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Address by Chairman Michael Chaney and Managing Director and Chief Executive Officer Don Voelte

Woodside Petroleum Ltd

Annual General Meeting
30 April 2010

Report by Chairman Michael Chaney

Good morning ladies and gentlemen.

My name is Michael Chaney, Chairman of Woodside. It is a pleasure today to welcome you to our annual general meeting.

As in previous years, we have many shareholders watching this meeting through the internet and we appreciate their interest.

Before we begin today's proceedings we are going to take the opportunity to recognise the traditional owners of the land on which this meeting is taking place.

This in an important, symbolic act for us and one that reflects Woodside's commitment to Indigenous reconciliation. As shareholders will be aware, Woodside is a significant employer of Indigenous people and, as described in the Reconciliation Action Plan we produced last year, we look forward to an even greater engagement in this regard as we go forward.

Let me commence by introducing our non-executive directors, sitting in the front row of the auditorium here this morning, They are, and I ask them to stand as I mention them, Melinda Cilento, Erich Fraunschiel, Andrew Jamieson, Pierre Jungels, David McEvoy, Din Megat and Ian Robertson.

I am joined on stage today by Don Voelte, your Managing Director and Chief Executive Officer, our Chief Financial Officer, Mark Chatterji and Company Secretary Frances Kernot.

Also with us today is Greg Meyerowitz from Ernst & Young, the company's auditors.

Today is the 56th occasion on which the board of Woodside has reported back to the shareholders of our company.

I like to think that, although we are materially a very different company from that which began its life in 1954, the essence of Woodside remains the same.

That essence is of an Australian company, known for its boldness and agility, while focused squarely on returns for shareholders.

These characteristics were at the forefront again in 2009, as Woodside demonstrated its capacity to create and deliver sustained growth in shareholder wealth.

Against a background of sharply lower commodity prices, your company delivered a record profit and oversaw a record capital investment program intended to deliver sustained returns for many years to come.

Our reported net profit of A$1.824 billion was an increase of 2.1% over that of 2008 and included a foreign exchange gain of A$620 million after tax which was driven by the revaluation of our US dollar debt due to the strengthening of the Australian dollar in 2009.

Excluding this gain, 2009 net profit would have been 44% lower than in 2008, reflecting the decrease in commodity prices.

The company's election to adopt the US dollar as its functional and presentational currency beginning in 2010 will minimize this foreign exchange volatility, more accurately reflecting the true economic results of its operations.

The directors declared a fully franked final dividend for 2009 of 55 cents per share, resulting in a full-year dividend of 110 cents per share.

Our investment expenditure in 2009 was A$5.7 billion, of which nearly 80% went towards the Pluto LNG Project.

Don Voelte will explain our 2009 performance in more detail shortly, but in summary the company succeeded in delivering value from our existing producing assets, while at the same time making significant progress on new developments in order to bring forward revenues from those assets in the earliest possible timeframes.

This large program of capital spending, which will continue in 2010 to the tune of about A$4.7 billion, will literally transform Woodside.

Indeed, 2010 will be a landmark year for our company. It will be the last year that oil proceeds dominate our revenue stream.

From 2011, Woodside will largely become an LNG company, albeit one continuing to benefit from condensate sales and income from a portfolio of quality oil assets.

But of course LNG has been a mainstay of Woodside's operations for several decades – something that many commentators seemed to forget during 2009 when there was a lot of excitement about the future of the LNG industry elsewhere in Australia.

With the completion of the Pluto foundation project, Woodside will have built six of Australia's seven LNG trains and will operate 86 percent of the nation's LNG capacity.

Unlike many other LNG operators, Woodside also has a presence across the development timescale of projects.

We have a plant, in the North West Shelf, which has been operating for more than 20 years. We have another, Pluto, about to start up, with plans for expansion well advanced. We have Browse in basis of design, with a final investment decision scheduled in mid 2012. And at Sunrise we have now selected a preferred development concept.

Importantly, in addition to our existing operations and developments, we have a comprehensive Australian exploration program underway which has resulted in several recent discoveries, and we are confident will result in more.

Despite our record levels of investment in 2009, we have entered 2010 in a strong financial position.

Even against the background of global financial turmoil through much of 2009, Woodside was recognized as a quality company with quality assets and received strong support from banks, the bond market and, in our recent rights issue, equity investors.

We see a continued robust market for LNG, with an expectation that demand will almost double to about 380 million tonnes per annum in 2020. This is an increase of nearly 200 million tonnes on current levels, and Woodside is well placed to help meet this demand.

With the natural decline of existing production, the world needs at least the equivalent of a new Browse development every year to keep pace with demand for LNG. Known suppliers selling gas from conventional projects will be the first port of call for buyers seeking to meet that demand growth.

A significant issue which emerged for Woodside in late 2009 and early 2010 was the potential for increased levels of industrial activity, principally at our Pluto LNG Project.

The Australian LNG industry had enjoyed high levels of industrial harmony over recent years, providing a significant contribution to the sector's reputation for reliability. This reputation has, in turn, helped foster broader investment in the industry.

We hope the industrial activity at Pluto in December and January were isolated cases. Australians can expect the LNG industry to make an enormous contribution to the social and financial wellbeing of our community, but a poor industrial climate could diminish investment and reduce the size of that contribution.

We should all be very wary of killing the goose that promises to lay a golden egg.

In September, I was fortunate to attend the launch of our first Woodside-branded LNG ship the Woodside Donaldson. While the North West Shelf already has a fleet of nine tankers, this was our first opportunity to brand a carrier with the Woodside colours and logo.

We were also pleased to be able to name the tanker, which we did so by taking the opportunity to honour the man we regard as the father of our company, Geoff Donaldson. Geoff, of course, was Chairman of Woodside for 28 years.

While Geoff was unable to attend the launch, he told us he was flattered by the gesture and remains intensely proud of the company he helped found 56 years ago.

Finally, I would like to acknowledge my fellow directors for their work in 2009. Their collective support, insight and wisdom has been invaluable.

Our employees, led by Chief Executive Don Voelte, have again excelled in the face of lower revenues, higher spending commitments and greater competition. I thank them for their efforts.

I would now like to invite Don Voelte to address you.

Report by Managing Director and Chief Executive Officer Don Voelte

Thank you, Michael. It seems like just yesterday that I addressed shareholders for my first Woodside annual general meeting.

As I address you today, for the seventh time, I could not be prouder of this company, and more particularly the many Woodsiders who continue to deliver outstanding growth in shareholder value.

Despite the difficult economic conditions in 2009, Woodside recorded its fourth record profit in the past six years.

As Michael told you, this result was substantially impacted by the revaluation of our US dollar debt. Large fluctuations in the US dollar exchange rate have had the potential over many years to impact Woodside's financial performance in a way which does not reflect the company's underlying performance.

In order to allow us to present a truer picture of our financial performance, Woodside has moved to US dollar functional and presentation currency reporting. This move recognises that the great proportion of our debt will remain in US dollars, as will the vast majority of our company revenues.

This change should allow our shareholders to better analyse our performance, and compare that performance with our peers.

At a practical level, there will be no change for shareholders. You will continue to buy or sell our stock in Australian dollars and be able to receive dividends in Australian dollars.

Production in 2009 remained relatively steady at 80.9 million barrels of oil equivalent, just lower than 2008 production.

This production performance was achieved in a year in which we had no new start-ups. In many ways it underlines the quality of our production team, who do an excellent job maintaining the performance of our facilities. The work these people do, largely working with declining oil fields, too often goes unheralded.

The Pluto LNG Project, which is a company changer for Woodside, is nearing completion. At year end Pluto was 83% complete, and as of today we are 87% complete and have already begun commissioning some elements of the project.

Commissioning a plant of this scale is an extensive exercise, although we remain on track to introduce first gas from the field later this year, just as we first forecast when we made a final investment decision on the project in 2007.

First LNG is expected early next year, contingent on the maintenance of a productive industrial relations environment. I look forward to standing here next year reporting on production from the first greenfield LNG plant to be built in Western Australia in 22 years.

Our confidence that we can soon make final investment decisions on one or more trains at Pluto has increased significantly with early success from our Greater Pluto exploration campaign.

This drilling campaign, which we believe will be the largest in the history of the Carnarvon Basin, has already produced discoveries at Martell, Eris and Noblige and found gas at our fourth prospect – Larsen – before control issues convinced us to plug this well and come back to it at a later date.

We're pleased to have found gas in four of six wells, but perhaps of greater significance is our identification of a mid-Triassic seismic signature which we believe has opened up new horizons for us, as well as the high quality 3D seismic acquired in southern Cazadores and our Claudius areas of interest.

These results have increased the number of prospective targets for us in our Greater Pluto acreage, which now covers some 19 permits across more than 44,000 square kilometres.

While we're excited about the progress we're making on Pluto, we shouldn't lose sight of the continued standout performance of the North West Shelf. Twenty-one years after this great project first began producing liquefied natural gas, it remains Australia's iconic resources project.

Woodside's share of production from the North West Shelf in 2009 was a record 2.4 million tonnes of LNG, 14.3 million barrels of oil equivalent of pipeline gas, 9.3 million barrels of condensate, 4.6 million barrels of oil through our Cossack Pioneer FPSO and 1.2 million barrels of LPG.

The North West Shelf contributed almost two thirds of Woodside's overall equity production in 2009 and remains a phenomenal asset. With the quality of people we have running the plant at Karratha and our offshore assets, I know it will be a great project for many years to come.

While we expect to continue to grow our LNG production over the next decade, it's important to acknowledge the role the North West Shelf plays in helping fund this expansion, as do our other oil assets.

The crews working on our Enfield, Vincent and Laminaria-Corallina FPSOs, as well as our non-operated assets both here and in the Gulf of Mexico, often do not get the acknowledgement they deserve for providing the financial support to grow our LNG business. They remain a valued part of Woodside.

While we can see physical evidence of that LNG growth through the construction of Pluto, the progress we made on our Browse LNG Development in 2009 was just as pleasing.

For several years now, governments of both persuasions have foreshadowed a more rigorous approach to the "use it or lose it" provisions of Australia's petroleum permit regime. So it was no surprise to us in December when the Commonwealth and Western Australian governments put in place a stringent timeframe for the development of Browse.

This development now has a clear path forward, with all joint venturers agreeing to the government timetable which requires a commitment to locating the development at the Kimberley gas precinct, and a substantial investment to enable a final investment decision to be taken by mid 2012.

While I am excited for the shareholders of Woodside about the progress this development is now making, I am also personally excited about the positive contribution we can make to the Indigenous people of the region.

As I told you last year, Woodside has in place a heads of agreement with Traditional Owners, represented by the Kimberley Land Council, for the development of Browse.

In the words of the Kimberley Land Council: "The Browse Joint Venture project represents one of the most significant opportunities for improving Indigenous participation in the Australian economy."

It pleases me to report very significant progress made this week on our Sunrise LNG Development.

We have been working extremely hard with our joint venturers to progress Sunrise since the ratification of treaties between Australia and Timor-Leste in 2007 which determine the manner in which this development will be approved.

Woodside and our joint venturers undertook an extensive three-year screening process which initially considered five development options. Yesterday, the Sunrise Joint Venture unanimously selected a floating LNG processing facility as its preferred development option for Greater Sunrise.

Floating LNG will deliver the best commercial advantage consistent with good oilfield practice for all Greater Sunrise stakeholders. It will also unlock the most revenue for the Timor-Leste and Australian governments of all developments considered.

This option does not require an export pipeline which significantly reduces the environmental footprint of this development. But it will provide local industry participation, employment and training for people in Timor-Leste and Australia.

Early approval of the Greater Sunrise preliminary field development plan will expedite a final investment decision by the joint venture and accelerate Timor-Leste's access to significant new revenue and local content benefits.

For the first time in my tenure with Woodside, I can report to shareholders that at this point in time we have all of our LNG projects and developments moving in fast forward.

The North West Shelf is unimpeded and the Pluto foundation project will soon become our next greenfield producing facility. And Pluto expansion is now an expectation.

Browse is in basis of design and we reached a theme select decision for Sunrise. As I said, everything is in fast forward. I look forward to reporting to you next year on the progress of the exciting developments we have underway.

With our next tranche of new production not scheduled to come on-line until 2011, combined with the sale of the Otway Gas Project, we expect this year's production to be between 70 and 75 million barrels of oil equivalent. Production will then increase in 2011 and beyond.

We will provide more guidance on our expected 2011 production later this year, when we have a good understanding of the commissioning progress on Pluto.

Woodside's continued strong performance is a credit to all our people. Our 3200 direct employees, helped by many thousands more contractors, all contribute to make Woodside the exceptional Australian company it is.

I think it's appropriate to note the contribution of two of them who we will farewell this year. Agu Kantsler will retire in June after 15 years at Woodside. Most of these have been spent as head of exploration, although for the past year Agu has been running our health and safety function. His track record in both of these areas has been outstanding.

Agu truly deserves his iconic status in the Australian oil and gas industry.

Our CFO, Mark Chatterji, deserves special praise for the work he and his team have done in maintaining Woodside in great financial shape, in the face of heavy spending requirements for Pluto and a sharp drop in commodity prices

Mark will return to the US at the end of this year for family reasons. We thank him for the six years he will have spent at Woodside, including the final four as Chief Financial Officer. He gave Woodside several years more than his initial commitment, and he has made an enduring positive impact on our company.

Thank you.