



**MANAGING DIRECTOR'S ADDRESS  
ANNUAL GENERAL MEETING  
25 OCTOBER 2006**

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 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 2000's, 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 interest in Queensland.

Origin's 2P reserves increased significantly year on year with reserves additions in Spring Gully adding 170 PJe and acquisition of additional CSG 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 reserve 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 compliment 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 CO<sub>2</sub> emissions and climate change. We continue to work on the development and demonstration of low carbon 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'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 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 1990's 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 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 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.

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.

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.