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

Woodside Petroleum Ltd.

Annual General Meeting
1 May 2008

Report by Chairman Michael Chaney

Good morning ladies and gentlemen.

My name is Michael Chaney and, as Chairman of Woodside Petroleum Ltd., I welcome you to our annual general meeting.

I also welcome shareholders watching us through our video webcast.

Can I start by thanking members of the WA Youth Orchestra String Quartet for providing this morning's entertainment outside the auditorium.

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

As we have a quorum, I now declare the meeting open.

I would like to introduce our non-executive directors here this morning, sitting in the front row of the auditorium, and ask them to stand as I mention them. They are Jillian Broadbent, Erich Fraunschiel, Andrew Jamieson, Pierre Jungels, David McEvoy, Din Megat and Jakob Stausholm.

On the stage with me I have Don Voelte, your Managing Director and CEO, 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.

This is my first Woodside AGM as Chairman after succeeding Charles Goode last July.

Woodside is a very special company and I am honoured to have been appointed its Chairman. This is a special situation for me personally, as this company was my first employer as a petroleum geologist 36 years ago.

And I follow in the footsteps of some outstanding individuals. Charles Goode's contribution to Woodside was acknowledged at length at last year's AGM, but I would like to record again the Board's appreciation of his efforts.

While the Chairman and some members of the Board have changed since our last annual general meeting, your company's overriding philosophy remains the same.

Our mission is not to develop Australia's greatest oil and gas company, or become the world's leading energy provider, even though we have recently amended our company's vision to reflect our ambitious LNG aspirations.

Our mission remains simple. That is, to provide attractive rewards for those who choose to invest in our company.

While Woodside has some wonderful growth prospects ahead of it, we will continue to be guided by this simple goal.

Your company is in a truly unique position.

As the world's major energy consumers seek greater diversity of supplies, with a priority on securing cleaner sources of power, liquefied natural gas has become one of 21st century's most sought after fuels.

Oil currently provides half our company's revenue, and will continue to play a key role in Woodside's future, but the worldwide shift to cleaner burning fuels – in particular natural gas – has presented us with enormous opportunities.

Since 1980, worldwide consumption of natural gas has doubled from 53 trillion cubic feet a year to about 106 trillion cubic feet. The rate of growth is highest in our immediate region.

Consumption is expected to continue to grow at a rate in excess of 2 per cent a year to 2030, with the economies of Asia and the Indian sub-continent again providing the bulk of that growth.

Consumers of natural gas, like any customers, are driven by four key factors – location, product, reputation and price.

On location, there is little I need to say. We are on the doorstep of the major customers.

When it comes to product, we are in an enviable position.

We operate two LNG projects and operate two other planned LNG projects in Australia which together contain gross proved and probable reserves and contingent resources of about 50 trillion cubic feet of dry gas. That's enough to supply about 17,000 cargoes.

To put that figure into context, that is about seven times the volume of LNG we have delivered over 19 years from our North West Shelf Venture.

Our reputation is the envy of LNG producers around the world. In many ways the recent shutdown at our North West Shelf gas plant helped remind customers of the outstanding reliability of the plant over two decades, which is well in excess of 99 per cent.

On price we prefer not to say too much. Indeed our customers demand that we don't; although I would note that the price buyers are prepared to pay, in our industry, is heavily impacted by the other three factors I have just mentioned; and that buyers are increasingly prepared to pay prices for LNG which are close to oil price equivalent.

The outstanding blend of projects and opportunities sets Woodside apart in the LNG business.

In the North West Shelf Venture we have a large, sound and profitable legacy asset. While this dominates our production portfolio, it is complemented by a number of smaller but still valuable assets providing diversity of income.

We have significant LNG opportunities which we are in the process of adding to this portfolio.

Our Pluto LNG Project will begin deliveries in just 32 months and we are aiming to begin construction of another two developments – Browse and Sunrise – within the next few years.

To realise these opportunities, we must pay due regard to the challenges.

To put it simply, developing major resource projects is becoming an increasingly expensive proposition. Scarcity of labour and the increasing cost of materials are now the greatest challenges to your company's growth and profitability.

In spite of the current cost and labour challenges, Woodside has managed to increase production in each of the past three years, albeit at a rate lower than we had originally hoped.

For 2008 we have targeted production of between 80 to 86 million barrels, up from 71 million barrels in 2007.

It is important to remember that this target is our best estimate of the performance of nine distinct projects in three continents, comprising dozens of individual facilities across about 40 different fields.

It is based on a multitude of assumptions, including the timing of project start-ups, the length of project shutdowns, the frequency of cyclones and the rate of reservoir decline.

Woodside, like the broader energy industry, is a significant beneficiary of the current high oil price. This is allowing us to progress projects based on some discoveries made as many as 37 years ago.

But we do not take it for granted that these high oil prices will prevail over the long term. Our project economics are based on a more conservative outlook and, importantly, we are determined to ensure that our costs are well controlled so that, if and when prices fall, we remain profitable.

Your Board is confident that with proper stewardship Woodside will cement its position as a significant independent oil and gas producer providing attractive long-term returns to its shareholders.

I now ask Don Voelte to present an overview of our recent performance.

Report by Managing Director and Chief Executive Officer Don Voelte

Thank you, Michael.

2007 will go down as a landmark year in Woodside's history.

Twenty-seven years after we began building the North West Shelf, Woodside commenced construction of its second LNG development, after the Board sanctioned the Pluto Project.

As Michael told you, we are now working towards the sanctioning of our Browse and Sunrise developments over the next few years, in addition to an expansion of our Pluto facility.

A detailed summary of our 2007 financial performance is in the annual report, available on our website.

Our profit of $1.03 billion was adversely affected by changes in the exchange rate, and a book loss on the sale of our Mauritanian assets.

At this meeting last year I signalled we would review our portfolio in light of the growing demand for LNG, and the emerging challenges from operating in frontier locations.

We have been putting this shift in strategy into effect, by increasingly concentrating on Woodside's core Australian assets. This is evidenced by our agreement earlier this year to purchase Shell's North West Shelf oil interests, subject to your approval here today.

As the Chairman noted, we posted record production of nearly 71 million barrels of oil equivalent in 2007.

While this was slightly less than our initial target, it still reflects very well on our operations team.

At Woodside we take great pride in our great portfolio of projects and developments, but we reflect too little on our world-class operating ability.

This is most evident in our performance at the North West Shelf, which was again exemplary in 2007.

Last year two new projects came on line – our Otway Gas Plant in Victoria and our non-operated Stybarrow Oil Project in Western Australia.

We did not bring Otway on line as early as we had first expected, although in light of current industry pressures, the outcome is perhaps not as disappointing as it was for us this time last year. Otway is now operating with steady-state production, and will make an important contribution to Woodside's 2008 production.

Stybarrow commenced production in November, earlier than we initially expected, and continues to perform very well.

We made great progress on our other projects.

You have already heard about the difficult environment we are working in. However, we expect to bring on Train 5 at the North West Shelf close to the same budget we gave you two years ago, and according to the exact same timing. This makes me very proud.

Train 5 is one of four projects scheduled to come on line in 2008.

Our other North West Shelf project, Angel, remains on track for start-up in the third quarter of this year.

Woodside's other large new oil project, Vincent, off Western Australia's North West Cape, should be ready for start-up early in the third quarter.

And finally, our Neptune oil and gas project in the Gulf of Mexico began commissioning in March, but start-up has been delayed for corrective measures.

As these projects come on line, others are just beginning.

In March this year we announced, on behalf of our joint venture partners, a final investment decision for the $5 billion North Rankin 2 Project at the North West Shelf Venture. This project, which includes a new platform alongside North Rankin A, cements the venture's position as Australia's greatest resource development and extends its life for decades to come.

With this approval, Woodside now operates more than $22 billion worth of projects under construction.

I make no secret of the fact we would have liked to have found more hydrocarbons in 2007.

The disappointment with our exploration success last year remains tempered, however, by the knowledge that our proved plus probable reserves to production ratio remains extremely high at 25 years, and more than 60 years when contingent resources are included.

Our long-term track record on exploration success continues to stand us in good stead. But it should be clear that I am very interested in securing the next generation of projects past Pluto, Browse and Sunrise; something to put in the cupboard for future Woodside shareholders.

While our company will continue to focus heavily on operating performance, project execution, and exploration success, the progression of many of our developments to final investment decisions will be a priority for Woodside over the next three years.

There has been much debate recently over the system of retention leases, and the willingness of oil and gas companies to develop their discoveries.

Let me make it very clear. Woodside has no desire to sit on its discoveries.

Between now and the end of 2010 we are targeting final investment decisions for an expansion of Pluto, and the development of our Browse and Sunrise assets.

You may question the ability of Woodside to progress three such significant projects, either in tandem or in very close sequence.

We ask the same questions of ourselves.

We answer these questions with two compelling arguments.

The first is based on the times we find ourselves in. As Michael said, the world wants LNG. What's more, they want LNG from Woodside.

The second is based on our track record.

At the end of 2010 Australia will be home to seven LNG trains. Six of them will have been built by Woodside.

In Western Australia, home to most of the nation's gas resources, we will have built six out of six.

When Woodside announced in August 2005 that we intended to build an LNG project based on our Pluto discovery, made just four months earlier, many in the industry questioned whether we could or would do that.

Less than three years later, I'm proud to say the modules for our LNG train at Pluto are under construction in Thailand, our platform is being assembled in China, our topsides are being put together in Malaysia, and on location at Karratha site preparation is well advanced and the walls of our LNG storage tanks are going up.

We have a track record of delivering.

We have set our goals high in relation to the Browse and Sunrise developments, and an expansion at Pluto. We believe we need to do that if we are going to deliver the sort of shareholder returns, you expect.

Thank you very much.