

Oil Search

2015 Annual Meeting

Transformation complete

9.30am, Friday 15 May, 2015

Crowne Plaza Hotel, Port Moresby, PNG

Oil Search Limited

ARBN 055 079 868

ASX: OSH | POMSoX: OSH | US ADR: OISHY

www.oilsearch.com

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Presentation by Managing Director

Peter Botten



2014 – transformational year for Oil Search



- » Successful delivery of landmark PNG LNG Project
- » Ramp-up to full capacity completed ahead of expectations and Project now consistently producing at/above nameplate capacity
- » Continued strong performance from operated oil fields, with production of 500 million barrels of oil and condensate celebrated in 2014
- » Significant progress on positioning for next phase of gas development in PNG:
 - P’nyang MOU sets roadmap for development of P’nyang field to support LNG expansion and domestic power
 - Elk/Antelope: Potential second world scale LNG development in PNG

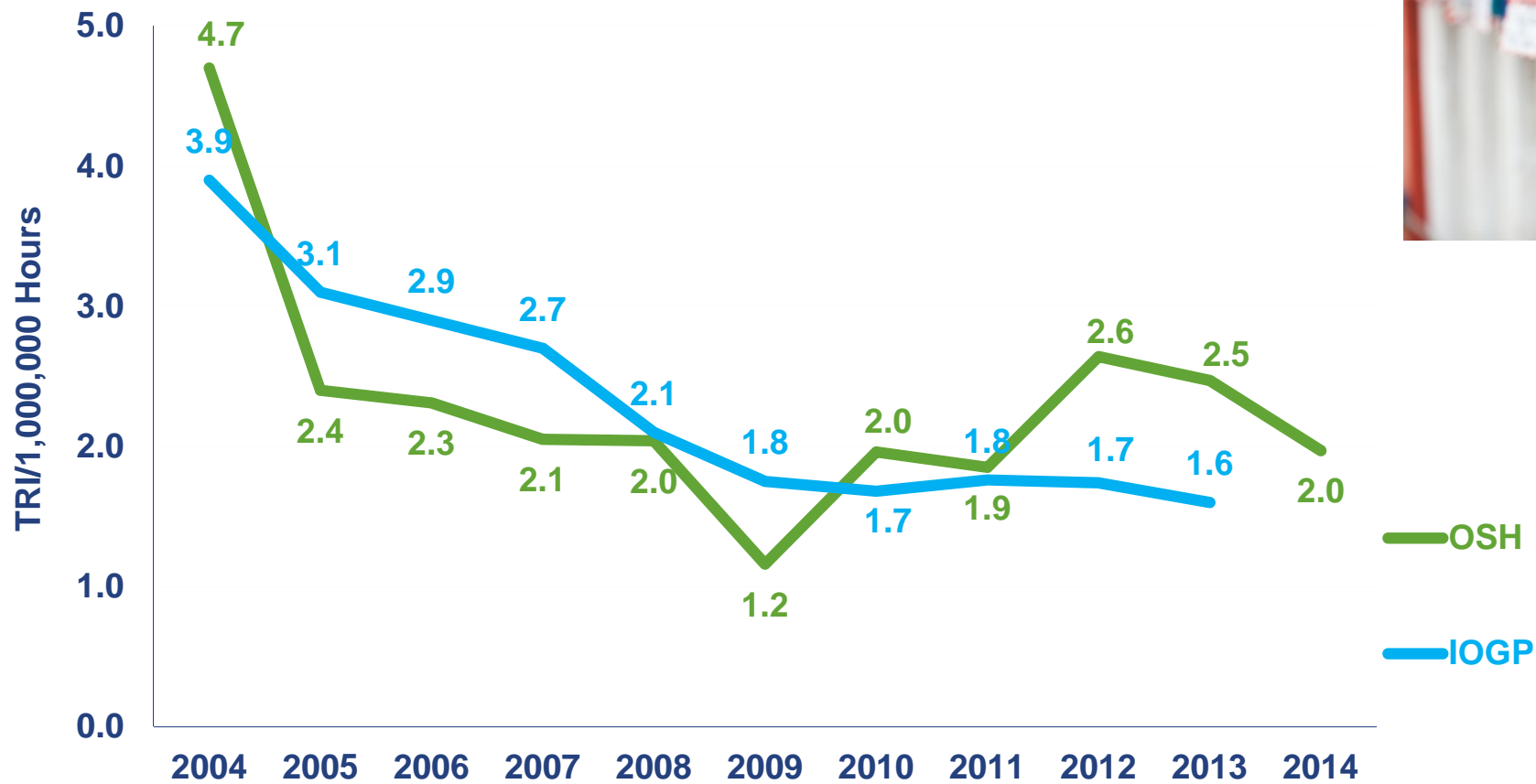


Safety improved in 2014



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Total Recordable Injury Rate of 1.97 for 2014





2014 key financial metrics

Production (mmboe)



» Production up 186%, reflecting PNG LNG Project start-up plus solid performance from oil fields – all time high

Net Profit After Tax (US\$m)



» NPAT up 72% to US\$353.2m. Excluding impairments, core profit up 135%, from US\$205.7m to US\$482.8m – highest ever

Dividend per share (US cents)



» Dividend up 250% on 2013, equivalent to 44% dividend payout ratio on 2014 core profit

Liquidity (US\$m)

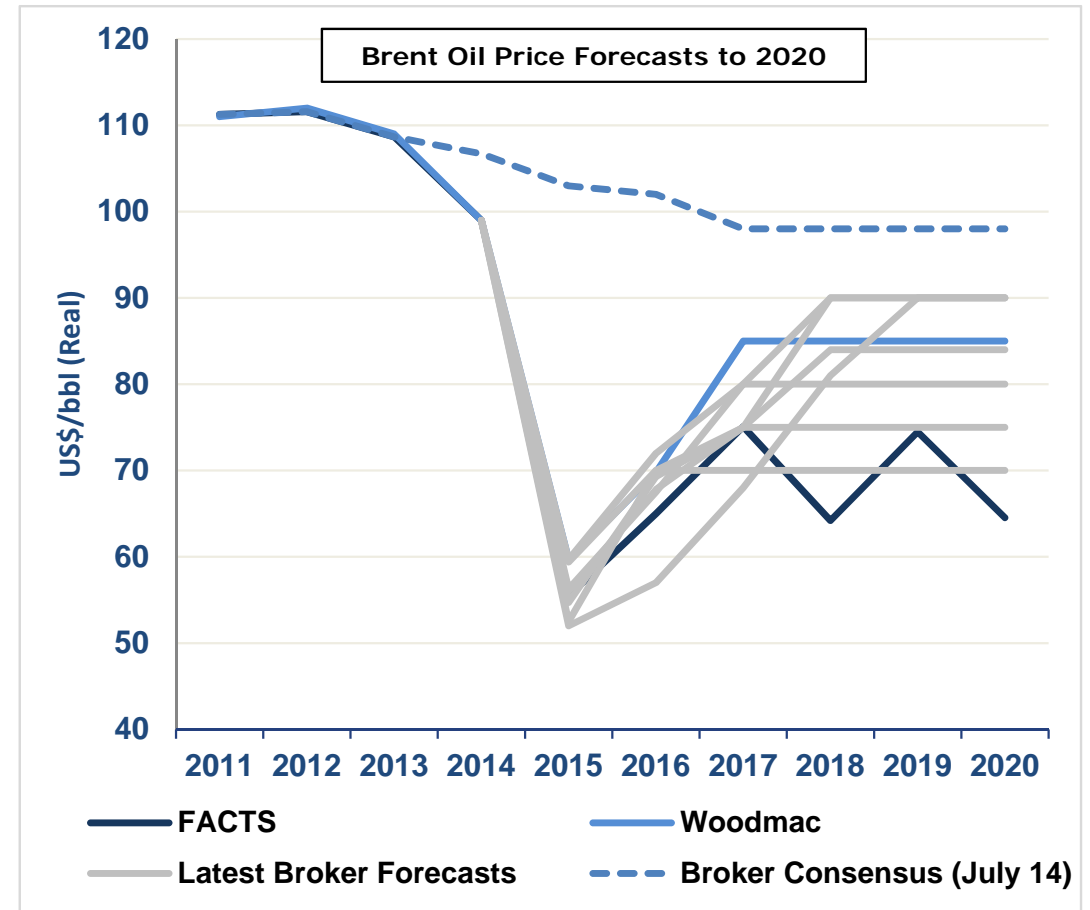


» Strong balance sheet, with more than US\$1bn of cash and US\$750m of credit facilities at 31 March 2015

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 recommendations. Key conclusions:
 - OSH is in strong position to manage lower oil price environment, with profitable production
 - 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 cost structure
 - Overall, strategic direction remains unchanged



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

Adapting to the new oil price environment

- » 'Plan for the worst, hope for the best'
- » 2015 capex and opex reduced, actively engaging with contractors to reduce costs further, by targeted 15 – 25%
- » Business Optimisation Programme initiated. Strategic, measured and reasoned approach to improve work efficiencies and build value, without compromising safety and long term sustainability
- » Looking to high-grade PNG portfolio to further support strategic initiatives
- » 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

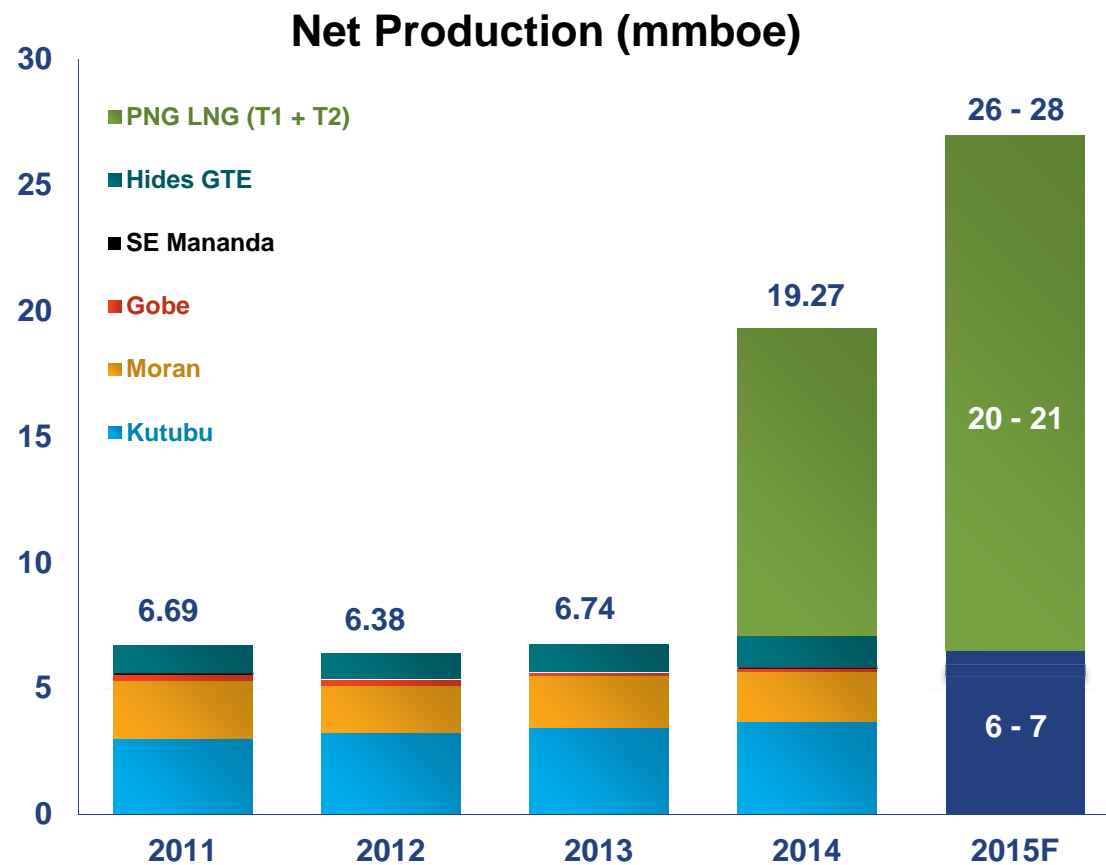


- » PNG LNG Project – a major success story:
 - Delivered ahead of expectations and within revised US\$19bn budget
 - Operational and financial completion achieved in February 2015
 - To date, Project has produced more than 6 million tonnes of LNG and delivered 90 LNG cargoes
- » Both trains now operating 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
- » Safe, reliable production of oil and gas remains key priority
- » 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



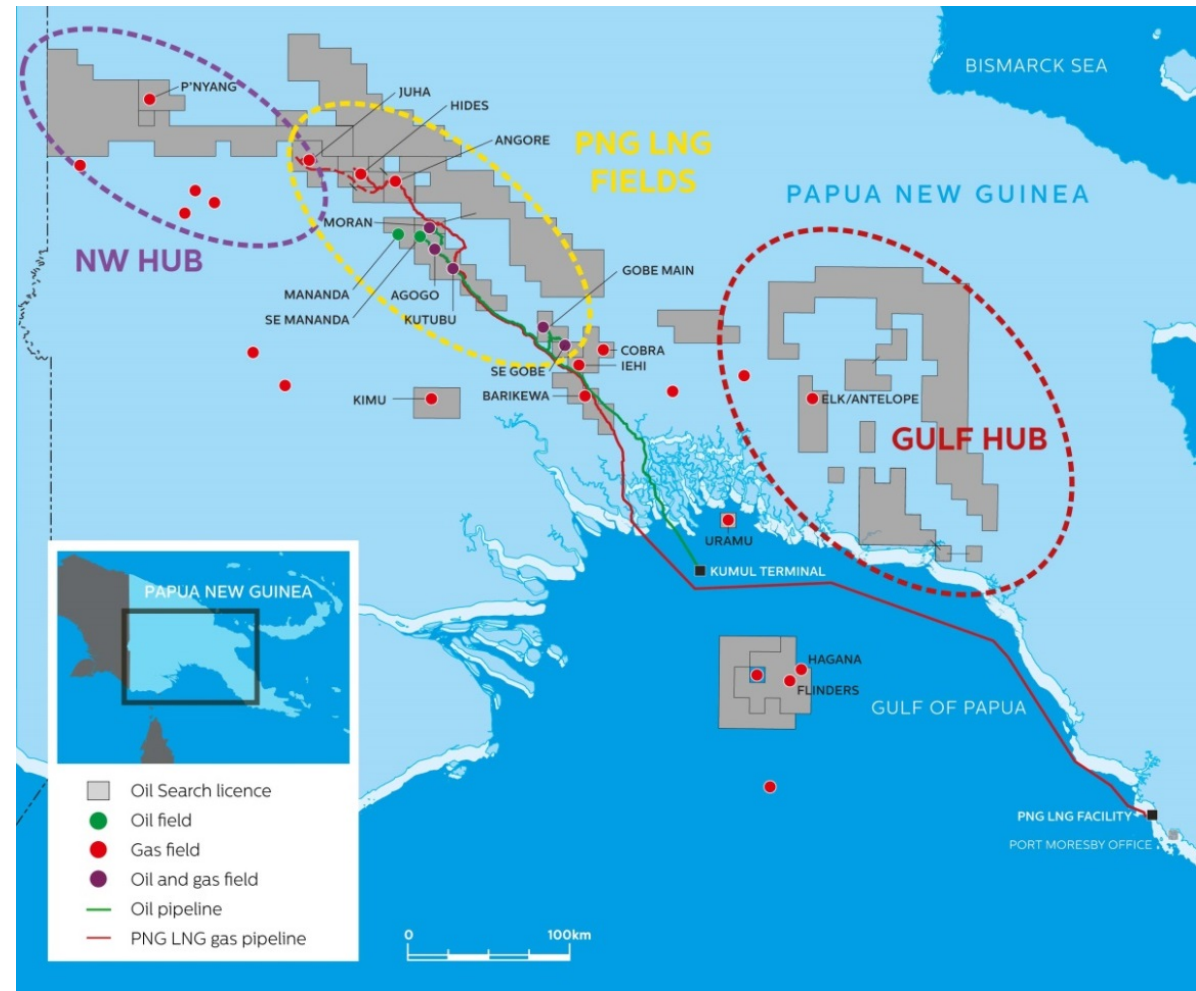
¹ LNG sales products at outlet of plant, post fuel, flare and shrinkage

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)

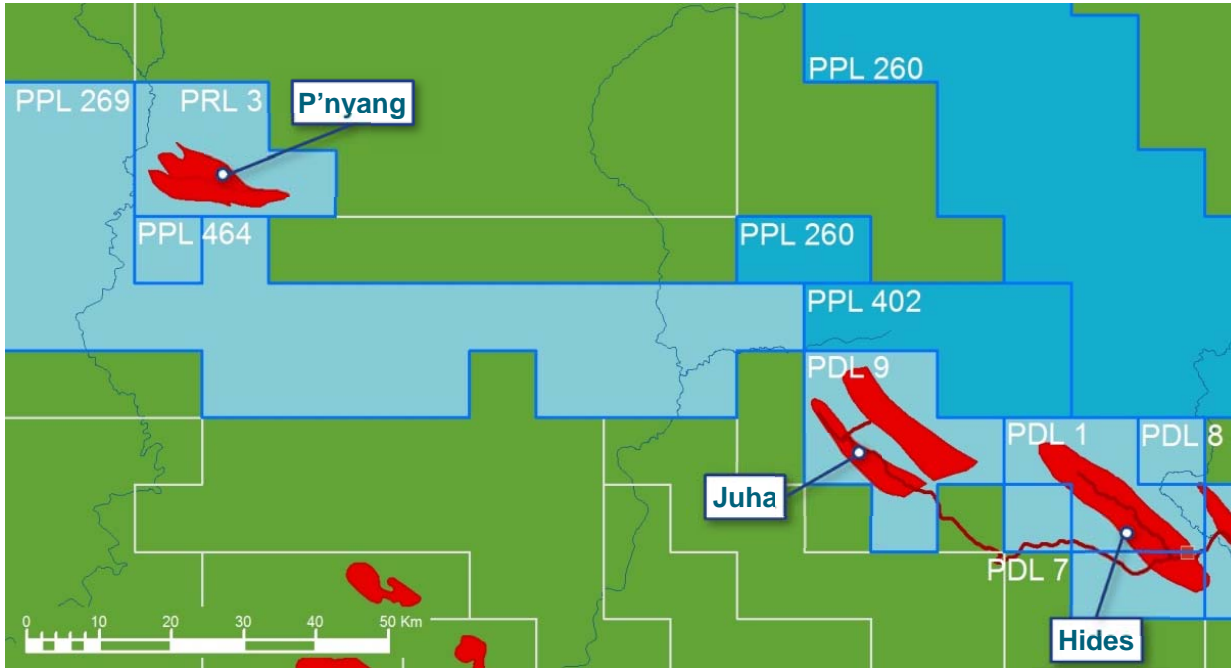
Key focus for OSH is commercialising PNG's undeveloped gas

- » PNG LNG Project has delivered strong platform for growth
- » PNG can deliver at least two more LNG trains underpinned by existing undeveloped resources in NW Highlands and Gulf areas and third train with modest drilling success
- » 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





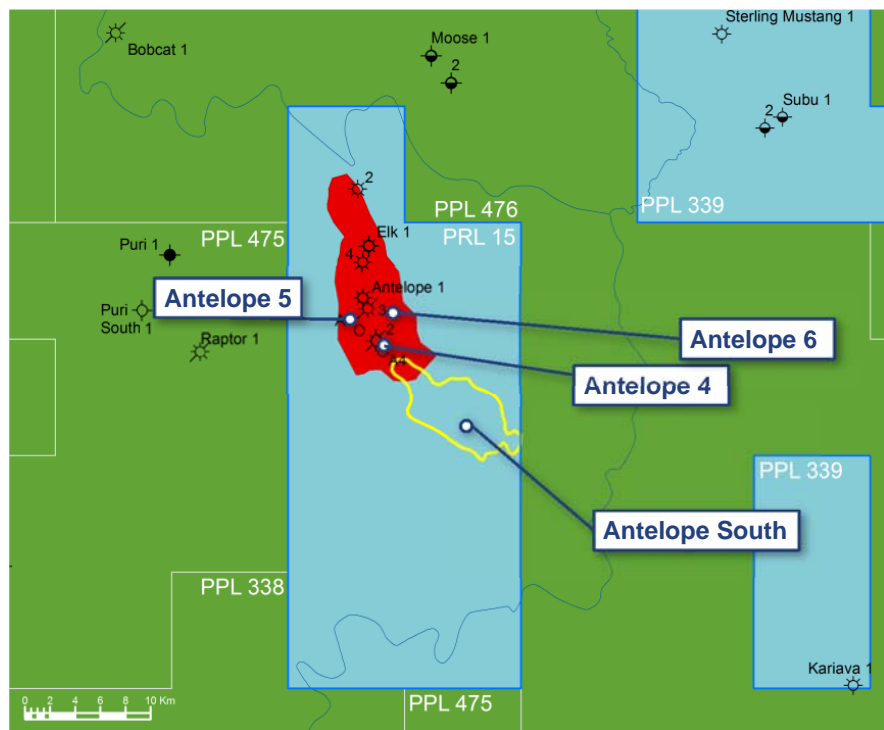
NW Hub: LNG expansion and power MoU signed



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
- » Power sale agreement with PNG Power, to supply 25MW of power for local use, signed in April 2015
- » Based on recent studies, P'nyang 2C contingent resource could increase materially
- » Planning for an appraisal well underway

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. Well presently suspended while JV makes decision on forward plan
 - Antelope 5: Located ~1.8 km west of Antelope 2, 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

* Total "Elk-Antelope Development" presentation, PNG Mining & Petroleum Conference, Dec 2014

Antelope 5 initial well test



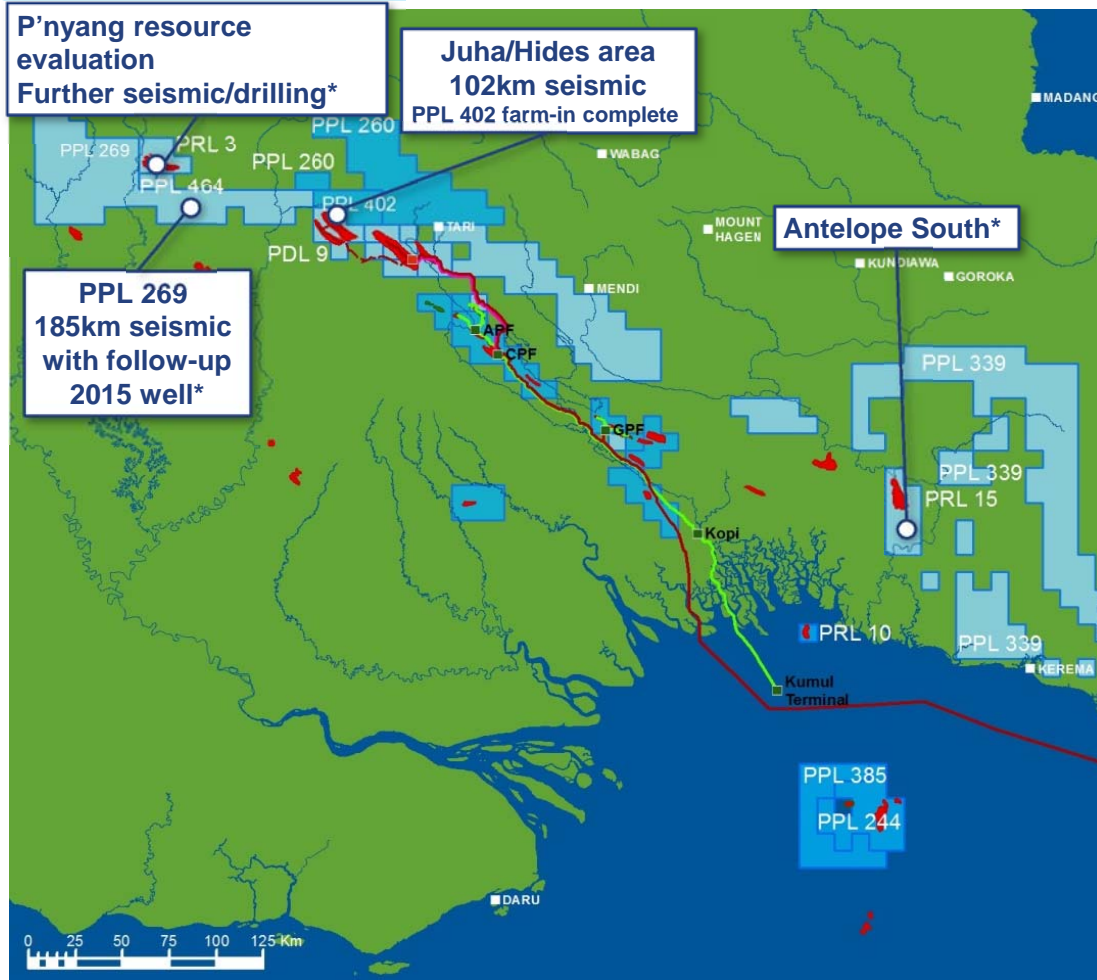
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Photos courtesy of InterOil



PNG gas exploration activities



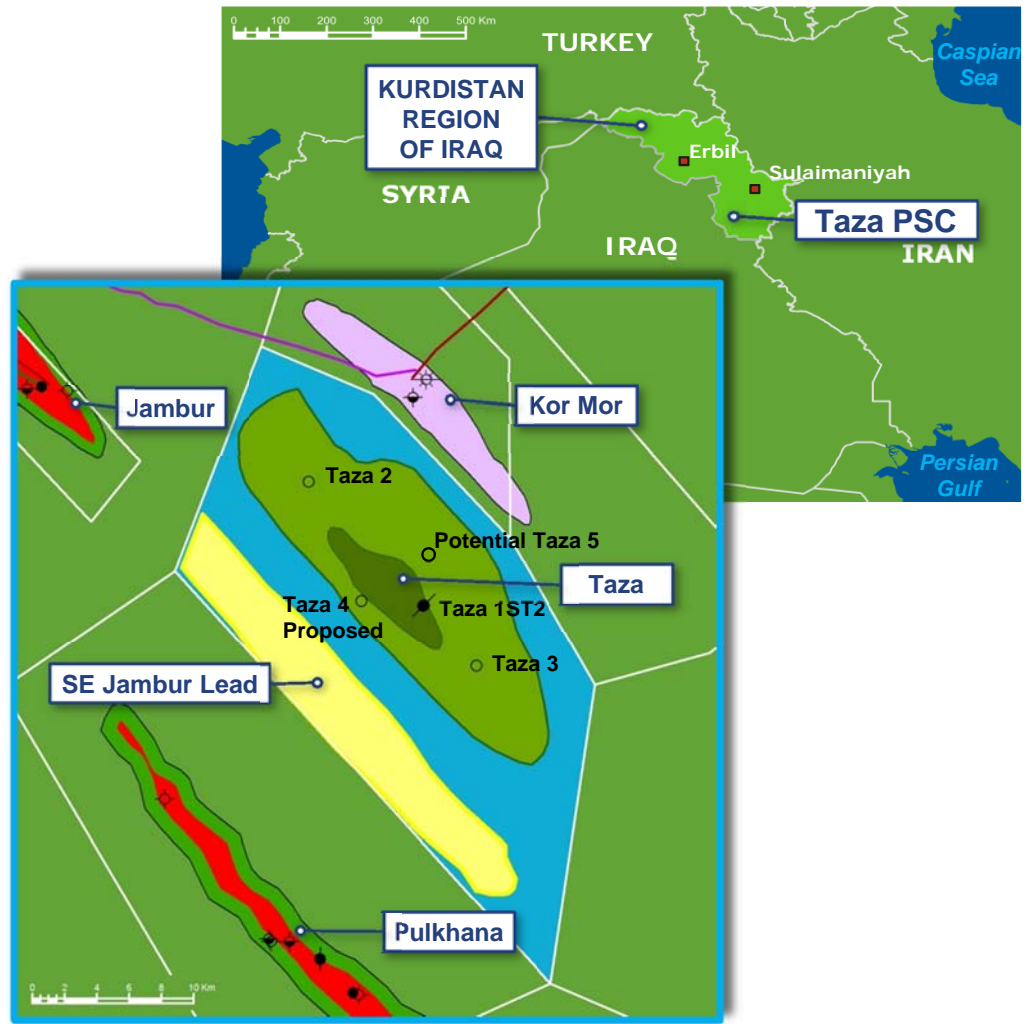
* Subject to JV approval

- » Focus of 2015 PNG exploration and evaluation programme is to mature material gas prospects to support PNG LNG expansion or additional trains for 2016/17 drilling
- » Key gas exploration activities in 2015:
 - Antelope South exploration well*
 - Extensive seismic and field work in NW Highlands exploration licences
 - 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:
 - Processing of 630km² of 3D seismic nearly finalised
 - Taza 2 (testing complete)
 - Taza 3 (sidetrack underway)
 - Taza 4 (to test SW flank late 2015/early 2016)



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

- » Operating and political stability essential for long-term sustainability
- » Focus on provision of competitively priced, reliable power:
 - Port Moresby
 - Highlands
 - Ramu Power Project
 - Small-scale LNG for resource projects and remote communities under consideration
- » Partnerships on infrastructure development (eg Infrastructure Tax Credit Scheme)
- » Partnerships on health programmes (Health Foundation)
- » Capacity development





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, performing above expectations
- » PNG well placed to significantly expand LNG exports over next 5-7 years
- » 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

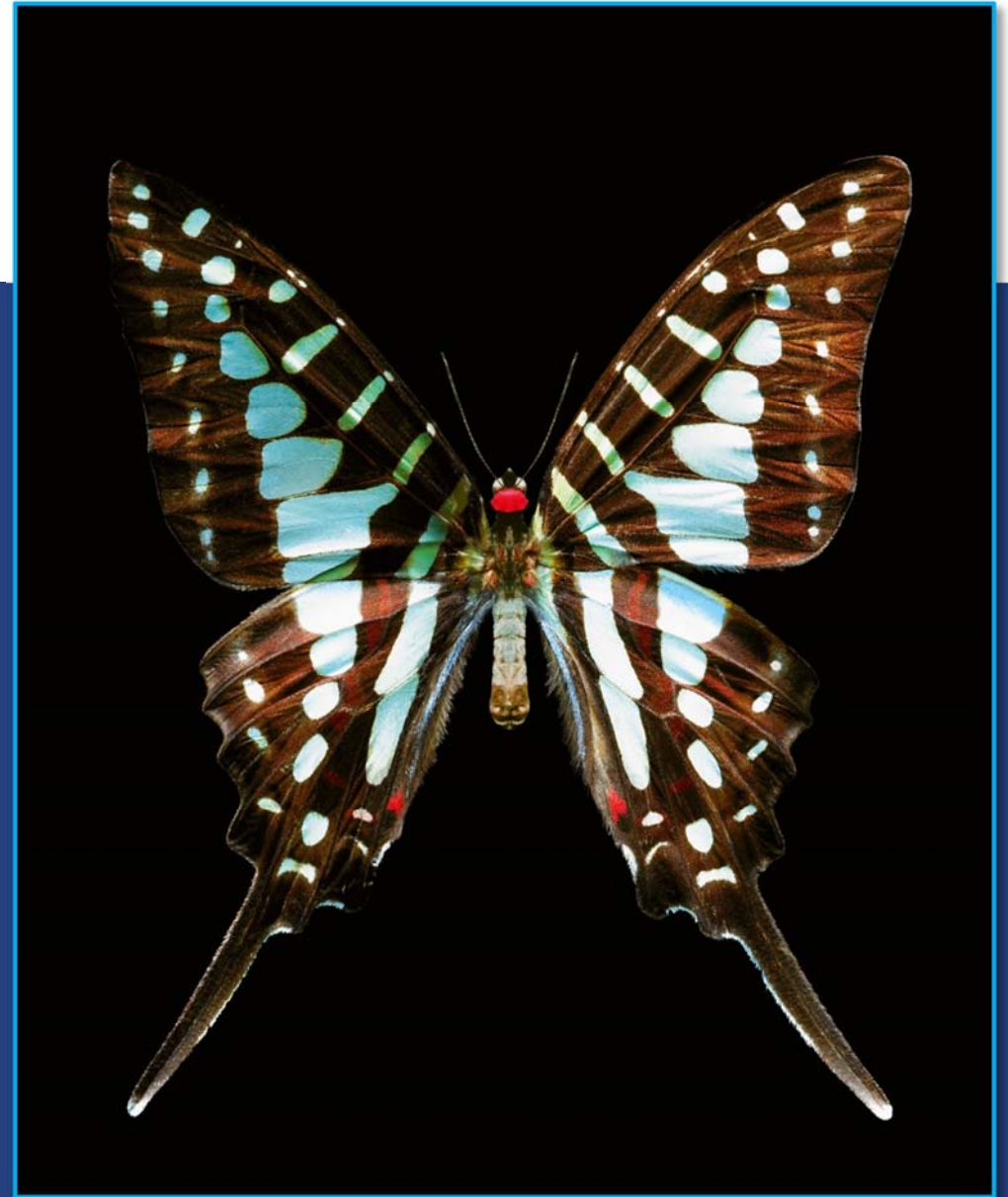




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