

PNG, a new entrant to LNG supply

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Oil Search



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Introduction

- » PNG joined LNG exporting nations in May 2014
- » Successful delivery of PNG LNG is transformational for PNG and Oil Search
 - Demonstrates ability for PNG to successfully manage complex logistics, social and financial challenges
- » Significant potential for further LNG developments
- » Project fundamentals remain attractive in new oil and gas price paradigm

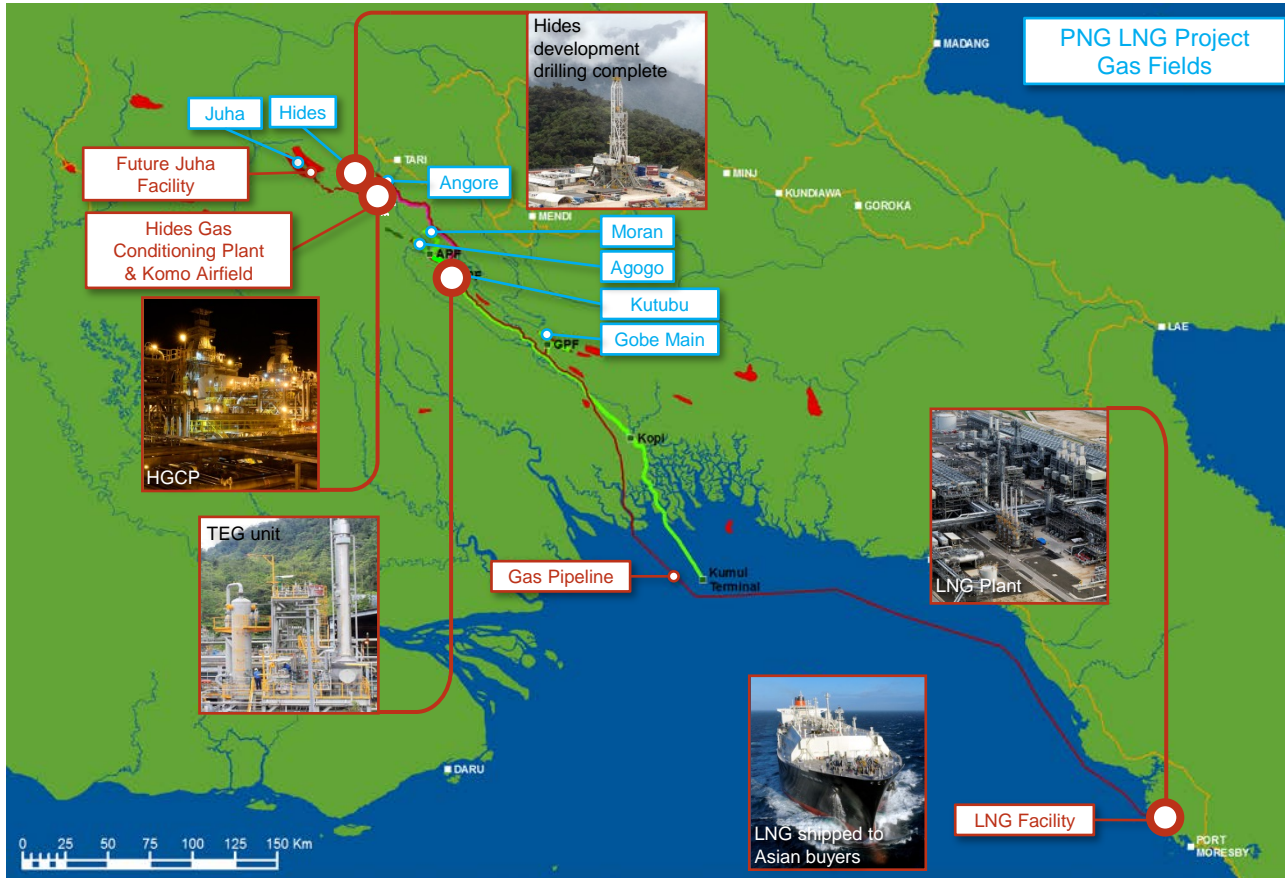


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- » Established in Papua New Guinea (PNG) in 1929
- » Market capitalisation ~A\$12.5bn (US\$10bn)
- » Listed on ASX (Share Code OSH) and POMSOX, plus ADR programme (Share Code OISHY)
- » Operates all PNG's currently producing oil fields. PNG's largest investor
- » 29% interest in 6.9Mtpa PNG LNG Project, world-scale LNG project operated by ExxonMobil. First LNG cargoes shipped in May 2014, has transformed OSH into a significant O&G producer
- » Exploration interests in PNG, Middle East/North Africa

PNG LNG Project

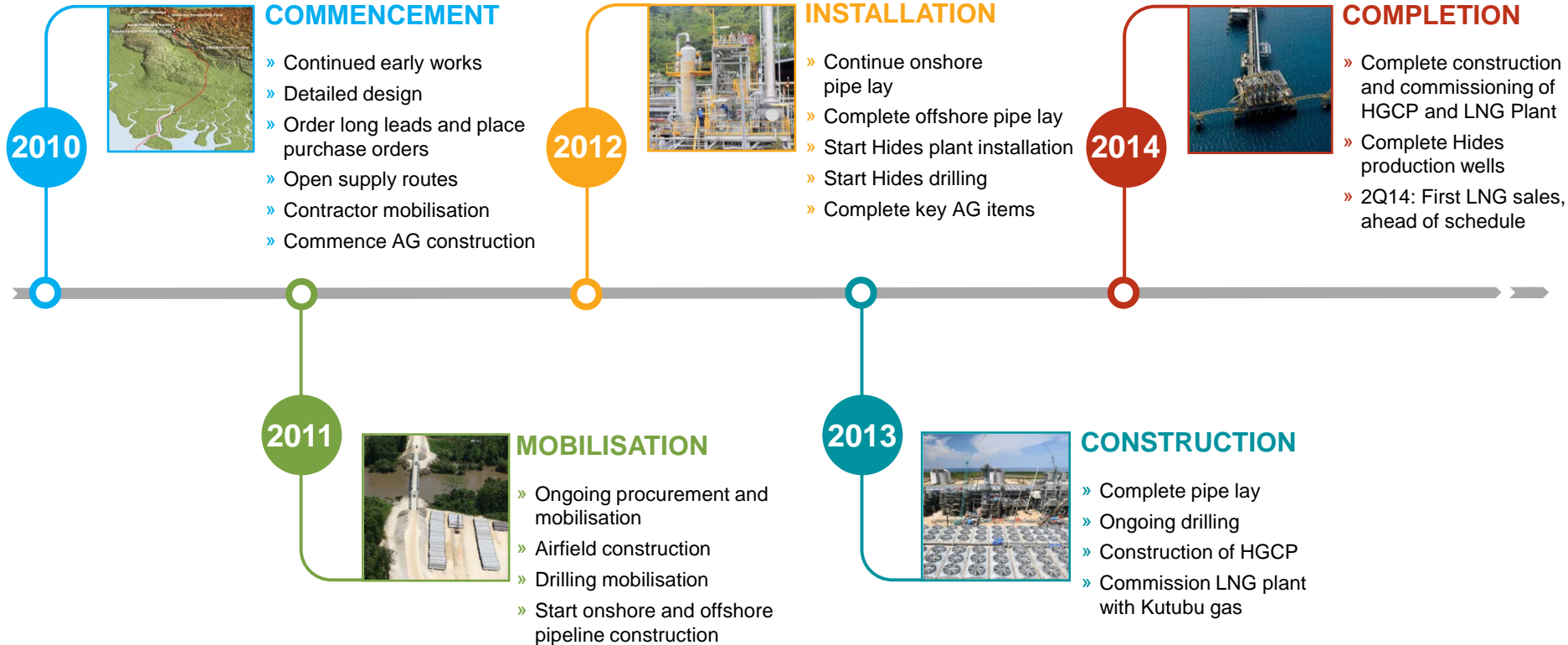


- OSH Operated
- OSH Interest
- Oil Pipeline
- Oil Facility
- Gas Pipeline
- Gas Facility
- Gas Field
- Condensate Pipeline

Project delivered on time and within revised budget



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PNG LNG Project – delivered on time and within revised budget

- » PNG LNG Project condensate production commenced late March, with LNG production from Train 1 in April and Train 2 in May
- » Sales of new Kutubu Blend, comprising Hides liquids and oil field production, commenced in April
- » First LNG shipment in May:
 - Cargos sold initially on spot market, all long-term contract sales (6.6 MTPA) had commenced by end 2014
- » Both trains now operating at or above nameplate capacity of 6.9 MTPA
- » Total development cost of US\$18.8 billion
- » Operational and financial completion achieved in February 2015



PNG LNG facilities



Source: ExxonMobil



First LNG cargo shipped in May



Unloading of first PNG LNG cargo at TEPCO Futtsu-2 Terminal

Source: ExxonMobil

Reasons for success

- » Availability of commissioning gas from OSH-operated Kutubu field in Aug-13, prior to first deliveries from the Hides field in Apr-14, enabling early start-up and rapid production ramp-up at LNG plant
- » Stick built (vs modular built), enabling issues to be ironed out prior to production
- » Conventional LNG project, located onshore, with existing infrastructure base from OSH's oil operations
- » Productive wells with high flow rates – only 12 wells required to sustain production for 30 years, resulting in low ongoing capex
- » Substantial 1P certified reserves base with high heating value, attracting premium pricing and suitable for Asian reticulation network
- » High liquids, enhancing economics
- » Located close to growing Asian LNG markets
- » Stable fiscal regime with strong Government support
- » Aligned Joint Venture. Exxon highly respected as able to deliver and operate major LNG projects, augmented by OSH's 86 years of in-country experience
- » Provides attractive returns and is robust to product price movements



Image courtesy ExxonMobil

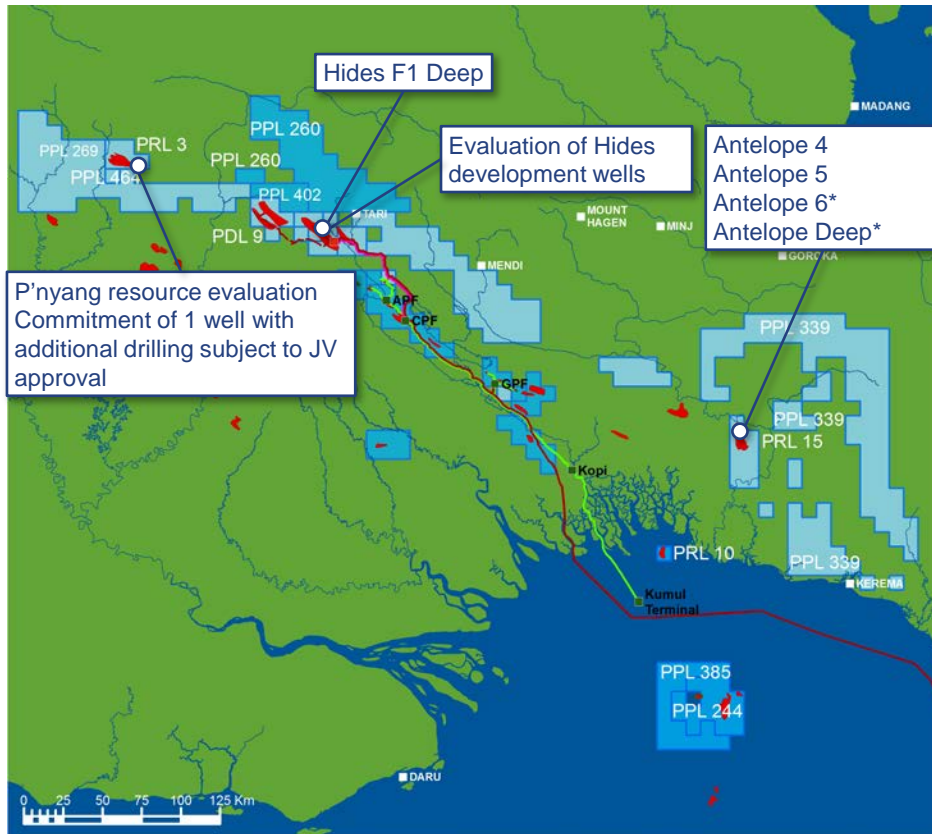
Commercialising PNG's undeveloped gas remains key focus for OSH

- » PNG LNG Project has delivered strong platform for growth
- » PNG can deliver at least two more LNG trains underpinned by existing undeveloped resources and third train with modest drilling success
- » Two key resource hubs, in which OSH holds strong positions, will supply next phase of development:
 - North Western Hub (including the P'nyang field)
 - Gulf Hub (Elk/Antelope fields)
- » Based on OSH's revised oil price expectations and cost assumptions, expansion and standalone opportunities both remain economically attractive
- » Multiple exploration opportunities remain, to potentially provide backfill gas or additional trains
- » Delivery of near term additional trains is common objective for industry, communities and Government
- » OSH well positioned to play key role to ensure optimum development outcome for all stakeholders



Images courtesy ExxonMobil

Gas resource evaluation ongoing in NW Highlands and Gulf



- » Key resource evaluation activities currently underway:
 - Structural remapping and reservoir modelling based on information from Hides development wells commenced in 2014. Will help further constrain Hides resource
 - Hides F1 well – material Koi lange exploration target underlying Hides field, currently drilling towards target
 - P'nyang: initial preparations for further drilling to assess resource potential
 - Antelope 4 and 5 appraisal wells: will likely establish whether resource can underpin one or two trains
 - Antelope 6 (to assess resource upside) and Antelope Deep (exploration well) to be drilled in 2015, both wells subject to JV approval
- » Resource clarity will determine progression through to Concept Select/pre-FEED/FEED

P'nyang licence agreement – a significant step



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- » ExxonMobil PNG Limited (as operator of PNG LNG and PRL 3) and PNG Government signed MoU in January 2015:
 - P'nyang to provide long-term gas resources to support domestic power and potential PNG LNG Project expansion
 - Commitment made for additional P'nyang appraisal drilling
 - Timetable set to reach FEED and FID milestones for expansion train
- » PDL application on P'nyang field submitted in February, award expected in early 2015
- » Preliminary interpretation of recently acquired seismic and core data has been positive. Subject to further appraisal drilling and technical studies, 2C contingent resource could increase.
- » Near term appraisal drilling will help further constrain 1C and 2C resource in P'nyang

PRL 15 appraisal and exploration



» Arbitration outcome:

- Complex, non-unanimous decision
- Finalising joint venture management issues
- Total appointed project operator

» Antelope 4 spudded in September:

- Located 1 km south of Antelope 2
- Testing southern part of structure
- Drilling delayed due to rig issues

» Antelope 5 spudded in December:

- Located 1.8km west of Antelope 2
- Testing western extent of structure
- Provisional top reservoir ~50m high to OSH prognosis

» Probable Antelope 6 well, located in eastern part of field, to be drilled following 4 and 5 (subject to JV approval)

» Preparations underway for exploration well on Antelope Deep prospect (subject to JV approval)

» 2015 focus complete resource evaluation, select development concept and move into pre-FEED

OSH role in future LNG developments

- » Unique opportunity over next 12 months to drive optimal development plan, through promoting cooperation agenda:
 - Extensive equity interests spanning sources of expansion gas
 - Alignment with PNG Government
- » Leverage OSH's local knowledge and PNG LNG experience through role in upstream development:
 - OSH operates Associated Gas Fields, which contribute ~20% of PNG LNG Project gas as well as liquids export system
 - Successfully delivered key components of PNG LNG infrastructure
 - Key role supporting PNG LNG operator in Government and landowner negotiations
- » Extensive exploration portfolio may supply additional trains or extend plateau



Image courtesy ExxonMobil

Contributing to long-term sustainability in PNG



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- » Government cash flows impacted by oil price fall
- » However, landowners and community expectations have not changed
- » Partnership between State and private sector vitally important, to ensure benefits are delivered
- » Focus areas:
 - Provision of competitively priced, reliable power through recent MoU
 - Port Moresby
 - Highlands
 - Potential further power involvement by OSH:
 - Ramu Grid
 - Small scale LNG for resource projects and remote communities
 - Partnerships on infrastructure development (eg tax credit scheme)
 - Partnerships on health programmes (Health Foundation)
 - Capacity development
- » Operating and political stability essential for long-term sustainability



Summary

- » PNG well situated to significantly expand LNG industry over next 5-7 years
- » Successful delivery of PNG LNG demonstrates major capital projects can be completed in country
 - Excellent resource base
 - Well supported by customers and financiers
 - Strong Government and community support
- » Significant gas resource potential remains in PNG
 - Discovered resources likely sufficient for two further trains, three trains with appraisal success
 - Critical appraisal drilling underway
- » Potential to more than double production by 2021
- » Project coordination critical factor to enhance value delivery

