



OIL SEARCH LIMITED

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2010 Full Year Results

February 2011



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2010 Full Year Results Agenda

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Performance Summary	Peter Botten
Financial Overview	Zlatko Todorovski
PNG LNG Project Update	Phil Caldwell
Gas Expansion & Exploration	Phil Bainbridge
Operations Review	Richard Robinson
Strategic Review	Peter Botten
Outlook & Summary	Peter Botten

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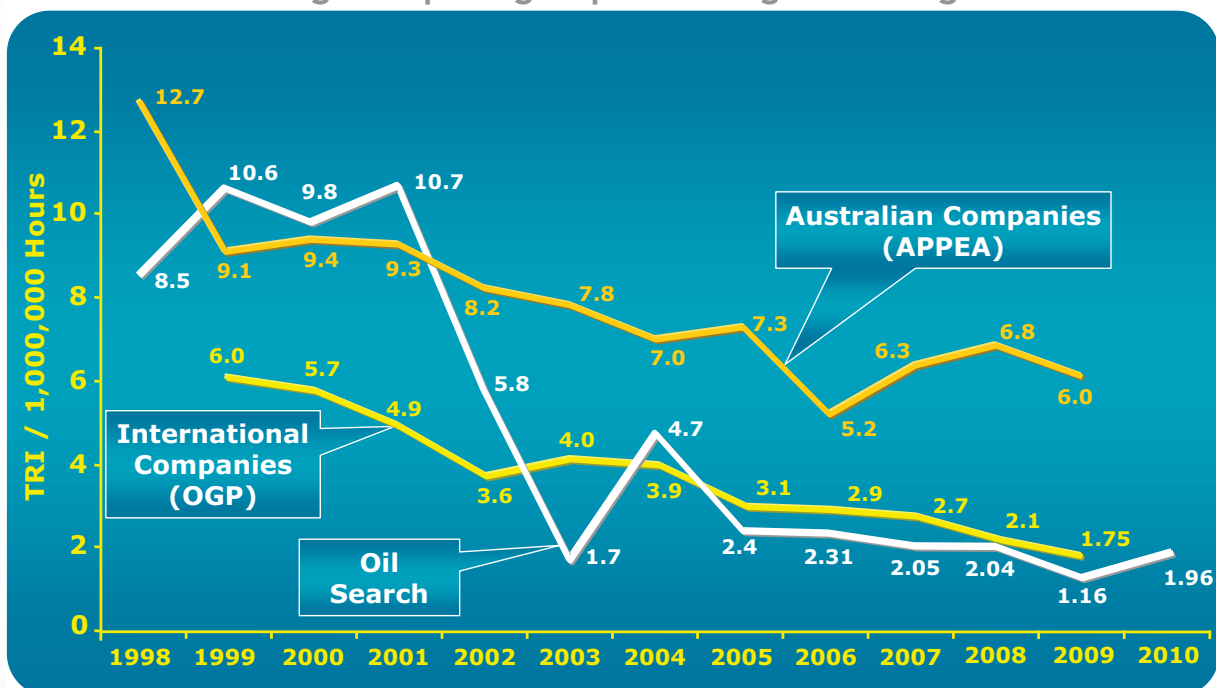
2010 Performance Summary

- 39% increase in NPAT to US\$185.6 million, reflecting higher oil prices, lower effective tax rate and a solid production performance
- PNG LNG Project making good progress. Target of first LNG in 2014 remains unchanged, with Project well placed in today's competitive construction environment
- Exploration portfolio was expanded and optimised during 2010, to support LNG growth ambitions
- Major Strategic Review completed. Analysis confirms OSH's ability to deliver top quartile returns to shareholders for next 5+ years, based on existing assets
- Balance Sheet remains strong. Cash and existing financing facilities are sufficient for both OSH share of PNG LNG Project plus funding of T3/T4 gas exploration/appraisal programmes
- Board has approved payment of two US cents per ordinary share, unfranked, final dividend, making four US cents per share for the year. Payable on 8 April 2011

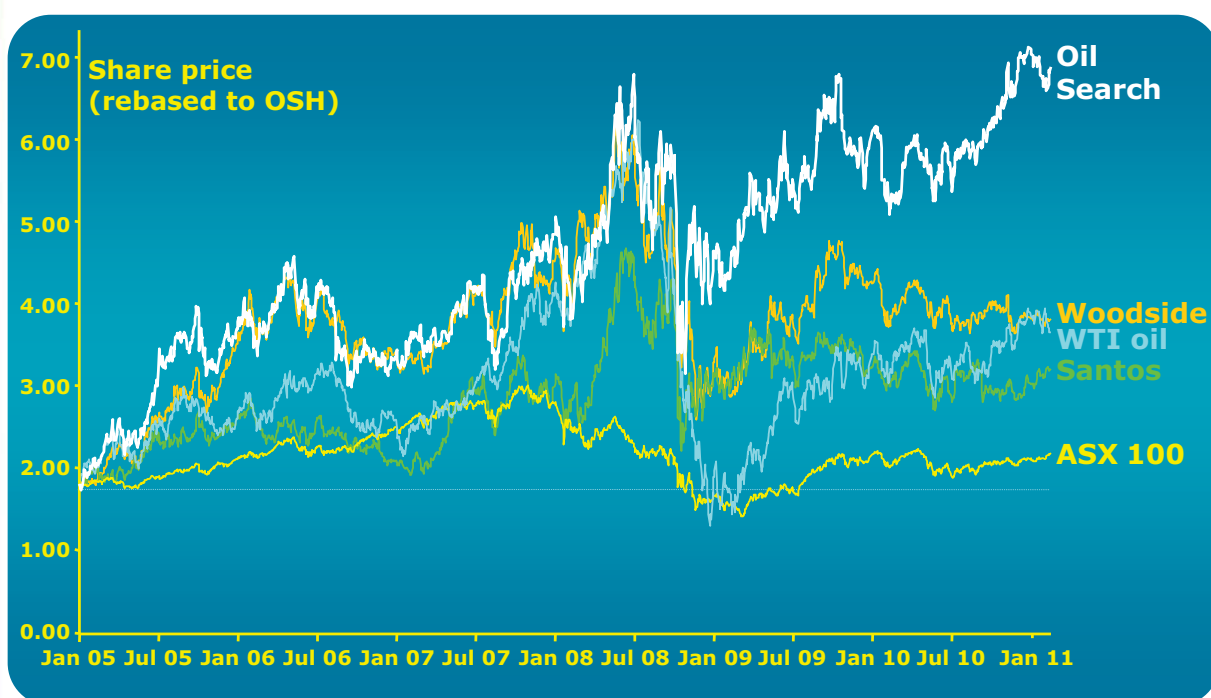


Safety Performance

Total Recordable Injury Frequency Rate of 1.96 in 2010
Good against peer group but not good enough



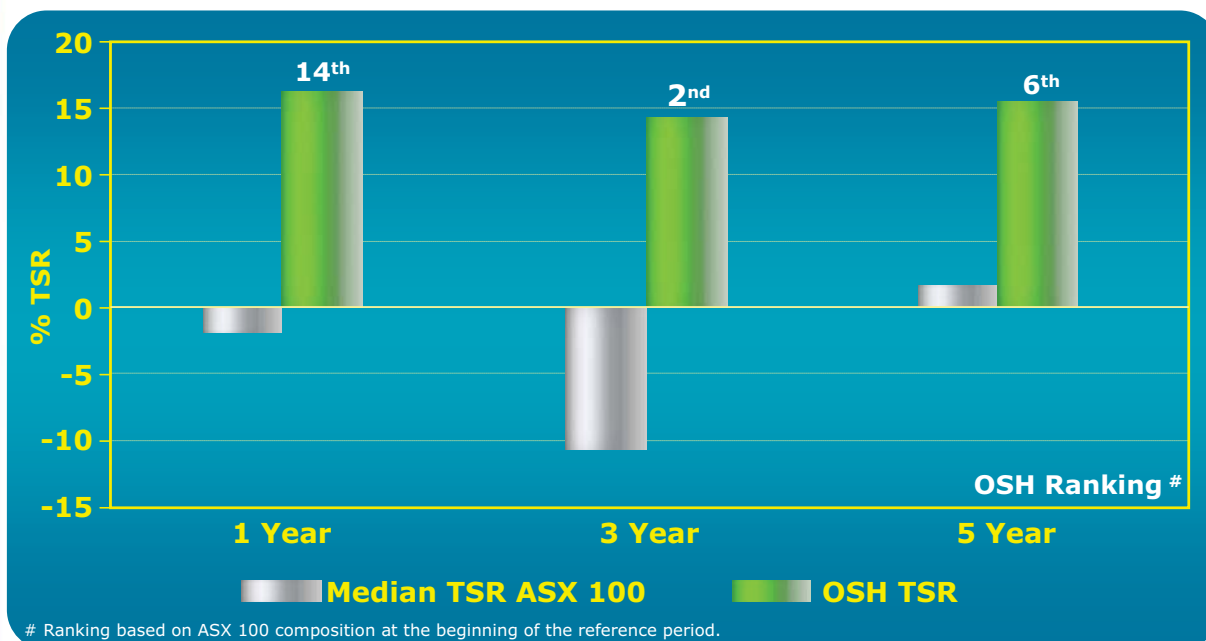
Strong Long Term Share Price Performance





Consistent TSR performance over 5 years

Oil Search ranked 6th in ASX 100 for TSR over five years to 31 December 2010, 15% annualised return



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2010 Financial Performance

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(US\$'m)	2009		2010
Revenue	512.2	+13.9	583.6
Cash Expenses	(102.8)		(111.9)
EBITDAX	409.4	+15.1	471.7
Non-cash items	(105.4)		(62.7)
Exploration Expense	(75.7)		(131.2)
Interest income/(expense)	(3.3)		(0.8)
Pre-tax Profit	239.8**	+15.6	277.2
Tax	(106.2)		(91.6)
NPAT	133.7		185.6
Core Profit	99.6*	+44.7	144.1*

- Full year revenue benefited from higher realised oil prices, partially offset by lower volumes
- Reduction in non-cash charges balanced by higher exploration expense (Wasuma and Korka wells)

*2010 Core profit excludes one-off tax benefit associated with restatement of deferred tax balances associated with PNG LNG Project partially offset by impairment charge associated with various exploration permits. 2009 Core profit excludes Government back in to PNG licences and tax adjustment.

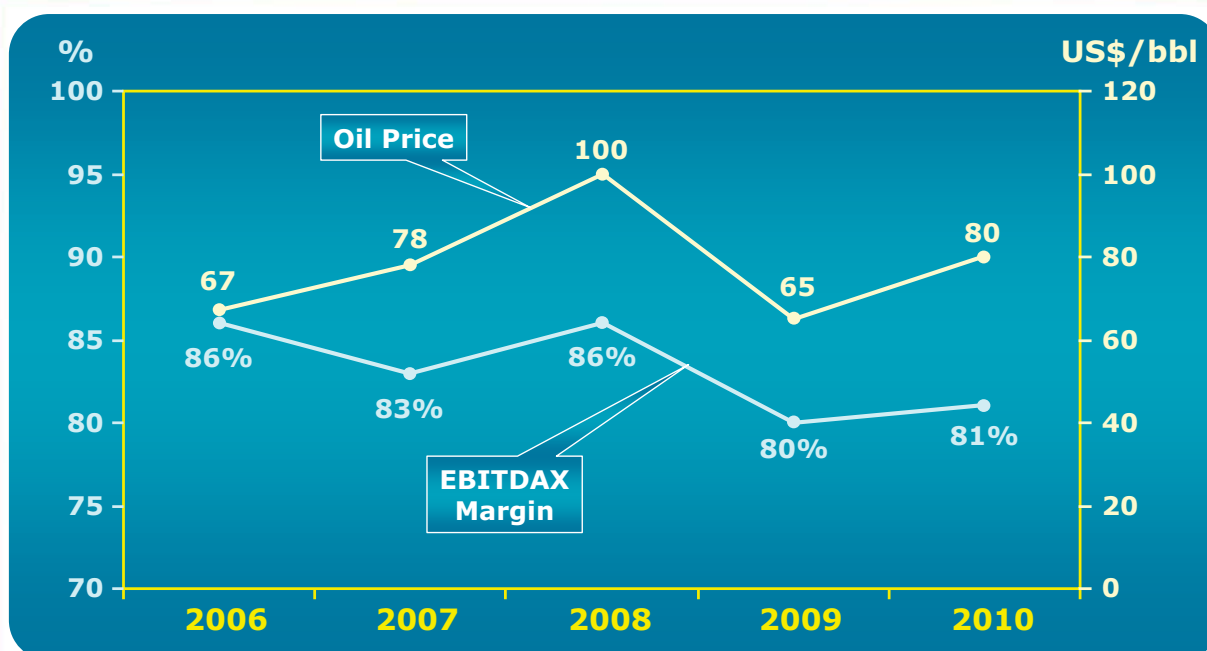
** Pre-tax profit includes the profit recognised in relation to the Government back in to the PNG licences.

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Cash Earnings Performance

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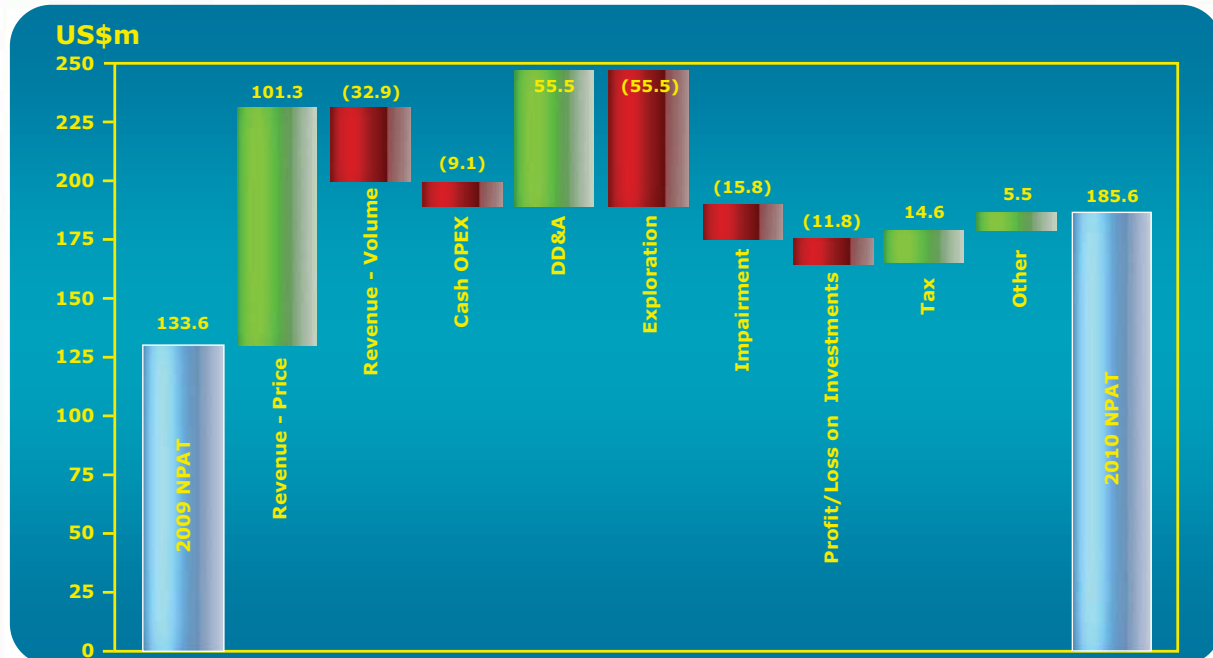


- Cash operating margin strong against back drop of inflationary pressure in PNG coupled with stronger A\$

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2010 NPAT Drivers



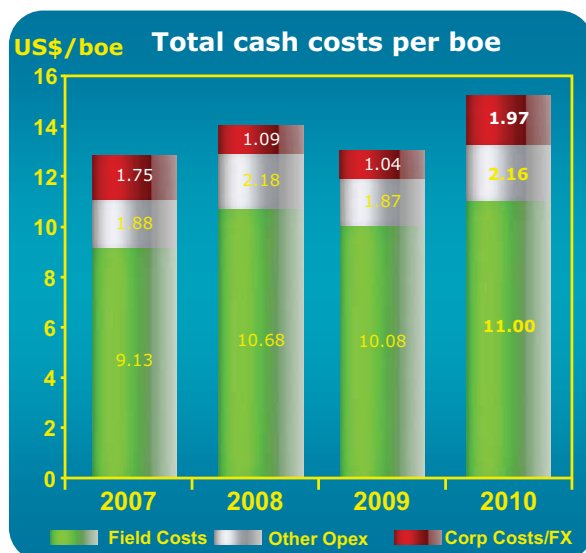
- EBIT growth driven by higher oil prices and lower amortisation due to recognition of gas reserves, partially offset by lower volumes and higher exploration expense
- NPAT impacted by one off benefit associated with restatement of deferred tax balances



Active Cost Management

	2010 US\$m	2009 US\$m
Field Costs		
- Oil: PNG	73.3	73.7
- Hides	8.0	5.9
	<u>81.3</u>	<u>79.6</u>
Other Prod'n Opex		
- Oil	15.4	14.4
- Hides	0.6	0.4
	<u>16.0</u>	<u>14.8</u>
Net Corp Costs	16.6	10.7
FX gains	(2.1)	(2.5)
Total	<u>111.8</u>	<u>102.8</u>

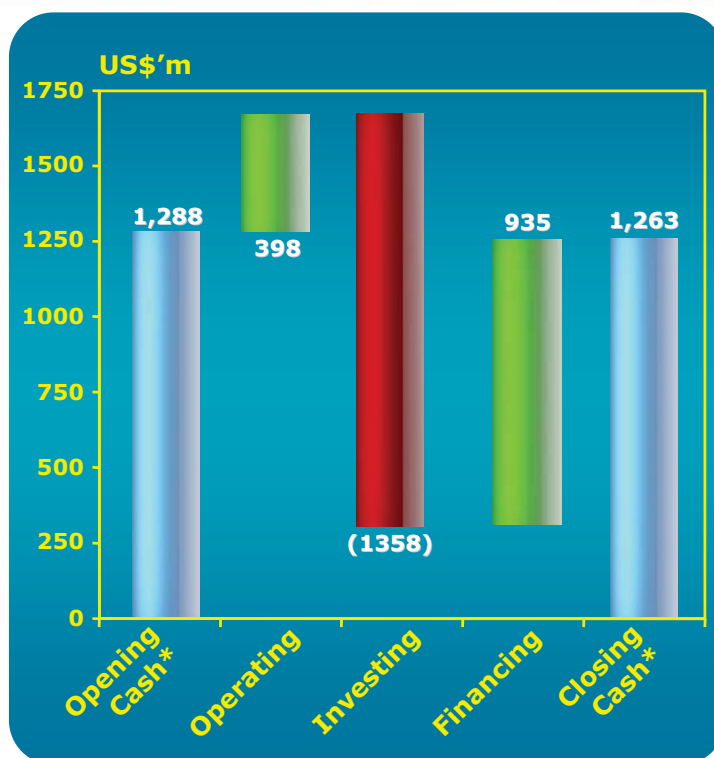
- Cost focus to counter localised inflation and adverse FX movements
- Unit costs impacted by declining volumes ~\$1.00/boe
- Higher corporate costs due to strong A\$ and LNG bonus





Operating Cash Flows

- Strong operating cash flow driven by improving oil price and continued focus on costs
- Investing cash outflows driven predominantly by PNG LNG spend coupled with 2010 exploration work programme
- Financing included US\$930m drawn down from PNG LNG Project finance facility plus proceeds from underwritten DRP



* Includes Company share of JV cash balances

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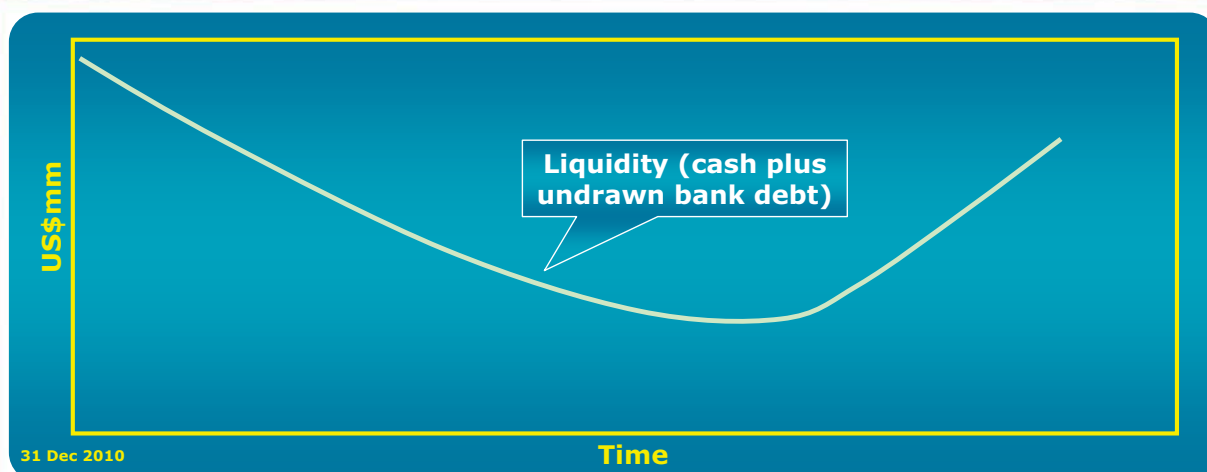
Treasury Update

- US\$1.26 billion in cash at end December
- Cash invested with highly rated bank counterparties
- US\$304.5 million available from term revolving facility, nil drawn down
- Group liquidity ~US\$1.56 billion
- No oil hedging undertaken during the year or currently in place - fully realised oil price recovery
- US\$929.7 million has been drawn down under PNG LNG project finance facility
- 2010 final dividend of 2 US cents per share fully underwritten via DRP

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Liquidity Outlook



- Funding in place to meet existing commitments and base business plan
- Discretion over timing of non commitment activities
- Sufficient liquidity to deliver on strategic plan initiatives

Key Assumptions:

1. Brent Forward curve pricing as at 3 February 2011
2. PNG LNG Project on schedule and budget
3. Train 3 FEED costs included, Train 3 construction costs excluded
4. Production profiles, other Capex / Exploration based on strategic review business plan
5. Existing oil facility refinanced



2010 Full Year Results

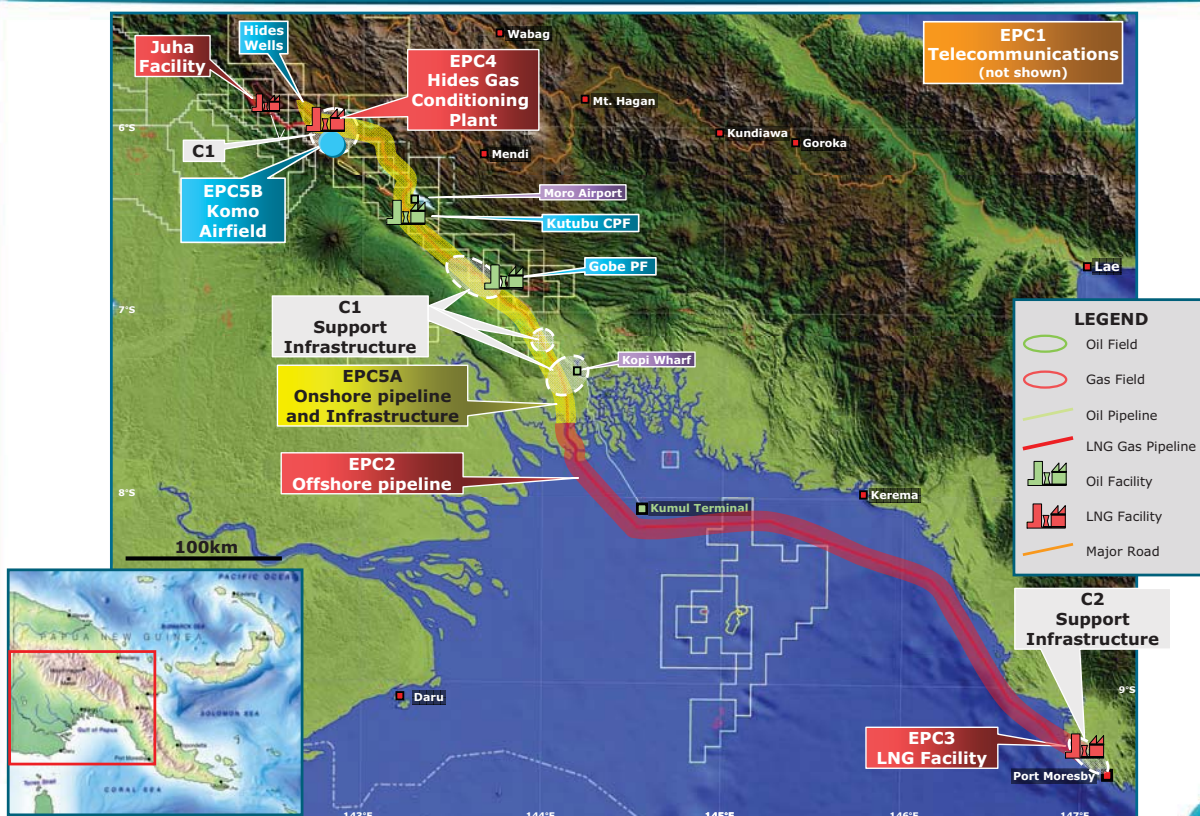
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PNG LNG Project Update



PNG LNG Project Construction Activities Planned/Underway





Milestones achieved in 2010

- Mobilisation by major engineering, procurement and construction contractors and procurement of long lead equipment and materials
- Construction of training facilities in Port Moresby and Highlands
- Continued early construction activities both in Highlands (incl. earthworks, resettlement, clearing, road and bridge upgrades) and at PNG plant site near Port Moresby (accommodation camp, road bypass)
- Completion of LNG Plant site camp, earthworks started at Hides plant site and Komo airfield and delivery of pipe to Kopi wharf commenced
- Associated Gas (AG) construction in oil fields and PL 2 Life Extension underway
- Generally in line with Operator's plan for schedule and cost



Recent PNG LNG developments

- LNG shipping arrangements finalised in 1Q11, comprising lease of two existing 177,000 m3 LNG tankers from Mitsui O.S.K. Lines (MOL) and HOA with MOL for future lease of two new LNG tankers to be built in China
- PNG and Australian Governments agreed to work together to review and address range of issues which will affect PNG during construction and operations, including:
 - Capacity building
 - Strengthening Government departmental resources
 - Development of new infrastructure
 - Proposed formation of sovereign wealth fund
- Local Content - Project has already procured over K1 billion in local content and local contracts



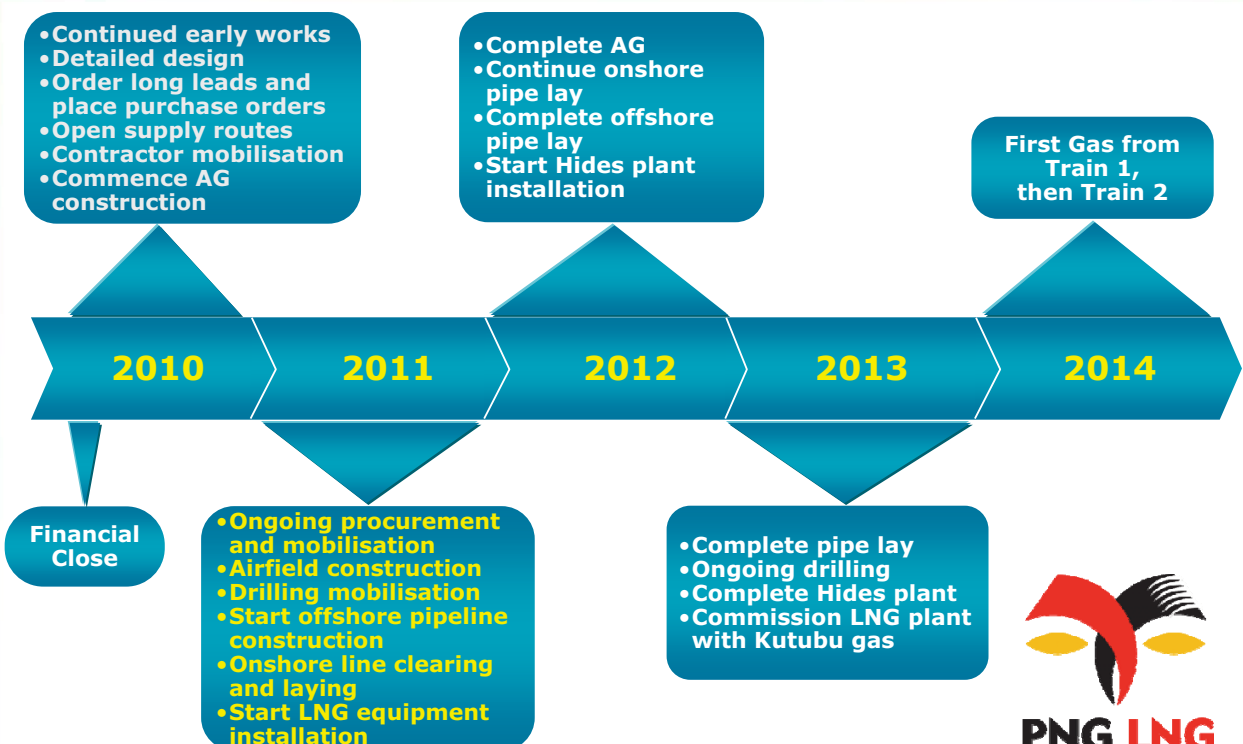


Focus items being managed in 2011

- Brown field operations at Kutubu and on the liquids export system
- Ramp up of logistics and resourcing
- Onshore pipeline installation - terrain, multiple work fronts
- Working with project area communities
- Efficient use of landowner companies to deliver maximum local content
- Engagement with Government during National Election build up



Timetable





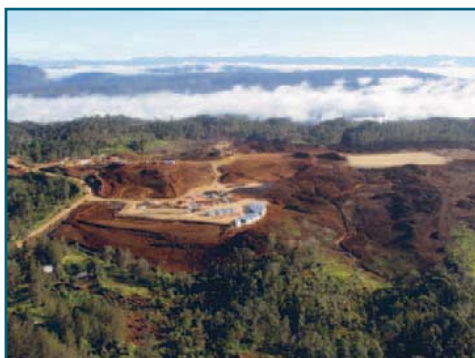
PNG LNG Project - Highlands, Kopi



Pipeline stringing, onshore pipeline



Pipe offloading at Kopi Shore Base



Aerial view of HGCP site



Komo Camp construction



PNG LNG Plant Site





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PNG Gas Growth

- Key strategic priority for Oil Search is to grow gas business in PNG
- Pursuing two pronged strategy:
 - PNG LNG Expansion
 - Gulf Area LNG
- Focus today on reserves maturation activities



PNG LNG Resource Maturation

- PNG LNG dedicated fields:
 - Associated Gas Fields:
 - Oil Search as Operator undertaking detailed evaluation on additional resource potential
 - Seeking PNG LNG Co-Venturers (CoV) alignment on additional resource
 - Hides GWC well:
 - Targeting 4Q 2011:
 - Issue being considered is impact on Project logistics plan
 - Decision on timing expected in March 2011
 - Hides Northern Well:
 - CoV still considering timing of well



PNG LNG Resource Maturation

- Existing discoveries outside PNG LNG dedicated fields with high equity alignment:
 - P'nyang:
 - Seismic in 2011 scheduled to be completed in May
 - Targeting drilling of commitment well in 1Q 2012
- Exploration licences with high equity alignment:
 - Huria:
 - Seismic in 2010/11 complete and being evaluated
 - Subject to final technical review, targeting drilling in 4Q11/1Q12
- Existing discoveries in “catchment area”
 - Pandora (PRL 01):
 - Pandora JV progressing development studies and initial discussions with PNG LNG
 - Barikewa (PRL 09):
 - Oil Search will assume Operatorship
 - Will then commence development studies and initial discussions with PNG LNG



PNG LNG Expansion

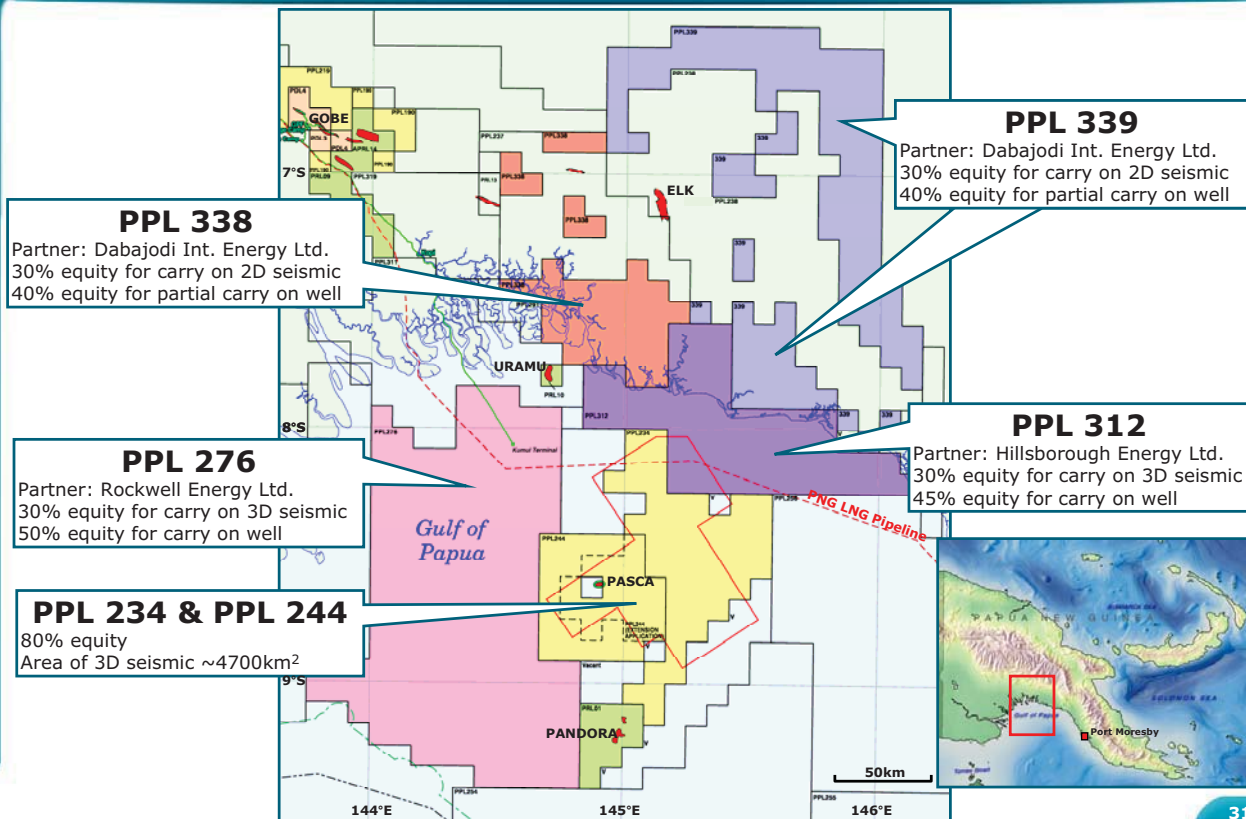
- CoVs and licence JVs working constructively to implement resource maturation programme
- Confident in ability of LNG market to absorb any expansion volumes



Gulf Area LNG Strategy

- De-risk through extensive seismic
- Secure farm-down partner in 3Q/4Q11:
 - Credible LNG player
 - Development aspirations aligned with Oil Search
 - Targeting Oil Search equity of ~30-35%
- Target multi well drilling programme in 2011/12

Gulf Area LNG Licences



Gulf Area Seismic Surveys

— Seismic surveys:

- PPL 234 and PPL 244 3D complete
- PPL 276 and PPL 312 3D commenced
- PPL 338/339 seismic contract award imminent
- All acquisition and processing complete by July '11
- Interpretation and evaluation complete at end 3Q11

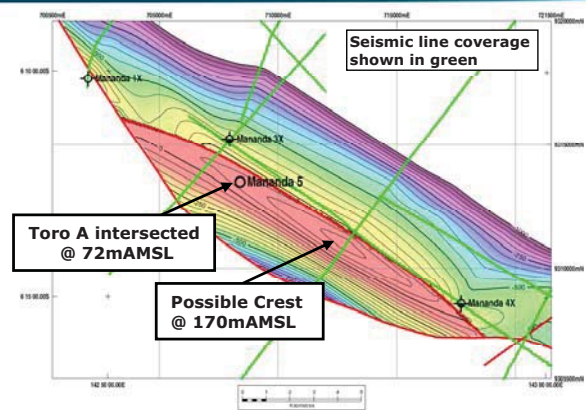
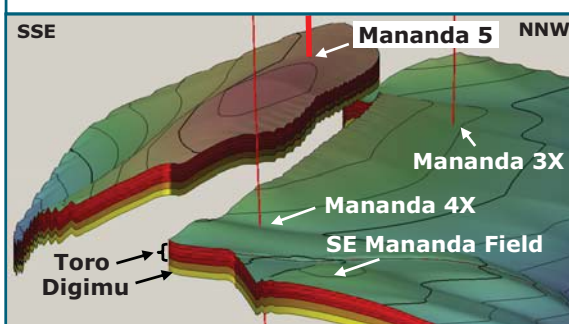




PNG Oil Exploration - Mananda 5

- Oil discovered in primary objective
- Based on results to date, have booked 25 mmbore net to OSH (oil and gas) to 2C resources
- Top Toro is 470 metres higher than at Mananda 3X and Initial post-drill Toro mapping suggests 98 metres of updip potential to southeast of Mananda 5
- RFT Pressure data indicates Toro hydrocarbon column between 14 and 42 metres

3D Perspective looking west south west from SE Mananda Field



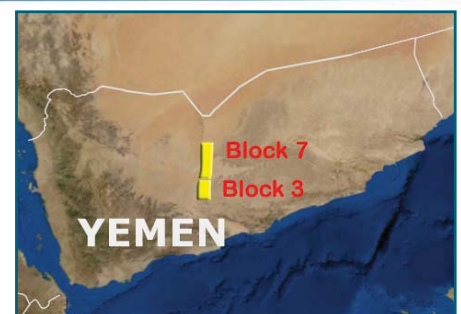
Forward plan:

- Test well through production completion
- Based on results of initial test, consider Extended Production Test and/or full development



MENA Exploration

- Yemen:**
 - Completed Al Meashar 2 which confirmed Al Meashar 1 discovery
 - Currently mobilising commitment seismic programme in Block 3
 - Considering options for optimising licence value
- Tunisia:**
 - Seismic completed in 2010
 - Processing and interpretation due May (slight delay with some work being undertaken in Cairo)
 - Monitoring political situation closely
 - Licence decision post seismic, with possible drilling at end 2011





MENA Exploration

— Kurdistan:

— K42 Seismic Options:

- Seismic completed in 2010
- Interpretation nearing completion
- Have met all licence conditions
- Progressing business case to convert K42 to PSC and pursuing discussions with KRG
- Expect resolution mid-year

— Shakal (K45):

- Seeking ways to optimise value from Shakal licence



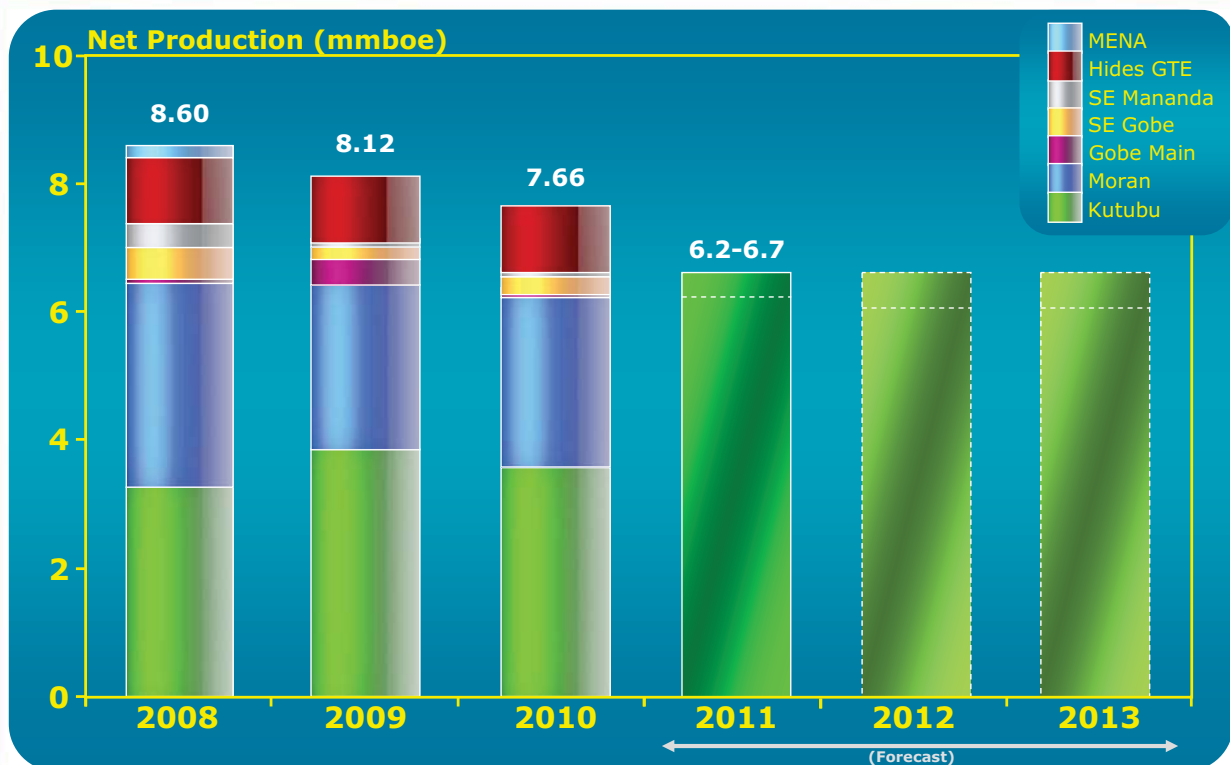
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Oil Search Production

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FY10 Performance

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- World class safety performance
- Production
 - Strong production performance of 7.66 mmboe, above guidance
 - Gas conservation exceeded targets with lower than expected impact on oil production
 - ~20 bcf conserved in 2010
 - Kutubu and Agogo
 - ADT 2 ST3 well continued to contribute strongly ~1,500 bopd
 - Moran 15 ST1 proved field extension to the south east
 - Moran and Gobe Main - base production exceeded forecasts
 - SE Gobe underperformed in 1H10 but improvement in 2H10

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Reserves at 31 December 2010

- No external reserves audit was completed this year:
 - Field production performance consistent with predictions through 2010
 - Following sanction of PNG LNG Project, 301 mmboe (1P) and 505 (2P) mmboe were booked in 2009, no significant changes since
- 2010 production of 7.7 mmboe led to:
 - Proven (1P) net remaining oil and gas reserves decrease from 344.5 mmboe to 336.8 mmboe
 - Proven and Probable (2P) net remaining oil and gas reserves decrease from 566.9 mmboe to 559.3 mmboe
- Oil reserves cover of 7 years, based on 2010 production, gas reserves cover of more than 25 years

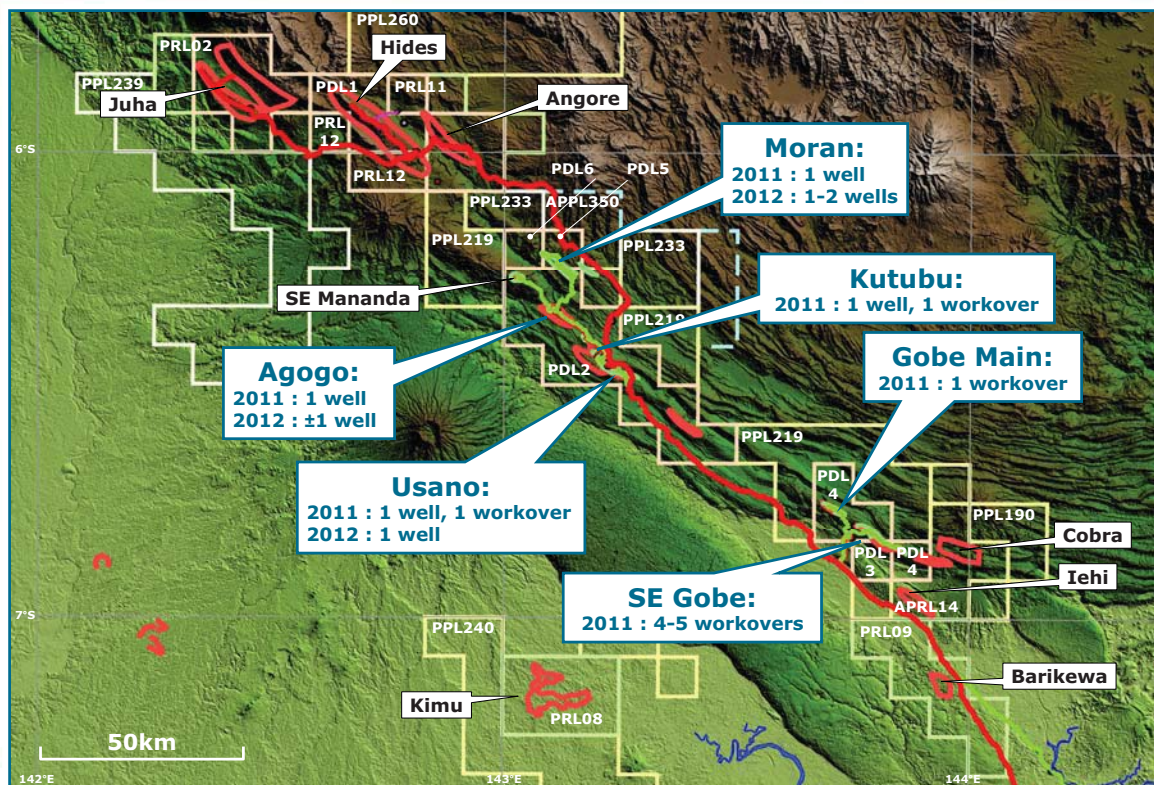


Resources at 31 December 2010

- 2C contingent resources increased to 318 mmboe at end 2010, from 281 mmboe at end 2009, reflecting:
 - PPL 219 Mananda 5 and Yemen Block 7 Al Meashar-1 discoveries
 - 6.4% increase in PRL 1 (Pandora) following purchase of Twinza's equity
 - 2.5% increase in PRL 9 (Barikewa) as result of farm-in with Santos
- Total 2P and 2C reserves and resources of 877 mmboe, up from 848 mmboe in 2009



2011/12 Development & Near-Field Appraisal Drilling Activity



2011 Production Outlook

- Underlying production from oil fields expected to remain strong, with 2011 production impacted by:
 - Production from Moran 15 for full year
 - Natural decline
 - Two week shutdown for tie-in of Associated Gas facilities
- Production guidance for 2011 of 6.2 - 6.7 mmbobe, with production out to first LNG broadly flat, subject to success of work programmes
- Robust workover and development drilling programme in 2011
- Reservoir models for major PNG oilfields being comprehensively updated to ensure gas blowdown maximises value
- Rig strategy:
 - One rig focused primarily on development and near-field appraisal through 2011
 - Second rig currently being utilised on third party opportunities



Key 2011 Focus Areas

- Maintain OSH's industry-leading safety performance in a high activity environment
- Continue to build sustainable combined oil and gas business
- Strong commitment to cost effectiveness
- PNG LNG Project commitments driving operational developments:
 - Improved reliability and long term integrity
 - Life extension programmes for facilities
 - Upgrade of key systems and processes
 - Enhanced development of personnel
- Continued focus on capturing additional in-field and near field reserve opportunities, particularly forelimb opportunity opened up by ADT 2 ST3
- Support ongoing LNG Project development with access to infrastructure and in-country expertise



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Strategic Review

- Substantial broad based Strategic Review was completed in 4Q10
 - Review of all major assets and options to continue to deliver top quartile shareholder returns for the next 5+ years
 - Provided key work programmes and required resourcing to achieve this goal
 - Performance management programme to drive delivery
- Review provides the template for material continued value growth



Strategic Review

- Key Conclusions of Review:
 - Past reinvestment in PNG has created significant value (more than 30 fold increase in market cap since 1992, 4 fold increase since 2005)
 - OSH has asset base and primary skills to deliver top quartile returns for 5+ years
 - Key value drivers will be major project delivery, continued resource build and enhancing oil and gas operating synergies
 - Maximum value is achieved by remaining a focussed oil and gas growth company, driven primarily from PNG
 - Oil business will continue to provide excellent platform supporting LNG delivery and growth
 - LNG expansion, Trains 3 & 4 are catalysts for material growth



Strategic Review

- Major Strategies have been defined to deliver growth:
 - Oil and Gas Production Optimisation
 - Near field production opportunities
 - Rigorous cost control
 - New developments
 - Building long term operating capacity
 - Maximising value from PNG LNG Project (T1 and T2)
 - Project delivery on time, on budget
 - Enhance reserve portfolio
 - Actively manage in country issues, including benefits distribution
 - Development of Gas Expansion LNG Opportunities
 - Resource build for T3 underwriting
 - Optimisation of cost structure



Strategic Review

- Gas Resource Accumulation for LNG Opportunities
 - Develop third party gas strategy
 - Resource build for T4 underwriting
 - Includes Offshore Gulf exploration and appraisal
 - Measured acquisitions and aggregations
- Ensure Oil Search's Sustainability
 - Major enhanced focus on managing operating risks, as large projects are delivered
 - Promoting transparency in benefits distribution and sustainability
 - "Social Licence to Operate" - new community initiatives
 - Improved reporting



Strategic Review

- Evaluate New Growth Opportunities
 - Measured programme to identify future growth options within and outside core areas
 - Optimisation of value of MENA asset values
- Optimising Financial and Capital Structure
 - Through to and beyond first LNG production
- Align Organisation to Deliver Strategy
 - Skills development, succession planning



Sustainability Group

- In light of increasing value of PNG assets going forward, OSH seeking to further enhance its focus on managing PNG sustainability issues (traditionally an area of strength)
- New Sustainability Group has been formed:
 - Focus on communities, government/regulatory and in-country business relationships
- Group will be multi-faceted
- Specific initiatives involve:
 - Relationship building, Government, Landowners etc
 - Facilitating transparency and equity in benefits distribution
 - Enhancing capacity to capture growth opportunities



2011 Outlook

PNG LNG Project delivery underway:

- Project ramp up continues at accelerating pace:
 - Commencing construction at PNG LNG plant site, HGCP and Komo
 - Associated gas and life extension projects
 - Focus on management of in country issues
- Further pursuit of gas expansion and resource underwriting
 - Hides evaluation
 - Huria and P'nyang exploration and appraisal
 - Gulf area seismic and prospect maturation
- Continued strong oil field production performance
 - Testing and evaluation of Mananda 5 discovery
 - Comprehensive development and workover programme
- Optimise value of MENA Assets



2011 Guidance Summary

- Continued good field performance
 - Oil and gas production: 6.2 - 6.7 mmboe
 - Similar performance in 2012 and 2013
- Operating costs
 - US\$16-18/boe
 - Impacted by:
 - Lower production volumes
 - Major workover programme to maximise oil recoveries before gas production
 - Expected PNG inflation, including currency impacts
 - Associated Gas activities
 - Cost sharing opportunities
- Corporate Costs
 - ~ US\$3/boe from ~US\$2.16/boe
 - Stronger A\$ exchange rates
 - Focus on sustainability initiatives
- D,D & A:
 - US\$7-9/boe



2011 Investment Outlook

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US\$'m

2010 (A)

2011 (F)

Investing :

Exploration inc gas growth	176	180 - 200#
PNG LNG	1139	1,150 - 1,400
Production	42	110 - 130
Corporate (inc rigs)	7	10

Financing :

Dividends	0*	0*
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* Dividend fully underwritten

35-40% of spend in MENA

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Summary

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**Company fully focused on delivery of
Major Strategic Initiatives**

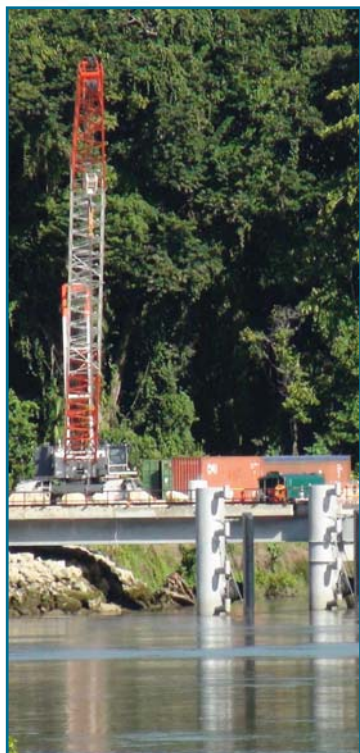
- Oil field performance remains strong, costs are tightly controlled. Impacted by associated gas construction
- PNG LNG T1/2 construction underway
 - Timing and budget unchanged
- LNG expansion and gas resource accumulation programmes matured. Seismic underway and drilling planned for 2H11
- Testing and appraisal activities planned for Mananda 5
- Activities underwritten by strong balance sheet and ample liquidity to meet LNG obligations and expansion focussed activities

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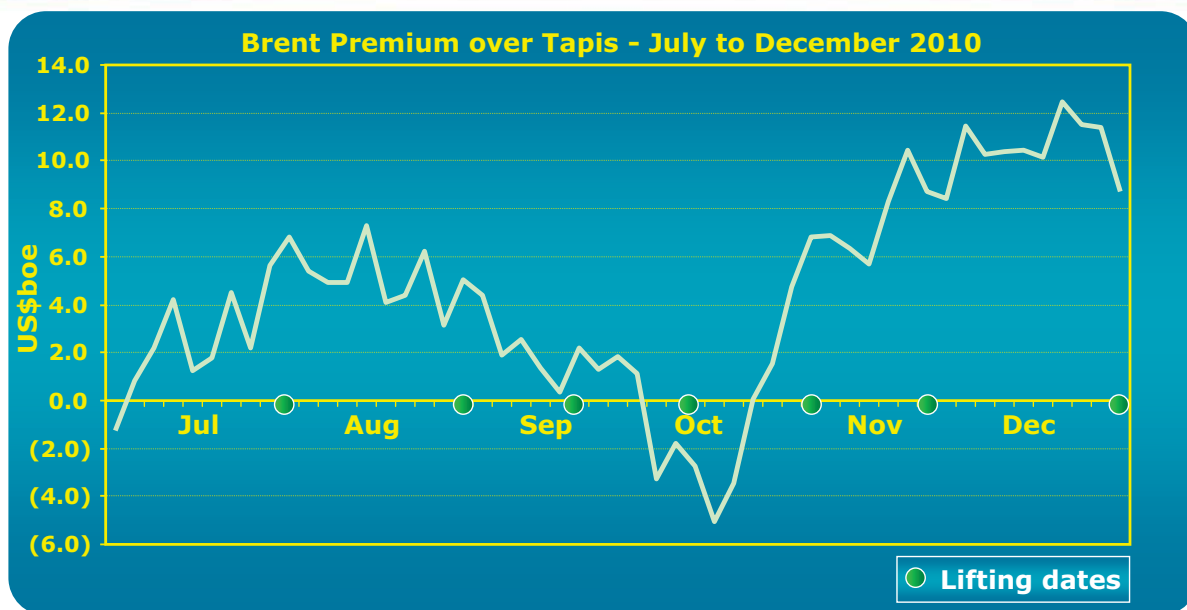
February 2011

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Appendix

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- Oil Search began selling production off a Dated Brent marker in July 2010
- Positive impact on revenue since this date
- Change driven by liquidity in the Brent market compared to Tapis

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