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## 2011 First Half Results Agenda

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| | |
|---|---|
| Performance Summary | Peter Botten |
| Financial Overview | Zlatko Todorcevski |
| PNG LNG Project Update | Peter Botten |
| Gas Expansion & Exploration | Phil Bainbridge |
| Operations Review | Richard Robinson |
| Outlook & Summary | Peter Botten |

# 2011 Half Year Results

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# Performance Summary

- 117% increase in NPAT to US$114.5 million, primarily reflecting higher oil prices. Steady oil field performance, highly profitable barrels from mature asset set
- Full scale development of PNG LNG Project underway, several construction milestones reached in 1H11. While early days, Project making good progress towards 2014 delivery window. Well placed in today's competitive construction environment
- Embarking on major drilling programme to prove up further gas reserves for gas commercialisation. Programme also includes significant oil potential in mature PNG field areas and Kurdistan
- PNG Highlands drilling will comprise both appraisal and exploration, with drilling to commence in 4Q11
- Initial Gulf of Papua seismic encouraging, potential for a second gas hub in PNG
- Balance sheet remains strong, with US$1.23 billion cash, undrawn corporate facility provides liquidity backstop
- Board has approved payment of two US cents per ordinary share, unfranked, interim dividend, payable on/around 10 October 2011

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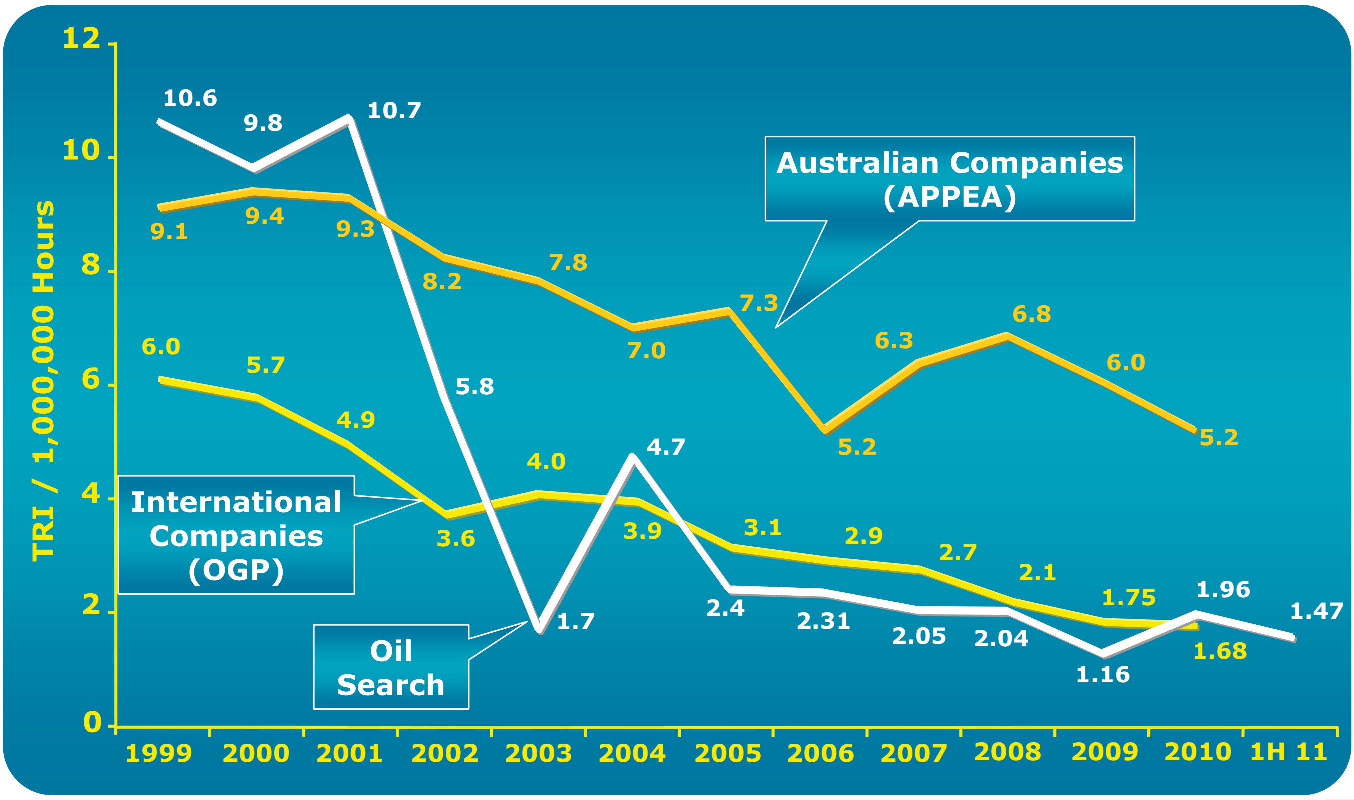
# Safety Performance

Total Recordable Injury Frequency Rate of 1.47 in 1H11

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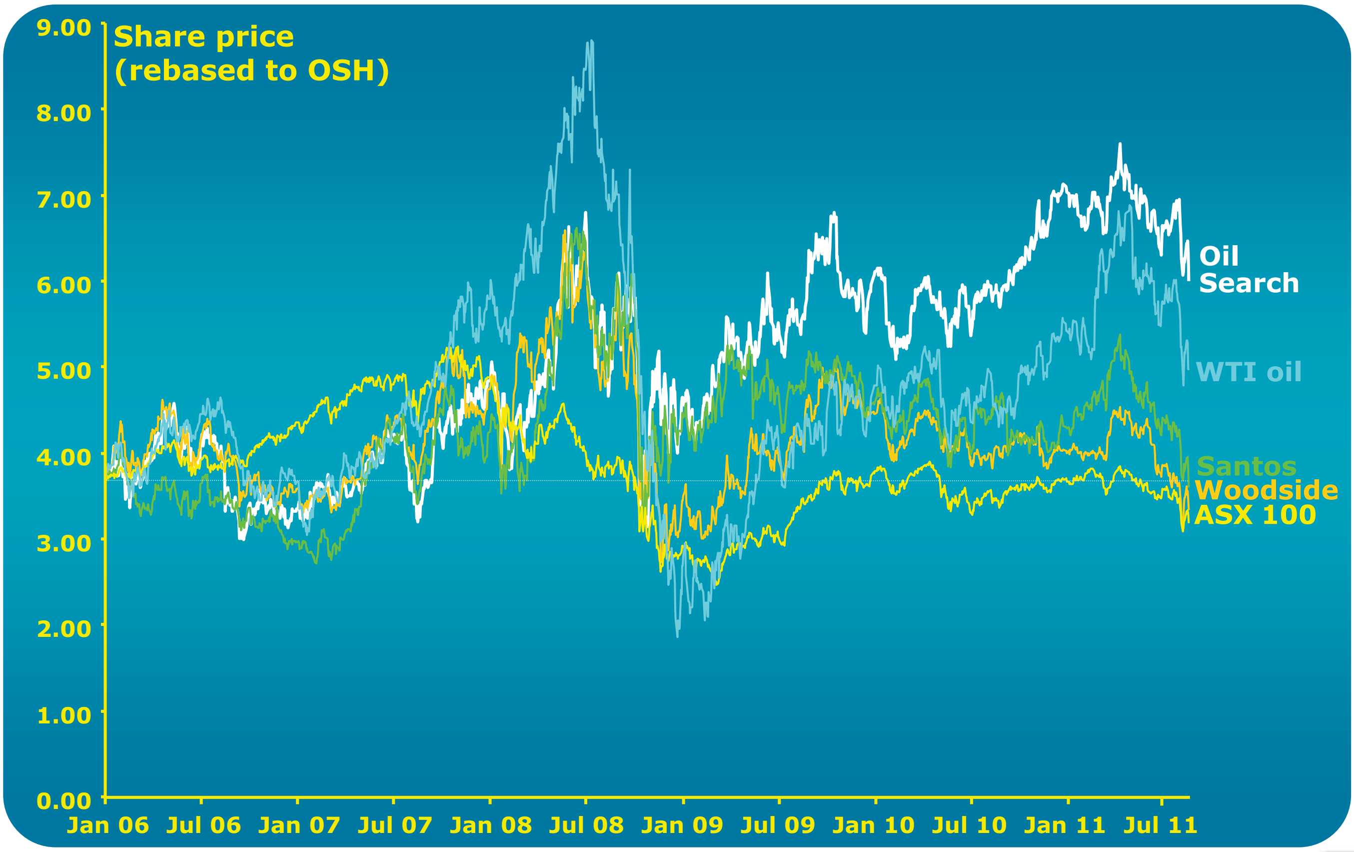
# Strong Share Price Performance

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# 2011 Half Year Results



O I L S E A R C H L I M I T E D



# HY 2011 Financial Performance

| (US$'m) | HY 2011 | | HY 2010 |
|---|---|---|---|
| Revenue | 371.1 | +34% | 276.6 |
| Cash Expenses | (63.8) | | (47.8) |
| EBITDAX | 307.3 | +34% | 228.8 |
| Non-cash items | (26.4) | | (25.2) |
| Exploration Expense / BD | (43.4) | | (97.8) |
| Interest income/(expense) | (0.1) | | (1.2) |
| Pre-tax Profit | 237.5 | +119% | 108.4 |
| Tax | (123.0) | | (55.6) |
| NPAT | 114.5 | +117% | 52.9 |

- Full year revenue benefited from higher realised oil and gas prices
- Reduction in exploration expensed reflected lower activity

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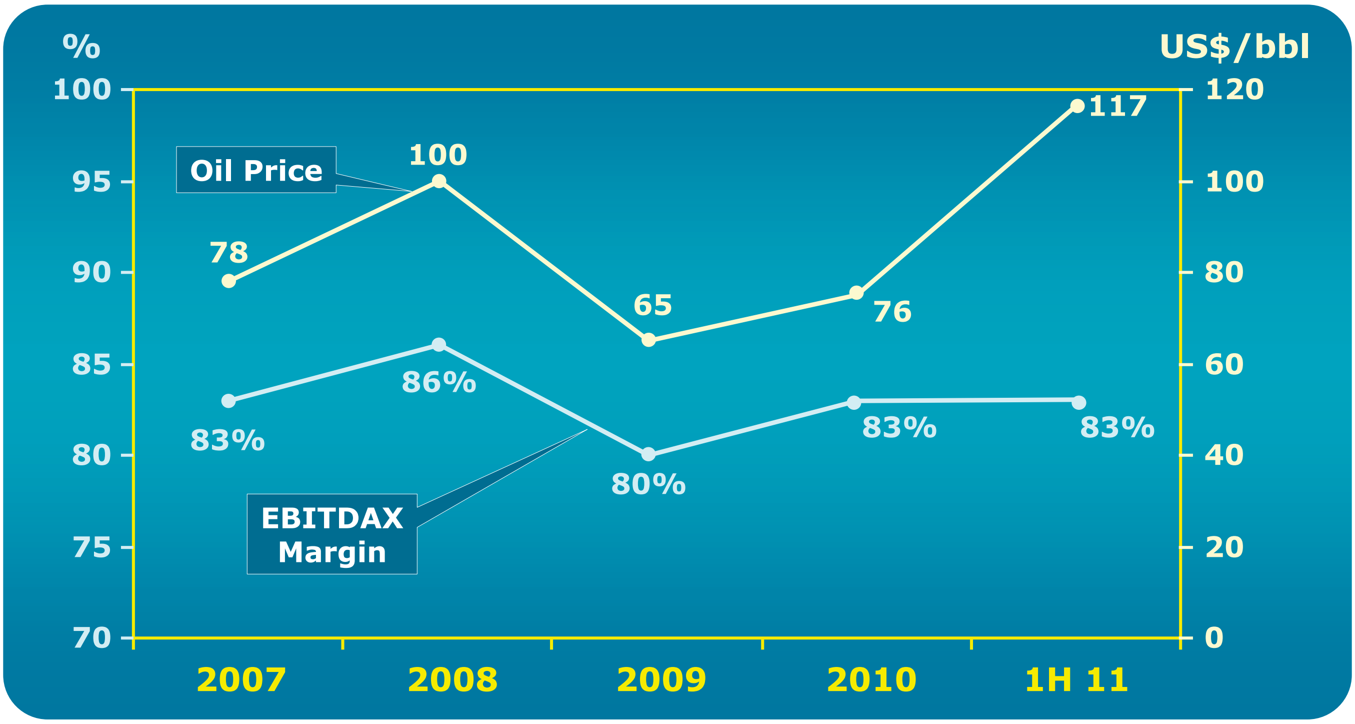
# Cash Earnings Performance



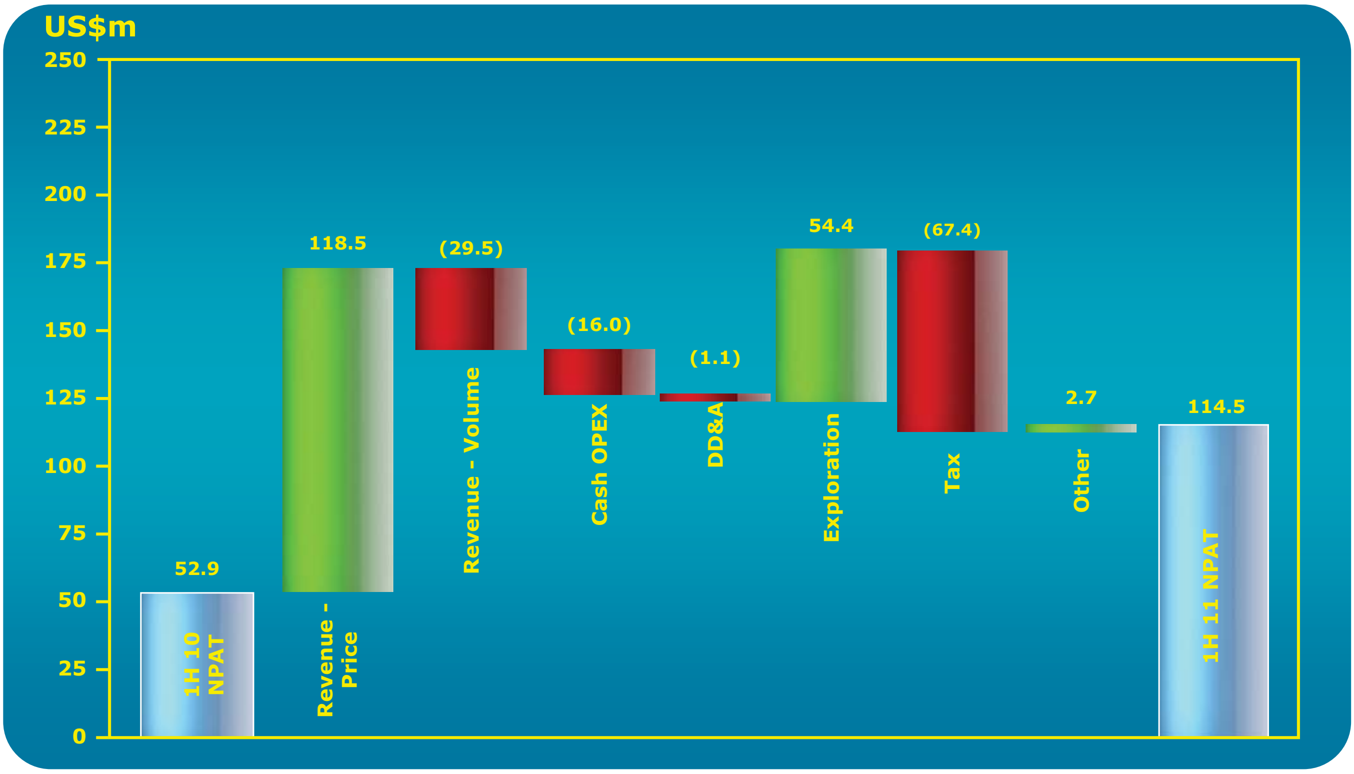



- Cash operating margin stable against back drop of inflationary pressure in PNG coupled with adverse currency movements and declining volumes



# 1H 2011 NPAT Drivers






- EBIT growth driven by higher oil prices and lower exploration expensed

# Cost Management

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| | 1H11 | 1H10 |
|---|---|---|
| | US$'m | US$'m |
| *Field Costs* | | |
| - Oil: PNG | 38.5 | 29.6 |
| - Hides | 4.7 | 3.4 |
| | 43.2 | 33.1 |
| *Other Prod'n Opex* | | |
| - Oil | 8.2 | 7.9 |
| - Hides | 0.3 | 0.3 |
| | 8.5 | 8.2 |
| Net Corp Costs | 11.1 | 7.8 |
| FX Losses | 1.0 | (1.2) |
| **Total** | **63.8** | **47.8** |

- Costs in line with guidance at ~US$19.24/boe
- Adverse impact of A$ and Kina movement against US$ impacting operating and corporate costs (10-15% movement from pcp)
- PNG capacity constraints placing pressure on costs
- Programme activities, including workovers and accelerated maintenance, impact year on year change



# Cost Details

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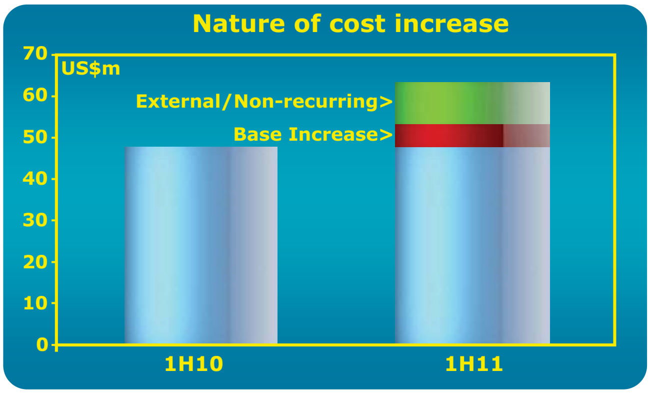


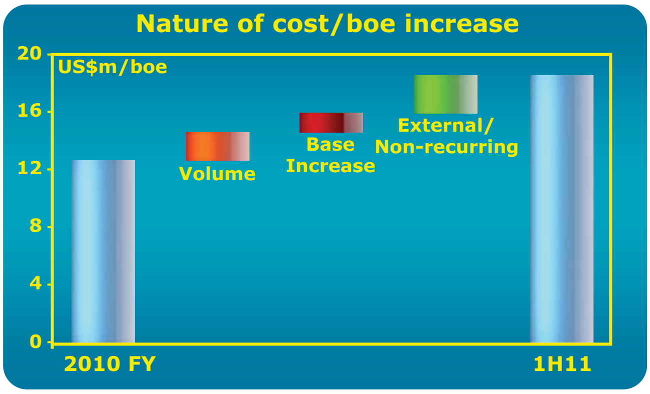


- Base increase (US$5.6m) includes:
  - Staff cost increases in PNG/ Australia
  - Impact of cost inflation in PNG services
- External/non-recurring includes:
  - Impact of adverse currency movements (US$5.4m)
  - Non-recurring maintenance activities on accelerated engine change outs and flowline repairs (US$4.0m)
  - Workover costs (US$1.0m)
- 1H 2011 cost/boe increased ~US$6.40/boe on 2010 FY:
  - Year on year volume decline added US$2.10/boe
  - Base increase for inflationary effects added US$1.50/boe
  - External/non-recurring items added US$2.80/boe
    - Includes US$1.45/boe adverse currency movements

# Operating Cash Flows

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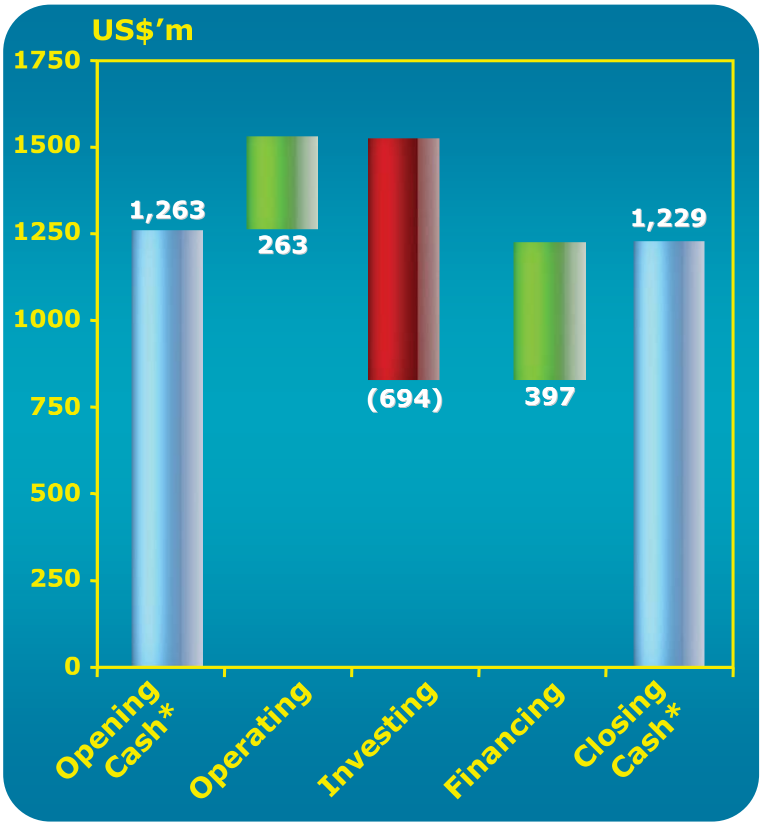
- Cash position largely unchanged over half year, with all expenditures funded from cash flow and project finance drawdowns
- Strong operating cash flows driven by improving oil price and continued focus on costs and production
- Investing cash outflows dominated by PNG LNG spend coupled with 2011 exploration and development well programme
- Financing included US$391m drawn down from PNG LNG Project finance facility plus proceeds from underwritten DRP




* Includes Company share of JV cash balances



# Treasury Update

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- US$1.23 billion in cash at end June
- Cash invested and actively managed with highly rated bank counterparties
- US$275.5 million available from term revolving facility, nil drawn down. Facility doesn't expire until 2013, will refinance prior to expiry
- No oil hedging undertaken during 1H11 or currently in place - realised earnings uplift from 2011 oil price recovery
- US$1.32 billion has been drawn down under the PNG LNG project finance facility
- 2011 interim dividend of two US cents per share to be fully underwritten via DRP

# 2011 Capital Outlook Update



US$'m

| | 1H 11 | 2H 11 | 2011 |
|---|---|---|---|
| **Investing :** | | | |
| Exploration inc gas growth | 54 | 110-130 | 160-180 |
| PNG LNG | 595 | 600-800 | 1,200-1,400 |
| Production | 57 | 70-90 | 130-150 |
| Corporate (inc rigs) | 3 | 7 | 10 |
| **Financing :** | | | |
| Dividends | 0* | 0* | 0* |

* Dividend fully underwritten

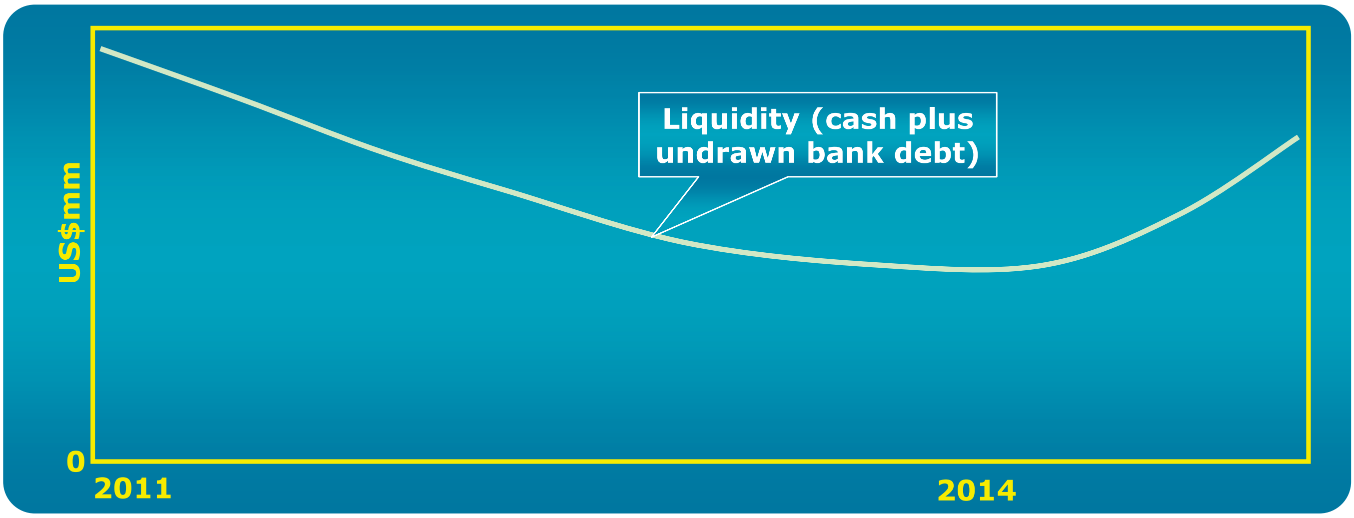


# 2011 Full Year Guidance Summary



- Production:
  - 6.2 - 6.7 mmboe
  - Similar performance in 2012 and 2013
- Operating costs
  - US$19 - 21/boe (incl corporate costs)
  - Impacted by:
    - Lower production volumes
    - Major workover programme to maximise oil recoveries before gas production
    - FOREX
    - PNG inflation
    - Associated Gas activities
    - Sustainability initiatives
- Depreciation, depletion and amortisation:
  - US$7 - 9/boe

# Liquidity




- Outlook updated for first half cash generation, investment spend and forward prices
- Liquidity (including escrowed cash) at the end of 1H 2011 ~ US$1.5 billion
- Company is well placed to meet existing commitments / base business plan with sufficient liquidity to deliver on strategic plan initiatives

Key Assumptions:
1. Brent Forward curve pricing as at 1 July 2011
2. PNG LNG Project on schedule and budget
3. Includes T3 pre FEED costs
4. Production, operating costs and investment spend based on strategic review business plan
5. Existing oil facility refinanced



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# PNG LNG Project Update

PNG LNG



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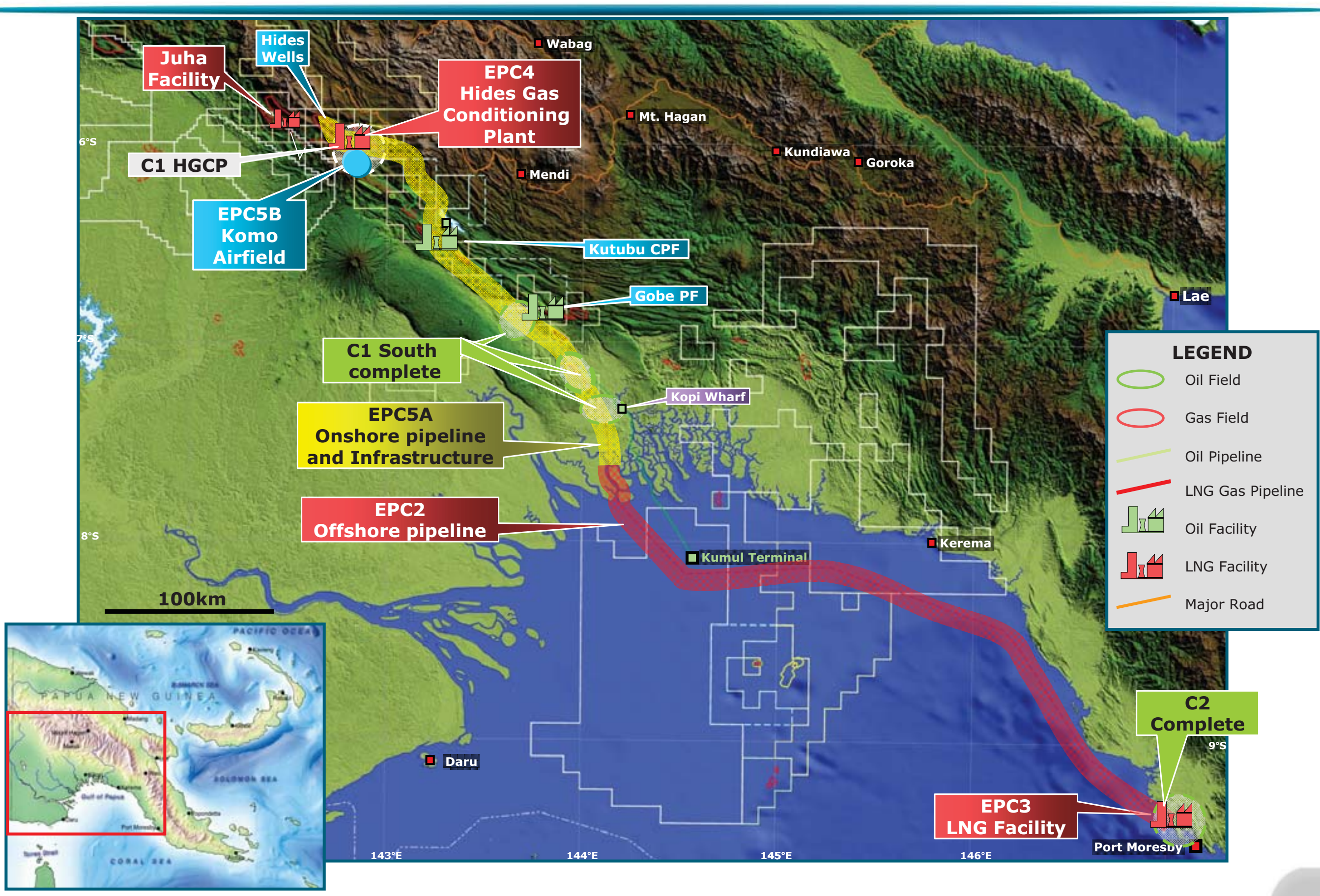
# PNG LNG Project Overview



# Milestones achieved in 1H 2011



- Ground-breaking and pouring of first foundations at the LNG plant site
- Commencement of welding and burial of onshore pipeline, continued clearing and stringing of pipe along the route
- Construction of Caution Bay offshore pipeline support site
- Completion of training facilities at Juni in the Highlands
- Continued early construction activities both in Highlands (incl. earthworks at Hides plant site and Komo airfield, road and bridge upgrades) and at PNG plant site near Port Moresby
- Ramp-up in PNG workforce and use of PNG suppliers



# Latest PNG LNG news

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- Completed fabrication of new Single Point Mooring (SPM) for Kumul loading terminal
- Drill rig mobilisation
- Working with new Government to ensure continued alignment and delivery of obligations
- Good progress towards Operator’s planned start-up window in 2014

# Focus items for 2H 2011

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- Community engagement and downtime management
- Wellpad and Hides spine road development
- CPF shut down at Kutubu and commencement of work on Kumul rejuvenation
- Onshore pipeline installation
- Commencement of offshore pipelay
- Continued progress at LNG Plant site
- Rig arrival and site preparations
- Strong A$



# Timetable

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- Continued early works
- Detailed design
- Order long leads and place purchase orders
- Open supply routes
- Contractor mobilisation
- Commence AG construction

- Complete AG
- Continue onshore pipe lay
- Complete offshore pipe lay
- Start Hides plant installation

First Gas from Train 1, then Train 2

2010 | 2011 | 2012 | 2013 | 2014

Financial Close

- Ongoing procurement and mobilisation
- Airfield construction
- Drilling mobilisation
- Start offshore pipeline construction
- Onshore line clearing and laying
- Start LNG equipment installation

- Complete pipe lay
- Ongoing drilling
- Complete Hides plant
- Commission LNG plant with Kutubu gas

PNG LNG

# PNG LNG Project - Onshore Pipeline Construction

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Pipeline stringing, onshore pipeline

First weld

Kopi Scraper Station

Completed Mubi River crossing



# PNG LNG Plant Site

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# Gas Growth and Exploration

- Key strategic priority for Oil Search is to grow gas business in PNG
  - Pursuing two pronged strategy:
    - PNG LNG Expansion
    - Gulf Area LNG
- PNG near field oil exploration
- High graded exploration outside PNG

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# PNG LNG Expansion

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- Integrated exploration and appraisal drilling programme in the Highlands
- Results by mid/late 2012
- Upside in Associated Gas fields:
  - Detailed evaluation ongoing by Oil Search
  - Targeting alignment with PNG LNG Co-Venturers in 2012
- Hides Gas Water Contact Well:
  - Hides development drilling scheduled to commence in late 2011, Gas:Water Contact well planned early in drilling sequence
  - Optimisation with logistics and construction (Komo and HGCP)
- P'nyang and PRL 11 (formerly Huria) wells targeted for 4Q11 and 1Q12 spud respectively



# PNG LNG Expansion

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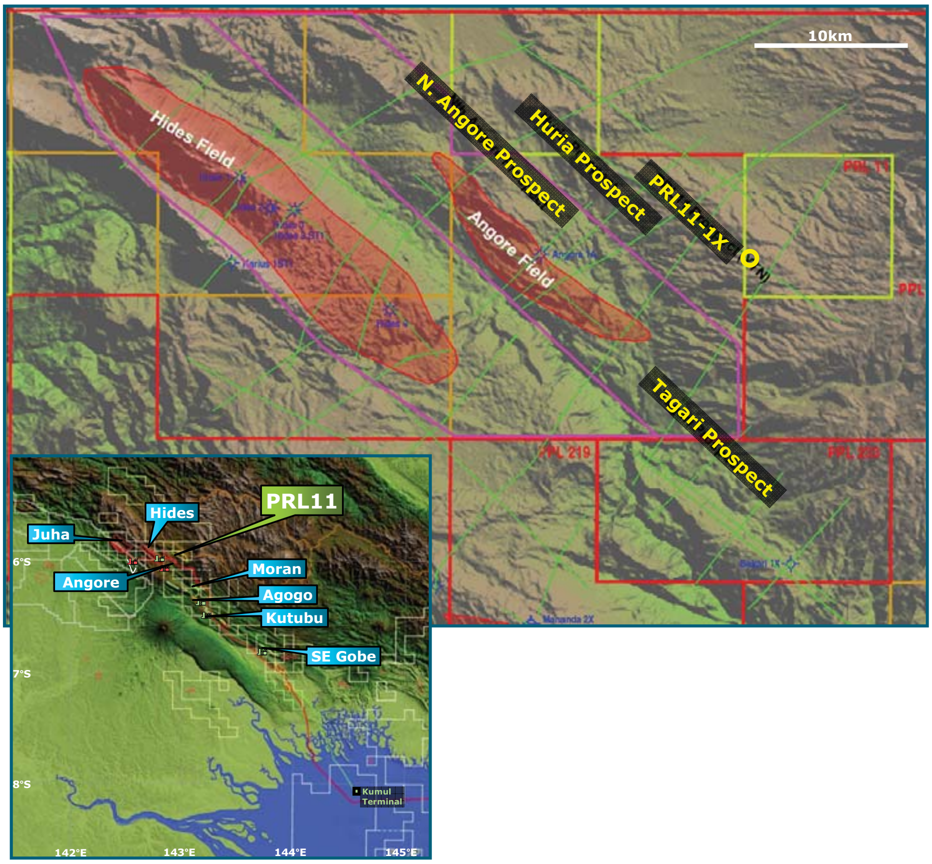


- PRL 11 (formerly Huria):
  - Oil Search 52.5%, ExxonMobil affiliates 47.5%
  - Exploration well scheduled for 1Q12
- Series of prospects:
  - Reasonable seismic but structural uncertainty remains
  - Multi-tcf potential in the area
  - Partial dependency. Exploration potential remains in event of success or failure at planned PRL 11 well

# PNG LNG Expansion

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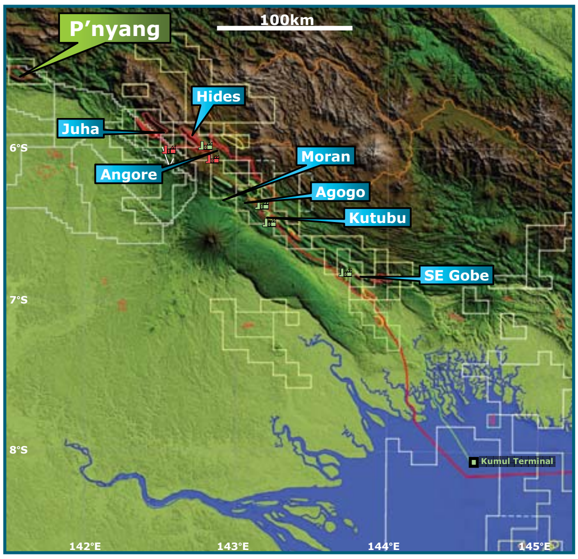
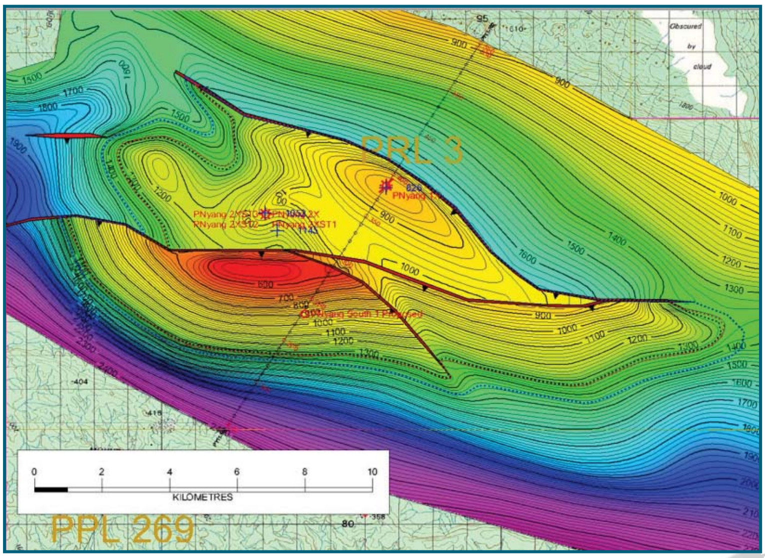
- P'nyang (PRL 3)
  - ExxonMobil 49%, Oil Search 38.5%, JX Holdings 12.5%
  - Appraisal well scheduled for 4Q11
  - Targeting southern fault block
  - Aim is to move 3C to 2C and increase 1C resource
  - Potential 2C of ~2 tcf






# Gulf Area LNG Opportunity

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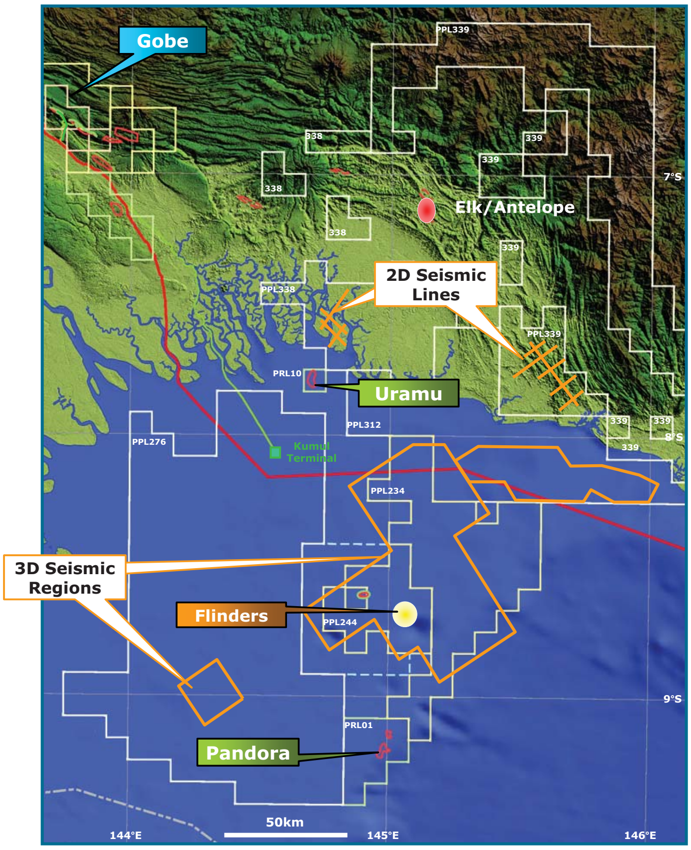


- Multi-licence, multi play type, multi well opportunity being developed
- Large, modern 3D seismic dataset acquired to unlock potential of Gulf
- Processing of data almost complete and being processed. Results of initial processing/interpretation are encouraging
- 2D onshore in PPL 338 complete and being processed
- 2D in PPL 339 being acquired now
- Rig options and timing being assessed
- Long lead item procurement process commencing

# Gulf Area LNG Opportunity



- Prospectivity:
  - Targeting 4Q for initial assessment of prospectivity across all licences
  - Final views by year end
- Partnering:
  - Discussions initiated and ongoing with potential farm-in partners
- Drilling:
  - Planning ongoing:
    - Well design commenced
    - Long lead item procurement process commenced
    - Site survey planning
    - Rig selection and sourcing discussions ongoing
- Timing:
  - Targeting 2012. Timing dependent on:
    - Prospectivity
    - Rig selection and availability
    - Strategy selected
    - Status of partnering discussions



# Near Field Exploration

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- Detailed review of "near field" exploration potential in and around existing producing fields as part of 2010 strategic review
- More than 25 opportunities currently identified
- Potential:
  - 125 mmboe net (approximately half oil, half gas)
- Higher risk than historical development drilling:
  - Difficulty imaging
  - Untested reservoir properties
  - Complex geology
- Risk management:
  - Integrating with existing pads and wells to reduce cost
  - Fall back of safer, conventional proven targets
  - Step wise approach, building out from known positions

# Near Field Exploration

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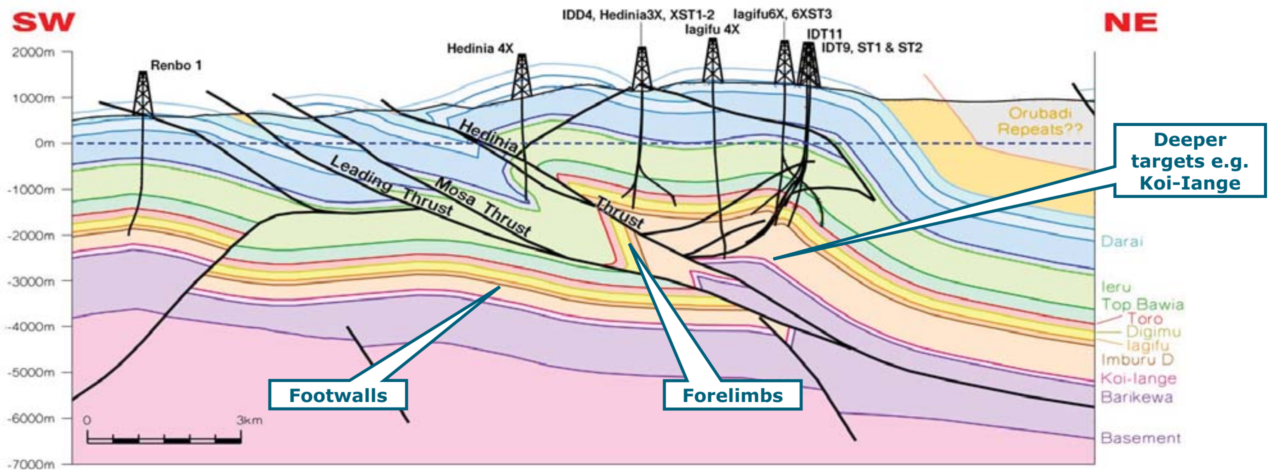


- Focused on:
  - Deeper Koi-lange play:
    - Potentially underlies all producing reservoirs
    - Penetrated by IDT 25, due to be tested in 4Q 2011
  - Forelimb play:
    - ADT 2 look alikes
    - Currently drilling Hedinia 10 footwall
    - Agogo 6 well in 4Q (subject to well timing)
  - Play extensions:
    - Based on detailed remapping and 2011 seismic
    - Potentially SE Mananda and Kube Kabe (north of Kutubu)
  - Footwall targets:
    - Hedinia, Moran, Mananda



# Kurdistan - Taza PSC

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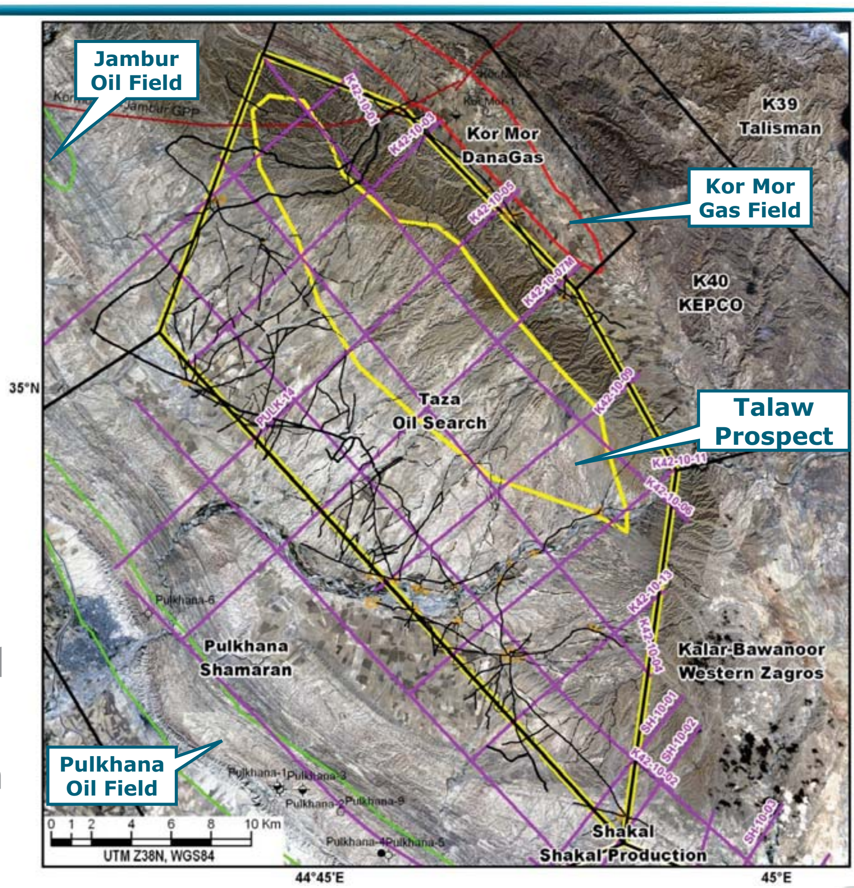
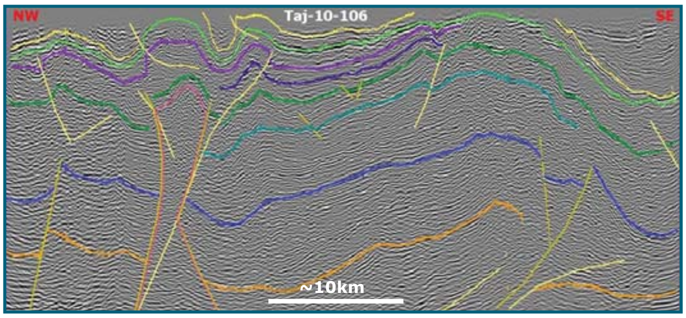
- PSC signed after exercising Option Agreement
- Oil Search entry as Operator in extremely active Kurdistan Region of Iraq
- Very prospective location adjacent to three fields
- Large, simple 4-way dip closure identified from 2010 seismic
- Well will be drilled in 1H12



# Tunisia

- 2010 seismic evaluation complete
- Large structures mapped
- Proven plays present and new deep gas play developed
- Prime prospect in Tajerouine permit has potential for >100 mmstb oil and >400 bcf gas
- Fiscal regime favourable
  - Prospect sizes commercially attractive
- Exploration well in Tajerouine to be drilled in late 2012

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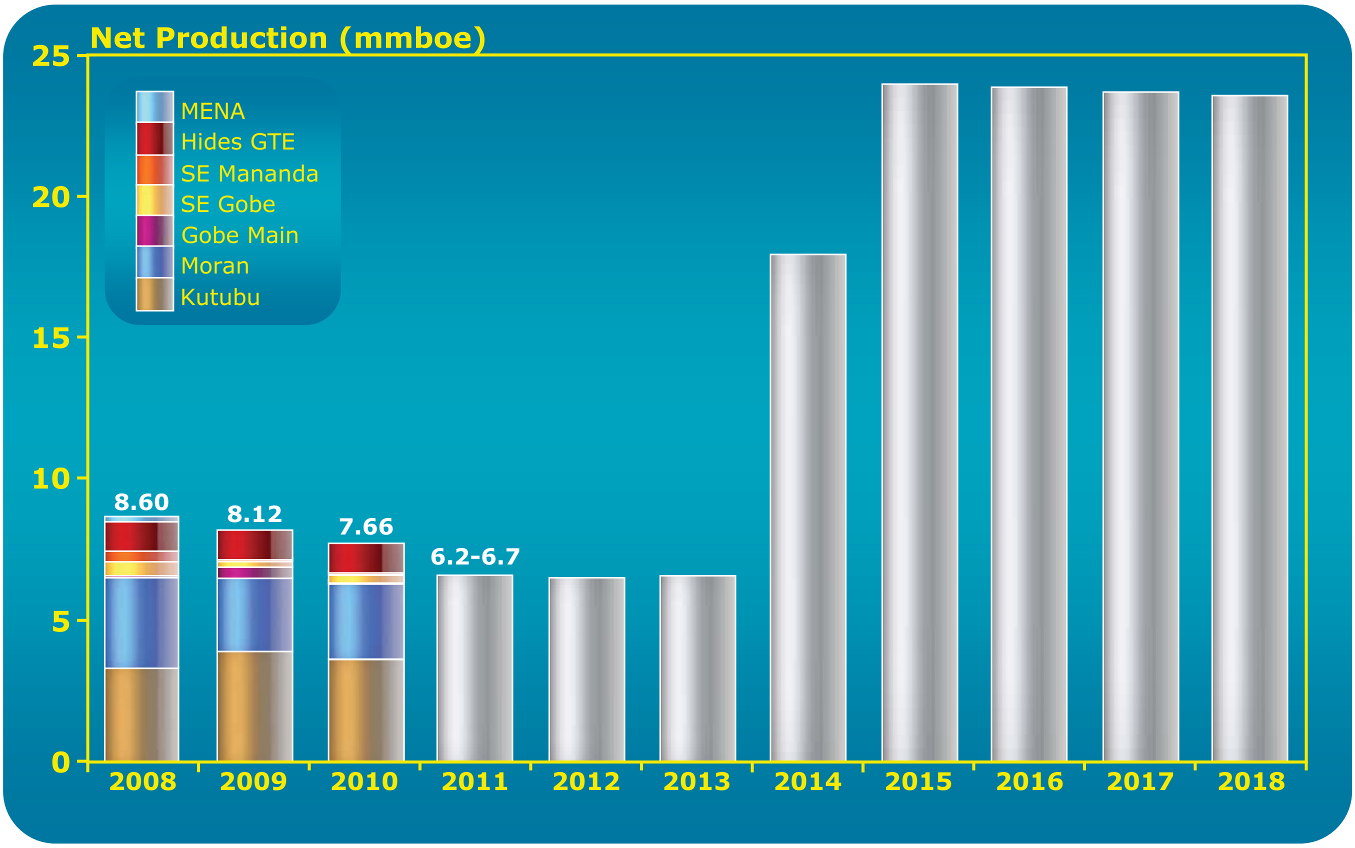
# Oil Search Production Outlook

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# 1H11 Performance

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- World class safety performance
- Production
  - Solid 1H production at 3.56 mmboe
  - Full year estimate remains consistent with guidance (6.2 - 6.7 mmboe)
- AGRP shutdown deferred from May to August following further detailed planning
- Gas injection well at Usano, UDT 13, drilled successfully
  - Will provide support to key production well in Usano East
- IDT 25 development well successfully drilled in Kutubu Main Block Toro
  - Good indications of hydrocarbons in Toro reservoir
  - Well deepened to exploration target in Koi lange horizon, with hydrocarbon indications - will be flow tested in 4Q11

# 2011 Production Outlook



- Underlying production from oil fields generally consistent with expectations
- 2H11 production impacted by:
  - Two week shutdown for tie-in of Associated Gas facilities (underway)
  - Natural decline
  - Repairs to HP compressor at APF
  - Deferred tie-in of IDT 25 Toro to allow testing of Koi lange reservoir
- Workover programme using the Hydraulic Workover Unit (HWU) has commenced at Gobe
  - GM 2 ST1 well completed
  - 2 or3 workovers at SE Gobe before mobilising rig to Kutubu
- Production out to first LNG broadly flat, subject to success of work programmes



# 2H11 Drilling Activity

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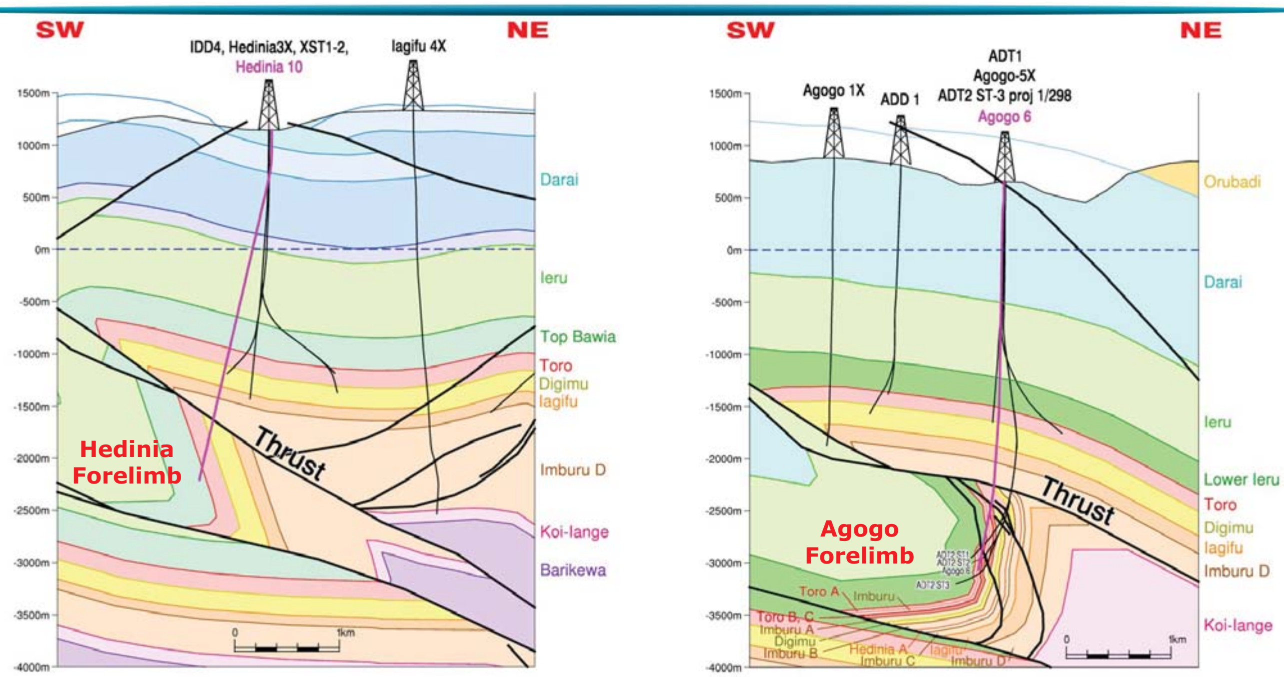
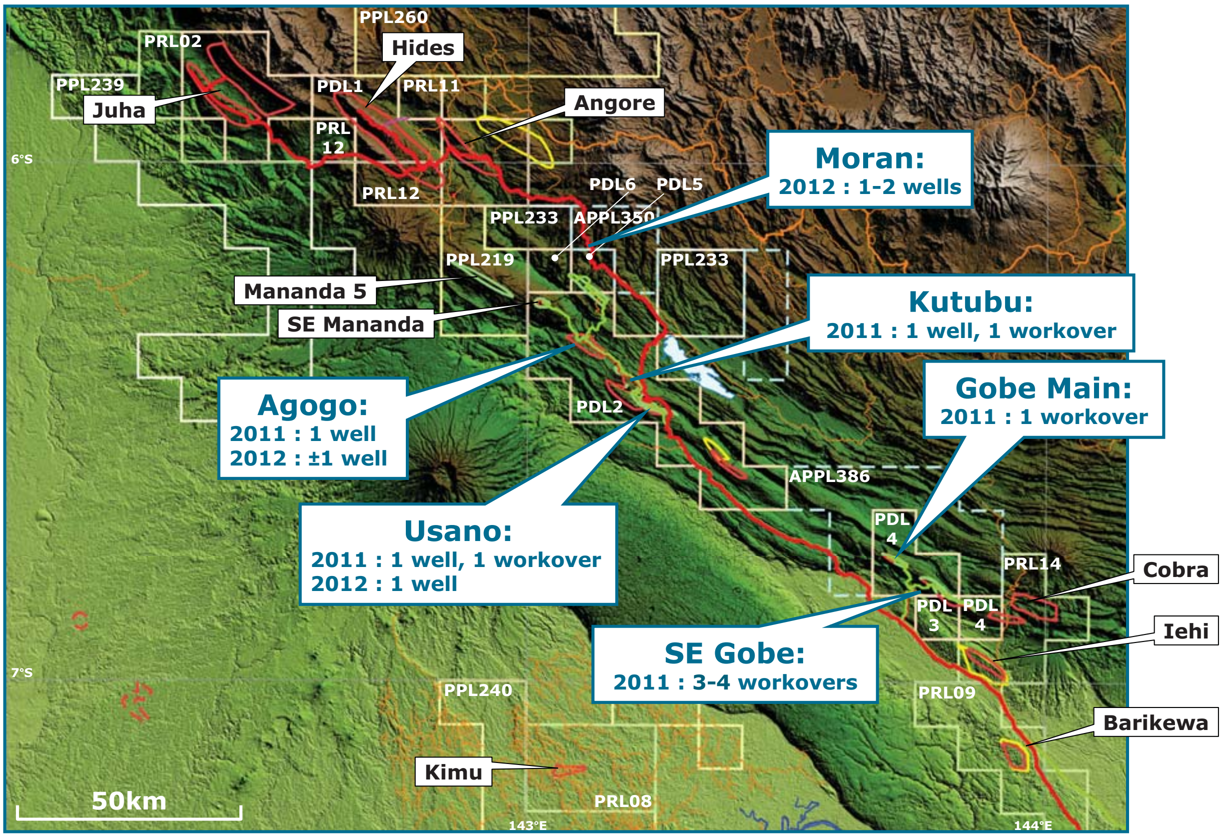



- Hedinia 10 is targeting ADT2 lookalike forelimb structure under producing Hedinia field within Kutubu
- Agogo 6 is follow-up to ADT2 targeting Agogo Toro forelimb and extent of Digimu forelimb

# 2011/12 Development & Near-Field Appraisal Drilling Activity

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# 2H11 Focus Areas

- Maintain OSH's industry-leading safety performance in high activity environment
- Strong commitment to cost effectiveness
- PNG LNG Project commitments driving operational developments:
  - Deliver the Associated Gas Project as planned
  - 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

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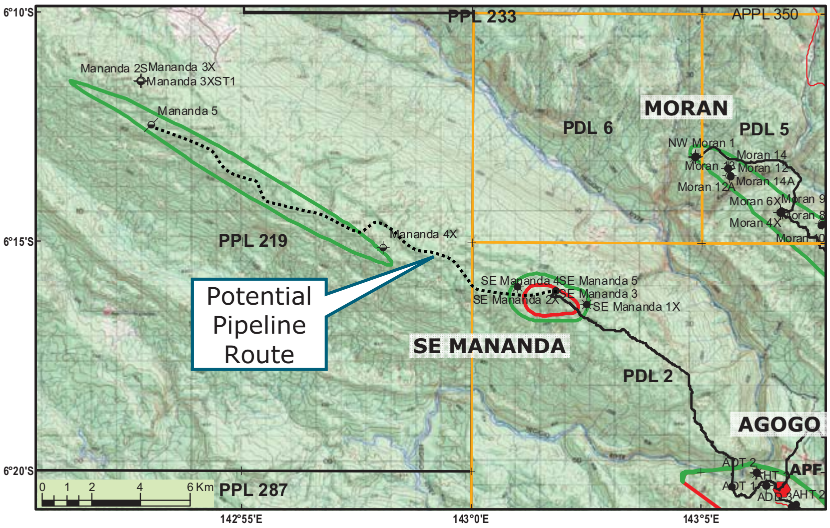
# Mananda 5 Discovery



- 25 mmboe discovery, ~50:50 oil:gas
- Confirmed oil in Toro A, B & C
- Ambiguous in Imburu & Digimu
- Location application lodged with DPE




- Subsurface, engineering and in-country issues evaluation ongoing
- Decision on development or further appraisal by end 2011



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## PNG Operating Environment

- PNG has built enviable investment record of fiscal stability in resources sector over past 15 years
- Unprecedented investment now taking place in oil, gas and mining, encouraged by attractive fiscal policy and stability
- History of constructive dialogue between industry and Government to manage issues and expectations
- Anticipate that this will continue with new Government, led by Prime Minister Peter O'Neill





## PNG Operating Environment

- Rapidly changing economic and social landscape
  - Changes in traditional tribal culture
  - Increased expectations and opportunities
  - Education and communications
- Focus on improving benefits distribution system, transparency and service delivery
- Strong support from landowner leaders and key institutions

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# Managing Operating Risk



- Oil Search has increased its focus on managing in-country issues
  - Seen as key way to mitigate operating risk
- Expanded Sustainability Group is focusing on:
  - Government/regulatory
    - Promoting transparency
    - Sovereign wealth funds
    - Supporting benefits distribution process
    - Providing support to PNG Government bodies, when appropriate
  - Relationship building between Government, Landowners and other businesses
- Oil Search Health Foundation:
  - Expanding the successful OSH model for health programmes to other areas of PNG
  - Nominated as Principal Recipient for grants from The Global Fund to deliver HIV and malaria programmes



# Drilling Outlook



- Embarking on one of the largest drilling programme ever undertaken, starting 4Q11 continuing through 2012, into 2013
- Multi-TCF risked potential for gas and several hundred millions of barrels of oil potential
- Appraisal and development drilling
  - Hides
  - P'nyang
  - Kutubu, Moran and likely Mananda
- Exploration
  - PRL 11 (Huria et al)
  - Near field oil exploration
  - Gulf Area drilling, subject to final seismic results
  - Taza, Kurdistan
- Potential to underwrite continued gas commercialisation and short-medium term oil production

# Summary

- Delivery of PNG LNG underway:
  - Robust project
  - Outside crowded Australian LNG space, conventional onshore gas, limited technical risks
  - High quality Operator, making good progress towards first sales in 2014
- Largest ever drilling programme, as described
- Oil fields generating strong cash flows. Production impacted by associated gas construction in 2H, but expect production to remain flat in 2012/13 despite field maturity
- PNG challenging environment, increased focus on managing risk
- Balance sheet remains strong, ample liquidity to meet LNG obligations and expansion activities





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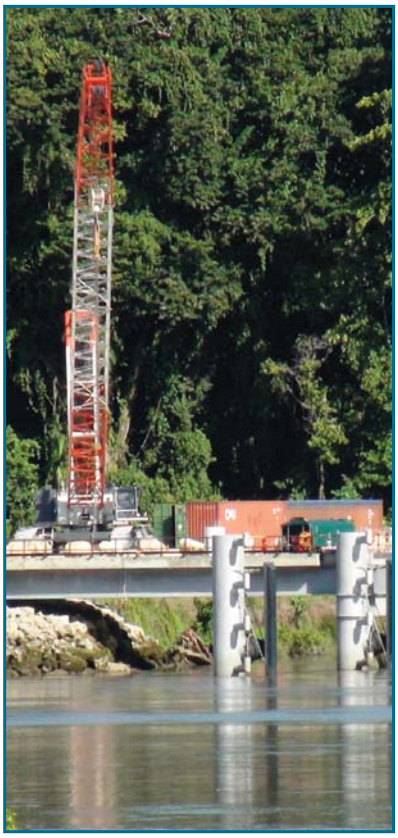

August 2011

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