

2014 Half Year Results

August 2014



Oil Search



Oil Search Limited

ARBN 055 079 868



Oil Search

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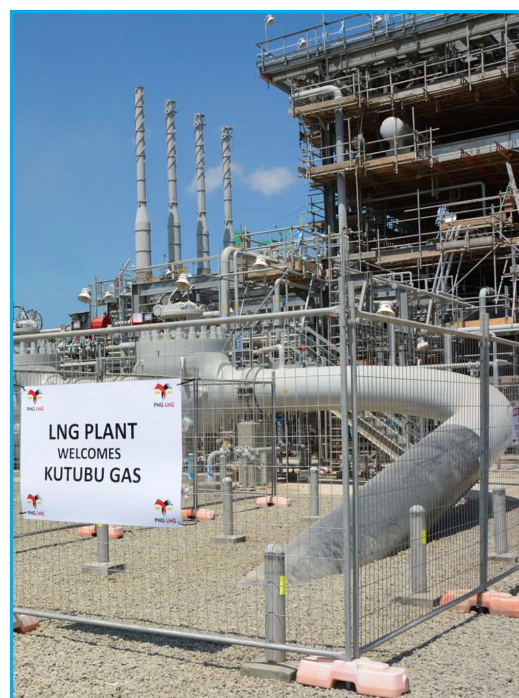
2014 Half Year Results Agenda

Introduction	Peter Botten
Financial Overview	Stephen Gardiner
PNG Production	Paul Cholakos
Gas Growth	Julian Fowles
Exploration/Appraisal	Julian Fowles
Outlook & Summary	Peter Botten

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2014 Half Year Highlights

- » PNG LNG Project start-up – major milestone for Oil Search and PNG:
 - Condensate production in late March, LNG production in April and first LNG sales in May
 - Total 1H14 production of 5.4 mboe, up 68%, driven by PNG LNG plus solid performance from oil fields
 - NPAT up 34% to US\$152.5 million
 - Dividend unchanged at two US cents per share
- » PRL 15 acquisition - provides potential new LNG development opportunity:
 - Elk/Antelope gas fields represent largest undeveloped gas resource in PNG
 - Appraisal programme planned for 2H14 to prove up resource



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2014 Half Year Highlights cont.

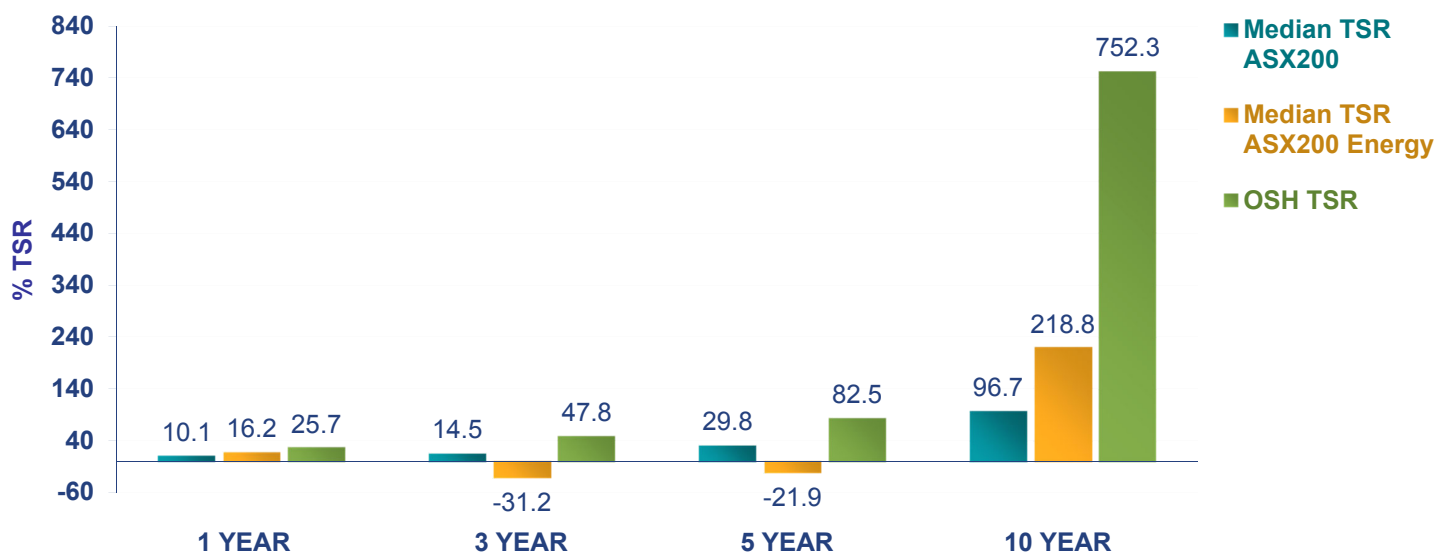
- » Positioning for next phase of gas development
- » Encouraging results from Taza appraisal programme:
 - Taza 2 appraisal well in Kurdistan confirmed northern extent of structure found by Taza 1, oil bearing
 - Testing operations temporarily suspended due to supply chain issues, other appraisal activities ongoing on this high potential oil field
- » Work on Strategic Review making good progress:
 - Focus on next phase of growth, given transformational cash flows from PNG LNG Project have now started
 - All-encompassing review, includes establishing appropriate balance between reinvestment into value accretive growth projects and capital returns to shareholders



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TSR Performance

Total Shareholder Return of 752% for 10 years to 30 June 2014

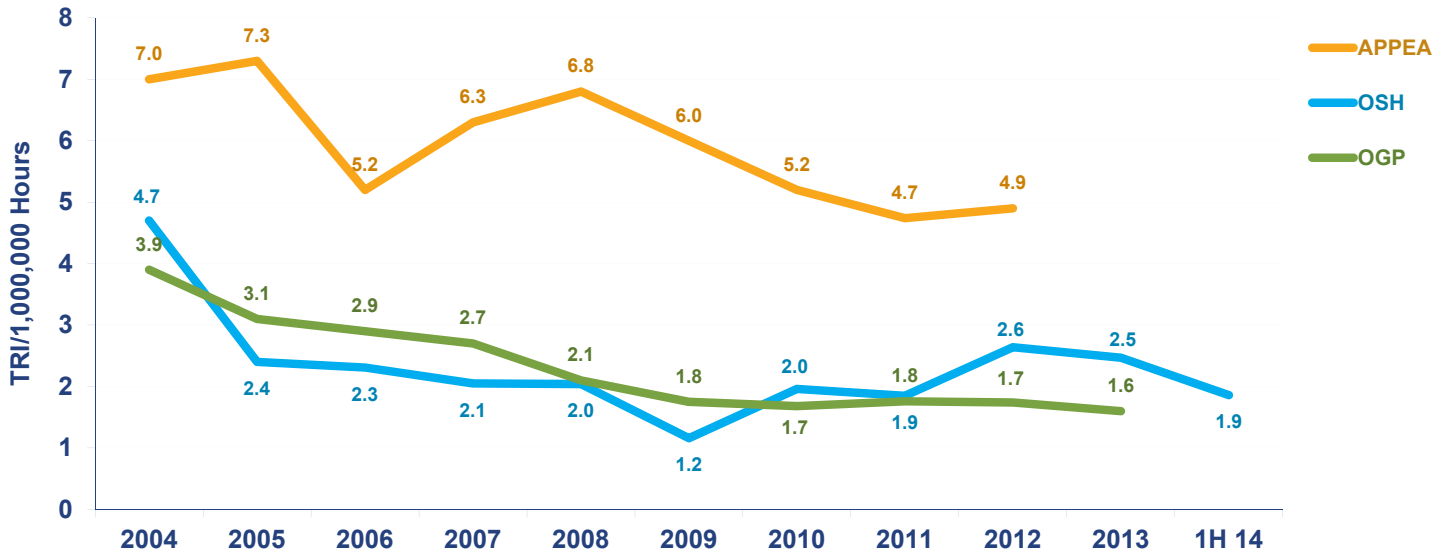


Source: Orientcap

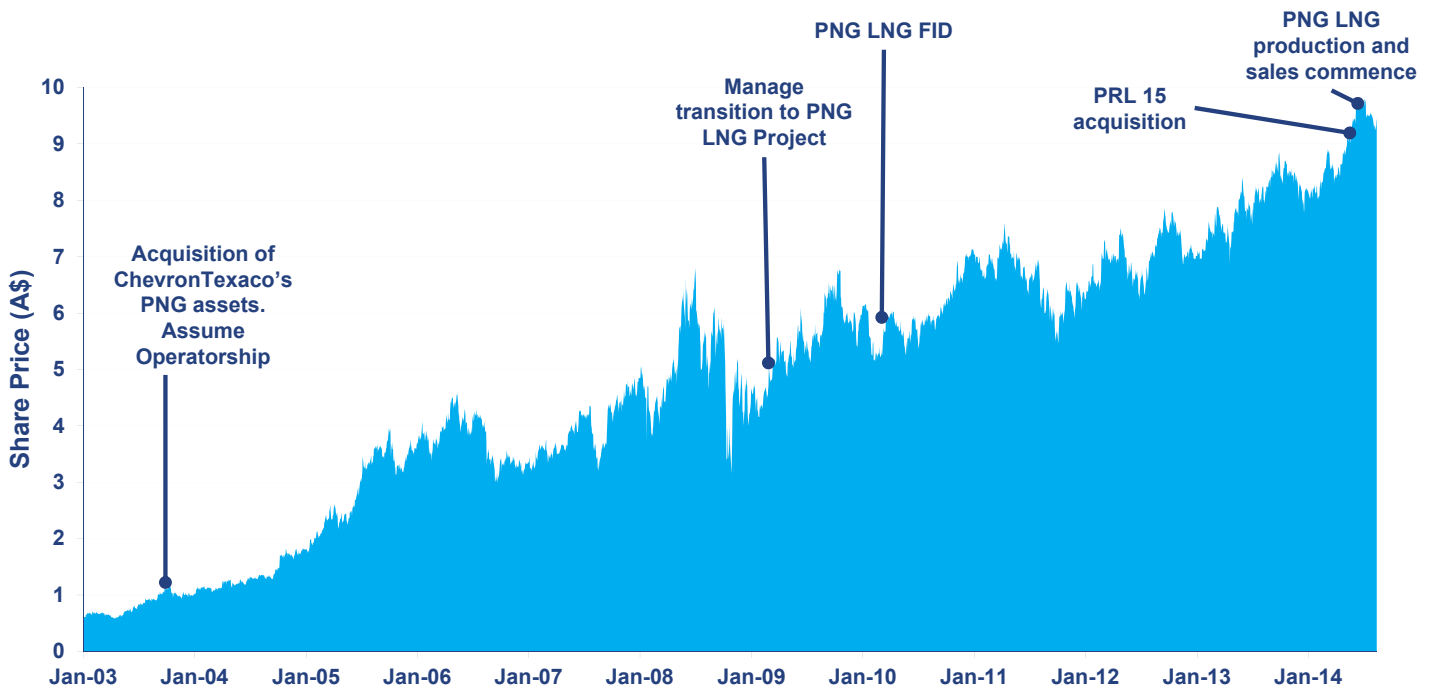
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Safety Performance

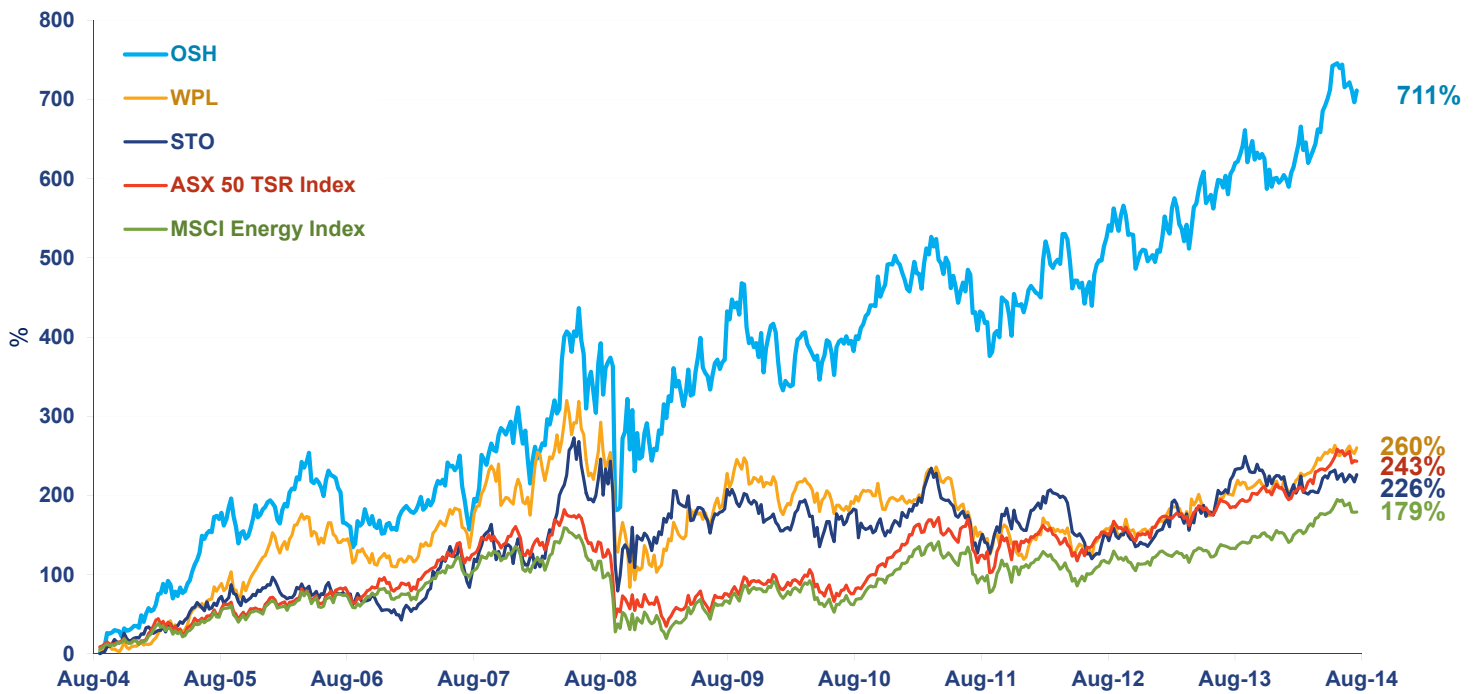
Total Recordable Injury Rate of 1.86 for 1H14



Core Strategies have Delivered Steady Long-term Share Price Appreciation



... Top Quartile TSR Performance over 10 years Relative to Australian Peers



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Financial Highlights

	Half-year 2014	Half-year 2013	
Sales volume (mmboe)	4.74	3.37	↑
Sales revenue (US\$m)	510.0	381.0	↑
EBITDAX ¹ (US\$m)	393.9	274.6	↑
Net profit after tax (US\$m)	152.5	113.5	↑
Operating cash flow (US\$m)	255.4	214.3	↑
Investment expenditure (US\$m)	1,432.5	875.6	↑
Earnings per share (US cents)	10.59	8.49	↑
Interim dividend (US cents)	2.0	2.0	—

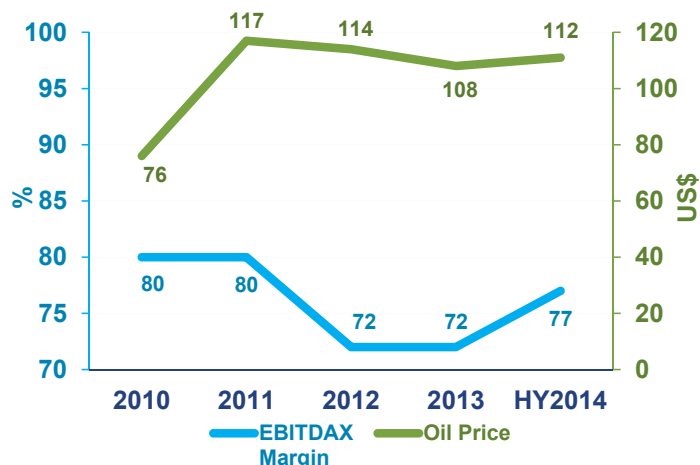
- » Sales and earnings growth reflects start-up of PNG LNG and strong contribution from PNG oil operations
- » Net profit up 34% to US\$152.5 million
- » Investment expenditure includes US\$918 million for the PRL15 licence acquisition
- » Operating cashflow lagged earnings growth due to the timing of LNG cargo receipts

¹ EBITDAX (earnings before interest, tax, depreciation/ amortisation, impairment and exploration) is a non-IFRS measure that is presented to provide a more meaningful understanding of the performance of Oil Search's operations. This information is unaudited but is derived from the financial statements which have been subject to review by the Company's auditor.

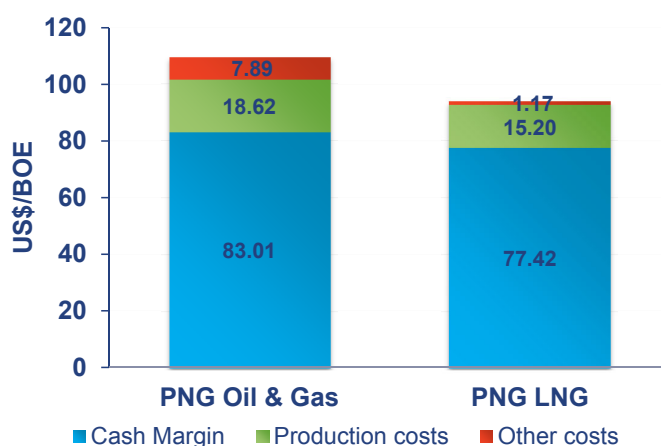


Cash Earnings Performance

EBITDAX Margin



Cash Margin by Asset



Based on sales volumes

- » Average realised oil and condensate price increased to US\$111.57 per barrel
- » EBITDAX margin up due to higher revenue and lower production costs per boe

- » PNG oil & gas cash margins remain healthy
- » PNG LNG Project delivered strong cash margin notwithstanding production ramp-up phase



2014 Half Year Financial Performance

US\$m	Half-year 2014	Half-year 2013	
Revenue	510.0	381.0	» Revenue up 34%, driven by PNG LNG sales, higher realised oil prices and slightly higher oil sales volumes
Costs of production	(96.3)	(88.6)	» Higher costs of production and DD&A due to commencement of PNG LNG production in April. Includes shipping costs for spot LNG cargoes
Other costs (net)	(19.8)	(17.8)	
EBITDAX¹	393.9	274.6	
Depreciation and amortisation	(59.2)	(24.7)	» Lower exploration costs expensed due to no well write-offs in 1H14, with focus on appraisal activity
Exploration expense	(15.4)	(33.9)	
Net finance costs	(41.8)	(7.5)	» Higher finance costs due to expensed interest for PNG LNG borrowing costs following start-up
Profit before tax	277.5	208.6	
Tax	(125.0)	(95.1)	» Effective tax rate of 45% for first half
Net profit after tax	152.5	113.5	

Note: Numbers in table may not add up due to rounding

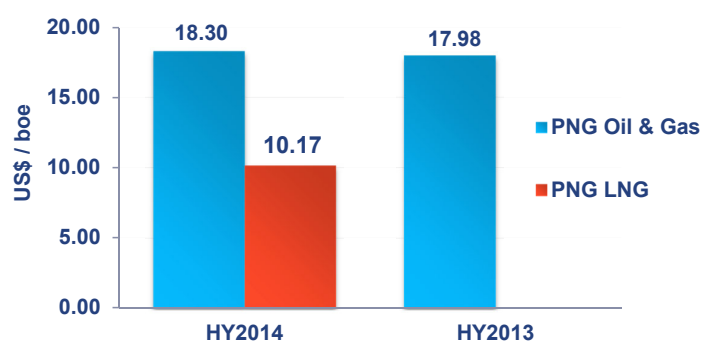
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Costs of production



US\$m	Half-year 2014	Half-year 2013	
<i>Production costs:</i>			
- PNG LNG	19.0	-	» Higher PNG oil and gas costs due to higher manpower and asset integrity costs
- PNG oil and gas	64.0	57.4	» PNG oil and gas unit production costs slightly higher
- Other	0.1	0.1	» LNG unit costs reflect production ramp-up phase
	83.1	57.5	» Large inventory movement due to build-up of LNG inventories
Royalties and levies	7.7	5.9	
Gas purchases	19.3	19.0	
Inventory movement	(13.8)	6.2	
Total costs of production	96.3	88.6	

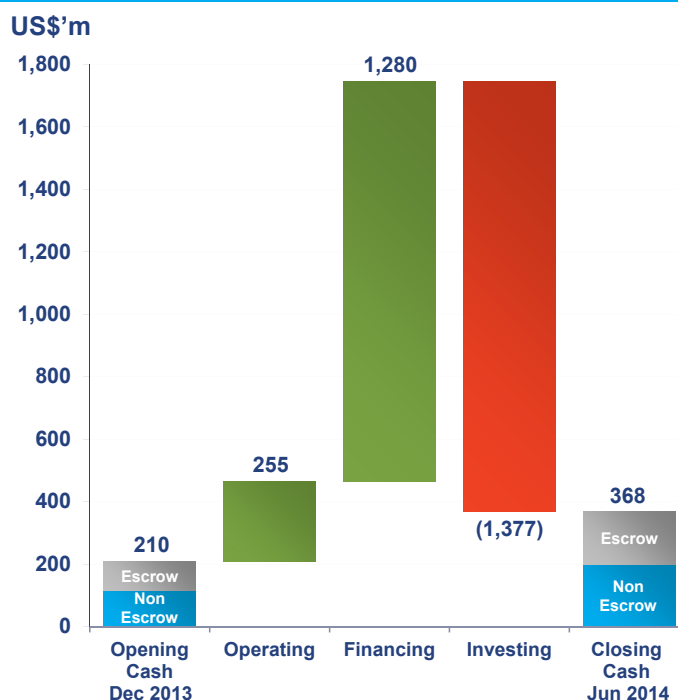
Unit production costs





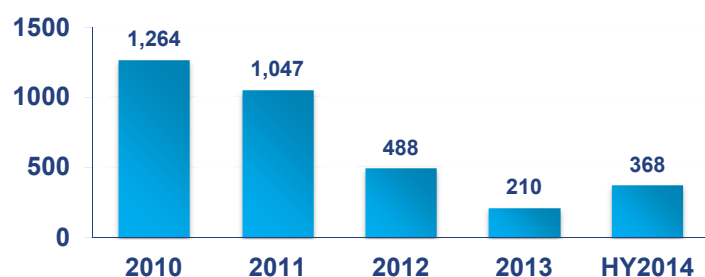
Cash flows

- » Operating cash flows reflect first receipts from PNG LNG and lower tax payments
- » Financing includes US\$1.1 billion share placement to PNG Government and share purchase plan proceeds of US\$169.5 million
- » US\$181.5 million drawn under PNG LNG Project finance facility, offset by repayment of corporate revolving facility drawings of US\$150.0 million
- » Dividend funded with proceeds from underwritten DRP
- » Investment spend driven by PRL 15 acquisition and PNG LNG development

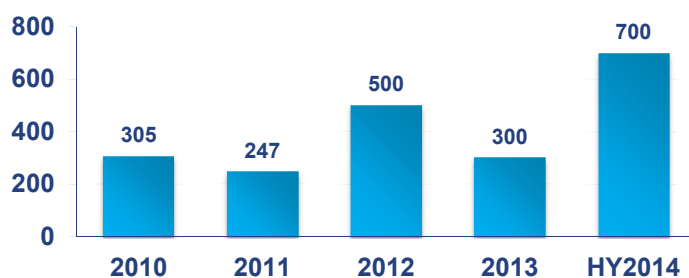


Treasury Update

Cash (US\$M)



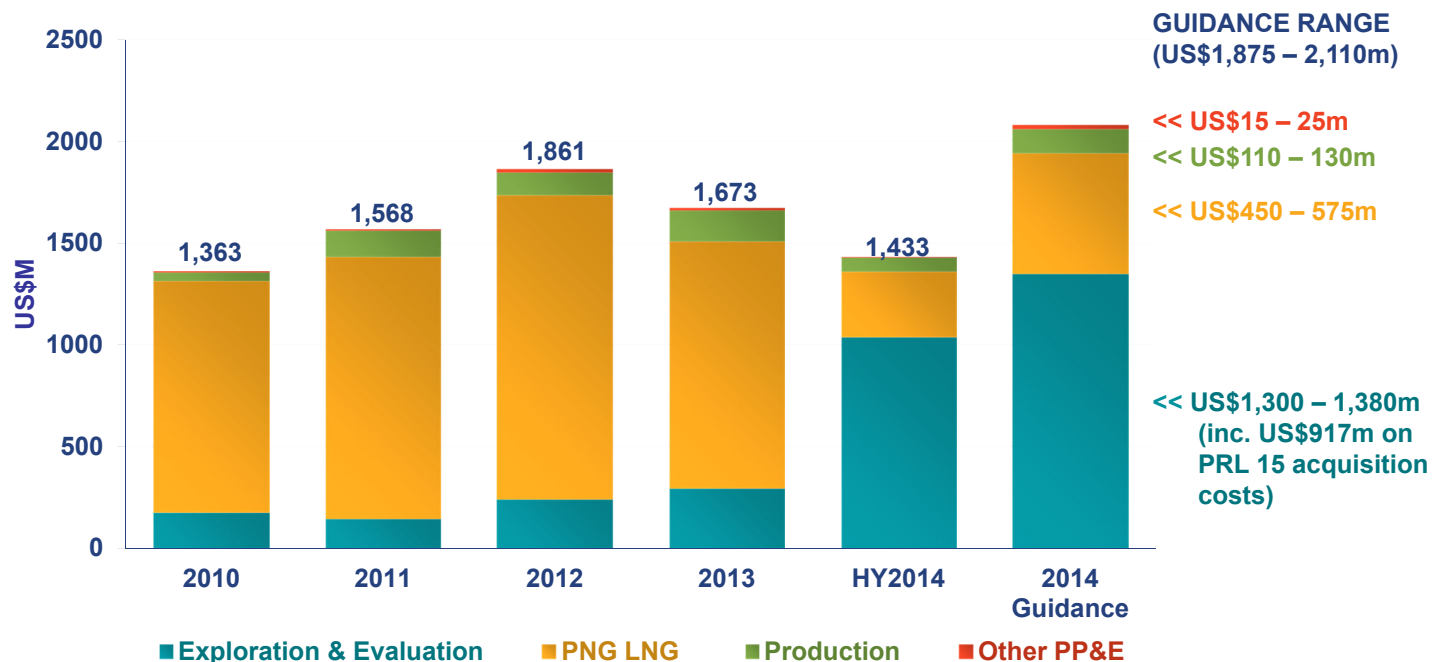
Corporate Facilities Available (US\$M)



- » New bilateral revolving facilities totalling US\$250 million established during HY2014
- » Total liquidity of US\$1,068 million at 30 June comprising US\$368 million cash, US\$450 million available under US\$500 million non-amortising corporate revolving facility and US\$250 million under new bilateral facilities
- » US\$4.08 billion (OSH share) drawn down under PNG LNG Project finance facility
- » 2014 interim unfranked dividend of two US cents per share, to be fully funded via underwritten DRP



Investment Outlook



FY 2014 Guidance Summary



Production

Oil Search operated (PNG Oil and Gas)	6.5 – 6.9 mmboe ¹
PNG LNG Project	
LNG	49 – 57 bcf
Liquids	1.8 – 2.0 mmbbl
Total PNG LNG Project	11.5 – 13.1 mmboe ¹

Total Production

18 – 20 mmboe

Operating Costs

Production costs	US\$12 – 15 / boe
Other operating costs ²	US\$130 – 150 million
Depreciation and amortisation	US\$13 – 15 / boe

Numbers may not add due to rounding

¹ Gas volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf per boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. The change to a specific boe conversion factor more closely reflects the energy content of the Company's gas reserve portfolio compared to the previous conversion factor of 6,000 scf per boe.

² Includes Hides GTE gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, corporate administration costs (including business development) and inventory movements.

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PNG LNG Project start-up – historic milestone for OSH

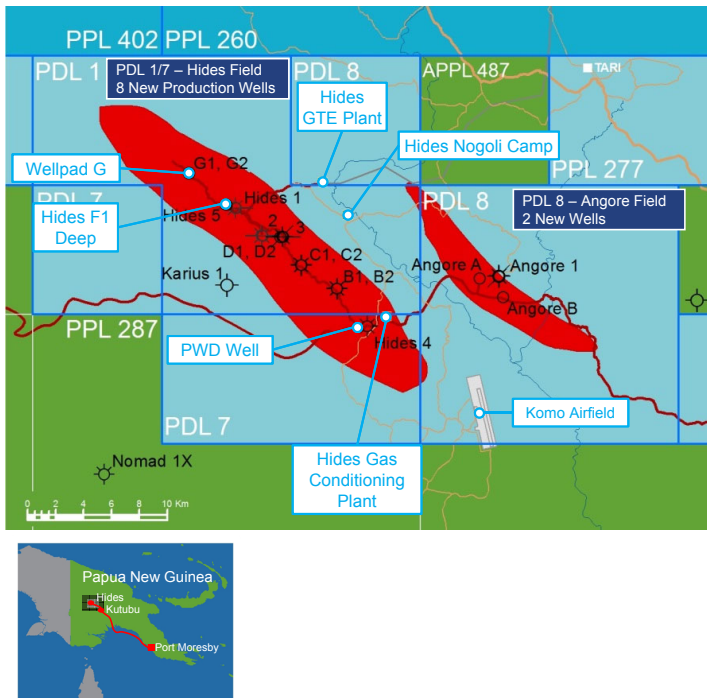


- » PNG LNG Project condensate production commenced late March, with LNG production from Train 1 in April and Train 2 in May, ahead of schedule
- » Sales of new Kutubu Blend, comprising Hides liquids and oil field production, commenced in April
- » First LNG shipments to Asian markets in May:
 - Cargos sold on spot market, prior to start of long term contract sales later in 2014
- » Both trains now operating at full capacity of 6.9 MTPA (3 month ramp-up)
- » Project costs within US\$19 billion revised budget



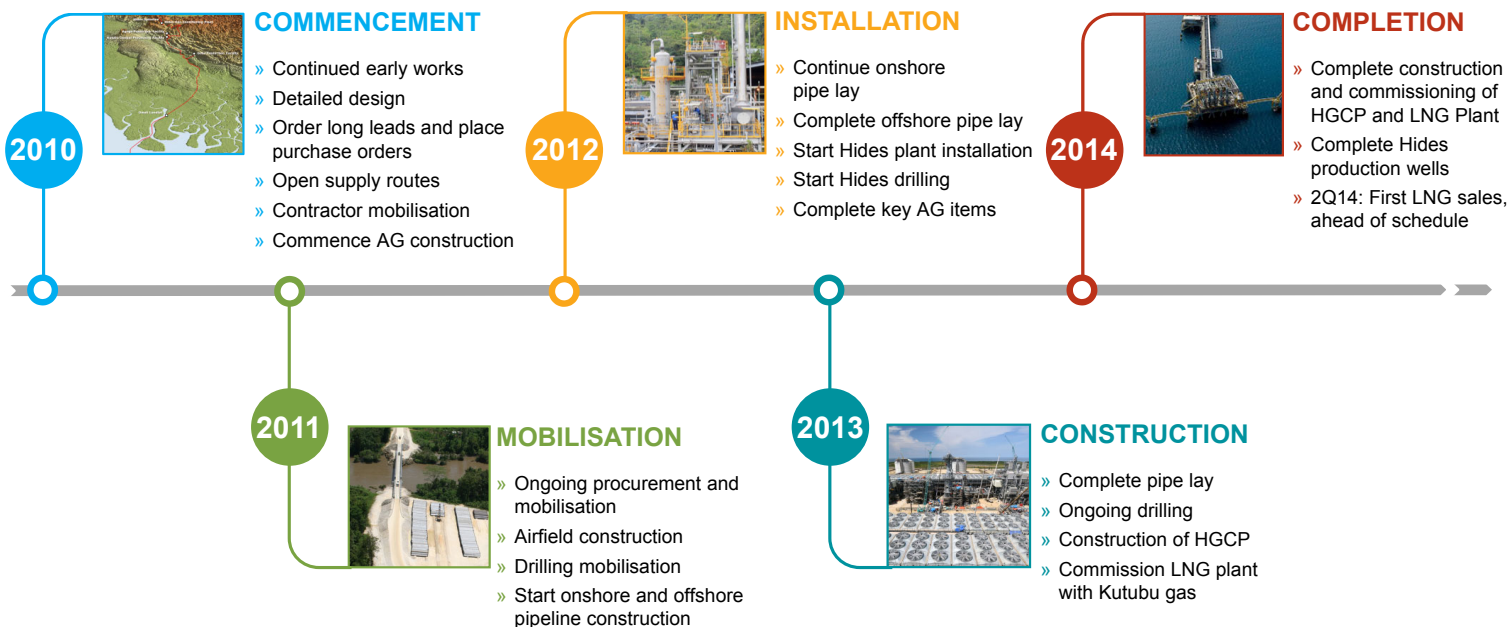
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PNG LNG development drilling ongoing



- » Six Hides production wells at three wellpads (B,C and D) complete and operational
- » G1 at Wellpad G (north west area) encountered gas-bearing reservoir as expected, currently being completed. G2 drilling underway
- » Produced Water Disposal (PWD) well drilling ahead. Will help constrain gas volume in Hides field
- » Hides F1 Deep to spud 4Q14
- » Two wells to be drilled on Angore field, first well to spud 4Q14

Project delivered on time and within revised budget



PNG LNG – first shipment departed for TEPCO, Japan in May 2014



Source: ExxonMobil

All PNG LNG facilities now complete

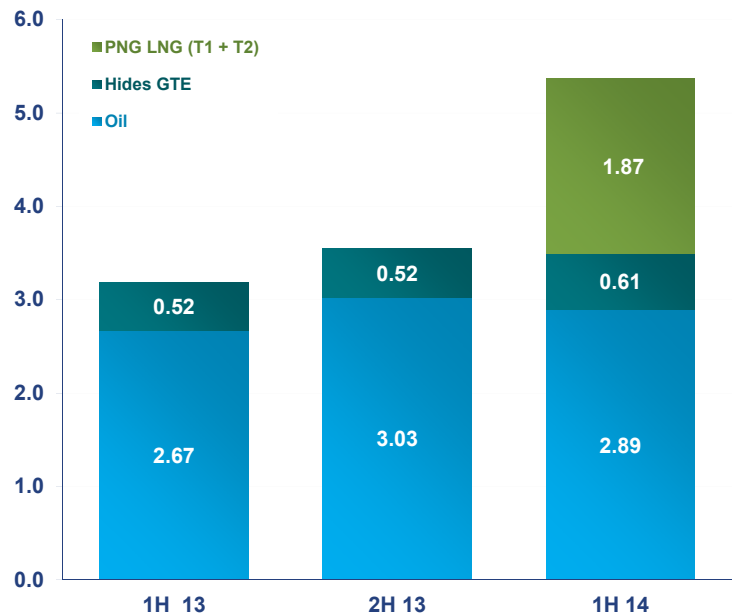


Source: ExxonMobil

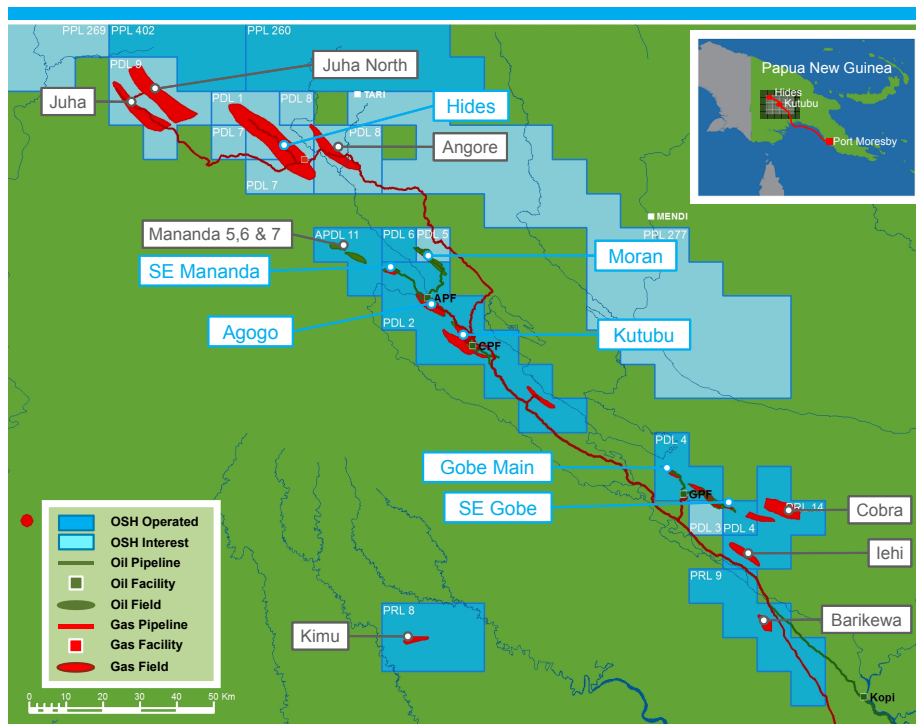
>50% production boost from PNG LNG in 1H14

- » Total production for 1H14 of 5.37 mmboe:
 - PNG LNG Project contributed 1.87 mmboe (1.47 mmboe LNG plus 0.40 mmboe liquids)
 - Oil fields & GTE contributed 3.50 mmboe
- » Materially higher production contribution from PNG LNG expected in 2H14 and beyond

Net Production (mmboe)



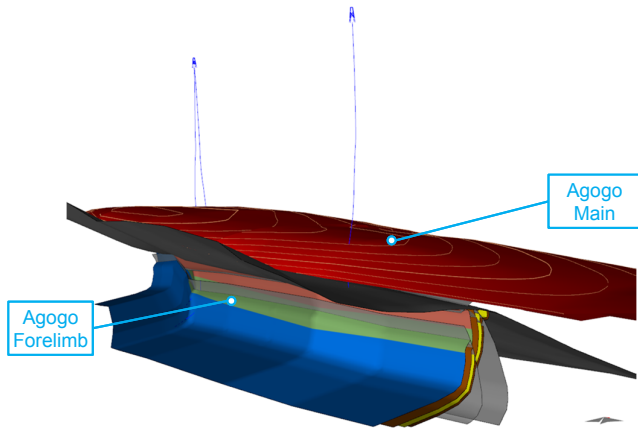
Production underpinned by continued strong performance from oil fields



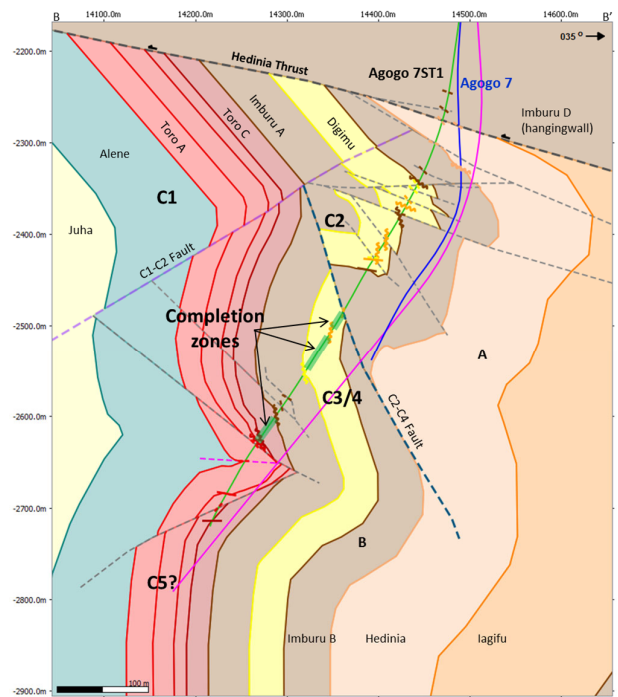
- » 1H14 oil production of 2.89 mmboe, 8% higher than in 1H13. 0.61 mmboe from Hides GTE
- » Strong contributions from Kutubu and Moran fields
- » Further success in development of Agogo forelimb (Agogo 7)
- » Recently drilled wells (UDT 14 and IDT 25ST) have performed above expectations
- » Oil production not impacted by start-up of PNG LNG gas deliveries



Agogo forelimb development : Agogo 7



- » Agogo 7 is third well drilled within complex Agogo forelimb which underlies Agogo Main Field
- » Well successfully encountered oil in vertical beds of forelimb Toro and Digimu reservoirs
- » Initial rates during commissioning > 1,000 bopd



Key 2H14 focus areas



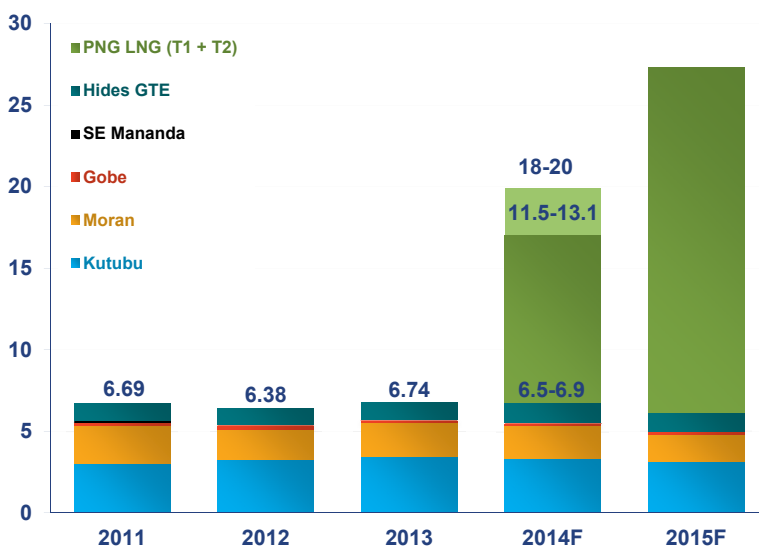
- » Safe, reliable production of oil and gas
- » Ongoing development drilling programme, designed to maximise oil recovery
- » Near field exploration drilling at Usano
- » PNG LNG deliverables:
 - Continued delivery of Kutubu gas
 - Start up of gas delivery from Gobe
 - Blending of Hides condensate with oil field crude and export via Kumul Marine Terminal



Production Outlook

- » Total production guidance for 2014 narrowed, to 18 – 20 mmboe
- » Production from oil fields forecast at 6.5 – 6.9 mmboe, up slightly due to strong production performance in 1H14
- » In first full year (2015), PNG LNG expected to add approximately 21 mmboe net to Oil Search production, comprising 18 mmboe LNG and 3 mmboe liquids
- » 2015 oil production forecast not yet finalised, but expected to be broadly consistent with 2014

Net Production (mmboe)



1 LNG sales products at outlet of plant, post fuel, flare and shrinkage
 2 Oil forecast assumes successful development drilling in 2014/15
 3 Gas:oil conversion rate used in 2014 & 2015: 5,100 scf = 1 barrel of oil equivalent (prior years 6,000 scf/boe)



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Gas Growth

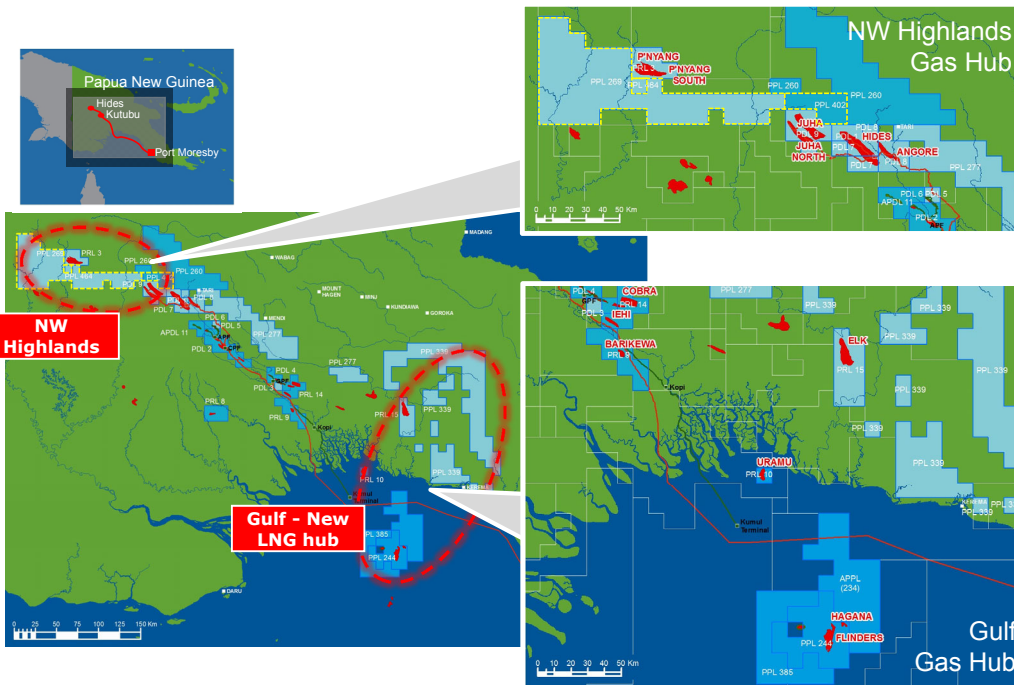
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Exploration/Appraisal

Julian Fowles

Outlook & Summary

Peter Botten

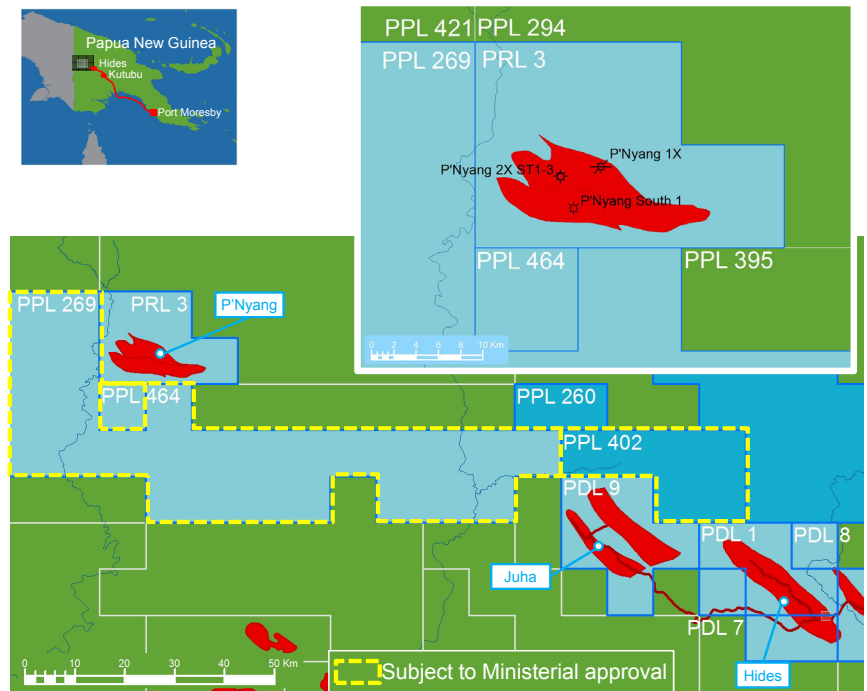


- » Focus on aggregating gas in two hubs – NW Highlands and Gulf Basin - to underwrite additional LNG from PNG LNG Project and other LNG developments
- » Upside in 1P reserves at Hides plus substantial discovered undeveloped gas resources in NW area, upside being tested in PRL 15
- » Oil Search well positioned to realise value from future phases of development, as significant resource and infrastructure owner and proven operator

P'nyang - PRL 3

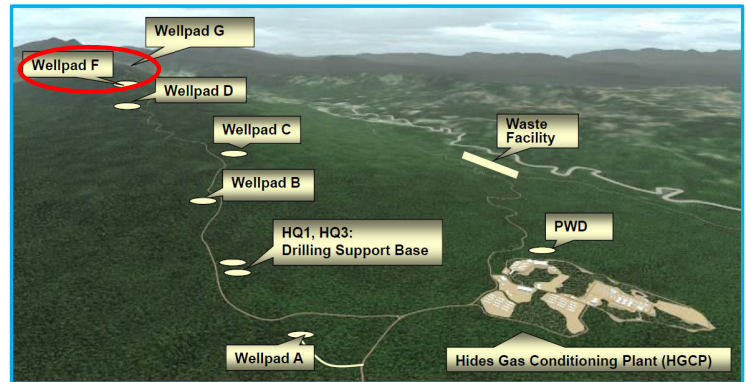
- » Key resource to support potential growth from PNG LNG Project
- » Located 120 kilometres NW of Hides
- » Concept selection work well advanced – engineering, environmental and social mapping
- » Development work to continue through to submission of PDL application in early 2015

PRL 3	WI %
ExxonMobil affiliates (operator Esso PNG P'nyang Ltd)	49.0
Oil Search	38.5
JX Nippon	12.5

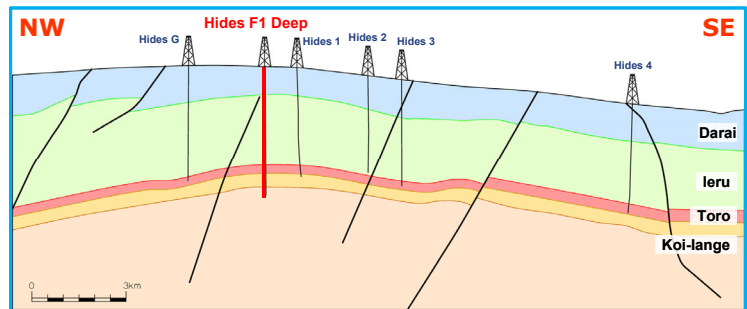


Hides F1 Deep Exploration Well

- » Hides F1 Deep designed to penetrate Koi-lange reservoir (currently mapped ~700m below Hides Toro/Digimu reservoirs)
- » Well to be drilled from Wellpad F, deepening of F1 development well
- » Site complete, drilling scheduled to commence in 4Q14
- » Significant resource potential

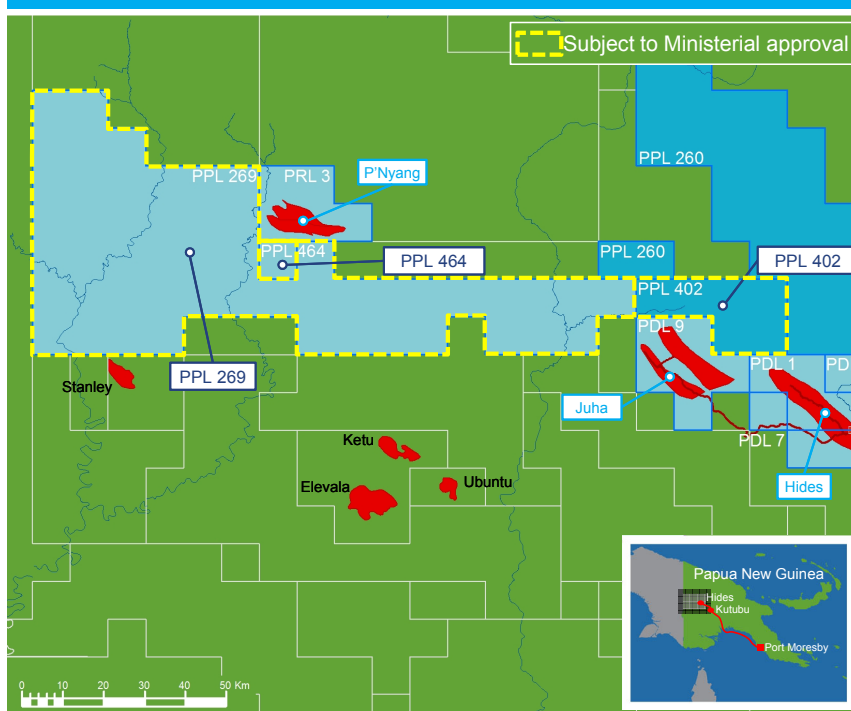


PDL 1	WI %
ExxonMobil affiliates	36.8
Oil Search	16.7
Santos	24.0
Kroton No 2 (PNG Govt)	20.5
Gas Resources Gigira (landowners)	2.0



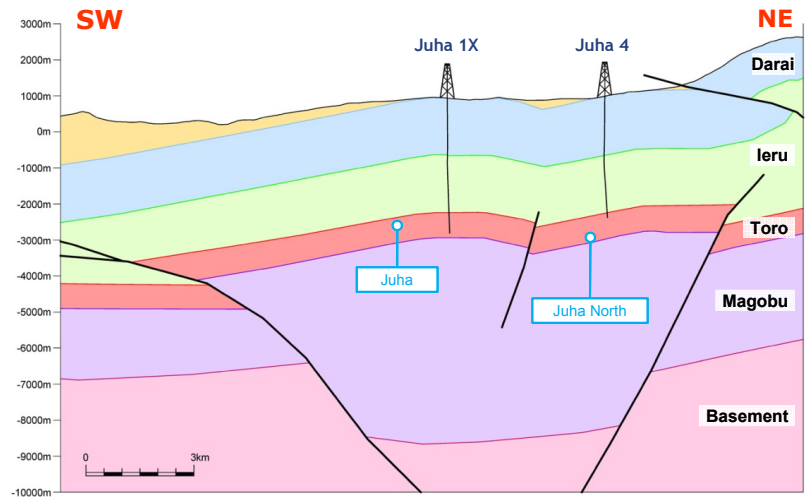
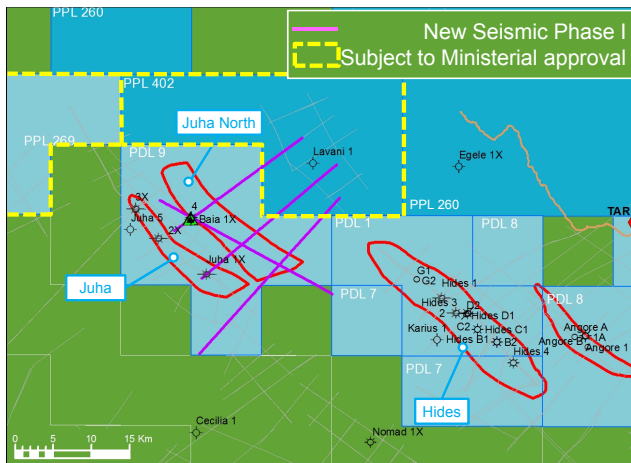
Images from ExxonMobil

Acreage expansion in NW Highlands gas hub



- » Oil Search has expanded NW Highlands acreage footprint :
 - New licence in PPL 464, south of P'nyang field, 50:50 with ExxonMobil (subject to ministerial signing)
 - Entered conditional agreement to acquire 100% of PPL 402, located north of Hides and Juha gas fields
 - Acquired 10% interest in PPL 269 from Mitsubishi, subject to JV and Government approvals
- » Licences in gas province with good potential for material additional resources
- » Further seismic planned for late 2014 / 2015. PPL 269 seismic programme SE of P'nyang underway
- » Drilling possible in late 2015
- » Seeking to identify further gas resources to support additional LNG production

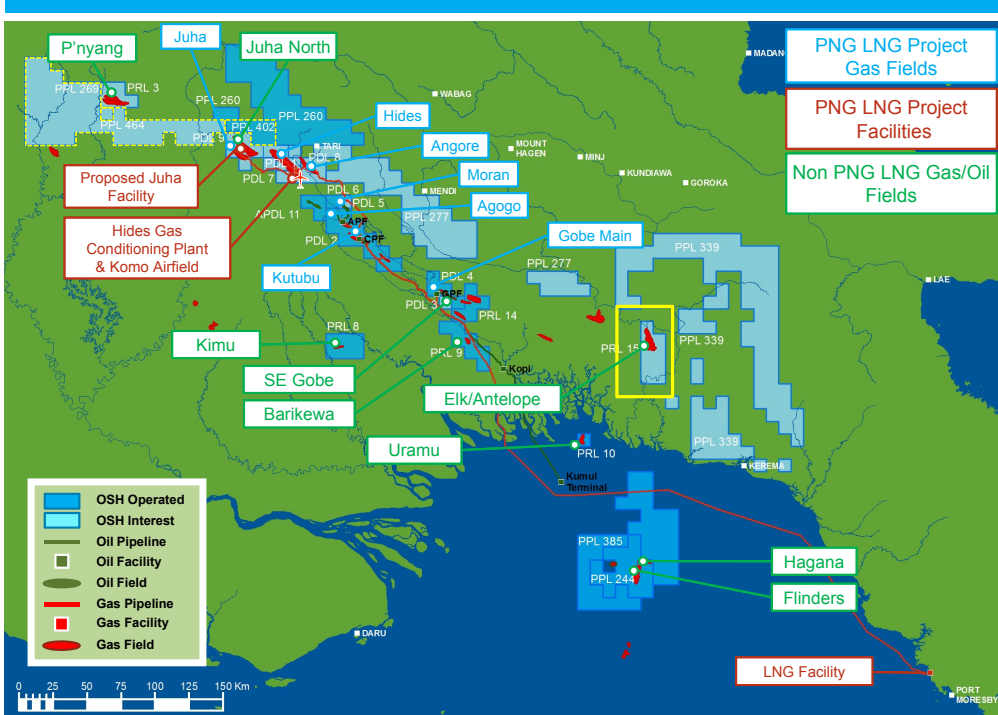
Greater Juha Area Exploration – PDL 9/PPL 402



PDL 9	WI %
Exxon Mobil affiliates (operator Esso PNG Juha Ltd)	43.4
Oil Search	24.4
NPCP	20.5
JX Nippon	9.7
Gas Resources Juha	2.0

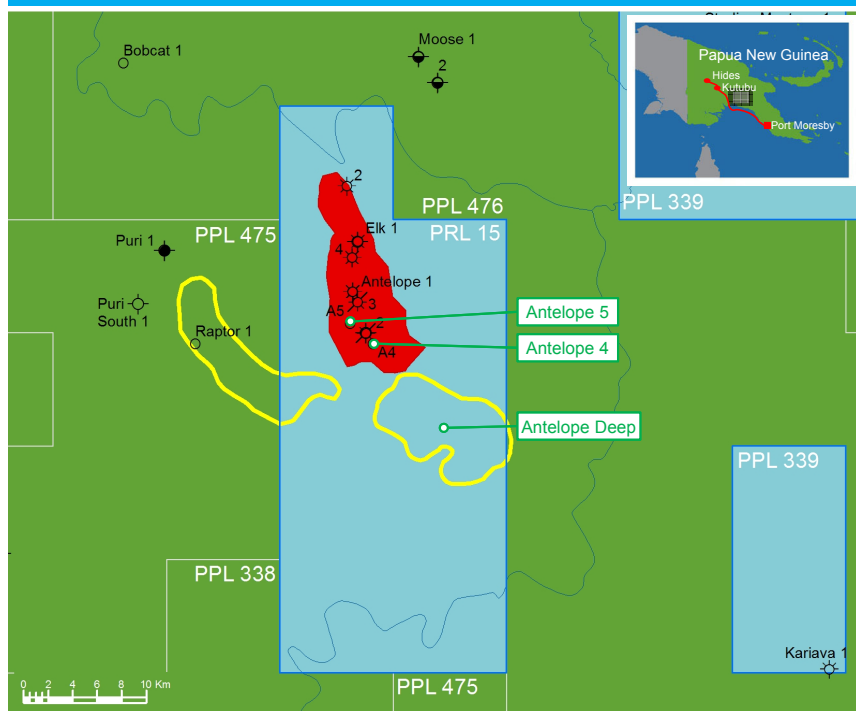
- » Juha North area segment not within PNG LNG Project
- » Gas proven, OSH believes there is significant potential upside, but appraisal necessary
- » Seismic acquisition Phase I completed in 2Q14
- » Encouraging results, with Phase II to start in 4Q14

Elk/Antelope - PRL 15 Gulf Basin gas hub



- » Acquired 22.8% gross interest in PRL 15, containing Elk/Antelope gas fields, in March 2014
- » Largest undeveloped gas resource in PNG with significant exploration upside
- » Acquisition in line with strategy to aggregate gas resources – complements offshore acreage position
- » Arbitration hearing on dispute relating to sale of interest in PRL 15 from InterOil to Total SA, scheduled for November. Substantial additional value, if successful

PRL 15 appraisal programme



- » Up to three appraisal wells to be drilled, to determine whether gas resources can support one or two LNG trains
- » Antelope 4 and 5 both expected to spud in 3Q14:
 - Comprehensive data acquisition and testing programme planned
 - Possible Antelope 6 well, located in the eastern part of the field to be drilled following 4 and 5
- » Preliminary planning underway for possible exploration well on Antelope Deep prospect
- » Scope of Concept Select studies being considered by JV:
 - Likely to include both greenfield standalone and integrated LNG developments concepts

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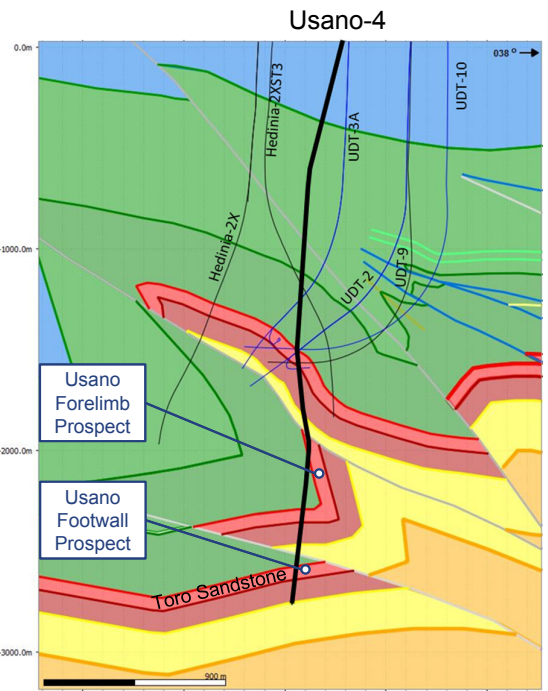
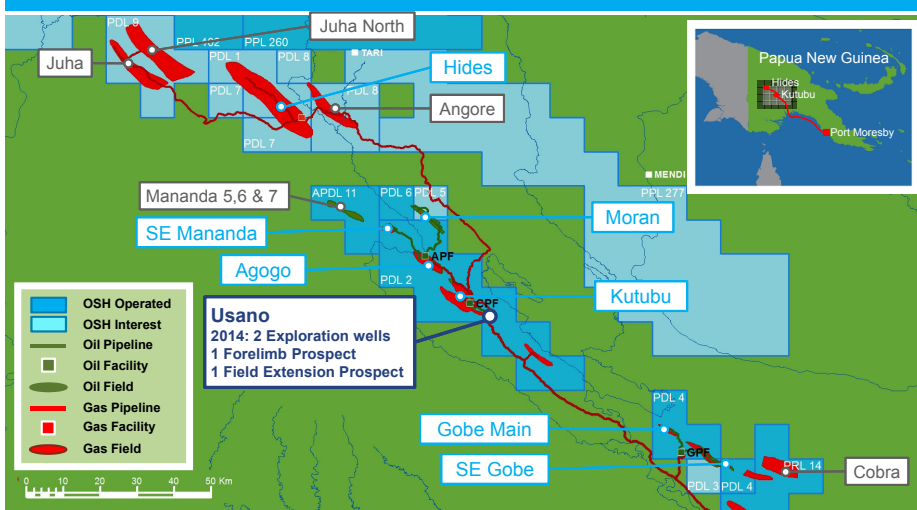
Julian Fowles

Outlook & Summary

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PNG - continued near field oil exploration

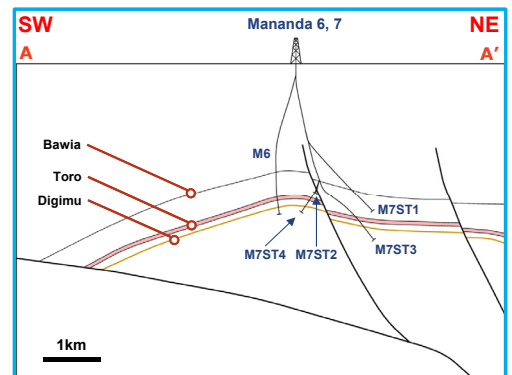
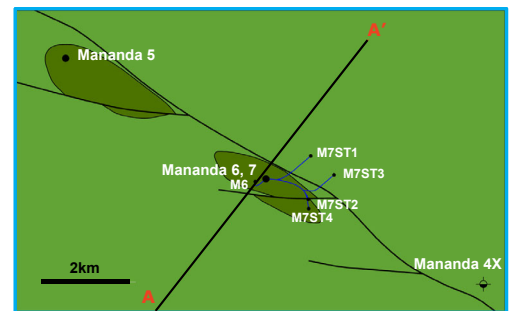


- » Significant potential remains within and around oil fields
- » 2014 wells:
 - Usano 4 forelimb exploration well:
 - Separate prospective fault block east of Usano identified, ready for drilling end 2014

Mananda 7 – PPL 219



- » Mananda 7 spudded in December 2013 to appraise Mananda 6 discovery
- » Mananda 7 has defined structural configuration, more complicated than previously interpreted
- » Upside exists in Mananda 5 pool and several additional prospects. Work ongoing to evaluate these exploration prospects prior to potential well in 2015
- » Continue to evaluate well results and study development options



PPL 219	WI %
Oil Search	71.25
JX Nippon	28.75





International exploration/appraisal

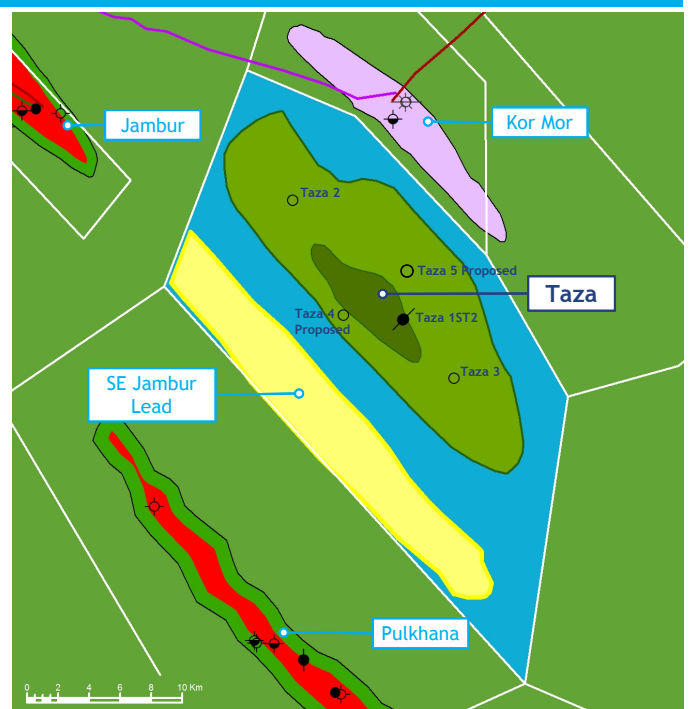
- » International strategy primarily focused on oil opportunities that have material potential
- » Long term strategy is to leverage existing strong relationships and skill base to further develop international portfolio
- » Pace dependent on availability of suitable value-add opportunities, PNG capital commitments
- » Tunisia – plan for seismic acquisition in 3/4Q 2014
- » Current situation in Yemen frustrating operations but planning continues for 2015 access



Comprehensive appraisal of Taza oil discovery, Kurdistan, underway



- » Taza PSC (OSH 60% Operator, Total 20%, KRG 20%)
- » Taza 1 discovery (2013) - light oil proven across Jeribe/Dhiban and Euphrates/Kirkuk intervals
- » Taza 2 appraisal well drilled to total depth of 4,200m, has confirmed northern area of structure. To be tested
- » Taza 3, appraising southern part of field, rigging up
- » Two more wells planned:
 - » Taza 4 on western flank
 - » Taza 5 to east
- » Plan to install Early Production Facility (EPF) on one well in mid-2015
- » 3D seismic acquisition underway, including over SE Jambur lead

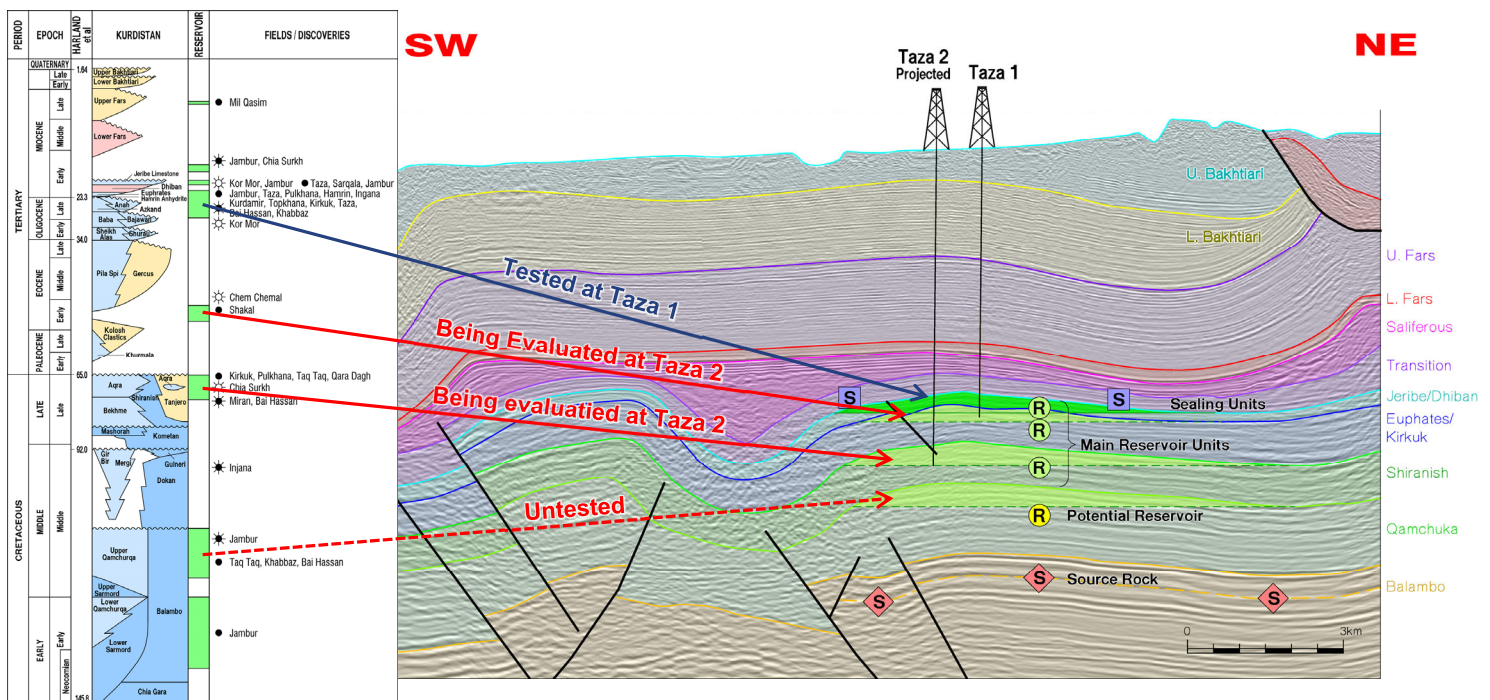


Taza 2 – Results & Forward Plan

- » Located 10km NW of Taza 1
- » Oil observed in same three intervals flow-tested in Taza 1 : Jeribe, Dhiban and Euphrates Formations. Hydrocarbon shows observed through deeper Kirkuk, Jadalla and Shiranish Formations, not penetrated by Taza 1
- » Initial interpretation indicates main potential reservoir intervals have low matrix permeability and natural fractures likely to be required to provide high well test production rates
- » Movable hydrocarbons indicated on logs and fractures observed coincident with intervals of elevated gas readings and oil shows
- » Current security situation in northern Iraq extremely dynamic. Safety of OSH personnel is paramount and situation is monitored daily
- » Well is being temporarily suspended due to regional security impact on supply chain. To resume once security situation allows supply chain to be safely re-established



Taza PSC – additional potential



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Strategic Review – Positioning for Next Phase of Growth

- » Major Strategic Review well advanced:
 - Will set objectives and programmes for Oil Search for next five years
 - Focus is to maintain top quartile returns to shareholders
- » Review is analysing:
 - How to optimise PNG assets and ways to capture full value:
 - Focus on how to develop PNG's gas assets in capital and time efficient way
 - Significant potential value identified, with multiple train development possible
 - Ways to optimise PNG portfolio and manage operating risks
 - Evaluation of non-PNG assets
 - Review of PNG and international new ventures
 - Balance between investing in high returning growth projects and various capital management initiatives
 - Review of organisational structure and capabilities required to continue to deliver top quartile returns for next 5 -7 years
- » Strategy Day planned for 23 October 2014



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Ensuring long term sustainability

- » Government cash flows significantly boosted by PNG LNG Project
- » Vital that revenues flow into community, to ensure long term social stability
- » OSH is committed to using resources, skills and knowledge to support regulatory change and sustainable development:
 - Public: Private partnerships, to assist Government delivery and capacity build
 - Transparency initiatives
- » Comprehensive programmes, to manage and mitigate operating and investment risks and give back to the community:
 - Tax credit infrastructure activities
 - Oil Search Health Foundation and ongoing community programmes
 - Build on current strengths in new regions of operation eg Kurdistan
- » Depth of programmes being reviewed as part of Strategic Review
- » Share register stable, following maturing of exchangeable bonds (IPIC 13%) and 10% placement to PNG Government



Summary



Transformation has begun:

- » PNG LNG Project delivered ahead of schedule and within revised budget:
 - Will quadruple production 2013 – 2015
 - Delivers material cash flow to invest in high returning projects and fund higher dividends
- » Existing assets have potential to underwrite at least two further LNG trains and expansions
- » Taza oil discovery has significant upside potential
- » Oil business remains strong
- » Balance sheet is strengthening rapidly with LNG revenues
- » Strategic Review will provide programme to deliver continued superior returns for next five years