

Company: Oil Search Limited
Title: 2016 Annual Meeting - Strong Foundations
Date: Friday, 13 May 2016

Start of Transcript

Chairman: In line with Oil Search's focus on safety I would first like to draw your attention to the emergency evacuation procedures for this room shown on the screen now, hopefully. Technical problems - there we are.

I should also inform you that today's meeting is being recorded, and also will be broadcast as a live webcast.

I would like to introduce your other directors who are on the stage here with me today. To my right is Peter Botten who you know well; Gereia Aopi, Kostas Constantinou, Eileen Doyle new Director this time who you've not met before, Agu Kantsler, Bart Philemon, Keith Spence and Ziggy Switkowski. I would also like to introduce Stephen Gardiner the Chief Financial Officer and Group Secretary of Oil Search, at the end.

This meeting has been convened to consider matters specified in the Notice of Meeting dated 8 April 2016. I will be conducting today's meeting in accordance with the Order of Business contained in the Notice of Meeting. There will be reasonable opportunity to discuss each item of business. When addressing the meeting please use the microphone that will be provided to you. I ask that you identify yourself by giving your full name, and, if appropriate, the name of the organisation you represent. Please note that only Oil Search shareholders or their duly appointed representatives may address the meeting, ask questions, join in debate and vote at the meeting.

I ask that you restrict your comments to the particular item of business before the meeting. You will be asked to consider and vote on a number of resolutions for which notice has been given. I will propose each motion and allow [inaudible] for the motion, and I will then formally put the motion to the meeting.

Stephen Gardiner, our Group Secretary, has advised me that a quorum is present in accordance with Clause 12.2 of the Company's Constitution, and, accordingly, I declare the meeting open.

A notice dated 21 March 2016 convening the meeting has been forwarded to members and I move that such notice be taken as read. I now put the motion. Those in favour; those against, I declare the notice convening the meeting is taken as read.

Ladies and Gentlemen, as you know 2015 was one of the most challenging in Oil Search's history, with the average global oil price falling nearly 50% from 2015 levels. However, it was also one of the most successful for the Company, with production reaching an all-time high of 29.3 mmbob, more than 50% higher than in 2014, and [some four times] more than 2013 production. The increase was driven by a full year of uninterrupted LNG production. During 2015 Oil Search was firmly established as a significant LNG exporter and the Company has forged strong foundations for its continued success.

Ever since the commencement of production and exports from the PNG LNG Project in May 2014, the Project has performed above expectations. In recent months, the Project has been consistently producing at around 8 MTPA, well above its nameplate capacity of 6.9 MTPA. This is a great achievement by the operator, ExxonMobil PNG Limited.

Our operated fields are also performing well. In 2015, we supplied 12% of PNG LNG's gas and handled and exported all the Project condensate, which together with oil from our PNG oil fields totalled nearly 60,000 barrels per day. Most importantly, in 2015 we recorded our third consecutive year of improved safety performance, with the important milestone of zero lost time injuries being recorded [for the first time].

While we, like all oil and gas companies globally, were impacted by lower oil and gas prices, the Company delivered a core profit before impairments of US\$360 million, a good result from the difficult pricing environment. Following a detailed review of our assets, we are comfortable that the carrying value of all our PNG assets is appropriate, despite the lower oil price outlook. However, we did take to account a non-cash impairment of US\$399 million related to our investment in the Taza Production Sharing Contract in the Kurdistan Region of Iraq, following disappointing drilling results during the year.

In line with our policy to pay out between 35% and 50% of core profit to shareholders, Oil Search paid dividends of US\$0.10 per share in 2015, equivalent to 29 toea. This equated to 42% of the 2015 core profit of US\$360 million. The Board continues to believe that paying dividends that are a proportion of our profits is the correct policy, given our reliance on the oil price, movements [of which are] outside our control. This approach provides a good balance between providing cash returns to shareholders while retaining the flexibility to reinvest in our value creating growth projects.

Oil prices remain very volatile. As can be seen in this chart of the Brent oil price, the oil price has rallied strongly from the low point of US\$26 per barrel in January 2016, to US\$46 per barrel currently. However, it is still trading some 53% below the average oil price in 2014 and 11% lower than in 2015.

These moves have not only affected the price we receive for our oil production but also our gas and LNG 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 in the first quarter of 2016, but are likely to fall in the second quarter of 2016 as low first quarter oil prices flow through to LNG pricing. We are, of course, very pleased to see the recent oil price recovery but still believe it is appropriate to plan on the basis that the price will remain under pressure for at least another 6 to 12 months.

Fortunately, Oil Search is in a strong financial position. Our capital expenditure obligations have fallen substantially since the completion of construction of the PNG LNG Project, which now only requires minor sustaining capital. During 2015, the Company implemented a number of organisational changes, to improve productivity and increase our cost competitiveness. We expect to see the full extent of these cost reduction initiatives to start flowing through in 2016. With low cash operating costs, the PNG LNG Project and our operated oil and gas business in PNG are generating positive cash flows, even in this low oil price environment. As a result, our cash balance as at the end of March remained steady at US\$914 million and we have US\$748 million of additional funding available through our corporate credit facilities, giving us adequate liquidity to fund our key growth opportunities.

Over the past year, significant progress was made on our two major growth projects, both of which remain commercially attractive. These comprise an expansion of the PNG LNG Project, including the potential addition of a third train underpinned by the P'nyang gas field, and the development of a new, world scale LNG project, Papua LNG, underpinned by the Elk/Antelope resource in PRL 15.

The medium to long term outlook for LNG demand, particularly in the Asia-Pacific region, remains strong. We are confident that our projects will prove attractive to potential customers, particularly as many other proposed LNG projects, which look challenged in the lower oil price environment, are delayed. 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. Our Managing Director, Peter Botten, will talk more about this in his presentation shortly.

While the fall in global oil prices has resulted in weaker revenues than expected, we have not reduced our social programmes in PNG. As a PNG company, we believe we have an obligation to improve the lives of Papua New Guineans. We are continuing to invest in infrastructure, including roads and hospitals, and domestic power

opportunities, in partnership with government. Delivering these projects helps create a stable operating and investment environment, which is essential for our continued growth.

The Oil Search Board has recently committed a grant of US\$56.2 million, or K177 million, to the Oil Search Foundation over five years from 2016 to 2020. The grant will fund the Foundation's core operational costs and signature programs within the areas of Health, Leadership and Education, and Women's Protection and Empowerment.

With almost all of Oil Search's assets and future growth located in PNG, helping to preserve a stable operating environment 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 September 2015, we announced that we had received a non-binding, conditional indicative proposal from Woodside. In our view the proposal was opportunistic and significantly undervalued the Company. We also sought the views of many of our shareholders, with the overwhelming feedback being that the proposal held little attraction. Consequently, the Board unanimously decided to reject the Woodside proposal.

While we rejected this particular proposal, I can assure you that the Board is committed to maximising the value of the Company for shareholders. If any subsequent proposal is submitted in future, it will be assessed objectively and on its merits.

I'd like to share with you a new initiative that we have recently undertaken, to improve our services to shareholders in PNG, many of whom are located in geographically disperse, and sometimes remote, [areas and who speak] many different languages. We have entered into a shareholding services arrangement with Computershare and the Bank of South Pacific, under which the Bank of South Pacific will offer shareholder services in all of their 43 branches throughout PNG, with shareholders being able to enter any branch to make enquiries, which will then be directed to the BSP Head Office in Port Moresby. We believe these new arrangements will significantly enhance the service to our shareholders and we look forward to it commencing formally from the beginning of June 2016.

In closing, we remain confident that, even if oil prices remain at current levels, we can still deliver superior returns to our shareholders, as we have in the past. With solid progress being made on PNG LNG capacity increases and [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 two and potentially three additional, high returning LNG trains in PNG by 2018/2019. With the potential to nearly 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.

Peter Botten: Thank you, Chairman, and thank you Ladies and Gentlemen, for attending the 2016 AGM for Oil Search. It is a real pleasure to be here once again. Really, I am very thankful that you have turned up to hear once again the Oil Search story.

Right now I am going to show you a short video, which demonstrates, I think, some of the complexities, some of the challenges and some of the styles of operations that we have got across Papua New Guinea. It goes for one minute and [technical difficulty]. So, hopefully it takes a bit shorter time to get on than that.

[Video]

Peter Botten: A small window into some of our operations and some of our activities in the country if you have not been able to visit our operation base and see it for yourselves. A video like that does help convey some of the challenges, some of the beauty of the place and also our connection with our communities which is so fundamental to our success in this country.

I am going to - just over the next 20 or so minutes - just walk you through some of the key elements of our business in

slightly more detail than our Chairman.

Our Chairman outlined the really challenging operating [technical difficulty] in not just Oil Search but the whole oil and gas sector across the world. It is a very challenging place to be at the moment. It is probably being given a challenge by low oil and gas prices to, I think, recalibrate the industry's cost base. To drive us into a more efficient place. To concentrate very firmly on shareholder returns and bring us back to a healthy business sector right across the board. Oil Search is no different to anybody else except for the fact that we have some very high quality, low cost assets in Papua New Guinea, and we have got a great workforce that works for us both directly for Oil Search and with our contractors. That combination has driven a higher level of profitability than many of our Australian peer groups and many companies across the world.

We have strong production from very high quality resources, a lot cost base and a lowering cost base given present circumstances. We are generating and are able to generate positive cashflows from our business at really quite low oil prices. Certainly our breakeven for oil [technical difficulty] is about US\$19 a barrel. If you count all our repayments, including our debt repayments, including interest all the principal repayments et cetera and sustaining CapEx we have a breakeven, one of the lowest in the region, of about US\$30 a barrel. When you compare that to some of our Australian peer groups we are in a healthy position.

We also have a very strong balance sheet with liquidity of around US\$1.7 billion. I suppose what is the demarcation for Oil Search we have also got quality growth projects that can still make a very healthy return, potentially, at volatile low oil prices and gas prices. Those growth projects include expansion of PNG LNG and the potential development of Papua LNG.

We also have very good exploration potential remaining in PNG. Although we are careful now with our capital, very careful in managing our balance sheet and have attenuated some of our exploration spend, we still have some quality drilling coming up over the next 12 to 18 months.

Like all companies we have spent some time looking at our cost base, looking at efficiencies and driving efficiencies and making sure that every toea, every cent that we spend [inaudible] shareholder value.

Core to our business is safety of our people. No one should come to work at Oil Search and go home injured; that is our mantra. It is something we absolutely believe in and something that is core to our vision and our culture. I am pleased to say that last year there were no lost time injuries across the organisation. It is a real tribute to the very diverse workforce that we have across the villages, across all of the Highlands of Papua New Guinea, the Gulf, everywhere we go. Not just our own people but our contractors. When you look at the diversity to have such a strong safety culture is a tribute to our safety leaders in the organisation and we are all, hopefully, safety leaders; we should be.

We also have aging facilities. Our oil business has been on production since 1992 [inaudible] very focused now on ensuring that those aging facilities are safe to work in. That they are not leaking gas, that they are not leaking any of the hydrocarbons. So, we are very mindful that our process safety focus, which is maturing in the organisation is a high priority right across our operations. We see that as a focus area for 2016 and beyond.

I am going to spend just a couple of minutes talking about oil price and you have got to run a business, you have got to run a business with a low oil and gas price environment now. I think it is important that our shareholders understand what we are doing about that and how we are managing it.

If you look at the box on the top left-hand corner the light blue is oil demand. The light blue boxes are oil demand and the dark blue boxes are oil supply. You can see throughout 2016 you see production of oil outstripping demand of oil. What that has meant is that world inventories of storage of oil have gone up and that has meant that the oil price has come down. There is just too much [oil] [inaudible] in the world at the moment. However, there is some light and in reality even with relatively low growth - economic growth around the world - it is projected that oil production and demand will balance out towards the end of 2016 and that we will start to see a draw in inventories through 2017. The box on the left-hand side,

progressively, shows the drawdown on oil. When you get into 2017 that is projected to be quite strong.

With a [draw in] inventories, a balancing of oil supply and demand then effectively you are going to see prices go up. How much is another matter. We cannot, and I am not going to run our business on speculating on that, we are going to run our business as efficiently as possible. But, at the end of the day, we do see oil prices, at least, will slowly rise over the coming 12 to 18 months, or are likely to.

This next slide shows you some forecasts and the top right-hand box is an oil price forecast. One thing you know about these sorts of things; they are absolutely wrong. They are never right. It [inaudible] in there and somewhere in that range. I suppose, again, we have to run our business efficiently and effectively at low oil prices and we are going to do that and are doing it. But at the end of the day most price forecasts at the moment see oil prices for 2016 averaging in the US\$40 to US\$44 a barrel. At the moment, I think, one benchmark is averaging this morning [inaudible] US\$39. But across the year US\$40 to US\$44 a barrel.

If you are a company that has operating costs in that range, you are going to struggle to survive. I am pleased to say ours is much, much lower than that and still can do quite well.

In 2017 the average forecast is around US\$58 a barrel, so that is already almost double what it was three months ago. So, you can, if you recalibrated your business still make very effective money if you have got the quality assets.

There is, clearly though, quite a lot of uncertainty about the long-term forecast and the supply demand balance remains speculative depending on, obviously, world economic growth and the cost and the fight between various [inaudible] for market share. Though at the end of the day somewhere in the US\$50 to US\$75 a barrel is possible and, I think, probably toward the upper end in the medium and long term.

The bottom box, again, shows you some LNG pricing. At the moment in 2014 LNG pricing for PNG LNG was in the US\$14 to US\$15 an mmbtu, a measure of volume of gas. It is right now in the US\$5 to US\$6 an mmbtu. The green line along the bottom is the Asian spot price that you can buy LNG in Asia today and that is in the US\$4 to US\$5 an mmbtu.

However, if you look to the future you see LNG pricing out 10 years, and that 10 years seems a long time to me. But if you look out 10 years probably averaging US\$10 an mmbtu, but in the short term it is going to be rugged; it is going to be low. Although contract prices will remain higher than spot you still have to be very efficient and be at the bottom end of the cost curve to make money in this environment.

Well what has the industry reaction been to low oil and gas prices? It has decimated a significant part of the industry worldwide. Investment in new oil projects has declined enormously; around 30% across the world. Global CapEx has been cut to 2016 to 2017 and the estimate is over US\$620 billion cut out of investment in oil and gas out to 2020. That inevitably will have an impact on future oil and gas supply in the future. If no new projects get built today, you are not going to get production from them in three years' time. So, inevitably, demand and supply will tighten and prices will go up. But people are not spending money, being very careful about what projects they spend money on and ensuring a very, very close focus on shareholder return.

Right now there are 42 E&P companies of some size that have filed for bankruptcy. That bankruptcy trend will continue. Global production is slowly declining and that, as I say, will balance out the oil fields, the oil price.

Project delays, project cancellation, a significant downsizing [inaudible] the work in the business both directly with oil companies and with their contractors and I am pleased to say a deflation of capital costs. Building things now in the oil and gas sector is potentially 30% cheaper than it was three or four years ago. It depends a little bit where you are in the world. In Australia it is probably not quite that low. But certainly across the world a 30% decline in cost base is being seen and that is a great time then if you have got quality projects to go and build - build something.

Well what is our reaction to this? We have taken a very active role to reduce our cost base and drive up efficiencies across our operations and across our business. We have closed a number of offices, unfortunately it is a difficult time, we have also laid off some of our staff as our programs decline. We are not doing quite as much in terms of exploration and we are becoming more efficient. That means we have lost some people. We have treated them as well as we possibly can in a very humane and caring way wherever possible.

Production optimisation and drilling performance has also been a focus for us and I am pleased to say [inaudible] our production base we have become a lot more efficient in working across our operations, and that has had an impact across the board on both cost and also the number of barrels we actually produce. We have brought down our costs, especially in the drilling areas which are high cost for Oil Search.

We have seen our total unit of production cost drop from around US\$12 in 2014 - it is just over US\$10 even with adjustments in our employee base in 2015, and this year we are trending about somewhere around US\$8 so far this year. So we have actually, from 2015 to 2016 we are seeing about a 20% decline in our cost base. I think that will continue.

We have also seen, obviously, reductions in our contractor rates, in services and facilities' costs, but what we have not really focused on is still continuing to heavily invest in Citizen Development. We are spending substantially more this year on long-term capability development of our citizens, increasing citizen [inaudible] in our senior management and are bringing on our talent base in the organisation for the long-term good of the company.

PNG LNG has been an absolute standout. It is a world class project. It has put PNG on the [inaudible] on the supply - gas supply map worldwide. It has put PNG as a reliable place to invest with financiers, customers all supporting what is an absolutely world class project. It is also one of the lowest cost projects in the world. It is something that PNG should be very proud of and I am very pleased we have got a 29% interest in it. It is a great project operated extremely well by ExxonMobil.

It is presently producing at an average rate of 8.0 MTPA which is about 16% above the nameplate capacity. So what we built it for, we thought we were going to get 6.6 million tonnes, with optimisation and very little capital costs we're now producing eight million tonnes.

Very high facilities reliability with uptime really outstanding and a real set of new opportunities to look at debottlenecking, further optimising the production base and building hopefully a train 3, which I'll discuss later.

Oil Search contributes significantly to the PNG LNG project. We operate - we supply gas into PNG LNG, but we also operate the export facilities for the condensate that comes with the LNG and it's a real tribute to our own staff that that has also had excellent performance, excellent production performance and reliability and I'm pleased to say Exxon is very comfortable with the partnership we've got with them to deliver this project.

Our production outlook, as our Chairman said, last year was a record at just over 29 million barrels of oil equivalent. You can see back in 2013, before PNG LNG, we were producing around just under seven million barrels of oil from our oil fields. We're now right up at the top end of our production range; just over 29 million barrels of oil equivalent. Our production base, therefore, both from our oil business and from PNG LNG remains extremely solid and in the future we believe that will continue for the foreseeable future.

I'll move now to expansion. PNG LNG has a substantial expansion opportunity to further optimising what we've already built. We're also building a further train and behind that, underwriting that, is the P'nyang gas field, which is present to the north-west of the Highlands, north-west of our existing fields at Hides, Juha and Angore. P'nyang therefore is an important resource to underwrite that further expansion and of course, that expansion is a very competitively priced one because it's actually building off primarily infrastructure we built for train 1 and train 2.

We have the fiscal regime in place, we've got relatively straightforward engineering and a very efficient use of capital cost to deliver this and right now, very importantly for P'nyang, we're trying to understand the size of the resource. Although we see a proven and probably resource space in the 3.5 tcf, we need a higher level of proven resource in the gas field, because we actually only sell contract one proven resource. And drilling on P'nyang planned over the next 12 months is hopefully we'll prove up that extra resource space and we'll move it forward with a production licence later this year and hopefully a commitment to expansion in 2017.

Our second big project is the Papua LNG project in the Gulf Province. Papua LNG is a new project for PNG and right now again it's undergoing substantial appraisal activities to understand how big the resource base at the Elk/Antelope field is. We've had very positive results from drilling. There's one further well that's being discussed within the joint venture, Antelope 7, and we hope to understand what the full resource is by the end of this year and then be able to make a commitment to what we build, how we build it and how the projects potentially might work together to optimise capital spend.

Now this is one of the very big focus areas for the Company right now, is ensuring that the next growth be LNG and the development of Papua LNG is optimised and that there is cooperation between the two projects. The picture shown on this slide shows the Gladstone LNG developments and there are three projects shown on this photograph. If you look through the various green photos, on that photo it shows that those three projects each built tanks, their own tanks, each project built their own jetty, built their own pipeline, built their own camp and the three projects, although they sit next door to each other, had almost no cooperation and no capital synergies between them. And that resulted in billions of dollars of overinvestment in infrastructure, which we believe in Papua New Guinea we should avoid. When you look at the opportunities, especially in this low oil price, cooperation in the next phase of development for PNG LNG and Papua LNG is a critical part to drive shareholder value.

There are lessons right across the world about where this has been done before. In Australia, I think at the time of when projects were being committed in the 2009/10 era, it was sometimes seen that projects needed and companies needed to become an LNG operator, rather than necessarily drive shareholder value growth. That can't happen in PNG and we're going to be a catalyst to do what we can to ensure it doesn't happen.

When we see a low oil price environment it really focuses the mind on how you spend the money. PNG LNG and Papua LNG are co-located in a similar way to those projects I showed on the photo in Gladstone; they're right next door to each other on the ground. Obviously they're different in the upstream, their production - the fields are far apart, but actually on the ground in Papua New Guinea, in Port Moresby, they are right next door to each other. And in reality, therefore, there are capital cost savings that can be achieved because of their proximity.

PNG right now has around 10 tcf of discovered proven and probable resource and when you look at that, that's certainly enough for at least two more trains and with a little bit of further drilling success, maybe three. So coordinating the development of that 10 tcf in a capital efficient way remains an absolute focus for us in 2016/17. It can be done well, there are analogies around the world which have worked and all of that helps the government, helps the regulator and helps our contractors to optimise how we may build this if we get it right.

On the right-hand side of this slide there's a whole range of different things that projects can do to work together. They are worth billions of dollars if you get it right in capital cost savings. We have a reasonably unique role with government to be able to liaise between the projects and the project operators, ExxonMobil and Total, to promote the benefits of cooperation and we have a whole focus and a whole team working that right now to ensure the best value, best coordination out of these projects. PNG Government and PNG landowners will have equity in both projects and will be the biggest beneficiary if we get it right. And I'd say places like Egypt, Trinidad, Qatar, have all had these sorts of projects and done very well.

A little bit more about the LNG business. The LNG business, on this slide you can see in blue, light blue and dark blue, are the built and being built projects and the red line is the demand, projected demand for LNG. And you can see right

now in 2016/17 and out to the early 2020s there is an oversupply, an overcapacity of LNG into the market and on that basis the LNG prices have come down. That's driven largely by the big construction and commissioning process that's taken place in Australia and other places around the world. There's the new growth of LNG supply out of the US, all of which has led to overcapacity, oversupply and therefore lower prices.

The green and the orange bars at the top are other LNG projects that could come into the region and that just shows you that there's a lot of competition to be the next project up and we therefore need to get our story right and our cost base and returns right to be competitive in that market.

The next slide shows actually contracted demand. The red line is the demand for LNG and the other lines show contracts and there is a supply window in the early 2020s, mid 2020s, that any LNG, new LNG production out of Papua New Guinea is targeting. And there is a light at the end of the tunnel; if you get your costs right you will win this battle and there is a market out there for PNG LNG which you don't want to be expensive and you don't want to waste capital.

There is a market though to go and do, go and find, and this slide shows you that on an analysis of cost and supply the actual - the cost of supply from new LNG projects, PNG LNG, PNG LNG train 3 and Papua LNG are right at the bottom end of the cost curve. So again if we get that right and can optimise it, we should be very competitive in supplying new LNG into what is a challenging and competitive market. We follow this very closely, but in reality with cooperation those costs should come down.

Exploration, there's substantial remaining exploration potential in PNG, but it is being impacted by the low oil price and the lower capital cost being allocated. We have a number of wells, such as Muruk in the Highlands next door to Hides. We've got also drilling in the Gulf, we've got appraisal work at Antelope and appraisal work at P'nyang, along with some other [inaudible] gas fields at Kimu and Barikewa, all of which are slated for the next 12-18 months. We'll continue to look for and appraise our resource base in PNG and there remains substantial upside.

As our Chairman said, one of the areas of focus for the organisation remains spending money to help the development of Papua New Guinea and providing us with a stable operating base. We have not missed one oil cargo since 1992 and due to landowner disruption. I think that really demonstrates that if you have a business model that works, you can actually have - and the support of the people - you can actually have a very good sustaining business here. And that remains of critical importance, operating and political stability is essential for our long-term sustainability.

We've focused on delivering power in various parts of the country, in the Highlands, in Hela, in Port Moresby. We're looking at other projects in Ramu, small scale LNG for distribution around the country and some resource projects. We're partnering with the government on infrastructure projects, small, large, big buildings [inaudible] schools, hospitals and other areas. It is an essential part and it's a core to our DNA to support the development of this country and the capacity of its people. And the partnership of the state, with the state, has been a critical success story for Oil Search in 2015.

In summary then, we have a really good set of assets. We have strong production, an excellent cost base, reducing as we make our initiatives work. We have super performance from PNG LNG, we also have a great talented, skilled staff and I'd like to personally thank them all for their contributions this year. We have very strong robust cash flows and a very low breakeven and we are making big progress with PNG LNG expansion and Papua LNG to bring those projects to fruition, with some further upside around cooperation, a real focus for 2016.

Our cost base has been recalibrated and we are more efficient, but there's more to come. So with a strong balance sheet, sufficient liquidity to fund our growth, we're in really good shape to weather the [inaudible] sustained low oil and gas sector in terms of price. We're in pretty good shape, lots more to do and a very exciting future, but we have the foundations for continuing to deliver secure shareholder returns. Thanks very much.

[Applause]

Rick Lee: Thanks very much, Peter and I'm sure you'll appreciate the efforts that have gone into delivering those outcomes. The outlook you can see for us, we believe is a very positive one. Clearly many challenges, but we are focusing on the key parts of our strategy that will deliver shareholder value and we see very significant opportunities to do so over the coming years.

If I now turn to the formal part of the meeting, our Group Secretary has tabled the proxies. As Chairman of the meeting and in my capacity as Chairman of Oil Search Limited, I hold 944 million proxy votes directing me how to vote or to use at my discretion in respect of each resolution. Other directors hold a small number of proxy votes directing them how to vote or to use at their discretion. There are also a number of proxy votes authorising people other than directors to vote on behalf of members of the Company.

The proxy vote tally indicates that on a poll, all resolutions will be comfortably passed with more than 96% of proxy votes cast on each resolution being in favour of the resolution. The proxy votes cast for each resolution will be displayed on the screen when each resolution is put to the meeting, so you'll see them up here. A comprehensive summary of the proxy tally from our share registry, Computershare, is available at today's meeting.

Clause 12.8 of Oil Search's constitution specifies the method of voting for a resolution. Voting will be by a show of hands and shareholders are asked to raise one hand, holding their voting card. As Chairman of the meeting and in accordance with clause 12.9 of the Company's constitution, a declaration by me that a resolution is carried by the required majority [inaudible] evidence of that fact, unless a poll is demanded in accordance with 12.10 of the constitution. If a poll is demanded, then I will hand the conduct of the poll over to Mr Simon Carson, our Computershare representative, who is in attendance today. Shareholders are requested to deposit their unused voting cards in the box at the door of this room as they leave.

There are five items of ordinary business to be considered today. These items deal with the 2015 financial statements and reports of the Company, the re-election of directors and the appointment of the Company's auditor. The first item of ordinary business is to receive and consider the financial statements, together with the Directors' report and auditors' report for the year ending 31 December 2015. There is no requirement for shareholders to approve the financial statements and reports, however shareholders will have an opportunity to ask questions or make comments about the statements and reports. Mr Matthew Donaldson of the Company's auditor, Deloitte Touche Tohmatsu, is present at today's meeting in the front row here [inaudible] questions from shareholders relating to the audit of the Company's financial statements.

So I'll now invite questions and comments on those financial statements. Does anyone have a question to start proceedings? No hands. Well if there are no questions, I'll move onto the next resolution. These resolutions relate to the re-election and election of directors.

The first is the election of Eileen Doyle. Eileen Doyle, in accordance with clause 15.3(a) of the Company's constitution and being eligible to do so, offers herself for election. Dr Doyle joined the Board as a non-Executive Director on 18 February 2016. She replaced Fiona Harris, who sadly had to retire from the Board on grounds of ill health around Christmastime and [inaudible] Eileen Doyle to the Board to replace Fiona. Dr Doyle's career spans the building materials, water and industrial sectors, including senior operational roles at BHP Limited and CSR Limited and culminating in her appointment as CEO of CSR's panels division. Dr Doyle's full background and credentials are outlined in the notice of meeting, which you will have received.

I have pleasure in moving that Eileen Doyle, being eligible to seek election as a Director of Oil Search Limited, pursuant to clause 15.3(a) of the Company's constitution, be elected as a Director of the Company. The votes for Eileen are there, as you can see, the ones that are held in proxy form. I'll now put the [inaudible] declare it open for discussion. Does anyone have any comments or questions? No comments or questions? I now put the motion, those in favour please raise your hands, those against, I declare the motion carried. Congratulations, Eileen.

The next item is the re-election of Keith Spence. Keith Spence retires in accordance with clause 15.3(b) of the Company's constitution and being eligible to do so, offers himself for re-election. Mr Spence joined this Board on 9 May 2012. Mr Spence brings over 30 years of oil and gas experience to the Board, having served in senior executive positions with Woodside Petroleum, including Chief Operating Officer and Acting Chief Executive. Mr Spence's full background and credentials are outlined in the notice of meeting.

I have pleasure in moving that Keith Spence, being eligible to seek re-election as a Director of Oil Search Limited, pursuant to clause 15.3(b) of the Company's constitution, be re-elected as a Director of the Company. The motion has been proposed and is now open for discussion. Are there any questions or comments that come from the floor? No questions or comments. I will now put the motion, all those in favour please raise your hands, those against, I declare the motion carried and congratulations, Keith, on your re-election.

The next item is the re-election of Ziggy Switkowski. Ziggy Switkowski retires in accordance with clause 15.3(b) of the Company's constitution and being eligible to do so, offers himself for re-election. Dr Switkowski joined the Board on 22 November 2010. Dr Switkowski's career highlights include serving as Chief Executive Officer and Managing Director of Telstra, Chief Executive Officer of Optus and Chairman and Managing Director of Kodak Australasia. Dr Switkowski's full background and credentials are outlined in the notice of meeting.

I have pleasure in moving that Ziggy Switkowski, being eligible to seek re-election as a Director of Oil Search Limited, pursuant to clause 15.3(b) of the Company's constitution, be re-elected as a Director of the Company. The motion has been proposed, it is now open for discussion. Any questions or comments from the floor? No questions or comments. Thank you, I put the motion, all those in favour please raise your hands, those against, I declare the motion carried. Congratulations, Ziggy.

Appointment of the auditor. The fifth item of ordinary business is the appointment of an auditor. I move that Deloitte Touche Tohmatsu be appointed as the Company's auditor until the next annual meeting of the Company and that the directors be authorised to fix the fees and expenses of the audit. The motion, having been proposed, is now open for discussion. Is there any question or comment on the appointment of the auditor? No, I see no hands raised. I now put the motion, those in favour of the appointment of Deloitte Touche Tohmatsu as the Company's auditor until the next annual general meeting, please raise your [inaudible], those against, I declare the motion carried. Thank you for your continuing service.

We now move onto special business. There are four items of special business to be considered today. These items will be dealt with by ordinary resolution. With regards to the four items of special business pursuant to ASX listing rules 10.14 and 10.15(a), Peter Botten and Gereia Aopi are the only directors eligible to participate in the long-term incentive plan. Therefore, any votes cast on the following items by them and any of their associates will be disregarded.

The first item is including the issue of 326,900 performance rights to the Managing Director, Mr Peter Botten. Item 1 of the special business covers the proposed issue of performance rights to Peter Botten under the long-term incentive plan. The key terms applying to the award of these performance rights are summarised in the notice of meeting and if approved by the meeting, the performance rights will be awarded to Mr Botten after the close of this meeting. You can see the votes on the screen, I move that 326,900 performance rights be awarded to Peter Botten pursuant to the rules and terms of issues of the long-term incentive plan. The motion having been put is now open for discussion. Are there any questions or comments from the floor? If there are not, I'll put the motion. All those in favour of the motion please raise your hands, against the motion, I declare the motion carried.

The next item is to approve the issue of 64,100 performance rights to Executive Director, Mr Gereia Aopi. Item 2 of the special business covers the proposed issue of performance rights to Gereia Aopi under the long-term incentive plan. The background to the issue of these performance rights is identical to that described in item 1 of the special business, which proposed the issue of these rights to Peter Botten. I move that 64,100 performance rights be awarded to Gereia

Aopi pursuant to the rules and terms of the issue of the long-term incentive plan. The proxy votes are as presented on the screen. The motion is proposed and is now open for discussion. Are there any comments from the floor? If there are none please raise your hands if you're in favour of the motion, against the motion, I declare the motion carried.

Item 3 is to approve the issue of 228,875 restricted shares to the Managing Director, Mr Peter Botten. Item 3 of the special business covers the proposed issue of restricted shares to Peter Botten pursuant to the long-term incentive plan by way of a mandatory deferral for 50% of Peter's short-term incentive in respect of the 2015 year. The key terms applying to the issue of these restricted shares are summarised in the notice of meeting. If approved by this annual meeting, Peter Botten's restricted shares will be awarded to him as soon as practicable following the close of the meeting. I move that 228,875 restricted shares be awarded to Peter Botten [inaudible] incentive plan by way of a mandatory deferral of 50% of Peter Botten's short-term incentive in respect of the 2015 year. The motion has been proposed, it is now open for discussion. Are there any questions or comments from the floor? Yes, a question down the back.

Unidentified Male: [Inaudible].

Rick Lee: Sorry, I didn't catch the question.

Unidentified Male: [Inaudible]. I just want to make a few [inaudible] that we keep on buying. Thank you.

Rick Lee: Right, the restricted share is awarded as a part of a short-term incentive scheme. Under the arrangements of the scheme half of the short-term incentive that is awarded is deferred compulsorily, so 50% of the dollars involved in that award is converted into shares at a specific price and so instead of getting the cash today, the recipient, in this case Peter Botten, receives a number of shares that are effectively escrowed for a period of two years. So they align his reward with the continuing performance of the Company and encourage him to hang around to continue to deliver that performance. So ultimately the shares are exactly the same shares, but they are subject to some conditions that he can forfeit those shares should circumstances change. But ultimately it is the same entitlement, the same equity instrument as you hold yourself.

Any other questions from the floor? There are no more questions, I put the motion and ask you if you could raise your hands for those in favour, for those against, I declare the motion carried.

Item 4 of the special business covers restricted shares proposed to be issued to Executive Director, Gereia Aopi. The background to the issue of these restricted shares is identical to that described in item 3 of the special business which is proposed for the issue of restricted shares to Peter Botten. I move that Gereia Aopi be awarded 37,766 restricted shares pursuant to the long-term incentive plan [inaudible] deferral of 50% of Gereia Aopi's short-term incentive in respect of the 2015 year. The motion, having been proposed, is now open for discussion. Is there any question or comment on the award to Gereia? If there is not, I put the motion, all those in favour please raise your hands, those against, I declare the motion carried.

In accordance with section 90.1 of the *PNG Companies Act* and clause 12.7(a) of the Company's constitution, shareholders may now ask questions, discuss or comment on the management of the Company. Does anyone wish to raise any questions or comments about the Company under this item of other business? I see no hands in the - I take it that that reflects the fact that members are satisfied with the performance of the Company and your Board and management, so I thank you very much for that vote of confidence and I now close the meeting. There's no further business so I can declare this, the 2016 annual meeting of Oil Search Limited, closed and look forward to your continuing support an interest in the Company over the coming year. Thank you for your attendance.

End of Transcript