

Address by Chairman Michael Chaney and Chief Executive Officer and Managing Director Peter Coleman

Woodside Petroleum Ltd.

**Annual General Meeting
Wednesday, 2 May 2012**

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 viewing the webcast of today's meeting.

My name is Michael Chaney and I am Woodside's chairman.

Firstly, I would like to thank the string quartet from the Western Australian Youth Orchestra for their performance this morning. Woodside is proud to have supported the WA Youth Orchestra for more than two decades. Our partnership is a fine example of the enduring relationships we have with many of our community partners. Please show your appreciation by giving them a round of applause.

Please take a moment to familiarise yourselves with the evacuation procedures shown on the screen above.

Before we get underway, I invite a well-known representative of the Nyoongar community, Kim Collard, to deliver a welcome to country for us. It is important for us to acknowledge the past and present traditional owners of this land on which we are gathering today.

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 directors sitting in the front row of the auditorium. They are, and I ask them to stand as I mention them, Melinda Cilento, Rob Cole who was recently appointed Executive Director Commercial, Erich Fraunschiel, Christopher Haynes, Andrew Jamieson, Pierre Jungels and David McEvoy.

On stage with me is Woodside's Chief Executive Officer and Managing Director Peter Coleman. Also joining me on the stage this morning is our Chief Financial Officer Lawrie Tremaine and Company Secretary Warren Baillie.

Russell Curtin from Ernst & Young, the company's auditors, is also present.

Please note that as Woodside reports in US currency, all references to dollar figures in today's meeting will be in US currency unless stated otherwise.

Looking back on 2011, Woodside had another solid year with a net profit after tax of \$1.507 billion.

Sales revenue increased by 14.5% to \$4.802 billion demonstrating the enduring value of our oil assets and the North West Shelf Project which have both benefited from higher commodity prices.

It goes without saying that delivering shareholder value is of upmost importance for Woodside. On this basis it was pleasing to provide a record dividend expressed in US currency of 110 cents a share in 2011, comprised of an interim and final dividend of 55 cents a share.

But solid dividends are only one part of the picture. To continue to provide strong returns to our shareholders, we must deliver sustained growth and I'll talk more about this later this morning. But first let me recap on the dramatic evolution of the Australian LNG industry.

The Australian LNG industry was built on the success of the North West Shelf Project. Woodside started up the first LNG trains on the Burrup Peninsula more than 20 years ago on behalf of some of the world's leading oil and gas companies. Since this time we have built another three LNG trains at the Karratha Gas Plant, which now provides more than 16 million tonnes of LNG a year to customers in the Asia-Pacific.

Today, the North West Shelf continues its track record of safe and reliable supply, providing outstanding revenue for Woodside and our joint venture partners.

Woodside's oil assets are also a significant contributor to our bottom line. We continue work to maintain production rates from our oil assets off the Western Australian coast including Vincent and Enfield. New oil discoveries and an increase in discovered reserves in 2011 provide new opportunities for Woodside to continue to capitalise on the high oil price.

The successful start-up of Pluto little more than a month ago has heralded a new era for your company. The capabilities we have refined over two decades of LNG operations at the North West Shelf hold us in good stead to build a reputation as a proven supplier at Australia's third operating LNG facility.

While Pluto started-up later than we initially anticipated and at a higher cost, Woodside's 90% interest in the project is soon to pay dividends for the company as we deliver our first cargoes to customers. This will result in a significant increase in cash flow, providing a solid platform for future growth.

Woodside has now built six of the seven operating LNG trains in Australia and developed significant expertise in this highly technological area.

With the completion of Pluto, we are now looking to other opportunities. We have a strong portfolio of LNG growth projects including a potential expansion of Pluto, Browse and Sunrise and will continue to work towards commercialising these volumes.

Browse took a significant step forward in 2011 with the signing of the Native Title agreement between the Western Australian Government, Traditional Owners and Woodside to provide land for the LNG Precinct near James Price Point.

At our recent Full-Year results we announced that the resource base for Browse had grown to 15.5 trillion cubic feet of dry gas and 417 million barrels of condensate, further increasing potential value to Woodside and our joint venture partners.

Late last year, we announced that we had requested an extension to the final investment decision target date specified for the Browse Basin retention lease conditions. This request was made to provide adequate time for a robust evaluation of major infrastructure tender bids which we expect to receive in the coming months. The extension of time was granted by the Federal and State Ministers in April.

Just this week, the Board accepted an offer from Mitsui and Mitsubishi, better known as MIMI, to purchase a minority portion of Woodside's equity in the proposed Browse LNG Development for US\$2 billion. This offer further emphasises the inherent value in the Browse resource. Peter will cover this in more detail shortly.

We continue to build relationships with the Timor-Leste Government to progress the development of the Greater Sunrise gas resource in the Timor Sea. While the Sunrise joint venture's preferred development concept currently differs from that of the Timor-Leste Government, all parties are agreed in our desire to see the resource developed for the benefit of the people of Australia and Timor-Leste.

We will continue to progress our premium LNG growth projects here in Australia and also look to broaden our focus to other opportunities both in Australia and further afield which complement our capabilities.

Despite recent turmoil in global economic markets, it remains clear that there is rising demand for natural gas around the globe. While demand in 2011 was influenced by the devastating nuclear crisis in Japan, long-term growth from the Asia Pacific region alone is set to double demand for LNG between 2010 and 2025.

While Japan continues to lead this demand, it is closely followed by the Republic of Korea, China, India and Taiwan. New markets are also emerging, including the traditional LNG export markets of Malaysia and Thailand.

Australia is set to play a crucial role in meeting this demand. Woodside led the way in the current wave of new LNG projects with the sanctioning of Pluto back in 2007. Since this time, another seven conventional and unconventional LNG projects around the country have reached final investment decision and the result will triple the number of operating LNG trains in Australia by the end of the decade.

This proliferation of greenfield projects is dramatically changing the outlook for the industry and positioning Australia to overtake Qatar as the world's leading LNG producer – a position we would not have envisaged as little as five years ago.

But this growth will not be without its challenges. A spike in demand for skilled labour is creating cost and schedule pressures which run the risk of impacting project economics.

To address this, the Australian oil and gas industry is increasingly focused on skills development to provide the labour to develop multiple LNG projects concurrently. But this will only go so far.

The reality is that there is a need for temporary skilled migration to fill the gap between supply and demand.

Cost increases resulting from productivity losses also threaten the viability of Australian projects. To manage these cost pressures, we must continue to improve national workforce productivity and flexibility, while providing adequate protection to employees.

Like many other companies in Australia, Woodside is preparing for the implementation of the carbon tax. We read that further taxation changes are being considered and we strongly encourage the government to fully consult before any such moves.

In an industry experiencing such rapid growth, we must stay on top of these challenges if Australia is to realise its potential in LNG.

Now I would like to hand over to Woodside's Chief Executive Officer and Managing Director Peter Coleman to provide an overview of our operations.

Peter has seamlessly transitioned into the role since he joined us at almost a year ago from a successful career with Exxon Mobil in Australia and overseas. He has already had a significant impact on the company, including leading a review of our strategic direction and organisational effectiveness.

Report by Chief Executive Officer and Managing Director Peter Coleman

Thank you Michael.

It's a pleasure to be with you at this annual general meeting, my first since becoming Managing Director and CEO of Woodside.

Seeing so many shareholders here today is a reminder of what guides our decisions each and every day. To deliver outstanding, sustained wealth to those who invest in our company.

This morning I will review Woodside's performance in 2011, and also provide a brief overview of the strategic and organisational direction for our company going forward.

As always, it has been a busy period for Woodside since the last AGM. So let me begin with a video showing a selection of Woodside's achievements over the past 12 months.

Video presentation showing (in order):

NWS Oil Redevelopment: Okha arrival;

North Rankin Redevelopment: jacket launch, bridge installation, topsides float-over; and

Pluto: recent fly-over view.

I'm sure you'll agree there's some great footage in there, showcasing our attractive portfolio of assets and also some of our world-class capabilities.

As you know, executing projects such as Pluto LNG or the North Rankin Redevelopment – projects that are of a truly global scale in terms of their size and complexity – is no easy task.

It requires significant capital investment and premium capabilities that take years to develop.

The video highlights the substantial investment we are putting into the redevelopment of our North West Shelf Project, ensuring that it continues to generate value for many years to come.

This project was once again a stand-out performer for our company in 2011, achieving record revenue of nearly \$3 billion and production reliability that stamps it as truly world-class.

Pleasingly, we combined this high performance with improved safety at the Karratha Gas Plant, which achieved its best safety performance on record.

This mirrors improvements in health and safety across our entire business during the year, as shown by falls in our Total Recordable Case Frequency and High Potential Incident Frequency.

Increased reliability from the North West Shelf, and good production rates from some of our Australia Oil assets, enabled us to exceed our mid-year guidance and produce 64.6 million barrels of oil equivalent in 2011.

This was 11.1% down on 2010 production, with the decline impacted largely by one-off occurrences such as divestments, weather and planned maintenance and outages.

We of course forecast higher total production levels this year due to Pluto coming on line, with this project to add between 17 and 21 million barrels of oil equivalent this year.

Countering this, production from our base business will be affected in 2012 due to a busy year of maintenance at the Karratha Gas Plant and refurbishment of the Ngujima-Yin FPSO at Vincent, which we purchased late last year.

I stress that while these works will impact short-term production figures, they will pay dividends in the long term through improved reliability and integrity.

Importantly, they also put us in a great position to fund Woodside's future growth and deliver outstanding shareholder returns well into the future.

I'm pleased to report that Woodside has entered 2012 in strong financial shape. High commodity prices translated into a 14.5% increase in sales revenue last year, and our underlying net profit increased by 16.7% to \$1.66 billion.

Our operating cash flow increased 6.6% in 2011, and our holdings of cash and undrawn facilities at the end of the year amounted to \$2.2 billion.

Combine these numbers with the significant cash-flow that we will start receiving from Pluto LNG this year, and you get a sense of the strong strategic position we are in.

On the subject of Pluto, it was a fantastic milestone to produce first LNG on Monday, marking the beginning of a new era for the company.

While it was disappointing we did not deliver on our original budget and schedule, this does not change the fact that Pluto remains a premium asset that will generate wealth for Woodside and its shareholders for many years to come.

Once Pluto reaches steady state, we can look forward to long-term average production of 37 million barrels of oil equivalent each year from the project.

Bringing Pluto on line just seven years after first discovery is a great demonstration of Woodside's capabilities across the entire LNG value chain.

I believe this will become even clearer as the current crop of Australian greenfield LNG projects work their way through the challenging construction and commissioning phases.

We are not resting on our laurels now that LNG production has started. We are already identifying opportunities to optimise value from Pluto, continuing our exploration campaign and talking with other resource owners to support additional trains.

Work continued in 2011 to commercialise our Browse and Sunrise LNG growth projects.

These are both high-quality assets located in close proximity to growing Asian LNG markets, and we are focused on translating this potential into real value for our shareholders.

Front-end engineering and design studies and site works on Browse progressed well in 2011. However we took the decision to seek a variation to the Browse Basin retention leases to allow for a final investment decision in the first half of 2013.

This is to ensure a disciplined approach to this project, focused on obtaining maximum value from a high quality resource.

As Michael mentioned, this week we accepted a \$2 billion offer from MIMI for about 14.7% in Browse, subject to joint venture pre-emption rights.

The deal provides value well beyond a straight equity sale. It involves five key elements:

- the equity sale for cash;
- a long-term sales and purchase agreement;
- a joint marketing agreement;
- assistance in obtaining competitive finance for the development; and
- a memorandum of understanding to work together on future opportunities.

There was significant interest in the sales process and we see MIMI as a strong strategic partner in the development beyond the acquisition of equity.

Looking back on our 2011 achievements, the take home message for Woodside is that we are a high-performing company, but one that must continue to get better in an increasingly crowded Australian and global market.

I have mentioned the word 'value' a number of times this morning, and done so deliberately.

Delivering outstanding, sustained growth in shareholder wealth will continue to drive the decisions we make in 2012 and beyond.

In line with this ambition, we advised the market in February of a revised strategic direction for Woodside.

A large part of this is strengthening our core business, through a relentless focus on maximising the value of our producing assets and commercialising our LNG growth projects.

But we are in a globally competitive business and this alone may not deliver consistent, long-term top quartile performance on total shareholder return.

We need a balanced portfolio of opportunities that puts us in the best possible position to capitalise on robust energy demand in the Asia-Pacific and elsewhere.

Leveraging our strong financial position and world-class capabilities in areas such as LNG, FPSOs and subsea operations, we will look for new opportunities to generate value within and outside of Australia.

We will strengthen our exploration program, with material increases in our exploration budget likely over the next two to three years.

Future growth is likely to involve new partnerships for Woodside, supporting our aspiration to be a partner of choice.

However, I stress that any additions to our portfolio will be screened through a very disciplined process. We will focus only on high-value opportunities and building from our core strengths.

Supporting this strategic direction will be some organisational changes within Woodside. These changes are the result of a thorough internal review of our company that concluded a month ago.

These do not involve major structural changes. But I do expect some fundamental changes in the way that we go about our work.

This includes improving our decision effectiveness, better integrating the different parts of our business, and putting in place other elements to support a culture of excellence.

We have a strategy to identify new value-adding opportunities, and a plan to put our organisation in the right shape to deliver on these in the most cost-effective way.

Before I hand back to Michael, I want to emphasise how much I am relishing the opportunity to lead Woodside, a company with premium assets, strong capabilities and a great team of people.

We have a great track record behind us, and some exciting opportunities ahead.

Thank you for your support.