2015 Annual Meeting: Chairman’s Address

15 May 2015

“Ladies and Gentlemen, as you will know, 2014 was an extremely significant year for Oil Search. It was the year when the Company transformed from a medium sized oil and gas producer to a significant LNG exporter, following the commencement of production and exports from the PNG LNG Project last May. The Project recently celebrated its first year of production and to date has produced more than six million tonnes of LNG and has delivered nearly 90 LNG cargoes to key markets in Asia.

Project commissioning, start-up and ramp-up to full production went very smoothly and the Project is now consistently producing above nameplate capacity, a great achievement by the operator, ExxonMobil PNG Limited. Most importantly, these results have been achieved safely, with more than 5.5 million hours worked without a lost time injury.

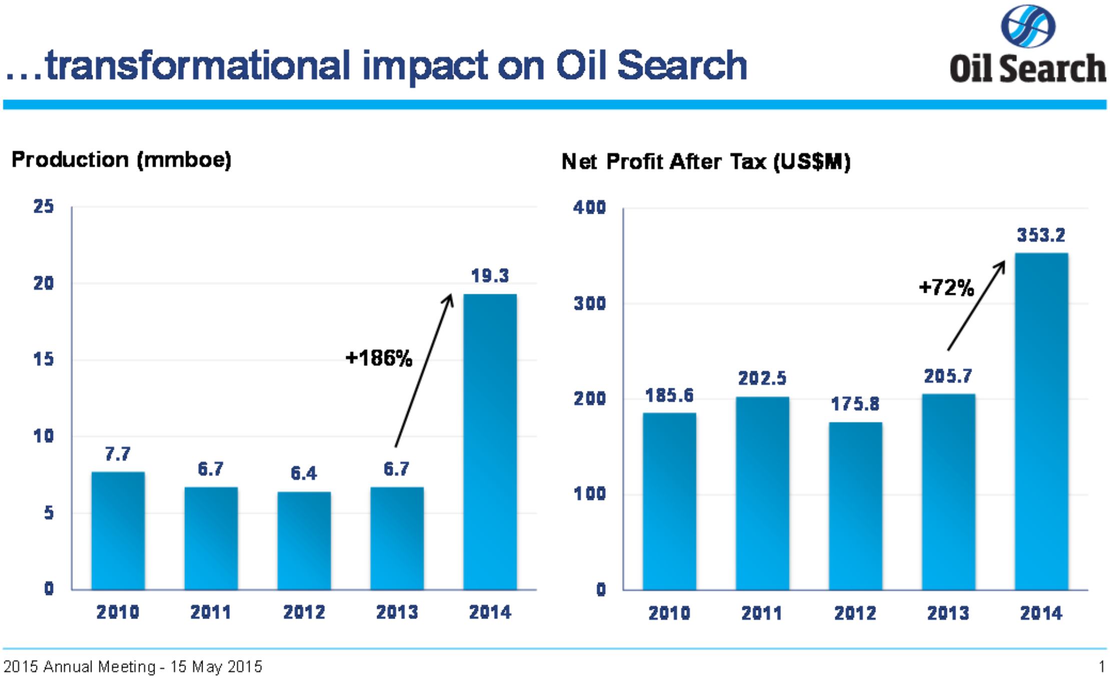
Oil Search Limited
Incorporated in
Papua New Guinea
ARBN 055 079 868

Head office
Port Moresby
Papua New Guinea

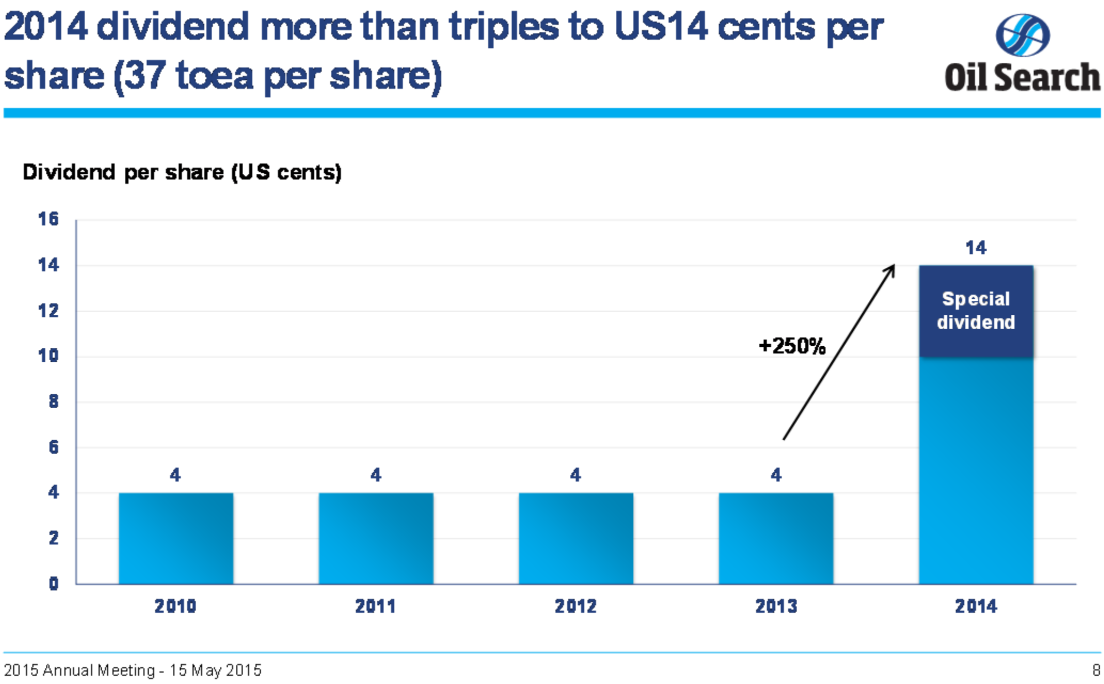
Sydney office
1 Bligh Street
Sydney NSW 2000
Australia

Mailing address
GPO Box 2442
Sydney NSW 2001
Australia

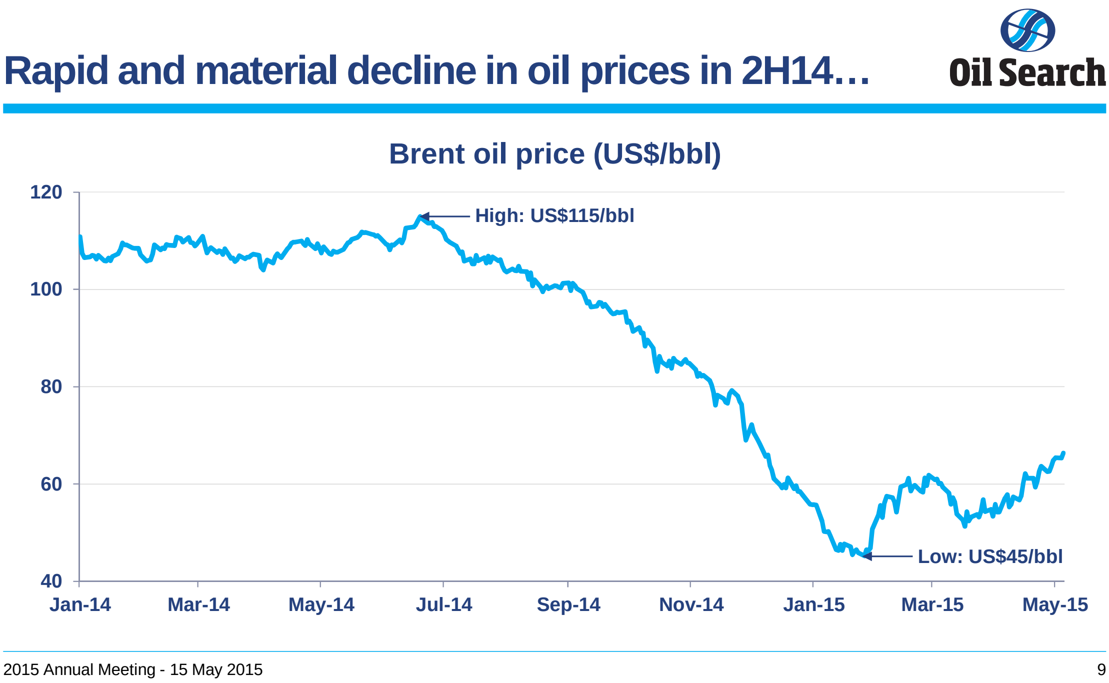
Tel: +61 2 8207 8400
Fax: +61 2 8207 8500
www.oilsearch.com



Together with a solid performance from the Company's oil fields, first contributions from the PNG LNG Project took Oil Search's 2014 total production to 19.3 million barrels of oil equivalent, nearly three times higher than in 2013 and an all-time record for the Company. This helped drive a 72% increase in net profit after tax, to US$353.2 million. Excluding impairments, core net profit was US$482.8 million, 135% higher than in 2013, again a record for Oil Search.

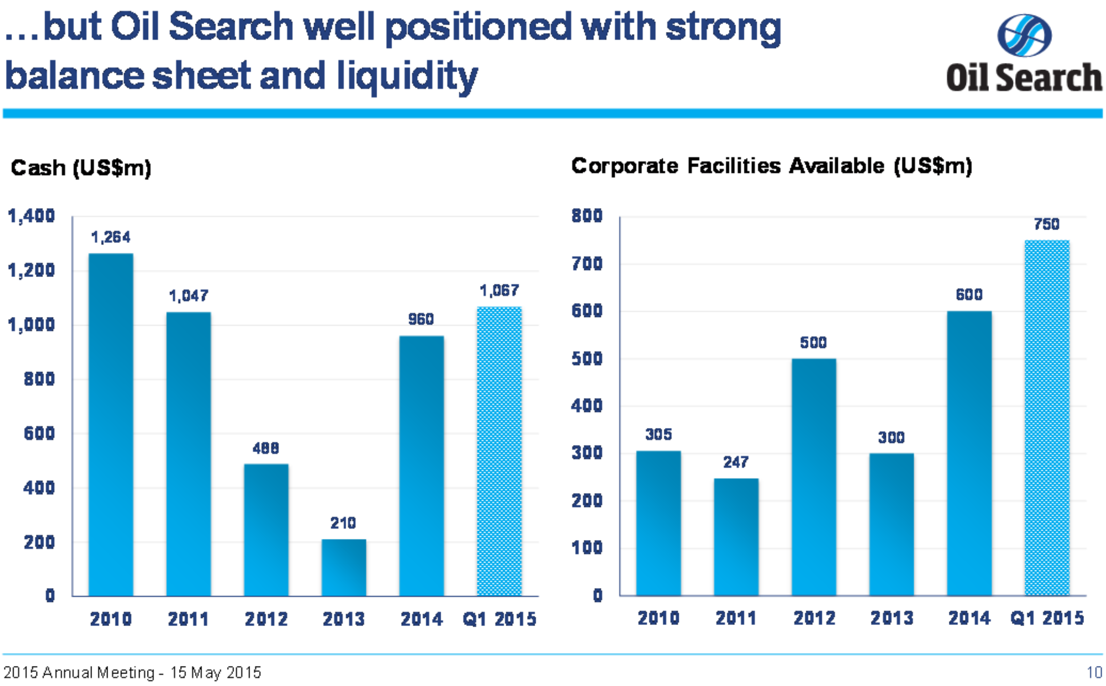


As indicated last year, the Board is committed to sharing increased profits with shareholders. As a result, the Company paid a final dividend for 2014 of eight US cents per share, equivalent to 21 toea, compared to a two US cent or 5 toea per share final dividend in 2013. In addition, a special dividend of four US cents was also paid, taking total dividend payments, including the two cent interim, to 14 US cents, representing a payout ratio for the year of 44% of core profit. This is in line with our new dividend policy, to pay out between 35 and 50% of core profits to shareholders, which we believe provides a good balance between providing cash returns to shareholders while retaining sufficient funds to reinvest in our value creating growth projects.



While Oil Search achieved many records in 2014, the year was not without its challenges. In the second half of the year, the oil price dropped dramatically, from US$115 per barrel in June to US$55 per barrel at the end of the year, before sinking further, to a low of US$45 per barrel in January 2015. The extent and speed of the fall took everyone by surprise, resulting in an extremely volatile year for the oil and gas industry. While the oil price has since rallied a little, it is still trading some 40% lower than the average price realised in 2013.

These moves have not only affected the price we receive for our oil field production but also our gas and LNG sales prices, which are closely linked to the oil price. Due to an approximate three month lag between the spot oil price and LNG contract prices, our LNG revenues remained relatively buoyant during 2014 and into the first quarter of 2015, but are expected to fall in the second quarter, as lower oil prices flow through to LNG pricing.



Fortunately Oil Search is in a strong position, both operationally and financially. Our capital expenditure obligations have fallen substantially, now that almost all PNG LNG Project construction is complete, and both the PNG LNG Project and our operated oil and gas business in PNG are generating strong cash flows. As a result, our cash balance as at the end of March had risen to more than US$1 billion and we have US$750 million of additional funding available through our corporate credit facilities, giving us adequate liquidity to fund our key growth opportunities.

During 2014 we undertook a major Strategic Review, covering all aspects of the Company's structure, operations and human resources. In light of the sharp fall in oil prices, in early 2015, the results of this review were reassessed. The conclusion of this work was that the key recommendations and direction set by the 2014 Strategic Review remain sound. Oil Search is in an excellent position, operationally and financially, to manage a 'lower for longer' oil price scenario and the Company's potential growth projects, focused on commercialisation of gas in the Highlands, underpinned by the P'nyang field, and the Elk/Antelope fields in the Gulf region, are both competitive in a global context, even in a lower oil price environment.

However, we are not being complacent. As it's impossible to predict if and when oil prices will return to previous levels, our planning for 2015 and beyond is based on an assumption that lower prices will prevail for some years. We have already taken significant steps to reduce our operating costs and capital expenditure, with 2015 budgets cut by approximately 20%. In addition, we have recently commenced a business optimisation programme, aimed at improving the Company's efficiency and streamlining its processes, which we expect will result in a much stronger Oil Search going forward. We see this period of low pricing as a real opportunity to improve our cost structure and to add value to our business, through strengthened fiscal discipline, while ensuring our priority gas growth areas are fully supported. It may also provide an opportunity to enhance our licence portfolio, particularly in PNG. It's very important to note, however, that keeping our workplaces safe and sustainable at all times remains our top priority and nothing will be done that negatively impacts this objective.

LNG growth in PNG is a core strategy

Photo courtesy ExxonMobil

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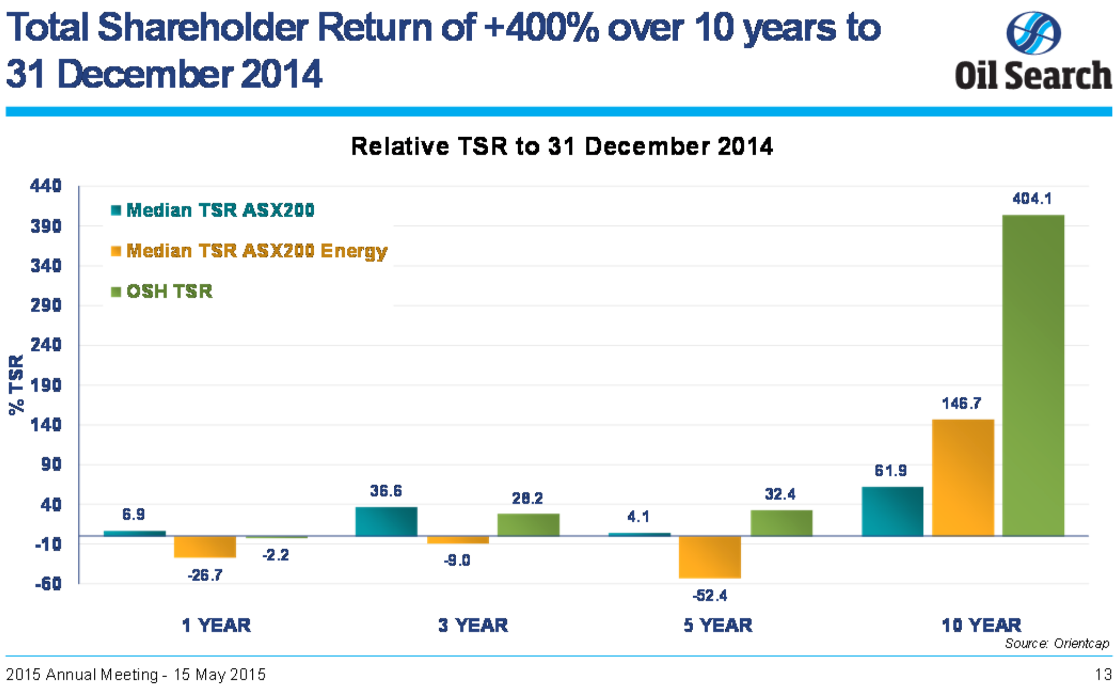
Over the past year, significant progress has been made on our two major growth projects, both of which remain commercially attractive. As mentioned, these opportunities comprise an expansion of the PNG LNG Project, through production optimisation and debottlenecking of the existing two train project and the potential addition of a third train, underpinned by the P'nyang gas field, and the development of a new, world scale LNG project underpinned by the Elk/Antelope resource in PRL 15. The outlook for LNG demand, particularly in the Asia-Pacific region, remains strong and we are confident that these projects will prove attractive to potential customers, particularly as some of the other proposed LNG projects globally are starting to look challenged in the lower oil price environment. Final investment decisions for both the potential construction of a third train at PNG LNG and the development of the Elk/Antelope resource are being targeted for 2017. A key focus for all stakeholders, including the Joint Venture Partners, Government and communities, is to ensure that these projects progress in a coordinated manner. This will help us take advantage of any potential synergies and avoid the pitfalls experienced by the Australian LNG industry over the past few years, created by massive competition for resources.

As you may recall, during 2014 Oil Search commenced a dispute resolution process, including arbitration proceedings, regarding the sale by InterOil of part of its interest in PRL 15 to Total SA. In early 2015, the arbitration court in London delivered its non-unanimous decision, which did not include granting Oil Search pre-emptive rights. While disappointed with the outcome, we decided not to dispute this decision and interests in the licence have subsequently been transferred to Total, which has now been elected as operator. We have a very high regard for Total, which is an existing partner of Oil Search in PNG and internationally, as a world class LNG operator. The Joint Venture is working together closely and collaboratively and is fully aligned in moving forward with the potential development of this material gas resource as PNG's second major LNG project.

While the fall in global oil prices has resulted in weaker revenues than expected, the PNG LNG Project has already had a transformational impact on PNG in terms of GDP growth and has created a long-term recurring revenue stream for current and future generations. Recognising that there are internal capacity constraints, we believe that partnering with the PNG Government is vitally important to ensure the benefits flowing from the Project, including necessary infrastructure and services, are delivered to the people of PNG.

As PNG's largest company, Oil Search will continue to be involved in a range of social programmes, in line with Government priorities. These include working proactively with the PNG Government and power agencies to provide sustainable power solutions to PNG, project-managing more than US$200 million of infrastructure projects through the Infrastructure Tax Credit Scheme and providing positive health outcomes in Papua New Guinea through the work of the Oil Search Health Foundation.

With the majority of Oil Search's assets and future growth located in PNG, helping to preserve a stable operating environment in PNG is critical to our value. This is why, despite oil price pressures, we have not, and will not, compromise on our commitment to social responsibility programmes.



In closing, we remain confident that, even if oil prices remain 'lower for longer', we still have the ability to continue to deliver superior returns to our shareholders, as we have in the past. With solid progress now being made on both the potential expansion of the PNG LNG Project and the development of the Elk/Antelope resource, Oil Search could be involved in the construction of up to three additional, high returning LNG trains in PNG by 2017/2018. With the potential to double our production by early in the next decade, this all adds up to a very exciting future.

I will now hand over to Peter to discuss the Company's operations in more detail."

RICHARD LEE

Chairman

For further information please contact:

Ms Ann Diamant

Group Manager, Investor Relations

Tel: +61 2 8207 8440

Mob: +61 407 483 128