CLEANER ENERGY SMARTER FUTURE

ANNUAL REPORT 2016

CONTENTS

MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

Fellow shareholder

The past 12 months was a challenging period financially for Origin and its shareholders. While we have celebrated a major achievement in bringing Australia Pacific LNG into operation – a milestone eight years in the making – this has coincided with sustained low oil prices and as a result the company entered the year with an unsustainably high level of debt.

In response, we made significant progress to build resilience across our business. Through our capital initiatives and asset sale program, we have materially reduced debt, preserved cash by reducing operating and capital expenditure, and reduced risk through the purchase of oil put options.

At an operational level, Origin has performed well. The Energy Markets business has significantly increased cash from operating and investing activities and improved operational outcomes across many key indicators of performance. Australia Pacific LNG commenced LNG production from Train 1 and Train 2 is on track to commence production this year.

Origin's strategy of investing in gas and renewables sees the company well placed to lead the transition to less carbon intensive energy not only domestically through the Energy Markets business but also in regional markets through investment in Australia Pacific LNG and its growing LNG production.

THE YEAR IN REVIEW

Underlying EBITDA from continuing operations of $1.6 billion was slightly below the prior year reflecting a strong operational performance from Energy Markets and the commencement of LNG production from Australia Pacific LNG.

Underlying profit from continuing operations of $354 million was down 41 per cent on the previous year. The increased contribution from LNG at current low oil prices did not fully offset the increase in interest and depreciation which was the main driver of the decline in underlying profit from continuing operations of $249 million to $354 million.

The statutory loss from total operations was $589 million, an improvement of 10 per cent on the prior year. The main drivers of this result include a lower underlying profit from continuing operations ($249 million), the sale of Origin's entire interest in Contact Energy ($55 million) and a reduction ($386 million) in items excluded from underlying profit.

Items excluded from underlying profit include non-cash after-tax impairments of $515 million. This includes an impairment charge of $271 million taken in the second half, driven primarily by downward revisions to reserves disclosed in the company's Annual Reserves Report in July 2016.

Net cash from operating and investing activities improved $3.3 billion to $1.2 billion driven by asset sales and improving cash flow as capital expenditure and operating costs were reduced. As a consequence of improved cash flows, asset sales and the Entitlement Offer in October 2015, Origin's adjusted net debt decreased by $4 billion.

Statutory and underlying Earnings Per Share have reduced to (37.3) cents per share and 23.2 cents per share respectively reflecting the increase in the number of shares on issue and lower underlying profit.

STRONG OPERATIONAL PERFORMANCE

Energy Markets delivered a strong operational performance with an increased EBITDA contribution of $70 million to $1.3 billion. Gross profit contributions from the Natural Gas and Electricity businesses were preserved in a market that has changed significantly in the past year while costs were reduced. Importantly, net cash from operating and investing activities increased by $522 million to $1.3 billion.

A major milestone was the commencement of exports by Australia Pacific LNG in January 2016. Train 1 production has ramped up quickly to above nameplate capacity and to date, the project has shipped 36 cargoes[(1)], primarily to its two major customers, Sinopec and Kansai.

The maiden contribution from the commencement of LNG production by Australia Pacific LNG has in part offset the impact of lower oil prices on the Integrated Gas business which decreased by $112 million to $386 million. As the investment in Australia Pacific LNG nears completion and cash flows from production begin, cash flow from operating and investing activities improved by $1.4 billion to ($1.6) billion.

DELIVERING ON OUR COMMITMENTS

During the past 12 months, we have taken decisive action to stabilise the business in the face of low oil prices, not least repaying $4 billion of debt to reduce our adjusted net debt to $9.1 billion.

Asset sales totalling $484 million were announced during the period, in addition to the sale of Origin's interest in Contact Energy for proceeds of $1.6 billion. The sale of additional assets remains on track to meet the $800 million target by the end of FY2017.

In the 18 months to the end of FY2016, we reduced our workforce by 28 per cent, or 2,500 people, as capital projects were completed or stopped, some activities such as overseas exploration and development discontinued and operational efficiency improved. This will support a continued reduction in cash costs into FY2017.

Our Energy Markets business achieved a $100 million operating cost reduction target from financial year 2014 levels, and also reduced capital expenditure by $50 million in FY2016, driving an improvement in Underlying Return on Capital Employed (ROCE) from 9.6 per cent to 10.1 per cent.

As the upstream operator of Australia Pacific LNG, Integrated Gas delivered more than $1 billion per annum in recurring upstream cost reductions. We have also taken action to reduce exposure to low oil prices through the purchase of put options over 15 million barrels of oil for FY2017 at prices of US$40 per barrel and A$55 per barrel.

THROUGH ORIGIN'S SUITE OF CAPITAL INITIATIVES THE COMPANY HAS SIGNIFICANTLY REDUCED DEBT AND PRESERVED CASH BY REDUCING OPERATING AND CAPITAL EXPENDITURE.

DIVIDEND

Given the important task of continued debt reduction and the fact that in the current lower oil price environment Origin is not generating franking credits sufficient to frank any dividends, the Board has determined to not pay a dividend in respect of earnings for the second half of the financial year.

While the Board will review each dividend decision in light of the prevailing circumstances, the Board's view is that suspension of the dividend is in the best overall interest of shareholders.

BOARD AND EXECUTIVE CHANGES

During the period, there were changes to the Origin Board. In September 2015, Scott Perkins joined the Board as an Independent Non-executive Director and member of the Audit and Remuneration committees.

At the 2015 Annual General Meeting last October, Karen Moses advised of her intention to retire in 2016 to pursue opportunities as a Non-executive director. Karen stepped down from the Board at that time and from her role as Executive Director, Finance and Strategy in May 2016. Karen has made an invaluable contribution to the growth and development of Origin for more than 20 years and we wish her well for the future.

Origin's Group Financial Controller, Gary Mallett, is currently acting in the role of Chief Financial Officer.

LOOKING AHEAD

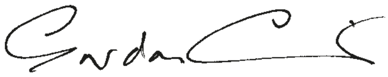
In FY2017, Origin expects a 45 to 60 per cent increase in Underlying EBITDA when compared to FY2016 Underlying EBITDA from our continuing operations(2).

Origin's remaining contribution to Australia Pacific LNG is expected to be approximately $600 million(3), in line with previous guidance. Elsewhere in the business, Origin's capital expenditure will continue to reduce.

In FY2018 and beyond, as Australia Pacific LNG completes the transition from development to production of its LNG project, we expect to see significant growth in earnings and returns, strong cash flow and continuing reduction in debt. We are on track to be well below our target of $9 billion adjusted net debt by the end of FY2017.

In concluding, we would like to thank our people for their extraordinary efforts. While this year has presented enormous challenges, we can look to the future with increasing optimism and confidence.

Finally, we would like to recognise and thank our other key stakeholders – our customers, the communities in which we operate, our business partners and particularly you, our shareholders for your ongoing support.



Gordon Cairns
Chairman

Grant King
Managing Director

(1) As announced at Origin's full year 2016 results.

(2) This guidance is based on an average oil price of US$52.90/bbl and a AUD/USD exchange rate of $0.74 and is dependent on the timing of production from Train 2. For Australia Pacific LNG, the effective oil price for oil-linked LNG sales will incorporate the lag in oil prices associated with LNG Sale and Purchase Agreements.

(3) As announced in February 2013, based on December 2012 exchange rates.

In accordance with the *Corporations Act 2001* (Cth), the Directors of Origin Energy Limited (Company) report on the Company and the consolidated entity Origin Energy Group (Origin), being the Company and its controlled entities for the year ended 30 June 2016.

The Operating and Financial Review and Remuneration Report form part of this Directors' Report.

1 PRINCIPAL ACTIVITIES

During the year, the principal activity of Origin was the operation of energy businesses including:

— exploration and production of oil and gas;
— electricity generation;
— wholesale and retail sale of electricity and gas; and
— sale of liquefied natural gas.

There were no other significant changes in the nature of these activities during the year.

2 REVIEW OF OPERATIONS & FUTURE DEVELOPMENTS

A review of the operations and results of operations of Origin during the year, the financial position of Origin and the business strategies and prospects for future financial years, is set out in the Operating and Financial Review, which forms part of this Directors' Report.

3 SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the year:

Australia Pacific LNG

Almost eight years after the establishment of Australia Pacific LNG in October 2008, the first train of the two train (nine million tonnes per annum nameplate capacity) CSG to LNG project was commissioned and LNG production and export is well underway. Since January 2016 Australia Pacific LNG has shipped 36 cargoes, the majority under long term Sale and Purchase Agreements with Sinopec and Kansai. The second train is expected to commence production in the second quarter of the 2017 financial year.

Actions taken to strengthen the Balance Sheet

Sale of Contact – On 10 August 2015 Origin completed the sale of its 53.09 per cent shareholding in Contact Energy. The transaction was underwritten at a fixed price of NZ$4.65 per share providing NZ$1.8 billion (A$1.6 billion) in net proceeds.

Entitlement Offer – In October 2015 Origin completed an Entitlement Offer, raising $2,496 million net cash proceeds and issuing 636 million new shares.

Dividends – As part of the Entitlement Offer in October 2015 Origin announced the reduction of the dividend to 20 cents per share on the expanded capital base, with an unfranked interim dividend of 10 cents per share paid on 31 March 2016. The Board has determined not to pay a dividend in respect of earnings for the second half of the financial year.

Asset sales – The sale of infrastructure, wind and geothermal assets sales totalling $476 million(1) were announced, with $118 million completed as at 30 June 2016. The program is on track to achieve sales totalling at least $800 million by the end of the 2017 financial year.

Exit from certain activities – The decision to exit from geothermal activities and international exploration to focus on two strong businesses, Energy Markets and Integrated Gas.

As acquisition and development activities diminished and the Australia Pacific LNG project nears completion, headcount across operational and functional roles reduced by more than 2,500 over the last 18 months.

Developments

Development activities were limited to capital expenditure to completing projects that have commenced and utilise existing infrastructure. In the Bass Basin, the Yolla-5 and Yolla-6 production wells were commissioned and production commenced during the year. In the Otway Basin the Halladale and Speculant wells were connected to the Otway Gas Plant and first gas is expected in late August 2016. In the Perth Basin, execution phase of the Stage 1a Waitsia Gas Project is nearing completion, with the commencement of flows expected by the end of August.

The events described above and those disclosed in the Financial Statements represent the significant changes in the state of affairs of Origin for the year ended 30 June 2016.

4 EVENTS SUBSEQUENT TO BALANCE DATE

Other than the items described below, no matters or circumstances have arisen since 30 June 2016, which have significantly affected, or may significantly affect:

— the Company's operations in future financial years;
— results of those operations in future financial years; or
— the Company's state of affairs in future financial years.

Completion of Cullerin Range Wind Farm Sale

On 17 June 2016 Origin entered into a Share Sale Agreement with EDL Holdings (Australia) Pty Ltd for the sale of its wholly owned subsidiary Cullerin Range Wind Farm Pty Ltd for cash consideration of $72 million. Completion of the transaction occurred on 13 July 2016. The expected gain on sale before tax and transaction costs is approximately $12 million. Simultaneously, Origin Energy Electricity Limited entered into an Offtake Agreement with Cullerin Range Wind Farm Pty Ltd.

Completion of OTP Geothermal Pte Ltd Sale

On 8 April 2016, Origin announced that it had entered into a Sale Agreement with KS Orka Renewables Pte Ltd for the sale of its 50 per cent interest in OTP Geothermal Pte Ltd (OTP) for cash consideration of approximately US$30 million (Origin share).

Settlement of the transaction occurred on 16 August 2016. Origin's investment in OTP is recorded at its recoverable amount at 30 June 2016 therefore there will be no significant profit or loss realised on divestment in the year ending 30 June 2017.

Australia Pacific LNG Functional Currency

Australia Pacific LNG has changed its functional currency from AUD to USD from 1 July 2016 for accounting and reporting purposes. On 30 June 2016 Australia Pacific LNG elected to change its functional currency for Petroleum Resource Rent Tax to USD from 1 July 2016 and intends to change its functional currency for income tax purposes to USD with effect from 1 July 2016.

Funding of Australia Pacific LNG

On 1 July 2016 Australia Pacific LNG undertook a capital reduction and cancellation of all existing 14,000 AUD denominated Mandatory Redeemable Preference Shares (MRCPS) (Origin's share, A$4.8 billion). The capital reduction was funded by issue of USD denominated MRCPS to a value of US$7.4 billion (Origin's share US$2.8 billion or A$3.7 billion) and a non-cash shareholder capital contribution of US$2.2 billion (Origin's share US$0.8 billion or A$1.1 billion).

(1) Includes proceeds from OTP sale of US$30 million converted at an exchange rate of AUD/USD of 0.73.

5 DIVIDENDS

a) Dividends paid during the year by the Company were as follows:

	$million
25 cents per ordinary share, unfranked, for the year ended 30 June 2015, paid 28 September 2015.	277
10 cents per ordinary share, unfranked, for the half year ended 31 December 2015, paid 31 March 2016.	175

b) In respect of the current financial year, the Directors have determined that no final dividend will be payable for the year ended 30 June 2016.

6 DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

Gordon Cairns (Chairman)
Grant King (Managing Director)
John Akehurst
Maxine Brenner
Bruce Morgan
Karen Moses (retired 21 October 2015)
Ralph Norris (retired 16 September 2015)
Helen Nugent
Scott Perkins (appointed 1 September 2015)
Steve Sargent

7 INFORMATION ON DIRECTORS AND COMPANY SECRETARIES

Information relating to current Directors' qualifications, experience and special responsibilities is set out on pages 58 and 59. The qualifications and experience of the Company Secretaries are also set out below.

Andrew Clarke
Group General Counsel and Company Secretary

Andrew Clarke joined Origin in May 2009 and is responsible for the company secretarial and legal functions. He was a partner of a national law firm for 15 years and was Managing Director of a global investment bank for more than two years prior to joining Origin. Andrew has a Bachelor of Laws (Hons) and a Bachelor of Economics from the University of Sydney, and is a member of the AICD.

Helen Hardy
Company Secretary

Helen Hardy joined Origin in March 2010. She was previously General Manager, Company Secretariat of a large ASX listed company, and has advised on governance, financial reporting and corporate law at a Big 4 accounting firm and a national law firm. Helen is a Chartered Accountant and Chartered Secretary and a Graduate Member of the AICD. She holds a Bachelor of Laws and a Bachelor of Commerce from the University of Melbourne, and is admitted to practice in New South Wales and Victoria.

8 DIRECTORS' MEETINGS

The number of Directors' meetings, including Board committee meetings, and the number of meetings attended by each Director during the financial year are shown in the table below:

	Board Meetings				Committee Meetings									
	Scheduled		Additional		Audit		Health, Safety and Environment (HSE)		Nomination		Remuneration		Risk	
Directors	H	A	H	A	H	A	H	A	H	A	H	A	H	A
G Cairns	10	10	3	3	5	5	4	4	1	1	5	5	4	4
G King	10	10	3	3	–	–	4	4	–	–	–	–	–	–
J Akehurst	10	9	3	2	–	–	4	4	1	1	–	–	4	2
M Brenner	10	10	3	3	5	5	–	–	1	1	–	–	4	4
K Moses(1)	4	4	1	1	–	–	–	–	–	–	–	–	–	–
B Morgan	10	10	3	3	5	5	4	4	1	1	–	–	4	4
R Norris(2)	2	2	–	–	2	2	–	–	–	–	2	2	–	–
H Nugent	10	10	3	3	5	5	–	–	1	1	5	5	4	4
S Perkins(3)	9	9	3	3	3	3	–	–	–	–	2	2	–	–
S Sargent	10	10	3	3	–	–	4	4	–	–	5	5	–	–

(1) Up to the date of retirement on 21 October 2015.
(2) Up to the date of retirement on 16 September 2015.
(3) From the date of appointment on 1 September 2015.

H Number of scheduled meetings held during the time that the Director held office or was a member of the committee during the year.
A Number of meetings attended.

The Board held 10 scheduled meetings, including a two-day strategic planning meeting and three additional meetings to deal with urgent matters. The Board also had six separate scheduled workshops to consider matters of particular relevance. In addition, the Board conducted visits of Company operations at various sites and met with operational management during the year.

9 DIRECTORS' INTERESTS IN SHARES, OPTIONS AND RIGHTS

The relevant interests of each Director as at 30 June 2016 in the shares, subordinated notes and Options or Rights over such instruments issued by the companies within the consolidated entity and other related bodies corporate at the date of this report are as follows:

Director	Ordinary shares held directly and indirectly	Subordinated Notes held directly and indirectly	Options over ordinary shares	Deferred Share Rights (DSR) over ordinary shares	Performance Share Rights (PSR) over ordinary shares
G King	1,601,657	2,000	3,018,530(1)	31,984(2)	307,838(2)
J Akehurst	71,200	–	–	–	–
M Brenner	22,117	–	–	–	–
G Cairns	163,660	–	–	–	–
B Morgan	47,143	1,000	–	–	–
H Nugent	61,026	300	–	–	–
S Sargent	31,429	–	–	–	–
S Perkins	30,000	–	–	–	–

Exercise price for Options and Rights:
(1) 728,506: $13.01, 1,293,104: $11.78, 171,232: $13.97, 825,688: $15.65.
(2) Nil.

Only the Managing Director participates in the Company's Equity Incentive Plan.

Options and rights granted by Origin

Non-executive Directors do not receive Options or Rights as part of their remuneration. The following Options and Rights were granted to the Managing Director and the five most highly remunerated officers (other than Directors) of the Company during the year ended 30 June 2016:

	Options	DSRs	PSRs
G King	–	–	–
D Baldwin	690,000	62,220	69,876
F Calabria	570,150	64,560	57,739
A Clarke	271,500	28,212	27,495
C McCamish	252,375	26,550	25,558
G Mallett	85,650	20,861	26,022
K Moses	–	–	–

Each of these awards was made in accordance with the Company's Equity Incentive Plan as part of the relevant executive's remuneration. Further details on options and rights granted during the financial year, and unissued shares under Options and Rights, are included in Appendix 3 of the Remuneration Report.

No Options or Rights were granted since the end of the financial year.

Options and Rights granted by Contact Energy

The number of Options and Rights granted by Contact Energy to participants under its own long-term incentive plan during the financial year, and on issue at the end of the financial year is summarised below:

Options

Grant Date	Expiry Date	Exercise price	Balance at 30 June 2016
1 October 2011	30 November 2016	NZ$5.4019	2,214,815
1 October 2012	30 November 2017	NZ$5.2186	3,682,544
1 October 2013	30 November 2018	NZ$5.3254	2,951,009
1 October 2014	30 November 2019	NZ$5.9351	1,180,374
1 October 2015	30 November 2020	NZ$4.9024	972,245

No Contact Energy Options have been granted since the end of the financial year.

PSRs

Grant Date	Expiry Date	Exercise price	Balance at 30 June 2016
1 October 2011	30 November 2016	NZ$0.00	–
1 October 2012	30 November 2017	NZ$0.00	–
1 October 2013	30 November 2018	NZ$0.00	–
1 October 2014	30 November 2019	NZ$0.00	–
1 October 2015	30 November 2020	NZ$0.00	294,316

DSRs

Grant Date	Expiry Date	Exercise price	Balance at 30 June 2016
1 October 2014	30 November 2016	NZ$0.00	–
1 October 2015	30 November 2017	NZ$0.00	314,170

2,871,844 Contact Energy ordinary shares were issued by Contact Energy in respect to their equity scheme during the financial year. No amount was payable on the issue of those shares as all 2,871,844 were rights with an exercise price of $0. Accordingly no amount remains unpaid on any of those shares.

During the financial year Dennis Barnes, who was an Origin employee until 12 August 2015 and was one of Origin's top 5 most highly remunerated officers also received 532,746 Options, 102,841 PSRs, 31,225 DSRs and 1,000 restricted shares through the employee share ownership scheme in Contact Energy as part of his remuneration.

No Contact Energy rights have been granted since the end of the financial year.

Origin Shares issued on the exercise of Options and Rights

Options

No Options granted under the Equity Incentive Plan were exercised during or since the year ended 30 June 2016, so no ordinary shares in Origin were issued as a result.

Rights

1,136,313 ordinary shares of Origin were issued during the year ended 30 June 2016 on the vesting and exercise of DSRs granted under the Equity Incentive Plan. No amount is payable on the vesting of those DSRs and, accordingly, no amounts remain unpaid in respect of any of those shares.

Since 30 June 2016, 56,333 ordinary shares were issued on the vesting of DSRs granted under the Equity Incentive Plan. No amount is payable on the vesting of those DSRs and, accordingly, no amounts remain unpaid in respect of any of those shares.

Contact Energy Shares issued on the exercise of Options and Rights

Since 30 June 2016, no Ordinary shares were issued by Contact Energy on the exercise of Contact Options or Rights.

10 ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's operations are subject to environmental regulation under Commonwealth, State and Territory legislation. For the year ended 30 June 2016, the Company's Australian operations recorded a number of environmental incidents arising from Origin's activities including those where Origin was the operator of a joint venture. These incidents resulted in environmental impacts of a minor and/or temporary nature. Regulators were notified of reportable environmental incidents. The Company received ten notices, one of which was for an incident occurring in the previous reporting period. These notices included requests for further information, official warnings and/or enforcement actions. Appropriate remedial actions have been taken or are being undertaken in association with the relevant regulators, in response to each notice and reportable environmental incident.

In addition, the company entered into an Enforceable Undertaking with Safework NSW in relation to an LPG plant fire that occurred at the Minto LPG site, further details are set out on page 121 of the Annual Report.

11 INDEMNITIES AND INSURANCE FOR DIRECTORS AND OFFICERS

Under its Constitution, the Company may indemnify current and past Directors and Officers for losses or liabilities incurred by them as a Director or Officer of the Company or its related bodies corporate to the extent allowed under law. The Constitution also permits the Company to purchase and maintain a Directors' and Officers' insurance policy. No indemnity has been granted to an auditor of the Company in their capacity as auditor of the Company.

The Company has entered into agreements with current Directors and certain former Directors whereby it will indemnify those Directors from all losses or liabilities in accordance with the terms of, and subject to the limits set by, the Constitution.

The agreements stipulate that the Company will meet the full amount of any such liability, including costs and expenses to the extent allowed under law. The Company is not aware of any liability having arisen, and no claim has been made against the Company during or since the year ended 30 June 2016 under these agreements.

During the year, the Company has paid insurance premiums in respect of Directors' and Officers' liability, and legal expense insurance contracts for the year ended 30 June 2016.

The insurance contracts insure against certain liability (subject to exclusions) of persons who are or have been Directors or Officers of the Company and its controlled entities. A condition of the contracts is that the nature of the liability indemnified and the premium payable not be disclosed.

12 AUDITOR INDEPENDENCE

There is no former partner or director of KPMG, the Company's auditors, who is or was at any time during the year ended 30 June 2016 an officer of the Origin Energy Group. The auditor's independence declaration for the financial year (made under section 307C of the Corporations Act (Cth)) is attached to and forms part of this Report.

13 NON-AUDIT SERVICES

The amounts paid or payable to KPMG for non-audit services provided during the year was $381,000 (shown to nearest thousand dollar). Amounts paid to KPMG are included in F7 to the full financial statements.

Based on written advice received from the Audit Committee Chairman pursuant to a resolution passed by the Audit Committee, the Board has formed the view that the provision of those non-audit services by KPMG is compatible with, and did not compromise, the general standards of independence for auditors imposed by the *Corporations Act 2001* (Cth). The Board's reasons for concluding that the non-audit services provided by KPMG did not compromise its independence are:

— all non-audit services provided were subjected to the Company's corporate governance procedures and, on each occasion, were below the pre-approved limits imposed by the Audit Committee;
— all non-audit services provided did not, and do not, undermine the general principles relating to auditor independence as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards; and
— there were no known conflict of interest situations nor any other circumstance arising out of a relationship between Origin (including its Directors and officers) and KPMG which may impact on auditor independence.

14 PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the Company, nor have any applications been made in respect of the Company under section 237 of the *Corporations Act 2001* (Cth).

15 ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016 and in accordance with that class order, amounts in the financial report and Directors' Report have been rounded off to the nearest million dollars unless otherwise stated.

16 REMUNERATION

The Remuneration Report forms part of this Directors' Report.

IMPORTANT INFORMATION

This Operating and Financial Review (OFR) contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events and future financial prospects. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. Forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements, and the outcomes are not all within the control of Origin. Statements about past performance are not necessarily indicative of future performance.

Neither the Company nor any of its subsidiaries, affiliates and associated companies (or any of their respective officers, employees or agents) (the "Relevant Persons") makes any representation, assurance or guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statement. The forward looking statements in this OFR reflect views held only at the date of this report and except as required by applicable law or the ASX Listing Rules, the Relevant Persons disclaim any obligation or undertaking to publicly update any forward looking statements, or discussion of future financial prospects, whether as a result of new information or future events.

This OFR and Directors' Report refer to Origin's financial results, including Origin's Statutory Profit and Underlying Profit. Origin's Statutory Profit contains a number of items that when excluded provide a different perspective on the financial and operational performance of the business. Income Statement amounts, presented on an underlying basis such as Underlying Profit, are non-IFRS financial measures, and exclude the impact of these items consistent with the manner in which the Managing Director reviews the financial and operating performance of the business. Each underlying measure disclosed has been adjusted to remove the impact of these items on a consistent basis. A reconciliation and description of the items that contribute to the difference between Statutory Profit and Underlying Profit is provided in Appendix 1 of this OFR.

Certain other non-IFRS financial measures are also included in this OFR. These non-IFRS financial measures are used internally by management to assess the performance of Origin's business and make decisions on allocation of resources. Further information regarding the non-IFRS financial measures is included in the Glossary in Appendix 6 of this OFR. Non-IFRS measures have not been subject to audit or review. Certain comparative amounts from the prior corresponding period have been re-presented to conform to the current period's presentation.

Disclosures of Origin and Australia Pacific LNG's reserves and resources are as at 30 June 2016. These reserves and resources were announced on 29 July 2016 in Origin's Annual Reserves Report for the year ended 30 June 2016 (Annual Reserves Report). Origin confirms that it is not aware of any new information or data that materially affects the information included in the Annual Reserves Report and that all the material assumptions and technical parameters underpinning the estimates in the Annual Reserves Report continue to apply and have not materially changed.

Petroleum reserves and contingent resources are typically prepared by deterministic methods with support from probabilistic methods. Petroleum reserves and contingent resources are aggregated by arithmetic summation by category and as a result, proved reserves (1P reserves) may be a conservative estimate due to the portfolio effects of the arithmetic summation. Proved plus probable plus possible (3P reserves) may be an optimistic estimate due to the same aforementioned reasons.

Some of Australia Pacific LNG's CSG interests are subject to reversionary rights to transfer back to Tri-Star a 45 per cent interest in Australia Pacific LNG's share of those CSG interests that were acquired from Tri-Star in 2002 if certain conditions are met. Please refer to section 6 for further information.

On 10 August 2015, Origin divested its entire 53.09 per cent interest in Contact Energy. Information in this report referencing total operations includes Contact Energy and references to continuing operations exclude Contact Energy. Key financial items on a total operations and continuing operations basis are included in Appendix 2.

1 REVIEW OF TOTAL OPERATIONS

Financial information in this section, unless otherwise stated, references total operations including Contact Energy which is presented as a discontinued operation in the income statement. On 10 August 2015, Origin divested its entire 53.09 per cent interest in Contact Energy. Key financial items for total operations, continuing operations and discontinued operations are included in Appendix 2.

1.1 Results Overview

Year ended 30 June	2016 ($m)	2015 ($m)	Change (%)
Statutory Results[1]:			
Statutory (Loss)	(589)	(658)	(10)
Statutory earnings per share	(37.3¢)	(52.1¢)	(28)
Items excluded from Underlying Profit	(954)	(1,340)	(29)
Underlying Results[1]:			
Underlying Profit	365	682	(46)
Underlying earnings per share	23.2¢	54.0¢[2]	(57)
Final dividend per share – unfranked	Nil	25¢	

Almost eight years after the establishment of Australia Pacific LNG, Origin recorded a major milestone with the commencement of LNG production by Australia Pacific LNG. This has occurred at a time when oil prices have fallen to the lowest level in many years. As a consequence Origin began the financial year with an unsustainably high level of debt.

Origin has responded to these circumstances through a series of initiatives to reduce debt and build resilience in a low oil price environment. These include:

- The sale of its 53.09 per cent interest in Contact Energy for NZ$1.8 billion;
- The Entitlement Offer to raise $2.5 billion of equity (Entitlement Offer);
- Commencement of asset sales program to deliver at least $800 million of proceeds by end of financial year 2017 with $484 million announced to date;
- The continued delivery of capital and operating cost reduction targets across Origin, with a head count reduction in excess of 2,500 over the last 18 months;
- The decision to exit from geothermal activities and international exploration to focus on two strong businesses, Energy Markets and Integrated Gas; and
- The purchase of put options over 15 million barrels of oil for the 2017 financial year with a strike price of A$55/bbl (75 per cent of the volume) and US$40/bbl (25 per cent of the volume) and forward sale of LNG cargoes.

These circumstances and Origin's response to them have driven the results for the 2016 financial year.

Statutory loss of $589 million decreased $69 million from the prior year driven by lower Underlying Profit ($317 million) with Items excluded from Underlying Profit of $954 million, $386 million lower than the prior year.

Items excluded from Underlying Profit included impairments of $515 million reflecting costs related to the decision to cease development activities ($171 million) and Upstream impairments ($344 million) due primarily to downward revisions to reserves in the Otway, Bass and Cooper basins. Refer to Appendix 1 for additional detail.

Origin's Underlying Profit of $365 million is down $317 million on the prior year including a lower contribution from discontinued operations, reflecting the sale of Contact Energy ($68 million).

Underlying EBITDA from continuing operations decreased $27 million reflecting a strong contribution from Energy Markets and maiden contribution from the sale of LNG by Australia Pacific LNG, offset by the impact of lower oil prices. Underlying Profit from continuing operations decreased $249 million primarily due to increased share of Australia Pacific LNG Interest, Tax, Depreciation and Amortisation (ITDA) ($231 million) associated with recognition of increased sales of natural gas and LNG. Revenue from increased sales given the low oil price environment have been insufficient to offset the increase in ITDA. The higher ITDA also includes a disproportionate share of costs associated with infrastructure assets related to the LNG export project.

Movements in Underlying and Statutory earnings per share reflect lower earnings and the effect of a higher weighted average number of shares following the issue of new shares under the entitlement offer completed during October 2015.

The Board has determined to not pay a dividend in respect of earnings for the second half of the financial year.

(1) Refer to Glossary in Appendix 6 for definitions of terms set out in the table.
(2) Prior period adjusted for the bonus element (discount to market price) of the September 2015 rights issue.

1.2 Statement of cash flows

Year ended 30 June	2016 ($m)	2015 ($m)	Change ($m)	Change (%)
Cash flow from operating activities				
Continuing operations	1,333	1,378	(45)	(3)
Discontinued operations	71	455	(384)	(84)
Total cash flow from operating activities	**1,404**	**1,833**	**(429)**	**(23)**
Cash flow from investing activities				
Capital expenditure – continuing operations	(693)	(970)	277	(29)
APLNG net contribution	(1,206)	(2,166)	960	(44)
Net disposals/(acquisitions)	1,718	(667)	2,385	(358)
Capital expenditure – discontinued operations	(8)	(112)	104	(93)
Total cash flow used in investing activities	**(189)**	**(3,914)**	**3,725**	**(95)**
Net cash flow from operating and investing activities	**1,215**	**(2,081)**	**3,296**	**(158)**
Cash flow from financing activities				
Net proceeds/(repayment) of debt	(2,690)	3,265	(5,955)	(182)
Interest paid	(611)	(547)	(64)	12
Dividends paid	(418)	(722)	304	(42)
Proceeds from share issue	2,496	–	2,496	N/A
Total cash flow from financing activities	**(1,223)**	**1,996**	**(3,219)**	**(161)**

Cash flows from operating activities decreased $429 million to $1,404 million due to lower operating cash flow from discontinued operations ($384 million) following the sale of Contact Energy. Cash flows from continuing operations decreased $45 million or 3 per cent to $1,333 million including the impact of actions taken to reduce costs and risks in response to low oil prices (~$395 million).

Cash flow used in investing activities decreased $3,725 million to $189 million:

- Lower capital expenditure from continuing operations ($277 million) reflecting delivery on Origin's commitment to reduce capital expenditure in Energy Markets, reduction in capital expenditure related to the Exploration and Production (E&P) operations as growth projects complete, and the decision taken to cease international growth activities(1).
- Lower net contribution to Australia Pacific LNG ($960 million) as construction of the LNG export project nears completion.
- Lower net acquisitions/disposals ($2,385 million):
  - sale of assets to reduce debt ($1,718 million), including Origin's interest in Contact Energy ($1,599 million) and sale of the Mortlake Terminal Station ($110 million); and
  - prior period acquisition of Poseidon ($686 million).

Net cash from operating and investing activities (NCOIA) improved $3,296 million to $1,215 million reflecting a reduction in capital expenditure as growth projects near completion and other actions taken by Origin to reduce debt.

1.3 Financial Position and Return on Capital

As at	30 June 2016 ($m)	30 June 2015 ($m)
Net Assets	14,530	14,159
including:		
Investment in Australia Pacific LNG	*5,945*	*6,231*
MRCPS(2) issued by Australia Pacific LNG	*4,848*	*3,304*
Non-cash fair value uplift	(1,923)	(1,945)
Adjusted net assets	12,607	12,214
Origin net debt(3)	9,470	13,273
Net derivative liabilities	(319)	463
Origin's share of APLNG project finance	4,163	3,954
Capital employed	**25,921**	**29,904**
Origin's adjusted EBIT	798	1,280
Origin's equity share of APLNG interest and tax	31	(2)
Adjusted EBIT	**829**	**1,278**
Average capital employed	**27,913**	**27,926**
Underlying ROCE(4)	**3.0%**	**4.6%**

(1) Excluding New Zealand.
(2) Mandatory Redeemable Preference Shares (MRCPS).
(3) 30 June 2015 balance is inclusive of Contact Energy. Refer to Section 2.3 (Adjusted Net Debt) for additional detail.
(4) Underlying ROCE is calculated as Adjusted EBIT / Average Capital Employed. Refer to definition in Appendix 6.

As at 30 June 2016, Origin's capital employed of $25,921 million includes capital related to Australia Pacific LNG of $13,033 million, comprising the carrying value of its equity accounted investment ($5,945 million), the balance of MRCPS ($4,848 million) and Origin's share of Australia Pacific LNG project finance ($4,163 million) less the non-cash fair value uplift[(1)] ($1,923 million) recorded on the creation of Australia Pacific LNG and subsequent share issues to Sinopec. Australia Pacific LNG has been in the project development phase and is ramping up to full operations, and as a result, is yet to deliver a return on capital.

Adjusted EBIT decreased $449 million to $829 million including the impact of Origin's sale of its interest in Contact Energy (-$257 million), lower E&P EBIT and disproportionate depreciation & amortisation from Origin's investment in Australia Pacific LNG until the project reaches full operations.

Capital employed decreased $3,983 million to $25,921 million reflecting actions taken by Origin to reduce debt, with average capital employed steady.

Underlying ROCE of 3.0 per cent for the 2016 financial year is 1.6 per cent lower than the prior year reflecting lower adjusted EBIT. Underlying ROCE continues to be impacted until the returns from the capital invested for Australia Pacific LNG starts to be realised as Australia Pacific LNG moves towards full production.

2 REVIEW OF CONTINUING OPERATIONS

Financial information in the following section refers to underlying performance from continuing operations, unless otherwise stated. Underlying performance from continuing operations is derived from underlying performance from total operations and excludes Contact Energy as Origin divested its entire 53.09 per cent interest in August 2015.

2.1 Underlying financial performance[(2)]

Year ended 30 June Continuing operations	2016 ($m)	2015 ($m)	Change (%)
Energy Markets Underlying EBITDA	1,330	1,260	6
Integrated Gas Underlying EBITDA	386	498	(22)
Corporate Underlying EBITDA	(81)	(96)	(16)
Underlying EBITDA	**1,635**	**1,662**	**(2)**
Underlying depreciation and amortisation	(604)	(618)	(2)
Underlying share of ITDA	(296)	(62)	377
Underlying EBIT	**735**	**982**	**(25)**
Underlying net financing costs[(3)]	(100)	(78)	28
Underlying Profit before income tax and non-controlling interests	**635**	**904**	**(30)**
Underlying income tax expense	(275)	(291)	(5)
Non-controlling interests' share of Underlying Profit	(6)	(10)	(40)
Underlying Profit	**354**	**603**	**(41)**
Underlying earnings per share	22.4¢	47.7¢[(4)]	(53)
Cash flows from operating activities	1,333	1,378	(3)
Capital expenditure (excluding acquisitions)	693	970	(29)
Origin's net cash contribution to APLNG[(5)]	1,206	2,166	(44)
Adjusted Net Debt	9,131	13,102	(30)

— A strong operational performance from Origin's Energy Markets business and significant increase in Australia Pacific LNG production was offset by the impacts of lower liquids prices. Underlying EBITDA decreased $27 million or 2 per cent to $1,635 million.
— Energy Markets Underlying EBITDA increased $70 million to $1,330 million, reflecting the achievement of targeted operating cost reductions. The integrated portfolio performed well, with stable Electricity and Natural Gas gross profit in a higher and more volatile wholesale energy price environment.
— Integrated Gas Underlying EBITDA decreased $112 million to $386 million due to:
  — An increased contribution from LNG operations ($18 million) reflecting the commencement of LNG production ($119 million) (including a disproportionate share of operating costs related to infrastructure assets), offset by the impact of lower oil prices on Australia Pacific LNG's domestic gas sales ($63 million) and lower LNG net recovery as Australia Pacific LNG upstream capital expenditure declines ($38 million); and
  — Lower contribution from Origin's E&P operations ($130 million) primarily reflecting lower liquids prices and volumes ($90 million), and increased exploration expense ($34 million).
— Origin's share of ITDA increased $234 million to $296 million primarily reflecting Australia Pacific LNG's ITDA as LNG production commenced. This includes a disproportionate share of costs associated with infrastructure assets related to the LNG export project and MRCPS interest expense paid by Australia Pacific LNG to shareholders, which is offset by the recognition of MRCPS interest income in Origin's underlying net finance costs.
— Underlying net financing costs increased $22 million to $100 million reflecting the partial movement into underlying earnings (from Items excluded from Underlying Profit in FY2015) of net financing costs (interest expense and MRCPS interest income) associated with the funding of Origin's investment in Australia Pacific LNG following recognition of Train 1 LNG sales, previously capitalised interest moving into underlying net financing costs, partly offset by the impact of lower debt following proceeds received from the sale of Origin's interest in Contact Energy. Refer to Appendix 4 for additional detail.

(1) Refer to definition in Appendix 6.
(2) Refer to Glossary in Appendix 6 for definitions of terms in the table.
(3) Refer to Appendix 4 for additional detail.
(4) Prior period adjusted for the bonus element (discount to market price) of the September 2015 rights issue.
(5) Origin's cash contribution to Australia Pacific LNG for the current year is net of $338 million of interest income ($165 million in the prior period) received on MRCPS. Interest on the MRCPS is paid to shareholders twice per annum based on a fixed interest rate.

- While Underlying tax expense was $16 million lower at $275 million, the tax rate increased from 32 per cent to 43 per cent reflecting a higher Australia Pacific LNG loss.
- As a consequence, Underlying Profit decreased $249 million or 41 per cent to $354 million.
- Cash flows from operating activities decreased 3 per cent or $45 million to $1,333 million including the impact of actions taken to reduce costs and risks in response to low oil prices (-$395 million).
- Capital expenditure (excluding acquisitions) decreased $277 million to $693 million reflecting delivery on Origin's commitment to reduce capital expenditure in Energy Markets, reducing capital expenditure related to the E&P operations as growth projects complete, and the decision taken to cease international growth activities.
- Origin's net cash contribution to Australia Pacific LNG decreased to $1,206 million (compared to $2,166 million in the prior period) as construction of the LNG export project nears completion.

A detailed analysis of the underlying performance of the business by operating segment is provided in Section 5. Appendix 3 provides further segment detail for Underlying EBITDA and Underlying EBIT.

2.2 Cash flows from operating activities reconciliation

The following table reconciles Underlying EBITDA from continuing operations to Cash Flows from operating activities – continuing operations.

Year ended 30 June	2016 ($m)	2015 ($m)	Change ($m)	Change (%)
Underlying EBITDA – continuing operations	**1,635**	**1,662**	**(27)**	**(2)**
Origin's share of APLNG EBITDA	(111)	(55)	(56)	102
Exploration expense	63	29	34	117
Change in working capital	161	(204)	365	(179)
Oil Puts premium paid	(117)	–	(117)	N/A
Insurance relating to completion of APLNG	(37)	–	(37)	N/A
Re-structuring costs	(102)	–	(102)	N/A
Oil Forward Sale	(139)	–	(139)	N/A
Other	(54)	14	(68)	N/A
Tax paid	34	(68)	102	(150)
Cash flows from operating activities – continuing operations	**1,333**	**1,378**	**(45)**	**(3)**

Cash flows from operating activities – continuing operations decreased 3 per cent or $45 million to $1,333 million:

- Movement in EBITDA adjusted for the non-cash impacts of exploration expense and contribution from the equity accounted Australia Pacific LNG operations (-$49 million)
- Reduction in working capital ($365 million), including:
  - No repeat of financial year 2015 payments related to the ending of the carbon scheme ($192 million); and
  - Impact of actions taken to improve cash flow and reduce debt in response to low oil prices ($222 million) including sale of renewable certificates to take advantage of high prices and continued focus on reducing working capital through introduction of monthly billing and vendor management.
- Impacts of actions taken to reduce costs and risks in response to low oil prices (-$395 million):
  - the payment of oil put option premium (-$117 million);
  - insurance increase relating to the completion of the Australia Pacific LNG project (-$37 million);
  - restructuring costs associated with Origin's cost reduction programs (-$102 million); and
  - reduction in cash received from the sale of oil and condensate as a large proportion of production was sold under the forward sale agreement(1) (-$139 million), for which Origin received an upfront payment at the time of the transaction (Oil Forward Sale Agreements).
- Other cash flow movements (-$68 million) relating to a reduction in employee provisions.
- Reduction in tax paid ($102 million) primarily reflecting a tax refund received during financial year 2016 following finalisation of the 2015 financial year income tax return.

2.3 Funding and capital management

Liquidity

As at 30 June 2016, Origin held cash and cash equivalents of $146 million compared with $151 million at 30 June 2015.

As at 30 June 2016, Origin has $6.7 billion of committed undrawn debt facilities and cash (excluding bank guarantees).

Adjusted Net Debt

Between 2011 and 2015, Origin raised foreign currency denominated debt in the US and Euro markets. This foreign currency debt was hedged into either AUD or USD using cross currency interest rate swap (CCIRS) derivatives.

Accounting standards require the foreign currency debt and the linked CCIRS derivatives to be disclosed in different lines on the Statement of Financial Position (Balance Sheet). Foreign currency debt is translated at the current market spot rate and classified as interest-bearing liabilities, whilst the associated CCIRS derivatives are measured at current market rates (fair value) and are classified as either derivative assets or derivative liabilities on the Statement of Financial Position. It is the combination of the interest-bearing liabilities and the derivative assets or derivative liabilities that reflect the Company's adjusted net debt position or the quantum of funds the Company is required to repay upon maturity of the debt.

As at 30 June 2016, Origin's interest bearing liabilities on the Statement of Financial Position were $9,616 million. The associated CCIRS was a net derivative asset of $339 million on the Statement of Financial Position. The net amount reflects the quantum of debt Origin is required to repay upon maturity.

(1) In the 2013 financial year, Origin entered into agreements to sell the majority of its future oil and condensate over a 72 month period commencing 1 July 2015. Upon entry into the agreements, Origin received A$482 million reflecting the prevailing average oil forward price at the time of the transaction of US$89/bbl, discounted to US$62.40/bbl to reflect the receipt of the sales proceeds upfront. Delivery of oil and condensate production into the forward sale agreement commenced during the current period for which revenue is recognised at US$62.40/bbl, but for which there is no associated cash flow as proceeds were received upfront.

Adjusted Net Debt decreased $3,971 million to $9,131 million including the impact of Origin's $2,500 million rights issue and sale of Origin's share of Contact Energy.

As at	30 June 2016 ($m)	30 June 2015 ($m)[1]
Total interest bearing liabilities	9,616	13,428
Less: cash and cash equivalents	(146)	(155)
Net Debt	**9,470**	**13,273**
Fair value adjustments on FX hedging transactions	(339)	(171)
Adjusted Net Debt	**9,131**	**13,102**

Interest rates

Origin's underlying average interest rate incurred on debt for the current period was 5.9 per cent, compared with 5.1 per cent in the prior period. The increase is primarily due to the:

- recognition in Underlying Profit of interest at a higher interest rate (primarily driven by hybrid debt) on debt used to fund Origin's investment related to Australia Pacific LNG Train 1 and infrastructure assets from 1 March 2016; and
- repayment of drawn bank debt from the proceeds from debt reduction actions. The interest rate associated with bank debt is lower than capital market and hybrid debt.

Underlying net financing costs used to calculate the Underlying average interest rate include interest on Origin's Australian Dollar, US Dollar and New Zealand Dollar debt obligations. Origin's New Zealand Dollar debt obligations were converted to Australian Dollar obligations following the sale of Contact Energy in August 2015.

Approximately 62 per cent of Origin's consolidated debt obligations are fixed to 30 June 2017 at an average rate of 6.3 per cent including margin.

Australia Pacific LNG Debt

The total amount drawn down by Australia Pacific LNG from its project finance facility during the period was US$157 million and at 30 June 2016, US$8,462 million of the total US$8,500 million project finance facility had been drawn. Origin's 37.5 per cent share of Australia Pacific LNG drawn Project Finance is US$3,173 million.

Australia Pacific LNG Funding

On 1 July 2016 Australia Pacific LNG adopted US dollar functional currency for reporting purposes, and Australia Pacific LNG's existing MRCPS facility of A$12.9 billion (A$4.8 billion Origin share) was repaid and cancelled. This was funded by the issue of a new US dollar denominated MRCPS and ordinary equity. Origin's MRCPS receivable in the 2017 financial year will total US$2.8 billion. The USD MRCPS earn an effective interest rate of 6.37 per cent per annum. All future contributions by shareholders to Australia Pacific LNG will be ordinary equity contributions. Origin plans to manage the income statement impact of foreign exchange rate gains or losses related to its US dollar denominated MRCPS receivable against exposure to its existing US dollar denominated debt portfolio. Any residual foreign exchange impact will be disclosed outside of underlying earnings.

Share capital

During the current period, Origin issued an additional 644 million shares (including 636 million shares under the entitlement offer completed during October 2015, one million shares under incentive plans and six million shares under Origin's dividend re-investment plan), raising a total of $2,538 million ($2,496 million net cash proceeds of the entitlement offer and $42 million from the dividend reinvestment plan).

The total number of shares on issue was 1,753 million at 30 June 2016.

The weighted average number of shares used to calculate basic EPS at 30 June 2016 increased by 314 million to 1,578 million from 1,264 million at 30 June 2015.

2.4 Final dividend – Nil

The Board has determined not to pay a dividend in respect of earnings for the second half of the financial year. While the Board will review each dividend decision in light of the prevailing circumstances, the Board's view is that suspension of the dividend is in the best overall interest of shareholders.

3 ORIGIN'S BUSINESS STRATEGY

In the short term, in light of the significant fall in oil prices, Origin has taken steps to increase business resilience to low oil prices as described in Section 1. Origin has also made adjustments to its strategy to focus on two strong businesses, Energy Markets and Integrated Gas, including the decision to:

- pursue its renewable energy strategy through Energy Markets; and
- discontinue international exploration (excluding New Zealand) and geothermal activities.

Origin currently supplies energy to wholesale and retail energy markets primarily in Australia, and to the Asia Pacific region via its 37.5 per cent interest in Australia Pacific LNG.

Origin believes that a renewed global commitment in 2016 to reduce carbon emissions will accelerate the transition from more carbon intensive to less carbon intensive fuels. It is widely believed that the resources that will most benefit from this transition are natural gas and renewable energy – particularly wind and solar.

The increased impact of intermittency that arises with a growing use of renewable energy requires firming to provide communities with reliable and affordable energy on a more sustainable basis. For the medium to longer term natural gas will have a critical role to play in providing a less carbon intensive fuel and reliability both locally and globally, resulting in a growing demand for natural gas. Origin intends to lead this transition in local markets through its Energy Markets business and in regional markets through its investment in Australia Pacific LNG and its growing LNG production.

(1) Inclusive of Contact Energy.

In supplying these markets, Origin's strategy is to invest in the contestable segments of energy production, power generation and energy wholesaling and retailing. This strategy is designed to provide opportunities to grow the value of the Company and deliver a return on capital employed in excess of the Company's cost of capital by connecting energy resources to customers, while allowing for the more effective management of the risks that arise across an increasingly competitive energy supply chain.

Origin intends to focus its interests on natural gas resources in Australia with paths to monetise resources both domestically through Energy Markets and internationally through LNG exports, particularly to the Asia Pacific region where demand for energy is expected to increase over the medium to longer term.

Origin also intends to continue growing its position in renewable energy to meet its obligations under the Renewable Energy Target in Australia and build capability for the increasing role that renewable energy is expected to play in the future.

Origin believes the successful pursuit of this strategy will lead to Origin:

- being a leader in the Australian energy market; and
- having a regionally significant position in natural gas and LNG production.

3.1 Leader in energy markets

Origin, through its Energy Markets business, has leading integrated operations in the energy supply, power generation and retail sectors of the Australian energy supply chain. The Energy Markets business comprises:

- the leading energy retailing position in Australia by customer accounts with approximately 29 per cent[1] share of natural gas and electricity retail customer accounts in Australia's eastern and southern states, servicing approximately 4.2 million gas, electricity and LPG customers with a broad range of energy products and solutions;
- a large and diverse gas portfolio which, together with flexible gas transport arrangements and coal supply agreements, support a strong domestic power generation and retail business;
- a significant power generation portfolio of approximately 6,000 MW providing flexibility and diversity across fuel, generation type and geography; and
- a substantial renewable energy portfolio that provides flexibility for Origin to develop or support the development of additional renewable energy and fulfil its aspiration to be one of Australia's leading renewable energy companies.

With the vision to be Australia's most trusted energy solutions provider leading a transition to a more renewable future and offering products and services across both grid supply and distributed generation, Energy Markets is extending its reach beyond the meter. The energy landscape is rapidly empowering consumers, with technology enabling consumers to generate electricity from roof tops, storing electricity for use in peak periods and managing energy requirements using connected devices.

Combining capability in retail and wholesale markets with deeper knowledge of customers, Energy Markets is embracing this change to provide differentiated solutions and services to help the empowered consumer manage their energy needs. Energy Markets is implementing the following strategies to move closer to the customer and improve returns:

- integrated wholesale portfolio pivoting to utility scale renewables, supported by flexible fuel, generation and transport capacity to benefit from changing market dynamics;
- customer strategy delivering service excellence and innovative products to consumers, while improving customer lifetime value and continuing to reduce costs; and
- new energy solutions, including solar and battery storage solutions, serviced hot water and embedded electrical networks, while continuing to build digital metering capability.

3.2 Regionally significant position in natural gas and LNG production

The Integrated Gas business comprises Origin's 37.5 per cent shareholding in Australia Pacific LNG and E&P operations. Integrated Gas' strategy is to lower the cost of Australia's vast onshore and near-shore resources and connect them to high value markets.

Australia Pacific LNG owns extensive CSG reserves, predominantly in the Surat and Bowen basins in Queensland. Australia Pacific LNG has the largest 2P CSG reserves position[2] in Australia of 13,529 PJe[3] and is in the completion stages of a large-scale CSG-to-LNG project on Curtis Island in Queensland that has a design nameplate capacity of 9 million tonnes per annum. Train 1 of the facility is already operating, with Train 2 expected to be completed in Q2 of FY17. Australia Pacific LNG is delivering LNG under its long term supply contracts with customers in China and Japan. Origin is the upstream operator of the Australia Pacific LNG project, responsible for the development of the CSG resources and the processing and transportation of gas to the LNG facility on Curtis Island.

Origin also has E&P operations in Australia and New Zealand, with exploration and production interests in the Otway, Bass and Cooper Basins in eastern and southern Australia, the Browse and Perth basins in Western Australia, the Bonaparte basin in north-western Australia, the Beetaloo Basin in the Northern Territory and the Taranaki and Canterbury Basins in New Zealand.

As the upstream operator of the Australia Pacific LNG project, together with Origin's own existing gas operations, Origin has significant capabilities in natural gas production and has a substantial reserves position including 6,277 PJe of 2P reserves[4]. Origin expects that from the early 2020's the global LNG market will shift from being long to short, the Australian East Coast gas market will trend towards export parity pricing, that a tightening East Coast gas supply creates opportunity and that Origin believes that Australian gas resources are globally competitive when exported through existing infrastructure and that connecting these gas resources to export markets enhances value.

To deliver shareholder value through this strategy requires a focus on:

- continued execution and technology innovation to reduce find and develop costs in Australia Pacific LNG's upstream operations, Origin's other gas resources and prospective opportunities;
- maintaining access to resources and prudently manage the existing portfolio of onshore and near-shore assets and prospective opportunities; and
- leveraging proven gas and LNG marketing capability to access high value emerging export and existing domestic markets.

(1) Based on Origin natural gas and electricity customer accounts as at 30 June 2016 and estimated market customer accounts as at 30 June 2015.
(2) EnergyQuest, May 2016.
(3) At 30 June 2016. For further information refer to Origin's Annual Reserves Report for the year ended 30 June 2016, announced on 29 July 2016. Also refer to the Important Information on reserves and resources disclosures prior to Section 1.
(4) At 30 June 2016. Including hydrocarbon liquids. Includes Origin's 37.5 per cent share of Australia Pacific LNG.

4 PROSPECTS AND OUTLOOK FOR FUTURE FINANCIAL YEARS

4.1 Prospects

In the 2017 financial year Australia Pacific LNG expects to commence production from Train 2, ending a long period of significant capital expenditure. The commencement of LNG production by Australia Pacific LNG has happened at a time when oil prices are at their lowest level for many years and these circumstances resulted in an unsustainably high level of debt.

Origin's priorities for the next few years are continuing to reduce debt and lift returns. To achieve these priorities Origin will:

- **Complete the Australia Pacific LNG project**
  The Australia Pacific LNG project is nearing completion with Train 1 exporting cargoes since January 2016, and Train 2 expected to do so in the second quarter of the 2017 financial year. The remaining funding contribution is forecast to be $0.6 billion from 1 July 2016 until Australia Pacific Australia Pacific LNG is self-funding.
- **Limit capital spend**
  Capital expenditure (excluding Australia Pacific LNG) is limited to maintaining existing assets, completing projects that have commenced and meeting joint venture and permit commitments.
- **Continue to deliver on the asset sales program**
  The sale of infrastructure, wind and geothermal assets sales totalling $484 million[1] have been announced to date, and on track to contribute a total of $800 million to debt reduction by the end of the 2017 financial year.
- **Maximise earnings and operating cash flow**
  Continue the strong performance in the Energy Markets business with increasing production in Integrated Gas, and ongoing benefits of cost out programs lowering costs.
- **Maintain adequate liquidity**
  Maintain adequate debt and capital markets facilities to cover all foreseeable funding requirements.

Growing contributions from Energy Markets

As the gas and electricity wholesale markets experience significant change from the impact of LNG exports and increased renewables, Origin's integrated portfolio has proven resilient and profitable. Origin will continue to utilise this flexible energy portfolio, leading customer experience and product innovation to maintain strong Natural Gas contributions, drive growth in Electricity margins and pivot to a renewable future.

The three Gladstone LNG projects are expected to come into full production in the 2017 financial year. Origin will continue to utilise its flexible gas supply and transport arrangements, along with its flexible generation portfolio, to manage the swings in the gas market. Origin expects to maintain Natural Gas contributions in the absence of low cost ramp gas in future years. In the medium term, there is upside exposure in Natural Gas to higher oil prices.

Origin's flexible electricity portfolio is structured to maintain a competitive cost of energy and support further margin expansion as higher wholesale market prices are reflected in customer tariffs in the 2017 financial year.

To meet the national 33 TWh renewable energy target, a further 14 TWh of renewable generation is required to come into the system by 2020. Origin is well placed to benefit from additional renewable energy in its portfolio. An overall short energy and long capacity position, combined with a short renewable portfolio, means that Origin's existing generation assets will not be stranded and the peaking fleet in particular will benefit from price volatility. Finally, the development cost of renewable energy, especially utility-scale solar, is rapidly decreasing and is expected to continue to provide Origin with a competitive cost of electricity and Renewable Energy Certificates (RECs).

For customers, product and service innovations like Solar-as-a-Service, Predictable Plan, batteries and metering services will be a priority. The development of Origin's digital and innovation capabilities also underpins the continued evolution of cost reductions, ensuring Origin can provide excellent customer experience through simplified customer journeys at the most efficient cost for customers. The continued success and growth of the LPG, Solar, Centralised Energy Services and Acumen businesses underpin Origin's aspiration to expand the multi-product holdings of customers and increase customer life time value.

These trends of increasing wholesale prices, volatility and REC prices are expected to improve Origin's competitive position compared to retailers with less integrated and flexible portfolios. Origin will focus on managing margins and continuing to build customer loyalty and trust with leading customer experience.

Growing production and reducing cost in Integrated Gas

In the current low oil price environment, Origin has implemented actions to build resilience to low oil prices. In light of these actions and the objectives of growing production and reducing breakeven cost, key priorities are:

- Continuing execution momentum, including completing the Australia Pacific LNG project and fulfilling the project finance lenders' tests with parent guarantees falling away, and completing the Halladale/Speculant project;
- Continuing to reduce development and production costs while building flexibility, with opportunity to lower Australia Pacific LNG's breakeven costs and reducing controllable costs across E&P operations;
- Securing new high value markets to support future growth;
- Managing the portfolio with discipline by investing in backfill opportunities only when a clear route to market exists; and
- Building the capability and culture to deliver with a particular focus on increasing indigenous and female participation.

Australia Pacific LNG

The Australia Pacific LNG project is being increasingly derisked, with the commencement of production from Train 1 with 36 cargoes loaded to date, the majority under long term Sale and Purchase Agreements with Sinopec and Kansai. First cargo from Train 2 is expected in the second quarter of the 2017 financial year. Upstream operated production is exceeding 1,200 TJ/d, and Train 1 production is exceeding design nameplate capacity. The Train 1 project finance operational lenders test[2] has commenced and the release of the first tranche (60 per cent) of shareholder guarantees is on track for the second quarter of the 2017 financial year, with the balance of shareholder guarantees of Australia Pacific LNG's US$8.5 billion project finance facility expected to be completed in calendar year 2017.

The Project Cost of Australia Pacific LNG's CSG-to-LNG Project is forecast to be $25.9 billion and Origin's remaining contribution to Australia Pacific LNG is expected to be $0.6 billion, both in line with previous guidance[3].

Origin has previously announced a cost reduction program to Australia Pacific LNG's Upstream operator cash cost base by $1 billion per annum from Phase 1 levels. As at 30 June 2016, in excess of $1 billion of initiatives had been implemented, with these savings expected to be realised on a recurring basis from the 2017 financial year. This cost reduction program is on-track to deliver a reduction of around 50 per cent in Australia Pacific LNG's cost per well relative to Phase 1 well costs. In addition, Origin has the flexibility to take advantage of opportunities to sell additional gas and/or LNG when opportunities arise.

In the short to medium term, Origin remains focused on potential reductions to Australia Pacific LNG's breakeven cost by a further US$2-3/boe through taking advantage of additional sales when opportunities arise, further cost reductions through technology and innovation and cost compression in periods of low oil price.

(1) Includes proceeds from OTP sale of approximately US$30 million converted at an exchange rate of AUD/USD of 0.73.
(2) The 120 day train operational test is expected to be completed in calendar year 2016 and the 90 day two train operational test is expected to be completed in calendar year 2017.
(3) Project cost guidance as announced in February 2013, based on December 2012 exchange rates. APLNG net contribution guidance as announced at Origin's half year 2016 result.

Exploration and Production

Production in the E&P operations in the 2017 financial year is expected to be higher than the prior year as Halladale/Speculant comes online, partly offset by lower deliverability from the existing Otway wells and lower observed reservoir performance in the Bass Basin.

Origin is focused on continuing to limit capital expenditure in E&P to completing projects that have commenced, including the Halladale/Speculant project expected to be online in late August 2016, the Yolla MLE compression project, and meeting joint venture and permit commitments, including in the Beetaloo and Cooper basins.

4.2 Outlook

FY2016 and FY2017 are transitional years for Origin as LNG production commences and ramps up to full production over this period. In FY2017 Origin expects[(1)] a 45-60 per cent increase in Underlying EBITDA when compared to FY2016 Underlying EBITDA from continuing operations:

- Energy Markets Underlying EBITDA to increase to $1.44-$1.54 billion, driven by Electricity margin expansion, maintaining the increased Natural Gas contribution, continued improvement in cost to serve and an increased contribution from LPG and Solar & Energy Services. This includes additional annual costs of approximately $32 million from new agreements entered into as part of asset sales to date.
- Integrated Gas Underlying EBITDA to increase to $1-$1.15 billion, comprising
  - E&P Underlying EBITDA to increase to $350-$400 million, driven by increased production to approximately 90 PJe (from 75 PJe in FY2015) from Halladale/Speculant coming online, albeit about two months later than previously scheduled, partly offset by lower production across other basins
  - LNG Underlying EBITDA to increase to $650-$750 million as LNG production continues to ramp up and revenue recognition for Train 2 begins in Q3 FY2017. The negative contribution from Australia Pacific LNG oil-linked domestic contracts is forecast to have a diminishing impact as the initial ramp period of selling gas to QGC[(2)] is expected to come to an end during H1 FY2017, with volumes reducing in FY2017 to approximately 65 PJ[(3)] (from approximately 100 PJ23[(3)] in FY2016), and thereafter averaging 25 PJ23[(3)] over the medium term.
- Corporate costs to reduce as benefits from the functional cost reduction program are realised.

Underlying Depreciation and Amortisation (ex-Australia Pacific LNG) will increase driven by Halladale/Speculant coming online.

Underlying Australia Pacific LNG ITDA will increase significantly as Australia Pacific LNG comes into full production. Disproportionate costs associated with Australia Pacific LNG shared infrastructure will continue to have an impact until Train 2 revenue recognition commences.

Following Train 2 revenue recognition, all LNG related items previously excluded from Underlying Profit will be recognised within Underlying Profit.

Origin's remaining contribution to Australia Pacific LNG is expected to be $0.6 billion from 1 July 2016 until Australia Pacific LNG is self-funding, in line with previous guidance. Capital expenditure (excluding Australia Pacific LNG) for FY2017 is expected to be approximately $550 million, limited to maintaining existing assets, IT spend in Energy Markets, completing projects that have commenced and meeting joint venture and permit commitments. This is higher than previous guidance due to the timing of asset sales and the completion of the Halladale/Speculant project, additional spend associated with appraisal testing on the Waitsia resource and additional maintenance spend in the Otway Basin and the Darling Downs Power Station.

Origin continues to target further debt reduction and expects adjusted net debt to be well below its target of $9 billion at the end of the 2017 financial year.

In FY2018 and beyond, as Australia Pacific LNG completes the transition from development to full production of its LNG project, Origin expects to see significant growth in earnings and returns, strong cash flow and continuing reduction in debt.

5 REVIEW OF SEGMENT OPERATIONS

5.1 Energy Markets

Origin's Energy Markets business is an integrated provider of energy solutions to retail and wholesale markets in Australia and in the Pacific. As Australia's leading electricity, gas and LPG retailer, Energy Markets continues to increase product and service offerings to customers, has a diverse portfolio of gas and coal supply contracts, and operates one of Australia's largest, most flexible and diverse generation portfolios.

Year ended 30 June	2016 ($m)	2015 ($m)	Change (%)
Total Segment Revenue[(4)]	11,423	11,269	1
Underlying EBITDA	1,330	1,260	6
Segment Result	1,004	956	5
Underlying EBIT margin	10.1%	9.6%	5
Cash flow from operating activities	1,388	1,023	36
Capital expenditure	236	298	(21)
Net cash flow from operating and investing activities	1,262	740	71

- Underlying EBITDA up 6 per cent or $70 million to $1,330 million with stable contributions in Natural Gas and Electricity, a reduction in Cost to Serve ($53 million) and growing contributions from LPG and Solar & Energy Services ($16 million).
- Segment Result up 5 per cent or $48 million to $1,004 million driven by the increase in underlying EBITDA. The segment result includes a depreciation expense of $326 million (up 7 per cent from the prior corresponding period) primarily reflecting investment in digital capability.
- Returns increased with Underlying EBIT margin rising from 9.6 per cent to 10.1 per cent and commitments to reduce operating costs by $100 million from financial year 2014 level and capital expenditure reduction of $50 million in financial year 2016 were achieved. Announcement of the sales of Mortlake Terminal Station, Mortlake Pipeline and Cullerin Range Wind Farm at attractive earnings multiples.
- Net cash flow from operating and investing activities increased 71 per cent or $522 million to $1,262 million reflecting higher underlying EBITDA performance, improved working capital management, lower capital expenditure and proceeds from asset sales.

(1) This guidance is based on an average oil price US$52.90/bbl and a AUD/USD exchange rate of $0.74 and is dependent on the timing of production from Train 2. For APLNG the effective oil price for oil linked LNG sales will incorporate the lag in oil prices associated with LNG Sale and Purchase Agreements.
(2) Under agreements that Australia Pacific LNG entered into with QGC in 2010, Australia Pacific LNG will sell to QGC its entire share of gas production from the ATP620/648 fields for an initial ramp period.
(3) 100 per cent Australia Pacific LNG.
(4) Refer to Glossary in Appendix 6.

- Natural Gas Gross Profit was stable with higher sales volumes in all segments offset by the impact of higher Energy Procurement Costs, lower oil-linked revenues and reduced demand for capacity services as Queensland LNG projects are commissioned.
- Electricity Gross Profit was stable reflecting improved margin management in all segments offset by lower retail volumes from prior period customer losses and the moderating impacts of solar and energy efficiency.
- Electricity and Natural Gas Cost to Serve decreased by $11 per customer ($53 million) reflecting continued improvements in customer experience and the operations of the retail business through digitisation and back office automation.
- Customer experience rose with Interactive NPS increasing by 6 points to +12.3 and customer accounts stable in a highly competitive retail environment. Completion of Origin's online digital platform has improved functionality helping customers interact with Origin when and where they want, along with further product and service innovations including Predictable Plan, Solar as a Service and a simplified bill.
- Growing LPG and Solar & Energy Services and renewable energy capacity increased 156 MW (23 per cent).

5.1.1 Natural Gas

Year ended 30 June	2016	$/GJ	2015[1]	$/GJ	Change (%)	Change ($/GJ)
Volumes Sold (PJ)	**228.2**		**207.4**		**10**	
Retail (Consumer & SME)	42.1		41.7		1	
Business	124.9		93		34	
Total external volumes	**167.1**		**134.7**		**24**	
Internal Sales (Generation)	61.1		72.7		(16)	
Revenue ($m)	**1,946**	**11.7**	**1,679**	**12.5**	**16**	**(0.8)**
Retail (Consumer & SME)	995	23.6	978	23.5	2	0.2
Business	951	7.6	701	7.5	36	0.1
Cost of goods sold ($m)	**(1,425)**	**(8.5)**	**(1,158)**	**(8.6)**	**23**	**0.1**
Network Costs	(696)	(4.2)	(640)	(4.7)	9	0.6
Energy Procurement Costs	(729)	(4.4)	(518)	(3.8)	41	(0.5)
Gross Profit ($m)	**522**	**3.1**	**521**	**3.9**	**0**	**(0.7)**
Gross Margin %	26.8%		31.0%		(14)	
Period-end customer accounts ('000)	1,089		1,068[2]		2	
Average customer accounts ('000)	1,080		1,051[2]		3	
$ Gross profit per customer	**483**		**496**		**(2)**	

Natural Gas sales volumes increased 10 per cent or 21 PJ to 228 PJ. Business customer volumes increased 32 PJ or 34 per cent, driven by the sale of an additional 30 PJ to LNG producers sourced primarily from increased contract volumes. Retail volumes increased 0.4 PJ reflecting higher customer numbers partly offset by milder weather. Volumes supplied for internal generation reduced 11.6 PJ.

Gross Profit was stable with increased volumes offset by the impact of higher energy procurement costs reflecting low cost ramp gas leaving the market, reduced sales of gas capacity services as Queensland LNG projects conclude commissioning and lower oil-linked sales revenues from LNG customers.

Gross Profit unit margin decreased $0.70/GJ to $3.10/GJ primarily due to a higher proportion of lower margin sales to LNG producers.

Retail Natural Gas volumes sold (PJ)

Year ended 30 June	2016	2015	Change (PJ)	Change (%)
NSW	8.2	7.1	1.0	15
Victoria	25.6	26.1	(0.5)	(2)
Queensland	3.0	2.8	0.2	8
South Australia	5.3	5.8	(0.5)	(8)
Total Retail volumes	**42.1**	**41.7**	**0.4**	**1**

(1) Osborne gas sales re-classified as internal due to new operational agreement. As a result prior period external sales volumes, revenues and costs have been revised with no impact on gross profit. Refer to Appendix 5 for re-stated financial year 2014 figures.

(2) Revised customer accounts methodology to exclude customers in the process of transferring to or away from Origin in order to reflect active customers. Refer to Appendix 5 for re-stated financial year 2014 figures.

5.1.2 Electricity

Year ended 30 June	2016	$/MWh	2015[1]	$/MWh	Change (%)	Change ($/MWh)
Volumes Sold (TWh)	**38.1**		**37.3**		**2**	
Retail (Consumer & SME)	18.4		18.9		(2)	
Business	19.6		18.4		7	
Revenue ($m)	**7,300**	**191.7**	**7,560**	**202.9**	**(3)**	**(11.2)**
Retail (Consumer & SME)	4,790	259.8	5,245	278.2	(9)	(18.4)
Business	2,463	125.4	2,238	121.6	10	3.8
Externally Contracted Generation	47		77		(39)	
Cost of goods sold ($m)	**(6,012)**	**(157.9)**	**(6,272)**	**(168.3)**	**(4)**	**10.5**
Network Costs	(3,674)	(96.5)	(4,019)	(107.9)	(9)	11.4
Wholesale Energy Costs	(2,093)	(55.0)	(1,975)	(53.0)	6	(2.0)
Generation Operating costs	(244)	(6.4)	(278)	(7.5)	(12)	1.0
Energy Procurement Costs	(2,337)	(61.4)	(2,253)	(60.5)	4	(0.9)
Gross Profit ($m)	**1,289**	**33.8**	**1,289**	**34.6**	**0**	**(0.7)**
Gross Margin (%)	17.7		17.0		4	
Period-end customer accounts ('000)	2,741		2,768[2]		(1)	
Average customer accounts ('000)	2,758		2,804[2]		(2)	
$ Gross profit per customer	**467**		**460**		**2**	

Electricity volumes increased by 0.8 TWh or 2 per cent to 38.1 TWh. Business volumes increased 1.2 TWh as access to competitively priced energy in a rising wholesale price environment and improved customer experience allowed Origin to increase market share. Retail volumes decreased by 0.4 TWh largely reflecting customer losses in the prior year (0.2 TWh), and the moderating impacts of energy efficiency and solar penetration (0.2 TWh).

Origin's Energy Procurement Costs increased $0.9/MWh reflecting a $2.0/MWh increase in Wholesale Energy Costs, partly offset by a $1.0/MWh improvement in Generation Operating Costs. Wholesale Energy Costs increased, primarily reflecting higher gas fuel costs in the second half of the 2016 financial year as the departure of ramp gas put upward pressure on wholesale gas prices and unplanned outages at Eraring resulting in increased use of higher cost gas-fired generation and pool purchases. Generation Operating Costs decreased $34 million reflecting the end of the Bulwer Island and Worsley Joint Ventures ($18 million) and underlying cost reductions through operational efficiencies ($17 million).

Electricity Gross Profit was stable reflecting improved margin management in Retail and Business segments as a result of Origin's wholesale energy costs increasing less than market rate ($21 million), offset by lower Retail volumes ($21 million).

Gross Profit unit margin decreased $0.70/MWh to $33.80/MWh reflecting a higher proportion of lower margin Business volumes which more than offset the impact of an increase in Business and Retail customer margins.

Gross Profit per customer increased $7 to $467 per customer with margin expansion partly offset by lower average Retail customer usage.

Retail Electricity volumes sold (TWh)

Year ended 30 June	2016	2015	Change (TWh)	Change (%)
NSW	8.9	9.2	(0.4)	(4)
Victoria	3.4	3.4	0.0	1
Queensland	5.2	5.3	(0.1)	(3)
South Australia	1.0	0.9	0.1	11
Total Retail volumes	**18.4**	**18.9**	**(0.4)**	**(2)**

(1) Prior period restated to better reflect the recognition of volumes, revenues and costs associated with feed-in volumes from solar customers with no impact on gross profit. Refer to Appendix 5 for re-stated financial year 2014 figures.

(2) Revised customer accounts methodology to exclude customers in the process of transferring to or away from Origin in order to reflect active customers. Refer to Appendix 5 for re-stated financial year 2014 figures.

Generation portfolio

Performance of the generation portfolio, including contracted plant is summarised below:

Year ended 30 June 2016	Nameplate Capacity (MW)	Type[1]	Equivalent Reliability Factor (%)	Capacity Factor (%)	Electricity Output (GWh)	Pool Revenue ($m)	Pool Revenue ($/MWh)
Eraring	2,880	Black coal	88.1[2]	54	13,546	724	53
Darling Downs	644	CCGT	99.5	62	3,487	219	63
Osborne[3]	180	CCGT	99.7	71	1,129	81	72
OCGT plant	2,037	OCGT	97.6	9	1,662	169	102
Shoalhaven	240	Pump/Hydro	93.3	7	148	16	106
Cullerin Range	30	Wind	97.9	37	97	5	51
Internal Generation	**6,011**		**93.2**		**20,069**	**1,133**	**56**
Renewable PPA's	745	Solar/Wind	n.a.	34	2,204		
Worsley – Externally Contracted (50% share)[4]	60	Cogen.	99.1	97	381		

Origin generated 20.1 TWh of electricity from its internal generation portfolio (20.6 TWh in the prior period) representing 53 per cent (55 per cent in the prior period) of Origin's 38.1 TWh of Electricity volumes sold. Output from Origin's gas-fired generation fleet decreased by 0.9 TWh to 6.3 TWh reflecting decreased availability of low cost ramp gas.

During the year Origin contracted 2.2 TWh from renewable energy power purchase agreements. New agreements have also been signed during the year with Fotowatio Renewable Ventures for the proposed 100 MW (with option for an additional 35 MW) Clare Solar Farm and the operating 56 MW Moree Solar Farm, pivoting the portfolio to a renewable future with new sources of energy and competitively priced renewable energy certificates.

5.1.3 Electricity and Natural Gas Operating Costs

Year ended 30 June	2016	2015	Change	Change (%)
Cost to maintain[5] ($ per average customer[6])	(119)	(134)	16	(11)
Cost to acquire/retain ($ per average customer[6])	(29)	(26)	(3)	12
Elec & Natural Gas Cost to Serve ($ per average customer[6])	**(148)**	**(159)**	**11**	**(7)**
Maintenance Costs ($m)	(443)	(506)	63	(12)
Acquisition & Retention Costs[6] ($m)	(107)	(98)	(9)	9
Elec & Natural Gas Operating Cost ($m)	**(550)**	**(603)**	**53**	**(9)**

Electricity and Natural Gas Operating Costs decreased by $53 million driven by a $63 million decrease in Maintenance Costs offset by a $9 million increase in Acquisition and Retention costs.

The reduction in maintenance costs reflects continued improvements in the operations of the retail business through digitisation and automation of back office processes and vendor management. These improvements have also led to a reduction in Ombudsmen complaints from 4.9 to 3.4 (per 1,000 customers), and Interactive Net Promoter Score (NPS)[7] improving from 6.3[8] to 12.3. Back office processing operations were successfully transferred from Wipro to Accenture during the year, which will continue to deliver cost savings through further automation and optimisation. Bad debt expense as a percentage of Total Natural Gas and Electricity Revenue has been steady at 0.61 per cent.

Acquisition and retention costs increased $9 million, or 9 per cent due to a 12 per cent increase in sales activity. This increase reflects higher inbound call volumes driven by the popular 'Origin Voucher' and Predictable Plan campaigns while Origin continues to drive sales activity toward internal channels. 'Predictable Plan' allows customers to pay fixed amounts regardless of how much energy they use.

Customer experience and product innovation

Successful completion of the online digital platform has improved functionality, helping customers interact when they want, and how they like. Customers can see when and where their energy is being used, review their bills and pay them online, switch to e-services and predict the cost of their next bill.

During the year Origin also increased paperless billing, with around 1.6 million customer accounts having taken up e-billing (72 per cent increase) and 0.8 million customers are paying by direct debit (19 per cent increase).

Extended call centre hours continued to offer customers more freedom to get in touch when it suits them. Origin also redesigned energy bills, making them easier to read and understand focusing on the key information and charges customers want to know.

Origin's social and digital media activity increased during the year allowing Origin to engage key customers and audiences, provide broader communication and respond to issues. Origin have also brought innovative products to customers like Predictable Plan which provides customers the peace of mind to pay the same amount each month for 12 months, regardless of how much they use, and Solar as a Service which gives the customer the benefit of solar without the upfront capital cost.

(1) OCGT = Open cycle gas turbine; CCGT = Combined cycle gas turbine.
(2) Availability for Eraring = Equivalent Availability Factor (which takes into account de-ratings).
(3) Origin has 50 per cent interest in the 180 MW plant and contracts 100 per cent of the output.
(4) Worsley ceased operations in March 2016.
(5) Origin includes within its Cost to Serve all costs associated with servicing and maintaining customers, all customer acquisition and retention costs. Maintenance costs include billing, credit and collections.
(6) Customer wins (FY16: 544; prior period: 518) and retains (FY16: 1,531; prior period: 1,340) and represents Cost to Serve per average customer account, excluding serviced hot water accounts.
(7) Refer to Glossary in Appendix 6.
(8) NPS measure as at September 2015, when Origin transitioned from Customer Satisfaction to NPS.

5.1.4 LPG

Year ended 30 June	2016	2015	Change (%)
Revenue ($m)	593	648	(8)
Cost of Goods Sold ($m)	(385)	(450)	(14)
Gross Profit ($m)	208	198	5
Operating Costs ($m)	(135)	(139)	(3)
Underlying EBITDA ($m)	73	59	24

LPG Gross Profit increased by 5 per cent or $10 million to $208 million reflecting improved margin management and energy procurement cost reductions. Operating costs decreased $4 million reflecting improved logistics performance resulting in an Underlying EBITDA increase of $14 million or 24 per cent.

5.1.5 Solar & Energy Services

Year ended 30 June	2016	2015	Change (%)
Revenue ($m)	138	97	42
Cost of Goods Sold ($m)	(83)	(60)	38
Gross Profit ($m)	55	42	31
Operating Costs ($m)	(59)	(47)	26
Underlying EBITDA ($m)	(4)	(5)	(20)

Solar & Energy Services Gross Profit increased by 31 per cent or $13 million to $55 million driven by an increase in Solar sales and Centralised Energy Services (CES) customers as Origin extends the energy solutions and services beyond grid based energy supply:

- Solar sales grew by 95 per cent to 21 MW, including significant growth of Origin's Solar as a Service product (8 MW of 21 MW), where Origin owns, installs and maintains the solar system. Origin has collaborated with Tesla in bringing a battery solution to market so customers can optimise the use of solar in their home. Origin has also introduced Origin Solar Repairs, offering end-to-end solutions through service and repair of solar PV systems.
- The CES business, where multi-tenanted buildings are supplied through a single point and energy then metered and on-sold to residents, is growing rapidly. In June Origin announced its largest CES partnership with Lend Lease in Melbourne's Victoria Harbour precinct.
- Origin's Acumen metering business is a metering, data management and energy intelligence service provider. Initially focussed on business customers, this year Origin has expanded into the residential electricity market, and now have a total of more than 62,000 meters under management.

Operating costs increased $12 million reflecting business growth.

5.1.6 Natural Gas, Electricity and LPG customer accounts

Closing Electricity and Natural Gas customer accounts decreased by 7,000 (0.2 per cent) with a reduction of 28,000 Electricity customer accounts partly offset by an increase of 21,000 Natural Gas accounts.

Customer account movement

	30 June 2016			30 June 2015[1]			
Customer Accounts ('000)	**Electricity**	**Natural Gas**	**Total**	**Electricity**	**Natural Gas**	**Total**	**Change**
NSW[2]	1,240	252	1,492	1,268	239	1,507	(15)
Victoria	566	478	1,044	576	475	1,051	(7)
Queensland	761	160	921	758	154	912	9
South Australia[3]	174	199	372	166	201	367	6
Total	**2,741**	**1,089**	**3,830**	**2,768**	**1,068**	**3,836**	**(7)**

As at 30 June 2016, Origin's penetration of dual fuel (Electricity and Natural Gas) customer accounts was 34.9 per cent, increasing from 33.3 per cent at 30 June 2015 reflecting Origin's continued focus on high value dual fuel customers. As at 30 June 2016, Origin had 387,000 LPG customer accounts, an increase of 5,000 accounts.

5.1.7 Capital Expenditure

Capital expenditure of $236 million (decrease of $62 million compared to the prior period) included expenditure related to customers systems and digital investments ($81 million), generation ($92 million), LPG ($30 million) and Solar & Energy Services ($19 million).

(1) Revised customer accounts methodology to exclude customers in the process of transferring to or away from Origin in order to reflect active customers.
(2) Australian Capital Territory (ACT) customer accounts are included in New South Wales.
(3) Northern Territory customers are included in South Australia.

5.2 Integrated Gas

Integrated Gas was formed as of 1 July 2015, following the combination of the previous E&P and LNG segments.

LNG includes Origin's 37.5 per cent equity accounted share of the results of Australia Pacific LNG and Origin's activities and transactions arising from its operatorship of the Australia Pacific LNG upstream operations and management of Origin's exposure to LNG pricing risk.

In Origin's Financial Statements, the financial performance of Australia Pacific LNG is equity accounted. Consequently, revenue and expenses from Australia Pacific LNG do not appear on a line by line basis in the Integrated Gas segment result. Origin's share of Australia Pacific LNG's Underlying EBITDA is included in the Underlying EBITDA of the Integrated Gas segment. Origin's share of Australia Pacific LNG's Underlying interest, tax, depreciation and amortisation expense is accounted for between Underlying EBITDA and Underlying EBIT in the line item "Share of interest, tax, depreciation and amortisation of equity accounted investees". As a result, Origin's share of Australia Pacific LNG's Underlying net profit after tax is included in the Underlying EBIT and Segment Result lines.

E&P includes exploration and production interests located in eastern and southern Australia, the Browse and Perth basins in Western Australia, the Bonaparte Basin in north-western Australia, the Beetaloo Basin in Northern Territory and in New Zealand.

	2016			2015			
Year ended 30 June	**E&P ($m)**	**LNG ($m)**	**Integrated Gas ($m)**	**E&P ($m)**	**LNG ($m)**	**Integrated Gas ($m)**	**Change (%)**
Underlying EBITDA	269	117	386	399	99	498	(23)
Segment Result	7	(222)	(215)	102	20	122	N/A
Cash flow from operating activities	142	(116)	26	401	34	435	(94)
Exploration expense	(63)	–	(63)	(29)	–	(29)	117
Capital expenditure	412	20	432	561	42	603	(28)
Contribution to APLNG	–	1,206	1,206	–	2,166	2,166	(44)
Net cash flow from operating and investing activities			(1,605)			(3,018)	(47)

- Integrated Gas Underlying EBITDA decreased 23 per cent or $112 million to $386 million with an increased contribution from LNG operations ($18 million); reflecting the commencement of LNG production ($119 million) (including a disproportionate share of operating costs related to infrastructure assets), offset by the impact of lower oil prices on Australia Pacific LNG's domestic gas sales ($63 million) and lower LNG net recovery as Australia Pacific LNG upstream capital expenditure declines ($38 million), and lower contribution from Origin's E&P operations ($130 million) primarily reflecting lower liquids prices and volumes ($90 million), and increased exploration expense ($34 million).
- Integrated Gas segment result decreased $337 million to -$215 million driven by lower EBITDA ($112 million) and increased share of Australia Pacific LNG ITDA ($231 million) associated with recognition of increased sales of natural gas and LNG. Revenue from increased sales given the low oil price environment, have been insufficient to offset the increase in ITDA. The higher ITDA also includes a disproportionate share of costs associated with infrastructure assets related to the LNG export project and MRCPS interest expense paid by Australia Pacific LNG to shareholders.
- Cash flow from operating activities decreased $409 million to $26 million due to lower EBITDA after adjusting for the non-cash impacts of exploration expense and equity accounted share of Australia Pacific LNG EBITDA (-$134 million) and the impact of actions taken to reduce risk in response to low oil prices (-$293 million).
- Capital expenditure ($171 million) and contribution to Australia Pacific LNG ($960 million) decreased as growth projects near completion.
- Net cash flow from operating and investing activities improved by $1,413 million to -$1,605 the result of lower capital expenditure and Australia Pacific LNG contribution and the Poseidon acquisition in the prior year ($686 million), partly offset by lower operating cash flow.
- The Train 1 facility is now fully operational and is performing as expected with daily production rates having achieved and exceeded design nameplate capacity. 36 cargoes have been shipped to date, the majority under the terms of the Sale and Purchase Agreements with Sinopec and Kansai.
- Construction of the Train 2 facility continues to progress, with Train 2 first cargo expected in the second quarter of the 2017 financial year.
- Halladale and Speculant construction works at well site and at the reception facilities in Otway Gas Plant have completed in readiness for commissioning. First gas is expected late August 2016.
- In the Perth Basin, the execution phase of the Stage 1a Waitsia Gas Project is nearing completion, with the commencement of flows expected by end of August.

5.2.1 LNG

LNG financial performance

Year ended 30 June	2016 ($m)	2015 ($m)	Change ($m)
APLNG Underlying EBITDA (Origin share)	111	55	56
LNG net recovery	6	44	(38)
LNG Underlying EBITDA	117	99	18
APLNG Underlying ITDA (Origin share)	(293)	(62)	(231)
LNG D&A expense	(16)	(17)	1
Origin's net financing costs	(30)	–	(30)
LNG Segment Result	(222)	20	(242)
Cash flow from operating activities	(116)	34	(150)

Underlying LNG EBITDA increased $18 million reflecting the commencement of LNG production ($119 million) (including a disproportionate share of operating costs related to infrastructure assets), offset by the impact of lower oil prices on Australia Pacific LNG's domestic gas sales ($63 million) and lower LNG net recovery as Australia Pacific LNG upstream capital expenditure declines ($38 million).

The LNG segment result decreased $242 million. Australia Pacific LNG ITDA increased $231 million with the recognition of increased sales of natural gas and LNG, a disproportionate share of costs associated with infrastructure assets related to the LNG export project, and MRCPS interest expense paid by Australia Pacific LNG to shareholders (-$58 million). Revenue from increased sales given the low oil price environment, have been insufficient to offset the increase in ITDA. Origin's net financing costs of $30 million reflect the partial movement into underlying earnings (from Items excluded from Underlying Profit in FY2015) of net financing costs associated with the funding of Origin's investment in Australia Pacific LNG following recognition of Train 1 LNG sales, inclusive of MRCPS income received from Australia Pacific LNG (+$58 million).

Cash flow from operating activities decreased $150 million to ($116 million) due to lower LNG net recovery as Australia Pacific LNG upstream capital expenditure declines, and the impact of actions taken to reduce risk in response to low oil prices, including the payment of oil put premium ($117 million) to reduce exposure to low oil prices in financial year 2017 and insurance related to the completion of the Australia Pacific LNG Project ($37 million).

Australia Pacific LNG Production, Sales and Revenue

	Year ended 30 Jun 2016		Year ended 30 Jun 2015	
Operating Performance	Total APLNG (PJe)	Origin share (PJe)	Total APLNG (PJe)	Origin share (PJe)
Production Volumes	**418**	**157**	**174**	**65**
Natural Gas (domestic)	296	111	174	65
Natural Gas (LNG feed gas)	122	46	0	0
Sales Volumes	**388**	**146**	**174**	**65**
Natural Gas	291	109	174	65
LNG	98	37	0	0
Sales Volumes Net(1)	**295**	**111**	**125**	**47**
Natural Gas	225	84	125	47
LNG	72	27	0	0

Total Australia Pacific LNG production increased by 244 PJe or 140 per cent to 418 PJe, reflecting commencement of LNG production from Train 1 and increased volumes sold under the QGC contract. The first shipment of LNG departed the Australia Pacific LNG facility on Curtis Island on 9 January 2016, with 27 LNG cargoes equating to 98 PJ sold during the period and 36 cargoes to date. LNG revenues and expenses related to 72 PJ were recognised in earnings from 1 March, 2016. During the period approximately 100 PJ were delivered into the QGC contract.

Further information regarding production, sales volumes and revenues is provided in Origin's June 2016 Quarterly Production Report, available at www.originenergy.com.au.

Australia Pacific LNG underlying financial performance

Australia Pacific LNG's financial performance during the period reflected earnings associated with domestic contracts and the commencement of Train 1 LNG sales. LNG sales and costs were included in earnings from 1 March 2016.

	30 June 2016		30 June 2015	
Financial performance ($m)	100% APLNG	Origin share	100% APLNG	Origin share
Operating revenue	880		408	
Operating expenses	(585)		(263)	
Underlying EBITDA	**295**	**111**	**145**	**55**
D&A expense	(700)		(168)	
Net financing expense	(291)		(27)	
Income tax benefit	209		32	
Underlying ITDA	**(782)**	**(293)**	**(163)**	**(62)**
Underlying Result	**(487)**	**(182)**	**(18)**	**(7)**

(1) Sales volumes are net of 93 PJe of capitalised sales (30 Jun 2015: 49 PJe).

Reserves and Resources[1]

The overall decrease in 2P Reserves of 249 PJe includes 418 PJe of production. Origin's share of 2P reserves decreased by 94 PJe including 157 PJe of production.

Origin share of reserves and resources (37.5% share in Australia Pacific LNG)

Reserves (PJe)	30/06/15 Reserves	Acquisition/ Divestment	New Booking / Discoveries	Revisions/ Extensions	Production	30/06/16 Reserves
1P	2,272	–	–	543	(157)	2,659
2P	5,167	–	–	63	(157)	5,073
3P	6,065	–	–	(308)	(157)	5,601
Resources (PJe)	**Resources**					**Resources**
2C	1,035	–	–	100	–	1,135

Australia Pacific LNG Project

The Australia Pacific LNG export project is a two train project with a design nameplate capacity of 9 million tonnes per annum of LNG.

Australia Pacific LNG has committed LNG offtake agreements for approximately 20 years with Sinopec for approximately 7.6 million tonnes per annum and with Kansai Electric for approximately 1 million tonnes per annum.

Project performance and key milestones

The Downstream project was 98 per cent complete at 30 June 2016.

During the period, production from operated fields was increased to meet LNG train demand. Average production from operated assets increased to 1,047 TJ/d in the June 2016 Quarter from 405 TJ/d in the June 2015 Quarter, reflecting ongoing commissioning, de-watering and production ramp-up of wells to meet LNG Train 1 feed gas requirements. When combined with the volumes from non-operated assets, Australia Pacific LNG is expected to produce more than enough to supply domestic contracts and Australia Pacific LNG's contractual requirements under its long term supply contracts with customers in China and Japan.

As at 30 June 2016, a total of 27 cargoes were loaded and shipped to customers, including to Sinopec and Kansai in accordance with their respective long term Sales and Purchase Agreements.

The Train 1 facility is now fully operational and is performing as expected with daily production rates achieved in excess of design nameplate capacity. The Bechtel Performance Test was completed in April 2016 and the Train 1 facility has been handed over to the Downstream Operator, ConocoPhillips. The Australia Pacific LNG Train 1 operational lenders' test has commenced and the release of the first tranche of shareholder guarantees is on track for the second quarter of the 2017 financial year.

Construction of the Train 2 facility continues to progress. In July 2016, first fire of the last two of seven Gas Turbine Generators occurred, and in August 2016 high pressure fuel gas was introduced into the facility. The Upstream business continues to ramp up in readiness for Train 2 first cargo, expected in the second quarter of the 2017 financial year. The Train 2 lenders' test requirements are expected to be met and the remaining shareholder guarantees released during the 2017 calendar year.

Key Accomplishments/Milestones

The following table reports progress against the key goals and milestones Origin outlined in its interim 2016 financial year Operating and Financial Review:

Goals	Plan	Actual Progress
Completion of Bechtel Performance Test Train 1 (Bechtel Performance Date)	Q4 FY16	Accomplished

Key Project goals and milestones for the 2017 financial year

The following table reports key goals and milestones in the near term.

Key Goals and Milestones	FY17 Plan
Train 1 project finance lenders' tests met and 60% of shareholder guarantees released	Q2 FY17
First Cargo from Train 2	Q2 FY17
Train 2 revenue recognition	Q3 FY17
Train 2 project finance lenders' tests met and remaining shareholder guarantees released	CY17

Capital expenditure and funding

Origin's net contribution to Australia Pacific LNG during the period was $1,206 million.

The total amount drawn down by Australia Pacific LNG from its project finance facility during the period was US$157 million. Project finance facility interest of US$305 million was incurred during the period of which US$229 million was capitalised. At 30 June 2016, US$8,462 million of the project finance facility had been drawn.

(1) Refer to the Important Information on reserves and resources disclosures prior to Section 1.

5.2.2 Exploration and Production

Production, Sales and Revenue

Year ended 30 June	2016	2015	Change (%)
Total Production (PJe)	74.6	82.2	(9)
Total Sales (PJe)	82.6	88.9	(7)
Commodity Sales Revenue ($m)(1)	592	741	(20)
Underlying EBITDA	269	399	(33)
Cash flow from operating activities	142	401	(65)
Proved plus Probable (2P) reserves ex-APLNG (PJe)	1,204	1,093	10

Origin's share of total production decreased 7.6 PJe or 9 per cent to 74.6 PJe due to lower well deliverability, natural field decline and lower plant availability from planned statutory compliance shutdown at Otway (9.4 PJe), partly offset by higher Bass Basin production (3.7 PJe) due to Yolla-5 and Yolla-6 coming on-line during the current year.

Sales volumes decreased 6.3 PJe or 7 per cent to 82.6 PJe in line with decreased production. Commodity Sales Revenue decreased by $149 million or 20 per cent to $592 million, predominantly driven by lower production and lower average realised liquid prices (including impact of forward sales and hedging). During the year Origin commenced delivering oil and condensate production under the Oil Forward Sale Agreements. Revenue on these volumes is recognised at US$62.40/bbl.

E&P EBITDA decreased $130 million to $269 million due to increased exploration expense ($34 million) driven by the $53 million write-off of exploration expenditure in Vietnam, lower liquids prices ($60 million), and lower production ($48 million), primarily at Otway due to lower well deliverability and lower plant availability from a planned statutory compliance shutdown, partly offset by lower general operating costs ($7 million).

Cash flow from operating activities decreased $259 million to $142 million due to lower EBITDA adjusted for non-cash exploration expense (-$96 million), and the commencement of oil and condensate production deliveries into the Oil Forward Sale Agreements (-$139 million)(2).

Costs of goods sold and Stock movement

Year ended 30 June	2016 ($m)	2015 ($m)	Change (%)
Cost of goods sold	(77)	(125)	(39)
Stock movement	(3)	7	N/A

Cost of goods sold decreased by $48 million or 39 per cent to $77 million primarily due to lower average prices of crude purchases and a decrease in third party volumes within the Cooper Basin.

Expenses

Year ended 30 June	2016 ($m)	2015 ($m)	Change (%)
Royalties, tariffs and freight	(43)	(50)	(13)
General operating costs	(200)	(207)	(3)
Exploration expense	(63)	(29)	(117)
Total expenses	**(306)**	**(286)**	**7**

Total expenses increased by $20 million or 7 per cent to $306 million primarily reflecting increased exploration expense ($34 million) driven by the $53 million write-off of exploration expenditure in Vietnam, partly offset by a decrease in royalties, tariffs and freight ($7 million) due to lower sales volumes and revenue and lower general operating costs ($7 million).

Further information regarding production, sales volumes and revenues is provided in Origin's June 2016 Quarterly Production Report, available at www.originenergy.com.au.

Capital Expenditure

Capital expenditure decreased $149 million from the prior period as growth projects start to complete. Capital expenditure for the period of $412 million included:

- Halladale/Speculant – $146 million;
- Bass Basin – $66 million;
- Cooper Basin – $85 million;
- Beetaloo and Cooper Basin farm-ins – $43 million;
- Perth Basin – $18 million, primarily Senecio/Waitsia; and
- Other assets $54 million.

Reserves

Origin's proved plus probable (2P) reserves increased by 111 PJe (after production of 74 PJe) to a total of 1,204 PJe excluding Origin's share of Australia Pacific LNG reserves, compared with 30 June 2015.

Origin undertakes a full assessment of its reserves on an annual basis at the end of the financial year. A full statement of reserves attributable to Origin at 30 June 2016 is included in Origin's Annual Reserves Report released to ASX on 29 July 2016 and available on Origin's website at www.originenergy.com.au.

(1) Includes gain/(loss) – forward sale and hedging of $43 million in current year ($37 million prior year).
(2) Delivery of oil and condensate production into the Oil Forward Sale Agreements commenced during the period for which revenue is recognised at US$62.40/bbl, but for which there is no associated cash flow as proceeds were received upfront.

Operations

Production and Development

Origin's producing operations include assets in the Bass and Otway Basins off the south coast of Victoria, the Cooper Basin in central Australia the Perth Basin in Western Australia and the Taranaki Basin in New Zealand.

Origin's development activities during the year reflected actions taken by Origin to limit capital expenditure to completing projects that have commenced and utilise existing infrastructure.

In the Bass Basin, the Yolla-5 and Yolla-6 production wells were commissioned and production commenced during the year. The tie-in and commissioning of the compression and condensate modules onto the Yolla platform commenced during the current year with the modules planned to be online late in the 2017 financial year.

Progress continued on the development of the Halladale/Speculant project in the Otway Basin. Installation of the Halladale and Speculant pipeline from the well site to Otway Gas Plant and the construction works at the well site and at the reception facilities have completed in readiness for commissioning. First gas is expected late August 2016.

Execution phase of the Stage 1a Waitsia Gas Project is nearing completion, with the commencement of flows expected by end of August 2016.

Exploration and Appraisal

Development and appraisal activities within Australia and New Zealand during the period were confined to joint venture and permit commitments.

In the Beetaloo Basin drilling operations recommenced during the period with the re-entry and casing of the Amungee NW-1H well drilled in 2015. Subsequent to the end of the period, Beetaloo W-1 was spudded on 22 July, with civil works ongoing as part of the 2016 calendar year campaign which includes the drilling of two vertical wells.

As part of Origin's obligations under the CBOS Farmin Agreements entered into in 2014, Origin committed to a multi well work programme in the Cooper Basin. In fulfilment of the farm-in obligations, the hydraulic fracture stimulation of the Ethereal-1 exploration well in PEL 637 commenced during the year and extended production testing is scheduled for early in the 2017 financial year.

Also in fulfilment of CBOS farm-in obligations, planning continued for the drilling of two wells in PEL 638 scheduled for the 2017 financial year. Origin's interest in these permits provides the opportunity to participate in technology trials and further develop learnings which may be applicable in the Beetaloo and marginal and low permeability CSG acreage.

5.3 Corporate

This segment reports corporate activities that have not been allocated to other operating segments together with business development activities outside Origin's existing operations. In particular, Origin's existing investments in Chile and Indonesia's energy sectors including interests in discontinued geothermal development.

Origin's net financing costs (excluding costs relating to LNG operations) and tax are recorded in the Corporate segment.

Financial Performance

Year ended 30 June	2016 ($m)	2015 ($m)	Change (%)
Underlying EBITDA	(81)	(96)	(16)
Segment Result	(434)	(461)	(6)
Capital expenditure	25	63	(60)
Net cash flow from operating and investing activities	1,495	(146)	N/A

— Lower Underlying EBITDA loss due to functional cost savings.
— Segment Result includes Underlying net financing costs of $64 million and Underlying income tax expense of $282 million.
— Net cash flow from operating and investing activities improved by $1,641 million due to the sale of Origin's interest in Contact Energy to reduce debt ($1,599 million) and a reduction in capital expenditure ($38 million) reflecting lower IT expenditure and the decision taken to cease international growth activities.

6 RISKS RELATED TO ORIGIN'S FUTURE FINANCIAL PROSPECTS

The scope of operations and activities means that Origin is exposed to risks that can have a material impact on its financial prospects and reputation. Material risks, and the Company's approach to managing them, are summarised below.

Risk Management Framework

Origin has a risk management framework overseen by the Board Risk Committee. Origin's approach to risk management aims to embed a risk-aware culture in all decision-making and to manage risk in a proactive and effective manner. This includes identifying, evaluating, managing and monitoring risks, and mitigating their impact should they materialise. If a risk, such as natural disasters, cannot be managed using internal controls, it is transferred to third parties via insurance where commercially possible.

Material Risks

The material risks in this section have been categorised as Strategic, Operational, Financial or Project. Should any of the risks identified be realised, these risks could materially affect Origin's ability to meet its objectives and impact on future financial performance, either directly or by triggering a succession of events that, in aggregate, becomes material.

Strategic

Strategic risks arise from uncertainties that may emerge in the medium to longer term and, while they may not necessarily impact on short term profits, can have immediate impact on the value of the Company. These risks are managed through ongoing planning and the allocation of resources and attention from management and the Board.

Culture

Origin's Purpose, Principles, Values and Commitments are set out in Origin's Compass, which guides how things are done at Origin and defines Origin's culture. It guides good decision making in a way that is common across Origin. Origin relies on its people to reflect the Compass in all things that they do. Failure to comply with the Compass may affect Origin's risk profile, business operations and financial prospects.

Competition

Origin operates in a highly competitive environment, which can result in downward pressure on margins, customer losses and higher costs to serve. Origin's strategy to build customer loyalty and trust by improving customer experience and creating differentiated product offerings to move the customer conversation away from price helps to mitigate this risk. Origin's strategy is to be competitive on cost of energy and cost to serve.

Competition for generation capacity and sources of fuel can impact the cost of energy. Development of competing generation technologies can displace our existing generation assets.

The potential discovery or commissioning of significant new gas resources in eastern Australia could have a significant impact on the gas supply and demand dynamics and therefore gas prices in eastern Australia. LNG production in Queensland competes with domestic gas demand and could result in material changes to the domestic gas price. Origin is able to partially mitigate its exposure by altering how it manages its wholesale and generation portfolio.

Technological developments/disruption

Energy demand through the grid is impacted by the growth in distributed generation, appliance efficiency, closures across energy intensive industries and smaller average dwelling size. Technology also has the potential to disrupt by enabling competition to provide new energy solutions which adopt lower cost or new business models (e.g. using Cloud technology). Origin's strategy is to meet this change by growing our distributed generation and home energy services business in the consumer and business markets and, where appropriate, monitoring, reviewing and trialling new technology.

Oil and gas reserves and resources

Origin is involved in oil and gas exploration and there is no assurance that resources will be discovered through these activities or that any particular undeveloped reserves will proceed to development or will be ultimately recovered. There is a risk that actual production may vary from that predicted. Origin employs established industry procedures to identify and consider areas for potential exploration. Origin monitors reservoir performance and adjusts development plans accordingly.

Demand for energy

The volume of electricity, gas and LPG the Company sells is dependent on our customer's energy usage. Reductions in energy demand from price changes, consumer perception of energy affordability, consumer behaviour, operational closures across energy intensive industries, technological advancement, mandatory energy efficiency schemes, weather and other factors, can reduce Origin's revenues and adversely affect Origin's future financial performance. Origin constantly monitors and reviews consumption patterns and trends to identify changes in energy demand.

Regulatory policy

Origin operates in highly regulated environments and is exposed to changes in regulatory policy. Origin manages its exposure to industry wide regulatory risk through active engagement with policy makers and preparing for regulatory and legislative changes.

Climate change

Origin is exposed to changes in regulatory policy as a result of climate change. Origin's strategy for transitioning into a carbon constrained future comprises balancing our position to remain flexible in decarbonisation scenarios. We aim for a leading renewable position to meet our Renewable Energy Target.

In the medium term, increasing levels of renewables driven by Renewable Energy Targets will have an effect on baseload fossil fuel generation. Origin invests directly or indirectly in utility scale renewables and leverage its peaking generation capacity to manage the intermittency of renewables will help to mitigate this risk.

Financial

Financial risks are the risks that directly impact the financial performance and resilience of Origin. The Board manages these risks by setting limits on the overall financial exposure that Origin is prepared to take, and has commodity and treasury risk management systems to monitor and report performance against these limits. Origin manages commodity price risk through a combination of physical positions and derivatives contracts.

Commodity

- **Oil prices** – Origin has a material long term exposure to the international oil price through the sale of gas, oil, LPG and its investment in Australia Pacific LNG. Pricing can be volatile and downward price movements can impact on our cash flow, financial performance, recoverable reserves and asset carrying values.
- **Wholesale electricity prices and volumes** – Prices for electricity Origin sources to on-sell to customers are volatile and are influenced by many factors that are difficult to predict, including operating constraints at Origin's power stations. Customer volumes also vary on a daily basis and over time.
- **Other commodity prices** – Origin is exposed to price fluctuations in respect of coal and gas purchases for electricity generation and gas, renewable energy and LPG for on-sale to customers. Higher prices erode our margins if we are unable to pass on additional costs to customers. Lower prices impact our margins and asset carrying value for gas producing assets.

Foreign exchange and interest rates – Origin is exposed to interest rate movements and foreign exchange rate fluctuations. This impacts the Australian dollar value of foreign currency denominated assets and liabilities, revenues, dividends received and expenses.

Credit/counterparty – Some counterparties may fail to fulfil their obligations (in whole or in part), under major hedge and sales contracts. Australia Pacific LNG has long term off take agreements with Sinopec and Kansai, who account for the majority of its LNG revenues. There is a risk Origin is unable to effectively bill and or collect outstanding debt from customers.

Insurance – Losses and liabilities from uninsured or underinsured events could reduce Origin's revenue or increase costs.

Tax – Any change in, or change in the interpretation, application or enforcement of, applicable tax laws regulations, royalty regimes or any actual or alleged failure to comply could significantly increase Origin's tax liability and expose Origin to legal, regulatory and other actions that could adversely affect Origin's financial performance and prospects.

Australia Pacific LNG is required to pay royalties on its production to the Queensland government. Australia Pacific LNG has disputed in the Queensland courts the petroleum royalty decision received from the Queensland Treasurer. There is a risk Australia Pacific LNG may not be successful in this dispute and this may impact the quantum of royalties Australia Pacific LNG is required to pay.

Access to capital markets – Origin considers that it has sufficient liquidity through currently committed credit facilities. However, if it fails to appropriately manage its liquidity position, or if markets are not available to Origin at the time of any financing or refinancing that it requires, due to general market conditions or matters specific to Origin such as a credit rating downgrade, there is a risk that Origin's business, prospects and financial flexibility will be adversely affected.

Australia Pacific LNG's project finance facility (US$8.5 billion) – The facility is severally guaranteed by each Australia Pacific LNG shareholder (including Origin) in its respective shareholding proportions during the project construction phase. These guarantees will be released if the project satisfies customary completion tests. A delay in satisfying the requirements will mean Origin's guarantee remains in place for longer, and failure to pass the completion tests could result in a requirement for early repayment of debt. The project finance facility contains restrictions on Australia Pacific LNG making shareholder distributions if specified financial metrics are not satisfied.

Operational

Operational Risks arise from inadequate or failed internal processes, people or systems or from external events. This could impact the environment, the health and safety of our people and members of the public or the sustainability of our operations and assets and in turn adversely affect Origin's financial prospects.

Origin's risk management framework operates to identify, manage, monitor and mitigate operational risk. It sets out the minimum standards that Origin expects for all operated assets. Origin management systems operate to see that our assets are well designed, safely operated and properly maintained.

Core operations are subject to periodic audits and assurance. Origin maintains an extensive insurance program to mitigate consequences by transferring financial risk exposure to third parties where commercially possible.

Health and safety – The complexity, scale and geography of Origin's operations give rise to a range of health, safety and security risks, including air, land or marine transport and other work related safety exposures.

Cyber security – A cyber security incident could lead to a breach of privacy, disruption of critical business processes, loss of or corruption of data or theft of commercially sensitive information.

Production – Operating activities include oil and gas projects, power generation, LPG facilities and CSG to LNG processing, through Australia Pacific LNG. These activities are exposed to outages and the potential to damage, both directly and as a result of a natural disaster, plant failure, interruptions to fuel supply required to operate the assets or failure or unavailability of third party infrastructure, including transmission, distribution and pipeline infrastructure.

Process safety – Production assets are exposed to process safety and loss of containment risks.

Environment – The complexity, scale and geography of projects and operations give rise to a range of potential effects on the environment, including Origin's carbon emissions, water use, waste management, and impacts on biodiversity.

Social – Origin's activities give rise to potential disturbance or harm to communities and a range of risks including land access, impacts on people, and social and economic impacts on communities.

Joint ventures – Origin participates in a number of joint ventures which, in some cases, are operated by a third party. That partner may have economic or other business interests that are inconsistent with our own and may take actions contrary to the objectives or interests of Origin. There is also a risk that joint venture partners may become bankrupt, default on or fail to fulfil their obligations as required or expected thereby impacting the performance of the joint venture and adversely affecting Origin or its interest in the joint venture.

Litigation and dispute resolution – The nature of Origin's business means we are exposed to litigation, regulatory actions or dispute resolution processes, investigations, inquiries, disputes or claims.

- **Reversion** – The CSG interests that Australia Pacific LNG acquired from Tri-Star in 2002 are subject to reversionary rights. If triggered, these rights will require Australia Pacific LNG to transfer back to Tri-Star a 45 per cent interest in those CSG interests for no additional consideration. The reversion trigger will occur when Australia Pacific LNG has recovered from its revenue derived from the acquired CSG interests its expenditure relating to the acquired CSG interests plus interest on that expenditure, its royalty payments and the original acquisition price. Approximately 21 per cent of Australia Pacific LNG's 3P CSG reserves as of 30 June 2016 are subject to these reversionary rights.
- Tri-Star has commenced proceedings against Australia Pacific LNG claiming that reversion has occurred. Australia Pacific LNG denies that claim and is defending it. If Tri-Star's claim is not successfully defended, Tri-Star may be entitled to an order that reversion occurred as early as 1 November 2008 and the reserves and resources that are subject to reversion may not be available for Australia Pacific LNG to sell or use. These events may have a material adverse impact on the financial performance of Australia Pacific LNG and therefore significantly affect the amount and timing of cash flows from Australia Pacific LNG to its shareholders, including Origin.

Project

Origin undertakes investments in a variety of major projects including gas and oil projects, electricity generation and operational systems. These major projects are exposed to the effectiveness of Origin's project management and events outside of Origin's control, such as weather events or natural disasters, which may result in adverse cost and schedule implications and, in turn, Origin's financial prospects. Origin manages major projects in accordance with well-established project management processes.

Environmental and social regulatory obligations are maintained and managed for projects, including the Australia Pacific LNG's CSG-to-LNG project. Origin and Australia Pacific LNG's processes and internal compliance monitoring are designed to ensure activities are conducted in accordance with all approval obligations.

The construction phase of the Australia Pacific LNG Project is nearing completion. The first cargo from Train 2 of Australia Pacific LNG is expected in the second quarter of the 2017 financial year. Delay in the start-up of Train 2 would delay cash flow, the recognition of revenue and costs in underlying earnings and may also affect Australia Pacific LNG's ability to satisfy the project finance completion tests and subsequent removal of Origin's several guarantee of its share of the project finance facility.

APPENDIX 1 – ITEMS EXCLUDED FROM UNDERLYING PROFIT[1]

Underlying Profit is derived from Statutory Profit and excludes certain items to provide a more representative view of the ongoing performance of the business.

Year ended 30 June	2016 ($m)	2015 ($m)	Change (%)
Statutory (Loss) – total operations	**(589)**	**(658)**	**(10)**
Items Excluded from Underlying Profit			
Fair value and foreign exchange movements[2]	(195)	(577)	(66)
LNG items pre revenue recognition[2]	(222)	(162)	37
Disposals, impairments and business restructuring[2]	(537)	(601)	(11)
Total Items Excluded from Underlying Profit	(954)	(1,340)	(29)
Underlying Profit – total operations	**365**	**682**	**(46)**
Underlying Profit – discontinued operations	11	79	(86)
Underlying Profit – continuing operations	**354**	**603**	**(41)**

Fair value and foreign exchange movements (-$195 million post-tax):

- non-cash loss due to the appreciation of the forward oil price following the purchase of oil put options to reduce exposure to low oil prices[3] (-$60 million);
- financial instruments impacting Energy Markets including environmental certificates (-$39 million);
- foreign exchange movements relating to LNG (-$30 million); and
- loss on termination of interest rate swaps following the early repayment of Uranquinty project finance (-$29 million) replaced with lower interest rate facilities; and
- non-cash loss due to the depreciation of the Australian dollar (-$20 million).

LNG related items pre revenue recognition[4] (-$222 million post-tax):

- -$167 million net financing costs[5] interest expense on the average debt balance relating to the funding of Australia Pacific LNG and interest income received on Mandatorily Redeemable Cumulative Preference Shares (MRCPS). The net financing costs would otherwise be capitalised if the development project was held directly by Origin rather than via an equity accounted investment; and
- -$55 million pre-production costs not able to be capitalised.

Disposals, impairments and business restructuring (-$537 million post-tax):

- Impairment ($515 million) relating to:
  - Origin's Upstream assets (-$386 million) resulting from Otway Basin (-$166 million), BassGas (-$143 million) and Cooper Basin (-$77 million) due to recent reserves revisions, as reported in Origin's Annual Reserves Report and revised development plans;
  - International Development geothermal assets in Chile (-$86 million) and Indonesia (-$20 million);
  - Deferral of large scale IT projects (-$65 million); partially offset by
  - The reversal of prior impairments of Surat Basin (+$21 million) as a result of the sale of these assets and New Zealand onshore assets (+$21 million) as a result of the classification of these assets as held for sale.
- Business restructuring costs ($81 million) associated with Origin's cost reduction programs; and
- Gains associated with the asset sales programme ($59 million).

(1) Refer to Appendix 6 for definitions of fair value and foreign exchange movements, LNG related items pre revenue recognition and disposals, impairments and business restructuring categories.
(2) Aggregation of items excluded from Underlying Profit has changed from the prior period.
(3) On 22 December, 2015 Origin announced the purchase of put options over 15 million barrels of oil for the 2017 financial year.
(4) Train 1 costs (including net financing costs) and disproportionate share of costs related to infrastructure assets, were included in Underlying Profit from 1 March, 2016 following Train 1 revenue recognition. The remaining costs will be recognised in Underlying Profit from the time APLNG recognises revenue from Train 2.
(5) A further $21 million after tax ($30 million pre tax) is included in Underlying earnings representing four months of net financing costs related to Train 1 and infrastructure assets. See Appendix 4 for further details.

APPENDIX 2 – ORIGIN'S KEY FINANCIALS

Full year ended 30 June	2016 ($m)	2015 ($m)	Change (%)
Total operations – income statement			
External revenue	12,174	14,147	(14)
Underlying EBITDA	1,696	2,149	(21)
Underlying EBIT	776	1,280	(39)
Underlying Profit	365	682	(46)
Items excluded from Underlying Profit	(954)	(1,340)	(29)
Statutory (Loss)/Profit	(589)	(658)	11
Statutory Earnings per share	(37.3¢)	(52.1¢)[1]	(28)
Underlying Earnings per share	23.2¢	54.0¢[1]	(57)
Total operations – statement of cash flows			
Cash flows from operating activities	1,404	1,833	(23)
Cash flows used in investing activities	(189)	(3,914)	N/A
Cash flows used in financing activities	(1,223)	1,996	N/A
Continuing operations – income statement			
External revenue	11,923	11,893	0
Underlying EBITDA	1,635	1,662	(2)
Underlying depreciation and amortisation	(604)	(618)	(2)
Underlying share of interest, tax, depreciation and amortisation of equity accounted investees	(296)	(62)	377
Underlying EBIT	735	982	(25)
Underlying net financing costs	(100)	(78)	28
Underlying Profit before income tax and non-controlling interests	635	904	(30)
Underlying income tax expense	(275)	(291)	(5)
Underlying net profit after tax before elimination of Non-controlling interests	360	613	(41)
Non-controlling interests' share of Underlying Profit	(6)	(10)	40
Underlying Profit	354	603	(41)
Items excluded from Underlying Profit	(964)	(1,062)	(9)
Underlying earnings per share	22.4¢	47.7¢[1]	(53)
Continuing operations – statement of cash flows			
Cash flows from operating activities	1,333	1,378	(3)
Cash flows used in investing activities	(181)	(3,802)	N/A
Cash flows used in financing activities	(1,160)	2,355	N/A
Discontinued operations – income statement			
External revenue	251	2,254	(89)
Underlying EBITDA	61	487	(87)
Underlying EBIT	41	298	(86)
Underlying Profit	11	79	(86)
Items excluded from Underlying Profit	10	(278)	N/A
Discontinued operations – statement of cash flows			
Cash flows from operating activities	71	455	(84)
Cash flows used in investing activities	(8)	(112)	(93)
Cash flows used in financing activities	(63)	(359)	(82)
Other items			
Weighted average shares in basic EPS (million shares)	1,578	1,264	25
Final dividend per share (unfranked)	0¢	25¢	(100)
Total employees (numbers)[2]	5,811	6,922	(16)
Total Recordable Injury Frequency Rate (TRIFR)[3]	4.2	3.8	11

(1) Prior period adjusted for the bonus element (discount to market price) of the September 2015 rights issue.
(2) Excludes employees from Contact Energy.
(3) Reported on a rolling 12 month basis.

APPENDIX 3 – UNDERLYING SEGMENT EBITDA AND EBIT

	Underlying EBITDA			Underlying EBIT		
Full year ended 30 June	**2016 ($m)**	**2015 ($m)**	**Change (%)**	**2016 ($m)**	**2015 ($m)**	**Change (%)**
Energy Markets	1,330	1,260	6	1,004	956	5
Integrated Gas	386	498	(22)	(185)	122	(252)
Corporate	(81)	(96)	(16)	(84)	(96)	(13)
Total continuing operations	**1,635**	**1,662**	**(2)**	**735**	**982**	**(25)**
Contact Energy	61	487	(87)	41	298	(86)
Total operations	**1,696**	**2,149**	**(21)**	**776**	**1,280**	**(39)**

APPENDIX 4 – NET FINANCING COSTS

Year ended 30 June	**2016 ($m)**	**2015 ($m)**	**Change ($m)**
Statutory Net Financing Cost – continuing operations			
Total interest charged by other parties (excluding benefit of MOCCS)	(634)	(646)	12
Benefit of MOCCS[1]	–	154	(154)
Total interest charged by other parties	**(634)**	**(492)**	**(142)**
Impact of discounting on long term provisions	(16)	(15)	(1)
Capitalised interest	90	118	(28)
Total interest expense	**(560)**	**(389)**	**(171)**
MRCPS interest income	220	112	108
Other interest income	2	0	2
Statutory Net financing costs	**(338)**	**(277)**	**(61)**
Average interest rate[2]	**6.5%**	**4.9%**	**1.6%**
Items excluded from Underlying Net Financing Costs relating to funding of APLNG			
Total interest charged by other parties (excluding benefit of MOCCS)	(400)	(465)	65
Benefit of MOCCS	–	154	(154)
Total interest expense	**(400)**	**(311)**	**(89)**
MRCPS interest income	162	112	50
Net financing costs relating to funding of APLNG	**(238)**	**(199)**	**(39)**
Average interest rate[2]	**6.9%**	**4.5%**	**2.4%**
Underlying Net Financing Cost – continuing operations			
Total interest charged by other parties (excluding costs associated with funding of APLNG)	(146)	(181)	35
Total interest charged by other parties (costs associated with funding of APLNG)	(88)	–	(88)
Impact of discounting on long term provisions	(16)	(15)	(1)
Capitalised interest	90	118	(28)
Total interest expense	**(160)**	**(78)**	**(82)**
MRCPS interest income (in Underlying)	58	–	58
Other interest income	2	0	2
Underlying Net financing costs	**(100)**	**(78)**	**(22)**
Average interest[2]	**5.9%**	**5.1%**	**0.8%**
Underlying Net Financing Cost – discontinued operations			
Underlying Net financing costs	**(9)**	**(91)**	**82**
Average interest rate[2]	**6.9%**	**6.5%**	**0.4%**

(1) The Monetisation of Cross Currency Swaps (MOCCS) provided a benefit in financial year 2015 reflecting the bringing forward of the positive fair value as the swaps were reset to the market rates in March 2014.
(2) Average interest rate calculated using total interest charged by other parties.

APPENDIX 5 – ELECTRICITY, NATURAL GAS & CUSTOMER DATA

At Origin's half year result a number of items were re-stated without impacting gross profit, to better reflect the operations of the Energy Markets business. The following tables show restated figures for the 2014 and 2015 financial years in addition to the current year.

Natural Gas

Osborne gas sales re-classified as internal due to new operational agreement. As a result prior period external sales volumes, revenues and costs have been revised with no impact on gross profit.

Year ended 30 June	2016	$/GJ	2015	$/GJ	2014	$/GJ
Volumes Sold (PJ)	**228.2**		**207.4**		**162.8**	
Retail (Consumer & SME)	42.1		41.7		37.1	
Business	124.9		93		59.2	
Total external volumes	**167.1**		**134.7**		**96.3**	
Internal Sales (Generation)	61.1		72.7		66.5	
Revenue ($m)	**1,946**	**11.7**	**1,679**	**12.5**	**1,242**	**12.9**
Retail (Consumer & SME)	995	23.6	978	23.5	803	21.6
Business	951	7.6	701	7.5	440	7.4
Cost of goods sold ($m)	**(1,425)**	**(8.5)**	**(1,158)**	**(8.6)**	**(968)**	**(10.0)**
Network Costs	(696)	(4.2)	(640)	(4.7)	(582)	(6.0)
Energy Procurement Costs	(729)	(4.4)	(518)	(3.8)	(386)	(4.0)
Gross Profit ($m)	**522**	**3.1**	**521**	**3.9**	**275**	**2.9**
Gross Margin %	26.8%		31.0%		22.1%	
Period-end customer accounts ('000)	1,089		1,068		1,022	
Average customer accounts ('000)	1,080		1,051		999	
$ Gross profit per customer	**483**		**496**		**275**	

Electricity

Prior period restated to better reflect the recognition of volumes, revenues and costs associated with feed-in volumes from solar customers with no impact on gross profit.

Year ended 30 June	2016	$/MWh	2015	$/MWh	2014	$/MWh
Volumes Sold (TWh)	**38.1**		**37.3**		**39.1**	
Retail (Consumer & SME)	18.4		18.9		18.8	
Business	19.6		18.4		20.3	
Revenue ($m)	**7,300**	**191.7**	**7,560**	**202.9**	**7,617**	**194.8**
Retail (Consumer & SME)	4,790	259.8	5,245	278.2	5,137	273.3
Business	2,463	125.4	2,238	121.6	2,384	117.4
Externally Contracted Generation	47		77		96	
Cost of goods sold ($m)	**(6,012)**	**(157.9)**	**(6,272)**	**(168.3)**	**(6,280)**	**(160.6)**
Network Costs	(3,674)	(96.5)	(4,019)	(107.9)	(3,926)	(100.4)
Wholesale Energy Costs	(2,093)	(55.0)	(1,975)	(53.0)	(2,074)	(53.1)
Generation Operating costs	(244)	(6.4)	(278)	(7.5)	(280)	(7.2)
Energy Procurement Costs	(2,337)	(61.4)	(2,253)	(60.5)	(2,354)	(60.2)
Gross Profit ($m)	**1,289**	**33.8**	**1,289**	**34.6**	**1,337**	**34.2**
Gross Margin %	17.7%		17.0%		17.6%	
Period-end customer accounts ('000)	2,741		2,768		2,850	
Average customer accounts ('000)	2,758		2,804		2,879	
$ Gross profit per customer	**467**		**460**		**464**	

Retail Electricity Volumes (TWh)

Year ended 30 June	2016	2015	2014
NSW	8.9	9.2	9.2
Victoria	3.4	3.4	3.4
Queensland	5.2	5.3	5.3
South Australia	1.0	0.9	0.9
Total Retail volumes	**18.4**	**18.8**	**18.8**

Customer Accounts

Revised customer accounts methodology to exclude customers in the process of transferring to or away from Origin in order to reflect active customers.

	30 June 2016		30 June 2015		30 June 2014	
Customer Accounts ('000)	**Electricity**	**Natural Gas**	**Electricity**	**Natural Gas**	**Electricity**	**Natural Gas**
NSW(1)	1,240	252	1,268	239	1,320	208
Victoria	566	478	576	475	598	467
Queensland	761	160	758	154	767	146
South Australia(2)	174	199	166	201	165	200
Total	**2,741**	**1,089**	**2,768**	**1,068**	**2,850**	**1,022**

(1) Australian Capital Territory (ACT) customer accounts are included in New South Wales.
(2) Northern Territory customers are included in South Australia.

EXECUTIVE SUMMARY

Each year the Non-executive Directors (NEDs) undertake a review of Origin's remuneration practices to ensure the current approach remains appropriate. In so doing the NEDs:

- Consider feedback from shareholders;
- Examine emerging market practice; and
- Test remuneration outcomes against company performance.

Last year the Board engaged remuneration advisor *Pay Governance* to undertake a comprehensive review of executive remuneration and structure. The review confirmed that, while the basic structure of the remuneration system was appropriate, changes could be made that would strengthen alignment between executive and shareholder interests, particularly in relation to the use of capital and cash.

Those changes were implemented during FY2016, following communication with shareholders through last year's Remuneration Report. More specifically, the following changes have been made.

- Overall
  - More specific peer groups were adopted for the overall At Target and Maximum remuneration benchmarks for executive remuneration, namely the 10 ASX-listed companies that were larger and the 10 companies that were smaller than Origin plus AGL, Woodside, Santos and Oil Search (if they are not already in that group).
- Short Term Incentive (STI)
  - Operating Cash Flow After Tax (OCAT Ratio) was replaced with a Net Cash from Operating and Investing Activities (NCOIA) performance metric in the STI plan; and
  - Vesting periods for Deferred STI for senior executives were lengthened from an average of two years to an average of three years. Vesting for grants of Deferred Share Rights (DSRs) relating to FY2016 will occur over two, three and four years to better align outcomes with the Company's investment cycle, rather than one, two and three years as was previously the case.
- Long Term Incentive (LTI)
  - A second hurdle was introduced based on Return on Average Capital Employed (ROCE). This measure applies to the Performance Share Rights (PSRs) component of LTI, while the relative Total Shareholder Return (TSR) hurdle will apply to the Options component;
  - The allocation methodology for PSRs has been changed and is now based on face value (previously fair value discounted for performance hurdles was used);
  - The ratio of Options to PSRs in the LTI mix was changed from 75:25 to 50:50;
  - A more specific comparator group was adopted for the TSR hurdle than the S&P/ASX 100 companies that were previously used. The revised group is defined at the commencement of the performance period as those 10 ASX-listed companies that are larger than and 10 that are smaller than Origin plus AGL, Woodside, Santos and Oil Search (if they are not already in that group).
  - The average vesting period for senior executives has been lengthened such that the Options tranche is now subject to a five-year vesting period, while retaining the vesting period for PSRs at four years.

These changes have been made to:

- Align overall remuneration outcomes to companies of comparable size, given the changes in Origin's market capitalisation and its near term performance. The Board has exercised discretion downwards for STI and LTI to achieve these outcomes;
- Strengthen the linkage to capital management;
- Strengthen the linkage between the STI plan hurdles and short term profitability;
- Better align the length of vesting periods for both Deferred STI and LTI arrangements to Origin's investment cycle; and
- Set the mix of Options and PSRs to an appropriate level and review the allocation process for PSRs in response to market feedback.

Directors consider that the changes made will further strengthen the alignment with the interests of shareholders. Directors recommend that shareholders read the full Remuneration Report to understand the nature of that alignment.

1 INTRODUCTION

Following enhancements to Origin's remuneration approach that were implemented during FY2016, Directors consider that:

- The remuneration system is focused on delivering shareholder value over the long term (Section 2);
- Remuneration outcomes for executives reflect returns to shareholders (Section 3); and
- Appropriate governance and remuneration arrangements for NEDs provide a strong focus on shareholders' interests (Section 4).

This report is focused on executives who are Key Management Personnel (KMP). It also provides a broader perspective on other employees of the Group(1) whose remuneration includes awards under the LTI arrangements (which at June 2016 included another approximately 80 executives).

2 ORIGIN'S EXISTING REMUNERATION SYSTEM IS FOCUSED ON DELIVERING SHAREHOLDER VALUE OVER THE LONG TERM

The overriding objective of Origin's remuneration system is to align the interests of staff and shareholders, while attracting and retaining valuable staff. Origin strives to do this by:

- Aligning the interests of executives and shareholders by providing rewards that support shareholder value creation; and
- Attracting and retaining high calibre executives from diverse backgrounds through a fair and competitive remuneration structure that appropriately rewards and incentivises superior performance over the longer term.

Origin's senior management remuneration, including for KMP, consists of three main elements, namely Fixed Remuneration, STI and LTI.

Origin's remuneration policy is designed so that each of these elements supports the overall objectives. In addition, the policy works to reward superior executive performance by paying in the top quartile of the market when superior outcomes are delivered for shareholders.

For KMP roles, Origin's position in the market is benchmarked against industry peers and comparably sized S&P/ASX companies. Directors have exercised discretion to ensure that overall remuneration is held within the overall limits of those benchmarks, recognising the change in the company's overall market capitalisation.

As the Group employs staff across a broad spectrum of roles and disciplines, the Hay Group's All Organisations' benchmark, representing approximately 430 organisations, is used as the major reference for non-KMP roles(2).

The way Fixed Remuneration, STI and LTI operate together is described in greater detail in Sections 2.1 to 2.6.

2.1 Fixed Remuneration is benchmarked to the midpoint of the external market to attract quality people who can deliver value for shareholders

Fixed Remuneration takes into account the size and complexity of a recipient's role and the skills required to succeed in such a position. It includes cash salary, employer contributions to superannuation and salary sacrifice benefits.

It is regularly reviewed against the median of comparably sized companies, while recognising the difficulties of reducing Fixed Remuneration when a market discontinuity occurs such as has happened in the past 12 months, largely in response to the fall in oil prices.

(1) Origin Energy Limited and its controlled entities.

(2) For job families in skill shortage areas (such as geosciences and some professional specialists) the relevant market has been determined by reference to smaller peer groups such as those sourced from commissioned surveys and industry forums, including National Rewards Group.

2.2 STI awards are designed to reward superior achievement for shareholders in relation to key operational measures

STI plays a key role in aligning superior operational outcomes for shareholders with remuneration outcomes for management.

STI opportunity levels vary according to the Business Unit served by the executive and according to their role. The amount at risk increases with job size and the capacity to influence the overall performance of the business (Tables 1 and 2).

The amount of STI awarded reflects overall corporate performance as well as Business Unit financial and operational outcomes over the course of the year.

Table 1: STI opportunity as a percentage of Fixed Remuneration, FY2016

Position	Minimum	Target	Maximum
Managing Director	0%	90%	150%
Other Executive KMP (average)	0%	77%	129%
Other Executive Management Team (EMT) (average)	0%	60%	100%
Other Executives[1] (average)	0%	44%	74%

To achieve the maximum award, the recipient's relevant operational targets must be significantly exceeded. Delivering targeted operational outcomes results in an award of 60 per cent of maximum STI. If targeted outcomes are not achieved, the award of STI is reduced proportionally below 60 per cent (to zero where threshold outcomes are not achieved). The Board retains discretion to adjust outcomes, upwards or downwards, where it considers it appropriate to do so. Such discretion has been regularly used by the Board.

The Managing Director's STI is determined by reference to the Group's financial and safety performance for the year; the Company's overall Employee Engagement Score; and a number of personal measures that reflect strategic and people priorities, including delivering value for shareholders and succession planning.

STI for other executives is determined by reference to Group performance as well as Business Unit and personal operational measures. Examples of Business Unit measures include safety outcomes; engagement scores; project delivery milestones; production metrics (especially in the Integrated Gas Business Unit) or customer satisfaction and profitability (especially in the Energy Markets' Business Unit).

All STI recipients have exposure to the Group's financial performance. For FY2016 two Group financial metrics applied with equal weighting:

— Net cash from operating and investing activities ('NCOIA'). This measure was adopted for the first time this year; and
— Underlying earnings per share (EPS).

These two measures have been adopted in response to shareholder feedback and reflect the importance of earnings per share and cash generation after investment as key drivers of returns to shareholders.

The degree of exposure to Group and Division financial metrics increases with increasing job size, as shown in Table 2.

Table 2: STI performance measures and weights by role, FY2016

	Business KPIs							
Position	NCOIA; Underlying EPS	Division Financial measures	Group Safety	Division Safety	Group Engagement	Sub Total	Personal measures	Total weights
Managing Director	60%		15%		5%	80%	20%	100%
Other Executive KMP (Operational)	30%	30%		10%	5%	75%	25%	100%
Other Executive EMT (Corporate)	60%		10%		5%	75%	25%	100%
Other Executives (Operational)	12.5%	25%		12.5%		50%	50%	100%
Other Executives (Corporate)	40%		10%			50%	50%	100%

Group measures and outcomes are approved by the Board. Business Unit goals are set by the Managing Director and reviewed by the Remuneration Committee and the Board. Performance of direct reports to the Managing Director is assessed by the Managing Director, reviewed by the Remuneration Committee and approved by the Board. The Managing Director's performance is assessed and his STI approved by the Board. Outcomes for KMP and other EMT are subject to the exercise of discretion by the Board. In assessing whether to exercise discretion, the Board pays particular attention to items in the accounts below Underlying Profit, but particularly impairments.

One-third of the potential STI is awarded in the form of DSRs (see Table 3) and the remaining two-thirds in cash[2].

Table 3 provides more information.

(1) 'Other Executives' covers multiple role levels and therefore a range of opportunity levels.
(2) Except where an award is to be made to an executive who is unable to serve a tenure requirement by virtue of death, disability, redundancy, genuine retirement, or other exceptional circumstances as approved by the Board. In those limited circumstances no amount of the STI is deferred and the STI will be awarded wholly in cash.

Table 3: Deferred STI Profile

Parameter	FY2016 details
Instrument	Deferred STI is awarded in the form of DSRs. A DSR is the right to a fully paid share in the Company at no cost. Unvested DSRs carry no entitlement to dividends and no voting rights.
Number of instruments, minimum and maximum value	As no dividends are paid on DSRs, their maximum value is the Face Value(1) less the discounted value of any dividends foregone(2). The number of DSRs to be awarded is calculated as the dollar allocation value (one-third of the total STI award) divided by the maximum value. The minimum value of the DSRs is nil, which will be the case if the ongoing service and personal performance conditions are not met. For the Managing Director, awards recommended by the Board are submitted for approval by shareholders at the Annual General Meeting held immediately after the year to which they relate.
Service and Personal Performance Conditions	DSRs vest over two, three and four years, subject to continuing service and satisfactory personal performance(3) obligations(4,5). The DSRs awarded in respect of the financial year are divided into three tranches, equal in number, with corresponding deferral (vesting) periods. In the case of 'Other Executives', where smaller DSR parcels are allocated, all DSRs have a two year service and personal performance obligation (and corresponding two year deferral.)
Vesting and exercise	DSRs vest on meeting the service and personal performance conditions. Exercise of DSRs is automatic on vesting and the exercise price is nil. DSRs that do not vest on the service condition date lapse immediately. DSRs are subject to clawback (Section 2.5).
Adjustments	On a capital reorganisation, the number of unvested DSRs to which each participant is entitled may be adjusted in a manner determined by the Board to minimise or eliminate any material advantage or disadvantage to the participant(6). DSRs are forfeited if the service and performance conditions are not met, except in exceptional circumstances(7). In those circumstances, the DSRs, which represent a portion of 'earned' STI, will vest at cessation, unless the Board determines otherwise. If a Change of Control(8) occurs prior to the vesting of DSRs the Board has discretion to bring forward vesting dates.
Anti Hedging policy	The Company's policy requires that employees cannot trade instruments or other financial products which limit the economic risk of any securities held under any equity-based incentive schemes so long as those holdings are unvested. Non-compliance may result in summary dismissal.

2.3 LTI awards are designed to align executive remuneration with financial outcomes for shareholders over the longer term

LTI arrangements provide executives with a deferred equity interest in Origin, the value of which depends on the extent to which the performance hurdle is met and exceeded; and by the extent of share price appreciation in the case of PSRs, or in the case of Options, the amount by which the share price has appreciated above the exercise price. Fundamentally, this means that if shareholders do well, the Executive does well. Conversely, if shareholders do not do well, the Executive does not do well. This creates alignment between shareholders and the Executive.

A grant of LTI is considered for Executive KMP and approximately 80 other executives, who, in the view of the Directors, are involved in long-term strategic decisions that are company transformational with significant strategic implications.

The Target Value of an Executive's LTI allocation is determined by the position held and the executive's influence on the long-term performance of the Company, as summarised in Table 4.

Table 4: LTI allocation as a percentage of Fixed Remuneration, FY2016

	% of Fixed Remuneration	
Position	**Minimum**	**Target Value**
Managing Director	0%	120%
Other Executive KMP (average)	0%	76%
Other EMT (average)	0%	50%
Other Executives (average)	0%	35%

As a general principle, Origin's LTI scheme is designed so that high performing executives, over time, come close to the Target Value in their LTI allocation. Nonetheless, LTI allocations are made having regard to:

— Benchmark levels of unvested equity relative to market to meet incentive and retention objectives and to build potential equity stakes that will appropriately align executive and shareholder interests;
— The performance and potential of each executive; and
— The overall impact of LTI on overall remuneration, having regard to benchmark comparables.

(1) Face value is the present day market value of an Origin share. For awards subject to shareholder approval, the Face value is referenced to the Dividend Reinvestment Plan (DRP) 10-day pricing period if the DRP is in operation, otherwise it is a 10-day Volume Weighted Average Price to a date in mid-September. For general awards, it is measured as a 30-day Volume Weighted Average Price over the 15 trading days prior to and including 30 June of the financial year to which the STI award relates and the 15 following trading days.
(2) If no dividends are recommended to be paid to shareholders during the performance period, no discount is applied and the maximum value is Face value.
(3) Satisfactory personal performance is assessed under Origin's standard performance and development cycle.
(4) For FY2015 and prior, the tranches were one, two and three years respectively.
(5) Deferred STI awards are awarded in respect of the current year's performance to 30 June, but granted in the following financial year. The accounting expense for these grants is recognised from the commencement (1 July) of the current financial year, i.e. the beginning of the STI earning performance period. In the following financial year the accumulated expense recognised is 'trued-up' according to the number of instruments expected to vest. This valuation is then used to recognise the expense over the remaining expensing periods.
(6) If new awards are granted, they will, unless the Board determines otherwise, be subject to the same terms and conditions as the original awards.
(7) The circumstances are defined as death, disability, redundancy, genuine retirement, or other exceptional circumstance approved by the Board.
(8) On a person/entity acquiring 20 per cent or more of the relevant interest in the Company pursuant to a takeover bid that has become unconditional, or on a person/entity otherwise acquiring 20 per cent or more of a relevant interest in the issued capital of the Company.

The actual allocation to be made to an Executive in any year may vary below the Target Value (including to zero) depending on the level of unvested equity held relative to benchmark, as well as the performance and potential of the Executive.

In exceptional, but limited circumstances, the Board may determine that an LTI allocation that is higher than the Target Value is warranted. In all cases, the LTI allocation is subject to Board discretion, and in the case of the Managing Director, to shareholder approval.

Table 5 summarises the future potential value of LTI allocations granted as equity in the form of Options and PSRs, subject to varying outcomes.

Table 5: Potential future value of LTI granted

	Minimum	Expected	Maximum
PSRs	Nil (This will be the value if the performance condition is not met.)	Indeterminate. The value would be somewhere between the minimum and maximum but it cannot be quantified.	The future value of a PSR cannot be calculated because it will reflect the share price at the time. The maximum present-day value, assuming full vesting, is the current Face Value of a share less the discounted value of dividends foregone (if any) over the vesting period, multiplied by the number of PSRs granted.
Options	Nil (This will be the value if the performance condition is not met OR if it is met, but the share price does not exceed the exercise price.)	The expected value is determined through a Black Scholes model with a Monte Carlo simulation methodology.	It is not possible to determine a maximum value for an Option. The exercise price payable for an Option is set as the current market value of an Origin share. Therefore, the present day value of an Option (Face Value less the exercise price to pay) is zero. The attribution of any value to a vested Option requires an assumption about the amount by which the future share price at vesting will exceed the exercise price, less the value of any dividends foregone (if any) over the five year vesting period.

The performance conditions (hurdles) are described in Table 6.

As it is not possible to determine a maximum potential value (assuming full vesting) for the Options component, there is no "maximum value" that can be specified for the overall future potential LTI.

The number of PSRs that are awarded is calculated by taking half of the dollar value of the LTI award (determined with reference to the Target Value in Table 4) and dividing it by the Face Value of a share.

The number of Options that are awarded is calculated by taking the remaining half of the dollar value of the LTI award and dividing it by the expected value of an Option from Table 5.

The performance period for Options is five years and for PSRs it is four years. This represents a lengthening of the vesting period from its previously being four years for both Options and PSRs.

Table 6 summarises the key features of the LTI arrangements.

Table 6: LTI Profile

Parameter	FY2016 details
Instruments	LTI is awarded in the form of: (a) **PSRs**, which are the right to a fully paid share in the Company at no cost; and (b) **Options**, which are the right to a fully paid share in the Company upon payment of an exercise price (see below). For Executive KMP, Other Executive Management Team and more senior Other Executives, the LTI award is split half as PSRs and half as Options. The grant for the remaining Other Executives is wholly in PSRs. PSRs and Options carry no voting rights or entitlements to dividends. For the Managing Director, awards recommended by the Board are submitted for approval by shareholders at the AGM held immediately after the year to which they relate.
Number of instruments	The number of PSRs allocated for each Executive is calculated by reference to the Face Value. The number of Options allocated for each Executive is calculated by reference to their expected value (Table 5). As identified in Table 5, the Face Value of an Option is zero and, therefore, cannot be used for allocation purposes. As the performance condition for Options (Relative TSR) is a market-based hurdle, the expected value is determined using the same methodology as is used to determine the accounting fair value used for expensing purposes. The expected value for Options takes into account the fact that dividends are not paid on Options; some or all of the Options might not vest; an exercise price must be paid on vesting; and even if vesting occurs, the share price at the vesting date might or might not be above the exercise price of the Option.
Exercise price	The exercise price for PSRs is nil. The exercise price for Options that are subject to shareholder approval at the Annual General Meeting (namely, those for the Managing Director) is referenced to the Dividend Reinvestment Plan (DRP) 10 day pricing period if the DRP is in operation, otherwise it is a 10-day Volume Weighted Average Price to the date in September that the DRP would have otherwise applied. For general awards, it is measured as a 30-day Volume Weighted Average Price over the 15 trading days prior to and including 30 June of the financial year to which the LTI award relates and the following 15 trading days.

Table 6: LTI Profile (continued)

Parameter	FY2016 details
Performance Conditions (Hurdles)	Vesting of PSRs and Options are subject to performance conditions. For PSRs, the hurdle is a ROCE measure, more specifically a statutory Origin EBIT divided by a Funds Employed measure(1). For Options, the hurdle is TSR relative to a Reference Group of companies. The Reference Group is determined at the beginning of the performance period and comprises the 10 ASX-listed companies that are larger than and the 10 that are smaller than Origin plus AGL, Woodside, Santos and Oil Search (if they are not already in that group)(2). The TSRs are measured over the five year performance period. Relative TSR is a transparent and robust forward-looking measure which represents an assessment of the Company's ability to invest and achieve a return on capital relative to other companies. Options have no value unless the share price rises above the exercise price, therefore, the hurdle combines both absolute and relative share price performance conditions. There is no retesting. Any unvested Options and/or PSRs after the test at the end of the relevant performance period lapse immediately.
Performance Period	For PSRs, the ROCE performance condition is measured over each of four financial years (FY2017-FY2020 for the 2016 grants), beginning on 1 July prior to grant and ending on 30 June of the fourth year. ROCE performance for the period is determined by the simple arithmetic average of the four annual returns. Targets are set with respect to both ROCE for the period and the achievement relative to the Company's pre-tax Weighted Average Cost of Capital (WACC) as described below. For Options, the Relative TSR performance condition is measured over a period of five financial years, beginning on 1 July of the grant year and ending on 30 June of the fifth year. The TSR for Origin and for each company in the Reference Group is measured on the basis of a three month weighted average prior to the first and last dates of the performance period.
Targets, Vesting and Exercise	For 2016 PSRs, the ROCE target is defined as the simple average of the four year Board approved targets (in advance) for each of FY2017, FY2018, FY2019 and FY2020. Subject to the ROCE target being met, half of the PSRs will vest if pre-tax WACC is achieved in FY2019 and/or FY2020, and all of the PSRs will vest if the pre-tax WACC is exceeded by at least two percentage points in FY2019 and/or FY2020, with proportional vesting on a straight-line basis between those two outcomes. The exercise price for PSRs is nil. PSRs are exercised automatically on vest, and lapse immediately if they fail to vest on the test date. Vesting of Options occurs if Origin's TSR exceeds the 50th percentile of the Reference Group of companies over the performance period. Half of the Options vest if Origin's TSR exceeds the 50th percentile, and the full Options award vests at the 75th percentile, with proportionate vesting on a straight-line basis for outcomes between the 50th and 75th percentiles. Options that vest must be exercised together with payment of the exercise price (as detailed above) upon which shares are then allotted. Unexercised Options lapse up to a maximum of 10 years after grant. PSRs and Options are subject to Clawback (Section 2.5).
Adjustments and early vesting	Unvested Options and PSRs lapse on cessation of employment other than in circumstances of death, disability, redundancy, genuine retirement, or other exceptional circumstance as approved by the Board(3). In those circumstances, the unvested Options or PSRs may be held "on foot" subject to the specified performance hurdles and other Plan conditions being met, or dealt with in an appropriate manner determined by the Board(4). If a Change of Control(5) occurs prior to the vesting of Options and/or PSRs, the Board has discretion to bring forward testing against the Performance Conditions as at the date of the Change of Control, and vesting will occur to the extent that the relevant Performance Conditions have been met. On a capital reorganisation, the number of unvested Options and/or PSRs to which each participant is entitled, or the exercise price (if any) or both, may be adjusted in a manner determined by the Board to minimise or eliminate any material advantage or disadvantage to the participant(6).
Anti Hedging policy	The Company's policy requires that employees cannot trade instruments or other financial products which limit the economic risk of any securities held under any equity-based incentive schemes so long as those holdings are subject to performance hurdles or are otherwise unvested. Non-compliance may result in summary dismissal.

(1) The numerator in the calculation will be Origin's EBIT and Origin's share of APLNG EBIT plus the Dilution Adjustment. Origin's EBIT and Origin's share of APLNG EBIT is Statutory Origin EBIT adjusted to remove the following items: a. Origin's share of APLNG interest and tax (which is included in Origin's reported EBIT); b. Items excluded from underlying earnings in the (decrease)/increase in fair value of financial instruments and LNG items category (with the LNG items category expected to cease once Train 2 commences operations). It should be noted that gains and losses on disposals and impairments will only be excluded subject to Board discretion. The denominator of Average Capital Employed equals Shareholders Equity plus Origin Debt plus Origin's Share of APLNG Project Finance plus the non-cash fair value uplift in Origin's investment in APLNG plus net derivative liabilities. The adjustment to Average Capital Employed reflects the impact of the accounting uplift in the asset base of APLNG of $1.9 billion which was recorded on the creation of the APLNG Joint Venture. This balance will be depreciated in APLNG's income statement on an ongoing basis and, therefore, a dilution adjustment is made to remove this depreciation. From Origin's perspective, cash was received for this amount up-front at the time of the creation of the Joint Venture. The non-cash fair value adjustments are disclosed and explained in Note E1.2 in the financial statements. Average Capital Employed is a simple average of opening and closing capital employed in any one year.

(2) For 2016 grants, the TSR Reference Group comprises the following 22 companies which were the relevant companies on 30 June 2016: AGL Energy Ltd, APA Group, ASX Ltd, Aristocrat Leisure Ltd, Aurizon Holdings Limited, Caltex Australia Ltd, CIMIC Group Ltd, Crown Resorts Ltd, Dexus Property Group, Goodman Group, GPT Group, Fortescue Metals Group Ltd, Insurance Australia Group Ltd, James Hardie Industries PLC, Oil Search Ltd, ResMed Inc, Santos Limited, Sonic Healthcare Ltd, South32 Ltd, Stockland Corp Ltd, TPG Telecom Ltd, and Woodside Petroleum Ltd. Asciano was excluded because it will be de-listed and, as a result, South32 was included. Companies that subsequently cease to be listed (for example through merger, acquisition or de-listing) are not replaced, unless the Board determines otherwise.

(3) In addition, vested but unexercised Options that are not exercised within 60 days of cessation of employment lapse immediately.

(4) In rare circumstances, the Board might use its discretion to cash settle PSRs and/or Options that stay on foot and vest where an executive leaves due to death, disability, redundancy or genuine retirement.

(5) On a person/entity acquiring 20 per cent or more of the relevant interest in the Company pursuant to a takeover bid that has become unconditional, or on a person/entity otherwise acquiring 20 per cent or more of a relevant interest in the issued capital of the Company.

(6) If new awards are granted, they will, unless the Board determines otherwise, be subject to the same terms and conditions as the original awards.

2.4 Executive shareholding

It has been agreed with the Managing Director that he will maintain a substantial shareholding in the Company. Over the last six years he has held in excess of a million shares. At 30 June 2016, the value of his shareholding was the equivalent of approximately 3.6 times his Fixed Remuneration.

2.5 Malus and Clawback

The Short and Long Term Incentive arrangements include malus and clawback provisions to enable the Company to reduce or clawback awards where it is required.

Where the Board is not satisfied that an award determination is appropriate and warranted, it has the discretion to apply malus to vary the award downward, including to zero.

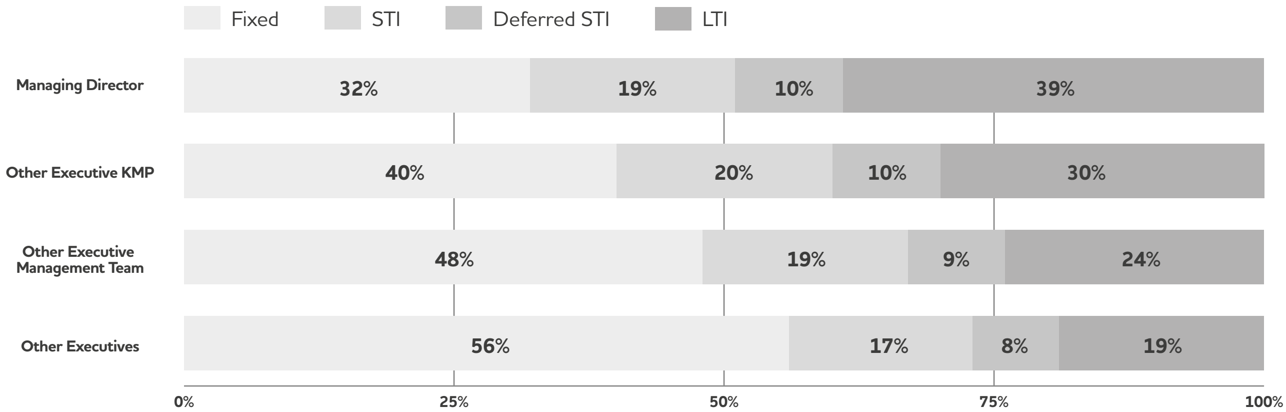
Clawback provisions provide the Board with the ability to cancel unvested equity awards or to demand the return of shares or the realised cash value of those shares where the Board determines that the benefit obtained was inappropriate as a result of fraud, dishonesty or breach of employment obligations by either the recipient or any employee of the Group. There have been no circumstances during the current or prior reporting periods requiring the application of clawback provisions.

2.6 Senior executives receive a greater percentage of their total remuneration in the form of STI and LTI

Fixed Remuneration, STI (both cash and deferred) and LTI work together to generate alignment with the interests of shareholders.

The relative mix of these components for different roles is summarised in Table 7.

Table 7: Remuneration Mix by Role (At Target)



In the case of the Managing Director, at the At Target levels in Tables 1 and 4, almost half of his remuneration is deferred, and more than two-thirds is at-risk(1). As job size diminishes, the proportions deferred and at-risk fall (and the proportion of Fixed Remuneration increases).

2.7 To assist with preserving shareholder value, retention plans are selectively used to retain key staff

The Board Remuneration Committee regularly assesses the risk of the Group losing key staff in areas of intense market activity. Typically, they are critical technical operational staff or senior executives who manage core activities or have skills that are being actively solicited in the market.

In such circumstances, the Board Remuneration Committee may consider putting in place deferred payment arrangements to reduce the risk of losing such staff. More specifically, such staff may be offered DSRs or deferred cash payments if they remain in ongoing employment at a nominated date and achieve personal performance targets.

The DSRs are the same equity vehicle as described in Section 2.2 for Deferred STI, but the purpose is strictly retention and the deferral period (up to four years) may vary according to the specific circumstances. For accounting purposes expensing for retention DSRs differs from DSRs awarded under Deferred STI arrangements(2).

At 30 June 2016, there were 106,621 retention DSRs on issue for 9 recipients (154,408 at 30 June 2015, 19 recipients).

No deferred cash or retention DSRs were granted to KMP during the current or prior period.

2.8 The Employee Share Plan focuses all staff on safety

Operational excellence and safety performance are tightly linked. For this reason, the Board has determined that staff should have an incentive to focus on safety.

The Board has the ability to make an annual award of up to $1,000 worth of shares to all permanent employees in Australia and New Zealand (other than Executive Directors) with more than one year of service. Such an award is valued by staff, and for this reason the Board has determined that its allocation should be made subject to company-wide targets relating to safety being met during the year.

Shares awarded under the Employee Share Plan must be held for at least three years following the award or until cessation of employment, whichever occurs first.

For FY2016, a target was set for 85 per cent of actions to be closed out within 14 days in the Company's Health Safety and Environment Management System by the relevant manager or safety adviser. This target was exceeded (87.3 per cent). As a result, the Company will award up to $1,000 worth of shares to approximately 4,800 eligible employees.

The Company will acquire the requisite shares on-market for transfer to employees during late August 2016, subject to compliance with applicable regulations.

(1) At maximum outcomes, 46 per cent of his remuneration is deferred and 73 per cent is at risk.

(2) The expensing for DSRs awarded under the Retention Plan is recognised from the date of grant because this is the commencement of the service period. This differs from expensing of DSRs under Deferred STI arrangements (Section 2.2) where the service period commences at the beginning of the STI performance year.

2.9 Shareholder interests are served by focusing on gender pay equity which aims to make the most of the talents of all staff

Origin's policy is to deliver equal pay for equal work[(1)], with a view to attracting and retaining quality staff regardless of gender. Research has shown that organisations that make the most of the talents of women are superior performers over time.

Each year, a central review of proposed pay arrangements for the coming 12 months is conducted for all divisions of the Company at all job grade levels. If the proposed pay arrangements diverge by plus or minus 1 per cent between males and females at a Business Unit or Company level, managers are required to review and revise recommendations to bring any variation within 1 per cent. A more detailed description of gender equity is provided in the Company's Corporate Governance Statement.

While equal work is recognised with equal pay, females are over represented in lower-graded jobs and under-represented in higher-graded jobs. The Corporate Governance Statement describes the Company's initiatives and publicly stated goals that aim to improve the Company's gender distribution profile and increase the proportion of women in senior roles.

3 REMUNERATION OUTCOMES FOR EXECUTIVES REFLECT RETURNS TO SHAREHOLDERS

Aligning the interests of executives and shareholders is integral to Origin's remuneration policy. This section of the Remuneration Report outlines the extent to which that has been achieved.

3.1 Origin's recent financial outcomes have been challenging and disappointing for shareholders

FY2016 was a challenging year financially for Origin and its shareholders.

More specifically, the collapse in the global oil price from over US$100 per barrel in the prior financial year to $26 per barrel in January 2016, before recovering to US$48 per barrel on 30 June 2016 has had a material impact on Origin and its shareholders. As a result, Origin entered the 2016 Financial Year with an unsustainably high level of debt. Market expectations of returns from Origin's investment in the Australian Pacific LNG project (APLNG) materially reduced, translating into a fall in the Company's share price of 45 per cent (adjusted for the 2015 rights issue) in FY2016.

Table 8 shows Origin's TSR relative to the S&P/ASX 100 index, noting its recent underperformance relative to prior periods of outperformance. Table 9 graphs the fall in Origin's share price relative to declining oil prices.

Table 8: 10 year TSR versus S&P/ASX 100 (indexed to 100 from 30 June 2007 to 30 June 2016)

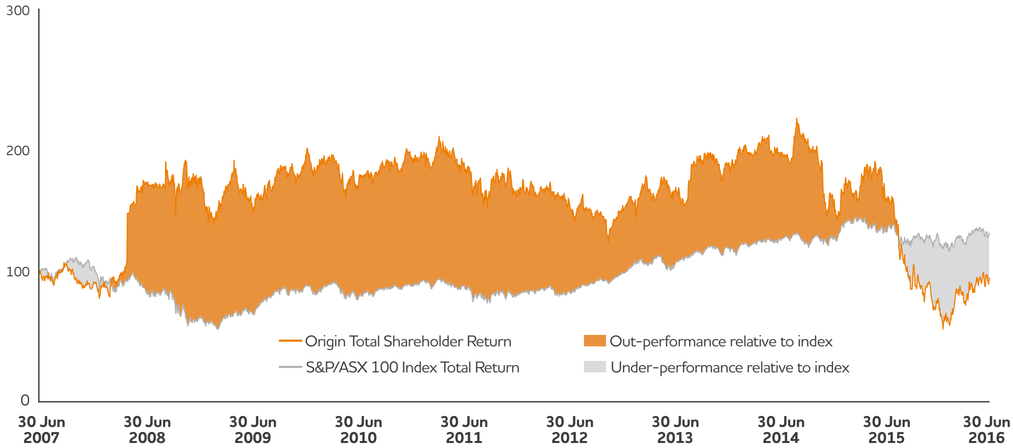
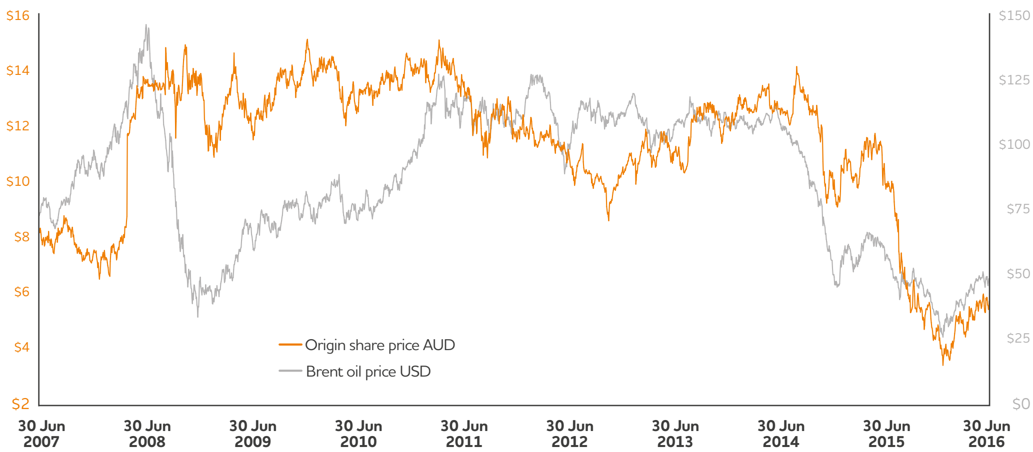


Table 9: 10 year Origin share price (historic prices re-stated for Rights issues) versus Brent Oil crude price



(1) Equal work is defined by reference to Hay Group's standard job grades.

Origin has responded to this challenge by focusing on debt reduction through asset sales (including selling the Company's interest in Contact Energy); a $2.5 billion pro-rata capital raising; and ongoing reductions in capital expenditure and operating costs.

These circumstances and Origin's response to them have driven results for the 2016 financial year.

As can be seen in Table 10, the Company reported a statutory loss of $589 million and an Underlying Profit of $365 million. Non-cash post-tax impairments were $515 million of the $954 million Excluded from Underlying Profit. These impairments related to the discontinuation of exiting activities ($171 million) and the write down of reserves in certain producing assets ($344 million). The balance comprised fair value and foreign exchange movements ($195 million) as well as APLNG related items ($222 million).

Table 10: Ten Year Performance History

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Earnings And Cash Flow										
Revenue $m	6,436	8,275	8,042	8,534	10,344	12,935	14,747	14,518	14,147	12,174
Revenue $m (without Contact)	4,696	5,927	6,245	6,817	8,636	10,833	12,728	12,363	11,893	11,923
Statutory Profit $m	457	517	6,941	612	186	980	378	530	(658)	(589)
Statutory EPS – basic(1) cents per share	46.5	50.2	673.0	59.3	17.2	79.3	30.3	42.1	(52.1)	(37.3)
Underlying Profit $m	370	443	530	585	673	893	760	713	682	365
Underlying Profit $m (without Contact)	270	337	463	523	612	820	674	604	603	354
Underlying EPS – basic(1) cents per share	37.7	43.1	51.4	56.7	62.2	72.3	60.8	56.7	54.0	23.2
Underlying EPS – basic(1) cents per share (without Contact)	27.5	32.8	44.9	50.7	56.5	66.4	53.9	48.0	47.7	22.4
Net cash from/(used in) operating and investing activities (NCOIA)	(859)	38	5,418	(2,247)	(3,357)	(804)	127	(1,087)	(2,081)	1,215
Total Shareholder Return (TSR)										
Share Price 30 June ($)(1)	8.32	13.49	12.44	12.70	13.81	10.67	11.00	12.79	10.47	5.75
Dividends (cents)(2)	21.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	10.0
TSR Index (Table 8)	100.0	166.2	157.4	165.7	186.1	149.0	160.1	193.1	164.1	95.2
10 Year TSR %(3)										31.8
Annual TSR %	38.4	66.2	(5.3)	5.3	12.2	(19.9)	7.4	20.6	(15.0)	(42.0)

Underlying EBITDA from continuing operations decreased $27 million, reflecting a strong contribution from Energy Markets and maiden contribution from the sale of LNG by APLNG, offset by the impact of lower oil prices.

Underlying Profit from continuing operations decreased $249 million primarily due to Origin's having to recognising an increased share of APLNG's Interest, Tax, Depreciation and Amortisation (ITDA) ($231 million). This occurred because the sale of natural gas and LNG revenue in a low oil price environment was insufficient to offset the increase in ITDA. The higher ITDA also includes, because of the accounting standards, a disproportionate share of costs associated with shared infrastructure assets related to Train 1 of LNG export project coming on stream.

Movements in Underlying and Statutory earnings per share reflect lower earnings and the effect of a higher weighted average number of shares following the issue of new shares under the Entitlement Offer, completed in October 2015.

A strong operational performance from Energy Markets resulted in an increased contribution of $70 million to $1,330 million. Gross profit contributions from the Natural Gas and Electricity businesses were preserved in a market that has changed significantly in the past year. At the same time costs were reduced. Energy Market's net cash from operating and investing activities increased by $522 million to $1,262 million.

A major milestone in the development of Origin was achieved with the commencement of LNG production by APLNG in January 2016. Production has ramped up quickly to be above nameplate capacity with to date APLNG shipping 36 cargoes, primarily to its two major customers, Sinopec and Kansai.

The maiden contribution from the commencement of LNG production by APLNG has in part offset the impact of lower oil prices on contribution from the Integrated Gas business, which decreased by $112 million to $386 million. As the investment in APLNG nears completion and cash flows from production begin, cash flow after operating and investing activities has improved by $1,413 million to ($1,605) million.

In building resilience to a lower oil price environment, the Company has made good progress during the year on assets sales and cost reduction.

Action during the year was also taken to reduce exposure to low oil prices through the purchase for FY2017 of put options over 15 million barrels of oil at prices of US$40 per barrel and A$55 per barrel.

As a result of actions taken to reduce debt and to strongly improve operational performance, importantly from a shareholder's perspective, net cash from operating and investing activities has improved by $3,296 million to $1,215 million. As a consequence of this improvement and the equity raising, Origin's adjusted net debt decreased by $3,971 million to $9,131 million at year end.

(1) EPS and Share Price have been restated for the bonus element of the Rights Issues completed in April 2011 and October 2015.
(2) Includes additional dividend paid in November 2008.
(3) The 10 year TSR% includes the full period of FY2007 and represents the period from 30 June 2006 to 30 June 2016.

3.2 Outcomes for shareholders have been reflected in those for executives

Origin is committed to aligning outcomes for shareholders with those of Executives.

As a consequence, NEDs – with the support of management – have exercised discretion in relation to both STI and LTI in the past two years.

In FY2015, after the publication of the Remuneration Report, but before the Annual General Meeting and in response to the declining share price and the decision to proceed with the rights issue, Mr King and Ms Moses agreed to forego their Deferred STI as well as the proposed LTI awards (see Tables 11 and 13 for the reported and revised outcomes for FY2015).

Outcomes in relation to STI, LTI and overall remuneration are outlined in the following sections.

3.2.1 STI outcomes

For FY2016, with the Managing Director's agreement, the Board exercised discretion in relation to his STI payment, reducing it to zero. Downward discretion has also been exercised in relation to some, but not all, KMP reflecting their relative performance and that of their business. These outcomes can be seen in Table 11.

Table 11 also summarises the STI award in terms of the cash element and the deferred component. For FY2016, the period over which deferred rights vest is two, three and four years (versus one, two and three years in 2015), thereby creating additional alignment with returns to shareholders.

Table 11: STI awarded for FY2015 and FY2016 ($)

Name			Fixed Remuneration[1]	STI maximum (% of Fixed Remuneration)	STI award (% of maximum[2])	STI cash[3]	STI deferred[4,5]	STI total[5]
Executive Director – current								
G King[5]		2016	2,500,000	150	0	0	0	0
	revised	2015	2,500,000	150	36	1,333,333	0	1,333,333
	reported	2015	2,500,000	150	53	1,333,333	666,667	2,000,000
Other Executive KMP – current								
D Baldwin		2016	1,150,000	130	55	546,667	273,333	820,000
		2015	1,150,000	130	71	709,333	354,667	1,064,000
F Calabria		2016	1,086,000	130	69	649,428	324,714	974,142
		2015	1,086,000	130	79	745,333	372,667	1,118,000
G Mallett[6]		2016	86,733	75	70	25,994	12,997	38,991
		2015	–	–	–	–	–	–
Executive Director – former								
K Moses[5,7]		2016	1,202,434	135	22	238,069	119,034	357,103
	revised	2015	1,371,000	135	43	788,667	0	788,667
	reported	2015	1,371,000	135	64	788,667	394,333	1,183,000
Total		**2016**	**6,025,167**			**1,460,158**	**730,078**	**2,190,236**
	revised	**2015**	**6,107,000**			**3,576,666**	**727,334**	**4,304,000**
	reported	**2015**	**6,107,000**			**3,576,666**	**1,788,334**	**5,365,000**

STI decisions were made having regard to corporate, business unit and individual performance targets. Table 12 outlines the benchmark corporate financial, safety and engagement targets against which discretion was exercised. Additional operational targets were set for the Chief Executives of the two operating Business Units as well as their having personal performance targets.

This Table (and Tables 13, 15 and 16) exclude former Other Executive KMPs P Zealand and D Barnes. P Zealand ceased being KMP on 30 April 2015 and had no KMP remuneration for FY2016. D Barnes ceased being KMP on 10 August 2015, and during the period 1 July 2015 to 10 August 2015 received $93,791 in Fixed Remuneration; no incentive awards were attributable to this period and no Origin equity was granted in relation to FY2015 or FY2016.

(1) Fixed Remuneration here represents the actual Fixed Remuneration taken home during the period. It does not include Contact Energy Board fees earned by G King, K Moses and D Baldwin (these are detailed in Table 24). For D Baldwin in FY2015 the Remuneration shown is the reference for STI calculation which was the annualised Fixed Remuneration for the role to which he was appointed during the year.

(2) Where the actual STI payment is less than maximum potential, the difference is foregone.

(3) STI cash represents two-thirds of the STI awarded in respect of the relevant year, the balance is STI deferred.

(4) STI deferred represents one-third of the STI awarded in respect of the relevant year, the balance is STI cash. This component is awarded in DSRs that will vest in three equal tranches after two, three and four years (for FY2016) and after one, two and three years (FY2015). The grant of equity relating to the FY2016 Deferred STI allocation for G King will be subject to shareholder approval to be obtained at the 2016 Annual General Meeting (AGM).

(5) FY2015 Deferred STI allocations (and the STI Awarded per cent of maximum) for G King and K Moses have been re-stated because the equity grant that was proposed to be put to shareholders at the 2015 AGM was withdrawn prior to the AGM and no STI deferred equity grants were made.

(6) As Acting CFO, G Mallett was appointed to KMP on 16 May 2016. FY2016 STI amounts are pro-rated for the period 16 May to 30 June 2016. The calculation of STI is based on annual Fixed Remuneration of $590,000 and excludes an Acting allowance that is included in the pro-rated Fixed Remuneration in this Table.

(7) K Moses ceased being KMP on 16 May 2016. FY2016 STI amounts are pro-rated for the period 1 July 2015 to 16 May 2016.

Table 12: STI Corporate Performance Metrics

	2015	2016
Underlying EPS – basic cents per share[1]	54.0	23.2
Group OCAT Ratio %[2]	8.4	–
Net cash from/(used in) operating and investing activities (NCOIA)	(2,081)	1,215
Corporate STI Financial Performance Metric Outcome (%)[2]	65.3	76.3
Origin safety metric (TRIFR[3])	3.8	4.2
Origin safety metric (SIFR[3])	–	0.3
Origin safety metric outcome (%)	100.0	20.0
Origin engagement metric (score)	52	53
Origin engagement metric outcome (%)	60.0	20.0

The financial metrics were finalised after, and taking into account, the rights issue and reflected the increased emphasis on cash generation following the fall in the oil price. Against those targets, a 76.3 percent target was achieved. Origin's total recordable injury frequency rate (TRIFR) was set against the backdrop of the prior year's performance. The outcome fell below a year-on-year reduction, with no award being made. The Serious Injury Frequency rate (SIFR), which was introduced as a second target in FY2016, was significantly better than target. Taken together, the combined measures yielded an overall 20 per cent outcome for the safety metric. The Employee engagement measure, set annually, aimed for a significant improvement. Against the backdrop of a major redundancy program, the marginally improved FY2016 result versus the prior year resulted in a 20 percent outcome. These results were measured in May 2016 through an annual voluntary employee survey conducted externally by AON Hewitt using its methodology.

In exercising its discretion, the Board took into account these results; the remuneration outcomes for comparably sized companies; and the impact of Impairments on the statutory results. Due regard was also had to the decline in share price experienced by shareholders, the worst of which occurred prior to last year's Annual General Meeting and after the revised remuneration decisions were made in relation to Mr King and Ms Moses.

3.2.2 LTI outcomes

Discretion has also been exercised by the Board over the past two years in relation to LTI, as can be seen in Table 13, which shows the actual LTI allocations (conditional pay) made during the period relative to the Target Values defined in Section 2.3.

More specifically, Mr King and Ms Moses received no LTI allocation under the revised remuneration arrangements announced prior to the FY2015 Annual General Meeting. Ms Moses, who has announced her intention to retire to pursue a career as a NED, has also not received an LTI allocation for FY2016.

Table 13: LTI awarded for FY2015 and FY2016 ($)

Name			Fixed Remuneration[4]	LTI opportunity (as % of Fixed Remuneration)	LTI award (as% of opportunity)[5]	LTI allocation
Executive Director – current						
G King[6,7]		2016	2,500,000	120	45	1,350,000
	revised	2015	2,500,000	120	0	0
	reported	2015	2,500,000	120	83	2,500,000
Other Executive KMP – current						
D Baldwin		2016	1,150,000	80	83	760,000
		2015	1,150,000	80	100	920,000
F Calabria		2016	1,086,000	70	100	760,000
		2015	1,086,000	70	100	760,000
G Mallett[8]		2016	86,733	40	100	29,665
		2015	–	–	–	–
Executive Director – former						
K Moses[7,9]		2016	1,202,434	85	0	0
	revised	2015	1,371,000	85	0	0
	reported	2015	1,371,000	85	100	1,165,350
Total		**2016**	**6,025,167**			**2,899,665**
	revised	**2015**	**6,107,000**			**1,680,000**
	reported	**2015**	**6,107,000**			**5,345,350**

(1) Re-stated for Rights Issue in October 2015.
(2) For FY2015 the two performance indicators Underlying EPS and OCAT Ratio were combined in equal weights to form the Group STI Financial Performance Metric (see Table 2). For FY2016 NCOIA replaced the OCAT Ratio component.
(3) Total Recordable Injury Frequency Rate (TRIFR), a standard industry measure of recordable injuries per million work hours. In FY2015 TRIFR was the sole safety measure; in FY2016 a gateway of Serious Injury Frequency Rate (SIFR) was added.
(4) Fixed Remuneration here represents the actual Fixed Remuneration taken home during the period. It does not include Contact Energy Board fees earned by G King, K Moses and D Baldwin (these are detailed in Table 24). For D Baldwin in FY2015 the Remuneration shown is the reference for LTI calculation which was the annualised amount for the role to which he was appointed during the year.
(5) The FY2016 LTI award allocation is subject to performance hurdles over five years for Options and four years for PSRs (FY2015: four years in both cases) and may vest (partially or fully) or lapse in a future period.
(6) The grant of equity relating to the FY2016 LTI allocation for G King will be subject to shareholder approval to be obtained at the 2016 AGM.
(7) FY2015 LTI allocation (and LTI allocated as a per cent of opportunity) has been re-stated for G King and K Moses because the equity grant that was proposed to be put to shareholders at the 2015 AGM was withdrawn prior to the AGM and no equity grants were made.
(8) G Mallett was appointed KMP on 16 May 2016. The FY2016 LTI allocation has been pro-rated for the period 16 May to 30 June 2016. The calculation of the LTI allocation excludes an Acting allowance that is included in Fixed Remuneration.
(9) K Moses ceased being KMP on 16 May 2016. No LTI allocation was made in respect of either FY2015 or FY2016.

LTI allocations are subject to meeting performance conditions over periods of four years (PSRs) and five years (Options). If those performance conditions are not met, the awards will be forfeited without having generated any value to the executive. The equity grant relating to the FY2016 allocation for the Managing Director will be subject to shareholder approval.

In other words, Directors consider it is appropriate for the Managing Director and other KMP members to receive an LTI award for FY2016 because they will only vest over five and four years if both the returns to shareholders outperform comparable sized companies (TSR vesting condition for Options) and if the returns on funds employed significantly improve and exceed Origin's weighted average cost of capital (ROCE vesting condition on PSRs).

The alignment of LTI awards with the interests of shareholders has been powerfully demonstrated over the past four years, where no vesting has occurred. This can be seen in Table 14.

Table 14: Four Year LTI Performance History

	2013	2014	2015	2016
Vesting period TSR[1] (CAGR % pa)	0.4	3.9	(3.1)	(10.6)
LTI Vesting %[2]	0	0	0	0

3.2.3 Overall remuneration outcomes

Directors consider that the overall pay outcomes for FY2015 and FY2016 are aligned with the interests of shareholders.

Table 15 shows that even though the total allocation is slightly higher in FY2016 for the Managing Director, the cash component has decreased by 35 percent from the FY2015 revised amount. LTI payments will only be made if the vesting conditions are met and shareholders do well.

Table 15: Total pay awarded for the year ($)

Name			Fixed Remuneration[3]	STI cash[4]	Total cash remuneration	Conditional pay		Total cash and conditional pay
						STI deferred[5]	LTI allocation[6]	
Executive Director – current								
G King[7]		2016	2,500,000	0	2,500,000	0	1,350,000	3,850,000
	revised	2015	2,500,000	1,333,333	3,833,333	0	0	3,833,333
	reported	2015	2,500,000	1,333,333	3,833,333	666,667	2,500,000	7,000,000
Other Executive KMP – current								
D Baldwin		2016	1,150,000	546,667	1,696,667	273,333	760,000	2,730,000
		2015	1,078,833	709,333	1,788,166	354,667	920,000	3,062,833
F Calabria		2016	1,086,000	649,428	1,735,428	324,714	760,000	2,820,142
		2015	1,086,000	745,333	1,831,333	372,667	760,000	2,964,000
G Mallett[8]		2016	86,733	25,994	112,727	12,997	29,665	155,389
		2015	–	–	–	–	–	–
Executive Director – former								
K Moses[6,9]		2016	1,202,434	238,069	1,440,503	119,034	0	1,559,537
	revised	2015	1,371,000	788,667	2,159,667	0	0	2,159,667
	reported	2015	1,371,000	788,667	2,159,667	394,333	1,165,350	3,719,350
Total		**2016**	**6,025,167**	**1,460,158**	**7,485,325**	**730,078**	**2,899,665**	**11,115,068**
	revised	**2015**	**6,035,833**	**3,576,666**	**9,612,499**	**727,334**	**1,680,000**	**12,019,833**
	reported	**2015**	**6,035,833**	**3,576,666**	**9,612,499**	**1,788,334**	**5,345,350**	**16,746,183**

More specifically, the way such alignment occurs can be seen in Table 16 which summarises the actual pay received by KMP in FY2015 and 2016 as well as the impact of LTI from prior years that did not meet vesting conditions. Details in this table supplement the statutory requirements in Appendix 3. Unlike the statutory table in Appendix 3, which represents remuneration outcomes prepared in accordance with Australian Accounting Standards (AAS), this table shows the actual remuneration value received by executives.

(1) The period most representative of the vesting cycle for LTI awards that were tested during the periods was four years. Accordingly the TSR data shown here is a 4-year rolling CAGR measured at each 30 June.

(2) The LTI vesting represents the level of LTI vesting achieved as a proportion of LTI tested during the period.

(3) Fixed Remuneration here represents the actual Fixed Remuneration taken home during the period. It does not include Contact Energy Board fees earned by G King, K Moses and D Baldwin (these are detailed in Table 24). For D Baldwin, the FY2015 amount is made up of 7 months at $1,028,000pa and 5 months in the changed role of CEO Integrated Gas at $1,150,000pa.

(4) STI cash represents two-thirds of the STI awarded in respect of the relevant year, the balance is STI deferred.

(5) STI deferred represents one-third of the STI awarded in respect of the relevant year, the balance is STI cash. This component is awarded in DSRs that will vest in three equal tranches after two, three and four years (for FY2016) and after one, two and three years (FY2015). The grant of equity relating to the FY2016 Deferred STI allocation for G King will be subject to shareholder approval to be obtained at the 2016 Annual General Meeting (AGM).

(6) The FY2016 LTI award allocation is subject to performance hurdles over five years for Options and four years for PSRs (FY2015: four years in both cases) and may vest (partially or fully) or lapse in a future period. The grant of equity relating to the FY2016 LTI allocations for G King will be subject to shareholder approval to be obtained at the 2016 AGM.

(7) FY2015 Deferred STI and Deferred LTI allocations have been re-stated because the equity that was proposed to be put to shareholders at the 2015 AGM was withdrawn prior to the AGM. Accordingly no equity grants were made in relation to FY2015 for G King or for K Moses.

(8) G Mallett was appointed KMP on 16 May 2016. FY2016 amounts are pro-rated for the period 16 May to 30 June 2016.

(9) K Moses ceased being KMP on 16 May 2016. FY2016 amounts are pro-rated for the period 1 July 2015 to 16 May 2016.

Table 16: Total pay received FY2015 and FY2016 ($)

Name		Fixed Remuneration cash[1]	STI cash[2]	Deferred STI vested[3]	LTI vested[4]	Total Received[5]	Equity Forfeited[6]	Implicit Outcome[5]
Executive Director – current								
G King	2016	2,500,000	0	94,673	0	2,594,673	(4,889,809)	(2,295,136)
	2015	2,500,000	1,333,333	0	0	3,833,333	(2,532,060)	1,301,273
Other Executive KMP – current								
D Baldwin	2016	1,150,000	546,667	56,394	0	1,753,061	(1,403,286)	349,775
	2015	1,078,833	709,333	0	0	1,788,166	(858,438)	929,728
F Calabria	2016	1,086,000	649,428	46,354	0	1,781,782	(1,346,788)	434,994
	2015	1,086,000	745,333	0	0	1,831,333	(818,860)	1,012,473
G Mallett[7]	2016	86,733	25,994	0	0	112,727	0	112,727
	2015	–	–	–	–	–	–	–
Executive Director – former								
K Moses[8]	2016	1,202,434	238,069	57,933	0	1,498,436	(1,940,395)	(441,959)
	2015	1,371,000	788,667	0	0	2,159,667	(982,540)	1,177,127
Total	**2016**	**6,025,167**	**1,460,158**	**255,354**	**0**	**7,740,679**	**(9,580,278)**	**(1,839,599)**
	2015	**6,035,833**	**3,576,666**	**0**	**0**	**9,612,499**	**(5,191,898)**	**4,420,601**

During the year the first tranche of Deferred STI (awarded for FY2014) vested, while over $9 million of previously reported statutory remuneration was forfeited. During the last 3 years the Managing Director has forfeited more than $9.5m of LTI equity that was previously reported as statutory remuneration.

The potential for future vesting of existing Options and PSRs (from prior LTI awards) will depend on Origin's TSR performance through to the end of the relevant performance period. However, based on performance to date it is unlikely that Executives will see any vesting of prior LTI awards for at least the next three years.

4 APPROPRIATE GOVERNANCE AND REMUNERATION ARRANGEMENTS FOR NEDs HAVE ENSURED A STRONG FOCUS ON SHAREHOLDERS' INTERESTS

Effective governance is central to Origin's remuneration approach. It is achieved through a clear definition of responsibilities, appropriate composition of the Board Remuneration Committee, and adherence to processes that ensure independent decision-making. It is also supported by appropriate remuneration arrangements for NEDs.

4.1 Governance responsibilities are clearly defined

The full Board has oversight of Origin's remuneration arrangements. It is accountable for executive and NEDs remuneration and the policies and process governing both.

The Board Remuneration Committee, through its Chairman, reports to the full Board and advises on these matters. The Committee is comprised of a minimum of three members who must be NEDs. All current members of the Committee, including its Chairman, are independent. There is a standing invitation to all Board members to attend the Committee's meetings.

The main responsibilities of the Board and Remuneration Committee are described in Table 17.

(1) Fixed Remuneration here represents the actual Fixed Remuneration taken home during the period. It does not include Contact Energy Board fees earned by G King, K Moses and D Baldwin (these are detailed in Table 24).
(2) STI cash represents two-thirds of the STI awarded in respect of the relevant year, the balance deferred.
(3) Deferred STI vested represents one-third of the component of the 2014 STI award that was deferred. This tranche vested in October 2015, with the remaining two tranches deferred until October 2016 and October 2017 respectively. The vested value is calculated as the number of vested securities multiplied by the closing price of Origin ordinary shares on the day they vested.
(4) LTI vested represents prior year Origin LTI awards vesting wholly or partially during the year. None vested during FY2016. The table does not include vesting for Contact Energy LTI awarded in respect of D Baldwin's prior employment with that company (FY2015 nil, FY2016 $498,886).
(5) The total is the sum of Fixed Remuneration cash, STI cash, Deferred STI vested, LTI vested less Equity Awards Forfeited.
(6) Equity Forfeited includes any prior year Origin equity allocations that were forfeited during the year (i.e. the relevant grants realised no benefit). For FY2016 this represents Options and PSRs that were granted in 2010, and PSRs that were granted in 2012. The table does not include D Baldwin's Contact Energy equity forfeits that related to prior employment with Contact Energy Ltd (FY2015 nil, FY2016 $269,175). The forfeited value represents the grant date value that was disclosed and attributed to remuneration at the time of the grant. See Table 26.
(7) G Mallett was appointed KMP on 16 May 2016. FY2016 amounts are pro-rated for the period 16 May to 30 June 2016.
(8) K Moses ceased being KMP on 16 May 2016. FY2016 amounts are pro-rated for the period 1 July 2015 to 16 May 2016.

Table 17: Responsibilities of the Board and Remuneration Committee

	Approved by the Board (on recommendation of the Remuneration Committee)	Approved by the Remuneration Committee
Executive Remuneration Structure	— The remuneration strategy, policy and structure and compliance with legal and regulatory requirements — Levels of delegated responsibility to the Remuneration Committee and management for remuneration-related decisions — Individual remuneration for KMP and other members of the EMT — Allocations made under all equity based remuneration plans	— Identification of the employee population that receives deferred at-risk remuneration — Remuneration recommendations in relation to non-KMP and non-EMT employees — Specific remuneration related matters as delegated by the Board
Non-executive Director Remuneration	— The Remuneration structure for NEDs — Remuneration for NED fees (subject to the maximum aggregate amount being approved by shareholders)	

4.2 The Remuneration Committee is composed of NEDs with an appropriate level of independence and expertise

The Board Remuneration Committee is comprised of four independent NEDs, as shown in Table 18. Each Director has remuneration experience either as a member of board remuneration committees at other major companies or in their prior role as an executive.

Table 18: Remuneration Committee FY2016

Role	Status	Other Origin Committees
Members – current		
H Nugent (Chairman)	Independent NED	Audit; Risk; Nomination
G Cairns	Independent NED; Chairman of the Board	Audit; Health, Safety & Environment; Risk; Nomination (Chairman)
S Perkins (from 1 September 2015)	Independent NED	Audit
S Sargent	Independent NED	Health, Safety & Environment; Origin Foundation (Chairman)
Member – former		
R Norris (until 16 September 2015)	NED	

The Committee met four times during FY2016.

4.3 Board and Remuneration Committee processes ensure independence

The Remuneration Committee operates under a Charter published on the Company's website at www.originenergy.com.au. In particular, the Charter identifies the processes for dealing with conflicts of interest. The Charter and all associated processes are followed assiduously by the Board and Remuneration Committee.

The Committee has established protocols for engaging and dealing with external advisors, including those defined as Remuneration Consultants for the purpose of the *Corporations Act 2001* (Cth). The protocols require engagement by the Committee; instruction by the Chairman of the Committee, delivery of reports direct to the Committee through its Chairman, and a prohibition on communication with Company management except as authorised by the Chairman and limited to the provision or validation of factual and policy data. The advisor must furnish a statement confirming the absence of any undue influence from management.

In 2015 the Committee appointed *Pay Governance* under the protocols(1) to assist with examining its remuneration structure. Given the comprehensive nature of that review the Committee did not appoint an advisor during FY2016.

Table 19 summarises the sources of general remuneration benchmarking data used during FY2016.

Table 19: Sources of Remuneration Data, FY2016

Advisor/ Consultant FY2016	KMP benchmarking and market data used by Committee to formulate its own recommendations to Board	Remuneration Consultant for the purposes of the Corporations Act	Comments
AON Hewitt	No	No	General role benchmarking
Ernst & Young	No	No	General role benchmarking
Hay Group	No	No	Hay PayNet® database access to remuneration survey data
Mercer Consulting	No	No	General role benchmarking, fair valuation of equity instruments, actuarial assessment of superannuation

Analysis of companies that were of a similar size was undertaken internally during 2016.

(1) *Pay Governance* did not act as a Remuneration Consultant for the purposes of the *Corporations Act 2001* (Cth).

4.4 Origin's remuneration approach is to ensure NEDs are remunerated in ways that maintain their independence

Appropriate remuneration for NEDs is achieved by:

- Setting Board and Committee fees taking into account market rates for relevant Australian organisations for the time commitment and responsibilities involved; and
- Delivering those fees in a form that is not contingent on Origin's performance.

As a result, remuneration arrangements for NEDs are different from those in place for Executives. NED remuneration is not performance-based or dependent on the Company's results. Fees are fixed to allow for independent and objective assessment of executive and Company performance.

No Executive KMP is remunerated for acting as a Director of Origin. Prior to the sale of Origin's interest in Contact Energy in August 2015, G King, K Moses and D Baldwin were, however, remunerated for serving as directors of its Board (as shown in Table 24).

4.5 NED fees have not been increased and are within the aggregate cap

Board and Committee fees are reviewed regularly having regard to the level of fees paid to NEDs at Australian companies of comparable size and complexity. This approach reflects the responsibilities and time commitment necessary for the role.

Per diem fees may also be paid on occasions where approved special work is undertaken outside of the expected commitments. None were paid during FY2016.

The Board has determined that no increase be made to NED fees for FY2017. NED fees have remained unchanged since FY2013, apart from the introduction of fees for the Risk Committee which were introduced in FY2016. This decision has been taken recognising the returns to shareholders in recent years.

The Origin Chairman receives a single fee that is inclusive of Committee activities, while other NEDs receive a base Board fee and separate fees for their role on specific Committees, other than the Nomination Committee, which is considered within the base fee. All fees are inclusive of superannuation contributions.

The aggregate cap for NED remuneration ($2,700,000) was last approved by shareholders at the 2010 Annual General Meeting. The Board does not propose a change to this cap for FY2017.

Table 20 shows the structure and level of NED fees for FY2016 and for those proposed for FY2017:

Table 20: Non-executive Directors' Fee Structure ($)

Fees	FY2016	FY2017
Board fees		
Chairman (inclusive of all Committee work)	677,000	677,000
NED base fee	196,000	196,000
Committee fees (except for the Chairman of the Board)		
Audit		
Chairman	57,000	57,000
Member	29,000	29,000
Remuneration		
Chairman	47,000	47,000
Member	21,000	21,000
Health, Safety & Environment		
Chairman	42,000	42,000
Member	21,000	21,000
Risk		
Chairman	42,000	42,000
Member	21,000	21,000
Nomination		
Chairman & members	–	–

4.6 NEDs are required to acquire and hold shares in the Company

To more closely align the interests of the Board and shareholders, NEDs are required to hold a minimum of 20,000 shares in the Company within three years of appointment.

Details on the Directors' holdings in shares are set out in Table 29.

APPENDICES: KMP DISCLOSURES

Appendix 1: KMP

KMP include Executive Directors and executives with authority and responsibility for planning, directing and controlling the activities of Origin Energy and its controlled entities (together making Executive KMP) and NEDs. NEDs are required by the *Corporations Act 2001* (Cth) to be included as KMP for the purpose of disclosure in the Remuneration Report. However, Origin's NEDs do not consider themselves to be part of 'management'.

Table 21: Key Management Personnel, FY2016

		Notes
NEDs – current		
J Akehurst	Independent	
G Cairns	Independent Chairman	
M Brenner	Independent	
B Morgan	Independent	
H Nugent	Independent	
S Perkins	Independent	Joined the Board 1 September 2015
S Sargent	Independent	Joined the Board 29 May 2015
Executive Director – current		
G King	Managing Director	
Other Executive KMP – current		
D Baldwin	Chief Executive Officer, Integrated Gas	
F Calabria	Chief Executive Officer, Energy Markets	
G Mallett	Acting Chief Financial Officer	Appointed to KMP role on 16 May 2016
NEDs – former		
R Norris	Independent	Retired 16 September 2015
Executive Director – former		
K Moses	Executive Director, Finance & Strategy	Stepped down from the Board on 21 October 2015, and from the KMP role of Executive Director, Finance & Strategy on 16 May 2016
Other Executive KMP – former		
D Barnes	Chief Executive Officer, Contact Energy	Ceased to be KMP following the sale of Origin's interests in Contact Energy on 10 August 2015

Except as otherwise noted, the remuneration and other related party disclosures included in the Remuneration Report have been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) and in compliance with AASB 124 *Related Party Disclosures*. For the purpose of these disclosures, all individuals listed above have been determined to be KMP, as defined by AASB 124 *Related Party Disclosures*.

Appendix 2: Contractual Arrangements for Executive KMP

The table below sets out the main terms and conditions of the employment contracts of the Managing Director and Executive KMP (excluding NEDs) as at 30 June 2016.

As noted in Section 2, the contractual terms were determined with reference to the size and complexity of the job roles, benchmarked against the external market. They reflect the principles of reward for performance and alignment with the interests of shareholders.

Table 22: Contractual Details for Executive KMP

Role	Contract Expiry	Notice Period	Termination Payments (subject to termination benefits legislation)
Managing Director	Ongoing (no fixed term)	— 12 months by either party or shorter notice by agreement — Immediate for misconduct, breach of contract or bankruptcy	— Statutory entitlements only for termination with cause — In the event of termination other than for cause, or by the Managing Director giving 12 months notice, an STI can be paid that reflects the extent of achievement against the objectives set for the year having regard to the part of the year that has elapsed prior to termination. In such a case, the STI payment will be made in cash. — DSRs, Options and/or PSRs lapse on termination other than in cases of death, disability, bona fide redundancy or genuine retirement.
Other Executive KMP(1)	Ongoing (no fixed term)	— Up to 3 months by either party — Immediate for misconduct, breach of contract or bankruptcy	— Statutory entitlements only for termination with cause — Payment in lieu of notice at Company discretion — For Company termination "without cause" pro rata earned STI is payable — For Company termination "without cause" payment equivalent to 3 weeks' Fixed Remuneration per year of service capped at 74 weeks; a minimum may also apply (generally 18-22 weeks) — DSRs, Options and/or PSRs lapse on termination other than in cases of death, disability, bona fide redundancy or genuine retirement.

Details regarding the Managing Director's remuneration arrangements are provided in earlier sections of this Report but are included in the summary below for completeness.

Table 23: Managing Director's Remuneration

Element	FY2016 details
Fixed Remuneration	$2,500,000 No change for FY2017
STI	At-Target: 90% of Fixed Remuneration Maximum 150% of Fixed Remuneration 80% of the outcome determined by Group financial, safety and engagement metrics, 20% by individual measures
LTI	Target Value Allocation: 120% of Fixed Remuneration LTI awarded half (by allocation value) as Options and half as PSRs Options have a relative TSR hurdle and five year vesting; PSRs have a ROCE hurdle and four year vesting

The Managing Director maintains a substantial shareholding in the Company as reflected in Table 29 of this Report (and equivalent tables in prior Reports). At 30 June 2016 the value of his shareholding was the equivalent of approximately 3.6 times his Fixed Remuneration (Section 2.4).

(1) The table includes arrangements agreed prior to amendments to the Corporations Act 2001 (Cth) regarding termination payments which came into effect on 24 November 2009. The amended provisions apply to KMP contract variations, and to KMP appointments after that date. Entitlements under pre existing contracts are generally not subject to the amended legislative provisions.

Appendix 3: Statutory Remuneration Disclosures

Table 24: Remuneration Table for FY2015 and FY2016 ($ except where otherwise indicated)

		Short-term benefits				Post-employment benefits
		Base salary/fees	Contact Energy Fees[(1)]	Cash STI[(2)]	Non-monetary benefits[(3)]	Superannuation
Executive Director – current						
G King	2016	2,478,168	22,389	0	53,597	21,832
	2015	2,478,696	213,417	1,333,333	59,364	21,304
Other Executive KMP						
D Baldwin[(6)]	2016	1,118,480	14,602	546,667	32,867	19,320
	2015	1,047,841	139,185	709,333	41,740	18,792
F Calabria	2016	1,046,655	–	649,428	33,284	27,144
	2015	1,047,183	–	745,333	22,108	26,616
G Mallett[(7)]	2016	84,327	–	25,994	2,722	3,184
	2015	–	–	–	–	–
Executive Director – former						
K Moses[(8)]	2016	1,169,595	14,650	238,069	34,367	30,030
	2015	1,336,203	139,649	788,667	34,337	34,797
Other Executive KMP – former						
D Barnes[(9)]	2016	89,094	–	–	29	4,697
	2015	831,966	–	261,339	4,072	29,650
P Zealand[(10)]	2016	–	–	–	–	–
	2015	605,581	–	379,792	40,842	29,165
Non-executive Directors – current						
J Akehurst	2016	239,679	–	–	180	19,320
	2015	219,207	–	–	7,210	18,792
M Brenner	2016	247,680	–	–	180	19,320
	2015	206,208	–	–	187	18,792
G Cairns	2016	657,680	–	–	33,406	19,320
	2015	658,208	–	–	187	18,792
B Morgan	2016	275,679	–	–	10,983	19,320
	2015	255,207	–	–	187	18,792
H Nugent	2016	273,680	–	–	180	19,320
	2015	253,208	–	–	187	18,792
S Perkins[(11)]	2016	188,900	–	–	180	16,100
	2015	–	–	–	–	–
S Sargent[(12)]	2016	218,679	–	–	180	19,320
	2015	19,137	–	–	16	1,641
Non-executive Directors – former						
B Beeren[(13)]	2016	–	–	–	–	–
	2015	61,042	157,743	–	61	5,787
R Norris[(14)]	2016	56,670	–	–	38	4,830
	2015	238,503	–	–	187	18,792
Totals[(15)]	**2016**	**8,144,966**	**51,641**	**1,460,158**	**202,193**	**243,057**
	2015	**9,258,190**	**649,994**	**4,217,797**	**210,685**	**280,504**

(1) G King, D Baldwin, and K Moses were the Company's nominees on the Board of Contact Energy, and resigned as directors on 10 August 2015 on completion of the sale of the Company's interest in Contact. FY2016 Contact Energy fees relate to the period 1 July 2015 to 10 August 2015. FY2016 remuneration is converted to Australian dollars using an exchange rate of $1.1166 for the period 1 July 2015 to 10 August 2015 (FY2015 – $1.0777).

(2) Cash STI in respect of the relevant reporting period represents two-thirds of STI award. The Cash STI is granted for the respective year ended 30 June, determined following the close of the respective financial year and paid during September.

(3) Non-monetary benefits include insurance premiums and fringe benefits such as car parking and expenses associated with travel.

(4) The Deferred STI represents the accounting value of equity to be granted for the current year in addition to grants made in this and prior periods. It relates to the balance (one-third) of the STI award that was made for the relevant year as referred to in Note 2 above. The valuation uses a discounted cash flow methodology that recognises that dividends are not paid on DSRs. Deferred STI in respect of the current year will be granted as DSRs in the following financial year. The expense is recognised beginning on 1 July of the financial year to which the STI award relates. In following reporting periods the accumulated expense is adjusted for the number of instruments then expected to vest. The share based expense for Deferred STI for FY2015 for G King and for K Moses included intended equity grants that were proposed to shareholders but were subsequently withdrawn prior to the 2015 Annual General Meeting. As no equity was granted, the expense attributable to the intended grant has been reversed in the FY2016 expense ($214,321 for G King and $126,722 for K Moses).

(5) The LTI value for Options and PSRs represents the accounting value of equity granted in relation to prior periods that is attributable to the relevant reporting period. All LTI equity granted in prior periods is subject to market-based performance hurdles, accordingly the accounting fair value is determined using a Monte Carlo simulation methodology that takes into account market hurdles, and is allocated to each reporting period from the date of grant and spread evenly over the service period. Commencing in FY2017 LTI grants will include non-market hurdles with different methodology for allocating the share based remuneration expense.

(6) The accounting value of LTI for D Baldwin includes equity issued by Contact Energy in relation to his earlier employment by Contact Energy prior to 1 April 2011.

Accounting value of long-term benefits				Totals		
Deferred STI[4]	LTI (Options & PSRs)[5]	Movement in accrued leave	Termination Benefits	Total Remuneration	% of Total Remuneration "At Risk"	% of Remuneration that is share based
(71,677)	1,304,780	62,515	–	3,871,604	32%	32%
422,622	1,989,402	62,500	–	6,580,638	57%	37%
249,188	705,161	160,438	–	2,846,723	53%	34%
222,651	736,054	30,282	–	2,945,878	57%	33%
254,243	491,259	27,178	–	2,529,191	55%	29%
209,092	567,174	38,415	–	2,655,921	57%	29%
12,248	18,390	1,814	–	148,679	38%	21%
–	–	–	–	–	–	–
113,763	565,359	34,320	–	2,200,153	42%	31%
254,238	907,082	55,286	–	3,550,259	55%	33%
43,000	172,697	1,537	–	311,054	69%	69%
125,084	726,035	26,654	–	2,004,800	55%	42%
–	–	–	–	–	–	–
66,468	355,821	10,804	–	1,488,473	54%	28%
–	–	–	–	259,179	–	–
–	–	–	–	245,209	–	–
–	–	–	–	267,180	–	–
–	–	–	–	225,187	–	–
–	–	–	–	710,406	–	–
–	–	–	–	677,187	–	–
–	–	–	–	305,982	–	–
–	–	–	–	274,186	–	–
–	–	–	–	293,180	–	–
–	–	–	–	272,187	–	–
–	–	–	–	205,180	–	–
–	–	–	–	–	–	–
–	–	–	–	238,179	–	–
–	–	–	–	20,794	–	–
–	–	–	–	–	–	–
–	–	–	–	224,633	–	–
–	–	–	–	61,538	–	–
–	–	–	–	257,482	–	–
600,765	**3,257,646**	**287,802**	**–**	**14,248,228**	**–**	**–**
1,300,155	**5,281,568**	**223,941**	**–**	**21,422,834**	**–**	**–**

(7) G Mallett was appointed to the KMP role of Acting Chief Financial Officer on 16 May 2016, FY2016 remuneration represents the period 16 May 2016 to 30 June 2016.

(8) K Moses ceased being KMP on 16 May 2016, FY2016 remuneration represents the period 1 July 2015 to 16 May 2016. Untested share based instruments that were awarded in respect of prior years' awards may remain on foot or become forfeited upon retirement. If they remain on foot any unvested expense is accelerated. If forfeited, previously booked expense is reversed. The status of Ms Moses' outstanding share based instruments at retirement is unknown and no accounting adjustment has been made.

(9) D Barnes ceased being KMP on 10 August 2015 upon completion of the sale of the Company's interest in Contact Energy. FY2016 remuneration represents the period 1 July 2015 to 10 August 2015. During employment with Contact Energy, D Barnes was paid in New Zealand currency. FY2016 short term benefits are converted to Australian dollars using an exchange rate of $1.1166 for the period 1 July 2015 to 10 August 2015 (FY2015 – $1.0777). Post-employment superannuation benefits were remitted monthly in Australian dollars using the month-end exchange rate. Fixed Remuneration (base salary plus superannuation) and all or part of Contact Energy's variable remuneration for the period of employment with Contact Energy was reimbursed by Contact Energy. The accounting value of Deferred STI and of LTI includes equity issued by Contact Energy in relation to his employment by Contact between 1 April 2011 and 10 August 2015.

(10) P Zealand ceased being KMP on 30 April 2015. FY2015 remuneration represents the period 1 July 2014 to 30 April 2015.

(11) S Perkins was appointed as Non-executive Director on 1 September 2015, remuneration represents the period 1 September 2015 to 30 June 2016.

(12) S Sargent was appointed as Non-executive Director on 29 May 2015. FY2015 remuneration represents the period 29 May 2015 to 30 June 2015.

(13) B Beeren retired as Non-executive Director on 22 October 2014. FY2015 remuneration represents the period 1 July 2014 to 22 October 2014.

(14) R Norris retired as Non-executive Director on 16 September 2015. FY2016 remuneration represents the period 1 July 2015 to 16 September 2015.

(15) All named Executive KMP and Executive Directors are employed and remunerated by the Company and its controlled entities. All NEDs are remunerated by the Company.

Table 25: Details of Equity Grants

The table below lists all equity-based incentive grants current at 30 June 2016 made to Directors and to Executives. No terms of equity-settled share-based transactions (including Options, PSRs and DSRs granted as compensation to a KMP) have been altered or modified by the issuing entity.

Granted	Number Outstanding	Exercise Price	Expiry Date
Options			
15 Oct 2011	3,386,253	$13.01	15 Jan 2017
11 Apr 2012	142,185	$12.91	11 Jul 2017
15 Oct 2012	5,815,157	$11.78	15 Oct 2019
24 Dec 2012	17,242	$11.78	15 Oct 2019
14 Oct 2013	3,088,717	$13.97	14 Oct 2020
22 Oct 2014	2,263,462	$15.65	22 Oct 2021
1 Jul 2015	86,010	$12.78	22 Oct 2021
22 Oct 2015	3,223,208	$6.78	21 Oct 2025
Performance Share Rights			
15 Oct 2011	1,368,464	–	15 Oct 2016
11 Apr 2012	41,565	–	11 Apr 2017
14 Oct 2013	1,939,457	–	14 Oct 2016
22 Oct 2014	537,833	–	22 Oct 2018
1 Jul 2015	7,679	–	22 Oct 2018
22 Oct 2015	1,584,635	–	21 Oct 2019
Deferred Share Rights			
14 Oct 2013	4,240	–	14 Oct 2016
14 Oct 2013	4,240	–	14 Oct 2017
25 Aug 2014	23,169	–	14 Oct 2016
22 Oct 2014	946,273	–	24 Oct 2016
22 Oct 2014	53,480	–	23 Oct 2017
31 Mar 2015	9,937	–	24 Oct 2016
22 Oct 2015	3,899	–	14 Oct 2016
22 Oct 2015	132,881	–	24 Oct 2016
22 Oct 2015	57,300	–	21 Oct 2016
22 Oct 2015	603	–	14 Oct 2017
22 Oct 2015	2,822,299	–	23 Oct 2017
22 Oct 2015	57,300	–	22 Oct 2018
7 Dec 2015	24,288	–	23 Oct 2017
7 Dec 2015	13,830	–	22 Oct 2018
7 Dec 2015	16,069	–	15 Jan 2017
7 Dec 2015	19,152	–	15 Jan 2018
7 Dec 2015	10,068	–	15 Jan 2019

Table 26: Analysis of Movements in Options, PSRs, and DSRs

A summary of the movement in FY2016, by value, of rights (Options, PSRs, and DSRs) to equity in the Company (or in the case of D Baldwin and D Barnes in Contact Energy) held by KMP is provided in the table below. No NEDs hold Options, PSRs or DSRs.

		Value of Options, PSRs, and DSRs ($)		
	Type	Granted[1]	Exercised[2]	Forfeited
Executive Director – current				
G King	Options	0	0	(1,570,227)
	PSRs	0	0	(3,319,582)
	DSRs	0	94,673	0
Other Executive KMP – current				
D Baldwin[3]	Options	579,600	0	(500,701)
	PSRs	181,678	0	(902,585)
	DSRs	326,161	56,394	0
	Contact Options	–	0	(269,175)
	Contact PSRs	–	503,186	0
F Calabria	Options	478,926	0	(440,622)
	PSRs	150,121	0	(906,166)
	DSRs	342,691	46,354	0
G Mallett[4]	Options	0	0	0
	PSRs	0	0	0
	DSRs	0	0	0
Executive Director – former				
K Moses[5]	Options	0	0	(614,204)
	PSRs	0	0	(1,326,191)
	DSRs	0	57,933	–
Other Executive KMP – former				
D Barnes[3,6]	Options	0	0	0
	PSRs	0	0	0
	Contact Options	0	0	0
	Contact PSRs	0	0	0
	Contact DSRs	0	0	0

(1) The value of Options awarded in relation to FY2015 (granted in early FY2016) is the fair value calculated at grant date using a Black Scholes model with a Monte Carlo simulation methodology to account for hurdles; and the value of PSRs granted in the year is the fair value calculated at grant date using a Monte Carlo simulation methodology to account for hurdles. The value of DSRs granted in the year is the fair value calculated at grant date using a discounted cashflow technique. The fair value of each instrument has been calculated independently by Mercer Consulting. The value disclosed for each instrument (Options, PSRs, and DSRs) is the total value for each instrument over the period. This amount is allocated to remuneration (Table 24) over the vesting period. Refer Note F3 of the financial statements for further detail of the assumptions used in determining grant date fair value of Options and PSRs.

(2) The value of rights (Options, PSRs, and DSRs) exercised during the year is calculated as the market price of the Company's shares on the ASX as at the close of trading on the date the rights were exercised, after deducting any exercise price. The exercise price for PSRs and DSRs is nil.

(3) D Barnes and D Baldwin's Contact securities were issued under the Contact Energy Employee LTI Scheme as Chief Executive Officer or Managing Director (respectively) of Contact Energy. Contact Energy relied on NZSX Listing Rule 7.3.9 to allow participation of the CEO/Managing Director in the LTI Scheme. D Baldwin received cash director's fees from Contact Energy in his capacity as a director post 1 April 2011 following the end of his secondment to Contact Energy and until Origin sold its interest in Contact Energy on 10 August 2015, but did not receive further securities in Contact Energy under its LTI Scheme. D Barnes and D Baldwin retain Contact Energy securities subject to their corresponding exercise hurdles and vesting requirements.

(4) G Mallett was appointed KMP on 16 May 2016.

(5) K Moses ceased being KMP on 16 May 2016.

(6) D Barnes ceased being KMP on 10 August 2015.

Table 27: Details of Options, PSRs, and DSRs Granted in FY2016

Rights (Options, PSRs, and DSRs) to equity in the Company granted to KMP during the period are listed below. No NEDs hold Options, PSRs or DSRs. No Options, PSRs, or DSRs have been granted since the end of the reporting period. Options, PSRs, and DSRs were provided at no cost to the recipients. Unvested Options and PSRs expire on the earlier of their expiry date or on cessation of employment. In addition to a continuing employment service condition, the ability to exercise Options and PSRs is conditional on the consolidated entity achieving certain performance hurdles. Subject to achieving the performance hurdles, Options and PSRs granted in the period will be exercisable four years after the Grant Date. Details of the performance hurdles are included in the LTI information in section 2.3.

KMP	Type	Number Granted during FY2016	Grant Date	Accounting Fair Value[(1)]	Exercise Price	Vesting Date	Expiry Date
Executive Director – current							
G King	–	Nil	–	–	–	–	–
Other Executive KMP – current							
D Baldwin	Options	690,000	22 Oct 2015	$0.84	$6.78	21 Oct 2019	21 Oct 2025
	PSRs	69,876	22 Oct 2015	$2.60	–	21 Oct 2019	21 Oct 2019
	DSRs	19,554	22 Oct 2015	$5.75	–	21 Oct 2016	21 Oct 2016
	DSRs	19,554	22 Oct 2015	$5.57	–	23 Oct 2017	23 Oct 2017
	DSRs	19,554	22 Oct 2015	$5.36	–	22 Oct 2018	22 Oct 2018
	DSRs	1,186	22 Oct 2015	$5.92	–	22 Oct 2015	22 Oct 2015
	DSRs	1,186	22 Oct 2015	$5.74	–	24 Oct 2016	24 Oct 2016
	DSRs	1,186	22 Oct 2015	$5.57	–	23 Oct 2017	23 Oct 2017
F Calabria	Options	570,150	22 Oct 2015	$0.84	$6.78	21 Oct 2019	21 Oct 2025
	PSRs	57,739	22 Oct 2015	$2.60	–	21 Oct 2019	21 Oct 2019
	DSRs	20,545	22 Oct 2015	$5.75	–	21 Oct 2016	21 Oct 2016
	DSRs	20,545	22 Oct 2015	$5.57	–	23 Oct 2017	23 Oct 2017
	DSRs	20,545	22 Oct 2015	$5.36	–	22 Oct 2018	22 Oct 2018
	DSRs	975	22 Oct 2015	$5.92	–	22 Oct 2015	22 Oct 2015
	DSRs	975	22 Oct 2015	$5.74	–	24 Oct 2016	24 Oct 2016
	DSRs	975	22 Oct 2015	$5.57	–	23 Oct 2017	23 Oct 2017
G Mallett[(2)]	–	Nil	–	–	–	–	–
Executive Director – former							
K Moses[(3)]	–	Nil	–	–	–	–	–
Other Executive KMP – former							
D Barnes[(4)]	–	Nil	–	–	–	–	–

(1) Fair values are at the date of grant.
(2) G Mallett was appointed KMP on 16 May 2016, grants relate to the period 16 May 2016 to 30 June 2016.
(3) K Moses ceased being KMP on 16 May 2016, grants relate to the period 1 July 2015 to 16 May 2016.
(4) D Barnes ceased being KMP on 10 August 2015, grants relate to the period 1 July 2015 to 10 August 2015.

Table 28: Options, PSRs and DSRs movement in holdings and transactions during FY2016

Movement during the reporting period in the number of rights (Options, PSRs, and DSRs) to equity in the Company (and, for D Baldwin and D Barnes, in Contact Energy) held directly, indirectly or beneficially by the KMP including their related parties are listed below. No NEDs hold Options, PSRs, or DSRs.

	Type	Held at period start	Granted during the period	Exercised during the period	Lapsed during the period(1)	Held at end period	Vested during period	Vested & exercisable at end period(2)
Executive Director – current								
G King	Options	3,389,742	0	0	371,212	3,018,530	0	0
	PSRs	796,514	0	0	488,676	307,838	0	0
	DSRs	47,976	0	15,992	0	31,984	15,992	0
Other Executive KMP								
D Baldwin	Options	1,061,016	690,000	0	118,369	1,632,647	0	0
	PSRs	258,175	69,876	0	125,727	202,324	0	0
	DSRs	25,020	62,220	9,526	0	77,714	9,526	0
	Contact Options	470,946	–	0	470,946	0	0	0
	Contact PSRs	106,104	–	106,104	0	0	106,104	–
F Calabria	Options	943,907	570,150	0	104,166	1,409,891	0	0
	PSRs	222,999	57,739	0	132,186	148,552	0	0
	DSRs	20,565	64,560	7,830	0	77,295	7,830	0
G Mallett(3)	Options	263,663	0	0	0	263,663	0	0
	PSRs	56,820	0	0	0	56,820	0	0
	DSRs	28,585	0	0	0	28,585	0	0
Executive Director – former								
K Moses(4)	Options	1,434,895	0	0	145,202	1,289,693	0	0
	PSRs	339,443	0	0	196,551	142,892	0	0
	DSRs	29,358	0	9,786	0	19,572	9,786	0
Other Executive KMP – former								
D Barnes(5)	Options	169,297	0	0	0	169,297	0	0
	PSRs	40,525	0	0	0	40,525	0	0
	Contact Options	2,522,607	–	0	0	2,522,607	2,522,607	0
	Contact PSRs	366,850	–	0	0	366,850	366,850	366,850
	Contact DSRs	51,390	–	0	0	51,390	51,390	51,390

(1) All lapsed Options (including Contact Options) were granted during FY2011 and all lapsed PSRs were granted during FY2011 and/or FY2013.
(2) No Options or rights vested at the end of the period. With the exception of D Barnes in relation to Contact Options, there were no vested but unexercisable rights at the end of the period.
(3) G Mallett was appointed KMP on 16 May 2016. Period start is 16 May 2016 and period end 30 June 2016.
(4) K Moses ceased being KMP on 16 May 2016. Period start is 1 July 2015 and period end 16 May 2016.
(5) D Barnes ceased being KMP on 10 August 2015. Period start is 1 July 2015 and period end 10 August 2015.

Table 29: Equity Holdings and Transactions

Movements during FY2016 in the number of ordinary shares of the Company and in Contact Energy held directly, or indirectly or beneficially by KMP, including their related parties.

Shares held in Origin Energy Limited	Held at start period	Transferred In/Purchased	Received on exercise of Options[1]	Received on exercise of PSRs[1]	Received on exercise of DSRs[1]	Transferred Out/ Disposed	Held at end period[2]
Non-executive Directors – current[3]							
J Akehurst	71,200	0	–	–	–	0	71,200
M Brenner	21,000	1,117	–	–	–	0	22,117
G Cairns	104,480	59,180	–	–	–	0	163,660
B Morgan	30,000	17,143	–	–	–	0	47,143
H Nugent	38,834	22,192	–	–	–	0	61,026
S Perkins[4]	0	30,000	–	–	–	0	30,000
S Sargent	0	31,429	–	–	–	0	31,429
Executive Director – current							
G King	1,009,059	576,606	–	–	15,992	0	1,601,657
Other Executive KMP – current							
D Baldwin[5]	1,469	1,166	–	–	9,526	0	12,161
F Calabria[5]	80,770	46,374	–	–	7,830	0	134,974
G Mallett[6]	34,278	0	–	–	–	0	34,278
Non-executive Directors – former[3]							
R Norris[7]	40,000	0	–	–	–	0	40,000
Executive Director – former							
K Moses[8]	133,374	76,214	–	–	9,786	0	219,374
Other Executive KMP – former							
D Barnes[9]	20,220	11,555	–	–	–	21,775	10,000
Shares held in Contact Energy Limited							
Executive Director – current							
G King	33,886	0	–	–	–	33,886	0
Other Executive KMP – current							
D Baldwin	1,000	0	–	106,104	–	107,104	0
Executive Director – former							
K Moses[8]	21,038	0	–	–	–	0	21,038
Other Executive KMP – former							
D Barnes[9]	0	0	0	0	0	0	0

Table 30: Loans and Other Transactions with KMP

There were no loans with key management personnel during the year.

Transactions entered into during the year with key management personnel are normal employee, customer or supplier relationships and have terms and conditions which are no more favourable than dealings in the same circumstances on an arm's length basis. These transactions include:

- the receipt of dividends from Origin Energy Limited or participation in the Dividend Reinvestment Plan;
- participation in the Employee Share Plan, Equity Incentive Plan and Non-executive Director Share Plan;
- participation in the October 2015 rights issue as a shareholder;
- terms and conditions of employment or directorship appointment;
- reimbursement of expenses incurred in the normal course of employment;
- purchases of goods and services; and
- receipt of interest on Retail Notes.

Certain Directors of Origin Energy Limited are also Directors of other companies which supply Origin Energy Limited with goods and services or acquire goods or services from Origin Energy Limited. Those transactions are approved by management within delegated limits of authority and the Directors do not participate in the decisions to enter into such transactions. If the decision to enter into those transactions should require approval of the Board, the Director concerned will not vote upon that decision nor take part in the consideration of it.

Signed in accordance with a resolution of Directors

Gordon Cairns, Chairman
Sydney, 18 August 2016

(1) After vesting and after payment of the exercise price (the exercise price for PSRs and for DSRs is nil).
(2) Other than options and rights disclosed elsewhere in this Report, no other equity instruments including shares in the Company or in Contact Energy were granted to KMP during the period.
(3) NEDs purchased shares on-market, or participated in the Company's Dividend Reinvestment Plan or the September 2015 Entitlement Offer, and were not issued shares under any incentive or equity plans.
(4) S Perkins was appointed as NED on 1 September 2015, movements relate to the period 1 September 2015 to 30 June 2016.
(5) Includes allotment of 139 fully-paid ordinary shares by the Company under the general Employee Share Plan.
(6) G Mallett was appointed KMP on 16 May 2016, movements relate to the period 16 May 2016 to 30 June 2016.
(7) R Norris retired as NED on 16 September 2015, movements relate to the period 1 July 2015 to 16 September 2015.
(8) K Moses ceased being KMP on 16 May 2016, movements relate to the period 1 July 2015 to 16 May 2016.
(9) D Barnes ceased being KMP on 10 August 2015, movements relate to the period 1 July 2015 to 10 August 2015.

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Origin Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

D McLennan

Duncan McLennan
Partner

Sydney

18 August 2016

BOARD OF DIRECTORS

Gordon Cairns

INDEPENDENT NON-EXECUTIVE CHAIRMAN

Gordon Cairns joined the Board on 1 June 2007 and became Chairman in October 2013. He is Chairman of the Nomination Committee and a member of the Risk, Remuneration, Audit and Health, Safety and Environment committees.

He has extensive Australian and international experience as a senior executive, as Chief Executive Officer of Lion Nathan Ltd, and has held senior management positions in marketing, operations and finance with PepsiCo, Cadbury Ltd and Nestlé.

Gordon is Chairman of Woolworths Ltd (since September 2015), Director of Macquarie Group Limited and Macquarie Bank Limited (since November 2014), Director of Quick Service Restaurant Group (since October 2011) and Non-executive Director of World Education Australia (since November 2007). He was previously Chairman of the Origin Foundation (2010-2015), David Jones Ltd (March 2014 – August 2014), Rebel Group (2010-2012), Director of The Centre for Independent Studies (May 2006 – August 2011) and Director of Westpac Banking Corporation (July 2004 – December 2013). He was a senior advisor to McKinsey & Company.

Gordon holds a Master of Arts (Honours) from the University of Edinburgh.

Grant King

MANAGING DIRECTOR

Grant King was appointed Managing Director of the Company at the time of its demerger from Boral Ltd in February 2000, and was Managing Director of Boral Energy from 1994. Grant is a member of the Company's Health, Safety and Environment Committee.

Prior to joining Boral, he was General Manager, AGL Gas Companies. Grant is a councillor of the Australian Petroleum Production and Exploration Association, a Director of the Business Council of Australia and Chairman of the Business Council of Australia Infrastructure & Sustainability Growth Committee. He is a former Chairman of Contact Energy Limited (2004-2015), a former Director of Envestra Ltd (1997-2007) and former Chairman of the Energy Supply Association of Australia Ltd.

Grant is a Fellow of the AICD. Grant has a Civil Engineering degree from the University of NSW and a Master of Management from the University of Wollongong.

John Akehurst

INDEPENDENT NON-EXECUTIVE DIRECTOR

John Akehurst joined the Board in April 2009. He is Chairman of the Health, Safety and Environment Committee and a member of the Nomination and Risk committees.

His executive career was in the upstream oil and gas and LNG industries, initially with Royal Dutch Shell and then as Chief Executive of Woodside Petroleum Ltd. John is currently a member of the Board of the Reserve Bank of Australia and a Director of CSL Ltd (since August 2003), and Chairman of Transform Exploration Pty Ltd.

He is Chairman of the National Centre for Asbestos Related Diseases and of the Fortitude Foundation, a former Chairman of Alinta Ltd and Coogee Resources Ltd and a former Director of Oil Search Ltd, Securency Ltd, Murdoch Film Studios Pty Ltd and the University of Western Australia Business School.

John holds a Masters in Engineering Science from Oxford University and is a Fellow of the Institution of Mechanical Engineers.

Maxine Brenner

INDEPENDENT NON-EXECUTIVE DIRECTOR

Maxine Brenner joined the Board in November 2013. She is Chairman of the Risk Committee and a member of the Audit and Nomination committees.

Maxine is a Non-executive Director of Orica Ltd (since April 2013) and Qantas Airways Ltd (since August 2013). She is also an Independent Director and Chairman of the Audit and Risk Committee for Growthpoint Properties Australia and a member of the University of NSW Council.

Maxine was formerly a Managing Director of Investment Banking at Investec Bank (Australia) Ltd. Prior to Investec, Maxine was a Lecturer in Law at the University of NSW and a lawyer at Freehills, specialising in corporate law. Her former directorships include Treasury Corporation of NSW, Neverfail Springwater Ltd, Federal Airports Corporation, where she was Deputy Chair, and Bulmer Australia Ltd. In addition, Maxine has served as a Council Member of the State Library of NSW and as a member of the Takeovers Panel.

Maxine holds a Bachelor of Arts and a Bachelor of Laws from the University of NSW.

Bruce Morgan

INDEPENDENT NON-EXECUTIVE DIRECTOR

Bruce Morgan joined the Board in November 2012 and is Chairman of the Audit Committee and a member of the Health, Safety and Environment, Nomination and Risk committees.

Bruce served as Chairman of the Board of PricewaterhouseCoopers (PwC) Australia between 2005 and 2012. In 2009, he was elected as a member of the PwC International Board, serving a four year term. He was previously Managing Partner of PwC's Sydney and Brisbane offices. An audit partner of the firm for over 25 years, he was focused on the financial services and energy and mining sectors leading some of the firm's most significant clients in Australia and internationally.

He is Chairman of Sydney Water Corporation (since October 2013), a Director of Caltex Australia Ltd (since June 2013), Chairman of Redkite (since April 2015), a Director of the University of NSW Foundation and the European Australian Business Council. Bruce has a Bachelor of Commerce (Accounting and Finance) from the University of NSW.

Bruce is a Fellow of Chartered Accountants Australia and New Zealand and of the AICD.

BOARD OF DIRECTORS

Dr Helen Nugent AO

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr Helen Nugent joined the Board in March 2003. She is Chairman of the Remuneration Committee and a member of the Audit, Risk and Nomination committees. Previously, she was Chairman of the Audit Committee.

Helen is currently Chairman of the Australian Rail Track Corporation, and Chairman of the National Portrait Gallery and the National Opera Review.

She has significant experience in the financial services sector. She has been Chairman of Funds SA and Veda Group Limited (resigned following takeover in February 2016), as well as Swiss Re Life and Health (Australia) and Swiss Re (Australia). She has also been a Non-executive Director of Macquarie Group (1999-2014), Mercantile Mutual and the State Bank of NSW. As an executive, she was Director of Strategy at Westpac Banking Corporation, reporting to the CEO, and as a Partner at McKinsey & Company, worked extensively in the financial services sector.

Helen's other major clients while she was at McKinsey were in the resources sector, including working for eight years for CRA (Rio Tinto). Subsequently, she has served on the Boards of United Energy and Carter Holt Harvey.

Helen gives back to society in the arts, education and the health sector, and is a Non-executive Director of the Garvan Institute. Currently, she is Chairman of the National Portrait Gallery and the National Opera Review. In education, she has recently retired as Chancellor of Bond University and as President of Cranbrook School. She is also a Non-executive Director of the Garvan Institute.

Dr Nugent holds a Bachelor of Arts (Hons), a Doctorate of Philosophy in Indian History and an Honorary Doctorate in Business from the University of Queensland. She also holds a Master of Business Administration (with Distinction) from the Harvard Business School. In 2004, she was made an Officer of the Order of Australia.

Scott Perkins

INDEPENDENT NON-EXECUTIVE DIRECTOR

Scott Perkins joined the Board in September 2015 and is a member of the Audit and Remuneration committees.

Scott is a Non-executive Director of Woolworths Limited and Brambles Limited. He is Chairman of Sweet Louise, a Director of the Museum of Contemporary Art in Sydney and the New Zealand Initiative. Scott was previously a Non-executive Director of Meridian Energy.

Scott has extensive Australian and international experience as a leading corporate adviser. He was formerly Head of Corporate Finance for Deutsche Bank Australia and New Zealand, and a member of the Executive Committee with overall responsibility for the Bank's activities in this region. Prior to that he was Chief Executive Officer of Deutsche Bank New Zealand and Deputy CEO of Bankers Trust New Zealand.

He has a longstanding commitment to breast cancer causes, the visual arts and public policy development.

Scott holds a Bachelor of Commerce and a Bachelor of Laws (Hons) from Auckland University.

Steve Sargent

INDEPENDENT NON-EXECUTIVE DIRECTOR

Steve Sargent joined the Board in May 2015. He is Chairman of the Origin Foundation and a member of the Health, Safety and Environment and Remuneration committees.

Steve is a Non-executive Director of OzForex Group Limited and will take over as Chairman of the Board in mid-November 2016. He is a Non-executive Director of Nanosonics Limited and the Great Barrier Reef Foundation. Over recent years, Steve has been a Non-executive Director of Veda Group Limited and Bond University Limited. Steve was also a member of the Australian Treasurer's Financial Sector Advisory Council, President of the American Chamber of Commerce and a Director on the Board of the Business Council of Australia.

Steve's most recent executive role was President and Chief Executive Officer of GE Mining, GE's global mining technology and services business. He joined GE Capital in 1993 and held a number of global leadership positions with the company, spanning the US, Europe and Asia. He was a member of the Australian B20 Leadership Group and Coordinating Chair of the B20 Human Capital Taskforce.

Steve holds a Bachelor of Business from Charles Sturt University in New South Wales. Steve is a Fellow with the Australian Institute of Company Directors and Fellow with the Australian Academy of Technological Sciences and Engineering.

EXECUTIVE MANAGEMENT TEAM

David Baldwin

CHIEF EXECUTIVE OFFICER
INTEGRATED GAS

David Baldwin joined Origin in May 2006 and is responsible for its Integrated Gas business, which manages the Company's portfolio of natural gas and LNG interests across Australia, New Zealand and internationally, as well as exploration and development activities focused on the growth of the gas and LNG businesses.

Integrated Gas includes Origin's interests in Australia Pacific LNG, as operator of the upstream and pipeline components of the joint venture and as gas marketing agent.

Prior to this role, David was Chief Executive Officer of Origin's LNG business and was also previously the Company's Chief Development Officer. Until April 2011, David was Managing Director of integrated energy company Contact Energy in New Zealand, in which Origin had a 53.1 per cent interest. He continues to serve on the Board of Australia Pacific LNG and is a former Director of Contact Energy Limited (2009 – 2015).

Before joining Origin, David held senior roles with MidAmerican Energy Holdings Company (now Berkshire Hathaway Energy) in Asia and the United States, and with Shell in New Zealand and the Netherlands.

David holds a Master of Business Administration from Victoria University and a Bachelor of Engineering (Chemical) from Canterbury University.

Frank Calabria

CHIEF EXECUTIVE OFFICER
ENERGY MARKETS

Frank Calabria joined Origin as Chief Financial Officer in November 2001 and was appointed Chief Executive Officer Energy Markets in March 2009. In this role, Frank is responsible for the integrated business within Australia including retailing and trading of natural gas, electricity and LPG, power generation and the solar and emerging business.

Frank is Chairman of the Energy Supply Association of Australia (ESAA) and a Director of the Australian Energy Market Operator (AEMO).

Prior to joining Origin, Frank held roles with Pioneer International Ltd, Hanson plc and Hutchison Telecommunications.

Frank has a Bachelor of Economics from Macquarie University and a Master of Business Administration (Executive) from the Australian Graduate School of Management.

Frank is a Fellow of Chartered Accountants Australia and New Zealand and a Fellow of the Financial Services Institute of Australasia.

Andrew Clarke

GROUP GENERAL COUNSEL
AND COMPANY SECRETARY

Andrew Clarke joined Origin in May 2009 and is responsible for the company secretarial and legal functions. He was a partner of a national law firm for 15 years and was Managing Director of a global investment bank for more than two years prior to joining Origin. Andrew has a Bachelor of Laws (Hons) and a Bachelor of Economics from the University of Sydney and is a member of the AICD.

Carl McCamish

EXECUTIVE
GENERAL MANAGER
PROPERTY AND TECHNOLOGY

Carl McCamish joined Origin in March 2008 and is responsible for the People & Culture, Information Technology and Property and Travel functions, and for the operations of the Origin Foundation. Carl was previously Executive General Manager Corporate Development and subsequently Executive General Manager Corporate Affairs, and more recently Executive General Manager, People & Culture.

Before joining Origin, Carl was head of strategic development at the private equity firm, Terra Firma. He was previously Senior Energy Advisor in the United Kingdom Prime Minister's Strategy Unit. Before that he worked at McKinsey & Company management consultants.

Carl has a Bachelor of Arts and Laws from the University of Melbourne and a Masters in Industrial Relations and Labour Economics from Oxford University where he was a Rhodes Scholar.

Gary Mallett

ACTING CHIEF
FINANCIAL OFFICER

Gary brings 30 years' experience as a finance executive having worked across a diverse range of sectors both domestically and internationally.

He has been with Origin Energy since 2005 and was appointed as the Acting Chief Financial Officer in May 2016. Gary is responsible for finance, taxation, internal and external communication, and capital markets.

Before joining Origin, Gary held senior finance roles with Brambles Limited, North Limited and KPMG.

Gary is a Chartered Accountant and holds a Bachelor of Business from RMIT University. In 2012, Gary completed the Advanced Management Programme at INSEAD.

Origin is committed to the creation of shareholder value and meeting the expectations of stakeholders to practice sound corporate governance.

Origin aspires to the highest standards of integrity, personal safety and environmental performance. To achieve this, every employee and contractor is required to act in accordance with Origin's governance and business conduct standards across its operations in Australia and internationally.

Compliance with the 3rd edition ASX Corporate Governance Principles and Recommendations (ASX Principles)

This statement has been approved by the Board and summarises the Company's governance practices which were in place throughout the financial year ended 30 June 2016. During the financial year and to the date of this Report, Origin has complied with all of the ASX Principles.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's roles and responsibilities are formalised in a Board Charter, which is available on the Company's website. The Charter sets out those functions that are delegated to management and those that are reserved for the Board. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Before a Director is appointed, Origin undertakes appropriate evaluations. These include independent checks of a candidate's character, experience, education, criminal record, bankruptcy history, and any other factors which would affect the Company's or the individual's reputation.

Where a candidate is standing for election or re-election as Director, the notice of meeting will set out information on the candidate including biographical details, qualifications and experience, independence status, outside interests and the recommendation of the rest of the Board on the resolution.

At the time of joining Origin, Directors and senior executives are provided with letters of appointment, together with key Company documents and information, setting out their term of office, duties, rights and responsibilities, and entitlements on termination.

The performance of all key executives, including the Managing Director, is reviewed annually against:

- a set of personal financial and non-financial goals;
- Company and Business-Unit specific goals; and
- adherence to the Company's Compass, which reflects the role that Origin's Purpose, Principles, Values and Commitments play in everyday decision making.

The Remuneration Committee and the Board consider the performance of the Managing Director and all members of the Executive Management Team (EMT) when deciding whether to award performance-related remuneration through short-term and long-term incentives for the year completed and when assessing fixed remuneration for future periods. Further information on the outcomes of the FY2016 assessment of executive remuneration is set out in the Remuneration Report.

Each year, the Directors review the performance of the whole Board, Board committees and individual Directors. This year, a full review was undertaken with assistance from an independent external consultant, covering individual Director performance, the Board and Committees' activities and work program, time commitments, meeting efficiency and Board contribution to strategy, monitoring, compliance and governance. The results of the review were discussed by the whole Board, and initiatives to improve or enhance Board performance and effectiveness were considered and recommended.

Diversity

Origin encourages diversity and the expression of ideas and opinions, while also requiring alignment with Origin's Principles, Values and Commitments and the policies established to implement them.

Origin is committed to providing equality of opportunity and a rewarding workplace for all employees, and has policies and procedures in place designed to:

- prevent and eliminate unlawful discrimination and harassment;
- promote a culture, through communication and visible leadership, where managers and employees proactively apply the Company's diversity policies and program;
- maintain workplace flexibility policies suitable for a leading Australian company; and
- maintain a process to deliver gender pay equity at all job levels across the Company.

Gender Diversity

Increasing gender diversity, especially in senior roles, is an ongoing policy priority. Accordingly, in FY2016 Origin committed to:

- continue to deliver equal average pay for men and women at each job grade;
- increase the number of women in senior roles, with a target to improve the rate of appointment of women to senior roles by 15 per cent; and
- improve the retention of women in senior roles, with a target to reduce the gap between male and female turnover to zero.

Progress against these targets is reported internally on a quarterly basis to the Diversity Council, comprising the EMT and chaired by the Managing Director. Performance against the targets in FY2016 is described below.

Definition of seniority

For the purpose of gender diversity targets, 'senior roles' includes all people in Hay Pay Scale job grades that pay approximately $150,000 per year or more in total remuneration(1). As at 30 June 2016 there were 1,574 people in senior roles, of which 27.4 per cent were women.

We define seniority by reference to standard Hay Pay Scale job grades, rather than reporting relationship to the CEO, for two reasons:

- to make genuine comparisons of seniority. In recent years executives leading four support functions have reported to the CEO. A large number of people in corporate support areas such as legal, company secretary, human resources, strategy and communications are therefore only two or three levels below the CEO, while in the operating businesses there are many roles with significant line management responsibility that are more than three levels below; and
- to make analysis comparable over time. Any restructure that changes EMT roles also changes the reporting relationship of hundreds of people at lower levels, making it less valid to accurately compare progress on gender pay equality at those levels before and after the restructure.

While Origin does not use reporting relationship to the CEO to define Origin's gender diversity targets, the gender profile of these cohorts is of interest to some external stakeholders and is presented in the following table.

Cohorts by gender, 30 June 2016

Cohort	No. people	Proportion female
Board	8	25%
CEO-1	9(2)	22%
CEO-2	36	25%
CEO-3	143	34%
Senior roles(3)	1,861	28%
Origin Group	5,811	35%

(1) The number can only be approximate because exact remuneration varies by individual by year according to their assessed performance under the Short Term Incentive Scheme.

(2) Karen Moses, Executive Director, Finance and Strategy, retired from her role on the Board in the first half of the period and moved out of her associated line management responsibilities into a role working on special projects for the Managing Director. As a result, Gary Mallett moved into the role of Acting Chief Financial Officer, and three executives who previously reported to Karen Moses reported to the Managing Director on an interim basis. The numbers in the table represent the situation after the interim arrangements came into place.

(3) Definitions for CEO-1, CEO-2 and CEO-3 are as per Workplace Gender Equality Agency guidelines (i.e. excluding clerical, administration and other staff that do not themselves manage people). With all staff included, CEO-3 at Origin was 46 per cent female (cohort 219).

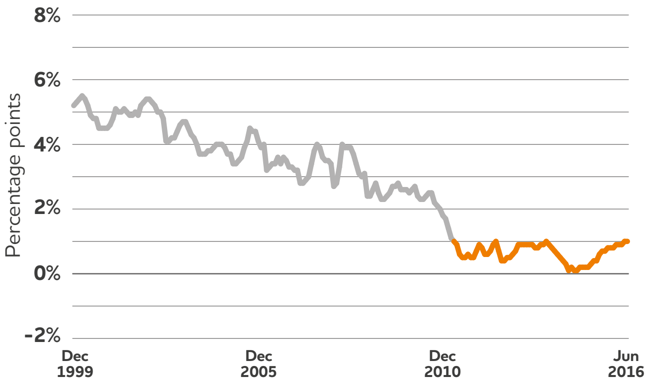
Performance versus targets

1. Target to deliver equal average pay for men and women at each job grade

Average pay for men and women at each job grade fluctuates during the year as the population in each grade cohort changes with turnover, recruitment and promotions. As part of the appointment process and also annually in September when the majority of the workforce has remuneration reviewed to market, pay decisions are monitored for their impact on gender positioning. Over time, as seen in the following chart, these processes have driven a long-term improvement in gender pay balance.

Origin defines 'equal work' by the industry standard of Hay job grades. At the end of FY2016, average female pay was higher at some grades than average male pay and lower at others. The average difference between male and female pay across all job grades was just below 1 per cent.

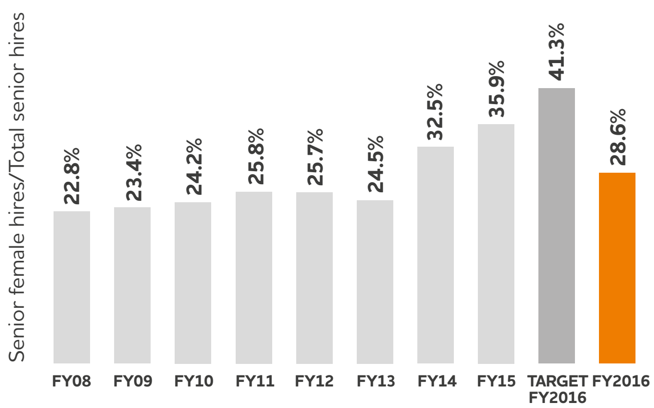
Gender pay gap (graded population weighted average) to 30 Jun 2016



2. Target to improve the rate of appointment of women to senior roles by 15 per cent versus the prior year

The percentage of women recruited into senior roles (28.6 per cent) was down, after three years of significant improvement, as shown in the following chart. The key policies and actions introduced four years ago to drive that improvement were still in place in FY2016, namely, every interview panel for a senior role must be made up of both men and women; where possible[1] every shortlist must have at least one woman; and progress versus target for each Business Unit is reported to and reviewed by the Diversity Council each quarter.

During the year very significant effort went into the fair and orderly downsizing of Origin's workforce, and senior appointments were relatively few compared to previous years. Nevertheless, the FY2016 result on appointments was disappointing in light of the recent progress.



External appointment to senior roles (per cent females)

3. Target to reduce the gap between male and female turnover to zero

Due to large-scale downsizing programs executed during the year, turnover for both men and women was much higher than in previous years. Overall, 25.5 per cent of men in senior roles and 31 per cent of women in senior roles left Origin during the year.

The Fit for the Future program reduced the number of people in functional support roles in Origin by approximately half. Those roles were held, both before and after the reductions, by approximately 50 per cent women, 50 per cent men. This compares to the overall Company split, in senior roles, of 28.6 per cent female, 71.4 per cent male. We knew therefore that a large-scale reduction in the functional areas, even if gender neutral, would disproportionately affect the gender split across Origin, which it did in the final result. The gap of 5.5 percentage points between male and female turnover in senior roles means we did not achieve our target.

Targets for FY2017

Origin's public diversity targets for FY2017 will be:

— continue to deliver equal average pay for men and women at each job grade;
— increase the number of women in senior roles, with a target that 36 per cent of such appointments be female; and
— improve the retention of women in senior roles, with a target to reduce the gap between male and female turnover to zero.

If female appointments to senior roles were to be 36 per cent, this would represent a 25 per cent improvement on our performance in FY2016. Thirty six per cent has been targeted because it would constitute our best ever performance on this measure.

The Board oversees Origin's strategies on gender diversity, including monitoring achievements against gender targets set by the Board. The Board has set itself a target of females being at least 40 per cent of the Board by 2020.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board is structured to facilitate the effective discharge of its duties and to add value through its deliberations.

In FY2016, the Board had 10 scheduled meetings, including a two-day strategic planning meeting. The Board also had six separate scheduled workshops to consider matters of particular relevance. Outside of scheduled meetings, the full Board met on three other occasions to consider significant matters. In addition, the Board conducted visits of Company operations and met with operational management during the year.

From time to time, the Board delegates its authority to non-standing committees of Directors to consider transactional or other matters. In the 12 months to 30 June 2016, five such additional Board Committee meetings were held. In addition, the Board established a Due Diligence Committee as part of the pro-rata accelerated renounceable entitlement offer which took place in 2015. This Committee met nine times.

At Board meetings, Directors receive reports from executive management on financial and operational performance, risk, strategy, people, HSE, and major projects or initiatives in which Origin is involved. In addition, the Directors receive reports from Board Committees and, as appropriate, presentations on opportunities and risks for the Company.

Non-executive Directors also meet without the presence of management (including the Managing Director) to address such matters as succession planning, key strategic issues, and Board operation and effectiveness. All Directors have access to Company employees, advisers and records. In carrying out their duties and responsibilities, Directors have access to advice and counsel from the Chairman, the Company Secretary and the Group General Counsel, and are able to seek independent professional advice at the Company's expense, after consultation with the Chairman.

(1) Some senior roles, mainly engineering and technical, receive no female applicants or no candidates are able to be identified.

New Directors undergo an induction program which includes sessions with members of management, Chairman of the Board, and Chairmen of each relevant Board Committee, and visits to key operations to familiarise them with Origin's business and administration. Directors also receive continuing education through ongoing briefings and workshops on industry, regulatory or other relevant topics and attendance at industry or governance conferences.

The Board's size and composition is determined by the Directors, within limits set by Origin's Constitution, which requires a Board of between five and 12 Directors. As at 30 June 2016, the Board comprised eight Directors, including seven Non-executive Directors, all of whom are considered independent by the Board, and the Managing Director. Of the eight Directors, two are women. Directors' profiles, duration of office and details of their skills, experience and special expertise are set out in the Directors' Report.

The Board seeks to have an appropriate mix of skills, experience, expertise and diversity to enable it to discharge its responsibilities and add value to the Company. The Board values diversity in all respects, including gender and differences in background and life experience, communication styles, interpersonal skills, education, functional expertise and problem solving skills.

Together, the Directors contribute the following key skills and experience:

Skills and experience	Board representation (out of 8 Directors)
Diversity	
Diversity in gender, background, geographic origin, experience (industry and public, private and non-profit sectors).	7
Executive and strategic leadership	
Senior executive and directorship experience.	8
Financial and risk management	
Senior executive experience in financial accounting and reporting, corporate finance, risk and internal controls.	6
Governance and Board	
Prior experience as a Board member or membership of governance bodies.	8
HSE and sustainability	
Experience related to health, safety, environment, social responsibility and sustainability.	5
Industry (oil and gas, exploration)	
Experience in the oil and gas industry, or upstream or integrated exploration and production company.	3
International	
Experience working in an organisation with global operations, or understanding of different cultural, political, regulatory and business requirements.	8
Regulatory and public policy	
Legal background or experience in regulatory and public policy.	5
Remuneration	
Remuneration Committee membership or experience in relation to remuneration, including incentive programs.	7
Retail and marketing	
Experience in retail or marketing industry.	5

The Company's policy on the Independence of Directors requires that the Board is comprised of a majority of independent Directors. In defining the characteristics of an independent Director, the Board uses the ASX Principles, together with its own considerations of the Company's operations and businesses and appropriate materiality thresholds. Further details of the matters considered by the Board in assessing independence are contained in the Independence of Directors Policy which is part of the Board Charter and is available on the Company's website.

The Board reviews each Director's independence annually. At its review for the FY2016 reporting period, the Board formed the view that all Non-executive Directors were independent.

The Board selects and appoints the Chairman from the independent Directors. The Chairman, Mr Cairns, is independent and his role and responsibilities are separate from those of the Managing Director.

Five Committees assist the Board in executing its duties relating to audit, remuneration, health, safety and environment (HSE), nomination and risk. Each Committee has its own Charter which sets out its role, responsibilities, composition, structure, membership requirements and operation. These are available on the Company's website. Each Committee's Chairman reports to the Board on the Committee's deliberations at the following Board meeting where the Committee meeting minutes are also tabled. Additional and specific reporting requirements to the Board by each Committee are addressed in the respective Committee Charters.

Additional information about the Audit Committee, Risk Committee, HSE Committee and Remuneration Committee is provided in response to Principles 4, 7 and 8 respectively.

A list of the members of each Board Committee as at 30 June 2016 is set out on the following page and their attendance at Committee meetings during FY2016 is set out in the Directors' Report.

Board Committee membership as at 30 June 2016 and Tenure

	Committee					Tenure on Board
	Audit	Remuneration	Health, Safety and Environment Committees	Nomination	Risk	
Independent Non-executive Directors						
John Akehurst			Chairman	Member	Member	7 years 4 months
Maxine Brenner	Member			Member	Chairman	2 years 9 months
Gordon Cairns	Member	Member	Member	Chairman	Member	9 years 2 months
Bruce Morgan	Chairman		Member	Member	Member	3 years 9 months
Helen Nugent	Member	Chairman		Member	Member	13 years 5 months
Scott Perkins	Member	Member				11 months
Steve Sargent(1)		Member	Member			1 year 3 months
Managing Director						
Grant King			Member			16 years 6 months

The Nomination Committee is comprised of the Chairman of the Board and the Chairman of each other Board Committee, and is chaired by Mr Cairns. The Nomination Committee met once during FY2016, and provides support and advice to the Board by:

- assessing the range of skills and experience required on the Board and of Directors as part of the Company's continued consideration of Board renewal and succession planning;
- reviewing the performance of Directors and the Board;
- establishing processes to identify suitable Directors, including the use of professional intermediaries;
- recommending Directors' appointments and re-elections; and
- considering the appropriate induction and continuing education provided for Directors.

When identifying potential candidates, the Nomination Committee considers the current and future needs of Origin and desired attributes and skill sets for a new Director. Where a candidate is recommended by the Nomination Committee, the Board will assess that candidate against a range of criteria including background, experience, professional qualifications and the potential for the candidate's skills to augment the existing Board and his/her availability to commit to the Board's activities. If these criteria are met and the Board appoints the candidate as a Director, that Director will stand for election by shareholders at the following Annual General Meeting (AGM).

Each year the performance of the Directors retiring by rotation and seeking re-election under the Constitution is reviewed by the Nomination Committee (other than the relevant Director), the results of which form the basis of the Board's recommendation to shareholders. The review considers a Director's expertise, skill and experience, along with his/her understanding of the Company's business, preparation for meetings, relationships with other Directors and management, awareness of ethical and governance issues, independence of thought and overall contribution.

The Board reviewed the performance of Mr Cairns and Mr Morgan, who are standing for re-election at the AGM in October 2016. Neither Mr Cairns nor Mr Morgan were present for his own review. The Board found that each of the Directors seeking re-election had been high performing Directors and concluded that each of them should be proposed for re-election.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

All Directors and employees are expected to comply with the law and act with a high level of integrity. Origin has a Code of Conduct and a number of policies governing conduct in pursuit of Company objectives in dealing with shareholders, employees, customers, communities, business partners, suppliers, contractors and other stakeholders. The Code of Conduct is based on the Company's Statement of Purpose, Principles, Values and Commitments (Origin Compass), which serves as a guide to Origin's decision making, behaviours and actions for its employees.

The Origin Compass and a summary of the Code of Conduct is available on Origin's website.

Origin prohibits the offer, payment, solicitation or acceptance of bribes and facilitation payments in any form. It also prohibits the provision of gifts and gratuities, both directly and indirectly, to public officials or relatives or associates of public officials. The giving or receiving of gifts or hospitality is prohibited in all circumstances that influence, create obligations or conflicts of interest, indicate favouritism or do not align with Origin's Code of Conduct.

Origin encourages individuals to report known or suspected instances of inappropriate conduct, including breaches of the Code of Conduct and other policies and directives. There are policies in place designed to protect employees and contractors from any reprisal, discrimination or being personally disadvantaged as a result of their reporting a concern.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

The Board has an Audit Committee which comprises five Non-executive Directors, all of whom are independent. The Chairman of the Board cannot chair the Audit Committee. The Chairman of the Audit Committee, Mr Morgan, is an independent Director with significant financial expertise. All members of the Committee are financially literate and the Committee possesses sufficient accounting and financial expertise and knowledge of the industry in which Origin operates.

Prior to approval of the Company's financial statements for each financial period, the Managing Director and the Acting Chief Financial Officer give the Board a declaration that, in their opinion, the financial records have been properly maintained, that the financial statements complied with the accounting standards and gave a true and fair view, and that their opinion had been formed on the basis of a sound system of risk management and internal compliance and control which was operating effectively.

The Audit Committee oversees the structure and management systems that are designed to protect the integrity of the Company's corporate reporting. The Audit Committee reviews the Company's half and full year financial reports and makes recommendations to the Board on adopting the financial statements. The Committee provides additional assurance to the Board with regard to the quality and reliability of financial information. The Committee has the authority to seek information from any employee or external party.

The internal and external auditors have direct access to the Audit Committee Chairman and, at each scheduled Committee meeting, meet separately with the Committee without management present.

The Committee reviews the independence of the external auditor, including the nature and level of non-audit services provided, and reports its findings to the Board every six months.

(1) Mr Sargent also chairs the Origin Foundation.

The names of the members of the Audit Committee are set out in the table under Principle 2 and their attendance at meetings of the Committee is set out in the Directors' Report.

The external auditor attends the Company's AGM and is available to answer questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Origin has adopted policies and procedures designed to ensure compliance with its continuous disclosure obligations and make senior management accountable for that compliance.

Origin is committed to providing timely, full and accurate disclosure and to keeping the market informed with quarterly releases detailing exploration, development and production, and half and full year reports to shareholders including in digital format on the Company's website.

All material matters are disclosed immediately to the stock exchanges on which Origin's securities are listed (and subsequently to the media, where relevant), as required by the relevant listing rules. All material investor presentations are released to the stock exchanges and are posted on the Company's website. Other reports or media statements that do not contain price sensitive information are included on the Company's website. Shareholders can subscribe to an email notification service and receive notice of any announcements released by the Company.

Both the Continuous Disclosure Policy and the Communications with Shareholders Policy are available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Origin respects the rights of its shareholders and has adopted policies to facilitate the effective exercise of those rights through participation at general meetings and with the provision of information about Origin and its operations.

Origin is committed to providing a high standard of communication to shareholders and other stakeholders so that they have all available information reasonably required to make informed assessments of the Company's business value and prospects.

Shareholders are able to review the financial and non-financial performance of Origin via a half year report, shareholder review, Annual Report, Sustainability Report and annual general meeting materials. These reports are also available on the ASX and in online digital format via Origin's website. Shareholders may also request these in hardcopy.

Sustainability reporting is guided by the Global Reporting Initiative and includes disclosures of material environmental, social and governance (ESG) aspects of the Company's business activities.

Origin also discloses other ESG information via regulated National Greenhouse Emissions Reporting, as well as voluntary disclosure platforms such as the Carbon Disclosure Project. Origin regularly engages with and provides requested information to research firms. Origin was again included in the FSTE4Good Index and the Dow Jones Sustainability Australia Index during the period.

All communications from, and the majority of communications to, the Company's share registry are available electronically, including the publication of company reports, and shareholders are encouraged to take up the option of e-communications.

Origin's website contains a list of key dates and all recent announcements, presentations, past and current company reports and notices of meetings. Shareholder meetings and results announcements are webcast and an archive of these meetings is published on the Company's website.

Origin welcomes and encourages shareholders to attend and participate at its AGM, either in person, by proxy or attorney, or by other means adopted by the Board. At each AGM, the Chairman allows a reasonable opportunity for shareholders to ask questions of the Board and the external auditors. Shareholders who are unable to attend the AGM are able to view a webcast of the meeting (and certain past general meetings) on the Company's website.

Origin has a wide stakeholder engagement program and a dedicated investor relations function to facilitate effective two-way communication with investors.

The Communications with Shareholders Policy is available on the Company's website.

In addition to shareholders, the Company's projects and operations necessitate interaction with a range of stakeholders including local communities, business partners, government, industry, media, suppliers and NGOs. Origin has a program to support these stakeholder interactions and facilitate constructive relationships. These include:

- dedicated community advisors to help facilitate and implement the Company's engagement with local communities and regular dialogue with the communities in which Origin operates;
- a government relations team which regularly interacts with policy makers within the jurisdictions of Origin's operations, particularly to help develop sound and stable policy to ensure business certainty;
- dedicated external affairs team with regular interaction with media and NGOs to create a better understanding of Origin's business; and
- making a contribution to the formulation of energy and carbon policy through public submissions to various enquiries (public submissions Origin has made in these areas are available on the government or the Company's website).

Further information on the Company's stakeholder engagement program can be found in the Sustainability Report under Engaging with Stakeholders.

Customers are a central part of Origin's engagement, innovation and value creation. Origin continues to adapt processes, introduce new products and invest in technology to provide customers with greater choice and an improved customer experience. The Sustainability Report provides further information on Origin's interaction with its customers.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Origin's approach to risk management aims to embed a risk-aware culture in all decision-making and to manage risk in a proactive and effective manner. The Board has an overarching policy governing the Company's approach to risk oversight and management and internal control systems. This policy and further information on Origin's approach to managing its material risks is available on the Company's website.

Origin has established a Risk Committee to oversee its policies and procedures in relation to risk management and internal control systems. The Risk Committee is comprised of the Chairman of the Board and the Chairman of each other Board Committee, and is chaired by independent Non-executive Director Ms Brenner. The Risk Committee Charter is available on the Company's website. The names of the members of the Risk Committee are set out in the table under Principle 2 and a record of their attendance at meetings of the Committee is set out in the Directors' Report.

The Chief Risk Officer has unfettered access to the Chairman of the Risk Committee.

The Company's risk policies are designed to identify, assess, manage and monitor strategic, operational, financial and project risks and mitigate the impact in the event that they materialise. The Board has also approved policies for hedging interest rates, foreign exchange rates and commodities. Certain specific risks are covered by insurance.

Management is responsible for the design and implementation of the risk management and internal control systems to manage the Company's risks. Management reports to the Risk Committee on how material risks are being managed and the effectiveness of controls in place to mitigate those risks. The Risk Committee has an annual calendar that includes regular detailed risk profile reviews.

The Risk Committee reviews the Company's risk management framework annually to satisfy itself that it continues to be sound. An independent review of the design of the risk management framework was completed during the financial year and it found the framework to be sound. Management has reported to the Risk Committee and the Board that, as at 30 June 2016, the framework is sound.

Origin also has an internal audit function which utilises both internal and external resources to provide an independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The internal audit function has direct access to the Chairmen of the Audit and HSE Committees and management, and has the right to seek information. A risk-based approach is used to develop the annual internal audit plan, aligning planned internal audit activities to the Company's material risks. The internal audit plan is approved by the Audit and HSE Committees annually and reviewed quarterly.

In addition to internal audit activities, second line assurance activity is undertaken across the business in the management of risk. The findings of this activity are reported through to the relevant executive and, where appropriate, Board Committee.

Origin's approach to the management of risks and controls reflects the 'three lines of defence' model. The first line of defence comprises operational business managers that own and manage risks. The second line of defence comprises the corporate functions that oversee/monitor/challenge risks. The third line of defence comprises the Origin group internal audit function that assures compliance with policies and standards.

The Board's HSE Committee supports and advises the Board on HSE matters and HSE related risks arising out of the activities and operations of Origin and its related companies. The HSE Committee comprises the Managing Director and four independent Non-executive Directors. The Chairman, Mr Akehurst, is an independent Director. The Board considers that the direct impact the deliberations of the HSE Committee can have on the day-to-day operations of Origin makes it appropriate for the Managing Director to be a member of that Committee.

The names of the members of the HSE Committee are set out under Principle 2 and a record of their attendance at meetings of the Committee is set out in the Directors' Report.

Beyond the financial results, Origin is witnessing changes in community attitudes and increased focus on local and global environmental challenges. Origin recognises the need for disclosure and transparency of decision making to help investors assess both short term and long term risks and prospects.

Origin assesses the environmental and social risks associated with all projects and operations. Projects are developed with precautionary engineering and management measures in place to mitigate or manage key environmental and social risks, and operations are managed using policies and procedures to control remaining environmental and social risks. Environmental and social risk management is subject to periodic audits and assurance.

As one of Australia's largest power generators, Origin closely measures, manages and reports on the greenhouse gas emissions associated with its generation operations. These emissions are governed by laws and regulations. Management of emissions extends to the development of a low carbon power generation portfolio including natural gas, wind and solar.

Further information on Origin's management and performance in the social, environmental and economic aspects in operating its business is contained in the Sustainability Report[1].

Origin measures its reputation, that is, how Origin is perceived by Australians (including shareholders) using RepTrak® methodology. Origin's reputation performance and reputation risk issues are periodically reported to the Board.

In addition to stakeholder measurement through RepTrak, Origin also engages a number of bespoke advisors to provide real-time monitoring of mainstream and social media to evaluate the external operating environment and ensure emerging risks, issues and shifting public and policy debates are identified and addressed accordingly. Quarterly quantitative and qualitative mainstream media analysis is undertaken to better understand external trends, sentiment and key public influencers.

These insights influence and inform Origin's external affairs and stakeholder engagement strategies, as well as customer facing positioning and community engagement approaches.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration Report sets out details of the Company's policies and practices for remunerating Directors, key management personnel and employees.

The Board has a Remuneration Committee which comprises four Non-executive Directors, all of whom are independent. The Chairman, Dr Nugent, is an independent Director. The names of the members of the Remuneration Committee are set out under Principle 2 and a record of their attendance at meetings of the Committee is set out in the Directors' Report.

Further information about the Remuneration Committee's activities is provided in the Remuneration Report.

The remuneration of Non-executive Directors is structured separately from that of the Managing Director and senior executives. Information on remuneration for Non-executive Directors is in the Remuneration Report.

Origin has established a policy which governs dealings in its securities. This precludes any Origin personnel from engaging in short-term dealings in the Company's securities and margin loans should not be entered into if they could cause a dealing that is in breach of the general insider trading provisions of the Corporations Act or the Policy. Origin personnel are prohibited from entering into hedging transactions which operate to limit the economic risk of any of their unvested equity-based incentives. The Dealing in Securities Policy is available on the Company's website.

The Code of Conduct, Dealings in Securities Policy and other relevant policies are supported by appropriate training programs and regular updates.

Information referred to in this Corporate Governance Statement as being on the Company's website may be found at the web address: www.originenergy.com.au under the section 'About – Investors & Media – Governance'.

(1) This was under the Energy Developments section in the 2015 Sustainability Report.

FINANCIAL STATEMENTS CONTENTS

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE

	Note	2016 $million	2015 $million
Continuing operations			
Revenue	A2	11,923	11,893
Other income	A2	33	197
Expenses	A3	(12,127)	(12,260)
Results of equity accounted investees	A4	(228)	(87)
Interest income	A2	222	112
Interest expense	A3	(560)	(389)
Loss before income tax		**(737)**	**(534)**
Income tax benefit	D1	133	85
Loss for the period from continuing operations		**(604)**	**(449)**
Discontinued operations			
Profit/(loss) from discontinued operations	E4	28	(141)
Loss for the period		**(576)**	**(590)**
(Loss)/profit for the period attributable to:			
Members of the parent entity		(589)	(658)
Non-controlling interests		13	68
Loss for the period		**(576)**	**(590)**
Earnings per share			
Basic earnings per share	A5	(37.3) cents	(52.1) cents
Diluted earnings per share	A5	(37.3) cents	(52.1) cents
(Loss)/profit for the period from continuing operations attributable to:			
Members of the parent entity		(610)	(459)
Non-controlling interests		6	10
Loss for the period		**(604)**	**(449)**
Earnings per share from continuing operations			
Basic earnings per share	A5	(38.7) cents	(36.3) cents
Diluted earnings per share	A5	(38.7) cents	(36.3) cents

The income statement should be read in conjunction with the accompanying notes set out on pages 73 to 116.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE

	Note	2016 $million	2015 $million
Loss for the period		**(576)**	**(590)**
Other comprehensive income			
Items that will not be reclassified to the income statement			
Actuarial gain on defined benefit superannuation plan		–	5
Items that may be reclassified to the income statement			
Foreign currency translation differences for foreign operations		80	180
Available for sale financial assets			
Valuation gain taken to equity		6	20
Cash flow hedges			
Changes in fair value of cash flow hedges		247	173
Net loss on hedge of net investment in foreign operations		(18)	(71)
Total items that may be reclassified to the income statement		315	302
Total other comprehensive income for the period, net of tax	C7	**315**	**307**
Total comprehensive income for the period		**(261)**	**(283)**
Total comprehensive income attributable to:			
Items that will not be reclassified to the income statement			
Members of the parent entity		–	5
Non-controlling interests		–	–
		–	5
Items that may be reclassified to the income statement			
Members of the parent entity		(272)	(284)
Non-controlling interests		11	(4)
		(261)	(288)
Total comprehensive income for the period		**(261)**	**(283)**
Total comprehensive income for the period attributable to members of the parent entity arising from:			
Continuing operations		(324)	(10)
Discontinued operations		52	(269)

The statement of comprehensive income should be read in conjunction with the accompanying notes set out on pages 73 to 116.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE

	Note	2016 $million	2015 $million
Current assets			
Cash and cash equivalents		146	151
Trade and other receivables	B1	1,945	2,085
Inventories		248	239
Derivatives	C5	253	15
Other financial assets	B6	312	207
Income tax receivable		59	79
Assets classified as held for sale	E4	471	5,441
Other assets		137	104
Total current assets		**3,571**	**8,321**
Non-current assets			
Trade and other receivables	B1	3	5
Derivatives	C5	1,134	859
Other financial assets	B6	4,943	3,553
Investments accounted for using the equity method	A4	5,945	6,467
Property, plant and equipment	B3	5,685	6,505
Exploration and evaluation assets	B2	1,932	1,894
Development assets	B2	292	239
Intangible assets	B4	5,366	5,481
Other assets		27	43
Total non-current assets		**25,327**	**25,046**
Total assets		**28,898**	**33,367**
Current liabilities			
Trade and other payables		2,048	2,037
Interest-bearing liabilities	C1	110	38
Derivatives	C5	18	31
Other financial liabilities	B6	375	156
Provision for income tax		6	4
Employee benefits		215	260
Provisions	B5	71	74
Liabilities classified as held for sale	E4	46	2,575
Total current liabilities		**2,889**	**5,175**
Non-current liabilities			
Trade and other payables		68	89
Interest-bearing liabilities	C1	9,506	11,839
Derivatives	C5	1,050	1,309
Deferred tax liabilities	D2	110	147
Employee benefits		35	35
Provisions	B5	710	614
Total non-current liabilities		**11,479**	**14,033**
Total liabilities		**14,368**	**19,208**
Net assets		**14,530**	**14,159**
Equity			
Share capital	C6	7,150	4,599
Reserves		857	576
Retained earnings		6,502	7,548
Total parent entity interest		**14,509**	**12,723**
Non-controlling interests – Contact Energy		–	1,244
Non-controlling interests – other		21	192
Total equity		**14,530**	**14,159**

The statement of financial position should be read in conjunction with the accompanying notes set out on pages 73 to 116.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE

$million	Share capital	Share-based payments reserve	Foreign currency translation reserve	Hedging reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total equity
Balance as at 1 July 2015	**4,599**	**171**	**315**	**71**	**19**	**7,548**	**1,436**	**14,159**
Other comprehensive income (refer to note C7)	–	–	64	247	6	–	(2)	315
(Loss)/profit	–	–	–	–	–	(589)	13	(576)
Total comprehensive income for the period	**–**	**–**	**64**	**247**	**6**	**(589)**	**11**	**(261)**
Dividends paid (refer to note A6)	–	–	–	–	–	(452)	(8)	(460)
Movement in share capital (refer to note C6)	2,551	–	–	–	–	–	–	2,551
Share-based payments	–	32	–	–	–	–	–	32
Sale of Contact Energy	–	(6)	(65)	3	–	–	(1,423)	(1,491)
Transfer within reserves	–	–	–	–	–	(5)	5	–
Total transactions with owners recorded directly in equity	**2,551**	**26**	**(65)**	**3**	**–**	**(457)**	**(1,426)**	**632**
Balance as at 30 June 2016	**7,150**	**197**	**314**	**321**	**25**	**6,502**	**21**	**14,530**
Balance as at 1 July 2014	**4,520**	**139**	**132**	**(100)**	**(1)**	**8,754**	**1,685**	**15,129**
Other comprehensive income (refer to note C7)	–	–	183	171	20	5	(72)	307
(Loss)/profit	–	–	–	–	–	(658)	68	(590)
Total comprehensive income for the period	**–**	**–**	**183**	**171**	**20**	**(653)**	**(4)**	**(283)**
Dividends paid (refer to note A6)	–	–	–	–	–	(553)	(248)	(801)
Movement in share capital (refer to note C6)	79	–	–	–	–	–	–	79
Share-based payments	–	32	–	–	–	–	3	35
Total transactions with owners recorded directly in equity	**79**	**32**	**–**	**–**	**–**	**(553)**	**(245)**	**(687)**
Balance as at 30 June 2015	**4,599**	**171**	**315**	**71**	**19**	**7,548**	**1,436**	**14,159**

The statement of changes in equity should be read in conjunction with the accompanying notes set out on pages 73 to 116.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE

	Note	2016 $million	2015 $million
Cash flows from operating activities			
Cash receipts from customers		14,040	15,875
Cash paid to suppliers		(12,688)	(13,933)
Cash generated from operations		1,352	1,942
Income taxes paid, net of refunds received		52	(109)
Net cash from operating activities	F6	**1,404**	**1,833**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(460)	(564)
Acquisition of exploration and development assets		(112)	(920)
Acquisition of other assets		(119)	(250)
Investment in joint ventures		(10)	(34)
Interest received from equity accounted investees		338	165
Interest received from other parties		1	–
Net proceeds from sale of investment in Contact Energy		1,599	–
Net proceeds from sale of non-current assets		118	19
Loans to equity accounted investees		(1,544)	(2,330)
Net cash used in investing activities		**(189)**	**(3,914)**
Cash flows from financing activities			
Proceeds from borrowings		9,102	16,021
Repayment of borrowings		(11,792)	(12,756)
Proceeds from share rights issue		2,496	–
Interest paid		(611)	(547)
Dividends paid by the parent entity		(410)	(474)
Dividends paid to non-controlling interests		(8)	(248)
Net cash (used in)/from financing activities		**(1,223)**	**1,996**
Net decrease in cash and cash equivalents		**(8)**	**(85)**
Cash and cash equivalents at the beginning of the period[1]		**155**	**228**
Effect of exchange rate changes on cash		(1)	12
Cash and cash equivalents at the end of the period		**146**	**155**

(1) Cash and cash equivalents at the beginning of the period of $155 million includes $4 million of cash and cash equivalents which are classified as held for sale. Refer to note E4.

The statement of cash flows should be read in conjunction with the accompanying notes set out on pages 73 to 116.

OVERVIEW

Origin Energy Limited (the Company) is a for profit company domiciled in Australia. The address of the Company's registered office is Level 45, Australia Square, 264-278 George Street, Sydney NSW 2000. The nature of the operations and principal activities of the Company and its controlled entities (the Group) are described in the Segment information.

The consolidated general purpose financial statements of the Group for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 18 August 2016.

The financial statements:

- have been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards as issued by the International Accounting Standards Board;
- have been prepared on a historical cost basis, except for derivative financial instruments, environmental scheme certificates, surrender obligations, available for sale financial assets and assets and liabilities classified as held for sale that are carried at their fair value; and trade and other receivables that are initially recognised at fair value, and subsequently measured at amortised cost less accumulated impairment losses;
- are presented in Australian dollars;
- present reclassified comparative information where required for consistency with the current year's presentation;
- adopt all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2015; and
- do not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note F11 for further details.

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, a number of judgements and estimates have been made. Judgements and estimates which are material to the financial statements are found in the following notes:

- Income (note A2)
- Trade and other receivables (note B1)
- Exploration, evaluation and development assets (note B2)
- Property, plant and equipment (note B3)
- Intangible assets (note B4)
- Provisions (note B5)
- Fair value of financial assets and liabilities (note C4)
- Income tax expense (note D1)

Estimates of recoverable amounts are based on an asset's value in use or fair value less costs to sell, using a discounted cash flow method. This requires estimates and assumptions to be made about highly uncertain external factors such as future commodity prices, foreign exchange rates, discount rates, the effects of inflation, climate change policies, supply-and-demand conditions, reserves, future operating profiles and production costs.

The recoverable amounts of non-current assets have been assessed at 30 June 2016 based on the types of judgements and estimates described above. Where required, any impairment has been recognised in the income statement.

A RESULTS FOR THE YEAR

This section highlights the performance of the Group for the year, including results by operating segment, income and expenses, results of equity accounted investments, earnings per share and dividends. The Group's operating segments have been updated since 30 June 2015 to reflect the shift in focus from project delivery to the ongoing operations of integrated exploration and production activities of Australia Pacific LNG. The comparative balances have been restated to conform to current period presentation.

A1 SEGMENTS

The Group's Managing Director monitors the operating results of the business using operating segments which are organised according to the nature and/or geography of the activities undertaken. This section includes the results by operating segment (A1.1), segment assets and liabilities (A1.2) and geographical information for revenue and non-current assets (A1.3).

A1.1 Segment result for the year ended 30 June

		Energy Markets[1]		Integrated Gas[2]		Contact Energy[3]		Corporate[4]		Consolidated	
$million	**Ref.**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue											
Segment revenue		11,423	11,269	674	796	251	2,257	–	–	12,348	14,322
Eliminations	**(a)**	–	–	(174)	(172)	–	(3)	–	–	(174)	(175)
External revenue		**11,423**	**11,269**	**500**	**624**	**251**	**2,254**	**–**	**–**	**12,174**	**14,147**
Underlying EBITDA	**(b)**	**1,330**	**1,260**	**386**	**498**	**61**	**487**	**(81)**	**(96)**	**1,696**	**2,149**
Depreciation and amortisation		(326)	(304)	(278)	(314)	(20)	(189)	–	–	(624)	(807)
Share of ITDA of equity accounted investees		–	–	(293)	(62)	–	–	(3)	–	(296)	(62)
Underlying EBIT		**1,004**	**956**	**(185)**	**122**	**41**	**298**	**(84)**	**(96)**	**776**	**1,280**
Net financing costs[5]	**(c)**			(30)	–	(15)	(101)	(64)	(68)	(109)	(169)
Income tax expense[6]						(4)	(55)	(282)	(294)	(286)	(349)
Non-controlling interests (NCI)						(12)	(77)	(4)	(3)	(16)	(80)
Segment result and underlying profit[7]		**1,004**	**956**	**(215)**	**122**	**10**	**65**	**(434)**	**(461)**	**365**	**682**
Items excluded from underlying profit											
Fair value and foreign exchange movements	**(d)**	(55)	(22)	(167)	(702)	(10)	(34)	(53)	(16)	(285)	(774)
LNG related items pre revenue recognition	**(e)**	–	–	(304)	(222)	–	–	–	–	(304)	(222)
Disposals, impairments and business restructuring	**(f)**	(4)	177	(505)	(554)	14	(287)	(286)	(99)	(781)	(763)
Tax and NCI on items excluded from underlying profit						6	43	410	376	416	419
Items excluded from underlying profit		**(59)**	**155**	**(976)**	**(1,478)**	**10**	**(278)**	**71**	**261**	**(954)**	**(1,340)**
Statutory loss attributable to members of the parent entity[8]										**(589)**	**(658)**

(1) Energy retailing, power generation and LPG operations predominantly in Australia.
(2) Gas and oil exploration and production in Australia and New Zealand and the Group's investment in Australia Pacific LNG and the results of the Group's activities as Australia Pacific LNG Upstream Operator. Costs incurred in relation to the Group's role as the Australia Pacific LNG Upstream Operator are recharged to Australia Pacific LNG in accordance with the Shareholder Agreement.
(3) Includes the Group's 53.09 per cent controlling interest in Contact Energy Limited (Contact Energy), which is involved in energy retailing and power generation in New Zealand, up to the date of sale of the Group's interest in Contact Energy on 10 August 2015. The results of Contact Energy are classified as a discontinued operation in the period to 30 June 2016 (refer to note E4). It also includes $6 million (2015: $10 million) of net financing costs and $5 million of income tax benefit and NCI (2015: $4 million of income tax expense and NCI) relating to the Group's funding of its investment which are classified as continuing operations and are now recorded in the Corporate segment.
(4) Various business development and support activities that are not allocated to operating segments.
(5) Net financing costs have been allocated to the Integrated Gas segment relating to the LNG business and also to the Contact Energy segment (until disposal on 10 August 2015).
(6) Income tax expense for entities in the Origin tax consolidated group is allocated to the Corporate segment.
(7) Underlying profit includes $354 million (2015: $603 million) from continuing operations and $11 million (2015: $79 million) from discontinued operations. Discontinued operations comprise the Contact Energy segment result adjusted for Group funding costs of $1 million (2015:$14 million).
(8) Includes $610 million loss (2015: $459 million loss) from continuing operations and $21 million profit from discontinued operations (2015: $199 million loss). Discontinued operations comprise the Contact Energy segment result adjusted for Group funding costs of $1 million (2015:$14 million).

A1 SEGMENTS (CONTINUED)

Explanatory notes to segment results for the year ended 30 June

(a) Segment revenue eliminations

Sales between segments occur on an arm's length basis. The Integrated Gas segment sells gas and LPG to the Energy Markets segment and previously LPG to Contact Energy. Contact Energy previously sold electricity to the Integrated Gas segment.

(b) Underlying EBITDA

Represents underlying earnings before interest, tax, depreciation and amortisation (EBITDA). Includes the Group's share of underlying EBITDA from equity accounted investees of $111 million (2015: $53 million).

(c) Net financing costs

Net financing costs is the aggregation of interest income of $222 million (2015:$112 million), interest expense of $560 million (2015:$389 million) from continuing operations, net interest expense of $9 million relating to discontinued operations (2015:$91 million), less net interest expense relating to Australia Pacific LNG funding of $238 million (2015:$199 million).

(d) Fair value and foreign exchange movements

	2016		2015	
$million	**Gross**	**Tax and NCI**	**Gross**	**Tax and NCI**
Decrease in fair value of financial instruments	(234)	73	(683)	216
LNG foreign currency loss	(42)	12	(40)	11
LNG translation of foreign denominated long-term tax balances	(9)	–	(51)	–
Tax benefit/(expense) on translation of foreign denominated long-term tax balances	–	5	–	(30)
	(285)	**90**	**(774)**	**197**

(e) LNG related items pre revenue recognition

Net financing costs incurred in funding the Australia Pacific LNG project	(238)	71	(199)	60
LNG pre-production costs not able to be capitalised	(66)	11	(23)	–
	(304)	**82**	**(222)**	**60**

(f) Disposals, impairments and business restructuring

Gain on sale of Contact Energy	14	–	–	–
Gain on sale of Mortlake Terminal Station	24	(7)	–	–
Capital tax loss recognition	–	28	–	–
Release of unfavourable contract liability on renegotiation of the Smithfield PPA	–	–	193	(58)
Disposals	38	21	193	(58)
Integrated Gas				
New Zealand onshore assets	30	(9)	(73)	20
Cooper Basin	(111)	34	(257)	77
BassGas	(204)	61	(174)	52
Otway Basin	(236)	70	(50)	15
Surat Basin	30	(9)	–	–
Contact Energy				
Goodwill	–	–	(265)	–
Corporate				
IT transformation	(94)	29	(72)	22
Investment in Energia Andina S.A.	(86)	–	–	–
Investment in OTP Geothermal Pte Ltd	(20)	–	–	–
Other	–	–	2	–
Impairments	(691)	176	(889)	186
Integration and transformation costs	(5)	2	(36)	11
Restructure costs	(111)	33	–	–
Contact Energy's retail transformation costs	–	–	(22)	6
Corporate transaction costs	(12)	3	(9)	2
Uplift in tax cost base/tax depreciation reinstatement	–	9	–	15
Business restructuring	(128)	47	(67)	34
Total disposals, impairments and business restructuring	**(781)**	**244**	**(763)**	**162**

A1 SEGMENTS (CONTINUED)

Explanatory notes to segment results for the year ended 30 June (continued)

A1.2 Segment assets and liabilities as at 30 June

	Energy Markets		Integrated Gas		Contact Energy[2]		Corporate		Consolidated	
$million	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Assets										
Segment assets	12,349	12,398	4,527	4,889	–	5,362	277	159	17,153	22,808
Investments accounted for using the equity method (refer to note A4)	–	–	5,945	6,231	–	–	–	236	5,945	6,467
Cash, funding related derivatives and tax assets			4,848	3,304	–	79	952	709	5,800	4,092
Total assets	**12,349**	**12,398**	**15,320**	**14,424**	**–**	**5,441**	**1,229**	**1,104**	**28,898**	**33,367**
Liabilities										
Segment liabilities	(2,250)	(2,015)	(1,336)	(1,479)	–	(264)	(380)	(438)	(3,966)	(4,196)
Financial liabilities, interest-bearing liabilities, funding related derivatives and tax liabilities[3]			(6,905)	(7,579)	–	(2,532)	(3,497)	(4,901)	(10,402)	(15,012)
Total liabilities	**(2,250)**	**(2,015)**	**(8,241)**	**(9,058)**	**–**	**(2,796)**	**(3,877)**	**(5,339)**	**(14,368)**	**(19,208)**
Acquisitions of non-current assets (includes capital expenditure)[1]	223	307	405	1,333	7	98	18	127	653	1,865

(1) Cash contributions of $1,544 million (2015:$2,330 million) to Australia Pacific LNG are not treated as acquisitions as they are accounted for as loans rather than an increase in the Group's investment.
(2) Includes amounts which are classified as held for sale at 30 June 2015 and liabilities of $221 million relating to funding of Contact Energy.
(3) The net cash proceeds from the equity rights issue of $2,496 million have been applied to the Integrated Gas interest-bearing liabilities and the proceeds from the sale of Contact Energy of $1,599 million have been applied to the Corporate interest-bearing liabilities.

A1.3 Geographical information

Detailed below is revenue based on the location of the customer and non-current assets (excluding derivatives and other financial assets) based on the location of the assets.

	2016 $million	2015 $million
Revenue for the year ended 30 June		
Australia	11,635	11,607
New Zealand	132	152
Other	156	134
Revenue from continuing operations	**11,923**	**11,893**
New Zealand	251	2,254
Revenue from discontinued operations	**251**	**2,254**
Total external revenue	**12,174**	**14,147**
Non-current assets as at 30 June		
Australia	18,712	19,524
New Zealand	495	798
Other	43	312
Total non-current assets[1]	**19,250**	**20,634**

(1) Excludes amounts which are classified as held for sale at 30 June 2015 and 30 June 2016. Refer to note E4.

A2 INCOME

	2016 $million[1]	2015 $million[1]
Income from continuing operations		
Revenue[2]	11,923	11,893
Net gain on sale of assets	25	2
Release of unfavourable contract liability	–	193
Other	8	2
Other income	**33**	**197**
Interest earned from other parties	2	–
Interest earned on Australia Pacific LNG MRCPS (refer to note E1)	220	112
Interest income[3]	**222**	**112**

(1) Excludes amounts classified as discontinued operations at 30 June 2015 and 30 June 2016. Refer to note E4.
(2) Revenue from the sale of oil and gas by the Integrated Gas segment is recognised when title to the commodity passes to the customer. Revenue from the sale of electricity and gas by the Energy Markets segment is recognised on delivery of the product. Amount excludes revenue from discontinued operations of $251 million (2015: $2,254 million). Note A1 provides segment revenue.
(3) Interest income is recognised as it accrues.

Key estimate: unbilled revenue

At the end of each period, the volume of energy supplied since a customer's last bill is estimated in determining the unbilled revenue included in income. This estimation requires judgement and is based on historical customer consumption patterns.

Related to this are unbilled network expenses for unread gas and electricity meters which are estimated based on historical customer consumption patterns and accrued at the end of the reporting period. This is recorded within Trade and other payables in the Statement of Financial Position.

A3 EXPENSES

	2016 $million[1]	2015 $million[1]
Expenses from continuing operations		
Raw materials and consumables used	8,964	8,749
Labour[2]	737	770
Exploration	63	29
Depreciation and amortisation	603	620
Impairment of assets	691	624
Decrease in fair value of financial instruments	224	649
Net foreign exchange loss	41	36
Other[3]	804	783
Expenses	**12,127**	**12,260**
Interest charged by other parties	56	63
Impact of discounting on long-term provisions	16	15
Interest expense related to Australia Pacific LNG funding	488	311
Interest expense	**560**	**389**
Financing costs capitalised[4]	**90**	**118**

(1) Excludes amounts classified as discontinued operations at 30 June 2015 and 30 June 2016. Refer to note E4.
(2) Includes contributions to defined contribution superannuation funds from continuing operations of $47 million (2015: $66 million).
(3) Includes operating lease rental expense of $79 million (2015: $93 million) from continuing operations.
(4) Financing costs incurred for the construction of a qualifying asset are capitalised whilst the asset is being constructed or prepared for use at the rate applicable to the borrowings. Where borrowings are not specific to an asset, financing costs are calculated at an average rate based on the general borrowings of the Group (2016: 4.40 per cent; 2015: 4.90 per cent).

A4 RESULTS OF EQUITY ACCOUNTED INVESTEES

$million	Share of EBITDA	Share of interest, tax, depreciation and amortisation (ITDA)	Share of net (loss)/profit
2016			
Australia Pacific LNG[1]	62	(287)	(225)
Other joint venture entities	–	(3)	(3)
Total	**62**	**(290)**	**(228)**
Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit[2]	49	(6)	43
Total excluding Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit[3]	**111**	**(296)**	**(185)**
2015			
Australia Pacific LNG[1]	16	(101)	(85)
Other joint venture entities	(2)	–	(2)
Total	**14**	**(101)**	**(87)**
Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit[2]	39	39	78
Total excluding Group's share of Australia Pacific LNG's items excluded from underlying consolidated profit[3]	**53**	**(62)**	**(9)**

$million as at	Equity accounted investment carrying amount 2016	2015
Australia Pacific LNG[1]	5,945	6,231
Other joint venture entities[4]	–	236
	5,945	**6,467**

(1) Australia Pacific LNG's summary financial information is separately disclosed in note E1.
(2) Detailed further in note E1.
(3) Disclosure is provided to enable the reconciliation to share of interest, tax, depreciation and amortisation of equity accounted investees included in the segment analysis in note A1.
(4) Reflects the impairment of Energia Andina S.A. and the transfer to held for sale of OTP Geothermal Pte Ltd and Energia Austral SpA.

A5 EARNINGS PER SHARE

	2016	Restated 2015
Earnings per share based on statutory consolidated loss		
Basic earnings per share	(37.3) cents	(52.1) cents
Diluted earnings per share	(37.3) cents	(52.1) cents
Basic earnings per share from continuing operations	(38.7) cents	(36.3) cents
Diluted earnings per share from continuing operations	(38.7) cents	(36.3) cents
Basic earnings per share from discontinued operations	1.3 cents	(15.8) cents
Diluted earnings per share from discontinued operations	1.3 cents	(15.8) cents
Earnings per share based on underlying consolidated profit[1]		
Underlying basic earnings per share	23.2 cents	54.0 cents
Underlying diluted earnings per share	23.2 cents	54.0 cents

(1) Refer to note A1 for a reconciliation of underlying consolidated profit to statutory loss.

A5 EARNINGS PER SHARE (CONTINUED)

Restatement of weighted average number of shares used as the denominator

During the period, Origin completed a rights issue of 636,086,881 shares at $4.00 per share. The price was at a 34.4 per cent discount to the market price and therefore a bonus was received by shareholders who participated in the rights issue. Accordingly, earnings per share for the 2015 comparative period have been adjusted for the bonus element of the issue by multiplying the average weighted number of shares prior to the rights issue by 1.14 (i.e. a 14 per cent bonus element).

	2015
Average weighted number of shares pre adjustment for rights issue	1,106,483,636
Bonus element of rights issue	157,477,072
Average weighted number of shares adjusted for rights issue	1,263,960,708

Calculation of earnings per share

Basic earnings per share is calculated as profit for the period attributable to the parent entity (2016: $589 million loss; 2015: $658 million loss) divided by the average weighted number of shares.

Basic earnings per share from continuing operations is calculated as profit for the period from continuing operations attributable to the parent entity (2016: $610 million loss; 2015: $459 million loss) divided by the average weighted number of shares (2016: 1,578,213,157; 2015: 1,263,960,708).

Diluted underlying earnings per share represents profit for the period attributable to the parent entity divided by an average weighted number of shares (2016: 1,580,493,399; 2015; 1,264,413,970) which has been adjusted to reflect the number of shares which would be issued if outstanding options, performance share rights and deferred shares rights were to be exercised (2016: 2,280,242; 2015: 453,262).

Due to the statutory loss attributable to the parent entity for the year ended 30 June 2016, the effect of these instruments and the impact of the share rights issue on these instruments has been excluded in the 30 June 2016 calculation of diluted earnings per share and diluted earnings per share from continuing operations as they would reduce the loss per share.

A6 DIVIDENDS

The Directors have determined not to pay a final dividend for the year ended 30 June 2016. The following dividends were paid during the year ended 30 June:

	2016 $million	2015 $million
Final dividend of 25 cents per share, unfranked, paid 28 September 2015 (2015: Final dividend of 25 cents per share, unfranked, paid 26 September 2014)	277	276
Interim dividend of 10 cents per share, unfranked, paid 31 March 2016 (2015: Interim dividend of 25 cents per share, unfranked, paid 31 March 2015)	175	277
	452	**553**

Dividend franking account

Franking credits available to shareholders of Origin Energy Limited for subsequent financial years are:

Australian franking credits available at 30 per cent	–	–
New Zealand franking credits available at 28 per cent (in NZD)	304	305

Franking credits can only be used when the Group is able to declare franked dividends.

B OPERATING ASSETS AND LIABILITIES

This section provides information on the assets used to generate the Group's trading performance and the liabilities incurred as a result.

B1 TRADE AND OTHER RECEIVABLES

The following balances are amounts which are due from the Group's customers.

	2016 $million	2015 $million
Current		
Trade receivables net of allowance for impairment	632	716
Unbilled revenue net of allowance for impairment	992	1,135
Other receivables	321	234
	1,945	**2,085**
Non-current		
Trade receivables	3	5
	3	**5**

Trade and other receivables are initially recorded at the amount billed to customers. Unbilled receivables represent estimated gas and electricity services supplied to customers since their previous bill was issued. Trade and other receivables (including unbilled revenue) reflect the amount anticipated to be collected. The collectability of these balances is assessed on an ongoing basis. When there is evidence that an amount will not be collected, it is provided for and then written off. If receivables are subsequently recovered, the amounts are credited against other expenses in the income statement when collected.

The Group's customers are required to pay in accordance with agreed payment terms. Depending on the customer segment, settlement terms are generally 14 to 30 days from the date of the invoice. Credit approval processes are in place for large customers. All credit and recovery risk associated with trade receivables has been provided for in the statement of financial position.

Key judgements and estimates

Recoverability of trade receivables: *Judgement is required in determining the level of provisioning for customer debts. Impairment allowances take into account the age of the debt, prevailing economic conditions and historic collection trends.*

Unbilled revenue: *Unbilled gas and electricity revenue is not collectable until customers' meters are read and invoices issued. Refer to note A2 for judgement applied in determining the amount of unbilled gas and electricity revenue to recognise.*

The average age of trade receivables is 18 days (2015: 22 days). At 30 June, the ageing of trade receivables that were not impaired was as follows:

	2016 $million	2015 $million
Not yet due	419	447
1-30 days past due	99	88
31-60 days past due	32	65
61-90 days past due	21	31
91 days past due	61	85
	632	**716**
The movement in the allowance for impairment in respect of trade receivables and unbilled revenue during the year is as follows:		
Balance as at 1 July	**97**	**117**
Impairment losses recognised	67	83
Transfers to held for sale	(2)	(9)
Amounts written off	(75)	(94)
Balance as at 30 June	**87**	**97**

B2 EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS

	Exploration and evaluation assets		Development assets	
	2016 $million	2015 $million	2016 $million	2015 $million
Balance as at 1 July	**1,894**	**1,120**	**239**	**–**
Additions	107	940	53	94
Exploration expense	(63)	(29)	–	–
Transfers to held for sale	(9)	–	–	–
Transfers	–	(145)	–	145
Effect of movements in foreign exchange rates	3	8	–	–
Balance as at 30 June	**1,932**	**1,894**	**292**	**239**

The Group holds a number of exploration permits which are grouped into areas of interest according to geographical and geological attributes. Expenditure incurred in each area of interest is accounted for using the successful efforts method. Under this method all general exploration and evaluation costs are expensed as incurred except the direct costs of acquiring the rights to explore, drilling exploratory wells and evaluating the results of drilling. These direct costs are capitalised as exploration and evaluation assets pending the determination of the success of the well. If a well does not result in a successful discovery, the previously capitalised costs are immediately expensed.

The carrying amounts of exploration and evaluation assets are reviewed at each reporting date to determine whether any of the following indicators of impairment are present:

- the right to explore has expired, or will expire in the near future, and is not expected to be renewed;
- further exploration for and evaluation of resources in the specific area is not budgeted or planned;
- the Group has decided to discontinue activities in the area; or
- there is sufficient data to indicate the carrying value is unlikely to be recovered in full from successful development or by sale.

Where an indicator of impairment exists, the asset's recoverable amount is estimated and an impairment is recognised in the income statement if required.

Key judgement: recoverability of exploration and evaluation assets

Assessment of the recoverability of capitalised exploration and evaluation expenditure requires certain estimates and assumptions to be made as to future events and circumstances, particularly in relation to whether economic quantities of reserves have been discovered. Such estimates and assumptions may change as new information becomes available. If it is concluded that the carrying value of an exploration and evaluation asset is unlikely to be recovered by future exploitation or sale, the relevant amount will be written off to the income statement.

Upon approval of the commercial development of a project, the exploration and evaluation asset is classified as a development asset. Once production commences, development assets are transferred to property, plant and equipment.

Acquisition of exploration permits in the Browse Basin

In August 2014, the Group acquired a 40 per cent interest in two offshore exploration permits in the Browse Basin in Western Australia. Origin paid US$600 million cash consideration with additional payments of US$75 million payable upon a project Final Investment Decision (FID) and US$75 million payable upon first production. A further payment of up to US$50 million will be payable on first production if Proved plus Probable (2P) reserves at the time of FID reach certain thresholds.

B3 PROPERTY, PLANT AND EQUIPMENT

$million	Generation property, plant and equipment	Other land and buildings	Other plant and equipment	Producing areas of interest	Capital work in progress	Total
2016						
Cost	4,327	118	2,944	1,850	447	9,686
Accumulated depreciation	(1,000)	(40)	(1,670)	(1,291)	–	(4,001)
	3,327	**78**	**1,274**	**559**	**447**	**5,685**
Balance as at 1 July 2015	**3,715**	**69**	**1,659**	**738**	**324**	**6,505**
Additions	92	15	37	155	219	518
Disposals	(85)	–	–	(1)	–	(86)
Depreciation/amortisation – continuing operations	(184)	(7)	(157)	(133)	–	(481)
Net impairment loss(1)	–	–	(354)	(137)	–	(491)
Transfers within PP&E	–	1	86	–	(87)	–
Transfers to held for sale	(211)	–	(7)	(67)	(9)	(294)
Effect of movements in foreign exchange rates	–	–	10	4	–	14
Balance as at 30 June 2016	**3,327**	**78**	**1,274**	**559**	**447**	**5,685**
2015						
Cost	4,604	102	3,284	2,006	324	10,320
Accumulated depreciation	(889)	(33)	(1,625)	(1,268)	–	(3,815)
	3,715	**69**	**1,659**	**738**	**324**	**6,505**
Balance as at 1 July 2014	**8,201**	**79**	**1,963**	**936**	**563**	**11,742**
Additions	32	13	43	189	351	628
Disposals	–	–	–	(2)	–	(2)
Depreciation/amortisation – continuing operations	(182)	(5)	(182)	(156)	–	(525)
Depreciation/amortisation – discontinued operations	(154)	(2)	(9)	–	–	(165)
Impairment loss(2)	–	–	(234)	(320)	–	(554)
Transfers within PP&E	197	–	92	61	(350)	–
Transfers to held for sale	(4,178)	(17)	(76)	–	(224)	(4,495)
Effect of movements in foreign exchange rates	(201)	1	62	30	(16)	(124)
Balance as at 30 June 2015	**3,715**	**69**	**1,659**	**738**	**324**	**6,505**

(1) Reflects impairments of $204 million (tax benefit $61 million) relating to BassGas assets, impairment of $111 million (tax benefit $34 million) relating to the Cooper Basin and impairment of $236 million (tax benefit $70 million) relating to the Otway Basin offset by a reversal of prior impairment on the sale of Surat Basin assets of $30 million (tax expense $9 million); a reversal of prior impairment on New Zealand onshore assets of $30 million (tax expense $9 million).

(2) Reflects impairments of $73 million (tax benefit $20 million) of New Zealand onshore assets, $257 million of Cooper Basin assets (tax benefit $77 million), $174 million of BassGas assets (tax benefit $52 million) and $50 million of Otway Basin assets (tax benefit $15 million).

Property, plant and equipment is recorded at cost less accumulated depreciation, depletion, amortisation and impairment charges. Cost includes the estimated future cost of required closure and rehabilitation.

The carrying amounts of assets are reviewed to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and if required, an impairment is recognised in the income statement.

B3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Several different depreciation methodologies are used by the Group. Sub-surface assets relating to producing areas of interest are amortised on a units of production basis. This method applies an average unit depletion cost to current period reserve production. The proved and probable reserves (2P) expenditure to date and an estimate of future development expenditure required to develop those reserves are used to derive the unit depletion cost. Land and capital work in progress are not depreciated. All other assets are depreciated on a straight-line basis over their useful lives.

The range of depreciation rates for the current and comparative period for each class of asset are:

	%
Generation property, plant and equipment	1 – 33
Other land and buildings	0 – 18
Other plant and equipment	1 – 50
Producing areas of interest	2 – 25

At 30 June 2016, the Group reassessed the carrying amounts of its non-current assets for indicators of impairment.

Estimates of recoverable amount are based on an asset's value in use or fair value less costs to sell (level 3 fair value hierarchy), using a discounted cash flow method. The recoverable amount of these assets is most sensitive to those assumptions highlighted in the key judgements and estimates below.

Key judgements and estimates

Recoverability of carrying values: *Assets are grouped together into the smallest group of assets that generate largely independent cash inflows (cash generating unit). A Cash Generating Unit's ("CGU") recoverable amount comprises the present value of the future cash flows which will arise from use of the assets. Assessment of a CGU's recoverable amount requires estimates and assumptions to be made about highly uncertain external factors such as future commodity prices, foreign exchange rates, discount rates, the effects of inflation, climate change policies and the outlook for global or regional market supply-and-demand conditions. In addition, the Group makes estimates and assumptions about reserves, future operating profiles and production costs. Such estimates and assumptions may change as new information becomes available. If it is concluded that the carrying value of a CGU is not likely to be recovered by use or sale, the relevant amount will be written off to the income statement.*

Estimation of reserves: *Reserves are estimates of the amount of product that can be extracted from an area of interest. A range of assumptions are used to estimate economically recoverable 2P reserves. As the economic assumptions change from period to period, and because additional geological information becomes available during the course of operations, estimates of 2P reserves may change from period to period. These changes could impact the asset carrying values, unit of production depletion calculations, restoration provisions and deferred tax balances.*

Estimation of commodity prices: *The Group's best estimate of future commodity prices is made with reference to internally derived forecast data, current spot prices, external market analysts' forecasts and forward curves. Where volumes are contracted, future prices reflect the contracted price. Future commodity price assumptions impact the recoverability of carrying values and are reviewed at least annually.*

Estimation of useful economic lives: *A technical assessment of the operating life of an asset requires significant judgement. Useful lives are amended prospectively when a change in those assessments occurs.*

Restoration provisions: *An asset's carrying value includes the estimated future cost of required closure and rehabilitation activities. Refer to note B5 for key judgement related to restoration provisions.*

Future downhole costs: *The depletion and amortisation calculation for producing areas of interest is dependent in part on the estimated future downhole expenditure required to develop and extract 2P undeveloped reserves. Changes in future downhole expenditure can therefore impact amortisation recognised. Future expenditure estimates have been based on the proposed development profiles for the fields.*

Recoverable amounts and resulting impairment write-downs recognised in the year ended 30 June 2016 are:

Area of interest/CGU	Segment	Impairment $million	Recoverable amount $million
New Zealand onshore assets	Integrated Gas	30	30
Surat Basin	Integrated Gas	30	30
Cooper Basin	Integrated Gas	(111)	207
BassGas assets	Integrated Gas	(204)	93
Otway Basin	Integrated Gas	(236)	865
		(491)	**1,225**

In assessing recoverable amount, an asset's estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The pre-tax discount rates that have been applied to the above non-current assets in the current and prior measurement of recoverable amount range between 8.5 per cent and 9.7 per cent (2015: between 9.3 per cent and 10.3 per cent).

During the prior year, the Halladale Black Watch Speculant exploration asset was reclassified to development assets and is included within the Otway Basin CGU.

The impairment charges noted above primarily resulted from a reduction in the reported reserves in the case of BassGas, Cooper and Otway Basin CGUs.

B4 INTANGIBLE ASSETS

	2016 $million	2015 $million
Goodwill at cost – Energy Markets	4,827	4,815
Software and other intangible assets at cost less impairment losses	1,123	1,134
Less: Accumulated amortisation	(584)	(468)
	5,366	**5,481**

Reconciliations of the carrying amounts of each class of intangible asset are set out below:

$million	Goodwill	Software and other intangibles	Total
Balance as at 1 July 2015	**4,815**	**666**	**5,481**
Additions	12	95	107
Impairment loss(1)	–	(94)	(94)
Amortisation expense – continuing operations	–	(122)	(122)
Effect of movements in foreign exchange rates	–	–	–
Transfers to held for sale(3)	–	(6)	(6)
Balance as at 30 June 2016	**4,827**	**539**	**5,366**
Balance as at 1 July 2014	**5,321**	**882**	**6,203**
Additions	–	261	261
Impairment loss(1)(2)	(265)	(72)	(337)
Amortisation expense – continuing operations	–	(95)	(95)
Amortisation expense – discontinued operations	–	(24)	(24)
Effect of movements in foreign exchange rates	(23)	(12)	(35)
Transfers to held for sale	(218)	(274)	(492)
Balance as at 30 June 2015	**4,815**	**666**	**5,481**

(1) During the period a decision was made to write-off an organisation wide IT implementation. As a consequence, an impairment charge of $94 million (2015: $72 million) was recognised in the financial statements which reflects the write-off of the intangible asset relating to this project. The intangible asset relating to this project is allocated across the reportable segments. The impairment is recorded in the Corporate Segment.
(2) During the prior period the Group's investment in Contact Energy was classified as held for sale and was remeasured to the lower of its carrying amount and fair value less costs to sell at the time of reclassification resulting in an impairment loss of $265 million being recognised. Refer to note E4.
(3) Relates to amounts classified as held for sale. Refer to note E4.

Goodwill is stated at cost less any accumulated impairment losses and is not amortised. Software and other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense on a straight-line basis over the estimated useful lives of the intangible assets.

The average amortisation rate for software and other intangibles (excluding capital work in progress) was 12 per cent (2015: 12 per cent).

Key judgement

Carrying values of assets: *Refer to note B3 for key judgement relating to carrying values of assets.*

Impairment testing

The recoverable amount of the Energy Markets goodwill has been determined using a value in use model which includes an appropriate terminal value. The key inputs and assumptions in the calculation of value in use are:

Key input/assumptions	Energy Markets
Period of cash flow projections	Either 40 years, or the life of each Generation asset, based on the Group's five-year business plan. The Energy Markets business is considered a long-term business and as such projection of long-term cash flows is appropriate for a more accurate forecast.
Customer numbers and customer churn	Based on review of actual customer numbers and historical data regarding movements in customer numbers and levels of customer churn. The historical analysis is considered against current and expected market trends and competition for customers.
Gross margin and other operating costs per customer	Based on review of actual gross margins and cost per customer and consideration of current and expected market movements and impacts.
Discount rate	Pre-tax discount rate of 8.5 per cent (2015: 9.1 per cent).

B5 PROVISIONS

$million	Restoration	Other	Total
Balance as at 1 July 2015	**608**	**80**	**688**
Provisions recognised	135	39	174
Provisions released	(32)	(3)	(35)
Payments/utilisation	(5)	(28)	(33)
Impact of discounting	14	–	14
Effect of movements in foreign exchange rates	10	–	10
Transfers to held for sale[1]	(37)	–	(37)
Balance as at 30 June 2016	**693**	**88**	**781**
Current	21	50	71
Non-current	672	38	710
	693	**88**	**781**

(1) Relates to amounts classified as held for sale at 30 June 2016. Refer to note E4.

Restoration provisions are initially recognised at the best estimate of the costs to be incurred in settling the obligation. Where restoration activities are expected to occur more than 12 months from the reporting period the provision is discounted using a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

At each reporting date, the restoration provision is remeasured in line with changes in discount rates, and changes to the timing or amount of the costs to be incurred based on current legal requirements and technology. Any changes in the estimated liability in future periods are added to or deducted from the related asset. The unwinding of the discount is recognised in each period as interest expense.

Key estimate: restoration, rehabilitation and dismantling costs

The Group estimates the cost of future site restoration activities at the time of installation or construction of an asset, or when an obligation arises. Restoration often does not occur for many years and thus significant judgement is required as to the extent of work, cost and timing of future activities.

B6 OTHER FINANCIAL ASSETS AND LIABILITIES

Other financial assets	2016 $million	2015 $million
Current		
Environmental scheme certificates	261	168
Available-for-sale financial assets	51	39
	312	**207**
Non-current		
Environmental scheme certificates	–	154
Available-for-sale financial assets	95	95
Mandatorily Redeemable Cumulative Preference Shares issued by Australia Pacific LNG (refer to note E1)[1]	4,848	3,304
	4,943	**3,553**

(1) The Mandatorily Redeemable Cumulative Preference Shares (MRCPS) were cancelled on 1 July 2016 and replaced with US$2.8 billion of MRCPS and US$0.8 billion capital contribution. Refer note F12.

Other financial liabilities	2016 $million	2015 $million
Current		
Environmental scheme surrender obligations	270	156
Other financial liabilities	105	–
	375	**156**

Financial assets are recognised (or derecognised) on the date on which the Group commits to purchase (or sell) the asset.

The environmental scheme certificates and surrender obligations are initially recorded at cost. Subsequently, they are recorded at their market price (i.e. fair value) where there is an active market. If there is no active market, certificates continue to be recorded at cost.

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments and are intended to be held for the medium to long term. The Group's available-for-sale assets are primarily Settlement Residual Agreements.

C CAPITAL, FUNDING AND RISK MANAGEMENT

This section focuses on the Group's capital structure, and related financing costs. Information is also presented about how the Group manages capital and the various financial risks to which the Group is exposed through its operating and financing activities.

C1 INTEREST-BEARING LIABILITIES

	2016 $million	2015 $million
Current		
Bank loans – secured	–	25
Bank loans – unsecured	8	12
Capital market borrowings – unsecured	101	–
Total current borrowings	**109**	**37**
Lease liabilities – secured	1	1
Total current interest-bearing liabilities	**110**	**38**
Non-current		
Bank loans – secured	–	212
Bank loans – unsecured	726	3,061
Capital market borrowings – unsecured	8,772	8,559
Total non-current borrowings	**9,498**	**11,832**
Lease liabilities – secured	8	7
Total non-current interest-bearing liabilities	**9,506**	**11,839**

Interest-bearing liabilities are initially recorded at the amount of proceeds received (fair value) less transaction costs. After that date the liability is amortised to face value at maturity using an effective interest rate method with any gains or losses recognised in the income statement.

The contractual maturities of non-current borrowings are as follows:

	2016 $million	2015 $million
One to two years	137	309
Two to five years	3,935	5,082
Over five years	5,426	6,441
Total non-current borrowings	**9,498**	**11,832**
Lease liabilities	8	7
Total non-current interest-bearing liabilities	**9,506**	**11,839**

Some of the Group's borrowings are subject to terms which allow the lender to call on the debt should there be a change in control of the Group. As at 30 June 2016 these terms had not been triggered.

Significant funding transactions

In October 2015, the Group completed a rights issue of 636,086,881 shares at $4.00 per share. The rights issue was fully underwritten and was completed on 2 October 2015 (Institutional rights offer) and 28 October 2015 (Retail rights offer). The net proceeds from the rights issue of $2.5 billion were used to pay down Group borrowings.

In December 2014, the Group amended $6.6 billion of syndicated loan facilities to reduce the interest rate margin, extend the maturities and increase the limit of the facilities by $750 million to $7.4 billion. The terms of the bank loan facilities were extended by 16 months to December 2018 and December 2019 respectively.

In September 2014, the Group issued €1 billion hybrid capital securities on the Luxembourg Exchange which were swapped into A$1.4 billion. After hedging to Australian dollars, the cost to the Group is 7.9 per cent per annum for the first 5 years and thereafter at reset rates. The hybrid securities mature after 60 years and can be redeemed at years 5 and 10 or on any interest payment date thereafter.

C2 RISK MANAGEMENT

The Group holds or issues financial instruments for the following purposes:

- Funding: to finance the Group's operating activities. The principal types of instruments include syndicated bank loans, bank guarantee facilities, senior notes, hybrid securities, cash and short term deposits;
- Operating: the Group's day to day business activities generate financial instruments such as cash, trade receivables and trade payables; and
- Risk management: to reduce risks arising from the financial instruments described above, the Group holds derivatives such as forward exchange contracts and interest rate swaps (including cross currency). In addition, a range of standard and bespoke financial instruments are held to manage the Group's exposure to fluctuations in commodity prices.

A number of these financial instruments are recorded at the value which reflects current market conditions, i.e. at fair value. The Group's methodology for calculating fair value can be found in note C4.

Management of these risks is carried out under policies approved by the Board of Directors. The key financial risks to which the Group is exposed are explained further in the following sections:

- Credit risk
- Liquidity risk
- Market risk (including foreign exchange and price risk)
- Interest rate risk

C2 RISK MANAGEMENT (CONTINUED)

C2.1 Credit risk

Credit risk is the risk that a counterparty will not fulfil its financial obligations under a contract or other arrangement. In order to manage credit risk the Group has credit limits which determine the level of exposure that it is prepared to accept with respect to counterparties. The Group is exposed to credit risk through its normal operating activities primarily through customer contracts, financing activities (including Mandatorily Redeemable Cumulative Preference Shares), deposits and the collection risk from arrangements entered into to manage financial risk.

The Group has Board approved credit risk management policies which allocate credit limits to counterparties based on publicly available credit information from recognised providers where available. Credit policies cover exposures generated from the sale of products and the use of derivative instruments. The Group also utilises International Swaps and Derivative Association (ISDA) agreements with all derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties. Refer note F8.

The carrying amounts of financial assets, which are disclosed in more detail in notes B1, B6 and C5, best represents the Group's maximum exposure to credit risk at the reporting date. The Group holds no significant collateral as security and there are no other significant credit enhancements in respect of these assets. All financial assets are monitored in order to identify any potential changes in the credit quality.

C2.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group is exposed to liquidity risk through its ongoing business obligations and its strategy to take advantage of new investment opportunities as they arise. The Group has a capital structure which allows it to support these activities. A key element of this structure is the use of committed undrawn debt facilities.

The tables below set out the contractual timing of cash flows on derivative and non-derivative financial assets and liabilities at reporting date and includes borrowings drawn at reporting date, including interest, and all financial instruments and drawn guarantees:

Derivative financial instruments

	2016			2015		
$million	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets	Derivative financial liabilities	Derivative financial assets	Net derivative financial (liabilities)/ assets
Less than one month	(12)	34	22	(3)	11	8
One to three months	(34)	18	(16)	(81)	(5)	(86)
Three to 12 months	(150)	135	(15)	(174)	(7)	(181)
One to five years	(967)	1,037	70	(1,015)	496	(519)
Over five years	(81)	354	273	(350)	710	360

Non-derivative financial instruments(1)

	2016			2015		
$million	Other financial liabilities	Other financial assets	Net other financial (liabilities)/ assets	Other financial liabilities	Other financial assets	Net other financial (liabilities)/ assets
Less than one month	(1,028)	519	(509)	(1,038)	600	(438)
One to three months	(853)	1,044	191	(966)	1,135	169
Three to 12 months	(2,231)	978	(1,253)	(1,253)	788	(465)
One to five years	(6,765)	3,728	(3,037)	(9,690)	3,971	(5,719)
Over five years	(2,178)	2,521	343	(3,644)	–	(3,644)

The Group manages liquidity risk centrally by monitoring operating cash flow forecasts and the degree of access to debt and equity capital markets. The Group holds a number of debt instruments with varying maturities. The debt portfolio is periodically reviewed to ensure there is funding flexibility and an appropriate repayment profile.

The Group has the following committed undrawn floating rate borrowing facilities:

	2016 $million	2015 $million
Expiring within one year	–	–
Expiring beyond one year	6,581	4,226
	6,581	**4,226**

(1) All facilities are deemed to be repaid at the earlier of their contractual maturity date or first call/intended repayment date.

C2 RISK MANAGEMENT (CONTINUED)

C2.3 Foreign exchange (FX) risk

FX risk is the risk that fluctuations in exchange rates will impact the Group's result. FX risk arises from future commercial transactions (including interest payments and principal debt repayments on foreign currency long-term borrowings, the sale and purchase of oil and gas, LPG, LNG and the purchase of capital equipment), the recognition of assets and liabilities (including foreign receivables and borrowings) and net investments in foreign operations. The Group is mainly exposed to fluctuations in US dollar and New Zealand dollar through its operations (both overseas and in Australia), its financing facilities and through arrangements put in place to manage risk.

As at 30 June 2016, after hedging, the Group is exposed to FX risk on borrowings of US$2,247 million (A$3,021 million). As at 30 June 2015, after hedging and excluding Contact Energy's New Zealand dollar debt, the Group is exposed to FX risk on borrowings of US$2,247 million (A$2,929 million).

To manage FX risk the Group uses forward foreign exchange contracts and cross currency interest rate swaps (both fixed-to-fixed and fixed-to-floating). In certain circumstances borrowings are left in the foreign currency, or hedged from one currency to another, to match payments of interest and principal against expected future business cash flows in that currency.

The Group has certain investments in foreign operations whose net assets are exposed to FX translation risk. This currency exposure is managed primarily by borrowing in the currency to which the foreign operation is exposed.

Significant transactions undertaken in the normal course of operations which are denominated in a foreign currency are managed on a case by case basis.

The table below shows the impact of a 10 per cent change in FX rates (holding all other things constant) on profit and equity based solely on the Group's borrowings and related financial instruments (excluding debt designated as a net investment hedge) existing at the reporting date but does not take into account any mitigating actions that management might undertake if the rate change occurred.

	Impact on post-tax profit		Impact on equity	
$million	**Increase**	**Decrease**	**Increase**	**Decrease**
2016				
US dollar	189	(184)	156	(151)
Euro(2)	(5)	5	(12)	12
2015(1)				
US dollar	167	(167)	157	(157)
Euro(2)	(11)	10	(26)	25

(1) Includes impact of amounts classified as held for sale at 30 June 2015.
(2) Exposure to Euro is a result of ineffectiveness of some fair value hedges that are swapped in AUD.

C2.4 Price risk

Price risk is the risk that fluctuations in commodity prices will impact the Group's result. The Group is exposed to fluctuations in prices of electricity, oil, gas and environmental scheme certificates.

To manage its price risks the Group utilises a range of financial and derivative instruments including fixed price swaps, options, futures and fixed price forward purchase contracts. Refer to note C5. The policy for managing price risk permits the active hedging of price and volume exposures within prescribed limits. The full hedge portfolio is tested on an ongoing basis against these limits.

The table below shows the impact of a 10 per cent change in observable prices (holding all other things constant) on profit and equity based solely on the Group's price exposures existing at the reporting date but does not take into account any mitigating actions that management might undertake if the price change occurred.

	Impact on post-tax profit		Impact on equity	
$million	**Increase**	**Decrease**	**Increase**	**Decrease**
2016				
Electricity forward price	27	(27)	45	(45)
Oil forward prices	–	–	28	(28)
Environmental scheme certificate prices	32	(32)	32	(32)
2015(1)				
Electricity forward price	(16)	16	–	–
Oil forward prices	–	–	(57)	57
Environmental scheme certificate prices	17	(17)	17	(17)

(1) Includes impact of amounts classified as held for sale at 30 June 2015.

C2 RISK MANAGEMENT (CONTINUED)

C2.5 Interest rate risk

Interest rate risk is the risk that fluctuations in interest rates affect the Group's results. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The exposure of the Group's borrowings (excluding lease liabilities), after hedging, to interest rate changes and the contractual repricing periods at the reporting date are set out below:

	2016 $million	2015 $million
Variable rate borrowings	3,403	3,778
Fixed interest rate – repricing dates:		
Six months or less	900	991
Six to twelve months	–	1,193
One to five years	4,298	4,849
Over five years	1,006	1,058
	9,607	**11,869**

The Group's risk management policy is to manage interest rate exposures using Profit at Risk and Value at Risk methodologies. Exposure limits are set to ensure that the Group is not exposed to excess risk from interest rate volatility.

The Group manages its cash flow interest rate risk by entering into fixed rate interest rate swap contracts and fixed rate debt securities, with rates ranging between 2.25 per cent to 7.91 per cent per annum, at a weighted average rate of 5.14 per cent per annum (2015: 2.20 per cent to 7.91 per cent per annum, at a weighted average rate of 4.81 per cent per annum). Such interest rate swaps have the economic effect of converting borrowings from floating to fixed rates.

The Group manages its fair value interest rate risk by using fixed-to-floating interest rate swaps. Where possible these are designated to hedge the interest rate costs associated with underlying debt obligations.

The table below shows the effect on profit and equity if interest rates had been 100 basis points higher or lower based on the relevant interest rate yield curve applicable to the underlying currency of the Group's interest-bearing assets and liabilities. All other variables have been held constant and the impact of any mitigating actions that management might undertake if the rate change occurred have not been taken into account.

	Impact on post-tax profit		Impact on equity	
$million	**Increase**	**Decrease**	**Increase**	**Decrease**
2016				
Interest rates	15	(20)	14	(19)

	Impact on equity			
$million	**Increase**	**Decrease**	**Increase**	**Decrease**
2015[(1)]				
Interest rates	60	(67)	59	(69)

(1) Includes impact of balances classified as held for sale at 30 June 2015.

C3 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group monitors its current and future funding requirements for at least the next five years and regularly assesses a range of funding alternatives to meet these requirements in advance of when the funds are required.

Key factors considered in determining the Group's capital structure and funding strategy at any point in time include expected operating cash flows, capital expenditure plans, maturity profile of existing debt facilities, dividend policy and the ability to access funding from banks, capital markets, and other sources.

The group monitors its capital requirements principally through the gearing ratio. This ratio is calculated as adjusted net debt divided by total capital. Net debt is adjusted to take into account the effect of FX hedging transactions on the Group's foreign currency debt obligations. The Group maintains a gearing ratio designed to optimise the cost of capital while providing flexibility to fund growth opportunities.

	2016 $million	2015 $million[1]
Total interest-bearing liabilities	9,616	11,877
Less: Cash and cash equivalents	(146)	(151)
Net debt	9,470	11,726
Fair value adjustments on FX hedging transactions	(339)	(120)
Adjusted net debt	9,131	11,606
Total equity	14,530	14,159
Total capital	23,661	25,765
Gearing ratio	39%	45%

(1) Excludes amounts which are classified as held for sale at 30 June 2015. If Contact Energy's balances were included within the gearing ratio calculation, the adjusted net debt would be $13,102 million with a gearing ratio of 48 per cent.

C4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following is a summary of the methods that are used to estimate the fair value of the Group's financial instruments:

Instrument	Fair Value Methodology
Financial instruments traded in active markets	Quoted market prices at reporting date.
Forward foreign exchange	Present value of estimated future cash flows using quoted forward exchange rates.
Commodity option contract	Most recent available transaction prices for same or similar instruments.
Financial instruments not traded in active markets	Established valuation methodologies which are general market practice applicable to each instrument.
Long-term debt and other financial assets	Quoted market prices, dealer quotes for similar instruments, or present value of estimated future cash flows.
Interest rate swaps and cross currency interest rate swaps	Present value of estimated future cash flows of these instruments. Key variables include market pricing data, discount rates and credit risk of the Group or counterparty where relevant. Variables reflect those which would be used by market participants to execute and value the instruments.
Commodity swaps and non-exchange traded futures	Present value of estimated future cash flows using market forward prices.
Electricity derivatives which are not regularly traded with no observable market price	The valuation models for long term electricity derivatives reflect the fair value of the avoided costs of construction of the physical assets which would be required to achieve an equivalent risk management outcome for the Group. The methodology takes into account all relevant variables including forward commodity prices, physical generation plant variables, the risk-free discount rate and related credit adjustments, and asset lives. The valuation models for short-term electricity derivatives include premiums for lack of volume in the market relative to the size of the instruments being valued.
Oil forward structured derivative instrument	Valued with reference to the observable market oil forward prices, foreign exchange rates and discount rates. As a result of the structured nature of the instrument, certain risk premium and credit variables utilised in the valuation model are unobservable.
Oil put option	The oil put options are referenced to the Japan Customs-cleared Crude (JCC) index with strike prices in both US$ and A$. The put option instruments are valued using a Monte Carlo simulation model which generates potential future oil and foreign exchange price outcomes over the period covered by the oil put option.

To the maximum extent possible, valuations are based on assumptions which are supported by independent and observable market data. Where valuation models are used, instruments are discounted at the market interest rate applicable to the instrument.

Valuation methodologies are determined based on the nature of the underlying instrument. The Group monitors changes in fair value measurements on a monthly basis.

Key estimate: fair value

In order to estimate the fair value of financial assets and financial liabilities, the Group uses a variety of methods (outlined in the table above) and makes assumptions based on market conditions which exist at each reporting date.

C4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table provides information about the reliability of the inputs used in determining the fair value of financial assets and liabilities carried at fair value. The 3 levels in the hierarchy reflect the level of independent observable market data used in determining the fair values and are defined as follows:

— **Level 1:** quoted prices (unadjusted) in active markets for identical instruments.
— **Level 2:** other valuation methods for which all inputs that have a significant impact on fair value are observable, either directly (as prices) or indirectly (derived from prices).
— **Level 3:** one or more key inputs for the instrument are not based on observable market data (unobservable inputs).

$million	Note	Level 1	Level 2	Level 3	Total
2016					
Derivative financial assets	C5	115	1,022	250	1,387
Environmental scheme certificates	B6	261	–	–	261
Available-for-sale financial assets	B6	146	–	–	146
Total financial assets carried at fair value		**522**	**1,022**	**250**	**1,794**
Derivative financial liabilities	C5	(3)	(717)	(348)	(1,068)
Environmental scheme surrender obligations	B6	(270)	–	–	(270)
Total financial liabilities carried at fair value		**(273)**	**(717)**	**(348)**	**(1,338)**

$million	Note	Level 1	Level 2	Level 3	Total
2015					
Derivative financial assets	C5	16	519	339	874
Environmental scheme certificates	B6	322	–	–	322
Available-for-sale financial assets	B6	134	–	–	134
Financial assets held for sale		21	68	–	89
Total financial assets carried at fair value		**493**	**587**	**339**	**1,419**
Derivative financial liabilities	C5	(5)	(830)	(505)	(1,340)
Environmental scheme surrender obligations	B6	(156)	–	–	(156)
Financial liabilities held for sale		(8)	(62)	–	(70)
Total financial liabilities carried at fair value		**(169)**	**(892)**	**(505)**	**(1,566)**

With the tightening of the electricity market in the current period, it was considered appropriate to add a liquidity premium to certain electricity instruments resulting in the transfer of a Level 2 derivative to Level 3. The consolidated entity recognises transfers between levels of the fair value hierarchy as of the beginning of the reporting period during which the transfer occurred.

The following table shows a reconciliation of movements in value of instruments included in Level 3 of the fair value hierarchy:

	$million
Balance as at 1 July 2015	**(166)**
Cash paid for new instruments in the period	117
Net gain recognised in other comprehensive income	177
Net loss realised in revenue line	(66)
Net loss realised in cost of sales	(130)
Net loss from financial instruments at fair value	(254)
Cash settlements on existing instruments	330
Transfers into Level 3	(106)
Balance as at 30 June 2016	**(98)**

The main inputs and assumptions used by the Group in measuring the fair value of level 3 financial instruments are as follows:

Forward commodity prices: Both observable external market data and internally derived forecast data are used which impact the expected cash flows.

Physical generation plant variables: Variables which would be used in the valuation of physical generation assets with equivalent risk management outcomes impact the expected cash flows. These include new build capital costs, operating costs and plant efficiency factors.

Liquidity premium: A premium was applied to allow for the lack of volume in the market relative to the size of the instruments being valued.

Lower strike premium: A premium was applied to allow for instances where instruments have lower strike prices compared to strike prices associated with the observable market prices.

Risk-free discount rate: The discount rates applied to the cash flows of the Group are based on the observable market rates for risk-free interest rate instruments for the appropriate term.

Credit adjustment: An observable entity or counterparty discount or credit spread curve is applied to the discount rate depending on the asset/liability position of a financial instrument. Where a counterparty specific credit curve is not observable, an estimated curve is applied which takes into consideration the credit rating of the counterparty and its industry.

Oil put inputs: Both observable external market data and internally derived forecast data are used in the valuation. Observable external market data includes foreign exchange movements, risk free interest rates, and Brent oil prices. Internally derived data principally includes the forward price path for Japanese Customs-cleared Crude (JCC) which is not readily observable in the market. The forward curve for JCC is inferred from the Brent oil forward curve.

C4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, a 10 per cent increase or decrease in the unobservable assumptions would have the following effects:

	2016 Effect on profit or loss		2015 Effect on profit or loss	
$million	**Increase**	**Decrease**	**Increase**	**Decrease**
Long term electricity derivative assets	73	(73)	28	(28)
Long term electricity derivative liabilities	59	(59)	59	(59)
Short term electricity derivative assets	6	(6)	–	–
Short term electricity derivative liabilities	4	(4)	–	–
Oil derivative assets	(5)	14	–	–

Gains/(losses) on initial recognition of financial instruments

Any differences between the fair value at initial recognition (transaction price) and the amount that would be determined at that date using the relevant valuation technique are deferred in the statement of financial position and recognised in the income statement over the life of the instrument. The following has been recognised in the income statement during the year:

	2016 $million
Derivative assets	
Opening balance – gain	100
New instruments in the period	(7)
Recognised in the income statement	(21)
Closing balance – gain	**72**
Derivative liabilities	
Opening balance – gain	31
Recognised in the income statement	3
Closing balance – gain	**34**

Except as noted below the carrying amounts of financial assets and liabilities are reasonable approximations of their fair values.

The Group has the following non-current financial instruments which are not measured at fair value in the statement of financial position:

		Carrying value		Fair value	
	Fair value hierarchy level	2016 $million	2015 $million	2016 $million	2015 $million
Assets					
Other financial assets	2	**4,848**	**3,304**	**5,128**	**3,220**
Liabilities					
Bank loans – secured	2	–	212	–	216
Bank loans – unsecured[(1)]	2	726	3,061	764	3,110
Capital markets borrowings – unsecured	2	8,772	8,559	8,642	8,842
		9,498	**11,832**	**9,406**	**12,168**

(1) The proceeds from the sale of Contact Energy $1,599 million and from the equity rights issue $2,496 million were used to repay interest-bearing liabilities.

The fair value of these financial instruments reflect the present value of estimated future cash flows of the instrument. The following key variables are used to determine the present value:

— market pricing data (for the relevant underlying interest rates, foreign exchange rates or commodity prices);
— discount rates; and
— credit risk of the Group or counterparty where appropriate.

For these instruments, each of these variables is taken from observed market pricing data at the valuation date and therefore these variables represent those which would be used by market participants to execute and value the instruments.

C5 HEDGING AND DERIVATIVES

The Group is exposed to risk from movements in foreign exchange and interest rates, and electricity and oil prices. As part of the risk management strategy set out in note C2, the Group holds the following types of derivative instruments.

	Assets		Liabilities	
	2016 $million	**2015 $million**	**2016 $million**	**2015 $million**
Current				
Interest rate swaps	–	–	(2)	(14)
Cross currency interest rate swaps	7	–	–	–
Forward foreign exchange contracts	–	–	(1)	–
Electricity derivatives	201	12	(10)	(15)
Oil derivatives	45	3	(5)	(2)
	253	**15**	**(18)**	**(31)**
Non-current				
Interest rate swaps	–	–	(35)	(76)
Cross currency interest rate swaps	738	480	(347)	(326)
Forward foreign exchange contracts	–	–	(286)	(255)
Electricity derivatives	386	378	(101)	(185)
Oil derivatives	9	1	(281)	(467)
Other commodity derivatives	1	–	–	–
	1,134	**859**	**(1,050)**	**(1,309)**
Total	**1,387**	**874**	**(1,068)**	**(1,340)**

Derivatives are initially recognised at fair value on the date they are entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Gains or losses on derivatives which are not designated as hedging instruments are recognised in the income statement and resulted in a $198 million loss in the year ended 30 June 2016 (2015: $587 million loss). This includes a $10 million loss relating to discontinued operations (2015: $27 million loss).

The Group designates certain derivatives as either:

— hedges of the fair value of recognised assets, liabilities or firm commitments (fair value hedge);
— hedges of a particular cash flow risk associated with a recognised asset, liability or highly probable forecast transaction (cash flow hedge); or
— hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of these transactions the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The following table shows the fair value of instruments which have been designated as hedging instruments:

		Assets		Liabilities	
	Ref.	**2016 $million**	**2015 $million**	**2016 $million**	**2015 $million**
Fair value hedges	**(a)**	620	431	25	24
Cash flow hedges	**(b)**	358	67	298	539
Net investment hedges	**(c)**	–	–	1,264	1,481

Analysis of financial instruments which have been designated as hedging instruments

(a) Fair value hedges

The Group designates certain cross currency interest rate swaps in fair value hedge relationships. Changes in the fair value of these interest swaps are recorded in the income statement, together with any changes in the fair value of the hedged item. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to profit and loss over the remaining life using a recalculated effective interest rate.

The changes in the fair values of the hedged items and hedging instruments recognised in the income statement for the year are disclosed in the following table:

	2016 $million	**2015 $million**
Gain on the hedging instruments	189	319
Loss on the hedged item attributable to the hedge risk	(172)	(286)
	17	**33**

C5 HEDGING AND DERIVATIVES (CONTINUED)

(b) Cash flow hedges

The Group designates certain foreign exchange contracts, electricity derivatives, interest rate swaps, cross currency interest rate swaps and oil derivatives in cash flow hedge relationships. The effective portion of changes in the fair value of these derivatives are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within expenses.

Amounts accumulated in equity are transferred to the income statement in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The following sets out the amounts recognised in the income statement and equity arising from the Group's cash flow hedges:

Effective portion of the gains on cash flow hedges recognised in the cash flow hedge reserve (pre-tax)	550	246
(Losses)/gains transferred from the cash flow hedge reserve to sales	(151)	33
(Losses)/gains transferred from the cash flow hedge reserve to cost of sales	(136)	21
Gains transferred from the cash flow hedge reserve to decrease in fair value of financial instruments	30	7
Gains/(losses) transferred from the cash flow hedge reserve to finance cost	60	(64)
	(197)	**(3)**
Ineffectiveness gains/(losses) recognised in the income statement from cash flow hedges	4	(2)

(c) Net investment and hedge of net investment in foreign operations

The Group designates certain foreign denominated borrowings in net investment hedge relationships. Exchange differences arising from the translation of the net investment in foreign operations, and of related hedges that are deemed effective, are recognised in other comprehensive income and presented in the foreign currency translation reserve within equity (2016: $36 million loss; 2015: $130 million loss). They are released to the income statement upon disposal of the foreign operation. The ineffectiveness recognised in the income statement from net investment hedges for the year to 30 June 2016 totalled $nil (2015: $nil).

Set out below are the different types of derivatives used by the Group and details of their key attributes.

(d) Types of derivatives

Interest rate swaps

At 30 June 2016, the fixed interest rates varied from 2.25 per cent to 3.33 per cent (2015: 2.20 per cent to 6.95 per cent) and the main floating rate was the Bank Bill Swap Benchmark (BBSW).

The hedged interest payment transactions are expected to impact profit at various dates between one and seven years from the reporting date.

Cross currency interest rate swaps

At 30 June 2016, the fixed interest rates varied from 2.50 per cent to 7.91 per cent (2015: 2.50 per cent to 7.91 per cent) and the main floating rates were BBSW and US LIBOR.

The hedged interest payment transactions are expected to impact profit at various dates between one month and seven years from the reporting date.

Forward foreign exchange contracts

The hedged foreign currency denominated transactions are expected to impact profit at various dates between one month and seven years from the reporting date.

Electricity derivatives

The hedged electricity purchase and sale transactions are expected to impact profit continuously for each half hour period throughout the next 12 years from the reporting date.

Oil derivatives

The hedged oil sale and purchase transactions are expected to impact profit continuously throughout the next five years from the reporting date.

C6 SHARE CAPITAL AND RESERVES

	2016 $million	2015 $million
Issued and paid-up capital		
1,753,335,764 (2015: 1,109,628,904) ordinary shares, fully paid	**7,150**	**4,599**
Ordinary share capital at the beginning of the period	**4,599**	**4,520**
Shares issued:		
— 636,086,881 (2015: Nil) shares under a rights issue(1)	2,509	–
— 6,483,666 (2015: 5,867,435) shares in accordance with the Dividend Reinvestment Plan	42	79
— 1,136,313 (2015: 115,716) shares in accordance with the Long Term Incentive Plans	–	–
Total movements in ordinary share capital	**2,551**	**79**
Ordinary share capital at the end of the period	**7,150**	**4,599**

(1) Refer to note A5 for the terms of the rights issue.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as determined from time to time and are entitled to one vote per share at shareholders' meetings. In the event of the winding up of the Group, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidation.

The Group does not have authorised capital or par value in respect of its issued shares.

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options, performance share rights and deferred share rights over their vesting period. Refer to note F3.

Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences arising from the translation of foreign operations, and the translation of transactions that hedge the Group's net investments in foreign operations.

Hedging reserve

The hedging reserve is used to record the effective portion of the gains or losses on cash flow hedging instruments that have not yet settled. Amounts are recognised in profit or loss when the associated hedged transactions affect profit or loss or as part of the cost of an asset if non-monetary.

Available-for-sale reserve

Changes in fair value and exchange differences arising on translation of investments are taken to the available-for-sale reserve. Amounts are recognised in profit or loss when the associated investments are sold/settled or impaired.

C7 OTHER COMPREHENSIVE INCOME

$million	Foreign currency translation reserve	Hedging reserve	Available-for-sale reserve	Retained earnings	Non-controlling interests	Total other comprehensive income
2016						
Items that will not be reclassified to the income statement						
Actuarial gain on defined benefit superannuation plan, net of tax	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**
Items that may be reclassified to the income statement						
Foreign currency translation differences for foreign operations	82	–	–	–	(2)	80
Net loss on hedge of net investment in foreign operations	(18)	–	–	–	–	(18)
Cash flow hedges – effective portion of changes in fair value, net of tax	–	385	–	–	–	385
Cash flow hedges – reclassified to income statement, net of tax	–	(138)	–	–	–	(138)
Cash flow hedges – foreign currency translation gain, net of tax	–	–	–	–	–	–
Available for sale financial assets – valuation gain taken to equity, net of tax	–	–	6	–	–	6
	64	**247**	**6**	**–**	**(2)**	**315**
Total other comprehensive income	**64**	**247**	**6**	**–**	**(2)**	**315**

$million						
2015						
Items that will not be reclassified to the income statement						
Actuarial gain on defined benefit superannuation plan, net of tax	–	–	–	5	–	5
	–	**–**	**–**	**5**	**–**	**5**
Items that may be reclassified to the income statement						
Foreign currency translation differences for foreign operations	254	–	–	–	(75)	179
Net loss on hedge of net investment in foreign operations	(71)	–	–	–	–	(71)
Cash flow hedges – effective portion of changes in fair value, net of tax	–	169	–	–	2	171
Cash flow hedges – reclassified to income statement, net of tax	–	1	–	–	1	2
Cash flow hedges – foreign currency translation gain, net of tax	–	1	–	–	–	1
Available for sale financial assets – valuation gain taken to equity, net of tax	–	–	20	–	–	20
	183	**171**	**20**	**–**	**(72)**	**302**
Total other comprehensive income	**183**	**171**	**20**	**5**	**(72)**	**307**

D TAXATION

This section provides details of the Group's income tax expense, current tax provision and deferred tax balances and the Group's tax accounting policies.

D1 INCOME TAX EXPENSE

	2016 $million	2015 $million
Income tax		
Current tax benefit	(13)	(20)
Deferred tax benefit	(116)	(38)
Under provided in prior years	3	–
Total income tax benefit	**(126)**	**(58)**
Income tax benefit attributable to:		
Loss from continuing operations	(133)	(85)
Profit from discontinued operations	7	27
	(126)	**(58)**
Reconciliation between tax expense and pre-tax net profit		
Loss from continuing operations before income tax	(737)	(534)
Profit/(loss) from discontinued operations before income tax	35	(114)
	(702)	**(648)**
Income tax using the domestic corporation tax rate of 30 per cent (2015: 30 per cent)		
Prima facie income tax expense on pre-tax accounting profit:		
–at Australian tax rate of 30 per cent	(211)	(194)
–adjustment for difference between Australian and overseas tax rates	15	(1)
Income tax benefit on pre-tax accounting profit at standard rates	**(196)**	**(195)**
Increase/(decrease) in income tax expense due to:		
Impairment expense not recoverable	23	80
Write-off exploration expense	13	–
Sale of Contact Energy	(3)	–
Capital loss re-recognition	(30)	–
Reset of tax bases on consolidation of Uranquinty into tax group	(9)	–
Share of results of equity accounted investees	65	10
Tax (benefit)/expense on translation of foreign denominated tax balances	(3)	46
Reinstatement of tax depreciation on Contact Energy's powerhouses	–	(15)
Recognition of change in net tax loss position	–	7
Other	11	9
	67	137
Under provided in prior years	3	–
Total income tax benefit	**(126)**	**(58)**
Deferred tax movements recognised directly in other comprehensive income (including foreign currency translation)		
Financial instruments at fair value	98	26
Property, plant and equipment	(28)	(20)
Provisions	–	(7)
Other items	8	4
	78	**3**

D1 INCOME TAX EXPENSE (CONTINUED)

The Company and its wholly-owned Australian resident entities, which met the membership requirements, formed a tax-consolidated group with effect from 1 July 2003. The head entity within the tax-consolidated group is Origin Energy Limited. Tax funding arrangement amounts are recognised as inter-entity amounts.

Income tax expense is made up of current tax expense and deferred tax expense. Current tax expense represents the expected tax payable on the taxable income for the year, using current tax rates and any adjustment to tax payable in respect of previous years. Deferred tax expense represents changes in temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Key judgements

Tax balances: *Tax balances reflect a current understanding and interpretation of existing tax laws. Uncertainty arises due to the possibility of changes in tax law or other future circumstances to impact the tax balances recognised in the financial statements. Ultimate outcomes may vary based on circumstances.*

Deferred taxes: *The recognition of deferred tax balances requires judgement as to whether it is probable such balances will be utilised and/or reversed in the foreseeable future.*

Petroleum Resource Rent Tax (PRRT): *The PRRT applies to all Australian onshore oil and gas projects, including coal seam gas projects. The application of PRRT legislation involves significant judgement around the taxing point of projects, the transfer price used for determining PRRT income, and the measurement of the Starting Base on transition of existing permits, production licenses and retention leases into the PRRT regime. In assessing the recoverability of deferred tax assets, estimates are required in respect of future augmentation (escalation) of expenditure, the sequence in which current and future deductible amounts are expected to be utilised, and the probable cash flows used in determining the recoverability of deferred tax assets.*

Income tax expense recognised in other comprehensive income

	2016			2015		
$million	**Gross**	**Tax**	**Net**	**Gross**	**Tax**	**Net**
Available for sale assets:						
Valuation gain taken to equity	9	(3)	6	30	(10)	20
Cash flow hedges:						
Reclassified to income statement	(197)	59	(138)	2	–	2
Effective portion of change in fair value	550	(165)	385	246	(75)	171
Net loss on hedge of net investment in foreign operations	(29)	11	(18)	(130)	59	(71)
Foreign currency translation differences for foreign operations	80	–	80	180	–	180
Actuarial gain on defined benefit superannuation plan	–	–	–	8	(3)	5
Other comprehensive income for the period	**413**	**(98)**	**315**	**336**	**(29)**	**307**

D2 DEFERRED TAX

Deferred tax balances arise when there are temporary differences between accounting carrying amounts and the tax bases of assets and liabilities, other than for the following:

— where the difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit nor taxable profit or loss;
— where temporary differences relate to investments in subsidiaries, associates and interests in joint arrangements to the extent the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
— where temporary differences arise on initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced if it is no longer probable that the related tax benefit will be realised.

D2 DEFERRED TAX (CONTINUED)

Movement in temporary differences during the year

Asset/(liability) $million	1 July 2014	Recognised in income	Recognised in equity	Transfers to held for sale(1)	30 June 2015	Recognised in income	Recognised in equity	Transfers to held for sale(1)	30 June 2016
Accrued expenses not incurred for tax	115	(110)	–	–	5	2	–	–	7
Employee benefits	71	12	–	(4)	79	(9)	–	–	70
Acquired environmental scheme certificate purchase obligations	10	(2)	–	–	8	(2)	–	–	6
Acquired energy purchase obligations	84	(67)	–	–	17	(8)	–	–	9
Provisions	217	28	7	(13)	239	30	–	(5)	264
Available-for-sale financial assets	3	1	–	–	4	–	–	–	4
Inventories	(3)	(5)	–	1	(7)	4	–	–	(3)
Tax value of carry-forward tax losses recognised	62	79	(3)	–	138	25	1	–	164
Property, plant and equipment	(1,277)	63	20	727	(467)	89	28	(11)	(361)
Exploration and evaluation assets	(305)	(51)	–	–	(356)	(102)	–	15	(443)
Financial instruments at fair value	96	105	(26)	(13)	162	4	(98)	–	68
APLNG MRCPS elimination (refer note E1.2)	1	21	–	–	22	28	–	–	50
Other items	43	(36)	(1)	3	9	55	(9)	–	55
Net deferred tax liabilities	**(883)**	**38**	**(3)**	**701**	**(147)**	**116**	**(78)**	**(1)**	**(110)**

(1) Relates to amounts classified as held for sale at 30 June 2015 and 30 June 2016. Refer to note E4.

Unrecognised deferred tax assets and liabilities	2016 $million	2015 $million
Deferred tax assets have not been recognised in respect of the following items:		
Revenue losses	33	32
Capital losses	33	26
Petroleum resource rent tax, net of income tax(1)	2,083	1,744
Acquisition transaction costs	57	57
Investment in joint ventures	39	43
Intangible assets	24	33
	2,269	**1,935**
Deferred tax liabilities have not been recognised in respect of the following items:		
Investment in Australia Pacific LNG(2)	(1,817)	(1,875)
	(1,817)	**(1,875)**

(1) PRRT is considered, for accounting purposes, to be a tax based on income under AASB 112 Income Taxes. Accordingly, any current and deferred PRRT expense is measured and disclosed on the same basis as income tax. The application of PRRT legislation relies on a forecast of future years expenditure in order to determine whether the utilisation of the PRRT base will be required. As the forecast indicates that no utilisation is required, no deferred tax asset has been recognised with respect to PRRT in these financial statements.
(2) A deferred tax liability has not been recorded in respect of the investment in Australia Pacific LNG as the Group is able to control the timing of the reversal of the temporary difference through its voting rights and it is not expected that the temporary difference will reverse in the foreseeable future.

E GROUP STRUCTURE

The following section provides information on the Group's structure and how this impacts the results of the Group as a whole, including details of joint arrangements, controlled entities, transactions with non-controlling interests and changes made to the Group structure during the year.

E1 JOINT ARRANGEMENTS

Joint arrangements are those entities over whose activities the Group has joint control, established by contractual agreement and require consent of two or more parties for strategic, financial and operating decisions. The Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on its rights to the assets and obligations for the liabilities of the arrangements.

E1.1 Interests in joint ventures

Interests in joint ventures are initially recognised at cost and are subsequently adjusted for changes in the Group's share of the joint venture's net assets.

			Ownership interest (%)	
Joint venture entity	**Reporting date**	**Country of incorporation**	**2016**	**2015**
Australia Pacific LNG Pty Ltd(1)	30 June	Australia	37.5	37.5
Energia Andina S.A.(2)	31 December	Chile	49.9	49.9
Energia Austral SpA(3)	31 December	Chile	34.0	34.0
KUBU Energy Resources (Pty) Limited	30 June	Botswana	50.0	50.0
OTP Geothermal Pte Ltd	31 December	Singapore	50.0	50.0
PNG Energy Developments Limited	31 December	PNG	50.0	50.0
Rockgas Timaru Ltd(4)	31 March	New Zealand	–	50.0
Transform Solar Pty Ltd(5)	30 June	Australia	–	50.0
Venn Energy Trading Pte Limited	31 March	Singapore	50.0	50.0

(1) Australia Pacific LNG is a separate legal entity. Operating, management and funding decisions require the unanimous support of the Foundation Shareholders, which includes the Group and ConocoPhillips. Accordingly, joint control exists and the Group has classified the investment in Australia Pacific LNG as a joint venture.
(2) Energia Andina S.A. is a separate legal entity. Key decisions require super majority (four directors) approval, with the Group entitled to appoint two of the five directors. As a consequence joint control exists and the Group has classified the investment as a joint venture.
(3) Energia Austral SpA is a separate legal entity. Key decisions require super majority (four directors) approval, with the Group entitled to appoint two of the five directors. As a consequence joint control exists and the Group has classified the investment as a joint venture. The Group's ownership interest can change between reporting periods when equity contributions are made to the joint venture.
(4) The Group sold its 53.09 per cent shareholding in Contact Energy Ltd, which held the investment in Rockgas Timaru Ltd.
(5) Transform Solar Pty Ltd was deregistered during the year ended 30 June 2016.

E1.2 Investment in Australia Pacific LNG Pty Ltd

A summary of Australia Pacific LNG's financial performance for the periods ended 30 June 2016 and 30 June 2015, and its financial position as at those dates follows:

	2016		2015	
$million	**Total APLNG**	**Origin interest**	**Total APLNG**	**Origin interest**
Operating revenue	880		408	
Operating expenses	(585)		(263)	
EBITDA	**295**	**111**	**145**	**55**
Depreciation and amortisation expense	(700)		(168)	
Interest income	5		7	
Interest expense	(296)		(34)	
Income tax benefit	209		32	
Underlying Result for the period	**(487)**	**(182)**	**(18)**	**(7)**
Items excluded from segment result:				
Net foreign exchange loss	(7)	(3)	(11)	(4)
Tax expense on translation of foreign denominated tax balances	(23)	(9)	(136)	(51)
Pre-production costs not able to be capitalised	(75)	(28)	(61)	(23)
Restructure costs	(9)	(3)	–	–
Total items excluded from segment result	**(114)**	**(43)**	**(208)**	**(78)**
Net loss for the period	**(601)**	**(225)**	**(226)**	**(85)**
Other comprehensive income	95	36	608	228
Total comprehensive income	**(506)**	**(189)**	**382**	**143**

E1 JOINT ARRANGEMENTS (CONTINUED)

E1.2 Investment in Australia Pacific LNG Pty Ltd (continued)

Summary statement of financial position of Australia Pacific LNG

$million	2016 Total APLNG	2015 Total APLNG
Cash and cash equivalents	286	155
Other current assets	584	408
Current assets	**870**	**563**
Property, plant and equipment	40,011	36,061
Exploration, evaluation and development assets	1,354	1,896
Other non-current assets	379	175
Non-current assets	**41,744**	**38,132**
Total assets	**42,614**	**38,695**
Bank loans – secured	360	–
Other current liabilities	890	1,492
Current liabilities	**1,250**	**1,492**
Bank loans – secured	10,742	10,544
Payable to shareholders	12,927	8,811
Other non-current liabilities	1,463	1,110
Non-current liabilities	**25,132**	**20,465**
Total liabilities	**26,382**	**21,957**
Net assets	**16,232**	**16,738**

	2016 $million	2015 $million
Group's interest of 37.5 per cent of APLNG net assets	6,087	6,277
Group's own costs	25	25
Mandatorily Redeemable Cumulative Preference Shares elimination(1)	(167)	(71)
Investment in Australia Pacific LNG Pty Ltd	**5,945**	**6,231**

(1) The Mandatorily Redeemable Cumulative Preference Shares (MRCPS) are recognised as a financial asset by the Group and the MRCPS dividend is recognised as interest revenue in the Group's income statement. The proportion attributable to the Group's own interest (37.5 per cent) is eliminated through the equity accounted investment balance as Australia Pacific LNG capitalises a portion of interest expense associated with the MRCPS.

In calculating Origin's return on capital employed, an adjustment is made to the carrying value of the Australia Pacific LNG equity accounted investment as noted below.

	2016 $million	2015 $million
Investment in Australia Pacific LNG Pty Ltd	5,945	6,231
Less: Non-cash fair value uplift(1)	(1,923)	(1,945)
Adjusted investment in Australia Pacific LNG Pty Ltd	**4,022**	**4,286**

(1) Non-cash fair value uplift represents the increase in Origin's equity accounted investment in Australia Pacific LNG arising from the partly paid shares issued to ConocoPhillips (CoP) in October 2009 and the dilution impact of subsequent share issues to Sinopec (August 2011 and July 2012). In the initial years, Origin was not required to make an equivalent contribution and instead recorded a non-cash fair value uplift to its investment in Australia Pacific LNG. The equity contributions made by CoP and Sinopec to Australia Pacific LNG were used to fund construction of the LNG Project assets, which will be depreciated over their useful lives (approximately 30 years). In each period Origin's equity accounted share of Australia Pacific LNG's earnings will include a depreciation charge referable to the non-cash fair value uplift. When these earnings are reflected in Origin's investment balance this depreciation amount will reduce the remaining balance of the non-cash fair value uplift. The 30 June 2016 balance includes an estimated depreciation charge of $22 million associated with the non-cash fair value uplift described above.

Australia Pacific LNG is subject to the Petroleum Resource Rent Tax legislation and has an unrecognised deferred tax asset balance of $3,747 million (100 per cent Australia Pacific LNG) at 30 June 2016 (30 June 2015: $3,151 million). Any future recognition of this balance by Australia Pacific LNG will result in an increase in the Group's equity accounted investment in Australia Pacific LNG, rather than a deferred tax asset, as the Group equity accounts its 37.5 per cent interest.

E1 JOINT ARRANGEMENTS (CONTINUED)

E1.3 Transactions between the Group and Australia Pacific LNG Pty Ltd

The Group provides services to Australia Pacific LNG including corporate services, Upstream operating services related to the development and operation of Australia Pacific LNG's natural gas assets, and marketing services relating to coal seam gas (CSG). The Group incurs costs in providing these services and charges Australia Pacific LNG for them in accordance with the terms of the contract governing those services.

Separately, the Group has entered agreements with Australia Pacific LNG to purchase gas (2016: $296 million; 2015: $253 million) and the Group sells gas to Australia Pacific LNG (2016: $41 million; 2015: $75 million). At 30 June 2016, the Group's outstanding payable balance for purchases from Australia Pacific LNG is $27 million (2015: $22 million) and outstanding receivable balance for sales to Australia Pacific LNG is $1 million (2015: $12 million).

The Group has invested in Mandatorily Redeemable Cumulative Preference Shares (MRCPS) issued by Australia Pacific LNG by way of subscription up to an amount of $5.25 billion. The MRCPS are the mechanism by which the funding for the CSG to LNG Project has been provided by the shareholders of Australia Pacific LNG in proportion to their ordinary equity interests. The MRCPS have a fixed rate dividend obligation based on the relevant observable market interest rates and estimated credit margin at the date of issue. The dividend is paid twice per annum. The mandatory redemption dates for the MRCPS are 31 December 2022 ($3.75 billion) and 31 December 2024 ($1.5 billion). The financial asset (loan) reflecting these MRCPS was $4,848 million as at 30 June 2016 (2015: $3,304 million). Dividends received are recognised as interest. Refer to note A2.

The carrying value of the financial asset at 30 June 2016, as disclosed in note B6, reflects the Group's view that Australia Pacific LNG will utilise cash flows generated from their export operations to redeem the MRCPS for their full issue price prior to their mandatory redemption date. There are no conditions existing at the reporting date which indicate that Australia Pacific LNG will be unable to repay the full carrying value. Accordingly the financial asset/(loan) is valued at amortised cost and reflects the cash provided to Australia Pacific LNG.

The MRCPS were cancelled on 1 July 2016 and replaced with US$2.8 billion of MRCPS, with a mandatory redemption date of 30 June 2026, and US$0.8 billion capital contribution (refer note F12).

E1.4 Interests in unincorporated joint operations

The Group's interests in unincorporated joint operations are brought to account on a line-by-line basis in the income statement and statement of financial position. These interests are held on the following assets whose principal activities are oil and/or gas exploration, development and production, power generation and geothermal power technology:

- Cooper Basin
- Bass Basin
- Bonaparte Basin
- Browse Basin
- Canterbury Basin
- Beetaloo Basin
- Otway Basin
- Perth Basin
- Surat Basin
- Taranaki Basin
- Worsley Power Plant
- Geodynamics

E2 BUSINESS COMBINATIONS

There were no significant business combinations during the years ended 30 June 2016 and 30 June 2015.

E3 CONTROLLED ENTITIES

The financial statements of the Group include the consolidation of Origin Energy Limited and controlled entities. Controlled entities are the following entities controlled by the parent entity (Origin Energy Limited):

	Incorporated in	2016 Ownership interest %	2015 Ownership interest %
Origin Energy Limited	NSW		
Origin Energy Finance Limited	Vic	100	100
Huddart Parker Pty Limited <	Vic	100	100
Origin Energy NZ Share Plan Limited	NZ	100	100
FRL Pty Ltd <	WA	100	100
BTS Pty Ltd <	WA	100	100
Origin Energy Power Limited <	SA	100	100
Origin Energy SWC Limited <	WA	100	100
BESP Pty Ltd	Vic	100	100
Origin Energy Pinjar Security Pty Limited	Vic	100	100
Origin Energy Pinjar Holdings No. 1 Pty Limited	Vic	100	100
Origin Energy Pinjar No. 1 Pty Limited	Vic	100	100
Origin Energy Pinjar Holdings No. 2 Pty Limited	Vic	100	100
Origin Energy Pinjar No. 2 Pty Limited	Vic	100	100
Origin Energy Walloons Transmissions Pty Limited	Vic	100	100
Origin Energy Eraring Pty Limited <	NSW	100	100
Origin Energy Eraring Services Pty Limited <	NSW	100	100
Origin Energy Darling Downs Solar Farm Pty Ltd	NSW	100	–
Origin Energy Holdings Pty Limited <	Vic	100	100
Origin Energy Retail Limited <	SA	100	100
Origin Energy (Vic) Pty Limited <	Vic	100	100
Gasmart (Vic) Pty Ltd <	Vic	100	100
Origin Energy (TM) Pty Limited <	Vic	100	100
Cogent Energy Pty Ltd	Vic	100	100
Origin Energy Retail No. 1 Pty Limited	Vic	100	100
Origin Energy Retail No. 2 Pty Limited	Vic	100	100
Horan & Bird Energy Pty Limited	Qld	100	–
Origin Energy Electricity Limited <	Vic	100	100
Eraring Gentrader Depositor Pty Limited	Vic	100	100
Sun Retail Pty Ltd <	Qld	100	100
OE Power Pty Limited <	Vic	100	100
Origin Energy Uranquinty Power Pty Ltd <	Vic	100	100
Origin Energy Mortlake Terminal Station No. 1 Pty Limited	Vic	100	100
Origin Energy Mortlake Terminal Station No. 2 Pty Limited	Vic	100	100
Origin Energy PNG Ltd #	PNG	66.7	66.7
Origin Energy PNG Holdings Limited #	PNG	100	100
Origin Energy Tasmania Pty Limited <	Tas	100	100
The Fiji Gas Co Ltd	Fiji	51	51
Origin Energy Contracting Limited <	Qld	100	100
Origin Energy LPG Limited <	NSW	100	100
Origin (LGC) (Aust) Pty Limited <	NSW	100	100
Origin Energy SA Pty Limited <	SA	100	100
Hylemit Pty Limited	Vic	100	100
Origin Energy LPG Retail (NSW) Pty Limited	NSW	100	100
Origin Energy WA Pty Limited <	WA	100	100
Origin Energy Services Limited <	SA	100	100
OEL US Inc.	USA	100	100
Origin Energy NSW Pty Limited <	NSW	100	100
Origin Energy Asset Management Limited <	SA	100	100
Origin Energy Pipelines Pty Limited <	NT	100	100
Origin Energy Pipelines (SESA) Pty Limited	Vic	100	100
Origin Energy Pipelines (Vic) Holdings Pty Limited <	Vic	100	100
Origin Energy Pipelines (Vic) Pty Limited <	Vic	100	100

E3 CONTROLLED ENTITIES (CONTINUED)

	Incorporated in	2016 Ownership interest %	2015 Ownership interest %
Origin LPG (Vietnam) LLC	Vietnam	51	51
Origin Energy Solomons Ltd	Solomon Islands	80	80
Origin Energy Cook Islands Ltd	Cook Islands	100	100
Origin Energy Vanuatu Ltd	Vanuatu	100	100
Origin Energy Samoa Ltd	Western Samoa	100	100
Origin Energy American Samoa Inc	American Samoa	100	100
Origin Energy Insurance Singapore Pte Ltd	Singapore	100	100
Origin Energy Resources Limited <	SA	100	100
Origin Energy CSG 2 Pty Limited	Vic	100	100
Origin Energy ATP 788P Pty Limited	Qld	100	100
Angari Pty Limited <	SA	100	100
Oil Investments Pty Limited <	SA	100	100
Origin Energy Southern Africa Holdings Pty Limited	Qld	100	100
Origin Energy Wallumbilla Transmissions Pty Limited	Vic	100	100
Oil Company of Australia (Moura) Transmissions Pty Limited <	WA	100	100
Origin Energy Kenya Pty Limited	Vic	100	100
Origin Energy Bonaparte Pty Limited <	SA	100	100
Origin Energy Developments Pty Limited <	ACT	100	100
Origin Energy Zoca 91-08 Pty Limited <	SA	100	100
Origin Energy Petroleum Pty Limited <	Qld	100	100
Origin Energy Browse Pty Ltd	Vic	100	100
Origin Energy Northwest Limited	UK	100	100
Sagasco South East Inc	Panama	100	100
Origin Energy Resources NZ Limited	NZ	100	100
Kupe Development Limited	NZ	100	100
Kupe Mining (No.1) Limited	NZ	100	100
Origin Energy Resources (Kupe) Limited	NZ	100	100
Origin Energy Resources NZ (Rimu) Limited	NZ	100	100
Origin Energy Resources NZ (TAWN) Limited	NZ	100	100
Sagasco NT Pty Ltd <	SA	100	100
Sagasco Amadeus Pty Ltd <	SA	100	100
Origin Energy Amadeus Pty Limited <	Qld	100	100
Amadeus United States Pty Limited <	Qld	100	100
OE Resources Limited Partnership	NSW	100	100
Origin Energy Vietnam Pty Limited	Vic	100	100
Origin Energy Singapore Holdings Pte Limited	Singapore	100	100
Origin Energy (Song Hong) Pte Limited	Singapore	100	100
Origin Energy (Block 31) Pte Limited	Singapore	–	100
Origin Energy (Block 01) Pte Limited	Singapore	–	100
Origin Energy (L15/50) Pte Limited	Singapore	–	100
Origin Energy (L26/50) Pte Limited	Singapore	–	100
Origin Energy (Savannahket) Pte Limited	Singapore	–	100
Origin Energy Fairview Transmissions Pty Limited	Vic	100	100
Origin Energy VIC Holdings Pty Limited <	Vic	100	100
Origin Energy New Zealand Limited	NZ	100	100
Origin Energy Universal Holdings Limited	NZ	100	100
Origin Energy Five Star Holdings Limited	NZ	100	100
Origin Energy Contact Finance Limited	NZ	100	100
Origin Energy Contact Finance No.2 Limited	NZ	100	100
Origin Energy Pacific Holdings Limited	NZ	100	100
Contact Energy Limited*	NZ	–	53.09
Contact Aria Ltd*	NZ	–	53.09
Contact Wind Limited*	NZ	–	53.09
Rockgas Limited*	NZ	–	53.09
Origin Energy Capital Ltd <	Vic	100	100

E3 CONTROLLED ENTITIES (CONTINUED)

	Incorporated in	2016 Ownership interest %	2015 Ownership interest %
Origin Energy Finance Company Pty Limited <	Vic	100	100
OE JV Co Pty Limited <	Vic	100	100
OE JV Holdings Pty Limited	Vic	100	100
Origin Energy LNG Holdings Pte Limited	Singapore	100	100
Origin Energy LNG Portfolio Pty Limited	Victoria	100	–
Origin Energy Australia Holding BV #	Netherlands	100	100
Origin Energy Mt Stuart BV #	Netherlands	100	100
OE Mt Stuart General Partnership #	Netherlands	100	100
Parbond Pty Limited	NSW	100	100
Origin Foundation Pty Limited	Vic	100	100
Origin Renewable Energy Investments No 1 Pty Ltd	Vic	100	100
Origin Renewable Energy Investments No 2 Pty Ltd	Vic	100	100
Origin Renewable Energy Pty Ltd	Vic	100	100
Origin Energy Geothermal Holdings Pty Ltd	Vic	100	100
Origin Energy Geothermal Pty Ltd	Vic	100	100
Origin Energy Chile Holdings Pty Limited	Vic	100	100
Origin Energy Chile S.A. #	Chile	100	100
Origin Energy Geothermal Chile Limitada #	Chile	100	100
Nido Energy SpA #	Chile	100	100
Pleiades S.A.	Chile	100	100
Origin Energy Geothermal Singapore Pte Limited	Singapore	100	100
Origin Energy Wind Holdings Pty Ltd	Vic	100	100
Cullerin Range Wind Farm Pty Ltd	NSW	100	100
Crystal Brook Wind Farm Pty Limited	NSW	100	100
Wind Power Pty Ltd	Vic	100	100
Wind Power Management Pty Ltd	Vic	100	100
Lexton Wind Farm Pty Ltd	Vic	100	100
Stockyard Hill Wind Farm Pty Ltd	Vic	100	100
Tuki Wind Farm Pty Ltd	Vic	100	100
Dundas Tablelands Wind Farm Pty Limited	Vic	100	100
Origin Energy Hydro Bermuda Limited	Bermuda	100	100
Origin Energy Hydro Chile SpA #	Chile	100	100

< Entered into a Class Order 98/1418 and related deed of cross guarantee with Origin Energy Limited.
Controlled entity has a financial reporting period ending 31 December.
* Contact Energy Limited and its subsidiaries were classified as held for sale at 30 June 2015.

Changes in controlled entities

2016

On 10 August 2015 Contact Energy Limited ceased to be controlled by the Group (refer note E4).

On 2 November 2015 the Group acquired 100 per cent of Horan & Bird Energy Pty Ltd.

On 18 February 2016 the Group registered Origin Energy LNG Portfolio Pty Ltd.

On 15 March 2016 the Group registered Origin Energy Darling Downs Solar Farm Pty Ltd.

Origin Energy Generacion Chile SpA changed its name to Nido Energy SpA on 23 February 2016.

Origin Energy (Block 31) Pte Limited, Origin Energy (Block 01) Pte Limited, Origin Energy (L15/50) Pte Limited, Origin Energy (L26/50) Pte Limited and Origin Energy (Savannahket) Pte Limited were struck off.

2015

On 25 June 2015 the Group acquired 100 per cent of Pleiades S.A.

Origin Energy Retail No. 1 Pty Limited and Origin Energy Retail No. 2 Pty Limited were incorporated/registered and Speed-E-Gas (NSW) Pty Ltd changed its name to Origin Energy LPG Retail (NSW) Pty Limited during the year ended 30 June 2015.

Tonga Gas Limited ceased to be controlled and was sold during the year ended 30 June 2015.

E4 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

E4.1 Sale of Contact Energy

On 10 August 2015, the Group completed the sale of its investment in Contact Energy. The associated earnings, for the current and comparative periods, have been classified as discontinued operations in the Income Statement and all related note disclosures.

	2016 $million	2015 $million
Results of discontinued operations		
Revenue	251	2,254
Net gain on sale of discontinued operations	14	–
Other income	–	9
Expenses	(221)	(2,021)
Impairment of goodwill relating to investment in Contact Energy (refer to note B4)	–	(265)
Net financing costs	(9)	(91)
Profit/(loss) before income tax	**35**	**(114)**
Income tax expense	(7)	(27)
Profit/(loss) after tax from discontinued operations	**28**	**(141)**
Attributable to:		
Members of the parent entity	21	(199)
Non-controlling interest	7	58
	28	**(141)**

	2016 $million	2015 $million
Cash flows of discontinued operations		
Cash flows from operating activities	71	455
Cash flows used in investing activities	(8)	(112)
Cash flows used in financing activities	(63)	(359)
Net decrease in cash and cash equivalents	**–**	**(16)**

	10 August 2015 $million
Reconciliation of gain on sale	
Consideration (net of transaction costs)	1,603
Net assets disposed	(2,928)
Reserves reclassified to profit and loss on sale	69
Non-controlling interest disposed	1,270
Gain on sale before income tax expense	**14**

	10 August 2015 $million
Carrying value of net assets disposed	
Cash and cash equivalents	4
Trade and other receivables	199
Inventories	146
Derivatives and other financial assets	35
Property, plant and equipment	4,583
Intangible assets	487
Other assets	10
Trade and other payables	(198)
Interest-bearing liabilities	(1,542)
Income tax liabilities	(3)
Other financial liabilities	(6)
Provisions and employee benefits	(71)
Deferred tax liabilities	(716)
Net assets disposed	**2,928**

E4 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (CONTINUED)

	10 August 2015 $million
Reconciliation of cash consideration	
Consideration	1,621
Less: Transaction costs	(18)
Consideration (net of transaction costs)	**1,603**
Less: Cash and cash equivalents disposed	(4)
Consideration (net of cash disposed)	**1,599**

E4.2 Other asset sales

The assets and liabilities relating to the following assets have been classified as held for sale at 30 June 2016:

- Mortlake Pipeline;
- Cullerin Range Wind Farm;
- New Zealand on-shore assets;
- Waitsia, Senecio, Beharra;
- Energia Austral SpA;
- OTP Geothermal Pte Ltd; and
- Javiera solar project.

These assets form part of the broader asset sale program announced during the rights issue in September 2015 which also includes other assets being progressively prepared for sale but which have not yet met all the criteria to be classified as held for sale at 30 June 2016.

	2016 $million
Assets and liabilities classified as held for sale	
Trade and other receivables	2
Inventories	2
Other financial assets	5
Investments accounted for using the equity method	152
Property, plant and equipment	294
Exploration and evaluation assets	9
Intangible assets	6
Deferred tax assets	1
Assets classified as held for sale	**471**
Trade and other payables	9
Provisions	37
Liabilities classified as held for sale	**46**
Net assets	**425**

Sale of Mortlake Terminal Station

On 12 February 2016 Origin entered into a Sale Agreement with AusNet Transmission Group Pty Ltd for the sale of Mortlake Terminal Station. Completion of the transaction occurred on 23 June 2016 for cash proceeds of $110 million. Assets disposed of comprised property, plant and equipment of $85 million, resulting in a pre-tax gain on sale of $24 million, net of transaction costs.

F OTHER INFORMATION

This section includes other information to assist in understanding the financial performance and position of the Group, or items required to be disclosed to comply with accounting standards and other pronouncements.

F1 CONTINGENT LIABILITIES

Discussed below are items where either it is not probable that the Group will have to make future payments or the amount of the future payments are not able to be measured reliably.

Guarantees

Bank guarantees and letters of credit have been provided mainly to Australian Energy Market Operator Limited to support the Group's obligations to purchase electricity from the National Electricity Market.

	2016 $million	2015 $million(1)
Bank guarantees – unsecured	398	250
Letters of credit – unsecured	2	25

(1) Includes unsecured bank guarantees of $9 million and letters of credit of $25 million related to discontinued operations.

The Group's share of guarantees for certain contractual commitments of its joint ventures is shown at note F2. The Group has also given letters of comfort to its bankers in respect of financial arrangements provided by the banks to certain partly-owned controlled entities.

Joint arrangements

As a participant in certain joint arrangements, the Group is liable for its share of liabilities incurred by these arrangements. In some circumstances the Group may incur more than its proportionate share of such liabilities, but will have the right to recover the excess liability from the other joint arrangement participants.

Australia Pacific LNG has secured US$8.5 billion in funding through a project finance facility. As of 30 June 2016, Australia Pacific LNG has drawn down US$8.5 billion under the facility for capital expenditure, fees and interest. The Group guarantees its share of amounts drawn under the facility during the construction phase of the project (37.5 per cent share at 30 June 2016 being US$3.2 billion).

The Group continues to provide parent company guarantees in excess of its 37.5 per cent shareholding in Australia Pacific LNG in respect of certain domestic contracts.

Legal and regulatory

Certain entities within the Group (and joint venture entities, such as Australia Pacific LNG) are subject to various lawsuits and claims as well as audits and reviews by government or regulatory bodies. In most instances it is not possible to reasonably predict the outcome of these matters or their impact on the Group. Where outcomes can be reasonably predicted, provisions are recorded.

A number of sites owned/operated (or previously owned/operated) by the Group have been identified as contaminated. These properties are subject to ongoing environmental management programs. For sites where the requirements can be assessed and remediation costs can be estimated, such costs have been expensed or provided for.

Warranties and indemnities have also been given and/or received by entities in the Group in relation to environmental liabilities for certain properties divested and/or acquired.

Capital expenditure

As part of the acquisition of Browse Basin exploration permits, the Group agreed to pay cash consideration of US$75 million contingent upon a project Final Investment Decision (FID) and US$75 million contingent upon first production. The Group will pay further contingent consideration of up to US$50 million upon first production if 2P reserves, at the time of FID, reach certain thresholds. These obligations have not been provided for at the reporting date as they are dependent upon uncertain future events not wholly within the Group's control.

F2 COMMITMENTS

Detailed below are the Group's contractual commitments which are not recognised as liabilities as the relevant assets have not yet been received.

	2016 $million	2015 $million(1)
Capital expenditure commitments	81	228
Joint venture commitments(2)	993	885
Operating lease commitments	296	388

(1) Includes $28 million of capital expenditure commitments and $25 million of operating lease commitments relating to discontinued operations.
(2) Includes $822 million (2015: $690 million) in relation to the Group's share of Australia Pacific LNG's capital, joint venture and operating lease commitments.

F2 COMMITMENTS (CONTINUED)

The Group leases property, plant and equipment under operating leases with terms of one to ten years. The future minimum lease payments under non-cancellable operating leases are as follows:

	2016 $million	2015 $million
Less than one year	67	74
Between one and five years	161	202
More than five years	68	112
	296	**388**

F3 SHARE-BASED PAYMENTS

This section sets out details of the Group's share-based remuneration arrangements including details of the Company's equity incentive plan, employee share plan and Contact Energy's long term incentive scheme.

The following share-based remuneration expense was recognised during the year:

	Ref.	2016 $million	2015 $million
Continuing operations			
Origin Equity Incentive Plan	(a)	32	31
Origin Employee Share Plan	(b)	5	5
		37	**36**
Discontinued operations			
Contact Energy Long Term Incentive Scheme		–	4

Explanatory notes to share-based payments for the year ended 30 June

(a) Equity Incentive Plan

Eligible employees are granted share-based remuneration under the Origin Energy Limited Equity Incentive Plan. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate or to receive any guaranteed benefits. Equity incentives are offered in the form of Options and share rights.

(i) Long Term Incentive (LTI)

LTI includes the award of Options and Performance Share Rights (PSRs) which do not carry dividend or voting entitlements and will only vest if certain performance standards are met. The number of awards that will vest depends on Origin's Total Shareholder Return (TSR) ranking relative to the group of companies comprising the S&P/ASX 100 index at grant date. No awards vest if Origin's TSR ranks at or below the 50th percentile. Testing of the TSR market performance condition occurs four years after the grant date and there is no re-testing.

Vested Options may be exercised up to a maximum of 10 years after grant date. The exercise price of Options is based on the weighted average price of the Company's shares over a period of at least 10 trading days determined by the Board prior to the grant date. As there is no exercise price for PSRs, once vested they are exercised automatically. When exercised, either automatically or upon payment of the exercise price, a vested award is converted into one fully paid ordinary share that carries voting and dividend entitlements.

The fair value of the awards granted is recognised as an employee expense, with a corresponding increase in equity, over the vesting period. In exceptional circumstances[1] unvested Options or PSRs may be held 'on foot' subject to the specified performance hurdles and other plan conditions being met, or dealt with in an appropriate manner determined by the Board. Fair value is measured at grant date using a Monte Carlo simulation model that takes into account the exercise price, share price at grant date, price volatility, dividend yield, risk-free interest rate for the term of the security and the likelihood of meeting the TSR market condition. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest except where due to non-achievement of the TSR market condition. Set out below are the inputs used to determine the fair value of the options and PSRs granted during the year:

		Options		PSRs
Grant date	1-Jul-15	22-Oct-15	1-Jul-15	22-Oct-15
Grant date share price	$11.92	$5.92	$11.92	$5.92
Exercise price	$12.78	$6.78	$Nil	$Nil
Volatility (per cent)	24%	30%	24%	30%
Dividend yield (per cent)	3.5%	3.5%	3.5%	3.5%
Risk-free rate (per cent)	2.28%	2.30%	2.07%	1.96%
Grant date fair value (per award)	$1.00	$0.84	$3.17	$2.60

(1) The Equity Incentive Plan Rules set out the circumstances as death, disability, redundancy, genuine retirement, or other exceptional circumstances approved by the Board.

F3 SHARE-BASED PAYMENTS (CONTINUED)

Explanatory notes to share-based payments for the year ended 30 June (continued)

(ii) Short Term Incentive (STI)

STI includes the award of Deferred Share Rights (DSRs) which vest where the employee remains employed with satisfactory performance for a set period (generally between two and four years). DSRs do not carry voting or dividend entitlements. Once vested, a DSR entitles the holder to one fully paid ordinary share of the Company. As there is no exercise price for DSRs, they are exercised automatically upon vesting. The fair value of DSRs is recognised as an employee expense over the related service period. DSRs are forfeited if the service and performance conditions are not met. In exceptional circumstances[1] the DSRs, which represent a portion of 'earned' STI, will vest at cessation unless the Board determines otherwise (for example they may be held 'on foot' until the originally intended vesting date). Fair value is measured at grant date as the market value of an Origin share less the discounted value of dividends foregone.

Equity Incentive Plan awards outstanding

Set out below is a summary of awards outstanding at the beginning and end of the financial year:

	Options	Weighted average exercise price	PSRs	DSRs
Outstanding at 1 July 2015	**19,322,406**	**$13.30**	**8,725,038**	**1,518,469**
Granted[2]	3,709,418	$6.92	1,831,456	3,999,436
Exercised	–	–	–	1,147,690
Forfeited	5,009,590	$13.27	5,076,861	171,187
Expired	–	–	–	–
Outstanding at 30 June 2016	**18,022,234**	**$11.99**	**5,479,633**	**4,199,028**
Exercisable at 30 June 2016	–	–	–	–
Outstanding at 1 July 2014	**18,330,803**	**$13.08**	**8,933,078**	**123,811**
Granted	2,569,779	$15.65	635,154	1,534,064
Exercised	–	–	–	115,716
Forfeited	192,676	$13.16	843,194	23,690
Expired	1,385,500	$14.84	–	–
Outstanding at 30 June 2015	**19,322,406**	**$13.30**	**8,725,038**	**1,518,469**
Exercisable at 30 June 2015	–	–	–	–

The weighted average share price during 2016 was $5.67 (2015: $12.80). The Options outstanding at 30 June 2016 have an exercise price in the range of $6.78 to $15.65 and a weighted average contractual life of 4.3 years (2015: 3.8 years).

(1) The Equity Incentive Plan Rules set out the circumstances as death, disability, redundancy, genuine retirement, or other exceptional circumstances approved by the Board.
(2) The number of DSRs issued in 2014 was adjusted for the October 2015 rights issue for all participants except Executive Directors to eliminate any material advantage or disadvantage to participants.

(b) Employee Share Plan (ESP)

Under the ESP all full-time and permanent part-time employees of the Company who are based in Australia or New Zealand with at least one year of continuous service at 30 June of the performance year are granted up to AUD $1,000 of fully paid Origin shares conditional upon the Company meeting certain safety targets. The shares are granted for no consideration. Shares awarded under the ESP are purchased on-market, registered in the name of the employee, and are restricted for three years, or until cessation of employment, whichever occurs first.

Details of the shares awarded under the ESP during the year are as follows:

	Grant date	Shares granted	Cost per share[1]	Total cost $'000
2016				
	25-Sep-15	708,647	$7.18	5,088
		708,647		**5,088**
2015				
	23-Sep-14	315,038	$15.05	4,741
		315,038		**4,741**

(1) The cost per share represents the weighted average market price of the Company's shares on the grant date.

F4 RELATED PARTY DISCLOSURES

The Group's interests in equity accounted entities and details of transactions with these entities are set out in note E1.

Certain directors of Origin Energy Limited are also directors of other companies which supply Origin Energy Limited with goods and services or acquire goods or services from Origin Energy Limited. Those transactions are approved by management within delegated limits of authority and the Directors do not participate in the decisions to enter into such transactions. If the decision to enter into those transactions should require approval of the Board, the Director concerned will not vote upon that decision nor take part in the consideration of it.

F5 KEY MANAGEMENT PERSONNEL

	2016 $	2015 $
Short-term employee benefits	9,858,958	14,336,666
Post-employment benefits	243,057	280,504
Other long-term benefits	287,802	223,941
Share-based payments	3,858,411	6,581,723
	14,248,228	**21,422,834**

Loans and other transactions with key management personnel

There were no loans with key management personnel during the year.

Transactions entered into during the year with key management personnel are normal employee, customer or supplier relationships and have terms and conditions which are no more favourable than dealings in the same circumstances on an arm's length basis. These transactions include:

— the receipt of dividends from Origin Energy Limited or participation in the Dividend Reinvestment Plan;
— participation in the Employee Share Plan, Equity Incentive Plan and Non-executive Director Share Plan;
— participation in the October 2015 rights issue as a shareholder;
— terms and conditions of employment or directorship appointment;
— reimbursement of expenses incurred in the normal course of employment;
— purchases of goods and services; and
— receipt of interest on Retail Notes.

F6 NOTES TO THE STATEMENT OF CASH FLOWS

Cash includes cash on hand, at bank and short-term deposits, net of outstanding bank overdrafts.

The following table reconciles profit to net cash provided by operating activities:

	Note	2016 $million	2015 $million
Loss for the period		**(576)**	**(590)**
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation and amortisation		623	809
Executive share-based payment expense		32	35
Impairment losses recognised – trade and other receivables		67	83
Exploration expense		63	29
Impairment of assets		691	889
Decrease in fair value of financial instruments		234	683
Net financing costs		347	368
Increase in tax balances		(75)	(165)
Gain on sale of assets		(39)	(2)
Non-cash share of net profits of equity accounted investees		228	87
Unrealised foreign exchange loss		40	36
Release of unfavourable contract liability		–	(193)
Oil forward sale		(139)	–
Oil put option premium		(117)	–
Settlement of Energy Markets final carbon liability		–	(300)
Changes in assets and liabilities, net of effects from acquisitions/disposals:			
— Receivables		8	262
— Inventories		(11)	6
— Payables		96	(173)
— Provisions		(39)	15
— Other		(29)	(46)
Total adjustments(1)		**1,980**	**2,423**
Net cash from operating activities		**1,404**	**1,833**

The following non-cash financing and investing activities have not been included in the statement of cash flows:

Issue of shares in respect of the Dividend Reinvestment Plan	C6	42	79

(1) Adjustments include amounts which are classified as discontinued operations and held for sale at 30 June 2016 and 30 June 2015. Refer to note E4 for details of cash flows relating to discontinued operations.

F7 AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2016 $'000	2015 $'000(1)
Audit and review services of the financial reports by:		
Auditors of the Group (KPMG)	2,431	3,393
Other auditors	76	72
	2,507	3,465
Other services by:		
Auditors of the Group (KPMG)		
Accounting advice	20	44
Taxation services	17	52
Assurance services:		
– equity and debt transactions	159	164
– contract compliance	140	221
– IT controls	–	150
– other	45	74
	381	**705**
	2,888	**4,170**

(1) Includes audit fees of $520,000 and non-audit services of $Nil in relation to Contact Energy Limited.

F8 MASTER NETTING OR SIMILAR AGREEMENTS

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a net amount payable by one party to the other.

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position, where the Group has a legally enforceable right to offset recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting, but still allow for the related amounts to be offset in certain circumstances, such as a loan default or the termination of a contract.

The following table presents the recognised financial instruments that are offset, or subject to master netting arrangements but not offset, as at reporting date. The column 'net amount' shows the impact on the Group's statement of financial position if all set-off rights were exercised.

	Gross amount $million	Amount offset in the statement of financial position $million	Amount in the statement of financial position $million	Related amount not offset $million	Net amount $million
30 June 2016					
Derivative financial assets	1,759	(372)	1,387	(437)	950
Derivative financial liabilities	(1,440)	372	(1,068)	437	(631)
30 June 2015					
Derivative financial assets	1,189	(315)	874	(360)	514
Derivative financial liabilities	(1,655)	315	(1,340)	360	(980)

F9 DEED OF CROSS GUARANTEE

The parent entity has entered into a Deed of Cross Guarantee. This means that the Group guarantees the debts of certain controlled entities. The controlled entities which are party to the Deed, are shown in note E3.

The following consolidated statement of comprehensive income and retained profits, and statement of financial position comprises the Company and its controlled entities which are party to the Deed of Cross Guarantee after eliminating all transactions between parties to the Deed.

	2016 $million	2015 $million
Consolidated statement of comprehensive income and retained profits for the year ended 30 June		
Revenue	11,526	11,400
Other income	105	152
Expenses	(11,642)	(12,063)
Share of results of equity accounted investees	(225)	(84)
Interest income	222	109
Interest expense	(629)	(320)
Loss before income tax	**(643)**	**(806)**
Income tax benefit	(163)	(105)
Loss for the period	**(480)**	**(701)**
Other comprehensive income	–	3
Total comprehensive income for the period	**(480)**	**(698)**
Retained earnings at the beginning of the period	**7,179**	**8,430**
Adjustments for entities entering the Deed of Cross Guarantee	57	–
Retained earnings at the beginning of the period	**7,236**	**8,430**
Dividends paid	(452)	(553)
Retained earnings at the end of the period	**6,304**	**7,179**

F9 DEED OF CROSS GUARANTEE (CONTINUED)

	2016 $million	2015 $million
Statement of financial position as at 30 June		
Current assets		
Cash and cash equivalents	49	44
Trade and other receivables	4,403	3,810
Inventories	231	217
Derivatives	253	34
Other financial assets	312	208
Income tax receivable	56	75
Assets classified as held for sale	220	–
Other assets	135	104
Total current assets	**5,659**	**4,492**
Non-current assets		
Trade and other receivables	845	1,343
Derivatives	1,134	859
Other financial assets	6,041	6,412
Investments accounted for using the equity method	5,933	6,226
Property, plant and equipment	4,700	5,041
Exploration and evaluation assets	310	299
Development assets	292	239
Intangible assets	5,172	5,013
Deferred tax assets	255	198
Other assets	27	44
Total non-current assets	**24,709**	**25,674**
Total assets	**30,368**	**30,166**
Current liabilities		
Trade and other payables	2,938	2,781
Interest-bearing liabilities	102	472
Derivatives	18	31
Other financial liabilities	375	157
Employee benefits	209	251
Provisions	49	61
Liabilities classified as held for sale	19	–
Total current liabilities	**3,710**	**3,753**
Non-current liabilities		
Trade and other payables	8,703	8,394
Interest-bearing liabilities	2,055	3,920
Derivatives	1,050	1,266
Employee benefits	35	35
Provisions	577	475
Total non-current liabilities	**12,420**	**14,090**
Total liabilities	**16,130**	**17,843**
Net assets	**14,238**	**12,323**
Equity		
Share capital	7,150	4,599
Reserves	784	545
Retained earnings	6,304	7,179
Total equity	**14,238**	**12,323**

F10 PARENT ENTITY DISCLOSURES

The following sets out the results and financial position of the parent entity, Origin Energy Limited:

	2016 $million	2015 $million
Origin Energy Limited		
(Loss)/profit for the period	(30)	547
Other comprehensive income, net of income tax	3	(33)
Total comprehensive income for the period	**(27)**	**514**
Financial position of the parent entity at period end		
Current assets	1,418	2,242
Non-current assets	17,949	17,676
Total assets	**19,367**	**19,918**
Current liabilities	994	1,363
Non-current liabilities	10,568	12,853
Total liabilities	**11,562**	**14,216**
Share capital	7,150	4,599
Share-based payments reserve	197	166
Hedging reserve	(26)	(29)
Retained earnings	484	966
Total equity	**7,805**	**5,702**
Contingent liabilities of the parent entity		
Bank guarantees – unsecured	11	4

The parent entity has entered into a deed of indemnity for the cross-guarantee of liabilities of a number of controlled entities. Refer to note E3.

The parent entity has also provided guarantees for certain contractual commitments of its joint ventures associated with capital projects.

F11 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 July 2016, and have not been applied in preparing these financial statements. The Group has reviewed these standards and interpretations, and with the exception of *AASB 9 Financial Instruments, AASB 15 Revenue from Contracts with Customers and AASB 16 Leases*, determined none of these standards and interpretations materially impact the Group. *AASB 9 Financial Instruments* proposes a revised framework for the classification and measurement of financial instruments. *AASB 15 Revenue from Contracts with Customers* introduces the core principle that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset and a financial liability to pay rentals for almost all lease contracts. The accounting by lessors, however, will not significantly change. The Group is currently assessing the impact of these standards.

F12 SUBSEQUENT EVENTS

Completion of Cullerin Range Wind Farm Sale

On 17 June 2016 Origin entered into a Share Sale Agreement with EDL Holdings (Australia) Pty Ltd for the sale of its wholly owned subsidiary Cullerin Range Wind Farm Pty Ltd for cash consideration of $72 million. Completion of the transaction occurred on 13 July 2016. The expected gain on sale before tax and transaction costs is approximately $12 million. Simultaneously, Origin Energy Electricity Limited entered into an Offtake Agreement with Cullerin Range Wind Farm Pty Ltd.

Completion of OTP Geothermal Pte Ltd Sale

On 8 April 2016 Origin announced that it had entered into a Sale Agreement with KS Orka Renewables Pte Ltd for the sale of its 50 per cent interest in OTP Geothermal Pte Ltd (OTP) for cash consideration of approximately US$30 million (Origin share). Settlement of the transaction occurred on 16 August 2016. Origin's investment in OTP is recorded at its recoverable amount at 30 June 2016 therefore there will be no significant profit or loss realised on divestment in the year ending 30 June 2017.

Australia Pacific LNG Functional Currency

Australia Pacific LNG has changed its functional currency from AUD to USD from 1 July 2016 for accounting and reporting purposes. On 30 June 2016 Australia Pacific LNG elected to change its functional currency for PRRT to USD from 1 July 2016 and intends to change its functional currency for income tax purposes to USD with effect from 1 July 2016.

Funding of Australia Pacific LNG

On 1 July 2016 Australia Pacific LNG undertook a capital reduction and cancellation of all existing 14,000 AUD denominated mandatory redeemable preference shares (MRCPS) (Origin's share, A$4.8 billion). The capital reduction was funded by issue of USD denominated MRCPS to a value of US$7.4 billion (Origin's share US$2.8 billion or A$3.7 billion) and a non-cash shareholder capital contribution of US$2.2 billion (Origin's share US$0.8 billion or A$1.1 billion).

Other than the matters described above, no other item, transaction or event of a material nature has arisen since 30 June 2016 that would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

DIRECTORS' DECLARATION

1 In the opinion of the Directors of Origin Energy Limited (the Company):

   (a) the consolidated financial statements and notes are in accordance with the *Corporations Act 2001* (Cth), including:

      (i) giving a true and fair view of the financial position of the Group as at 30 June 2016 and of its performance, for the year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (Cth).

   (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in the Overview of the consolidated financial statements.

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the controlled entities identified in note E3 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

3 The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and the Acting Chief Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors:

Gordon M Cairns, Chairman
Director
Sydney, 18 August 2016

Independent auditor's report to the members of Origin Energy Limited

Report on the financial report

We have audited the accompanying financial report of Origin Energy Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, the notes to the financial statements Overview and A to F12 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In the notes to the financial statements Overview, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the consolidated entity comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the consolidated entity's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continued overleaf)

KPMG

Independent auditor's report to the members of Origin Energy Limited *(continued)*

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the consolidated entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements Overview.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Origin Energy Limited for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

DMcLennan

Duncan McLennan
Partner

Sydney

18 August 2016

SHARE AND SHAREHOLDER INFORMATION

Information set out below was applicable as at 18 August 2016.

As at 18 August 2016, there were:

- 170,378 holders of ordinary shares in the Company; and
- 148 holders of 17,888,554 Options, 453 holders of 5,463,043 Performance Share Rights, and 483 holders of 4,070,794 Deferred Share Rights granted under the Origin Energy Equity Incentive Plan.

There is not a current on-market buy-back of Origin shares.

During the reporting period 708,647 Origin shares were purchased on-market for the purpose of the Employee Share Plan. The average price per share purchased was $7.18.

ANALYSIS OF SHARES

Holdings Ranges	Holders	Total Units	%
1-1,000	67,799	30,341,697	1.73
1,001-5,000	74,809	180,164,829	10.28
5,001-10,000	17,131	120,404,205	6.87
10,001-100,000	10,374	210,646,418	12.01
100,001-99,999,999,999	265	1,211,848,294	69.11
Totals	**170,378**	**1,753,405,443**	**100.00**

9,429 shareholders hold less than a marketable parcel as at 18 August 2016.

SUBSTANTIAL SHAREHOLDERS

There were no substantial shareholders as disclosed by notices received by the Company as at 18 August 2016.

TOP 20 HOLDINGS

Shareholder	Number of shares	% of issued shares
HSBC Custody Nominees (Australia) Limited	384,475,144	21.94
J P Morgan Nominees Australia Limited	310,795,950	17.74
National Nominees Limited	157,618,440	8.99
Citicorp Nominees Pty Limited	147,110,565	8.40
BNP Paribas Noms Pty Ltd (DRP)	30,640,187	1.75
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	20,962,122	1.20
HSBC Custody Nominees (Australia) Limited – A/C 2	12,577,222	0.72
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	11,221,875	0.64
Argo Investments Limited	10,959,203	0.63
RBC Investor Services Australia Nominees Pty Limited (Bkcust A/C)	8,330,277	0.48
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	8,293,772	0.47
Australian Foundation Investment Company Limited	6,000,000	0.34
RBC Investor Services Australia Nominees Pty Limited (Mba A/C)	5,192,943	0.30
National Nominees Limited (N A/C)	3,645,981	0.21
The Senior Master Of The Supreme Court (Common Fund No 3 A/C)	3,564,687	0.20
AMP Life Limited	2,956,625	0.17
Navigator Australia Ltd (MLC Investment Sett A/C)	2,637,255	0.15
HSBC Custody Nominees (Australia) Limited-Gsco Eca	2,430,138	0.14
Forsyth Barr Custodians Ltd (Forsyth Barr Ltd-Nominee A/C)	2,371,368	0.14
HSBC Custody Nominees (Australia) Limited	2,247,436	0.13
	1,134,031,190	**64.71%**

SHARE AND SHAREHOLDER INFORMATION

SHAREHOLDER ENQUIRIES

For information about your shareholding, to notify a change of address, to make changes to your dividend payment instructions or for any other shareholder enquiries, you should contact Origin Energy's share registry, Boardroom Pty Ltd on 1300 664 446. Please note that broker sponsored holders are required to contact their broker to amend their address.

When contacting the share registry, shareholders should quote their security holder reference number, which can be found on the holding or dividend statements.

Shareholders with internet access can update and obtain information regarding their shareholding online at https://www.originenergy.com.au/about/investors-media.html

TAX FILE NUMBER

For resident shareholders who have not provided the share registry with their Tax File Number (TFN) or exemption category details, tax at the top marginal tax rate (plus Medicare levy) will be deducted from dividends to the extent they are not fully franked. For those shareholders who have not as yet provided their TFN or exemption category details, forms are available from the share registry. Shareholders are not obliged to provide this information if they do not wish to do so.

INFORMATION ON ORIGIN

The main source of information for shareholders is the Annual Report and the Shareholder Review. Both the Annual Report and Shareholder Review will be provided to shareholders on request and free of charge. Shareholders not wishing to receive the Annual Report should advise the share registry in writing so that their names can be removed from the mailing list. Origin's website www.originenergy.com.au is another source of information for shareholders.

SECURITIES EXCHANGE LISTING

Origin shares are traded on the Australian Securities Exchange Limited (ASX). The symbol under which Origin shares are traded is 'ORG'. Origin's Subordinated Notes are also traded on the ASX under the symbol ORGHA.

VOTING RIGHTS OF MEMBERS

At a meeting of members, each member who is entitled to attend and vote may attend and vote in person or by proxy, attorney or representative. On a show of hands, every person present who is a member, proxy, attorney or representative, shall have one vote and on a poll, every member who is present in person or by proxy, attorney or representative shall have one vote for each fully paid share held.

NOTICE OF ENFORCEABLE UNDERTAKING

In September 2013, an LPG plant fire occurred at our Minto LPG site, injuring two workers.

SafeWork NSW investigated the incident and subsequently alleged that Origin breached the Work Health and Safety Act 2011 (NSW). This part of our Annual Report has been included pursuant to the terms of an Enforceable Undertaking Origin has signed with SafeWork NSW in settlement of the alleged contravention. Also under that Undertaking, Origin agreed to take the following actions:

- conduct development programs for leaders of the LPG business as well as terminal and driver supervisors;
- install new equipment at an LPG terminal;
- produce two safety videos with respect to LPG; and
- participate in charitable works with the Concord Hospital Burns Unit.

Origin regrets the incident, particularly given its on-going commitment to ensure the health and safety of all its workers and those affected by its businesses but is thankful that the two injured workers were able to return to pre-injury duties following receipt of medical support.

EXPLORATION AND PRODUCTION PERMITS AND DATA

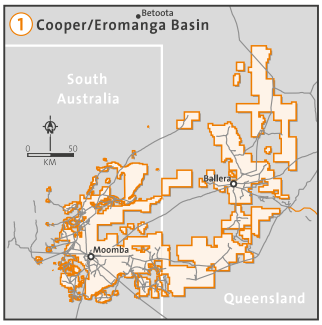
Key

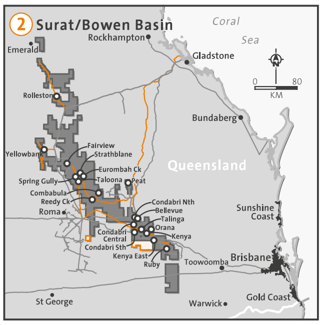
Origin Energy Interests

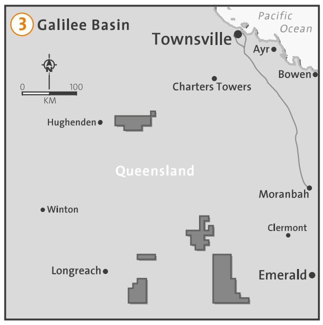
- Origin permit
- APLNG permit
- Production facility
- Pipeline

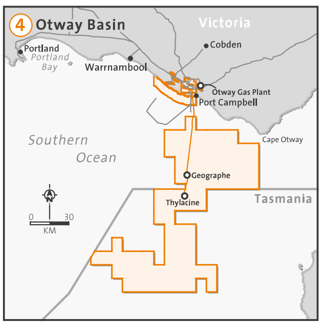
Other (Non Origin)

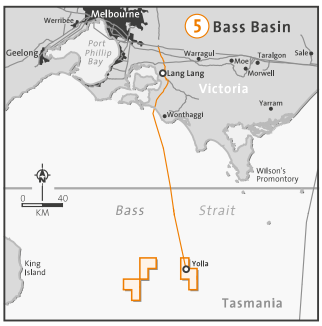
- Pipeline

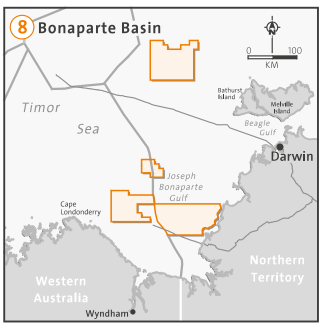


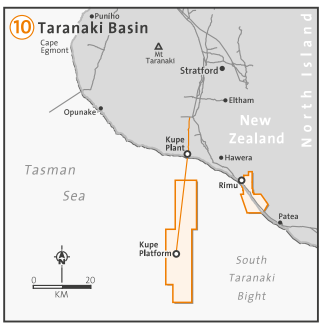


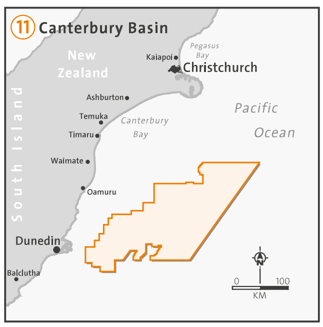












EXPLORATION AND PRODUCTION PERMITS AND DATA

Origin held interests in the following permits at 30 June 2016.

Basin/Project Area	Interest	Notes
AUSTRALIA		
COOPER BASIN (South Australia)		
Patchawarra East Block PPLs	10.54%	
SA Unit PPLs	13.19%	
Reg Sprigg West Unit (PPL 194/PPL 211)	7.90%	
PEL 637 and PRL 106	40.00%	
PELs 638	33.75%	
COOPER BASIN (Queensland)		
SWQ Unit Subleases	16.74%	
Aquitaine A & B Blocks of ATP 1189P and associated PLs	25.00%	
Aquitaine C Block of ATP 1189P and associated PLs	27.00%	
Wareena Block of ATP 1189P and associated PLs	10.00%	
GALILEE BASIN (Queensland)		
ATPs 666P, 667P and 668P	37.50%	*(1)
SURAT BASIN (Queensland)		
ATP 647P (Block 2656 only)	50.00%	*
ATP 788P (Shallows)	100.00%	*
ATP 788P (Deeps)	25.00%	*
DENISON TROUGH (Queensland)		
PLs 41, 42, 43, 44, 45, 54, 67, 173, 183 and 218	18.75%	*(1)
ATP 1191 Farm-out (Production)	11.25%	*(1)
ATP 337P (Exploration) and PLs 450(A), 451(A), 457(A) and 1012(A)	18.75%	(1)
ATP 1191	18.75%	(1)
ATP 1177P	18.75%	(1)
PPLs 10 and 11	18.75%	*(1)
LNG (Gladstone)		
PPLs 162 and 163	37.50%	*(1)
PFL 20	37.50%	*(1)
CSG (Queensland)		
Fairview		
ATP 526P, ATP 2012(A)** and PLs 90, 91, 92, 99, 100, 232, 233, 234, 235 and 236	8.97%	(1)
Spring Gully		
ATP 592P and PLs 195, 203, 414, 415, 416, 417, 418, 268(A)~ and 419(A)	35.44%	*(1)
PL 204	37.40%	*(1)
PL 200	35.89%	*(1)
PPL 180	37.50%	*(1)
Talinga/ Orana		
ATP 692P and PLs 209, 215, 226, 272, 216(A), 225(A), 289(A), 445(A) and 481(A)	37.50%	*(1)
PPLs 171 and 181	37.50%	*(1)
PFL 26	37.50%	*(1)
Kenya/Argyle/Lauren/Bellevue		
PLs 179, 180, 228, 229 and 263	15.23%	(1)
PL 247	11.02%	(1)
ATP 648 and PLs 257, 273, 274, 275, 278, 279, 442, 466, 474 and 503	11.72%	(1)
ATP 1188P	11.72%	(1)
PFL 19	11.72%	(1)
PPLs 107, 176 and 2014	15.23%	(1)

Basin/Project Area	Interest	Notes
Peat		
PL 101	37.50%	*(1)
Other Bowen Basin		
ATP 804P	10.99%	(1)
ATP 745P and PLs 420, 421 and 440	8.94%	(1)
PLs 219 and 220	37.50%	*(1)
Other Surat Basin		
ATP 606P and PLs 297, 403, 404, 407, 408, 405(A), 406(A), 412(A), 413(A) and 444(A)	34.77%	*(1)
ATP 631P and PLs 281(A) and 282(A)	6.79%	(1)
ATP 663P and PLs 434(A), 435(A), 436(A), 437(A), 438(A) and 439(A)	37.50%	*(1)
ATP 973P and PLs 265, 266 and 267	37.50%	*(1)
ATP 972P and PLs 469(A), 470(A) and 471(A)	34.77%	*(1)
PL 1011	37.50%	*(1)
PPLs 143, 177, 178, 185, 186 and 2000	37.50%	*(1)
ONSHORE OTWAY BASIN		
Victoria		
PPLs 6,9 and PRL1	90.00%	*
PPLs 4, 5, 7, 10 and 12	100.00%	*
PPL 2 Ex (Iona Exclusion)	100.00%	*
PPL 8	100.00%	*
OFFSHORE OTWAY BASIN		
Victoria		
Vic/P42 (V)	100.00%	*
Vic/P43	67.23%	*
Vic/L23	67.23%	*
Vic/P69	100.00%	*
Vic/L1(V)	100.00%	*
Tasmania		
T/L2 and T/L3	67.23%	*
T/30P	70.77%	*(3)
T/34P	86.63%	*
Bass Basin (Tasmania)		
T/L1	42.50%	*
T/RL 2, 3, 4 and 5	39.00%	*(2)
PERTH BASIN (Western Australia)		
EP320 and L11	67.00%	*
L 14	49.19%	*
L1/L2 (Excluding Dongara, Mondarra and Yardarino)	50.00%	
BROWSE BASIN (Western Australia)		
WA-315-P and WA-398-P	40.00%	
BONAPARTE BASIN (Western Australia & Northern Territory)		
WA-454-P	50.00%	*
NT/RL1 and WA-6-R	5.00%	
NT/P84	50.00%	*
NT/P85	50.00%	
BEETALOO BASIN (Northern Territory)		
EP 76, EP 98 and EP117	35.00%	*

Basin/Project Area	Interest	Notes
NEW ZEALAND		
TARANAKI BASIN		
PML 38146	50.00%	*
PMP 38151	100.00%	*
PMP 38155	100.00%	*
CANTERBURY BASIN		
PEP 38264	45.00%	

Notes:

* Operatorship

(1) Interest held through 37.5 per cent ownership of APLNG Joint Venture

** Replacement tenure for parts of ATP 526

~ Replacement tenure for PL 203

(2) Replacement tenures for T/18P

(3) percentage increase due to Toyota Tsusho Gas E&P Otway Limited withdrawal

ANNUAL RESERVES REPORT

This Annual Reserves Report provides an update on the reserves and resources of Origin Energy Limited (Origin) and its share of Australia Pacific LNG, as at 30 June 2016. The data is compared with and reconciled to the position at 30 June 2015.

SUMMARY OF 2P RESERVES

Including production, Origin's proved plus probable (2P) reserves increased by 17 PJe to a total of 6,277 PJe, when compared to 30 June 2015. The key changes in 2P reserves include:

- 249 PJe net increase resulting from revisions and extensions with notable increases in the Perth Basin (Waitsia/Senecio field) and offshore NZ (Kupe field), partly offset by decreases in Cooper, Otway and Bass basins.
- 231 PJe decrease due to production.

Table 1: Origin 2P reserves (by area)

2P Reserves by area (PJe)	2P 30/06/2015	Acquisition/ Divestment	New Booking/ Discovery	Revisions/ Extensions	Production	2P 30/06/2016
Australia Pacific LNG						
Surat/Bowen (Unconventional)	5,167	–	–	63	(157)	5,073
Cooper Basin						
SA Cooper Basin	187	–	–	(26)	(12)	149
SWQ Cooper Basin	53	–	–	(12)	(6)	35
Other Onshore Australia						
Perth Basin	43	–	–	216	(4)	255
Ironbark (Unconventional)	256	–	–	–	–	256
Australia Offshore						
Otway Basin	313	–	–	(34)	(24)	255[1]
Bass Basin	90	–	–	(30)	(10)	50
New Zealand						
Onshore Taranaki	–	–	–	1	(1)	–
Offshore Taranaki (Kupe)	151	–	–	71	(18)	204
Total	**6,260**	**–**	**–**	**249**	**(231)**	**6,277**

(1) Includes 78 PJe in Halladale and Speculant fields.

During the year, changes were recorded in the following areas:

- Including 157 PJe of production, Australia Pacific LNG 2P reserves decreased by 94 PJe to 5,073 PJe with 63 PJe of 2P reserves added following successful development drilling. Further detail is provided in Appendix A.
- Including 18 PJe of production, Cooper Basin 2P reserves decreased by 56 PJe to 184 PJe with 38 PJe of revisions and extensions due to revised development plans and the impact of lower oil prices.
- Including 4 PJe of production, Perth Basin 2P reserves increased by 212 PJe to 255 PJe with 216 PJe of revisions and extensions in Waitsia field as a result of an integrated reservoir study incorporating well results and data. Waitsia is expected to begin production early in the 2017 financial year.
- Ironbark 2P reserves remained unchanged at 256 PJe. 3P reserves decreased by 1 PJe to 713 PJe and 2C reserves increased by 3 PJe to 329 PJe.
- Including 24 PJe of production, Otway Basin 2P reserves decreased by 58 PJe to 255 PJe with 34 PJe of revisions and extensions due to faster decline in well deliverability resulting in less reserves able to be economically produced. Reservoir studies to identify Otway backfill opportunities are ongoing.
- Including 10 PJe of production, Bass Basin 2P reserves decreased by 40 PJe to 50 PJe with 30 PJe of revisions and extensions due to lower observed reservoir performance from Yolla-5 and Yolla-6 since wells have come online.
- Including 18 PJe of production, New Zealand Offshore (Kupe) 2P reserves increased by 53 PJe to 204 PJe with 71 PJe of revisions and extensions as a result of an updated reservoir model.

Minor revisions to reserves occurred in other areas as additional data and technical studies are incorporated into forward estimates. Around 85 per cent of 2P reserves are unconventional.

Table 2: Origin 2P reserves (by product and development type)

2P Reserves by area (PJe)	Gas (PJ)	LPG (kT)	Condensate (kbbl)	Oil (kbbl)	Total (PJe) Developed	Total (PJe) Undeveloped	Total (PJe)
Australia Pacific LNG							
Surat/Bowen (Unconventional)	5,073	–	–	–	1,969	3,104	5,073
Cooper Basin							
SA Cooper Basin	115	245	1,834	1,959	91	57	149
SWQ Cooper Basin	30	36	370	321	24	11	35
Other Onshore Australia							
Perth Basin	255	–	67	–	81	175	255
Ironbark (Unconventional)	256	–	–	–	–	256	256
Australia Offshore							
Otway Basin	220	393	2,902	–	184	71	255
Bass Basin	38	107	1,264	6	48	2	50
New Zealand							
Onshore Taranaki	–	–	–	–	–	–	–
Offshore Taranaki (Kupe)	147	613	4,975	–	117	87	204
Total	**6,133**	**1,394**	**11,411**	**2,287**	**2,514**	**3,763**	**6,277**

Table 3: Origin 2P reserve changes (by product)

2P Reserves by area (PJe)	Gas (PJ)	LPG (kT)	Condensate (kbbl)	Oil (kbbl)	Total (PJe)
2P 30/06/2015	6,100	1,492	13,029	2,631	6,260
Acquisition/divestment	–	–	–	–	–
New bookings/discoveries	–	–	–	–	–
Revisions/extensions	248	30	(199)	8	249
Production	(215)	(129)	(1,419)	(352)	(231)
2P 30/06/2016	**6,133**	**1,394**	**11,411**	**2,287**	**6,277**
Change	33	(98)	(1,617)	(344)	17
Change (percentage)	1	(7)	(12)	(13)	0

SUMMARY OF 1P RESERVES

Proved (1P) reserves increased by 398 PJe (after production) to a total of 3,160 PJe, when compared to previous reporting period, as stated in Table 4. Around 84 per cent of 1P reserves are unconventional.

Table 4: Origin 1P reserves (by area)

1P Reserves by area (PJe)	1P 30/06/2015	Acquisition/ Divestment	New Booking/ Discovery	Revisions/ Extensions	Production	1P 30/06/2016
Australia Pacific LNG						
Surat/Bowen (Unconventional)	2,272	–	–	543	(157)	2,659
Cooper Basin						
SA Cooper Basin	82	–	–	(6)	(12)	64
SWQ Cooper Basin	26	–	–	(4)	(6)	16
Other Onshore Australia						
Perth Basin	15	–	–	55	(4)	67
Ironbark (Unconventional)	–	–	–	–	–	–
Australia Offshore						
Otway Basin	188	–	–	9	(24)	173
Bass Basin	83	–	–	(33)	(10)	39
New Zealand						
Onshore Taranaki	–	–	–	1	(1)	–
Offshore Taranaki (Kupe)	97	–	–	64	(18)	143
Total	**2,763**	**–**	**–**	**629**	**(231)**	**3,160**

Table 5: Origin 1P reserves (by product and development type)

1P Reserves by area (PJe)	Gas (PJ)	LPG (kT)	Condensate (kbbl)	Oil (kbbl)	Total (PJe) Developed	Total (PJe) Undeveloped	Total (PJe)
Australia Pacific LNG							
Surat/Bowen (Unconventional)	2,659	–	–	–	1,965	694	2,659
Cooper Basin							
SA Cooper Basin	51	99	739	739	36	28	64
SWQ Cooper Basin	13	17	175	137	11	5	16
Other Onshore Australia							
Perth Basin	66	–	19	–	67	–	67
Ironbark (Unconventional)	–	–	–	–	–	–	–
Australia Offshore							
Otway Basin	149	280	2,053	–	128	46	173
Bass Basin	30	84	989	1	38	1	39
New Zealand							
Onshore Taranaki	–	–	–	–	–	–	–
Offshore Taranaki (Kupe)	100	419	4,108	–	98	45	143
Total	**3,067**	**899**	**8,083**	**877**	**2,341**	**819**	**3,160**

Table 6: Origin 1P reserve changes (by product)

1P Reserves by area (PJe)	Gas (PJ)	LPG (kT)	Condensate (kbbl)	Oil (kbbl)	Total (PJe)
1P 30/06/2015	2,666	940	8,207	1,070	2,763
Acquisition/divestment	–	–	–	–	–
New bookings/discoveries	–	–	–	–	–
Revisions/extensions	617	87	1,295	158	629
Production	(215)	(129)	(1,419)	(352)	(231)
1P 30/06/2016	**3,067**	**899**	**8,083**	**877**	**3,160**
Change	402	(42)	(124)	(194)	398
Change (percentage)	15	(4)	(2)	(18)	14

AUSTRALIA PACIFIC LNG RESERVES AND RESOURCES

Netherland, Sewell & Associates, Inc. (NSAI) has audited and prepared a consolidated report of the reserves and resources held by Australia Pacific LNG. Reserves and resources estimates for each property in this report have either been independently prepared by NSAI or prepared by Origin and audited by NSAI. The reserves and resources data are based on technical, commercial and operational information provided by Origin on behalf of Australia Pacific LNG.

Table 7 provides 1P, 2P and 3P reserves and 2C resources for Australia Pacific LNG (100 per cent). Table 8 shows Origin's 37.5 per cent interest in these Australia Pacific LNG reserves and resources.

Table 7: Reserves/resources held by Australia Pacific LNG (100 per cent share)

Reserves (PJe)	30/06/2015 Reserves	Acquisition/ Divestment	New Booking/ Discovery	Revisions/ Extensions	Production	30/06/2016 Reserves
1P	6,059	–	–	1,448	(418)	7,089
2P	13,778	–	–	169	(418)	13,529
3P	16,174	–	–	(820)	(418)	14,935
Resources (PJe)	**Resources**					**Resources**
2C	2,760	–	–	266	–	3,026

Table 8: Reserves/resources held by Origin (37.5 per cent share in Australia Pacific LNG)

Reserves (PJe)	30/06/2015 Reserves	Acquisition/ Divestment	New Booking/ Discovery	Revisions/ Extensions	Production	30/06/2016 Reserves
1P	2,272	–	–	543	(157)	2,659
2P	5,167	–	–	63	(157)	5,073
3P	6,065	–	–	(308)	(157)	5,601
Resources (PJe)	**Resources**					**Resources**
2C	1,035	–	–	100	–	1,135

The 1,448 PJe increase in 1P revisions and extensions is due to successful development drilling.

The 169 PJe increase in 2P revisions and extensions is also due to successful development drilling and better than expected performance in some fields.

The 820 PJe decrease in 3P revisions and extensions is primarily due to re-classification of some 3P reserves to contingent resources due to low permeability and other coal properties after detailed review of future field development plans.

The contingent resource range is 774 PJe for 1C to 7,289 PJe for 3C and there are ongoing studies and investigations of all contingent resources to identify future opportunities to progress resources to reserves. The 266 PJe increase in 2C revisions and extensions is largely due to the above mentioned re-classification of some of the 3P reserves to contingent resources. 3C resources also increased in part due to the above reclassification of 3P reserves to 3C resources.

NOTES RELATING TO THE REPORT

(a) Methodology regarding Reserves and Resources

The Reserves Report has been prepared to be consistent with the Petroleum Resources Management System (PRMS) 2007 published by Society of Petroleum Engineers (SPE). This document may be found at the SPE website: spe.org/industry/docs/Petroleum_Resources_Management_System_2007.pdf. Additionally, this Reserves Report has been prepared to be consistent with the ASX reporting guidelines.

The conventional (non-CSG) reserves estimates are prepared by employees who are qualified petroleum reserves and resource evaluators working in each of our assets utilising an Origin approved Reserves and Resources Process.

The CSG reserves and resources held within Australia Pacific LNG's properties have either been independently prepared by NSAI or prepared by Origin and audited by NSAI. An independent assessment of Origin's CSG reserves and resources within ATP 788 (Ironbark) permit has been independently undertaken by NSAI. For all assets Origin reports reserves and resources consistent with SPE guidelines as follows: proved reserves (1P); proved plus probable reserves (2P); proved plus probable plus possible reserves (3P); low estimate contingent resources (1C); best estimate contingent resources (2C); high estimate contingent resources (3C).

Origin does not intend to report Prospective or Undiscovered Resources as defined by the SPE in any of its areas of interest on an ongoing basis.

(b) Economic test for reserves

The assessment of reserves requires a commercial test to establish that reserves can be economically recovered. Within the commercial test, operating cost and capital cost estimates are combined with fiscal regimes and product pricing to confirm the economic viability of producing the reserves.

In the case of oil, condensate and LPG forward estimates of prices are used in line with the forward curves available through various international benchmarking agencies, appropriately adjusted for local market conditions.

Gas reserves are assessed against existing contractual arrangements, local market conditions, as appropriate. In the case of gas reserves where contracts are not in place a forward price scenario based on monetisation of the reserves through domestic markets has been used, including power generation opportunities, direct sales to LNG and other end users and utilisation of Origin's wholesale and retail channels to market.

For CSG reserves that are intended to supply the Australia Pacific LNG CSG to LNG project, the economic test is based on gas prices calculated using the Residual Pricing Method (RPM). The RPM mechanism is used within the Petroleum Resource Rent Tax (PRRT) regime to determine an appropriate transfer price for integrated gas to liquids projects.

RPM applies the same rate of return to the upstream and downstream businesses of the Australia Pacific LNG project, and divides residual profit equally between the businesses. The residual profit is a function of the upstream 'cost plus' and the downstream 'net back' prices. The residual price is exposed to changes in the supply/demand balance in the market through the oil price-linked LNG contract, as well as other market forces through the long term bond rate.

(c) Reversionary Rights

The CSG interests that Australia Pacific LNG acquired from Tri-Star in 2002 are subject to reversionary rights. If triggered, these rights will require Australia Pacific LNG to transfer back to Tri-Star a 45 per cent interest in those CSG interests for no additional consideration. Origin has assessed the potential impact of these reversionary rights based on economic tests consistent with the reserves and resources referable to the CSG interests and based on that assessment does not consider that the existence of these reversionary rights impacts the reserves and resources quoted in this report. Tri-Star has commenced proceedings against Australia Pacific LNG claiming that reversion has occurred. Australia Pacific LNG denies that reversion has occurred and is defending the claim.

(d) Information regarding the preparation of this Reserves Report

The internationally recognised petroleum consultant NSAI has prepared independent assessments of the reserves and resources for the Ironbark asset. The CSG reserves and resources held within Australia Pacific LNG's properties have either been independently prepared by NSAI or prepared by Origin and audited by NSAI. All assessments are based on technical, commercial and operational data provided by Origin on behalf of Australia Pacific LNG.

The statements in this report relating to reserves and resources as of 30 June 2016 for Australia Pacific LNG and the Ironbark asset are based on information in the NSAI reports dated 27 July 2016 and 11 July 2016, respectively. The data has been compiled by Mr. Dan Paul Smith, a full-time employee of NSAI. Mr. Dan Paul Smith has consented to the statements based on this information, and to the form and context in which these statements appear.

The statements in this report relating to reserves and resources for other assets have been compiled by Andrew Mayers, a full-time employee of Origin. Andrew Mayers is a qualified reserves and resources evaluator and has consented to the form and context in which these statements appear.

(e) Rounding

Information on reserves is quoted in this report rounded to the nearest whole number. Some totals in tables in this report may not add due to rounding. Items that round to zero are represented by the number 0, while items that are actually zero are represented with a dash '–'.

(f) Abbreviations

Bbl	barrel
Bscf	billion standard cubic feet
CSG	coal seam gas
kbbls	kilo barrels = 1,000 barrels
ktonnes	kilo tonnes = 1,000 tonnes
Mmboe	million barrels of oil equivalent
PJ	petajoule = 1 x 10^{15} joules
PJe	petajoule equivalent

(g) Conversion Factors for PJe

Crude oil	0.00583 PJ/kbbls = 5.83 PJ/mmboe
Condensate	0.00541 PJ/kbbls
LPG	0.0493 PJ/ktonnes
CSG	1.038 PJ/Bscf

(h) Reference Point

Reference points for Origin's petroleum reserves and contingent resources are defined points within Origin's operations where normal exploration and production business ceases, and quantities of the produced product are measured under defined conditions prior to custody transfer. Fuel, flare and vent consumed to the reference points are excluded.

(i) Preparing and Aggregating Petroleum Resources

Petroleum reserves and contingent resources are typically prepared by deterministic methods with the support from probabilistic methods. Petroleum reserves and contingent resources are aggregated by arithmetic summation by category and as a result, proved reserves may be a conservative estimate due to the portfolio effects of the arithmetic summation. Proved plus probable plus possible may be an optimistic estimate due to the same aforementioned reasons.

(j) Methodology and Internal Controls

The reserves estimates undergo an assurance process to ensure that they are technically reasonable given the available data and have been prepared according to our reserves and resources process, which includes adherence to the PRMS Guidelines. The assurance process includes peer reviews of the technical and commercial assumptions. The annual reserves report is reviewed by management with the appropriate technical expertise, including the Chief Petroleum Engineer and Integrated Gas general managers.

(k) Qualified Petroleum Reserves and Resources Evaluators

The material presented in this report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of the listed qualified reserves and resources evaluators. These individuals have consented to the statements based on this information, and to the form and context in which these statements appear.

Name	Employer	Professional Organisation(1)
Andrew Mayers	Origin Energy (Chief Petroleum Engineer)	SPE, APEGA, RPEQ
Chung Chen	Origin Energy	SPE, EA, RPEQ
Samantha Phillips	Origin Energy	APEGA, EA
Simon Smith	Origin Energy	SPE, EA
Jason Billings	Origin Energy	SPE, P.E (Alaska)
Petrina Weatherstone	Origin Energy	SPE
Sarah Bishop	Origin Energy	SPE, EA, RPEQ
Jocelyn Young	Origin Energy	SPE
David MacDougal	Origin Energy	SPE
Alan Mourgues	Origin Energy	SPE, EA, RPEQ
Rowan Wilson	Origin Energy	SPE
Arvo Nagel	Origin Energy	SPE
Nick Allen	Origin Energy	SPE
Graham Sutherland	Origin Energy	SPE, EA, RPEQ
Tim Ogilvie	Origin Energy	SPE
Alistair Jones	Origin Energy	SPE

(1) SPE: Society of Petroleum Engineers; AAPG: American Association of Petroleum Geologists; APEGA: The Association of Professional Engineers and Geoscientists of Alberta; EA: Engineers of Australia; RPEQ: Board of Professional Engineers Queensland.

FIVE YEAR FINANCIAL HISTORY

A reconciliation between Statutory and Underlying profit measures can be found in note A1 of the Origin Consolidated Financial Statements.

Income Statement ($m)	2016[1]	2015[1]	2014	2013	2012
Total external revenue	12,174	14,147	14,518	14,747	12,935
Underlying:					
EBITDA	1,696	2,149	2,139	2,181	2,257
Depreciation and amortisation expense	(624)	(807)	(732)	(695)	(614)
Share of interest, tax, depreciation and amortisation of equity accounted investees[2]	(296)	(62)	(54)	(48)	(45)
EBIT	776	1,280	1,353	1,438	1,598
Net financing costs	(109)	(169)	(192)	(255)	(217)
Income tax expense	(286)	(349)	(342)	(339)	(415)
Non-controlling interests	(16)	(80)	(106)	(84)	(73)
Segment result and Underlying consolidated profit	365	682	713	760	893
Impact of items excluded from segment result and Underlying consolidated profit net of tax	(954)	(1,340)	(183)	(382)	87
Statutory:					
Profit attributable to members of the parent entity	(589)	(658)	530	378	980
Statement of financial position ($m)					
Total assets	28,898	33,367	30,941	29,589	28,071
Net debt/(cash)	9,470	13,273	9,134	6,808	5,522
Shareholders' equity – members/parent entity interest	14,509	12,723	13,444	13,283	13,094
Adjusted net debt/(cash)[3]	9,131	13,102	9,146	7,037	5,738
Shareholders' equity – total	14,530	14,159	15,129	14,794	14,458
Cash flow ($m)					
Net cash from operating and investing activities	1,215	(2,081)	(1,087)	127	(804)
Key ratios					
Statutory basic earnings per share (cents)[4]	(37.3)	(52.1)	42.2	30.3	79.5
Underlying basic earnings per share (cents)[4]	23.2	54.0	56.8	60.9	72.4
Total dividend per share (cents)	10	50	50	50	50
Net debt to net debt plus equity (adjusted) (%)	39	48	38	32	28
Underlying EBITDA by segment ($m)					
Energy Markets	1,330	1,260	1,053	1,333	1,562
Integrated Gas[5]	386	498	570	455	376
Contact Energy	61	487	533	435	400
Corporate	(81)	(96)	(17)	(42)	(81)
General information					
Number of employees (excluding Contact Energy)	5,811	6,922	6,701	5,658	5,941
Weighted average number of shares[4]	1,578,213,157	1,263,960,708	1,255,157,889	1,246,975,013	1,233,128,523
Integrated Gas					
2P reserves (PJe)[6]	6,277	6,260	6,473	6,201	6,807
Product sales volumes (PJe)	228	154	153	133	140
Natural gas and Ethane (PJ)	168	128	123	110	118
Crude oil (kbbls)	1,629	1,754	2,036	1,462	1,286
Condensate/naphtha (kbbls)	1,403	1,581	1,843	1,548	1,563
LPG (kT)	127	147	160	113	119
Production volumes (PJe)	232	148	142	123	130
Energy Markets					
Generation (MW) – owned and contracted	6,011	5,994	6,010	5,930	5,900
Generation dispatched (TWh)	20.10	19.94	17.20	15.70	14.89
Number of customers ('000)	4,217	4,266	4,295	4,293	4,359
Electricity	2,741	2,801	2,876	2,917	3,014
Natural gas	1,089	1,083	1,036	998	963
LPG	387	382	383	378	382
Electricity (TWh)[7]	38.1	37.3	39.1	–	–
Natural gas (PJ)[8]	167.1	134.7	96	–	–
LPG (kT)	458	415	386	437	502

(1) Includes discontinued operations and assets held for sale unless stated otherwise.
(2) Origin discloses its equity accounted results in two lines 'share of EBITDA of equity accounted investees' included in EBITDA and 'share of interest, tax, depreciation and amortisation of equity accounted investees' included between EBITDA and EBIT.
(3) Total current and non-current interest bearing liabilities only, less cash and cash equivalents, less fair value adjustments on foreign exchange hedging transactions.
(4) FY2012 to FY2015 have been restated for the impact of the October 2015 share rights issue.
(5) The Integrated Gas segment combines the former Exploration & Production and Australia Pacific LNG segments, as announced in August 2015. FY2016 and FY2015 include a reallocation of LNG net recoveries from the Corporate segment to the Integrated Gas segment.
(6) Includes Origin's share of Australia Pacific LNG reserves. Shareholding was 42.5 per cent at 30 June 2012 and post-Sinopec completion on 12 July 2012 is 37.5 per cent
(7) FY2015 and FY2014 restated to better reflect the recognition of volumes, revenues and costs associated with feed-in volumes from solar customers with no impact on gross profit. Comparable figures for FY2013 and FY2012 are not available.
(8) Osborne gas sales re-classified as internal due to new operational agreement. As a result FY2015 and FY2014 external sales volumes, revenues and costs have been revised with no impact on gross profit. Comparable figures for FY2013 and FY2012 are not available.

GLOSSARY AND INTERPRETATION

FINANCIAL MEASURES

Statutory Financial Measures

Statutory Financial Measures are measures included in the Financial Statements for the Origin Consolidated Group, which are measured and disclosed in accordance with applicable Australian Accounting Standards. Statutory Financial Measures also include measures that have been directly calculated from, or disaggregated directly from financial information included in the Financial Statements for the Origin Consolidated Group.

Term	Meaning
Statutory Profit/Loss	Net profit/loss after tax and non-controlling interests as disclosed in the Income Statement of the Origin Consolidated Financial Statements.
Statutory earnings per share	Statutory profit divided by weighted average number of shares.
Cash flows from operating activities	Statutory cash flows from operating activities as disclosed in the Cash Flow Statement of the Origin Consolidated Financial Statements.
Cash flows used in investing activities	Statutory cash flows used in investing activities as disclosed in the Cash Flow Statement of the Origin Consolidated Financial Statements.
Cash flows from financing activities	Statutory cash flows from financing activities as disclosed in the Cash Flow Statement of the Origin Consolidated Financial Statements
External revenue	Revenue after elimination of intersegment sales on consolidation as disclosed in the Income Statement of the Origin Consolidated Financial Statements
Net Debt	Total current and non-current interest bearing liabilities only, less cash and cash equivalents.
Non-controlling interest	Economic interest in a controlled entity of the consolidated entity that is not held by the Parent entity or a controlled entity of the consolidated entity.
Statutory net financing costs	Interest expense net of interest income as disclosed in the Origin Consolidated Financial Statements.

Non-IFRS Financial Measures

This document includes certain Non-IFRS Financial Measures. Non-IFRS Financial Measures are defined as financial measures that are presented other than in accordance with all relevant Accounting Standards. Non-IFRS Financial Measures are used internally by management to assess the performance of Origin's business, and to make decisions on allocation of resources. The Non-IFRS Financial Measures have been derived from Statutory Financial Measures included in the Origin Consolidated Financial Statements, and are provided in this report, along with the Statutory Financial Measures to enable further insight and a different perspective into the financial performance, including profit and loss and cash flow outcomes, of the Origin business.

GLOSSARY AND INTERPRETATION

The principle non-IFRS profit and loss measure of Underlying Profit has been reconciled to Statutory Profit in note A1 of the Origin Consolidated Financial Statements.

Term	Meaning
Current period	12 months ended 30 June 2016.
Prior period	12 months ended 30 June 2015.
Underlying Profit	Underlying net profit after tax and non-controlling interests as disclosed in note A1 of the Origin Consolidated Financial Statements.
Underlying earnings per share	Underlying profit/loss divided by weighted average number of shares.
Items excluded from Underlying Profit	Items that do not align with the manner in which the Managing Director reviews the financial and operating performance of the business which are excluded from Underlying Profit. Items excluded from Underlying Profit are categorised as: Fair value and foreign exchange movements – reflecting the impact of mark to market movements on financial assets and liabilities from period to period LNG related items before revenue recognition – primarily comprising net financing costs incurred (but unable to be capitalised) in funding Origin's investment in APLNG which relate to the period prior to revenue recognition for each of the two LNG Trains. Disposals, impairments and business restructuring – reflecting the impact of actions and decisions to dispose, acquire, revalue or restructure the company's assets and business operations.
Total Segment Revenue	Total revenue for the Energy Markets, Integrated Gas, Contact Energy and Corporate segments, including inter-segment sales, as disclosed in note A1 of the Origin Consolidated Financial Statements.
Underlying average interest rate	Underlying interest expense for the current period divided by Origin's average drawn debt during the current period (excluding funding related to APLNG).
Underlying EBITDA	Underlying earnings before underlying interest, underlying tax, underlying depreciation and amortisation (EBITDA) as disclosed in note A1 of the Origin Consolidated Financial Statements.
Underlying depreciation and amortisation	Underlying depreciation and amortisation as disclosed in note A1 of the Origin Consolidated Financial Statements.
Underlying EBIT	Underlying earnings before underlying interest and underlying tax (EBIT) as disclosed in note A1 of the Origin Consolidated Financial Statements.
Underlying income tax expense	Underlying income tax expense as disclosed in note A1 of the Origin Consolidated Financial Statements.
Underlying net financing costs	Underlying interest expense net of interest income as disclosed in note A1 of the Origin Consolidated Financial Statements.
Underlying profit before tax	Underlying profit before tax as disclosed in note A1 of the Origin Consolidated Financial Statements.
Underlying share of ITDA	The Group's share of underlying interest, underlying tax, underlying depreciation and underlying amortisation (ITDA) of equity accounted investees as disclosed in note A1 of the Origin Consolidated Financial Statements.
Underlying ROCE	Underlying ROCE is calculated as Adjusted EBIT/Average Capital Employed. — Average Capital Employed = Shareholders Equity + Origin Debt + Origin's Share of APLNG Project Finance + Non-cash fair value uplift + net derivative liabilities. The average is a simple average of opening and closing in any year. — Adjusted EBIT = Origin Underlying EBIT and Origin's share of APLNG Underlying EBIT + Dilution Adjustment = Statutory Origin EBIT adjusted to remove the following items: a) Items excluded from underlying earnings; b) Origin's share of APLNG underlying interest and tax; and c) the depreciation of the Non-cash fair value uplift adjustment. — In contrast, for remuneration purposes Origin's statutory EBIT is adjusted to remove Origin's share of APLNG statutory interest and tax (which is included in Origin's reported EBIT) and certain items excluded from underlying earnings. Gains and losses on disposals and impairments will only be excluded subject to Board discretion. The Remuneration Report provides specific details.
Gross Profit	Revenue less cost of goods sold.
Adjusted Net Debt	Net Debt adjusted to remove fair value adjustments on hedged borrowings.
Non-cash fair value uplift	Reflects the impact of the accounting uplift in the asset base of APLNG of $1.9 billion which was recorded on the creation of APLNG and subsequent share issues to Sinopec. This balance will be depreciated in APLNG's income statement on an ongoing basis and, therefore, a dilution adjustment is made to remove this depreciation. The non-cash fair value uplift adjustments are disclosed and explained in Note E1.2 of the financial statements.
TRIFR	Total Recordable Incident Frequency Rate.

GLOSSARY AND INTERPRETATION

NON-FINANCIAL TERMS

Term	Meaning
1P reserves	Proved Reserves are those reserves which analysis of geological and engineering data can be estimated with reasonable certainty to be commercially recoverable. There should be at least a 90 per cent probability that the quantities actually recovered will equal or exceed the estimate.
2P reserves	The sum of Proved plus Probable Reserves. Probable Reserves are those additional reserves which analysis of geological and engineering data indicate are less likely to be recovered than Proved Reserves but more certain than Possible Reserves. There should be at least a 50 per cent possibility that the quantities actually recovered will equal or exceed the best estimate of Proved plus Probable Reserves (2P).
3P reserves	Proved plus Probable plus Possible Reserves. Possible Reserves are those additional Reserves which analysis of geological and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have at least a 10 per cent probability of exceeding the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high estimate scenario.
2C resources	The best estimate quantity of petroleum estimated to be potentially recoverable from known accumulations by application of development oil and gas projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. The total quantities ultimately recovered from the project have at least a 50 per cent probability to equal or exceed the best estimate for 2C contingent resources.
Capacity factor	A generation plant's output over a period compared with the expected maximum output from the plant in the period based on 100 per cent availability at the manufacturer's operating specifications.
Discounting	For Energy Markets, discounting refers to offers made to customers at a reduced price to the published tariffs. While a customer bill comprises a fixed and a variable portion, Origin's discounts only apply to the variable portion. In some cases, these discounts are conditional, such as requiring direct debit payment or on-time payments.
Equivalent reliability factor	Equivalent reliability factor is the availability of the plant after scheduled outages.
GJ	Gigajoule = 10^9 joules
GJe	Gigajoules equivalent = 10^{-6} PJe
Joule	Primary measure of energy in the metric system.
kT	kilo tonnes = 1,000 tonnes
kW	Kilowatt = 10^3 watts
kWh	Kilowatt hour = standard unit of electrical energy representing consumption of one kilowatt over one hour.
MW	Megawatt = 10^6 watts
MWh	Megawatt hour = 10^3 kilowatt hours
NPS	Net Promoter Score (NPS) is a measure of customers' propensity to recommend Origin to friends and family
Oil Forward Sale Agreements	Agreements to sell a portion of future oil and condensate production from July 2015 for 72 months at prices linked to the oil forward pricing curve at the agreement date. The cash proceeds were received upfront in the 2013 financial year at a locked-in price of $62.40/bbl.
PJ	Petajoule = 10^{15} joules
PJe	Petajoules equivalent = an energy measurement Origin uses to represent the equivalent energy in different products so the amount of energy contained in these products can be compared. The factors used by Origin to convert to PJe are: 1 million barrels crude oil = 5.8 PJe; 1 million barrels condensate = 5.4 PJe; 1 million tonnes LPG = 49.3 PJe; 1 TWh of electricity = 3.6 PJe.
Ramp gas	Short term Queensland gas supply as upstream assets associated with CSG-to-LNG projects gradually increase production in advance of first LNG
TW	Terawatt = 10^{12} watts
TWh	Terawatt hour = 10^9 kilowatt hours
Watt	A measure of power when a one ampere of current flows under one volt of pressure.

INTERPRETATION

All comparable results reflect a comparison between the current period and the prior period ended 30 June 2015, unless specifically stated otherwise.

A reference to Contact Energy is a reference to Origin's controlled entity (53.09 per cent ownership) Contact Energy Limited in New Zealand. In accordance with Australian Accounting Standards, Origin consolidates Contact Energy within its result. On 10 August 2015, Origin divested its entire interest in Contact Energy.

A reference to Australia Pacific LNG or APLNG is a reference to Australia Pacific LNG Pty Limited in which Origin holds a 37.5 per cent shareholding. Origin's shareholding in Australia Pacific LNG is equity accounted.

A reference to $ is a reference to Australian dollars unless specifically marked otherwise.

All references to debt are a reference to interest bearing debt only (excludes APLNG shareholder loans).

Individual items and totals are rounded to the nearest appropriate number or decimal. Some totals may not add down the page due to rounding of individual components.

When calculating a percentage change, a positive or negative percentage change denotes the mathematical movement in the underlying metric, rather than a positive or a detrimental impact.

Percentage changes on measures for which the numbers change from negative to positive, or vice versa, are labelled as not applicable.

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