



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

Woodside Petroleum Ltd

**Annual General Meeting
20 April 2011**

Report by Chairman Michael Chaney

Good morning shareholders, Woodside staff and guests and thank you for attending our annual general meeting. Good morning also to those watching today's proceedings through the internet.

My name is Michael Chaney, Chairman of Woodside.

The evacuation procedures that apply this morning are shown on the screen above.

In furthering the process of reconciliation it is important for us to acknowledge the past and present traditional owners of this land on which we are gathering.

Before we get underway this morning I would like to ask Kim Collard, representing the Nyoongar community, to deliver a Welcome to Country for us.

Kim is a Ballardong man of the Nyoongar Nation of the south-west of Western Australia.

(Kim Collard delivers Welcome to Country)

Thank you Kim.

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.

The number of Shell-nominated directors on our Board is being reduced from three to two following the decision taken by Shell late last year to reduce its holding in our company.

Consequently Din Megat and Ian Robertson will retire at this meeting,

Andrew Jamieson will continue as a Shell-nominated director on the Woodside Board and Shell is expected to nominate its second director in the near future.

I would like to acknowledge the contribution Din and Ian have made to Woodside during their three and a half years and three years with the company respectively.

We have valued their time with us, and we wish them well with their future personal and professional pursuits.

On stage with me today is our Managing Director and Chief Executive Officer Don Voelte, officiating at his last Woodside annual general meeting, and Lawrie Tremaine, attending his first AGM as Woodside's Chief Financial Officer. Also with us on stage is Company Secretary Frances Kernot.

Greg Meyerowitz from Ernst & Young, the company's auditors, is also present.

As I informed you last year, Woodside now reports its results in US dollars. Any reference to dollars this morning will be in US currency unless stated otherwise.

It is a pleasure to be reporting to you again on Woodside's activities and I look forward to any questions you may have later in this meeting.

In 2010 Woodside enjoyed another very good year, with a reported net profit of \$1.575 billion. This was 6.9% higher than 2009.

This result was driven largely by higher commodity prices, and supported by an exceptional operating performance at our flagship North West Shelf Project.

The directors declared a fully franked final dividend for 2010 of 55 cents per share, resulting in a full-year dividend of 105 cents per share.

Providing superior returns to our shareholders remains of paramount importance to Woodside.

Of equal importance to us is ensuring those returns are sustainable, and consequently we continue to invest substantially in the future of our company. In 2010 our investment expenditure was \$3.9 billion, and we expect this figure to be more than \$3.4 billion in 2011.

Since 2008 our capital investment profile has been dominated by spending on the Pluto LNG Project, and this will remain the case in 2011.

While we announced late in 2010 that the start up for Pluto would be slightly later than our initial target, and with a slightly higher cost, the rewards from this large capital investment will soon begin to flow.

As I noted in our 2010 annual report, Woodside's performance on the construction of Pluto compares favourably against other similar sized mega projects.

The completion of Pluto will deliver Woodside not only a substantial increase in cash-flow, but also a significant strategic advantage in capturing undeveloped gas resources in the Carnarvon Basin; both our own and those of other companies.

The challenges of building greenfield mega projects are substantial, especially so in Australia where the rising cost of – and competition for – skilled labour will increasingly impact the viability of developments.

Pluto now offers the option of a much more cost effective brownfield expansion to process the large volumes of remaining undeveloped gas resources in the region, resources which grow each year with continuing exploration in the Carnarvon Basin.

We believe Woodside's significant equity interest in Pluto, combined with our experience over three decades of building large greenfield and brownfield projects in Australia, gives us a significant competitive advantage over our peers in the region.

We continue to see a robust market for LNG for at least the next 15 years, with the global LNG market to grow from about 210 million tonnes produced in 2010 to total demand of about between 390 and 460 million tonnes per annum in 2025, and our view is consistent with the majority of industry forecasts.

Underpinning this growth in demand for LNG is continued global population growth and improving standards of living, especially in our key Asia-Pacific markets.

It is also supported by demand for cleaner sources of energy, a topic I will return to shortly.

For LNG customers, security of supply continues to be an important factor in negotiating new contracts and extending existing agreements. Woodside's experience and track record of reliability, supported by Australia's relative political stability, keeps our company at the forefront of customers' minds.

Asia remains Woodside's core market and, as I said earlier, continues to drive growth in the sector.

While the markets of Japan and South Korea will continue to be the core of the region's LNG market, growth will come from Taiwan, China, India and new entrants such as Singapore, Thailand and Vietnam.

Malaysia and Indonesia, better known as suppliers of LNG, will also become customers in the next few years.

Woodside sees limited additional new capacity under construction that will reach the market before 2014. As a result the market is progressively tightening.

Recent events in Japan have put pressure on short-term and long-term LNG supplies.

It will take a new project the size of the North West Shelf or Browse to come on line every year for the next 10 years to meet the demand we see in the market.

While the focus of Woodside's marketing activities will remain on long-term sales agreements, the start up of Pluto will allow the company to become more active in the short-term market. Spot sales now make up 25% of global LNG output.

The health of the LNG market has resulted in strong interest from customers in our Browse LNG Development.

Earlier this year Woodside approved Browse moving into the front-end engineering and design, meeting a timetable which will allow us to consider a final investment decision on this development in 2012.

The government-led site evaluation process confines LNG developments in the Kimberley to a single site, at a location which the Environmental Protection Authority has advised the environmental risks and impacts are likely to be manageable.

Perhaps more importantly, the development will provide economic opportunities for Traditional Owners which we believe are unparalleled for this style of development.

Under the agreed benefits package we have provided commitments on jobs, education, training and other business opportunities to both local communities and the region's broader Indigenous population.

We should also keep sight of the global environmental benefits which flow from such a development. The LNG this project will produce will offer an alternative to coal in customer countries, thereby helping to reduce global greenhouse emissions.

As we enter into a fresh debate in Australia around the introduction of a carbon price, it is extremely important that this conversation includes a recognition of the global role LNG plays in reducing emissions.

Woodside does not support the application of a carbon price to our trade-exposed exports at a time our competitors do not face such costs.

Placing a carbon price on Australian LNG risks two outcomes. Customers either look past Australia for cheaper supplies of LNG produced by countries which do not have a carbon price, or they continue to use higher-emitting energy sources such as coal.

LNG is regarded internationally as a lower-emission conventional fuel with a prominent role in helping the world transition to a lower carbon future and any initiative which inhibits the competitiveness of Australian LNG against alternative traditional sources of energy risks being counter-productive.

Before I ask Don Voelte to provide an update on our operations, I would like to make some remarks about the selection process for a new CEO and some comments about Don's seven years with our company.

As you would all know, late last year Don informed the Board that he intended to retire from Woodside in the second half of 2011.

Over the period since then the Board has conducted an extensive CEO selection process, reviewing both internal and external candidates. The process has gone very much according to plan and we hope to be in a position to announce the successful candidate during this second quarter.

I would like to record this company's appreciation of Don Voelte's time as CEO of Woodside, which at seven years is already more than two years longer than his initial commitment to us.

Don has truly made his mark, not only on Woodside, but on the Australian LNG industry. His can-do attitude and tireless efforts have enabled the company to become a significant force in LNG and positioned it well for future growth.

He has instilled a fierce pride in Woodside and enabled our company to forge a truly independent path. Our people are loyal and competitive, but retain the interests of shareholders uppermost in their minds.

Thank you Don for your time with us. I know you will continue to follow the fortunes of our company and we look forward to staying in touch over the years ahead.

Report by Managing Director and Chief Executive Officer Don Voelte

Thank you Michael.

When I sat down last year and realised the time would soon be right for the transition to a new CEO, it triggered one of the toughest decisions of my career.

But I am convinced that it was the right decision for the company and the shareholders, and they are the stakeholders that I always worry most about.

Now, at my eighth annual general meeting, and my last, I will first present an overview of our 2010 performance.

As Michael mentioned, we delivered another record reported net profit in 2010.

Our foundation business continues to perform well, providing the cash flow to fund our growth.

Production in 2010 was 72.7 million barrels of oil equivalent, in line with the guidance I gave you at this meeting last year. This was 10% lower than 2009, due largely to the natural decline of our oil fields and the sale of our Otway Gas Project.

We obviously see our annual production increasing after the start up of Pluto, although with an expected gradual ramp up to full capacity this may not be fully felt until next year.

It should come as no surprise that the North West Shelf was the standout performer in our portfolio in 2010, delivering a level of production and reliability that even we did not think possible.

Indeed, the performance of the North West Shelf last year has us reassessing just what the limits of our production capability are through these facilities.

The North West Shelf produced a record 16.5 million tonnes of liquefied natural gas, or LNG as we call it, in 2010, not bad for a project we previously believed had a capacity of 16.3 million tonnes per annum. Woodside's share of this production was 2.6 million tonnes.

We have set our sights on increasing the long-term annual capacity of the plant to 17.1 million tonnes, and believe with continued debottlenecking and other performance improvements we could go higher than that.

The North West Shelf Project continues to underpin Woodside's growth strategy by delivering more than 60% of our total revenue. It remains one of Australia's largest oil and gas resource developments and currently accounts for more than 40% of Australia's oil and gas production.

Last year we delivered 261 cargoes of LNG, providing the equivalent energy needed to power 27 million homes.

We continue to invest heavily in infrastructure needed to maintain our production of liquefied natural gas, liquefied petroleum gas, condensate, oil and domestic gas.

The A\$1.8 billion North West Shelf Oil Redevelopment, which includes conversion of the Okha floating production storage and offtake vessel, or FPSO as we refer to it, to replace the Cossack Pioneer, will be completed this quarter. Woodside's share of this project is A\$600 million.

The A\$5 billion North Rankin Redevelopment, which will recover remaining low pressure gas from the North Rankin and Perseus gas fields, remains on schedule for completion in 2013. Woodside's share of this project is A\$840 million.

The next project we will consider is the Greater Western Flank development. This would develop 14 fields to the south-west of Goodwyn A which we estimate to hold approximately 3 trillion cubic feet of recoverable gas and approximately 100 million barrels of condensate.

We do not see the North West Shelf relying solely on discovered resources to support new projects. We plan to drill two exploration prospects this year to appraise near-field, low development cost prospects capable of short tiebacks to existing and newly installed infrastructure.

The Australia Business Unit made another important contribution to production and revenue in 2010, producing 15.5 million barrels of oil and generating almost \$1.3 billion in sales revenue.

One of our oldest assets, the Laminaria-Corallina fields, have produced a staggering 195 million barrels of oil since production began in 1999.

These fields, which produce oil through the Northern Endeavour FPSO, continue to produce more than 9000 barrels a day.

The operating teams on our other oil assets off the North West Cape continue to get the most out of these facilities, while we search for new opportunities to address natural field decline.

At Enfield, two new development wells were drilled in 2010, with both coming on stream late last year.

In November the Cimatti exploration well successfully intersected a gross oil column of 15 metres. The Cimatti field may be tied back to Enfield with first oil from the field possibly as early as mid-2013.

While 2009 was a challenging year for our Vincent facility, last year saw increasing oil production throughout the year.

We plan to drill two new infill wells this year which are expected to increase production as they target unswept parts of the reservoir. A third well is planned for either late this year or early next year depending on drill rig availability.

To our development projects now, and the Browse LNG Development has made rapid progress from selecting a development concept in February 2010 to moving into front-end engineering and design earlier this year.

Land tenure at the Browse LNG Precinct is being secured through the Western Australian Government-led negotiations with Traditional Owners. The Government commenced a right-to-negotiate process that provides a timeframe for all parties to establish a settlement for land access at the Precinct.

Woodside has worked closely with the Traditional Owners of James Price Point to progress the development in a way that meets the needs of local Indigenous people.

At Sunrise, the Joint Venture achieved a significant milestone early in 2010 with the unanimous selection of Floating LNG as its preferred development concept.

Under the terms of the treaties signed between Australia and Timor-Leste the Joint Venture is required to develop the most commercial option, and Floating LNG would deliver Timor-Leste about \$13 billion for its approximate 18% share of the fields.

While we have done everything to conform with the relevant treaties, I have to admit to some disappointment that the Timor-Leste Government appears less inclined to do so.

I look forward to that government delivering on its commitments made in these treaties.

The final project which I wish to mention is Pluto, where construction will soon come to an end. The commissioning process is already underway across the plant.

Pluto has not been without challenges but, when Woodside's performance is matched against the performance of recent projects built by many of our peers, it's world-class and there are plenty of reasons for Woodsiders to feel proud.

The project has generated more than 5000 Australian jobs, with Indigenous employment peaking at 170 against a target of 150.

Pluto is making a significant contribution to the Western Australian and Australian economies, as well as providing opportunities for local businesses. By the end of last year, Pluto had delivered more than A\$6 billion in local content.

We have overcome many challenges constructing Pluto and along the way have built capability unmatched by any other LNG companies operating in Australia.

Our people are our competitive edge.

Looking to the future, Pluto offers exciting opportunities which will build on the value created by the foundation project.

Our exploration and appraisal activity is expected to provide the foundation volumes for growth and is continuing this year.

Before I turn the stage back over to Michael, I want to thank you, the shareholders of Woodside, for the generous support you have provided me since I joined this company in 2004.

And I would like to thank my wife Nancy and my family for supporting me during my tenure.

Joining Woodside seven years ago was one of the great decisions of my life. Consequently deciding the right time to leave was a difficult process, but ultimately it was a decision I believe I have got right.

When I joined Woodside the company had three trains producing about 1.1 million tonnes per annum equity LNG. We will soon have six trains with equity capacity of 6.6 million tonnes, a six-fold increase from 2004.

Most importantly we have made more profits in the past seven years than this company made in its first 50 years, and all those profits and more has been put right back into Australian developments.

I can go on, but let's just say Woodside is a wonderful company and I have been honoured to be its Chief Executive Officer and Managing Director for the past seven years. This has been a once in a lifetime opportunity.

I hope I have maintained the vision shown by my predecessors at Woodside, the pioneers who built the proudly independent company.

I will say goodbye to many good friends when I leave Woodside Plaza for the last time. They extend right through from staff and management to the Board and the Chairman.

I will leave at peace with myself that Woodside now has a "can do" culture and is proudly Australian. May it ever remain so.

Woodside will always have a special place in my heart. I will continue to follow the company's fortunes very closely.

Thank you.