

Macquarie Australia Conference Oil Search Update

May 2015



Oil Search



Oil Search Limited
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ASX: OSH | POMSoX: OSH | US ADR: OISHY

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2014 – transformational year for Oil Search

» 2014 marked successful delivery of landmark PNG LNG Project:

- Smooth Project commissioning and start-up
- Ramp-up to full capacity completed ahead of expectations, now consistently producing at/above nameplate
- Major impact on production and profitability
 - 2014 production up 186%, from 6.7 mmbob to 19.3 mmbob:
 - 2014 reported NPAT (including impairments) up 72% to US\$353.2 million.

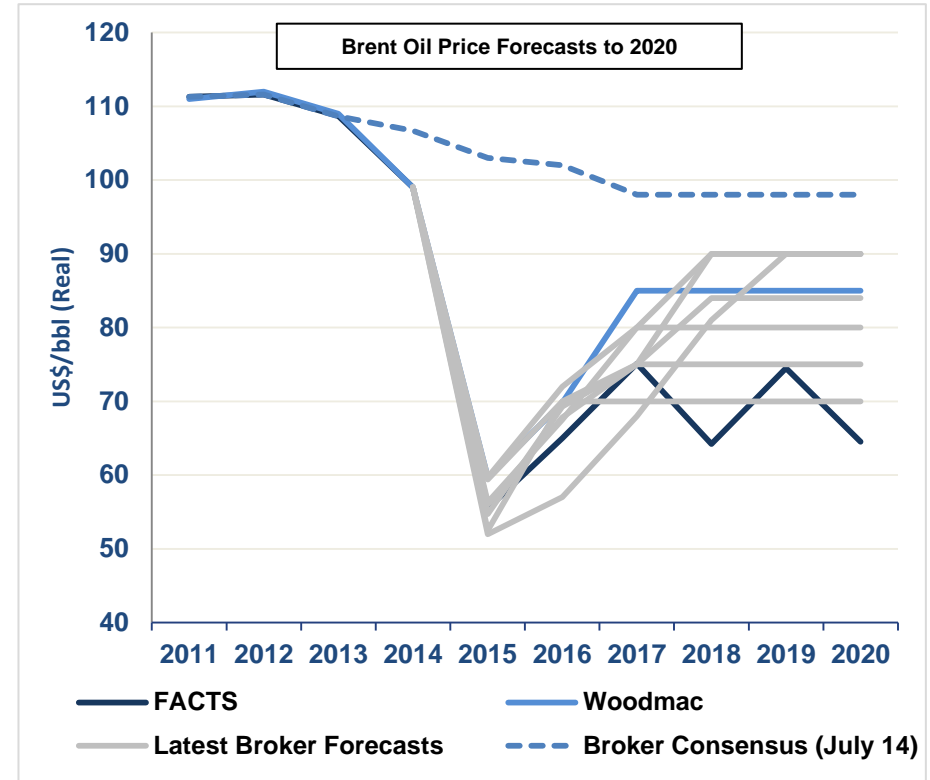
» Significant progress on positioning for next phase of gas development in PNG:

- P'nyang MOU signed in January 2015:
 - Sets roadmap for development of P'nyang field to support LNG expansion and domestic power
- Elk/Antelope:
 - Acquired 22.8% interest in PRL 15 in March 2014
 - Potential second world scale LNG development in PNG
 - Appraisal and testing underway



2015 onwards – adapting to the new oil price environment

- » Size and speed of oil price fall was unexpected
- » Led to a reassessment of 2014 major Strategic Review. Key conclusions:
 - OSH is in strong position to manage lower oil price environment, with production profitable below present prevailing oil prices
 - Proposed LNG growth projects remain attractive based on current long term oil price assumptions
 - Industry capital cost deflation now taking place
 - Presents opportunity to recalibrate business, improve efficiencies, sharpen fiscal discipline and underscore investment returns
 - Lower oil prices will impact future cash flows but with careful management, OSH can fully fund its equity share of two new gas development projects
 - Overall, strategic direction remains unchanged



Source: FACTS Global Energy, Wood Mackenzie, Various Brokers, OSH analysis

Adapting to the new oil price environment



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- » 'Plan for the worst, hope for the best':
 - Lower for longer approach
 - Planning on basis that oil prices will be materially lower than over past five years
- » 2015 work programmes re-prioritised:
 - Capex reduced, with cuts primarily in exploration, non-gas discretionary spend
 - 2015 opex reduced
 - Actively engaging with contractors to further reduce costs by targeted 15 – 25%
 - Activities not required for safety or priority projects have been deferred
 - Looking to high-grade PNG portfolio to further support strategic initiatives
- » Business Optimisation Programme initiated. Strategic, measured and reasoned approach to seek further cost savings, work efficiencies and business value building opportunities, without compromising safety and long term sustainability.
- » Proportional dividend payout ratio of 35 - 50% core NPAT remains appropriate
- » Focus is to maintain top quartile returns to shareholders, underpinned by delivery of at least two new LNG trains in PNG

| 2015 Spending Cuts | | |
|----------------------------------|------|---|
| PNG Oil and Gas production costs | ~20% | ↓ |
| Exploration and evaluation spend | ~25% | ↓ |
| Production capital | ~20% | ↓ |
| Corporate capital | ~40% | ↓ |



PNG LNG Project – performing ahead of expectations

- » PNG LNG Project – a major success story:
 - Delivered ahead of expectations and within revised US\$19bn budget:
 - Condensate production commenced late March 2014, with first sales of Kutubu Blend, comprising Hides liquids and oil field crude, in April 2014
 - LNG production from Train 1 commenced in April and from Train 2 in May. First LNG shipment in May 2014
 - LNG cargos sold initially on spot market, all long-term contract sales (6.6 MTPA) had commenced by end 2014
 - Operational and financial completion achieved in February 2015
 - To date, Project has produced more than 6 million tonnes of LNG and delivered 87 cargoes
- » Both trains now operating at or above nameplate capacity of 6.9 MTPA
- » Focus on production optimisation/debottlenecking

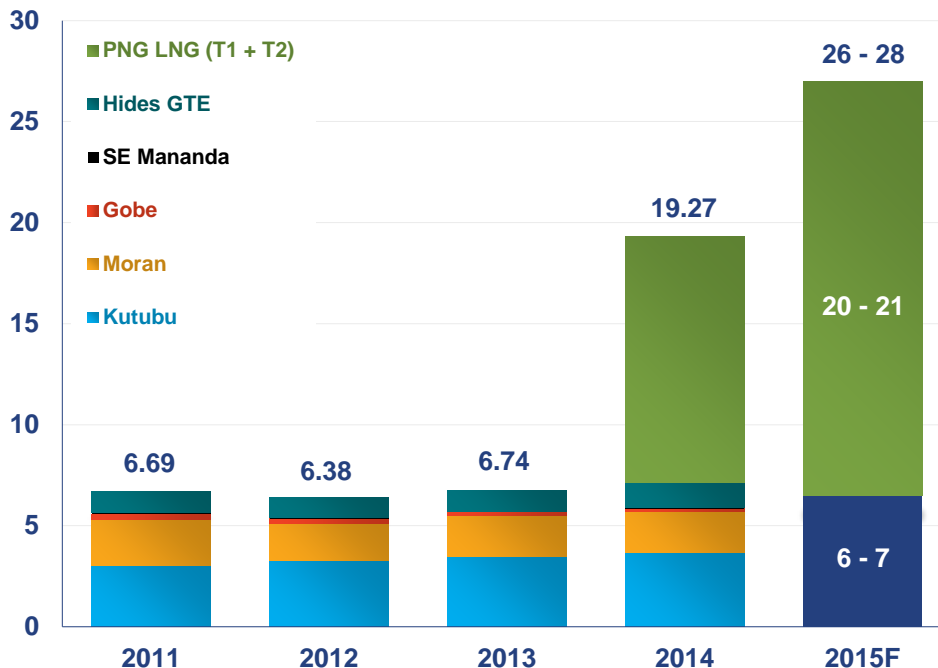




2015 production outlook

- » 2015 production guidance maintained at 26 – 28 mmboe:
 - PNG operated production: 6 – 7 mmboe
 - PNG LNG: 20 – 21 mmboe (~18 mmboe LNG and 3 mmboe liquids)
- » Safe, reliable production of oil and gas remains key priority
- » PNG LNG Project and oil fields profitable at current oil prices, but 2015 capital and operating cost budgets revised in light of lower oil prices
- » Gas sales agreement between SE Gobe JV and PNG LNG Project recently executed. Export of gas to Project commenced on 1 May 2015
- » OSH deliverables for PNG LNG :
 - Continued delivery of Kutubu and Gobe gas
 - Continued operation of liquids export system via Kumul Marine Terminal
 - Support operator in studying debottlenecking opportunities – potential to deliver incremental value

Net Production (mmboe)



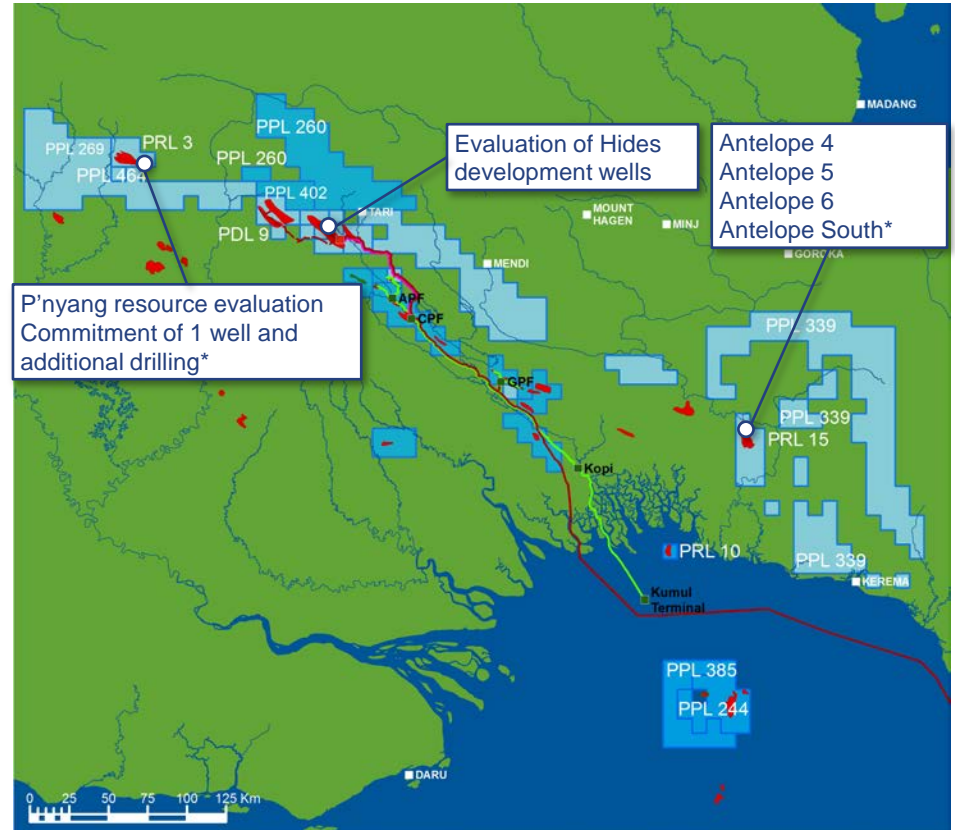
1 LNG sales products at outlet of plant, post fuel, flare and shrinkage

2 Oil forecast assumes successful development drilling in 2015

3 Gas:oil conversion rate used in 2014 & 2015: 5,100 scf = 1 barrel of oil equivalent (prior years 6,000 scf/boe)

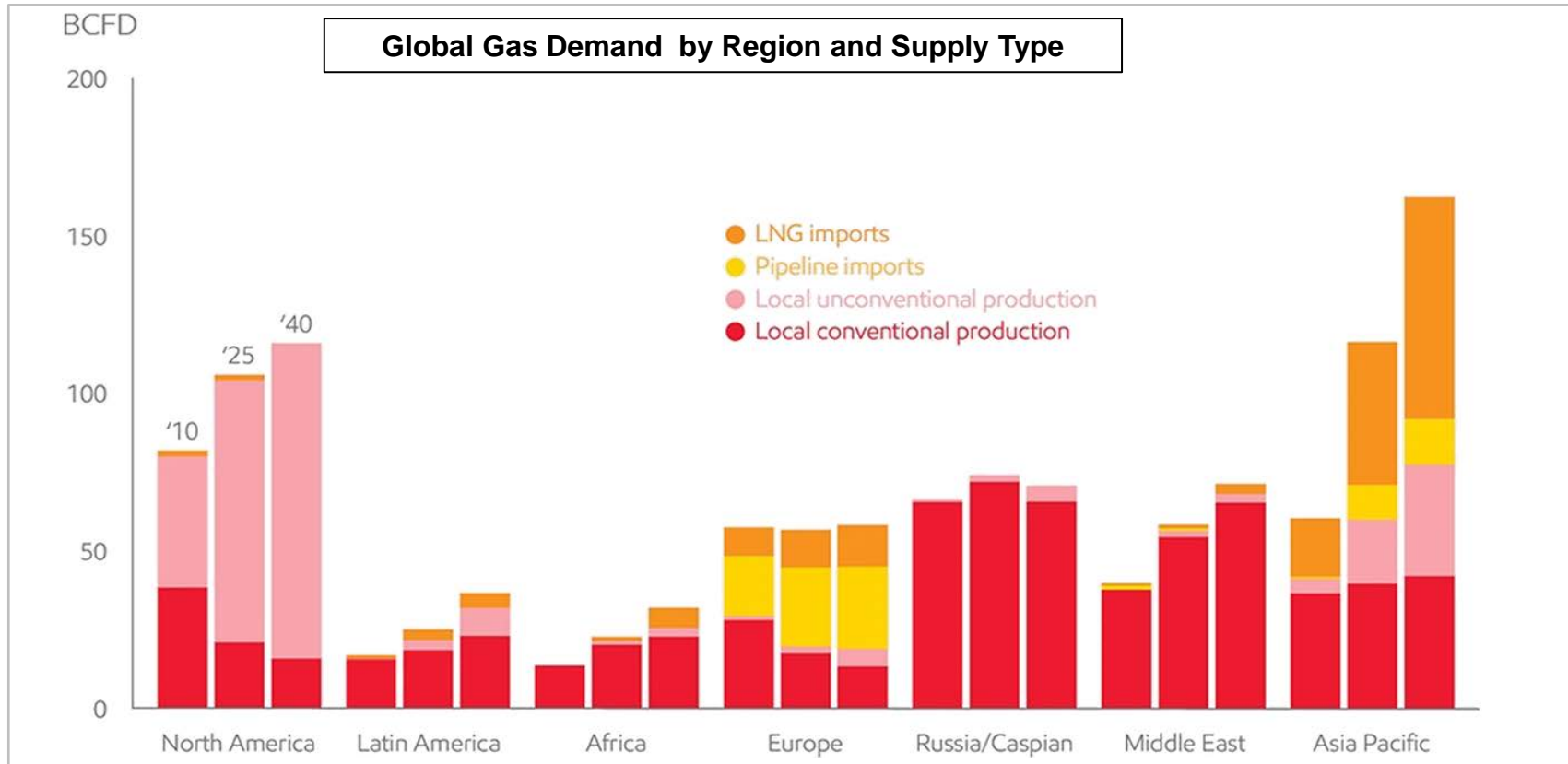
Key focus for OSH is commercialising PNG's undeveloped gas

- » 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 - NW Hub and Gulf Hub - in which OSH holds strong positions, will supply next phase of development
- » Based on OSH's revised oil price expectations and cost assumptions, PNG LNG expansion and Elk/Antelope development are 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



* Subject to JV approval

Ample market potential: global LNG demand forecast to nearly double over next decade

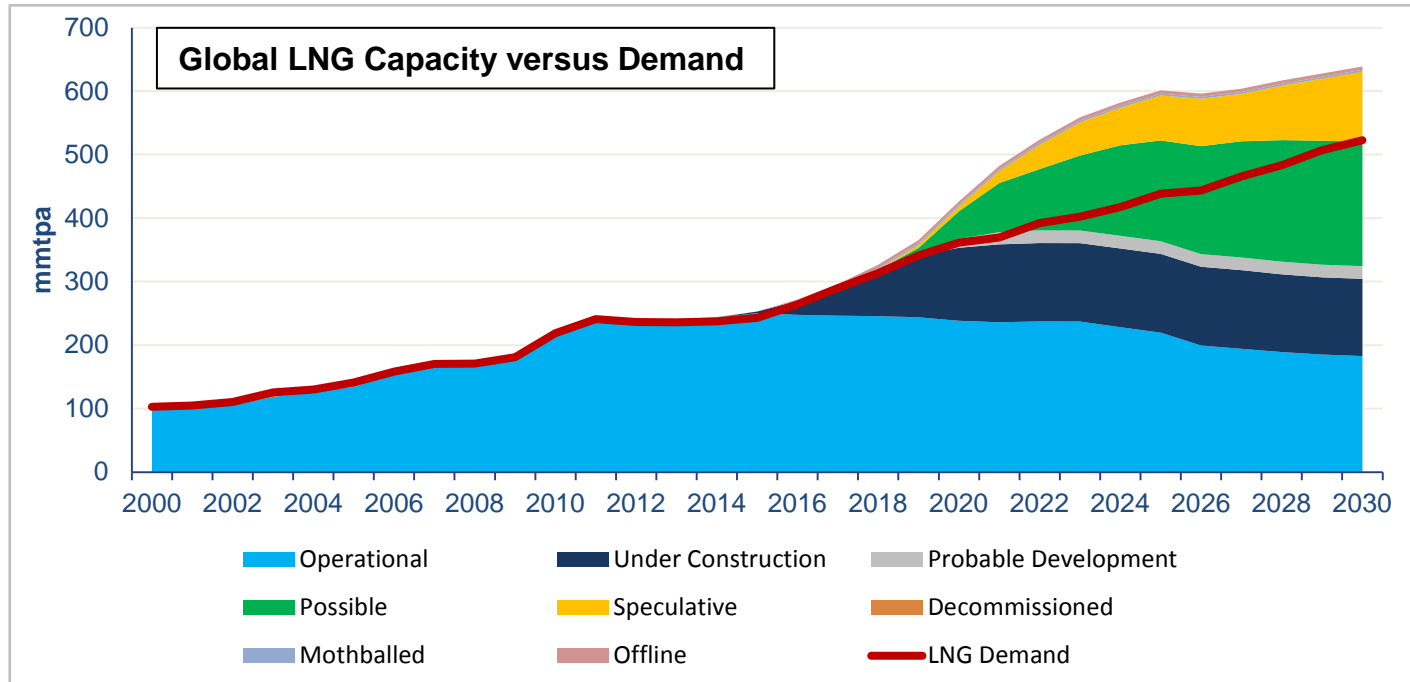


Source: ExxonMobil, *The Outlook for Energy*, Dec 2014

Many LNG projects have been proposed to satisfy this growth, but....



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Source: Wood Mackenzie, 4Q 2014

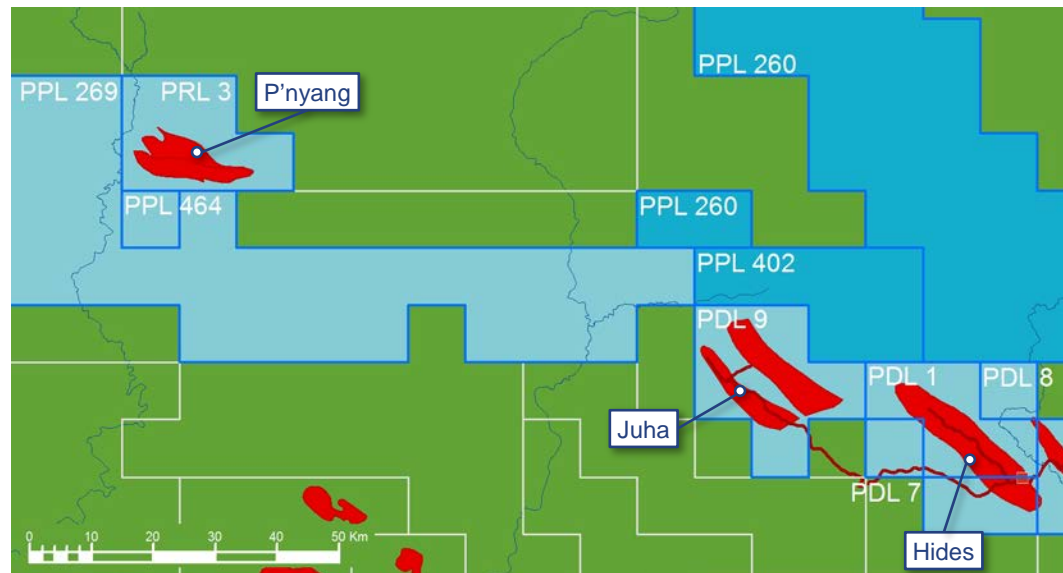
“Grassroots LNG projects will stall. Costs are simply too high...”

Dr. Fesharaki,
Feb 2015

- » Many proposed greenfield LNG projects are not economic at US\$50/bbl without reductions in capital costs
- » LNG from PNG may find reduced competition for customers when it begins marketing



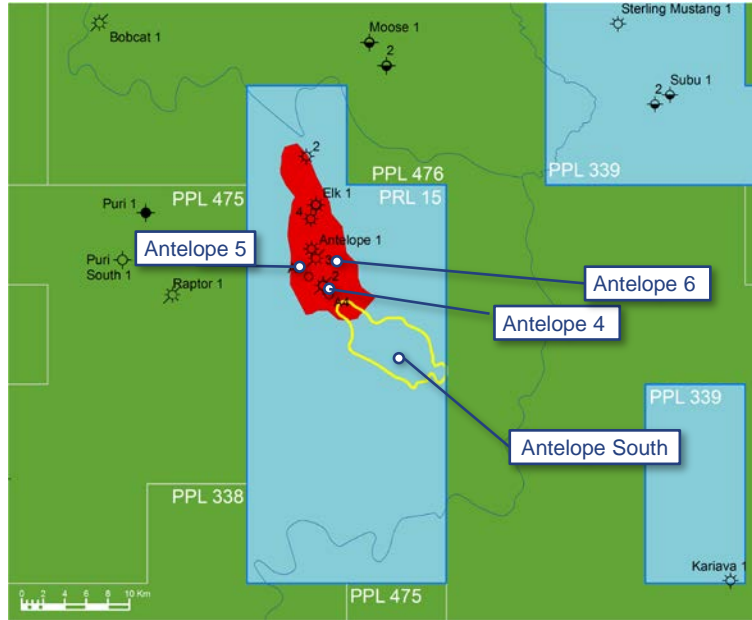
NW Hub: LNG expansion and power MoU signed



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

- » 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
- » In line with MoU, power sale agreement with PNG Power, to supply 25MW of power for local use, signed in April 2015
- » Recent interpretation of seismic and core data on P'nyang has been positive. Subject to further appraisal drilling and technical studies, 2C contingent resource could increase materially
- » Appraisal drilling will help further constrain 1C and 2C resource in P'nyang

Gulf Hub: PRL 15 (Elk/Antelope) appraisal



| PRL 15 | WI % |
|-------------------|-------------|
| Total | 40.1 |
| InterOil | 36.5 |
| Oil Search | 22.8 |
| Minorities | 0.5 |

» Comprehensive appraisal programme underway, with initial results encouraging:

- Antelope 4:
 - Located ~1 km south of Antelope 2, testing southern part of structure
 - Within reservoir, cores being analysed
 - Well presently suspended while JV makes decision on forward plan
- Antelope 5:
 - Located ~1.8 km west of Antelope 2, testing western extent of structure
 - Has encountered reservoir in line with expectations
 - Testing programme recently commenced
- Antelope 6:
 - Located in eastern part of field
 - Well site preparation underway

» Project timetable*:

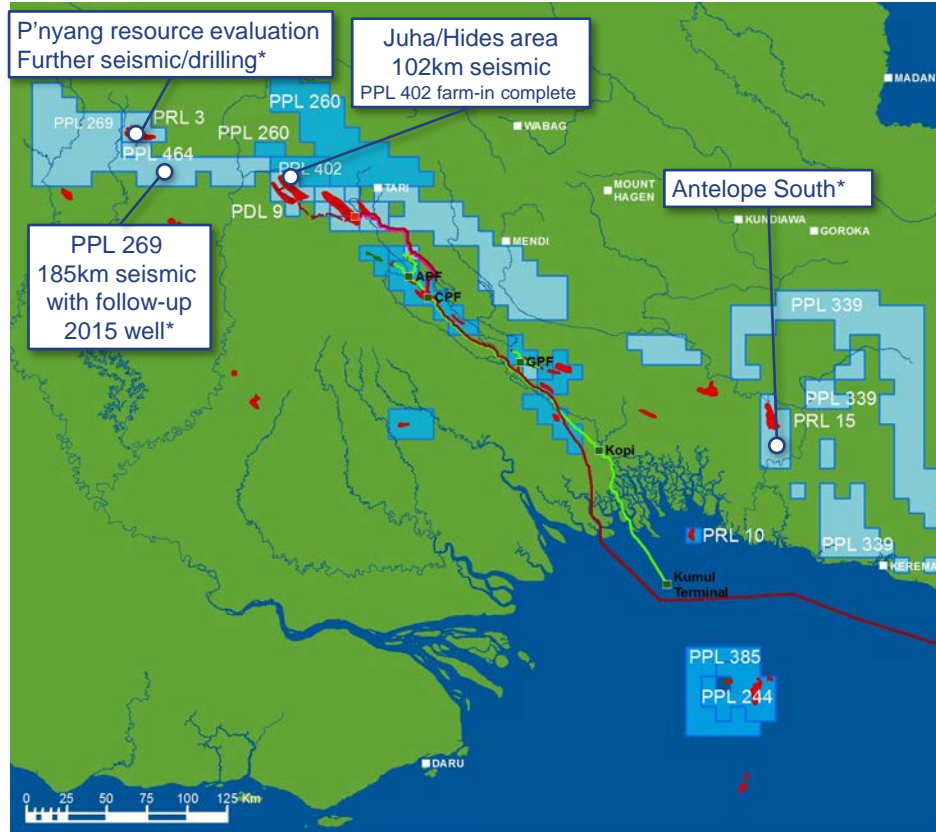
- 2015: complete resource evaluation, select development concept and move into pre-FEED
- 2016: enter FEED
- 2017: Final Investment Decision

Antelope 5 initial well test



Photos Source: InterOil

PNG gas exploration activities



* Subject to JV approval

» Focus of 2015 PNG exploration and evaluation programme will be:

- Addressing material gas prospects to support PNG LNG expansion or additional trains:
 - Attractive gas opportunities in areas around PRL 3, PDL 9, PDL 1, PRL 15
- Maturing targets for 2016/17 drilling

» Key gas exploration activities in 2015:

- Antelope South exploration well* – planning underway for late 2015 spud, high potential well in close proximity to Antelope
- Extensive seismic and field work in NW Highlands exploration licences to mature 2016/17 drilling targets
- One well to be drilled in PPL 269* (Talisman-operated)
- Major PNG basin-wide review underway, focused on acquiring strategic material licence interests, to support long term programme

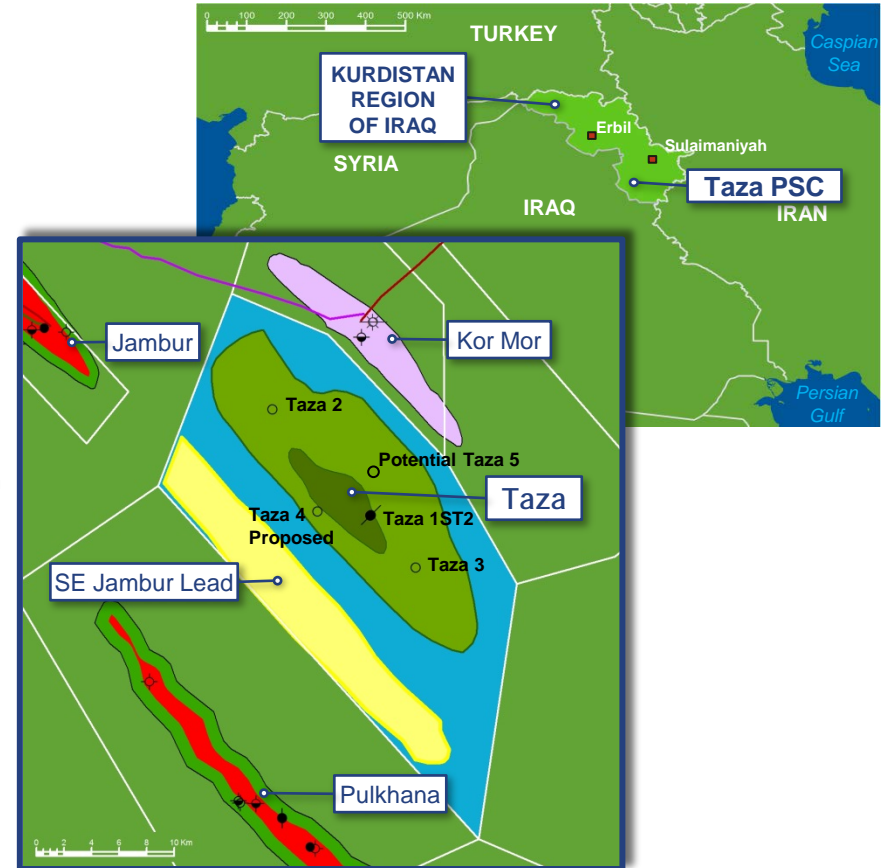


Appraisal of Taza in Kurdistan ongoing

- » Continued focus on defining field size and maximising value
- » Appraisal programme underway:
 - 630km² of 3D seismic completed late 2014, processing nearly finalised
 - Taza 2 – 10km NW of Taza 1, testing complete
 - Taza 3 – deviated well, to test SE extent, sidetrack underway
 - Taza 4 – deviated well to test SW flank:
 - Preliminary 3D results indicate concentration of fractures in Taza 4 area

| Taza PSC | WI % |
|--|------|
| Oil Search (Iraq) Limited ¹ | 60 |
| Total E&P Kurdistan Region of Iraq (Taza) B.V. | 20 |
| Kurdistan Regional Government (KRG) | 20 |

¹ Oil Search's funding interest is 75%, with the KRG's 20% interest carried by Oil Search and Total E&P Kurdistan Region of Iraq (Taza) B.V.





Contributing to long-term sustainability in PNG

- » Government cash flows impacted by oil price fall. However, landowners and community expectations have not changed
- » Partnership between Government and private sector vitally important, to ensure benefits are delivered
- » Focus areas:
 - Provision of competitively priced, reliable power:
 - Port Moresby. Power sale agreement between ExxonMobil and PNG Power for PNG LNG Project to supply up to 25MW electricity for local use executed in April 15
 - Supply of gas from PNG LNG to Highlands for power generation planned
 - Ramu Power Project - multi-phase power delivery project to be delivered by OSH in conjunction with PNG Government and PNG Power Ltd (PPL). First phase completed in April 2015, comprising supply of diesel fuel by OSH to power PPL power station in Tari
 - OSH also considering small-scale LNG for resource projects and remote communities
 - Partnerships on infrastructure development (eg Infrastructure Tax Credit Scheme)
 - Partnerships on health programmes (Health Foundation)
 - Capacity development
- » Operating and political stability essential for long term sustainability





Cash Flow Priorities

Available Cashflows

After scheduled debt servicing, expenditure required to sustain business operations and commitments



Dividends

Payment in accordance with new dividend policy (35 – 50% payout ratio on core profit)



Growth Capital Investment I

LNG development and expansion in PNG



Growth Capital Investment II

Exploration, New Ventures, M&A



Surplus Capital

Return to shareholders via share buy-backs, special dividends

Summary

- » PNG LNG Project delivered ahead of schedule and within revised budget:
 - Major impact on production and cash flows, even in lower oil price environment
 - Successful delivery demonstrates major capital projects can be completed in PNG
- » PNG well placed to significantly expand LNG exports over next 5-7 years:
 - Discovered gas resources sufficient for two further trains, three trains with appraisal success, with significant additional exploration upside
 - Unique opportunity for OSH to drive optimal development plan, through promoting cooperative agenda
- » Potential for OSH to more than double production by 2021/22
- » Lower oil price environment represents opportunity to recalibrate cost base, improve fiscal discipline, drive efficiencies and enhance portfolio
- » Dividend payout ratio of 35 – 50% of core NPAT unchanged
- » Strong balance sheet and ample liquidity to pursue growth



Appendix 1: Oil Search Profile

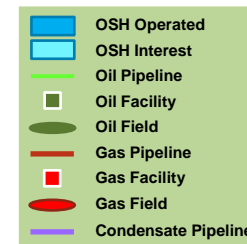
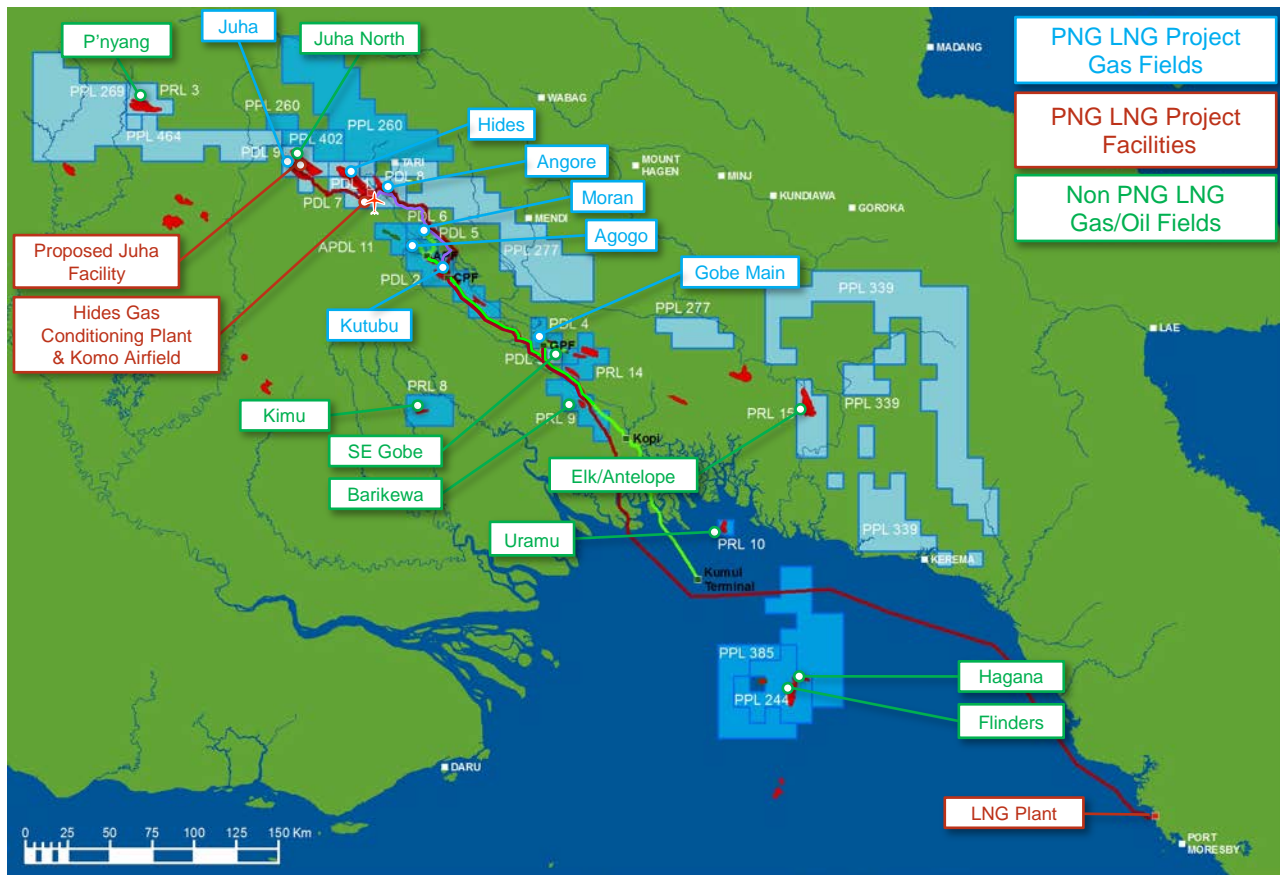


- » Established in Papua New Guinea (PNG) in 1929
- » Market capitalisation ~A\$12bn (US\$10bn)
- » Listed on ASX (Share Code: OSH) and POMSOX, plus US ADR programme (Share Code: OISHY)
- » Operates all PNG's currently producing oil fields
- » 29% interest in 6.9Mtpa PNG LNG Project, world-scale LNG project operated by ExxonMobil
- » Exploration interests in PNG, Middle East/North Africa

Appendix 2: Oil Search Licence Interests, PNG



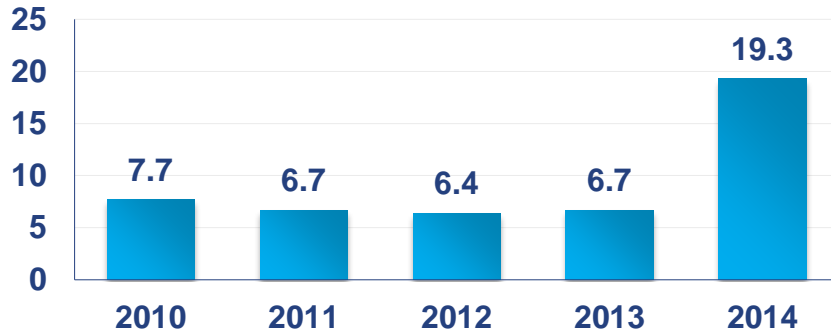
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Appendix 3: Key Financial metrics

Production (mmboe)



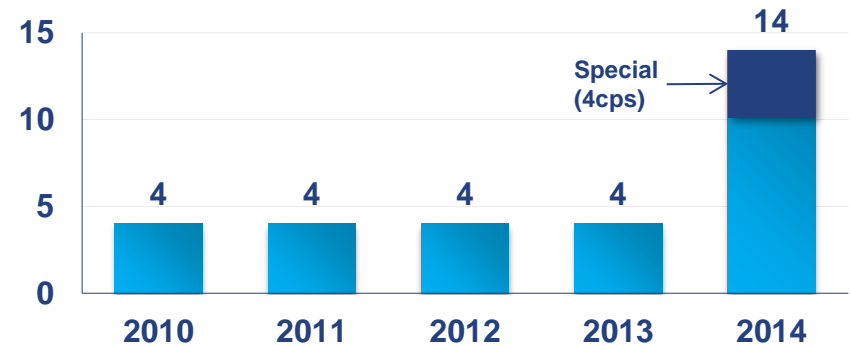
Net Profit After Tax (US\$M)



Oil Price (US\$/bbl)



DPS (US cents)

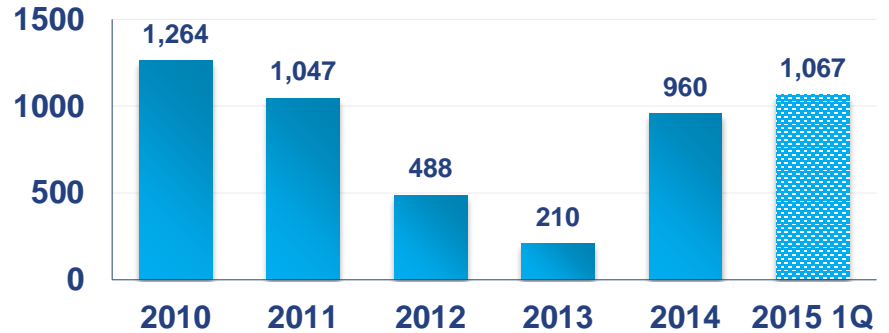




Appendix 4: Treasury Update (as at 31 Mar 2015)

- » Liquidity of \$1.817bn:
 - US\$1,067m cash
 - US\$250m available under bilateral revolving credit facilities
 - US\$500m available from non-amortising corporate revolving facility
- » Total debt of US\$4.332bn, all related to OSH's share drawn down under PNG LNG Project finance facility
- » PNG LNG Project financial completion achieved in February 2015, releasing US\$854m from PNG LNG escrowed accounts

Cash (US\$m)

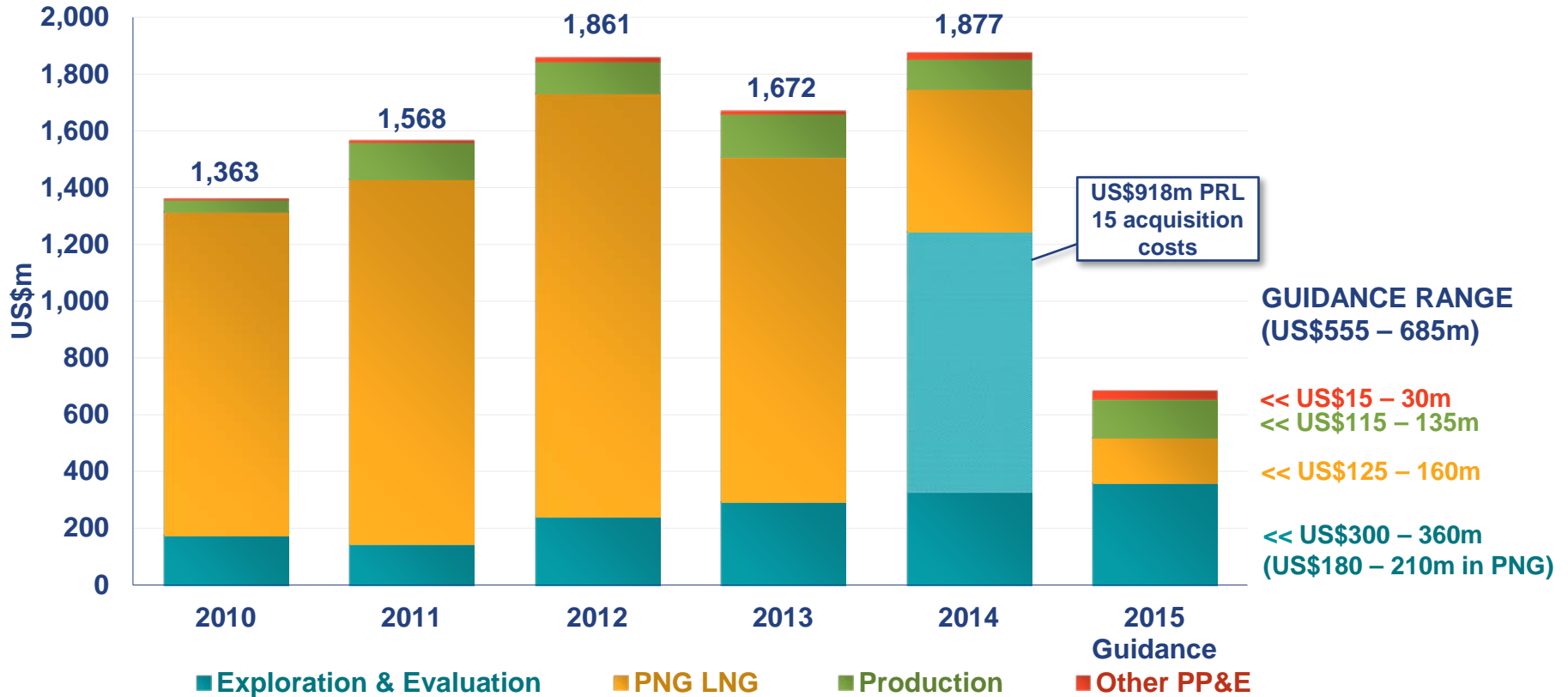


Corporate Facilities Available (US\$m)





Appendix 5: 2015 Investment Outlook





Appendix 6: 2015 Guidance Summary

Production

| | |
|---------------------------------------|----------------------------|
| Oil Search operated (PNG Oil and Gas) | 6 – 7 mmboe ^{1,2} |
| PNG LNG Project | |
| LNG | 88 – 91 bcf |
| Liquids | 2.8 – 3.0 mmbbl |
| Total PNG LNG Project | 20 – 21 mmboe ¹ |

Total Production

26 – 28 mmboe

Operating Costs

| | |
|------------------------------------|-----------------------|
| Production costs | US\$10 – 12 / boe |
| Other operating costs ³ | US\$145 – 165 million |
| Depreciation and amortisation | US\$13 – 14 / 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.

² Includes South East Gobe gas sales.

³ 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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