoint two persons and may specify the proportion or number of votes which each proxy is appointed to exercise.

If you wish to appoint a proxy, you can use the Proxy Form accompanying this Notice.

You can also submit your proxy appointment online by visiting the webpage: www.computershare.com/au/proxy/wow. To use this online facility, you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode, as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website. A proxy cannot be appointed electronically by a person appointed by a shareholder under a Power of Attorney or similar authority.

The online proxy facility may not be suitable for some members who wish to split their votes on an item of business or appoint two proxies with different voting directions. Please read the instructions for the online proxy facility carefully before you lodge your proxy using this facility.

On a show of hands, every person present and qualified to vote shall have one vote. If you have appointed a proxy and the proxy appointed is also a Member, or a proxy for another Member, any direction to the proxy on how to vote may not be effective on a show of hands. Your directions will be effective if a poll is held.

To be effective, your online proxy appointment must be lodged through the above webpage by no later than **48 hours prior to the Meeting**.

To be effective, your Proxy Form and the Power of Attorney or other authority (if any) under which it is signed or a copy of the Power of Attorney or other authority, certified as a true copy by Statutory Declaration, must be received no later than **48 hours prior to the Meeting** by Woolworths' Share Registrar, Computershare Investor Services Pty Limited, (using the reply paid envelope enclosed) or by facsimile to (03) 9473 2118 or at the Registered Office of Woolworths Limited, 1 Woolworths Way, Bella Vista NSW 2153.

Explanatory Notes

1. Financial statements and reports

As required by section 317 of the *Corporations Act 2001* (Cth), the Financial Report, Directors' Report and Auditor's Report of the Company and the consolidated entity for the most recent financial year will be laid before the meeting. Shareholders will be provided with the opportunity to ask questions about the reports.

There is no requirement for a formal resolution on this item. Accordingly, there will be no formal resolution put to the meeting.

2. Remuneration Report

The Company's Remuneration Report for the period ended 25 June 2006 is set out on pages 42 to 57 of the 2006 Annual Report and is also available on Woolworths' website at www.woolworthslimited.com.au.

The Remuneration Report includes an explanation of the Company's remuneration policy and the remuneration arrangements in place for Directors and certain senior executives whose remuneration arrangements are required by law to be disclosed.

The Remuneration Report also details the decision by the Directors to cease the ongoing accrual of benefits under Retirement Deeds, which were approved by shareholders in November 1998 and entitled each non-executive Director (appointed prior to January 2004) to receive an allowance on retirement as a Director after a minimum period of service. Accruals ceased on 1 August 2006, and the benefits accrued to that date will be indexed by reference to the 90 Day Australian Bank Bill Swap Reference Rate and may be rolled into a defined benefit superannuation fund.

At Woolworths, all of our employees play an important role in delivering the Company's financial performance and our remuneration policies have been developed to provide market competitive

remuneration in order to sustain Woolworths' competitive advantage and protect the interests of shareholders.

Woolworths has an achievement and performance oriented culture which our remuneration policies serve to drive and support. In recognising the importance of our people to our success, in excess of 46,000 current Woolworths employees participate in various equity-based schemes, sharing in the Company's success and aligning their interests with that of other shareholders. Remuneration policy is aligned with both our financial and strategic business objectives and recognises that people are a major contributor to sustained improvements in performance.

Woolworths' remuneration policy for all executives ensures:

- remuneration is market competitive and designed to attract, motivate and retain key executives;
- demanding performance measures are applied to both short and long-term "at risk" remuneration;
- short-term performance is linked to both financial and non-financial performance measures; and
- long-term performance is measured through shareholder value creation.

In summary, the Remuneration Report:

- explains the Board's policy for determining the nature and amount of remuneration of Directors and senior managers of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- details and explains any performance conditions applicable to the remuneration of Directors and senior managers of the Company; and
- sets out remuneration details for each Director and the five specified senior executives of the Company (including the value of any options granted to those persons).

As required by the *Corporations Act 2001* (Cth), a non-binding resolution to adopt the Remuneration Report is to be put to shareholders at the meeting. The vote on this resolution is advisory only and does not bind the Directors or the Company.

The Directors recommend that shareholders vote in favour of the resolution to adopt the Remuneration Report.

3. Retirement and election of Directors

In accordance with Article 10.3 of the Company's Constitution, which provides for the retirement by rotation at each annual general meeting of one-third of the Directors and in accordance with Australian Stock Exchange Limited Listing Rule 14.4, which

prohibits Directors from holding office (without re-election) past the third annual general meeting following the Director's appointment or three years, whichever is longer, Mr James Strong and Mr John Astbury are to retire at the Annual General Meeting on 24 November 2006 ("Annual General Meeting").

In accordance with Article 10.5 of the Company's Constitution, both Mr Strong and Mr Astbury are eligible for re-election and have submitted themselves for re-election at the Annual General Meeting.

In accordance with Article 10.9, of the Company's Constitution, Mr Michael Luscombe has been appointed as a Director, as an addition to the existing Directors.

In accordance with Article 10.10 of the Company's Constitution, Mr Luscombe is eligible for election and has submitted himself for election at the Annual General Meeting.

Mr Pockett is not currently a Director but being eligible for election, and having been nominated by the Board, has submitted himself for election at the Annual General Meeting. If elected, his appointment will take effect at the conclusion of the Annual General Meeting.

In addition to the candidates set out above, an external candidate, Mr Stephen Mayne, seeks election to the Board. Mr Mayne is not currently a Director but being eligible for election, has submitted himself for election at the Annual General Meeting. If elected, his appointment will take effect at the conclusion of the Annual General Meeting.

The Board's policy on Board composition is to ensure that the Board comprises an appropriate mix of skills so as to provide the necessary breadth and depth of knowledge and experience which is required to meet the Company's responsibilities and objectives.

There are five candidates standing for four available Board positions. Accordingly, if more than four candidates receive more votes "for" than "against", only the four candidates who receive the greatest number of votes "for" will be elected to the Board.

The manner in which candidates are listed in this notice and on the proxy form has been determined by the auditor conducting a ballot. This item of business will be determined by a poll.

The following voting system will be adopted in relation to Resolutions 3(a) to (e):

- Shareholders may vote in favour of up to four candidates. If a Shareholder votes in favour of all five candidates then all their votes will be **invalid**.
- Shareholders may vote against as many candidates as they wish.
- To be elected, a candidate must receive more votes in favour of their election than against.

- If more than four candidates receive an excess of votes in favour over votes against, the four candidates with the most votes in favour will be elected (votes against the candidates will be disregarded for this part of the count).

Mr James Strong, Chairman, and the other Directors, intend to vote open proxies given to them “against” the election of Mr Mayne and “for” the election of Messrs Strong, Astbury, Luscombe and Pockett.

Details of the candidates are set out below:

Thomas William Pockett

Director of Finance

Mr Pockett was educated in Sydney receiving a Bachelor of Commerce degree from the University of New South Wales. He is a member of the Group of 100 and was the National President from August 2000 to January 2003. He is an Australian Chartered Accountant (ACA) and was a member of the Financial Reporting Council from March 2003 to March 2006.

He joined Woolworths Limited as Chief Financial Officer in August 2002. He previously held the position of Deputy Chief Financial Officer at the Commonwealth Bank of Australia. Prior to his role with the CBA he was with Lend Lease Corporation. Whilst at Lend Lease he held several senior finance roles in different companies across the Lend Lease Group including Property and Financial Services with his last position before moving being General Manager Finance for Lend Lease Corporation.

Prior to Lend Lease he was with Chartered Accounting firm Deloitte. Age 48.

John Frederick Astbury FAICD

Chairman Audit Committee and Member, Corporate Governance Committee

Mr Astbury is also a Director of AMP Limited since September 2004 and of IAG Limited since April 2001. He was previously Finance Director of Lend Lease Corporation Limited and a Chief General Manager, National Australia Bank Limited. He had a long career in banking and financial services in both the UK and Australia.

Mr Astbury was appointed a Director of Woolworths Limited in January 2004. Age 62.

Stephen D Mayne

The following statement is based on information provided by Mr Mayne with his nomination.

Stephen Mayne is a Walkley Award-winning business journalist and a retail corporate governance campaigner. He founded the independent website www.crikey.com.au, and is a co-founder of People Power, a new political party which campaigns for greater accountability in public life. He has stated

that he is standing on a platform that Woolworths divests its gambling interests, notably approximately 6,000 poker machines operated by its 75%-owned subsidiary ALH Group Pty Ltd (and ALH's wholly-owned subsidiaries), in the interests of greater corporate social responsibility. It is Mr Mayne's belief that a company such as Woolworths should not be Australia's largest operator of poker machine venues due to what Mr Mayne considers to be the social damage they cause.

Mr Mayne received a Bachelor of Commerce degree from the University of Melbourne. Age 37.

Michael Gerard Luscombe

Chief Executive Officer and Managing Director

Mr Luscombe is a graduate of Monash University and Monash Mt Eliza Business School. In 1992, as a graduate of the Victorian Community Leadership Programme, he was made a Williamson Fellow.

Mr Luscombe is a long-term employee of Woolworths. His career extends over twenty-eight years starting as a Management Trainee in Woolworths Victoria.

He was appointed Chief Executive Officer and Managing Director on 1 October, succeeding Mr Roger Corbett. Mr Luscombe was appointed Chief Operating Officer in June 2006, having been Director of Supermarkets since September 2004. Prior to that Mr Luscombe held positions as Chief General Manager Supermarkets, Buying and Marketing, General Manager Supply Chain, General Manager Buying Long Life Products for Supermarkets, Safeway Merchandising and Marketing Manager, Senior Category Manager, Safeway Retail Operations Manager, Area Manager, Training and Development Manager, and Store Manager.

Mr Luscombe was appointed a Director of Woolworths Limited in June 2006. Age 53.

James Alexander Strong

Chairman. Member Corporate Governance Committee, Audit Committee and Personnel Policy Committee

Mr Strong is currently Chairman of Insurance Australia Group Limited (IAG), Rip Curl Group Pty Ltd and the Australia Council for the Arts. He is also a Director of Qantas Airways Limited. Mr Strong is also a member of the boards of various sporting organisations.

He was the Chief Executive and Managing Director of Qantas Airways Limited until March 2001, and previously the Chief Executive of Australian Airlines Limited, Managing Partner and National Chairman of Corrs Chambers Westgarth Solicitors and Group Chief Executive of DB Group Limited (New Zealand).

He was appointed a Director of Woolworths Limited in March 2000 and Chairman in April, 2001. Age 62.

The Directors, having conducted an assessment of the performance of each of Mr Strong and Mr Astbury, believe that it is in the interests of shareholders that each candidate be re-elected as a member of the Board, and recommends (with Mr Strong and Mr Astbury abstaining from voting in respect of his own appointment) that you vote in favour of each corresponding resolution.

The Directors recommend that Mr Luscombe and Mr Pockett be elected as members of the Board, and recommend (with Mr Luscombe abstaining from voting in respect of his own appointment) that you vote in favour of the corresponding resolutions.

Having regard to the scale and complexity of the Company's business, each Director believes that Mr Mayne does not have the experience and skill required of a Director of Woolworths Limited. Therefore, each Director believes that it is not in the best interests of shareholders that Mr Mayne be elected, and recommends that shareholders vote against the corresponding resolution.

The following table summarises the Director's recommendations in relation to voting on the election of candidates to the Board, as detailed above:

Candidate	Candidates whom the Directors recommend you vote FOR	Candidates whom the Directors recommend you vote AGAINST
Thomas William Pockett	•	
John Frederick Astbury	•	
Stephen D Mayne		•
Michael Gerard Luscombe	•	
James Alexander Strong	•	

4. Executive Directors' Options

The purpose of Resolutions 4(a) and (b) is to approve the grant of up to 1,500,000 options ("Options") to the Company's Group Managing Director and Chief Executive Officer ("CEO"), Mr Luscombe and the grant of up to 750,000 options to the Company's Director of Finance, Mr Pockett, under the Woolworths Long Term Incentive Plan ("Plan"). Resolution 4(b) is being put to shareholders in anticipation of Mr Pockett being elected to the Board (refer to Explanatory Notes relating to Resolution 3), and being a Director at the grant date of the Options.

The Plan was approved by shareholders in November 2004 and includes four separate sub-plans. The sub-plans relate to Options, Performance Rights, Performance Shares and Awards respectively.

Subject to approval by members, the Board proposes that Options will be issued to Mr Luscombe and Mr Pockett under the Plan and on the terms summarised below. In the Board's view, the hurdles which must be satisfied before the Options are exercisable link the ultimate value of the Options to the continued growth in the Company's earnings and further improvements in total shareholder returns. They will also provide a major incentive for both Mr Luscombe and Mr Pockett to ensure that the Company will continue its superior performance.

It should be noted that the issue of options to senior executives is a well established and standard component of the Company's remuneration structures. The Directors, other than Mr Luscombe in view of his personal interest in the resolutions, believe it is appropriate to grant Mr Luscombe and Mr Pockett the Options under the Plan.

Summary of the Option Sub-plan

A summary of the key features of the long-term incentive arrangements for the grants of Options to eligible Employees (including Executive Directors) under the Plan is set out below. A grant of Options to a particular Employee is subject to the Plan Rules and the terms of the specific grant.

Invitation to Participate – selected Employees will be invited to apply for up to a specified number of Options.

Options are Non-transferable – an Option granted to an Employee is not transferable, except with express approval or by force of law on death or legal incapacity.

Exercise Price – the exercise price will be the amount determined by the calculation of the volume weighted average price of the Company's Shares traded on the five trading days prior to the effective grant date ("Effective Date") of the Options.

Performance Hurdles – the Board has determined that the vesting or exercise of Options is to be conditional on the achievement of performance hurdles set out in the terms of the specific grant.

Proposed Grant of Options to Mr Luscombe and Mr Pockett

Initial grant

It is anticipated that the first grant of Options to Mr Luscombe and Mr Pockett under the Plan will be made in 2006 (the "2006 Grant"). The maximum number of Options that will be granted to Mr Luscombe and Mr Pockett under the 2006 Grant will be determined by the Directors, but will not exceed 500,000 in the case of Mr Luscombe, and 250,000 in the case of Mr Pockett.

Maximum number of Options issued under the Plan

The maximum number of Options that may be acquired by all participants under the Plan for whom shareholder approval is required is 2,250,000.

Price

The Options will be issued at no cost to Mr Luscombe and Mr Pockett. The Options will be exercisable, subject to the vesting and exercise conditions described below being met, at a price per Option of:

- in relation to Options in the 2006 Grant, \$19.47, being the volume weighted average price of the Company's shares traded on the ASX on the five trading days prior to 1 July 2006; and
- in relation to Options granted after the 2006 Grant, an amount that is the volume weighted average price of the Company's shares traded on the ASX on the five trading days prior to the Effective Date of those Options.

Performance Hurdles for the 2006 Grant

Performance Hurdles applicable to both Mr Pockett and Mr Luscombe

Details of the current performance hurdles that will apply to all of the Options granted to Mr Pockett and to at least 50% of the Options granted to Mr Luscombe in the 2006 Grant, are set out below. It is anticipated that the performance hurdles for Options granted to Mr Pockett in 2007 and 2008, and at least 50% of the Options granted to Mr Luscombe in those years, will be made on similar terms (although this has not been finally determined).

The performance hurdles that will apply to the remainder of the Options granted to Mr Luscombe in the 2006 Grant are detailed on page 9.

For the avoidance of doubt, references in this section to the "total grant" or "total number of Options" should be read in the case of Mr Luscombe as references to the 50% or more of his Options that will be subject to these hurdles.

Options granted to Eligible Executives will be issued on the basis of Earnings Per Share ("EPS") performance hurdle vesting conditions for 50% of the total number of Options granted and a Total Shareholder Return ("TSR") performance hurdle vesting condition for the remaining 50% of the Options granted.

Options will vest in five tranches, each of which has different performance hurdles. Options in Tranches 1 and 2 vest four years after the Effective Date provided the performance hurdles are met. Options in Tranches 3 to 5 vest five years after the Effective Date, provided the performance hurdles are met.

Vested Options may only be exercised after the fifth anniversary of the Effective Date unless the early exercise provisions of the Rules apply (see below). All unexercised Options lapse on the expiry date (which is five years and six months after the Effective Date). These exercise conditions and the performance hurdles for vesting are summarised in the following table.

Tranche	Percentage of Options in total grant that vest	Performance hurdle to be achieved	Exercise period
Tranche 1	12.5%	Average annual EPS growth of 10% p.a. over 4 years	From the fifth anniversary of the Effective Date to the expiry date
Tranche 2	12.5%	Average annual EPS growth of 11% p.a. over 4 years	From the fifth anniversary of the Effective Date to the expiry date
Tranche 3	12.5%	Average annual EPS growth of 10% p.a. over 5 years	From the fifth anniversary of the Effective Date to the expiry date
Tranche 4	12.5%	Average annual EPS growth of 11% p.a. over 5 years	From the fifth anniversary of the Effective Date to the expiry date
Tranche 5	12.5% – 50%	TSR hurdle	From the fifth anniversary of the Effective Date to the expiry date

Earnings Per Share Performance Hurdle for Vesting

The performance hurdles for the Options comprised in Tranches 1 to 4 (representing 50% of the total grant) are based on the growth of Woolworths' Earnings Per Share from one financial year to the next.

Of the Options comprised in Tranches 1 and 2, the number of Options that will vest at the end of four years from the Effective Date will be as follows:

- (Tranche 1): if the average annual EPS growth over the period from the Effective Date to the fourth anniversary of the Effective Date is at least 10% per annum compounded, 12.5% of the total grant of Options vest; and
- (Tranche 2): if the average annual EPS growth over the period from the Effective Date to the fourth anniversary of the Effective Date is at least 11% per annum compounded, an additional 12.5% of the total grant of Options vest.

Of the Options comprised in Tranches 3 and 4, the number of Options that will vest at the end of five years from the Effective Date will be as follows:

- (Tranche 3): if the average annual EPS growth over the period from the Effective Date to the fifth anniversary of the Effective Date is at least 10% per annum compounded, 12.5% of the total grant of Options vest; and
- (Tranche 4): if the average annual EPS growth over the period from the Effective Date to the fifth anniversary of the Effective Date is at least 11% per annum compounded, an additional 12.5% of the total grant of Options vest.

Earnings Per Share is the non-dilutive EPS which will be measured as the net profit after outside equity interests divided by the weighted average number of Shares on issue (where the closing balance of Shares on issue includes ordinary Share issues and dividend reinvestment plan issues) over the relevant period.

Total Shareholder Return Performance Hurdle for Vesting

The performance hurdle relating to Tranche 5 (representing the remaining 50% of the grant) is based on the relative growth in the Woolworths' Accumulative Index (which is a measurement of Woolworths' TSR), over the period of five years from the Effective Date, compared with the TSR growth of a peer group of comparable companies. If growth in the Woolworths' Accumulative Index equals or exceeds the nominated percentile ranking of TSR growth of the peer group of companies, Options will vest in accordance with the table below.

For the purposes of this calculation, the peer group

will be the constituent companies (from time to time) of the Accumulation Index which is prepared by reference to the S&P/ASX 100 Industrial Index (excluding companies in the ASX Banks and Finance Accumulation Index, ASX Resources and ASX Trusts and any companies that have merged, had a share reconstruction or been delisted as at the measurement date), collectively referred to as the "Comparator Companies".

Broadly, TSR measures growth in a company's share price plus dividends notionally reinvested in the company's shares.

For the purpose of measuring TSR performance, a three-month smoothing period will be used to eliminate market volatility. Using the Accumulation Index, the Comparator Companies will be ranked with the company with the highest TSR figure having the highest ranking and the other companies ranked below it according to their respective TSR figures, in descending order.

The number of Options in Tranche 5 which vest depends upon Woolworths' TSR figure relative to the percentile performance of the Comparator Companies, as follows:

Woolworths TSR equals or exceeds the following percentile of the Comparator Companies	Percentage of Options in total grant that vest
60th percentile	12.5%
65th percentile	25.0%
70th percentile	37.5%
75th percentile	50.0%

Where Woolworths' TSR falls between two of the stated percentiles, the percentage of Options that become vested will be pro rata on the basis of the Woolworths' TSR performance.

Performance Hurdles applicable to Mr Luscombe only

Up to 50% of the Options granted to Mr Luscombe under the 2006 Grant will be subject to different performance hurdles to those specified above. While the performance hurdles for each Tranche will be of a similar nature, they will need to be achieved over a **three-year period** (rather than the four-year period that applies to Tranches 1 and 2 above, and the five-year period that applies to Tranches 3 to 5 above). In addition, any Options which vest in Mr Luscombe under these varied hurdles will be exercisable from the **third** anniversary of the Effective Date (rather than from the fifth anniversary of the Effective Date, which applies to the other Options).

The performance hurdles that will apply to up to 50% of Mr Luscombe's Options in grants made during 2007 and 2008 have not yet been determined.

Other terms of the Options

Exercise of Options – the Board will prescribe a date or dates on which Options become exercisable. On or after the prescribed date, and provided any other vesting or exercise conditions prescribed by the Board have been achieved, the Employee may acquire that number of the Shares by exercising the same number of Options. An Option will expire if it is not exercised within the life of the Option.

Early Exercise – early exercise of the Options may be permitted at the discretion of the Board, or its delegate, if the Employee ceases employment with any participating Woolworths Group company (“Participating Company”) in circumstances such as death, retirement, ceasing employment because of illness, incapacity, redundancy or where otherwise permitted by the Board or its delegate. Early exercise of Options may also be permitted on a takeover, scheme of arrangement, or winding up of Woolworths, subject to Board or its delegate’s approval.

Unexercised Options of Employees whose employment is terminated for cause may only be exercised if permitted at the discretion of the Board or its delegate.

Entitlement on Exercise – on exercise of Options, Woolworths will issue the Shares resulting from the exercise of Options to the person exercising the Options.

Reconstruction and Bonus Issues – an Employee’s entitlement to Shares under an Option will be adjusted to take account of capital reconstructions and bonus issues as if the Option had been exercised before the determination of entitlements in respect of those issues.

Restriction on Disposal of Shares – the Board may impose a restriction on disposal of Shares issued on exercise of an Option.

Other information relating to the proposed grant of Options

ASX Listing Rule 10.14 provides that a listed company must not permit a Director to acquire Shares or rights to Shares under an employee incentive scheme without the approval of shareholders by ordinary resolution.

In accordance with Listing Rules 10.14 and 10.15, the following additional information is provided for shareholders:

- No Director other than Mr Luscombe and Mr Pockett is eligible to participate in the issue of Options under the Woolworths Long Term Incentive Plan the subject of resolutions 4(a) and (b). No Director has received any grants of Options

under the Plan since the Plan was approved by shareholders.

- Upon satisfaction of the relevant vesting conditions as referred to above, each of Mr Luscombe and Mr Pockett will be entitled to exercise each Option and be issued with one fully paid ordinary share in the Company (subject to the terms of the issue of the Options relating to capital reconstructions of the Company and other matters required by the Listing Rules).
- No loan will be provided by the Company in relation to the grant or exercise of the Options.
- If shareholders approve resolution 4(a) and (b) a maximum of 1,500,000 Options will be issued to Mr Luscombe and a maximum of 750,000 Options will be issued to Mr Pockett by no later than three years after the passing of this resolution.
- Any new member of the Board will not be issued Options under the Plan until further shareholder approval is obtained under the relevant ASX Listing Rules.
- Details of Options or Shares issued under the Plan in any financial year will be published in the Company’s Annual Report along with confirmation that the issue was approved by shareholders in accordance with ASX Listing Rule 10.14.

The Acceleration of Vesting

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a board or managerial office in the company or a related body corporate if it is approved by shareholders or an exemption applies. Accordingly, approval is also sought for any benefit which Mr Luscombe and Mr Pockett may receive under the Plan on termination of their employment (for example, if they are totally and permanently disabled).

The Directors other than Mr Luscombe recommend that shareholders vote in favour of Resolutions 4(a) and (b). Mr Luscombe does not give a recommendation in view of his personal interest in the resolutions.

5. Adoption of new Constitution

Since adoption, the Company’s Constitution has been amended from time to time. While there have been some amendments to address specific changes in the law, it has not been updated in a substantial fashion.

Having regard to the time which has elapsed since the Constitution was adopted, and the specific nature of the subsequent changes, the Directors considered that it was in the interests of good governance to undertake a comprehensive review of the Constitution. As a result of that review, it is proposed

to update the Constitution in a cohesive fashion, having regard to current law and practice, and recent amendments to the *Corporations Act 2001* ("Act") and the ASX Listing Rules.

As some of those changes to the Constitution (such as changes in terminology) would affect a substantial number of Articles, it is proposed to adopt a new Constitution, rather than amend the existing document.

The majority of the changes introduced under the new Constitution are administrative in nature, and on this basis, the Company does not believe they will have a significant impact on shareholders. To assist shareholders, a summary of the more significant changes are set out below. (Unless indicated to the contrary, references to Articles below are references to Articles in the proposed replacement Constitution.)

Share qualification of Directors (Article 10.15)

Under Article 10.8 of the current Constitution, each Director at the time of his or her appointment and while holding office as a Director, must be the registered holder or beneficial owner (whether alone or jointly with another person) of at least 5,000 fully paid ordinary shares in the Company.

Having regard to the current remuneration policy for Directors and the significant increase in the value of the Company's shares in recent years, it is proposed to amend the constitutional requirement that all Directors hold at least 5,000 shares. Instead a new Article 10.15 will enable the Board to determine policies on share ownership for non-executive Directors from time to time. The Directors consider that the increased flexibility of this provision will allow the Directors to better reflect the interests of the Company, by ensuring that non-executive Directors have an equity interest in the Company which is appropriate for the Company and the circumstances of the Directors from time to time. It is proposed that initially, the Board will adopt a policy that requires non-executive Directors to satisfy a share qualification of 5,000 shares in the Company, which may be held either personally, or through a personal superannuation fund.

Remuneration of Directors (Article 10.8)

In addition to the existing powers relating to Director remuneration, the new Constitution will:

- make it explicit that remuneration is provided wholly in cash unless the board, with agreement of the Director concerned, determine that part is to be satisfied in the form of non-cash benefits, including the purchase of shares or the grant of options to subscribe for shares. The sum determined by the Company in general meeting does not include

remuneration (whether in the form of share, option or other equity plans) which has been separately approved by the Company in general meeting, or which is not required to be approved by the Company in general meeting under the Listing Rules;

- provide that in making the determination above, the Directors may fix the value of any non-cash benefit; and
- make it explicit that the Director's remuneration accrues from day to day, except for any non-cash benefit which is taken to accrue at the time the benefit is provided, subject to the terms on which the benefit is provided.

These changes are consistent with the more flexible share qualification provision referred to above.

In relation to superannuation contributions, it is intended to include a new Article 10.9 which provides that, if required by law, the Company may make contributions to a fund for the purpose of making provision for or obtaining superannuation benefits for a Director. A contribution made by the Company under this article will not be remuneration to which any limit on total remuneration under Article 10.8 applies, provided the contribution is excluded from the amount approved by shareholders under the Listing Rules.

Indemnity and Insurance provided to Directors and Officers (Article 20)

The new Constitution will also have an updated provision relating to the insurance for, and indemnification of, Directors. In particular, it is proposed to extend the existing Article in the Constitution to permit indemnification and insurance to be provided to officers of the Company generally (whereas the existing Article is limited to current or former Directors or Secretaries of the Company).

The changes are also intended to ensure that the Article will be consistent with the proposed amendment to the Trade Practices Act (which have yet to be enacted at the date of this notice) and any other future Australian legislation which may restrict how the Company indemnifies its officers, by ensuring that the provisions are those which are permitted by Australian legislation in force from time to time.

Electronic Notices of Meeting (Article 8.3)

The new Constitution will expressly enable the Company to provide notices of general meetings to shareholders electronically, and reflects the current provisions of the Corporations Act. Where a shareholder elects to receive notices electronically, the Company proposes to send electronic notices of meeting to them.

Retirement and Election of Directors (Article 10.3)

It is proposed to replace the existing clauses which provide for the rotation of one-third of Directors at each annual general meeting with an updated clause which more closely reflects the three-year rotation requirements set out in Listing Rules 14.4 and 14.5, and current corporate practice. The Listing Rules require Directors to retire at the third annual general meeting after their appointment or after three years, whichever is longer. It is proposed to remove the additional requirement in the current Constitution for a third of the Directors to retire each year. This is expected to have little practical impact.

Proportional Takeover Provisions in the Constitution (Articles 6.9 to 6.14)

At the annual general meeting of the Company held on 21 November 2003, shareholders approved the proportional takeover approval provisions in Articles 5.12 to 5.19 of the Company's current Constitution which provide that a transfer of shares resulting from a proportional takeover bid made for shares in the Company cannot be registered unless the shareholders in general meeting approve the bid. This followed shareholder approval of the insertion in the Company's Constitution of the same provisions at the 1998 and 2000 annual general meetings.

Under the Act proportional takeover approval provisions must be renewed by shareholders every three years or otherwise they lapse and cease to apply. The proportional takeover approval provisions which are contained in Articles 5.12 to 5.19 of the Company's current Constitution were last approved by shareholders on 21 November 2003 and hence will cease to apply from 20 November 2006. The Directors consider that it is in the interests of the Company's shareholders to have proportional takeover provisions in the Constitution and shareholders are asked to affirm the continued operation of Articles 5.12 to 5.19 inclusive, in materially the same terms, as Articles 6.9 to 6.14 of the new Constitution. Articles 6.9 to 6.14 of the new Constitution will cease to apply after three years unless renewed by shareholders in general meeting.

Effect of proposed provision:

If Articles 6.9 to 6.14 are approved upon adoption of the new Constitution and a proportional takeover bid is made for a class of shares in the Company, the Directors will be required to either convene a general meeting of shareholders in that class to vote on a resolution to approve the proportional takeover bid or to conduct a postal ballot to approve the proportional takeover bid. The resolution must be voted on at least 14 days before the bid closes. The bidder and any associates will be excluded from voting.

If the resolution is rejected by shareholders, then the bid will be deemed to be withdrawn and registration of any shares resulting from the proportional bid will be prohibited. Acceptances will be returned and any contracts formed by acceptances will be rescinded.

If the resolution is approved, transfers of shares to the bidder will be registered provided they comply with other provisions of the Company's Constitution.

If no resolution is voted on at least 14 days before the close of the bid then a resolution to approve the bid will be deemed to have been passed in accordance with these provisions.

In accordance with section 648G of the Act, the provisions of the proposed Articles will expire three years from the date of the Annual General Meeting, unless previously renewed by shareholders by special resolution.

Reasons for proposing resolution:

Part 6.5 Division 5 of the Act permits a company to include proportional takeover approval provisions in its constitution. A proportional takeover bid is a bid to buy a specified portion of each shareholders shares.

The Directors consider that it is in the interests of the Company's shareholders to have a proportional takeover approval rule in its Constitution as it gives shareholders the opportunity to vote on a proposed proportional takeover bid. If the proposed proportional takeover bid were not subject to such a vote, control of the Company may be acquired by a party holding less than a majority stake without shareholders having the opportunity to dispose of all their shares. This leaves shareholders at risk of becoming part of a minority interest in the Company, which would result in them suffering a decrease in the value of their shareholding as the reduced opportunities to dispose of their remaining shares would lead to lower prices for the Company's shares.

The proposed provisions give shareholders the opportunity to decide whether a proportional takeover bid should proceed. If it does proceed, individual shareholders can make a separate decision as to whether they wish to accept the bid for the specified proportion of their shares.

Present acquisition proposals:

At the date of this Notice of Meeting, none of the Directors is aware of any proposal by a person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages:

The proposed provisions are considered advantageous as they will enable the Directors to ascertain the views of shareholders on any provisional takeover bid. Apart from this, there is no specific advantage or

disadvantage for Directors, as directors, on inserting the proportional takeover approval provisions.

The provisions could make it easier for Directors to discharge their fiduciary and statutory duties to the Company and shareholders in respect of a bid as it allows the Directors to formally ascertain the views of shareholders in respect of the bid.

The provisions will ensure that all shareholders will have the opportunity to consider a proportional takeover bid and vote on whether it should be permitted to proceed. This should ensure that the terms of any future proportional takeover bid are structured to be attractive to a majority of independent shareholders. Alternatively it may be argued that the takeover approval provisions make a proportional takeover more difficult to achieve and therefore proportional bids will be discouraged. This in turn may reduce opportunities which shareholders may have to sell some of their shares at an attractive price to persons securing control of the Company and may reduce an element of takeover speculation from the Company's share price.

Administrative Changes

There are other changes between the existing and replacement Constitutions which are more administrative in nature, or which have regard to legislative changes which have occurred in the period since the Constitution was last adopted. They include:

- updating procedures relating to redeemable preference shares;
- updating references to the ASX Market Rules, ACH Clearing Rules and ASTC Settlement Rules (this change is not material and simply reflects the fact that definitions relating to these Rules have been replaced);
- including an express power of delegation for Directors which is in substitution for, and to the exclusion of, the power conferred by s198D of the Corporations Act;
- clarifying that whilst acting as a Director, an alternate Director is not an agent of the appointer, and the alternate is responsible to the exclusion of the appointer for alternate's own acts and defaults;
- that the Company has a first and paramount lien on each share registered in the name of the member for all money payable to the Company by the member under any loans made under an employee incentive scheme;
- extending the Articles to give power to change the place of a general meeting (and not just the date and time);
- updating the provisions relating to general notification of changes to the general meeting. This extends the existing Article by including

various methods by which notification may be made;

- including a provision about evidence of service of notices, as well as updating the existing provisions relating to notices; and
- removing codification of the Corporations Act provisions regarding notices of meetings, proxies voting rights, and generally incorporating by reference the provisions as permitted by the Corporations Act.

In addition, a number of redundant Articles in the current Constitution have not been retained in the proposed replacement Constitution. These include Articles relating to:

- share/option certificates and CHES statements (existing Articles 2.11–2.15);
- proceedings for the recovery of a call (existing Article 4.11);
- duplicate provisions relating to joint holders (existing Article 6.7);
- the forfeiture and surrender of shares (existing Article 7.14 and 7.15);
- voting procedures applicable to different parcels of partly paid shares (existing Article 9.27);
- the fact that a share qualification does not apply to alternate directors (existing Article 12.8);
- the powers conferred on a Managing Director and Executive Director, and in particular, removing the provision which provides that any such powers may be concurrent with or to the exclusion of the powers of the Directors (existing Article 12.38); and
- the ranking of holders of restricted securities on a winding up (existing Article 20.3).

While the majority of the changes to the Constitution are administrative in nature, the proposed amendments are numerous. For this reason, the above summary is not an all-encompassing list but rather a summary of the key differences only. Copies of the proposed replacement Constitution and the existing Constitution, can be viewed on the Company's website at www.woolworths.com.au or by contacting the Company's Share Registrar, Computershare Investor Services Pty Limited on telephone 1300 368 664 or facsimile number (03) 9473 2564. Shareholders may also view a copy of the Company's Constitution at the office of Computershare Investor Services Pty Limited at Level 12, 565 Bourke Street, Melbourne VIC 3000 or Level 3, 60 Carrington Street, Sydney NSW 2000.

The Directors consider the adoption of the proposed new Constitution, including the proposed proportional takeover provisions, is in the best interests of shareholders and accordingly recommend that you vote in favour of the resolution.