
Structural changes implemented to build resilience and focus on delivery

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STRUCTURAL CHANGES

Oil Search has recently completed a detailed and systematic review of its organisation and cost structure. This has been aimed at ensuring that the Company not only has the resilience, capabilities and financial strength to withstand a prolonged period of subdued oil prices, but is also optimally positioned to operate its production assets safely and cost efficiently and progress its world class growth opportunities in Papua New Guinea (PNG) and Alaska when market conditions allow.

As a result, structural changes have been implemented to make the business leaner, provide for streamlined decision-making and establish a more integrated structure that clarifies accountabilities and drives performance. The revised organisation and cost structure deliver sustainable and material reductions in operating and corporate overhead costs without compromising the health and safety of our staff, contractors and communities, which remain Oil Search's highest priority.

In addition, a dedicated corporate performance and continuous improvement office ("Pathfinder") has been established. This office will track initiatives and benchmark corporate performance as well as reinforce optimal capital prioritisation and delivery across the organisation.

Key outcomes and initiatives to date include the following:

- Oil Search Full Time Employees (FTEs), which include employees and long-term contractors, have been reduced from 1,649 people as of 14 March 2020 to 1,222 currently, with a further 137 people transitioning out by year end. This will represent a fall in the total workforce of approximately 34%. Reductions have been made across all locations.
- Oil Search's female representation in the workforce will increase from 25% to more than 28% as a result of the reorganisation and women will represent more than 28% of the executive management team. In addition to female diversity, there has been a material increase in the representation of PNG citizens in senior positions.
- Other cost reduction and continuous improvement initiatives are being coordinated under Pathfinder, including third-party spend reduction programmes, an operational excellence initiative in the field, an efficiency enhancement programme, the application of technology and data gathering to drive costs lower and benchmarking for setting continuous improvement targets.

- Dedicated teams are reviewing all capital and development projects operated by Oil Search to identify phasing and cost saving initiatives that can materially reduce the breakeven costs of those projects. Details of this initiative will be presented at the conclusion of the Strategic Review.
- Based on the initiatives to date, forecast 2020 production costs are expected to be approximately US\$10.50/boe (before one-off restructuring costs), compared to prior production cost guidance of US\$11-12/boe. Further cost savings are expected to be made following the finalisation and implementation of other initiatives currently underway. Guidance on one-off restructuring costs will be provided in the 2020 Second Quarter Report, due to be released on 21 July 2020.

Dr Keiran Wulff, Oil Search’s Managing Director, said:

“The painful decisions we have taken to optimise our organisational structure, enhance efficiencies and reduce operating costs have not been made lightly. They are the result of extensive studies aimed at ensuring we have an organisational structure that not only makes us more resilient to oil and gas price fluctuations but also embeds a culture of continuous improvement, operational excellence and strict fiscal discipline.

We have reviewed how to make our Company stronger by prioritising activities and focusing on the capabilities that are required for us to be successful under a range of economic conditions. The work undertaken has been assessed against an independent domestic and international industry organisational benchmarking study to ensure Oil Search’s new cost structures are competitive with global energy industry peers. In addition, the review incorporated employee efficiency and productivity analysis, capability reviews and studies on risk management, leadership and decision-making effectiveness. Oil Search’s reorganisation also builds further on our commitment to social responsibility and sustainability.

We will emerge from the recent challenges more resilient while retaining all the capabilities required to operate our production assets safely and efficiently, with a strong platform for progressing our growth projects when conditions allow.

Major workforce reorganisations are always extremely challenging. This process has been made even more difficult given the current circumstances of COVID-19. We are committed to treating our people with care and respect, providing generous termination payments and are implementing a strong post-employment support structure for those who are leaving Oil Search to help them reskill and transition towards new opportunities. We know that Oil Search’s current market position, reputation, high quality asset portfolio and future growth opportunities are a result of the contributions from past and present staff and we appreciate their efforts.

Under the new structure, there is a material increase in executive and senior leadership opportunities for PNG nationals, which is in line with the evolving dynamics in PNG and increasing importance of citizen representation. Expatriate positions in PNG will be reduced from 10% to 7% of the workforce. In addition, gender diversity has increased, with women now representing more than 28% of the workforce, from 25% previously.

Given the importance of new technologies, sustainability, the environment, social and governance issues, a new Executive Vice President (EVP) position has been created with responsibility for Oil Search's approach in each of these areas. The Company has also created dedicated teams to drive continuous improvement in a range of different areas, including in Alaska, where good progress is being made to reduce the breakeven cost of the Pikka Unit Development.

We are confident that, following these and other initiatives underway in 2020, including the decisive cuts in investment spending announced in March and the US\$700 million capital raising in April, Oil Search is positioned to deliver long term shareholder value."

POST-EMPLOYMENT SUPPORT PLAN

A range of support programmes have been established for departing employees, to help them reskill and transition towards new opportunities. These include the provision of funding assistance for retraining to maximise chances of new employment, an alumni programme to rehire should suitable positions become available in the future as market conditions improve, provision of financial support and assistance through outplacement services.

KEY LEADERSHIP TEAM CHANGES

There have been a number of changes to Oil Search's Leadership Team. In line with promoting local accountability and empowerment in PNG, Leon Buskens has been appointed as PNG Country Manager, responsible for all Social Responsibility, Community Affairs and Communications-related activities within PNG. Leon joined Oil Search in 2012, with responsibility for Stakeholder Engagement. Prior to joining Oil Search, Leon was the Managing Director of Nambawan Super, the largest superannuation fund in PNG. Leon will work closely with Wayne Kasou, who has been appointed as PNG Executive Support and SVP Government Affairs. Wayne joined Oil Search from ExxonMobil PNG Limited in 2018, where he was responsible for Government Affairs.

Bart Lismont is the EVP appointed to lead PNG Development and Operations, driving operational excellence and continued safe, sustainable and profitable operations in our PNG assets. With more than 30 years' experience in upstream oil and gas, including as Vice President, Development, for all Shell's operated assets outside the Americas and project development experience across the full project lifecycle in locations including Gabon, Malaysia and Nigeria, Bart is very well qualified to take over responsibility for the Company's PNG upstream technical operations.

Beth White has been appointed EVP Sustainability and Technology. In this newly created role, Beth will be responsible for Oil Search's ESG strategy as well as Technology and Innovation. This role will build on the Company's existing commitment to social responsibility and reflects the importance of driving sustainable environmental, climate and social development performance and governance throughout the business.

Oil Search's full revised Executive team structure can be found on the Company website:
<https://www.oilsearch.com/who-we-are/management>.

CHIEF FINANCIAL OFFICER TRANSITION

Separate to this review, after 8 years as the Chief Financial Officer (CFO) and 16 years with the Company, Stephen Gardiner has decided to step down from the CFO role in February 2021. We are extremely appreciative of Stephen's deep understanding of and commitment to PNG, his significant contributions in a number of senior roles over his period at Oil Search and for his loyalty, hard work and dedication. We are delighted that Stephen will remain with Oil Search as an adviser to the Managing Director.

We welcome Ayten Saridas, who will join Oil Search in mid-August as Chief Financial Officer Designate and will transition into the CFO role early in 2021 following the release of the 2020 results. Ayten has more than 30 years of international corporate finance experience across a broad range of ASX listed companies in coal, upstream oil and gas, infrastructure, retail, fast-moving consumer goods and property and is a very welcome addition to our executive leadership team.

STRATEGIC REVIEW ONGOING

In February 2020, Oil Search announced it had commenced a Company-wide Strategic Review to re-evaluate its long-term vision, strategic focus and pathway for delivering superior shareholder returns. Given the market conditions over the past three months, Oil Search's short-term focus has been on stabilising the Company, resulting in decisive cost cutting, the US\$700m capital raising and the steps announced today. With near-term issues addressed, the review will now focus on redefining Oil Search for the future, considering market trends, shareholder expectations and commodity market and pricing outlooks. A key objective of the strategic review is to focus on Oil Search's core business. This is aimed at further simplifying and de-risking existing operations, ensuring disciplined capital management and capital prioritisation, maximising shareholder returns from the Company's projects in Alaska and PNG and aligning Oil Search's environmental commitments with shareholder and community expectations. As previously announced, the Strategic Review will be completed in the second half of 2020.

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This ASX announcement was authorised for release by Oil Search Managing Director, Dr Keiran Wulff.