
Oil Search 2020 Annual Meeting Chairman's Address and Managing Director's Presentation

1 May 2020

SYDNEY (ASX: OSH | ADR: OISHY | PNGX: OSH)

CHAIRMAN'S ADDRESS

Good afternoon everyone.

My name is Rick Lee and, as Chairman of the Board of Oil Search, I warmly welcome you to our 2020 Annual Meeting.

I'd like to start by introducing the members of our Board, who are joining us remotely in accordance with Government guidelines and restrictions associated with COVID-19: Bakheet Al Katheeri, Kostas Constantinou, Susan Cunningham, Eileen Doyle, Fiona Harris, Agu Kantsler, Mel Togolo and, of course, Keiran Wulff, who is attending his first Annual Meeting as Oil Search's Managing Director.

2020 is the first year in over a quarter of a century that Peter Botten has not addressed you as the Managing Director. I would like to take the opportunity to acknowledge Peter's tremendous contribution to this company.

For the first time in our 90-year history, the Annual Meeting is being held via live webcast, with participants joining remotely, as well as in a changed location to our Sydney office for logistical reasons. As we are all too aware, these are highly unusual times bringing with them unprecedented challenges, and we are all responding by adapting. Thank you for your virtual attendance and participation.

Timing-wise, Keiran assumed the Managing Director role with a series of immediate challenges never seen before. So I will start by saying that the Board and I are greatly encouraged by, and appreciative of, the decisive steps that have been taken by Keiran and the executive leadership team to stabilise the business and ensure the Company remains in a position to serve our shareholders - and indeed all our stakeholders - over the long term. With all the unprecedented pressures placed on Keiran and the executive team, I extend my thanks on behalf of the Board to them for their tireless efforts in that regard.

With the great uncertainty of the global COVID-19 pandemic continuing to impact our lives and the world economy for an unknown period, exacerbating the low oil price environment, the Company has needed to take measures to protect the financial stability of the business. In addition to the deferral of capital expenditure programmes, we have already implemented salary cuts – starting with the Board, executive leadership team and senior management – together with staff reductions and have tightened discretionary spend across all areas.

What the past weeks have offered is a stark reminder that despite best laid plans, there will always be factors beyond our control – a global pandemic on top of a market share “war” leading to very low oil prices, for instance. But this crisis provides us with an important opportunity to refocus or, in some cases, redouble our efforts on those aspects of the business that remain under our influence.

More recently, we completed a timely and successful equity raising, in the most challenging of markets. We were focused on ensuring that our shareholders received preference regarding the allocations, and it was very pleasing to see that all the new shares were able to be allocated to existing shareholders. We are humbled by the ongoing support and trust of our shareholders during this time.

While the Company is now in a more robust position and able to withstand a sustained period of low oil prices and market volatility, these steps are only the start of our response to the challenges. We plan to undertake further measures to reduce breakeven costs across our business and to optimise our capital management, to ensure we can progress our growth projects in Papua New Guinea and Alaska when stability returns and market conditions improve.

Keiran will have more to say about this and our Company’s 2020 plans so I will continue by reflecting on where the past twelve months have taken us at Oil Search.

2019 HIGHLIGHTS

As many of you will have noted, 2019 was something of a mixed bag in terms of delivery against our targets. Total production for the year increased 11% to 27.9 million barrels of oil per equivalent (mmboe) but, despite higher overall production in 2019, we came up against weaker realised energy prices and higher production costs, which resulted in a lower but creditable net profit result of US\$312 million. The Company declared a total dividend of 9.5 US cents per share, representing a pay-out ratio of 46%, with the 4.5 US cents per share final dividend paid to shareholders on 24 March 2020.

It is difficult to talk about our growth projects without acknowledging, despite some early milestone achievements, the lack of a satisfactory outcome in the negotiations between ExxonMobil as the operator and the PNG Government on the P’nyang Gas Agreement.

While disappointing that the negotiations were suspended at the end of January, since that time we have played a role in facilitating informal discussions between these parties to help bridge the gap. These informal discussions are ongoing, and we remain very committed as a Joint Venture partner to reaching an equitable solution with the State, given that the integrated three-train development represents by far the most efficient way to develop the P'nyang gas field and Papua LNG Project.

In 2019, Oil Search continued to add material value to its oil assets in Alaska, in just our second year of operation. Information from our inaugural drilling program, combined with data from nearby wells, 3D seismic mapping and detailed reservoir modelling, led to a 46% upgrade in gross 2C contingent oil resources for the Pikka Unit Development.

In addition, we strengthened the alignment with our partner Repsol, secured a key Land Use Agreement with the Kuukpik Corporation and doubled our interest in key leases through the exercise of the Armstrong Energy/GMT option in June last year.

These achievements, combined with the maturation of the development plan, led to the commencement of FEED activities for the Pikka Unit Development in January 2020. However, as a result of our decisions to defer capex as part of the Company's immediate response to the current crisis, our timeline for taking a Final Investment decision on the development has been delayed. We are, however, taking advantage of the deferral to further optimise the development through detailed value engineering and evaluating options to integrate the oil discoveries from the 2019/20 drilling season.

SAFETY

While respectable, our safety performance in 2019 confirms that work remains to be done if we are to reach our goal of zero recordable injuries across all our operations. It comes as little surprise that the majority of incidents driving the slightly higher Total Recordable Injury Rate (TRIR) in 2019 were incurred during exploration and appraisal activities in the challenging terrains of PNG. As a result, several measures were implemented to continually improve our safety performance, including improved governance processes for land transportation, marine and aviation activities and a mid-year safety summit in PNG to reinforce safety guidelines and practices.

Pleasingly, our first drilling campaign in Alaska was completed with no recordable injuries or high potential incidents, a strong achievement for our newly formed team in the region.

SOCIO-ECONOMIC CONTRIBUTION

Our experience shows us that maintaining a stable operating environment is a valuable element of our long-term success. In 2019, our socio-economic contribution totalled US\$628 million in PNG and Alaska. This amount includes payments to governments through taxes, royalties and levies; employment and development

opportunities; procurement of goods and services from local suppliers and contractors; and strategic community investment, both directly and through our donations to the Oil Search Foundation.

In Alaska, our efforts in community engagement have centred on supporting safety, health and wellness initiatives. During 2019, we worked to provide the youth and families in Nuiqsut (the community closest to our North Slope operations) access to activities like cycling, basketball and skiing. We also helped increase capacity and supported local organisations that serve the community in areas like early education, search and rescue, and cultural events.

In PNG, we continued our commitment to social responsibility. 2019 saw Oil Search delivering the following:

- Awarded US\$77 million in supplier and contractor payments to PNG landowner companies.
- Delivered approximately US\$6 million in infrastructure via the Infrastructure Tax Credit Scheme.
- Supported more than 1,600 survivors of family and sexual violence through Oil Search Foundation partnerships.
- Gave the lifelong gift of literacy to 150 children through Oil Search Foundation-funded literacy libraries.

COVID-19 RESPONSE

In addition to the Company's own business continuity response to COVID-19, we are also acutely aware of the impact the virus could bring to the regions where we operate, and we are very mindful of our role and responsibility to local communities.

Oil Search has taken measures to minimise the potential for the spread of the virus to our operational areas and the surrounding communities. At the same time, the Company is working with local health authorities on medical preparedness and clinical support. Keiran will share more detail about our efforts in this regard.

CLIMATE RESILIENCE

Oil Search is very focused on limiting our environmental impact. We improved our methane emissions reporting capability and undertook an assessment of the physical impact of climate change on our assets. In September 2019, Oil Search's assets were assessed to be within the top quartile of projects with the lowest exposure to climate change transition risk by Carbon Trackers Paris-aligned investment report. This report evaluated oil and gas investments under different climate change scenarios.

We should be in no doubt that our sector will continue to face higher expectations and greater scrutiny from governments, investors and the community for its practices and conduct. Our future lies in balancing the aspiration to generate appropriate returns with maintaining our commitment to social and environmental responsibility to meet the challenges that will come with the energy industry's transition to lower emissions.

Oil Search is committed to transparent and supportive community engagement and working collaboratively to deliver sustainable support and programs that consider safety and wellbeing enhancements, human rights, the environment or climate change. This is a core part of the Company's DNA and we will be very focused on evolving with our host governments and communities going forward.

CLOSE

I want to finish by acknowledging Oil Search employees and their resilience in these most extraordinary of circumstances. They have adapted seamlessly to new work practices or adjusted schedules, some at great personal inconvenience.

As difficult as it might seem to imagine the world beyond COVID-19 and the restrictions this entails, the steps we take now will not only guide us through the current uncertainties but will equip us for the challenges on the other side.

I want to reiterate the Board's confidence in, and appreciation of, Keiran and the executive leadership team's judgement, vision and determination, to see the Company safely through the immediate challenges and emerge as an organisation streamlined, efficient and resilient to seize the opportunities presented in the future. This work has only just started and there is much more work to be done. Keiran will speak to this in his address.

My appreciation also goes to my Board colleagues for their continued support, guidance and counsel.

Finally, on behalf of the Board, I want to thank our shareholders for your longstanding support and trust. As always, we strive to serve in your long-term interests.

I will now hand over to Keiran Wulff.

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PRESENTATION BY THE MANAGING DIRECTOR DR KEIRAN WULFF



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I am delighted to be addressing you in my first Annual Meeting as Managing Director of Oil Search, having taken over from Peter Botten in late February. I would like to join Rick in acknowledging Peter for his extraordinary contributions over his 25 years leading the Company.

As the Chairman stated in his address, the COVID-19 outbreak has had a significant impact on the global economic environment. As well as the profound social health impacts, the significant drop in oil demand associated with the dramatic decline in the global economy, combined with the oversupply of oil into the global market, has resulted in one of the steepest and fastest declines in the oil price ever seen. Oil Search has adapted very quickly and decisively to these new market conditions. Over the past two months, we have worked systematically to strengthen the balance sheet, improve capital discipline and drive down our operating costs to ensure we remain financially robust through these challenging times.

As announced to the market in March, we suspended all discretionary activities under our control, reduced our headcount by more than 100 and have instituted pay cuts across the business.

In April, we announced a US\$700 million equity raise. The placement and institutional component, raising US\$650 million, was successfully completed in April, with the retail entitlement and PNG component expected to be completed by early and mid-May, respectively.

The Company is taking steps to further reduce costs within our operated assets in PNG and corporately, to make Oil Search sustainable and able to move to growth when conditions allow. I will elaborate more on the actions we are taking to protect our staff, operations and financial position during these unprecedented times.

COVID-19 TASK FORCE



IMT: Incident Management Team
EMT: Emergency Management Team



Papua New Guinea

- ◊ Long experience operating in PNG has provided good insight and advanced preparedness in managing the spread of infectious diseases, including COVID-19
- ◊ Safety – demobilise non-essential staff, segregate essential staff
- ◊ Increased supplies to cater for supply chain disruption
- ◊ Asset protection and production continuity
- ◊ Support for the community



Alaska

- ◊ Excess equipment and resources (incl. food) following completion of work programs used to support indigenous local communities
- ◊ Comply with North Slope restrictions



Corporate

- ◊ Keep connected
- ◊ R&R roster, fatigue management
- ◊ Collaboration tools, hardware to homes and ergonomics

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With many years of experience dealing with infectious disease control in PNG, we recognised very early in 2020 the need to be well prepared for Coronavirus. Initial planning commenced in January and since February a dedicated cross-functional Task Force has been working proactively to protect the welfare of staff and minimise disruption to our core production and support operations.

We adjusted our work practices well in advance of the commencement of the PNG Government's declaration of travel and other restrictions to contain the spread of the virus, which are expected to remain in place until at least early June.

In the field, we demobilised all non-essential staff, created strict quarantine zones and bolstered medical facilities at camps. We created a series of "cocoon" around our operations, to limit the potential for cross infection coming in but also ensuring that we could not affect others, in the very unlikely event that COVID was recorded in our operations. We also moved additional rotation personnel in-country, to ensure our field personnel were able to take breaks in the event of the country being locked down, which has been the case. We have also increased maintenance and camp supplies at our production facilities to cater for any potential disruption in the supply chain.

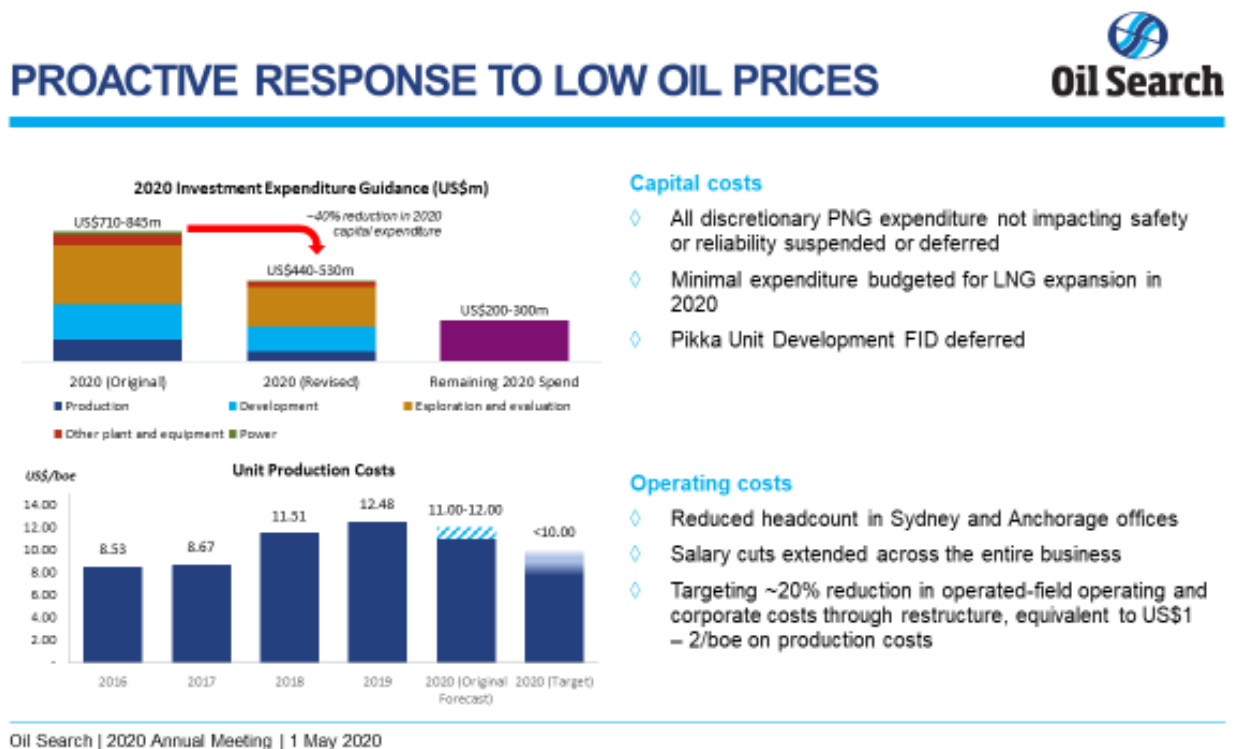
Thankfully, we have had no disruptions to our operations in PNG to date from the virus. The PNG Government remains very supportive of the continuation of production during this challenging period, with LNG a key source of revenue for the State and an essential input to the supply of electricity to local communities.

Within our local communities, the Oil Search Foundation is working directly with provincial health authorities in the Hela, Southern Highlands and Gulf provinces in PNG to assist with COVID-19 planning and strengthen clinical support. The Foundation has supported the procurement and transportation of COVID-19 test kits, medical-grade personal protective equipment and completed vital infrastructure projects, such as the emergency ward at Hela Hospital, which will create additional capacity in the event of a virus outbreak.

In Alaska, we have provided surplus equipment and other resources such as food from our recently completed drilling and construction program to local indigenous communities.

Most of our office-based workforce, in PNG, Australia and Alaska, are now working remotely, to do their part in preventing the spread of the virus. We recognised quickly that our staff required access to collaboration tools and connectivity to business systems but also needed to be engaged and continue to work together as a team during these uncertain times. As a result, we established a Company-wide “Keep Connected” initiative, which includes large virtual town hall meetings to provide staff with business and COVID-19 updates, as well as give them the opportunity to ask questions of management. The initiative also involves various support options for our staff to help maintain their mental health and wellbeing, including support groups and general information sessions.

I would like to commend our COVID-19 Task Force for their advanced planning and swift implementation of business continuity plans to navigate this challenging period. I would also like to thank all operational personnel and their families, for their professionalism in supporting the Company’s actions over the past few months.



As already mentioned, in response to the global oil price downturn, the Company has taken decisive action to strengthen its financial position and increase liquidity.

In March, we announced a 40% reduction in 2020 investment expenditure. We have deferred all discretionary capital projects in PNG, with the exception of activities required to ensure the reliability of our facilities or to ensure workplace safety. Minimal commitments on permits within our portfolio have enabled us to suspend or defer most exploration activities within PNG. Apart from informal discussions on the P’nyang Gas Agreement, which are ongoing, the majority of activities on LNG expansion have also been temporarily suspended, until economic and travel conditions allow them to resume.

In Alaska, due to the economic conditions, we have decided to delay taking a Final Investment Decision on the Pikka Unit Development until the oil market improves. Over the balance of 2020, we will focus on optimising

the engineering work, with an aim of reducing the break-even of the development and incorporating the excellent results from the 2019/20 drilling program into our forward plans.

In addition to an initial reduction in headcount, largely related to the deferral of capital projects, and salary cuts, we are close to completing a comprehensive analysis of our operating model in PNG. This work has been underway for some time, as part of our 2020 Strategic Review. We have identified a range of opportunities to reduce costs and improve productivity within our operated fields without compromising production, reliability and, most importantly, safety, while preserving our capability and core DNA.

We are aiming to reduce production cost by US\$1 – 2 per barrel of oil equivalent, before restructuring costs, and expect to announce and commence implementation of these measures by mid-year.

Making these changes unfortunately comes with a human cost and are the most difficult decisions that a management team and Board will ever make. However, change is essential if Oil Search's oil fields in PNG are to remain economic over the longer term, particularly given the weaker oil price environment.

ENSURING BALANCE SHEET STRENGTH

Equity raise

- ◊ In April announced a US\$700 million capital raising
- ◊ Completed **US\$650 million** placement and institutional component of the entitlement offer at **A\$2.10 per share**
- ◊ Heavily oversubscribed with allocation only to existing institutional shareholders
- ◊ **US\$50 million** retail entitlement and PNG component, at same share price, to be completed in early and late-May respectively
- ◊ Proceeds used to bolster liquidity and strengthen balance sheet



Liquidity position

- ◊ Pro-forma liquidity of US\$1.8 billion (at 31 March 2020)
- ◊ No near-term debt maturities¹
- ◊ >80% of drawn debt related to PNG LNG project financing, with no covenants:
 - ◆ Current escrowed accounts sufficient for almost all 2020 principal and interest payments



¹Assumes US\$300 million loan facility extended to 30 June 2021 (pending regulatory approvals)
²Post-raise liquidity assumes the full US\$700 million is raised and held as cash, less US\$17 million in transaction costs

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In early April, we announced that we were seeking to raise approximately US\$700 million of additional equity to strengthen the balance sheet and bolster liquidity. This was done through a placement, institutional and retail entitlement offer, as well as an entitlement offer to PNG shareholders.


The placement component of the equity raising was heavily oversubscribed and I'm pleased to report that all the shares allocated were to existing shareholders. The response to the retail offer was also strong. All eligible retail shareholders who applied for additional shares under the 200% oversubscription facility received their application shares in full, with no scale-back. We very much appreciate the strong support we have received from our existing shareholder base during these unprecedented times. The PNG entitlement offer is still open and expected to complete in late May.

Several people have asked why we included a placement and didn't undertake a rights issue only. In structuring the offer, we were focused on achieving the best outcome possible for all our shareholders against an extremely challenging market backdrop. The structure we adopted provided the optimal balance between promoting participation by our existing shareholders and guaranteeing that the funds would be raised, at the most competitive pricing we could achieve. For retail shareholders, we provided a generous oversubscription facility whereby shareholders could apply for up to 200% in excess of their entitlement at the same share price, subject to availability, resulting in no dilution for those who chose this option.

In terms of our corporate loan facilities, an extension of our US\$300 million of bilateral corporate facilities until June 2021 has been approved by the lenders and we are awaiting standard regulatory approvals prior to documenting the extension. We have also had very constructive discussions with our corporate facility banks on obtaining waivers to the current financial covenants, should they be required.


Following the equity raise, Oil Search will have pro-forma liquidity of more than US\$1.8 billion, which is expected to provide sufficient liquidity through to the end of 2021, assuming the average Brent oil price is in the low US\$20s/bbl range or higher.

Together with the actions that we have taken to reduce outgoings and the restructuring to come, we will have an operating and sustaining capital cost cash breakeven, before financing, of less than US\$15/boe. This will ensure that the Company is not only able to withstand a prolonged period of oil price weakness but will also be well positioned to progress its world class growth projects in PNG and Alaska when market conditions improve.




Oil Search

BUSINESS UPDATE AND OUTLOOK




PNG production activities

- ◊ PNG LNG produced at annualised rate of 8.7 MTPA in 1Q20
- ◊ No material impact on production or disruptions to lifting schedule to date
- ◊ 43% increase in net OSH-operated production, with oilfield production up 91% in 1Q20, highest rate since 2018 PNG Highlands earthquake
- ◊ Production guidance of 27.5 to 29.5 mboe remains unchanged
- ◊ Stringent business continuity plans implemented to minimise potential disruption of COVID-19 outbreak



PNG development activities

- ◊ Informal discussions have resumed with the PNG Government to finalise Pnyang Gas Agreement
- ◊ Pnyang agreement is required for joint ventures to enter the FEED phase of the integrated three-train expansion project
- ◊ Committed to the development of the three-train downstream concept. Will deliver material construction and operating synergies by utilising existing PNG LNG infrastructure



Alaska development activities

- ◊ Excellent flow test results from the Mitquq and Stirrup wells, exceeding pre-drill expectations
- ◊ Strong progress made on early civil activities, including laying of gravel to construct roads and well pads
- ◊ Pikka Unit Development FID delayed, enabling further value engineering and optimisation, focusing on:
 - ◆ Lowering break-even costs
 - ◆ Potential resource additions through integration of Mitquq and Stirrup well results
- ◊ Formal partial divestment process on hold, however, continuing dialogue with interested parties

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Despite the current challenges, Oil Search has an exceptional asset base, with world class operations, strong growth potential and a unique culture, characterised by having genuine relationships with the communities in which we operate.

The PNG LNG Project continues to achieve production well above nameplate capacity and has an extremely competitive cost base. In the first quarter, the project produced at an annualised rate of 8.7 million tonnes per annum. Despite COVID-19, we haven't had any material impact on our LNG lifting schedules to date. In addition, operated production has recovered sharply, with output from the Oil Search operated oil fields 91% above 2019 fourth quarter levels. This was driven by contributions from the development wells and workovers completed in late 2019, the reinstatement of high-pressure compression at the Agogo Processing Facility and the recovery from the export mooring system failure which impacted 2019 fourth quarter production.

Our production guidance for 2020 remains unchanged, at between 27.5 to 29.5 mboe, assuming no business interruptions due to COVID-19.

Following the oil price fall, while we have suspended capital activities and formal investment decisions, we remain absolutely committed to the LNG expansion project in PNG and the Pikka Unit Development in Alaska, both of which are truly world class. We are confident that these growth projects will progress when conditions allow.

To this end, informal exploratory discussions with the Government have occurred since the formal suspension of negotiations at the end of January on the P'nyang Gas Agreement, to seek a fair and balanced outcome. The P'nyang Gas Agreement needs to be completed before the Papua LNG and PRL 3 (P'nyang) Joint Ventures can progress into the FEED phase for the proposed three train integrated LNG expansion. All parties continue to support the proposed three-train development, which is by far the most efficient way of developing the substantial gas volumes within the Elk-Antelope (Papua LNG) and P'nyang fields. The development remains competitive on a global scale, with the present slowdown in other LNG projects extending the development window for our expansion.

Our investment in Alaska continues to exceed expectations, underscored by a major resource upgrade in 2019, material progress on the Pikka Unit Development plan, recent exploration success and ongoing positive stakeholder engagement with North Slope communities.

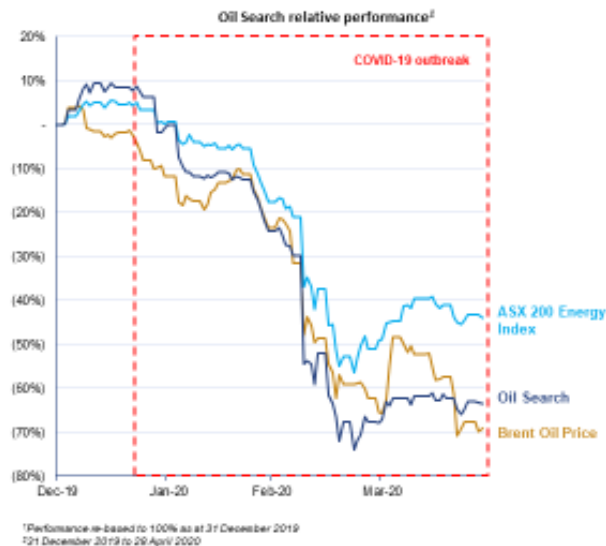
The 2019/20 winter drilling season, our second year operating in the region, was very successful, with construction and exploration drilling activities completed within budget and without any lost time incidents. The Mitquq 1, Mitquq sidetrack and Stirrup exploration wells, drilled in areas east and southwest of the proposed Pikka Unit Development, all discovered oil. The flow rates achieved on test at Mitquq ST1 and Stirrup were well above our pre-drill expectations, with flows from Stirrup one of the highest rates ever achieved from the Nanushuk reservoir through a single-stage stimulation. The data acquired is being integrated into Pikka Unit development planning, with both discoveries providing the potential for low-cost tie-backs into the proposed Pikka Unit Development or standalone developments.

Strong progress was also achieved on early development activities, including the laying of gravel to construct roads and well pads.

As previously reported, given the current market conditions, Oil Search has decided to delay the FID date for the Pikka Unit Development. We will use this additional time to strengthen the development plan, focusing on lowering the break-even costs through further value engineering, drilling optimisation and integrating the drilling results from the 2019/20 drilling campaign.

While the formal divestment process for up to a 15% interest in our Alaskan assets remains on hold, we are continuing very constructive discussions with interested parties. There is no urgency to complete a sale given the delay to the development schedule, but we are certainly encouraged by the strong interest in the assets expressed to date and expect to finalise a partial divestment prior to the Pikka Unit Development Final Investment Decision.

OIL MARKETS



- ◊ Global oil prices have declined >60% since the beginning of 2020²
- ◊ Material impact on oil demand from global outbreak of COVID-19:
 - ◆ Significant portion of the world's population in lockdown
 - ◆ Major oil demand destruction due to grounding of airlines, restrictions on land based travel and a slow-down in global trade
 - ◆ Saudi Arabia and Russia failed to agree production cuts in early March and both increased production in April, placing significant pressure on oil prices
 - ◆ In April, OPEC and Russia agreed to record cuts in output, to be implemented from May
 - ◆ OPEC+ and other high cost shut-ins should help balance market in 2H20 but continued market volatility expected

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The first four months of 2020 have been one of the most volatile periods in oil market history.

The global spread of COVID-19 has impacted oil demand across all areas of the global economy, with significant demand reductions in jet fuel (due to the grounding of airlines), gasoline and diesel.

Despite the recently agreed record production cuts by OPEC+, in the short term the oil market remains extremely oversupplied, with storage across the globe either full or close to being full. As a result of the current low oil prices, high cost production is now beginning to be shut-in.

It is likely we will see a return in global economic activity in the second half of 2020, which will stimulate demand for energy and the drawdown of the excess storage over time. This and the OPEC+ cuts should also help oil markets start to re-balance. However, with the extent and pace of a global economic recovery still uncertain, we believe the oil market will remain volatile for some time to come.

At Oil Search, we are not banking on any particular outcome and in our business planning we are considering multiple future outcomes. Our key focus is to ensure we are as robust and resilient as possible.

LNG MARKETS

- ◊ Global LNG market currently in state of oversupply, reflecting ramp-up from projects in the US, Australia and Russia
- ◊ North Asian demand also initially impacted by a mild winter prior to COVID-19 outbreak
- ◊ Imported LNG volumes have been resilient across the key markets of Japan, China, South Korea and Taiwan:
 - ◆ Imports up 4% in 1Q20 vs 1Q19
- ◊ 1Q20 drop in oil prices will flow through to long-term contract pricing from 2Q20 onwards
- ◊ Multiple developers of LNG projects, both pre and post-FID, across the US, Canada, Mozambique, Qatar and Australia have announced schedule delays



Realised LNG & gas price v spot Asia LNG (US\$/mmBtu)



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The global LNG market also remains oversupplied following the ramp up of production from projects sanctioned during the recent construction boom in Australia, the US and Russia.

It's pleasing that despite the competitive market environment, last year the PNG LNG Project secured the final of three medium-term contacts with high quality offtakers. 7.9 MTPA of LNG from the Project is now being sold under contract, representing more than 90% of LNG production at current output levels, reducing exposure to the current weak LNG spot market.

The global economic slowdown caused by the COVID-19 pandemic is expected to result in schedule delays to both sanctioned LNG projects (due to site-related virus cases, labour restrictions and travel prohibitions) and projects that were expected to reach a Final Investment Decision in 2020 and 2021. These delays could accelerate the tightening of global LNG markets over the medium term to the mid-2020s.

As the impacts of COVID-19 diminish later in 2020 and into 2021, we expect fiscal stimulus in key North Asian markets to be supportive of LNG demand. For Buyers, we already see signs of a desire to "return to quality" on LNG supply, which would support projects such as LNG expansion in PNG, which is effectively a brownfield development.

2020 FULL YEAR GUIDANCE

Operating Costs	Low	High
Production costs (US\$ per boe)	9.5	10.5
Other operating costs ¹ (US\$m)	130	150
Depreciation & amortisation ² (US\$ per boe)	12.00	13.00

- ◊ 2020 production guidance of 27.5 – 29.5 mmbœ unchanged:
 - ◆ Strong production performance recorded in first quarter
 - ◆ PNG LNG produced at 8.7 MTPA
 - ◆ Good recovery in operated oil production supported by contributions from workover and development wells completed in late 2019
- ◊ Targeting operating cost reductions of at least US\$1 – 2 /boe, taking production costs to US\$9.5 - 10.5/boe
- ◊ 2020 investment expenditure program reduced by approximately 40%

¹ Other operating costs include gas purchase costs, royalty and levies, selling and distribution costs, rig operating costs, power expense and corporate administration costs (including business development), expenditure related to inventory movements and other expenses.

² Related to oil and gas assets that are depreciated on a unit of production basis and exclude assets that are depreciated on a straight line basis (including right-of-use assets capitalised under FRS 16 Lease).

³ Excludes any capitalised borrowing costs.

Production (mmbœ)	Low	High
Oil Search-operated	3	6
PNG LNG Project	24	25
Total Production	27.5	29.5

Capital Costs (US\$m)	Low	High
Production	55	65
Development – oil & gas³		
PNG	25	35
Alaska	110	130
Total development – oil & gas	135	165
Exploration & evaluation		
PNG	70	80
Alaska	150	170
Total exploration & evaluation	220	250
Other plant and equipment	25	35
Power	5	40
Total	440	530

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Looking at 2020, our forecasts are unchanged from those announced previously.

Production guidance for 2020 is 27.5 to 29.5 mmbœ. This assumes no material impacts from Coronavirus.

The Company is targeting a US\$1–2/boe reduction in production costs in 2020, before any one-off restructure costs, to US\$9.5–10.5/boe, while non-cash costs are expected to be between US\$12 and 13 per boe.

As a result of the measures taken, 2020 full year investment expenditure guidance has been reduced by approximately US\$300 million. Forecast capital expenditure going forward from April 2020 is expected to be in the range of US\$200 – 300 million.

OPERATING RESPONSIBLY



- ◊ Continued to lead restoration of health facilities and vital infrastructure in PNG, following the 2018 Highlands earthquake
 - ◆ Recognised in Strive Philanthropy's 2019 GivingLarge Report
- ◊ Supported safety, health and subsistence programs in Alaska
- ◊ Growing focus globally on climate change. Support global efforts on climate change action and endorse policy framework adhering to a 2°C trajectory.
- ◊ Natural gas remains pivotal in transition to a low-emission energy system
- ◊ 2020 launch of the Oil Search Climate Change Steer committee to drive our climate change initiatives in PNG and Alaska:
 - ◆ Already incorporated GHG reduction initiatives into Pikka Unit Development, including facility design, flaring reduction, gas power generation and waste heat recovery
 - ◆ Port Moresby Power Station – generating the lowest cost hydrocarbon fuelled source of power in the region
 - ◆ Work on PNG Biomass Project ongoing. When completed, has the potential to develop approximately four million tonnes of CO₂ carbon offsets over its 25-year life

Oil Search | 2020 Annual Meeting | 1 May 2020

I mentioned previously that Oil Search has a unique culture. Investing in, and giving back to, the communities in which we operate has always been a key focus for the Company. In 2019, we were honoured to be recognised in Strive Philanthropy's 2019 GivingLarge Report, as a corporate leader in socio-economic contributions and commitment to PNG.

Our efforts last year in PNG focused on the long-term restoration of health facilities and vital infrastructure which were impacted by the 2018 Highlands earthquake.

We have applied many of the programs developed in PNG to our activities in Alaska, including community engagement centred on supporting safety, health and subsistence programs.

Another key area of focus for Oil Search is on how we evolve with the rapidly changing energy investment environment. We support global efforts to move towards implementing an effective global climate agreement and are advocates for governments to establish a clear, stable policy framework that supports a global warming trajectory of 2 degrees Celsius.

Under this scenario, we believe a variety of energy sources have a role to play in meeting the global demand for sustainable energy, each with its own merits and challenges. The consensus of multiple scenarios is that oil and gas will continue to have a major role to play and that natural gas will be pivotal in the transition to a low-emission energy system.

We have recently launched a Climate Change Steer committee, with the purpose of driving climate change initiatives in PNG and Alaska. The focus for PNG will be to assess and implement emission reduction opportunities, while in Alaska it is to consider the Pikka Unit Development design, examine new technology and ensure we minimise emissions over the life of the project. Oil Search has already incorporated many Greenhouse Gas reduction initiatives into the Pikka project. These include optimising the facility design, no routine flaring of natural gas, using gas instead of diesel for power generation and waste heat recovery.

In PNG, we are providing real solutions to de-carbonisation and the provision of cheap energy in areas without reliable power.

In late December, NiuPower, in which we own 50%, commenced power production from its 58 MW gas-fired plant, fuelled by gas from the PNG LNG Project. The power station generates the lowest cost hydrocarbon fuelled source of power in the region, underscoring our support for the PNG Government's strategic priority to deliver competitively priced power to 70% of the population by 2030.

In addition, when completed, our Biomass Project in Morobe Province PNG has the potential to develop approximately four million tonnes of CO² carbon offsets over its 25-year life.



Closing comments



In closing, I would like to acknowledge our dedicated workforce for their resilience and determination through these very testing times. Many of our staff in PNG are away from their families for extended periods of time due to the international border lockdowns and we are incredibly humbled by their commitment.

Despite the challenges of recent months, I am very confident we have taken the right steps to protect our financial position, safeguard our operations and position Oil Search to deliver on its world class growth projects when market conditions improve. Our operating and strategic review is considering multiple outcomes and we are evolving our Company to ensure our capital discipline and capability positions the Company to come through the challenges and quickly benefit from the future conditions as the uncertainty clears.

My appreciation goes out to the Oil Search Board for their ongoing guidance and counsel, and to my executive management team for their dedication and assistance. Finally, I would like to extend my sincere gratitude to our shareholders for the longstanding support and trust you have provided to us over the years and particularly through this challenging period.

Thank you

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This ASX announcement was authorised for release by the Oil Search Board of Directors