



Strategy

Performance

Growth

Annual General Meeting Report to Shareholders

25 October 2006



Annual General Meeting

Wesley Conference Centre

220 Pitt Street, Sydney

New South Wales

10.30am, Wednesday, 25 October 2006

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Dear Shareholder

The Annual General Meeting (AGM) of Origin Energy was held in Sydney on Wednesday 25 October 2006.

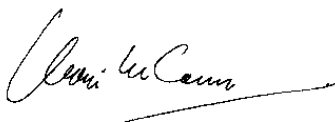
Some 270 shareholders and visitors attended the meeting.

For those of you that were unable to attend the meeting, my address and the address of the Managing Director, Grant King have been set out in this report.

All resolutions put to the meeting were approved and the details of the approvals are set out on page 16.

I trust that this report is of interest to shareholders who were unable to attend the meeting. A full audio webcast of the proceedings is available on the company's website www.originenergy.com.au.

In my address I referred to Origin Energy's involvement with the Business Council Roundtable on Climate Change and their important work in pursuing early action on climate change. If you would like to access their report entitled *The Business Case for Early Action* you can download a copy from our website www.originenergy.com.au or from their website www.businessroundtable.com.au

A handwritten signature in black ink, appearing to read 'Kevin McCann', with a long horizontal line extending to the right from the end of the signature.

Kevin McCann
Chairman



Kevin McCann Chairman

Chairman's Address

Annual General Meeting

25 October 2006

Ladies and Gentlemen,

Welcome to the Annual General Meeting for 2006.

I would like to commence my address with a brief report on our financial outcomes for the 2006 financial year, which has been fully provided to you in the Annual Report.

Our net profit after tax of \$332 million was up 10% while free cash flow increased by 30% to \$583 million. Our recurring A-IFRS profit is 15% higher than the \$288 million last year. While earnings from our Exploration and Production business were down, strong performances from our Retail and Generation businesses and our 51% owned New Zealand subsidiary Contact Energy, contributed to the improved result.

We have increased dividends to shareholders – our final fully franked dividend of nine cents per share paid on 29 September, took total dividends to 18 cents per share which is a 20% increase over last year. Our payout ratio this year was 43%.

Throughout the year, we have continued our investment in growth, adding long term value to the company through acquisitions, development of major projects and other initiatives:

- The Spring Gully Coal Seam Gas Project was completed last year on time and under budget and began ramping up production and delivery into our long-term gas supply contracts.
- We expended \$68 million to acquire additional coal seam gas interests in the Walloons region of Queensland. Origin Energy has long recognised the value of coal seam gas and its potential to provide a dependable gas supply. Recent corporate activity has demonstrated that the market has finally recognised the value of coal seam gas as well. The acquisition price paid by Origin Energy when compared with recent takeover multiples, indicates that we have purchased these assets at an attractive price.
- We also increased our interests in the BassGas and Otway gas projects. The BassGas Project commenced in May and it is now fully commissioned. We expect that the Otway Gas Project will be completed and will commence contribution in the last quarter of the current financial year.

- We approved the development of the NZ\$980 million (A\$860 million) Kupe Gas Project in New Zealand, which will significantly add to our energy production from mid-2009.
- We pursued the regulatory and environmental approvals for the Spring Gully and Mortlake power station developments; and
- We progressed the development and commercialisation of our SLIVER solar cell technology.

Grant King will elaborate on these projects in his address later in the meeting. We expect that each of these projects will add to our earnings in future years.

Our total capital expenditure including acquisitions during the year was \$897 million. Notwithstanding this high level of capital investment our net-debt to debt-plus-equity ratio has reduced to 42% from 44% in the prior year. Our interest cover remains strong at 4.2 times EBIT and we have maintained our investment grade, Standard and Poor's rating of BBB+ stable. Our balance sheet remains strong and we retain the capacity to take advantage of future growth opportunities as they arise.

Origin Energy is also seeking out growth through acquisitions which are earnings accretive. It has been short-listed as a bidder for the first tranche of electricity and gas retail businesses currently being sold by the Queensland Government. A decision on this tender is expected in mid November 2006.

There were a number of areas this year where our performance fell short of expectations.

Safety is a high priority for the Board. Our safety performance in 2005/06 deteriorated after several years of continued improvement. Our lost time injury and moderate medical injury frequency rate rose from 5.0 to 5.5 per million hours worked. The Board and management regard this as unacceptable and management has committed to an improvement in the coming year. We are determined to improve our record this year and we have initiated a number

of measures to do this. One such measure has been to increase employee focus on safety and make improvement of safety performance as the sole target for the award of shares under the Employee Share Plan.

The BassGas Project commenced production around two years behind schedule and with cost overruns in excess of budget. Production is now ramping up to its design capacity and we have been booking revenue earnings from this project from September this year. Our experience in the BassGas Project has been factored into our program to develop the Kupe project.

I wrote to you in March setting out the benefits of a proposed merger between Origin Energy and Contact Energy – which we believed created significant value for the shareholders of both companies. It became clear however that, the terms of the merger ratio were not supported by the institutional shareholders of Contact Energy. The Board took the view that it was not in the interests of Origin Energy shareholders to improve the merger ratio in favour of Contact Energy shareholders. Accordingly it was agreed to terminate the proposal before any further costs were incurred in pursuing the merger. This was a major disappointment as we believed the merger was very much in the interests of both Origin Energy and Contact Energy shareholders. Despite this setback, our investment in Contact Energy continues to be rewarding and we will continue to look for ways to enhance the value of our 51% holding.

Let me turn to some of the key issues facing the company and the Australian community.

A matter that is very important to Origin Energy, to Australia and the global community is climate change.

As a major investor in the energy sector, climate change is a significant business issue for Origin Energy. As the world recognises the need to limit carbon emissions, we have factored into our major investment decisions an assumption that constraints on the production of carbon will be imposed

in the future. However, it is a matter of disappointment to us, that rules to manage greenhouse gas emissions on a national basis have not been agreed by the Australian and state governments. The failure to implement a long-term framework for applying a carbon cost, is a major impediment to investment in the Australian energy sector and is a matter which we are actively pursuing with government. Origin Energy is a member of the Australian Business Roundtable on Climate Change (a group of major Australian companies representing a cross section of the Australian economy) which has presented a report entitled *The Business Case for Early Action* to the Australian Federal and state governments.

Origin Energy has also undertaken a number of initiatives to ensure that we limit climate change impacts from our operations. We are reducing the greenhouse gas intensity of our energy production and distribution through investments across the gas supply chain. We are planning the development of two large gas-fired power stations – Mortlake in Victoria and Spring Gully in Queensland, which are capable of operating at less than half of the existing electricity pool greenhouse intensity. Our investment in these projects will, however, be dependent upon Federal and state government policies that recognise and the long-term value of cleaner forms of power generation.

We are also reducing the greenhouse gas intensity of our customers' energy consumption, through green energy sales to around 100,000 customers. We have made considerable investment in renewable energy sources, including solar power development through the SLIVER solar cell technology and in geothermal technology through our investment in Geodynamics which is developing a hot dry rocks project in the Cooper Basin.

We believe that if governments are prepared to develop a supporting policy framework on carbon cost, Australia can play its part in an effective international response to climate change through reduced greenhouse gas emissions.

I would like to thank my fellow Directors for their dedication and support in what has been a demanding year. They have all contributed a significant amount of additional time in unscheduled meetings and extensive committee work.

I would like to thank our Managing Director, Grant King and his executive team for their hard work in a year of operational challenges and on the Contact Energy DLC merger proposal. Thanks also to all the Origin Energy and Contact Energy employees for their contributions. I would also like to thank our many customers who have chosen Origin Energy as their energy provider.

Concluding remarks

Finally, I would like to make some remarks about the outlook for the coming year.


On announcement of our full-year results we advised that there were a number of factors which made the giving of formal guidance as to profits for the current year inappropriate. The current year's results will, in particular, be dependent on the commencement of production from the BassGas Project, the Offshore Otway project and the relative contribution made by Contact Energy compared to the prior year. We advised therefore that it was possible that there would be little growth in earnings per share in the coming year.

We have already announced that BassGas is now approaching full production, albeit later than anticipated; Woodside has announced delays in commencement of commissioning of the Offshore Otway project and our current expectation is that Contact Energy will make a materially lower contribution than it did in the prior year. Our earlier comments on outlook for profit in the coming year therefore remain appropriate.

The year ahead will be marked by continued progress on the development of major projects:

- The Spring Gully Coal Seam Gas Project will continue its ramp up of production;
- By year end we expect that the BassGas and Otway projects will be in full production;
- The development of the Kupe Gas Project in New Zealand will be ongoing;
- Decisions will be made on the development of the Spring Gully power generation project in Queensland and the Mortlake project in Victoria; and
- We will pursue the development and commercialisation of our SLIVER solar technology.

We will also continue to review potential acquisitions. These opportunities will contribute to achieving our target of 10 to 15% annual growth in future years.

A handwritten signature in black ink, appearing to read 'Kevin McCann', with a long horizontal line extending from the end of the signature.

Kevin McCann
Chairman



Grant King Managing Director

Managing Director's Address

25 October 2006

'We believe the strategies we have been pursuing remain appropriate, and by establishing this position ahead of others have been able to build a strong portfolio of assets and opportunities.'

Ladies and Gentlemen,

Throughout the year the company continually releases information on a wide variety of matters relevant to the company's performance. I trust that shareholders are accessing this information – either through the ASX or through our website and feel well informed about the company's progress.

Today I would like to focus more specifically on the company's strategy and our execution of that strategy over the past year.

As you are aware, Origin Energy has positioned itself in the competitive (rather than regulated) segment of the energy market in Australia and New Zealand. Whilst these competitive segments are potentially more risky than the infrastructure segments, the company has, since listing in 2000, pursued a strategy of integration across the upstream, generation and retail segments to manage those risks and create opportunities for growth.

This strategy has been effective to date and resulted in steadily growing earnings and dividends.

Whilst our strategy was considered novel in the early 2000s, it has become apparent during this year that our major competitors are adopting similar strategies by clearly differentiating their focus on regulated or competitive segments.

We believe the strategies we have been pursuing remain appropriate, and by establishing this position ahead of others have been able to build a strong portfolio of assets and opportunities. As our competitors adopt similar strategies we believe our ability to continue to effectively deepen the integration in our business is a key to competitive advantage and success.

We continue to add to the energy resources available to our company with our focus remaining on natural gas reserves near domestic markets.

We have been particularly successful in adding to our natural gas reserves through our coal seam gas interests in Queensland.

Origin Energy's 2P reserves increased significantly year on year with reserves additions in Spring Gully adding 170 PJe and the acquisition of additional coal seam gas interests in Queensland and conventional gas and liquids in the Bass and Otway Basins leading to a reserves replacement ratio of 375%.

We have a good exposure to exploration opportunities near markets in Australia and New Zealand.

We have also expanded our greenfields exploration into more frontier areas in the Taranaki and Canterbury Basins in New Zealand.

We are leveraging the expertise of our exploration team by examining oil prospects in basins in which we already have knowledge. We are also screening opportunities which are brought to us in other areas – seeking opportunities with the right mix of favourable geology, manageable risk, and modest initial commitments while preserving the ability to establish significant positions in the case of success. With these criteria firmly in mind earlier this year we engaged in an opportunity in a newly emerging and highly prospective area offshore Kenya.

We continue investing for growth through the development of major projects.

It's been a challenging year in the oil and gas sector with a tight worldwide market for major equipment and qualified contractors, and some industrial relations issues in areas where we have been active. As a consequence, the completion of some of our major projects has been delayed. However, I am confident that these projects will deliver earnings growth as they are completed.

Development of our coal seam gas interests, in particular the Spring Gully field, has been very successful with initial production beginning to monetise our substantial reserves base. These projects have been delivered on time and on budget and the results are ahead of our expectation. As an early mover in the coal seam gas industry we believe we have secured some of the most prospective coal seam gas

resources in the country – and currently hold approximately a third of the coal seam gas reserves reported in Australia.

Offshore and to the south east of Melbourne, the BassGas Project, which has suffered many delays, commenced production during May 2006.

Commissioning has progressed to the extent that we began booking revenue from this project in September this year. The project was officially opened by the Premier of Victoria on Monday of last week and is now in full production.

Unfortunately, there is a dispute between the joint venture and the principle contractor, Clough, which is currently the subject of arbitration. Through this arbitration we expect to achieve some recovery against the significant cost overruns that occurred on this project.

Also in Victoria, and to the south west of Melbourne, the company is involved in the Otway Gas Project. This project is operated by Woodside Petroleum and, when completed, will supply almost 10% of eastern Australia's gas and will have a life of around 15 years. Woodside has announced some further delays with this project which is not now expected to commence commissioning until the end of the March quarter next year.

Turning to New Zealand, construction of the Kupe Gas Project was approved in June, and is targeting production of gas and liquids in the latter half of 2009. Our preparation for this project has been thorough, including appropriate contingencies which reflect the tight international environment we are operating in. Contact Energy also has growth projects on the drawing board in New Zealand, including the potential to construct a new gas fired power station at Otahuhu, expansion of its geothermal operations and the construction of new, small-scale hydro facilities.

Back in Australia we have also now received all the necessary approvals to develop base load gas-fired power stations in Victoria and Queensland. The Victorian project will complement our large retail position in this market whilst the Queensland project leverages our strong coal

seam gas position. We expect to be in a position to make decisions on these projects in 2007.

We are also mindful of the impact that energy production has on CO₂ emissions and climate change. We continue to work on the development and demonstration of low carbon emission technologies through our work in SLIVER photovoltaic cells and hot fractured rock technology through our investment in Geodynamics.

We have significant interests in the production of gas, oil and electricity in Australia and through Contact Energy in power generation in New Zealand.

These producing assets are positioned across the Australian and New Zealand energy markets. They provide us with a growing base of skills to support the new projects we have just discussed, and also provide us with operational and market knowledge that helps us identify and develop new projects.

Earnings from these producing assets, together with our retail business, are a major contributor to Origin Energy's profits. This contribution will be enhanced by the completion of major development projects.

In addition to our producing interests, we buy significant amounts of natural gas, LPG and electricity for on-sale in our retail business. In Australia we currently buy most of the electricity we sell to our retail customers from the National Electricity Market, while in New Zealand Contact Energy buys its gas from other producers.

In Australia, our large portfolio of both equity and contracted gas creates a very flexible and competitive position for Origin Energy in wholesale and retail markets.

The low level of wholesale electricity prices in Australia has made purchasing the majority of our electricity requirements appropriate to date. Higher forward electricity price is one of the triggers that will encourage us to develop the recently permitted power stations that I referred to just a few minutes ago.

And finally to our Retail business.

We are one of the largest energy retailers in Australia. This is becoming a very competitive business with quite high levels of customer churn. Despite this the company has been able to increase retail margins to approximately 7% in the last year. Through deregulation and privatisation in the Australian energy sector since the mid 1990s we have significantly grown our market share. We now serve around 15% of the eastern Australian energy market as measured by customer numbers. This has been achieved through both acquisitions and targeted organic growth of the business, particularly in new areas such as the South Australian and New South Wales electricity markets.

We use many marketing channels to position ourselves as the company of choice for new customers and we are particularly pleased with the response to our GreenEarth products. As our Chairman has outlined, there is general agreement that the consequences of over-utilising fuels with high greenhouse gas emissions are starting to be felt in the form of climate change – and this will impact us all – businesses, communities and individuals alike. We are pleased to be Australia's leading provider of green products which give you and all our customers, the ability to choose energy from renewable sources, or offset the emissions from your energy use. I hope you have all noticed the stands outside the meeting where you can receive high efficiency light globes in return for signing over the greenhouse gas emission reduction benefits. Provided that you have not taken up this offer previously – either with Origin Energy or someone else – you are able to receive these light globes for free.

We look forward to continuing to grow our retail business, both through competitive markets and acquisitions.

As you may be aware, the Queensland Government is introducing full retail contestability in their retail markets in 2007. They are currently proceeding with the sale of their retail businesses and we will be participating in that sale process.

We are hopeful that the New South Wales Government is also watching the sales process in Queensland carefully, as the continued ownership of energy retail businesses by the New South Wales Government is completely out of step with the rest of Australia.

While we have been satisfied with the overall progress of our business, there has been, as our Chairman mentioned, a few areas where we did not meet our objectives or expectations this year:

- Firstly our safety performance has not improved this year. As the graph shows we have had more safety incidents per million hours worked than in the previous year. We take some comfort in the fact that overall our performance has improved significantly over the last five years, and that, even with the rise in incidents last year, the severity of these incidents decreased. Nonetheless this increase in safety incidents is unacceptable and we will be working hard to improve our performance this year.
- Secondly we were unable to gain support from major institutional investors in New Zealand for the proposed merger with Contact Energy. Despite much debate about the merits of the merger from a New Zealand perspective, I believe that differing views on value was the key reason for lack of support. We were not willing to improve the terms of the merger at the expense of Origin Energy shareholders and the merger therefore did not proceed.
- Lastly – this time last year we were hopeful that the BassGas Project would commence production in December 2005 and the Otway Gas Project by mid 2006. The BassGas Project was delayed a further six months and the current estimate for the commencement of production for the Otway Gas Project is in the second quarter of 2007. These delays are indicative of the challenges faced in the upstream industry at this time. Both these projects will ultimately be good contributors to earnings for Origin Energy.

Achieving successful outcomes and overcoming our disappointments requires the skill and commitment of all our employees. We thank them all for their contribution again this year.

Directors have also given an increasing share of their time and expertise to the company this year and I thank them very much for their support.

I hope through this brief presentation that shareholders can see the growing diversity and deepening integration in our business.

Meeting Results

Items of business	For
2 – Adopt Remuneration Report	345,863,796
3(a) – Election – H K McCann	359,651,141
3(b) – Election – H M Nugent	365,708,403
4 – Grant of options and offer of rights to shares to Mr Grant King	294,753,190
5 – Increase in Directors’ fees	349,131,728

Abbreviations

A-IFRS	Australian equivalents to International Financial Reporting Standards
AGM	Annual General Meeting
CO₂	Carbon dioxide
DLC	Dual listed company
EBIT	Earnings before interest and tax

This will continue to underpin the strength of cash flow and growth in earnings for our company. We face an exciting time ahead in the energy industry – with challenges and opportunities in all areas of our business. I can assure you we will be working tirelessly to make these opportunities translate into benefits for all stakeholders in the company.



Grant King
Managing Director

Against	Abstain	Open
20,582,573	2,163,189	14,554,651
7,251,953	1,713,740	14,547,375
1,822,218	939,301	14,651,130
54,095,373	19,342,639	6,709,243
17,364,591	1,997,205	6,665,791

Product offers

As someone who has made an investment in our company, you may be interested in finding out about the products and services that we offer to our customers. You may even wish to take the opportunity to participate in our gas, electricity and household or business service offers in the future.

We may contact you in the future with such offers.

If at any time you do not wish us to use, or enable our privacy compliant representatives to use your information for this purpose, please write to Origin Energy Opt Out – Locked Bag A14, Sydney South, NSW 1235 or contact our Share Registry on 1300 664 446.

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