

2019 Annual Meeting: Chairman's Address

10 May 2019

Slide 6 – Rising to the Challenge (1)



RISING TO THE CHALLENGE



- ◆ 2018 was an unprecedented year for Oil Search
- ◆ February Highlands earthquake – impact to operations and local communities:
 - ◆ Major relief effort undertaken by Oil Search as a first responder
 - ◆ Ongoing assistance to help people rebuild lives
- ◆ Due to earthquake, production down 17%, but offset by 27% increase in average realised oil and condensate price and 31% lift in average realised LNG and gas price
- ◆ Net profit after tax of US\$341 million, up 13% on 2017 NPAT
- ◆ Operating cash flow of US\$855 million

OIL SEARCH 2019 ANNUAL MEETING | 10 MAY 2019 | PAGE 6

2018 was an unprecedented year for Oil Search.

Everyone here will recall that in February 2018, the PNG Highlands was devastated by a severe earthquake. Tragically, many lives were lost, housing and essential infrastructure destroyed and the livelihoods of communities living in the Hela and Southern Highlands

Provinces, and parts of Gulf and Western Province, were impacted significantly. Being one

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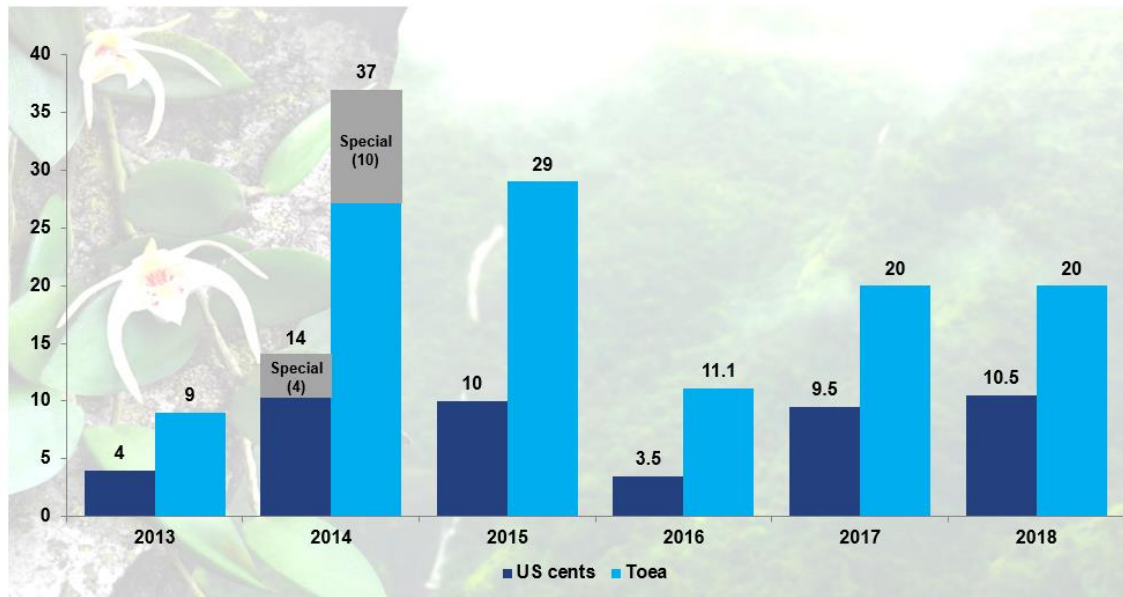
of the few organisations on the ground with the ability to help, Oil Search immediately mobilised a team to assist our local communities and made our Moro airport available as a key logistics hub for earthquake-support operations. In the first four weeks after the earthquake, we delivered approximately 80% of total food supplies to affected areas, as part of our 17 million Kina (US\$5 million) contribution to support relief efforts. 15 months on, the Company, in partnership with the Oil Search Foundation, continues to provide recovery assistance to impacted communities. Our focus is on helping restore public health and rebuilding infrastructure such as hospitals, health centres and literacy libraries damaged by the earthquake. While we are doing this because we think it is simply the 'right thing to do', it was pleasing that our relief efforts were recognised last year, with the receipt of the 2018 Platts Global Energy Award for Corporate Social Responsibility and the PNG Chamber of Mines and Petroleum Outstanding Humanitarian Initiative Award.

For safety and precautionary measures, all our operated production in the Highlands and the PNG LNG Project were temporarily shut-in following the earthquake. I'd like to thank all Oil Search employees and contractors, who displayed courage and commitment in very challenging conditions, for their efforts in bringing operated production back on-stream safely and efficiently. Importantly, this was achieved with zero incidents and no loss of hydrocarbon containment, reflecting the world class design and construction of the facilities.

While sales volumes fell 17% due to the earthquake, this was more than offset by stronger global energy prices. Oil Search delivered a 2018 net profit of US\$341 million, 13% higher than in the previous year, and generated a healthy operating cash flow of US\$855 million. The Company also maintained a very tight discipline on capital management, ending the year with liquidity of US\$1.5 billion.

Slide 7 - Dividends to shareholders

**2018 FULL YEAR DIVIDEND OF 20 TOEA
PER SHARE (US 10.5 CENTS PER SHARE)**



OIL SEARCH 2019 ANNUAL MEETING | 10 MAY 2019 | PAGE 7

Despite the impact of the earthquake, total dividend payments increased in 2018, from 9.5 US cents per share in 2017 to 10.5 US cents, equivalent to 20 toea per share. This represented a dividend payout ratio of 47%, at the upper end of our 35% to 50% payout range.



RISING TO THE CHALLENGE (CONT'D)



- ◆ Steady progress on Papua LNG and PNG LNG/P'nyang developments in 2018
- ◆ Papua LNG Gas Agreement signed in Apr 2019 – major milestone:
 - ◇ Fair distribution of project benefits, includes new petroleum levy and DMO
- ◆ P'nyang Gas Agreement expected to be finalised shortly
- ◆ Papua LNG and PNG/P'nyang developments will double PNG's LNG capacity and transform economy
- ◆ Momentum building in Alaska
- ◆ Recent drilling expected to add material resource to current 500 mmbbl (gross) resource estimate

OIL SEARCH 2019 ANNUAL MEETING | 10 MAY 2019 | PAGE 8

Our Managing Director, Peter Botten, will talk in more detail about our activities, but I'd like to mention some of the recent key developments.

Steady progress was made on the world class Papua LNG and PNG LNG/P'nyang development projects over 2018. During the APEC conference in Port Moresby in November 2018, the PNG Government and the Papua LNG Joint Venture signed a Memorandum of Understanding outlining the key terms and fiscal arrangements for the Papua LNG Project. A major milestone for the Project was reached last month when the Gas Agreement was signed.

While negotiations were tough, we believe the final Gas Agreement is fair to all parties. It provides appropriate economic returns to the Joint Venture partners, including the State

through Kumul Petroleum, in an increasingly competitive LNG marketplace, while also ensuring a strong and reliable income stream to the national and provincial governments and landowners. The National Content provisions will ensure many opportunities for Papua New Guinea businesses to become involved in the development, as well as provide thousands of jobs for Papua New Guineans. In addition, the introduction of a Domestic Market Obligation (or DMO) will ensure a material volume of gas is available, at a competitive price, for local industry and for the generation of power.

An example of what can be achieved with the DMO is the new 58 MW power station located just outside Port Moresby, which has recently started operations. This power project, constructed by NiuPower, a 50/50 joint venture between Oil Search and Kumul Petroleum, uses gas from the PNG LNG Project to provide much cheaper and more environmentally-friendly power than from other sources. It will make a real difference to the Port Moresby grid, improving the reliability of electricity supply to our nation's capital. We are hopeful that gas made available through the Papua LNG DMO will play a major role in the Government's objective to deliver competitively priced power to more than 70% of the population by 2030.

Discussions are now in full swing on the P'nyang Gas Agreement, while other commercial agreements are largely complete. The P'nyang Gas Agreement will pave the way for entry into Front-End Engineering and Design (FEED) for the integrated Papua LNG and PNG LNG/P'nyang three-train development, which will double PNG's LNG capacity and transform the country's economy.

In February 2018, we completed the acquisition of an exciting portfolio of oil assets on the North Slope of Alaska in the USA. Since then, we have made real progress in unlocking value from the acquisition. Led by an experienced, 100-strong team, Oil Search has just completed its first Alaskan drilling programme in the Pikka Unit. The initial results have met

or exceeded our expectations on all fronts and are expected to add material resource volumes to our current gross resource estimate of 500 million barrels. We have also leveraged our stakeholder engagement experience gained in PNG to build strong, long-term relationships with local communities, joint venture partners, other local operators and government.

Slide 9 - Oil Search's contributions to PNG

OIL SEARCH'S CONTRIBUTION TO PNG IN 2018



OIL SEARCH 2019 ANNUAL MEETING | 10 MAY 2019 | PAGE 9

Oil Search has an ongoing commitment to sustainable development in PNG and creating shared value for local communities and the Government. We believe this is essential to maintaining a stable operating environment, which is critical to our long-term success.

In 2018, Oil Search's socio-economic contributions in PNG totalled more than 1.5 billion Kina (US\$451 million). This comprised payments to the PNG Government through taxes,

royalties and levies; providing employment and development opportunities; procuring goods and services from local suppliers and contractors; and strategic community investment, both directly and through our contributions to the Oil Search Foundation. As mentioned previously, we donated almost 17 million Kina in cash and kind to support earthquake disaster relief efforts and are continuing to provide assistance to help rebuild communities and livelihoods.

We also continued to support the development of critical infrastructure in PNG through the Government's Infrastructure Tax Credit Scheme and National Infrastructure Tax Credit Scheme. In 2018, Oil Search project-managed and delivered APEC Haus, a world class venue used for the APEC Summit last November. APEC Haus is an iconic building for the country, which can be used for the Government's development aspirations into the future.

We are working on many other projects too, including:

- The Nipa to Ambua and the Kutubu Access roads in the Highlands.
- The Erave to Samberigi Road Project, which, when complete, will join the Highlands to the Gulf.
- A re-development of the Kupiano District Hospital.
- And support for the Kutubu High School, which suffered significant earthquake damage last year.

PNG LNG PROJECT BENEFITS DISTRIBUTION UPDATE



- ◆ Phase one of landowner benefits identification (LOBID) process – vetting of clans – substantially complete
- ◆ LOBID for PDLs 1 and 7 completed in 1Q19, ministerial determination gazetted, benefits disbursements expected to commence shortly
- ◆ OSH facilitating communication between Government and landowner groups, to resolve all outstanding Project licence areas issues

OIL SEARCH 2019 ANNUAL MEETING | 10 MAY 2019 | PAGE 10

Despite the interruption from the earthquake in early 2018, good progress has been made over the past year in completing phase one of the landowner benefits identification process, involving the final vetting of clans.

In the first quarter of 2019, the identification process for PDLs 1 and 7 was completed and ministerial determination for both licences was gazetted. This was a major milestone for the Project, with the distribution of funds to landowners, which are currently being kept in a trust, expected to start shortly.

Oil Search is continuing to support the Government in resolving the landowner benefits identification process for all remaining licence areas. These are approaching completion,

subject to the removal of landowner injunctions, which, unfortunately, are still impeding progress in two licence areas.

Slide 11 – Commitment to Good Corporate Governance

COMMITMENT TO GOOD CORPORATE GOVERNANCE



- ◆ Good governance critical to OSH's business
- ◆ 2018 social responsibility reporting suite:
 - ◇ Transparency Report
 - ◇ Voluntary Principles on Security and Human Rights Report
 - ◇ Preliminary Modern Slavery Statement
- ◆ 2018 Climate Change Resilience Report demonstrated long-term resilience and value generation of OSH's assets:
 - ◇ OSH ranked in top quartile for resilience to financial transition risk by Carbon Tracker

OIL SEARCH 2019 ANNUAL MEETING | 10 MAY 2019 | PAGE 11

During 2018, Oil Search continued to implement rigorous corporate governance practices across all our activities.

A key focus area is on ensuring that there is transparency around the millions of dollars in royalties, taxes, levies and other fees and charges we pay to governments. A detailed breakdown of what payments were made, and to whom, is detailed in Oil Search's 2018

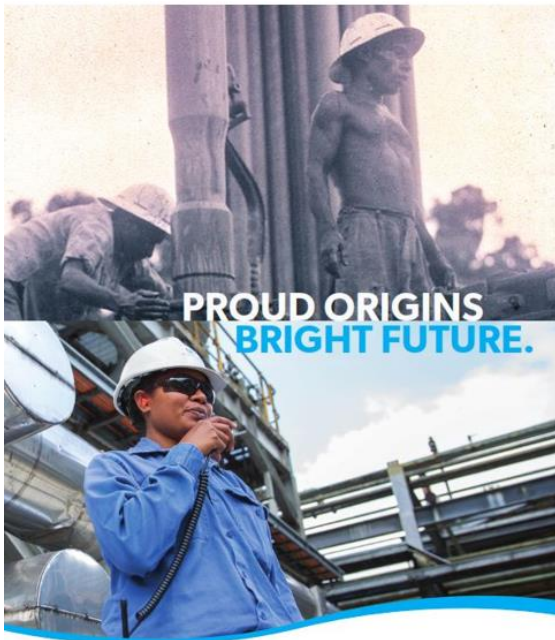
Transparency Report. We remain an Extractive Industries Transparency Initiative (EITI) Supporting Company and, while there is still room for improvement, we have been very pleased with PNG's progress towards EITI compliance over the past few years.

Respect for human rights and the desire to do no harm are core values for Oil Search and underpin the way we operate. In 2018, we released our second 'Voluntary Principles on Security and Human Rights Report' as part of our verification for this initiative. We also released our first 'Preliminary Modern Slavery Statement' in readiness for compliance requirements under the new Australian Modern Slavery legislation.

In March 2018, Oil Search was one of the first ASX-listed energy companies to release a 'Climate Change Resilience Report' in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures. The report concluded that the Company's current and growth assets in PNG and Alaska are highly robust and would continue to generate returns to shareholders under a range of decarbonisation scenarios, including a 2°C pathway. In July 2018, Carbon Tracker, a London-based climate change think-tank, ranked Oil Search in the top quartile of 72 of the largest oil and gas companies globally for resilience to climate change risk.

All these reports are available on the Oil Search website.

OUTLOOK FOR 2019



- ◆ 2019 marks Oil Search's 90th anniversary
- ◆ Potential to double production by mid-2020s with Papua LNG and PNG LNG/P'nyang developments in PNG and Pikka Unit oil development in Alaska:
 - ◇ Highly value accretive, low on cost curve
- ◆ Management reorganisation, corporate restructure and succession planning underway
- ◆ Oil Search very well placed to deliver attractive long term returns to shareholders

OIL SEARCH 2019 ANNUAL MEETING | 10 MAY 2019 | PAGE 12

2019 marks Oil Search's 90th anniversary since its incorporation in PNG. Despite many challenges, over this period we have grown from a tiny exploration company to a regionally significant oil and gas producer and LNG exporter, with an extensive exploration and appraisal portfolio.

Oil Search enters 2019 in a strong operational and financial position. Our attractive growth opportunities in PNG and Alaska have the potential to double Oil Search's annual production by the middle of the 2020s. I stress that this is highly value accretive production, low on the global cost curve, which will deliver significant upside to shareholders, governments and local communities in PNG and Alaska.

A management reorganisation and corporate restructure has commenced, to ensure that the Company has the right talent, experience, accountabilities and reporting lines to execute and deliver our ambitious growth objectives. As part of this process, the Board is well advanced on managing the succession plan for your Managing Director, Peter Botten, who has led Oil Search very successfully for more than 25 years. The Board will keep shareholders fully informed as this process progresses.

In closing, I would like to recognise all Oil Search employees for their outstanding resilience and dedication during what was a very challenging year. I would like to congratulate Peter for his award of the Companion of the Order of Australia, reflecting his commitment to PNG spanning almost 30 years. My appreciation also goes to my Board colleagues for their continued counsel. Finally, I would like to thank our shareholders for their long-standing support. As the Company enters its 90th year, it has never been in a better position to continue to provide attractive returns to shareholders well into the future.

Thank you again for your attendance here today and we will now start the formal part of the meeting.