

Annual
General Meeting
Report to
Shareholders

20 October 2004



Kevin McCann
Chairman

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Annual General Meeting

Wesley Conference Centre

220 Pitt Street, Sydney

New South Wales

10.30am, Wednesday, 20 October 2004

Meeting Results

Dear Shareholder

The Annual General Meeting (AGM) of Origin Energy was held in Sydney on Wednesday 20 October 2004. Some 371 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.

The results of the business conducted at the meeting are set out on the following pages. All resolutions were approved on a show of hands.

Item 1 – Financial statements and reports

The Financial Statements, Directors' Report and Auditor's Report for the year ended 30 June 2004 were laid before the meeting and were received and considered.

Shareholders were given the opportunity to ask questions and make comments on the management of the company. Shareholders welcomed Origin's increase in profit and dividends. Some shareholders suggested that Origin's level of dividend should be increased. I noted that Origin's dividend payout had increased in line with the increase in net profit after tax. The dividend payout rate of 40% of earnings per share reflected a balance between adequate distributions to shareholders and the retention of funds to provide for development capital over the coming years.

Items 2(a) – 2(b) – Election of Directors

Directors, Dr Roland Williams and Mr Trevor Bourne were retiring and sought re-election by shareholders. Each Director seeking re-election addressed the meeting outlining the qualities they brought to the Origin Board and their contribution as a Director.

Both Roland Williams and Trevor Bourne were re-elected on a show of hands.

Item 3 – Grant of options to Grant King

This resolution sought the approval for the Directors to issue up to 1,000,000 options over Origin shares to Grant King, Managing Director. The Directors informed the meeting that the options will be issued in two tranches over a two year period in respect of the years ending 30 June 2006 and 30 June 2007. The actual number of options issued will depend upon our assessment of Mr King's performance over the preceding years. The exercise price of these options will be the volume weighted average market price during the five days prior to the granting of the options.

In presenting the proposal I referred to the success of the company under the leadership of Grant King in justifying the Board's support of his proposed grant of options. I explained that the performance hurdles attached to the options required the company to exceed the Total Shareholder Return of the median of a reference group of companies over a period of three years before Mr King was entitled to exercise the options.

The proposal was approved by a show of hands.

Item 4 – Approval of increase in non-executive Directors' fees

As I was interested in this item, the consideration of the increase in Directors' fees was chaired by Grant King.

The meeting considered the explanation that Origin's non-executive Directors' fees had been brought into line with comparable companies and that a higher limit would enable the appointment of additional non-executive Directors as may be required.

Several questions were raised about the scale of the increase and the fact that an increase had been approved at the prior AGM. It was explained that the increase last year was required by the addition to the Board of Dr Helen Nugent and that the further increase sought this year was to enable the payment of Directors' fees at prevailing market rates and to enable the appointment of additional Directors if required. In setting the fees for the 2005 financial year, the Board sought advice from an executive remuneration expert.

The matter was approved by a show of hands.

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.

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

Kevin McCann
Chairman

Chairman's Address

Annual General Meeting

20 October 2004

Ladies and Gentlemen,

I am pleased to report that Origin Energy has had another excellent year.

The net profit after tax of \$205 million is a 27% increase over last year with earnings per share increasing 25% to 30.9 cents per share. Free cash flow of \$350 million demonstrates the strong performance of Origin's businesses.

A final dividend of seven cents per share fully franked was paid on 15 September 2004, increasing the total dividends for the year to 13 cents, fully franked, compared to 10 cents, 40% franked last year. This is in line with our commitment to pay dividends at a rate of 40% of earnings per share.

In our first five years as a separately listed company revenues have grown by nearly 24% annually, profit after tax has increased 29% annually, earnings per share 24% and operating cash flow has more than doubled.

At the close of the year there had been a substantial appreciation in share price of 39% – a substantial out performance of the ASX 100 which has risen by around 17% in the same period.

When Origin was formed in February 2000 our target was to achieve Total Shareholder Returns in the top third of ASX 100 companies. I am pleased to report that we are among the top 10% of performers in the ASX 100 over this period.

Origin's financial performance to date is due to the excellent performance of its existing businesses and the contribution of development projects and acquisitions.

During the past year, expansionary capital expenditure on growth opportunities amounted to \$237 million on development projects and we spent \$185 million on acquisitions. We have been able to fund this capital expenditure largely by our strong operating cash flow so that net borrowings increased by only \$128 million. Our growth has therefore been achieved while maintaining a gearing level of 31% net debt to capitalisation as at 30 June 2004. Interest cover remains strong at 6.2 times.

Looking forward, the acquisition of a controlling interest in Contact Energy, one of New Zealand's largest energy companies, has provided an opportunity for Origin to add scale and diversity to its existing businesses in the New Zealand market – a market which has competitive and regulatory structures similar to the Australian states. We are very comfortable with doing business in their operating environment.

Contact is an integrated energy supplier with more than 2,700MW of hydro, geothermal, combined and open cycle gas generation, supplying over 25% of New Zealand's electricity and a retail energy business with around 600,000 gas and electricity customers. The acquisition will deliver increased earnings to Origin. Following the acquisition of the 51% interest from Edison Mission, as required under the New Zealand takeover code, Origin has made an offer to the remaining shareholders of Contact on the same terms. However, our strategic objectives in relation to the acquisition are satisfied with the 51.2% interest that has been secured.

The amount of funding required for the Contact acquisition will depend on the acceptance level by the minority shareholders. We have flexible funding arrangements in place that are sufficient to meet the requirements of the acquisition at any level of acceptance. The acquisition price of NZ\$1.645 billion for the 51.2% interest has been met by a combination of hybrid equity and debt.

After funding the acquisition of Contact and, based on the current level of acceptances for our offer, we expect Origin's debt to capitalisation ratio to remain below 45%. We are, however, reviewing our existing businesses to determine whether the sale of non-core assets would be appropriate to reduce the funds raised for the Contact acquisition and further strengthen our balance sheet. Following this process, we intend to finalise a rights issue later this financial year to redeem the hybrid equity.

We also have a number of development projects which will involve capital expenditure of approximately \$1 billion over the next four years. These projects range from the development of natural gas reserves in the offshore Otway Basin and the Kupe field in New Zealand, coal seam gas interests in Queensland, and power generation and renewable energy projects in eastern Australia. We will continue to manage the execution risk of this growth program through regular review of our projects and strategies. We will also continue to monitor opportunities that can add to our program of growth.

In the pursuit of improved performance and growth, we will continue to maintain the confidence of our shareholders and the investing public through good corporate governance. The Board and management have continued to improve our corporate governance practices over the past year. We have worked on enhancing our existing processes and introducing new systems and policies where required. By the end of the financial year, we achieved compliance both in substance and in form with the ASX Corporate Governance Council Recommendations.

In relation to executive remuneration we have articulated our approach in our Annual Report and we have formulated policies to guide our future remuneration strategy. As stated in the Annual Report, our approach is to pay our executives at the median for comparable positions with the opportunity to earn at the top quartile through short-term incentives for outstanding achievement. CLERP 9 amendments to the Corporations Act will require greater levels of disclosure of remuneration for directors and executives. In advance of these requirements, we have provided enhanced disclosure in our Directors' Report and have set out our full remuneration policy on the company website.

A review of Board performance was undertaken during the year examining the role of the Board and its procedures and practices, to identify opportunities for continued improvement in our activities. The review established that the Board was operating well and we have developed an action plan to further enhance Board effectiveness. Reviews of Trevor Bourne and Roland Williams, who seek re-election at today's Annual General Meeting, were also undertaken. The Board (with the affected Directors abstaining) recommend their re-election to shareholders.

Mr Bruce Beeren joined the Board as Commercial Director in 2000, specifically with the task of assisting Origin to establish itself in its formative years following the demerger from Boral. Origin has been very fortunate to be able to retain Bruce as an Executive Director for five years and he has played a major part in its success over this period. Bruce has announced that he will retire from his executive role in early 2005, but that he will remain on the Board as a non-executive Director.

In recognition of the significance of Contact Energy in the Origin Group, it may be appropriate to increase the size of the Board over the coming year.



We will continue to ensure that our processes and practices and our Directors and management meet the highest standards expected by shareholders, investors, regulators and the community. At the same time, we recognise we must continue to focus upon improving the financial performance of the company and returns to all stakeholders, especially our shareholders.

Apart from compliance with the ASX Corporate Governance standards, good corporate governance also requires sustainable performance, that is, we need to undertake our business in a manner which is acceptable to all stakeholders: our shareholders, our customers, the community, governments and regulators. We have recognised this and in our second Sustainability Report, published earlier this year, provided a detailed report to stakeholders on our environmental, social and economic impacts and reinforcing our commitment to sustainability.

We have been able to further improve our employee safety performance. The Lost Time Injury Frequency Rate improved 10% from 3.1 to 2.8 injuries per million hours worked. We will continue our efforts to further improve employee safety for the coming year.

Origin has also continued to seek opportunities to reduce the environmental impact of energy production by investing in new energy technologies which will assist in reducing the overall greenhouse intensity of our power generation portfolio.

Conclusion and outlook

In concluding, let me comment on the outlook for the coming year. Our performance in the first quarter has been in line with expectations. We expect profits for the current financial year to be consistent with the company's targeted earnings per share growth of 10 to 15%.

I would also like to thank my colleagues on the Board and management for their efforts over the last year. They have all contributed to what by any measure, has been a good year for the company.

I now call on the Managing Director, Grant King to give us an overview of the short to medium term prospects for the company.

A handwritten signature in black ink, reading "Kevin McCann". The signature is written in a cursive style with a long horizontal line extending to the right.

Kevin McCann
Chairman

Managing Director's Address

Annual General Meeting

20 October 2004

Ladies and Gentlemen,

The company has made past company performance available on our website and through the publication of our Annual Report and Sustainability Report. I trust that shareholders have taken the opportunity to review the information available on our past performance.



Grant King
Managing Director

The significant increase in our share price over the past year reflects in part our good performance over the past year but perhaps more so, expectations about future performance.

For these reasons, I will speak briefly about factors driving our performance over the short to medium term which include:

- Development projects
- Contact Energy
- Oil prices
- Retail competition

Development projects

The company is involved in a number of major development projects which involve in excess of \$1 billion of capital expenditure and will be a major driver of earnings growth over the next four to five years. These projects include:

- The Perth Basin oil and gas projects
- BassGas Project
- Coal seam gas developments in Queensland
- The offshore Otway Gas Project
- The Kupe gas and liquids project in New Zealand
- Power generation and renewable energy projects

Perth Basin – Western Australia

Over the past few years, Origin has enjoyed considerable success in the exploration for oil and gas in the Perth Basin. This year oil production from the Hovea, Eremia and Jingemia fields increased to average more than 6,700 barrels of oil per day (bopd), a three fold increase on the previous year. Over the remainder of 2004, the average daily production rate is expected to increase towards 10,000 bopd as Jingemia 4 is fully commissioned and the Hovea field is further developed. Origin has a 50% share in oil production from the Perth Basin.

The gas exploration and production program in the area will continue as new gas discoveries at Xyris 1, Apium 1 and Tarantula 1 are planned to be brought on stream during 2004/05.

Remaining prospectivity in the Perth Basin is encouraging. We therefore expect the Perth Basin to be a significant contributor to earnings over the next few years.

BassGas Project – Bass Basin, Tasmania/Victoria

The BassGas Project is being developed to deliver 20 PJ of gas and one million barrels of liquids per annum from the Yolla field in central Bass Strait into Victorian and south east Australian markets. Origin has a 37.5% interest in the project, and has contracted to take all the sales gas produced from the field into our gas supply portfolio.

Drilling of the Yolla development wells is now complete and the drilling rig has been moved to the Trefoil prospect, which is now being drilled. Detailed analysis of gas composition is now being completed. Some impurities such as mercury are present in the gas stream. Engineering work is now being undertaken to implement the most effective way of dealing with these impurities.

Delays in completion of critical components of the production facilities have led to significant slippage from the original development timetable. Previously, we had

indicated that production from the Yolla field would commence in November 2004, but the most recent view is that this objective has slipped another few weeks. This will inevitably push the commissioning period for the plant into the Christmas/New Year period which will further delay full commercial production.

Coal seam gas projects – Queensland

During the year we have continued to appraise, commercialise and develop our coal seam gas (CSG) as a viable gas supply for south eastern Australian gas markets.

We booked an additional 572 PJe of proved and probable reserves as a result of continuing exploration, appraisal and development activities across Origin's CSG tenements, taking our total CSG reserves to over 1,000 PJ.

In addition to our existing production of around 9 PJ per annum, Origin has now signed three major contracts for the supply of CSG amounting to around 600 PJ. This includes 340 PJ to be supplied to AGL from 2005 announced in late 2002, and two contracts announced since the last AGM – the supply of 180 PJ to Queensland Alumina Limited (QAL) commencing in 2006 and supply of 70 PJ to Incitec Pivot from 2007.

In another important development, in May 2004, we signed a conditional Heads of Agreement with Santos to swap gas between Queensland and the Moomba Gas Hub, providing access to southern markets for Origin's CSG resources. The swap will eliminate the need for Origin to build a major additional pipeline in the short term.

Development activities this year have focussed on the Spring Gully Project north of Roma. Supply from this area is on schedule to commence in mid 2005.

Otway Gas Project – Otway Basin, Tasmania/Victoria

In May 2004, the Otway Gas Project joint venture announced it would proceed with the development of the Thylacine and Geographe fields in the offshore Otway Basin, in western Bass Strait. Origin has a 29.75% interest in the project which will supply 60 PJ of gas, more than 100,000 tonnes of LPG and 800,000 barrels of condensate

per annum, once commissioned in mid 2006. Origin has signed gas purchase agreements with two of its co-venturers and will take 48.45% of the gas produced from the field.

This project remains on schedule for delivery of first gas in mid 2006.

Kupe Project – Taranaki Basin, New Zealand

In February 2004, Origin acquired a 50% interest in, and assumed operatorship of, the Kupe gas field for \$30 million. Scheduled to be in production by mid 2007, the field is expected to produce around 20 PJ of gas and 1.5 million barrels of liquid hydrocarbons per annum. Origin's share of the gas is contracted to New Zealand power generator, Genesis Energy.

The Kupe development will complement our existing exploration efforts in New Zealand, and we look forward to further involvement in this market where a long-term shortage of gas is providing new incentives for exploration and development companies.

Power generation and renewable energy projects

In addition to these major exploration and production projects, Origin has been pursuing a number of options for building its business in power generation and renewable energy.

On 19 October 2004, Origin announced that a number of sites for a major power generation project in Victoria had been secured. Sites are also being evaluated in Queensland. Both these projects leverage the increasing gas resources available to Origin in Victoria and Queensland.

During the year, Origin completed the construction of a \$21 million Sliver® Solar Cell demonstration plant in Regency Park, South Australia. The facility is now focussed on commissioning production and assembly processes to produce Sliver® Solar Modules for commercial sale in early 2005.

Origin also holds a 17.8% interest in Geodynamics Limited which continues to develop a world class geothermal resource in South Australia's Cooper Basin.

Contact Energy

As the Chairman noted, we have completed the acquisition of a controlling interest in Contact Energy in New Zealand.

We have been assessing opportunities in the New Zealand energy market for many years. This market has similar economic, regulatory, political and competitive issues as in Australia. We had already made some progress in increasing our activities in New Zealand as evidenced by our acquisition of a 50% interest in the Kupe project and the remaining 50% interest in Rockgas.



Because the majority of the larger integrated energy businesses in New Zealand are Government-owned, we believed that the acquisition of Contact may represent the only foreseeable opportunity to acquire a significant exposure to the New Zealand energy market.

Contact pursues the same business strategies as Origin, and operates in markets similar to ours and will add significantly to the size and diversity of Origin's business. Like Origin, Contact is also a strong cash-generative business. Its acquisition and consolidation for accounting purposes will add significantly to Origin's ability to grow.

Having completed the acquisition of Edison Mission's controlling interest in Contact and having a number of Origin representatives join the Board of Contact, we are pleased with the performance of the business and its prospects for the years ahead.

Oil prices

There has been much commentary in the media recently about historically high oil prices which have risen significantly over the past year. Oil prices are approximately A\$25/barrel higher than this time last year and the expectation of forward oil prices is higher by the same amount.

All companies with oil/liquids production are benefiting from the trend in both profits and share price.

Origin's strategic focus is on natural gas rather than oil and consequently only approximately 16% of Origin's petroleum production is oil and condensate. Whilst we benefit from higher oil prices, Origin is not nearly as leveraged to changes in oil prices as many conventional exploration and production companies would be.

Given our forecast, liquids production and current hedging, a US\$1 change in oil prices would result in a \$1.5 million change in profit before tax over the balance of the year.

Retail competition

When we announced our 2004 results, we indicated that the industry was experiencing higher levels of customer churn in Victorian and South Australian markets.

We are seeing increasing levels of activity in these markets primarily from government-owned retailers. I have previously indicated that this was a major concern that government-owned retailers were allowed to participate in these markets when price caps limited the scope for us to compete in their incumbent markets. Their involvement in interstate retail markets seems particularly inappropriate where these same businesses are struggling to maintain reliability of electricity supplies in their own distribution areas.

Outlook

The key driver of shareholder returns in Origin over the past five years has been growth in earnings. Origin is seeking to deliver earnings per share growth on average of 10 to 15% per annum.

In the current financial year, results for the first quarter are in line with our expectations.

For the remainder of the year delays to the commissioning of BassGas will reduce the contribution from this project in this financial year but will have negligible impact on the value of the project. Higher levels of retail customer churn, if continued may impact negatively on earnings expectation.

We expect that increased liquids production and higher oil prices will impact favourably.

Taking these factors into account, and based on current trends, we believe that Origin, not including the acquisition of Contact Energy, remains on track to deliver an increase in earnings of 10 to 15% for this year.

As I indicated previously, we expect the contribution from Contact Energy to exceed our assumptions at the time of acquisition.

Looking further ahead, the progress on major development projects, the acquisition of Contact Energy and the development opportunities arising from the integrated strategies of both companies should continue to deliver growth in earnings averaging 10 to 15% per annum over the coming years.

A handwritten signature in black ink, appearing to read 'Grant King', with a stylized, cursive script.

Grant King
Managing Director

Abbreviations

ASX – Australian Stock Exchange

AGM – Annual General Meeting

Bopd – Barrels of oil per day

CLERP 9 – Corporate Law Economic Reform Program 9

CSG – Coal seam gas

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