2015 Half Year Results

August 2015

Oil Search

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2015 Half Year Results Agenda

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2015 Half Year Highlights	**Peter Botten**
Financial Overview	Stephen Gardiner
PNG Production	Julian Fowles
Gas Development	Ian Munro
Exploration/Appraisal	Keiran Wulff
Outlook & Summary	Peter Botten

Safety remains OSH's top priority

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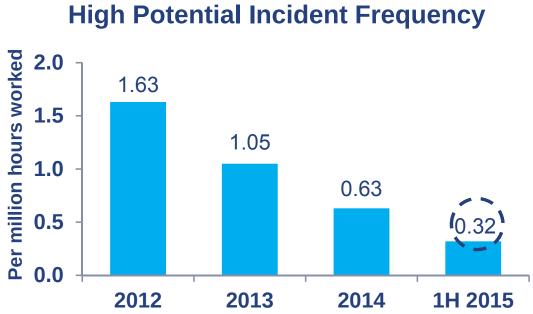
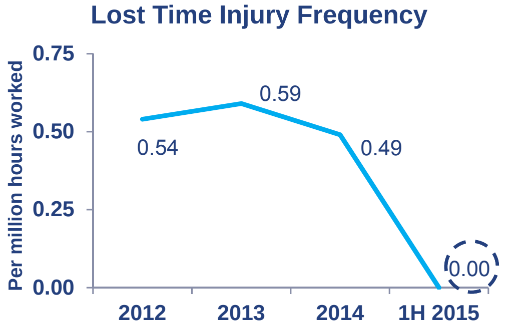
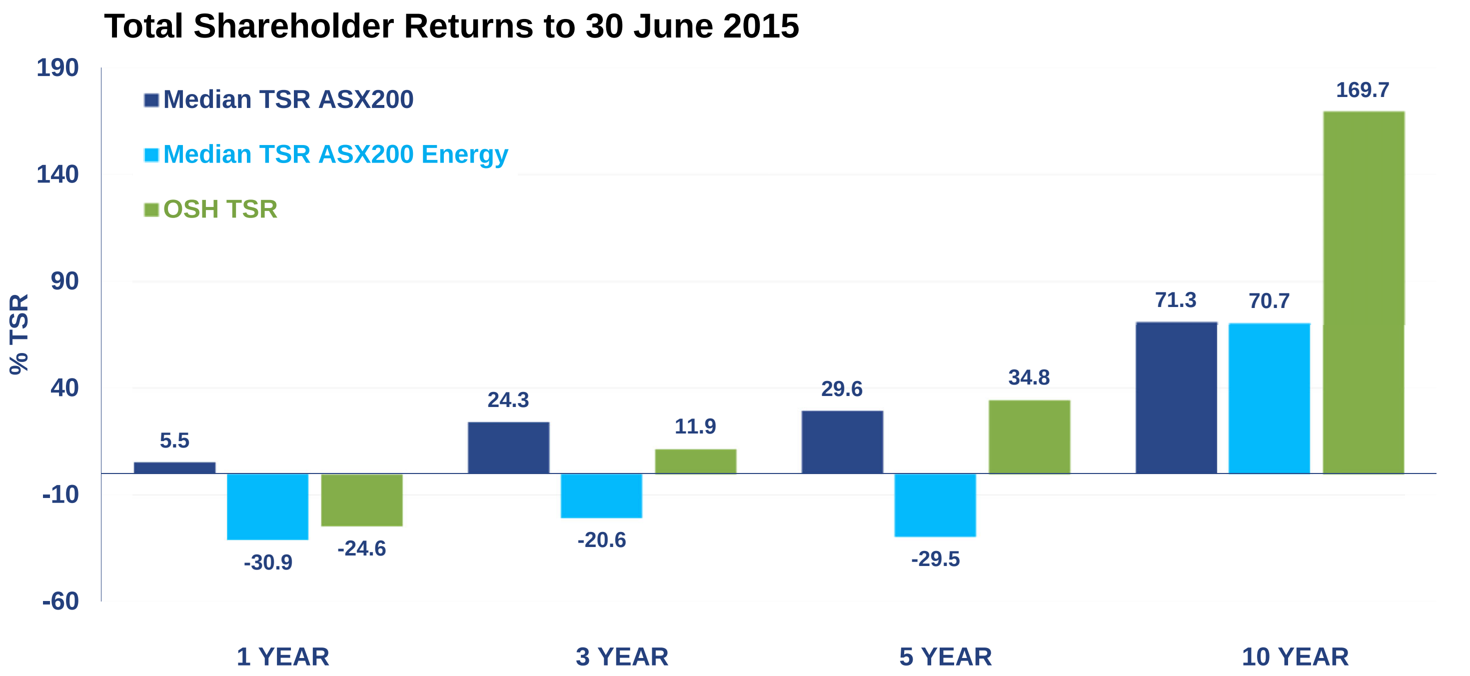




Recent TSR performance reflects global oil price weakness



Source: Orientcap

2015 Half Year Highlights

- Total production of 14.3 mmboe – nearly triple 1H14 and record half year for OSH
- Underpinned by excellent production performance from PNG LNG Project and good contribution from operated PNG fields – top quartile production assets
- Good progress on gas commercialisation activities in PNG:
  - Potential PNG LNG expansion and Papua LNG Project among most competitive new LNG projects globally
- Business Optimisation Programme undertaken:
  - OSH well placed for 'lower for longer' oil price scenario, given strong cash flows from quality assets, cash operating margin of 75%, balance sheet strength
  - BOP an opportunity to recalibrate cost structure, drive further efficiencies, 'right size' organisation, improve production and ensure priority long term growth projects are fully supported, without compromising safety, ongoing nationalisation and in-country initiatives
  - Already seeing impact on cost base with reduction in opex guidance from US$10-12/boe to US$9-11/boe, with more to come
- Cash flow priorities:
  - Debt servicing, sustaining capex and commitments
  - Dividends
  - High-value growth projects

2015 Half Year Highlights contd.

	1H15	1H14	
Net profit after tax (US$m)	**227.5**	152.5	↑
Operating cash flow (US$m)	**516.8**	255.4	↑
Earnings per share (US cents)	**14.9**	10.6	↑
Interim dividend (US cents)	**6.0**	2.0	↑
Net debt (US$m)	**3,443**	3,766	↓
Liquidity (US$m)	**1,593**	1,068	↑

- Net profit up 49% to US$227.5 million
- Operating cash flow more than double 1H14
- Interim ordinary dividend tripled, from 2 US cents to 6 US cents, 40% payout ratio on 1H15 core profit
- Strong balance sheet and liquidity position
- Unit production costs of US$8.90/bbl, below FY guidance of US$9–11/boe and down 43% on 1H14
- 2015 full year production guidance unchanged at 27 – 29 mmboe

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2015 Half Year Financial Performance

US$m	1H15	1H14
Revenue	863.8	510.0
Costs of production	(156.4)	(96.3)
Other costs	(63.3)	(19.8)
EBITDAX[1]	**644.1**	**393.9**
Depreciation and amortisation	(200.1)	(59.2)
Exploration costs expensed	(34.5)	(15.4)
Net finance costs	(92.0)	(41.8)
Profit before tax	**317.5**	**277.5**
Tax	(90.0)	(125.0)
Net profit after tax	**227.5**	**152.5**
Core profit	**227.5**	**152.5**

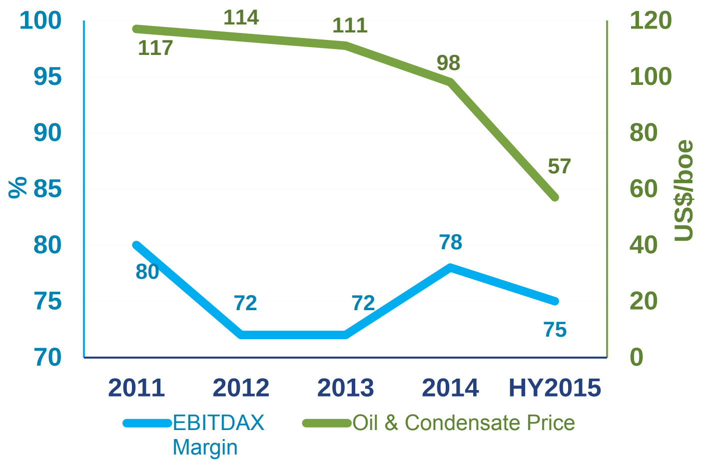
Note: Numbers in table may not add due to rounding

- » Revenue up 69%, driven by full period of LNG and condensate sales from PNG LNG Project, partially offset by lower realised prices
- » Higher costs of production and DD&A mainly due to full period of PNG LNG production, 43% reduction in unit production costs to US$8.90/boe
- » Higher other costs reflect selling and distribution costs, with 52 LNG cargoes delivered (five in 1H14) and one-off costs
- » Exploration costs expensed included Hides F1 well exploration component, seismic, geological, geophysical and general and administration costs
- » Higher finance costs due to full period of expensed interest on PNG LNG project debt
- » Effective tax rate of 28.3%, reflecting increased LNG earnings (taxed at 30%), plus one-off adjustments
- » Core profit increased 49%

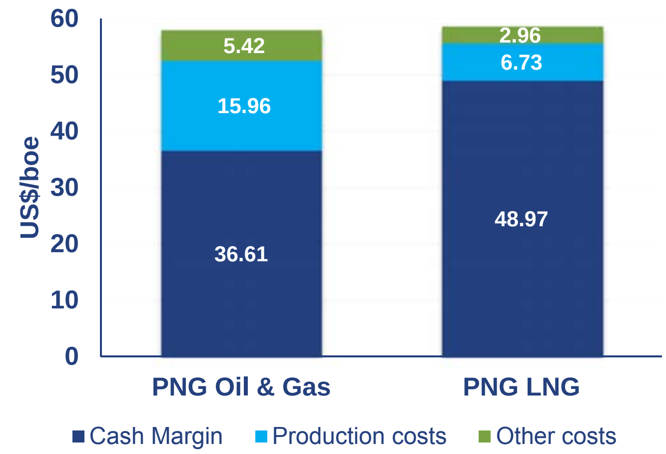
[1] EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration) and core profit (net profit after tax before significant items) are non-IFRS measures that are presented to provide a more meaningful understanding of the performance of Oil Search's operations. The non-IFRS financial information is derived from the financial statements which have been subject to review by the Group's auditor.

Healthy cash operating margin of 75%

EBITDAX Margin



Cash Margin by Asset



- » Average realised oil and condensate price of US$56.64/bbl, reflecting significant decline in global oil prices
- » EBITDAX margin down due to lower oil and condensate, LNG and gas prices

- » PNG Oil and Gas and PNG LNG cash margins remain healthy but impacted by downturn in oil prices
- » Other costs includes inventory movements and, for Oil and Gas, gas purchases for the Hides GTE project

Unit production costs reduced to US$8.90/boe

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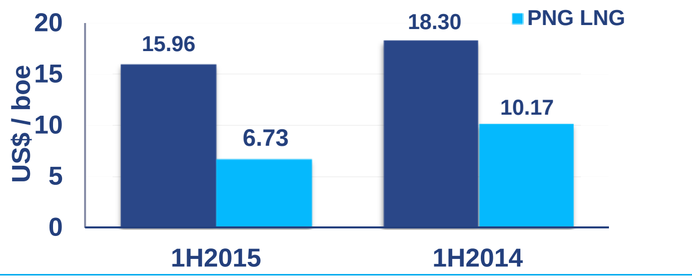
US$m	1H15	1H14
Production costs:		
- PNG LNG	73.6	19.0
- PNG Oil and Gas	53.9	64.1
	127.5	**83.1**
US$/boe	***8.90***	***15.49***
Royalties and levies	7.6	7.7
Gas purchases	11.3	19.3
Inventory movements	10.0	(13.9)
Total costs of production	**156.4**	**96.3**

- Lower PNG LNG Project unit production costs reflect full period of operations, impact of cost reduction programmes and LNG plant producing above nameplate capacity
- Lower PNG Oil and Gas production costs (absolute and unit) due to cost reduction initiatives and phasing of 2015 work programmes towards 2H15
- Large inventory movement reflects timing of shipments and build-up of LNG inventories during 1H14



102% increase in operating cash flows

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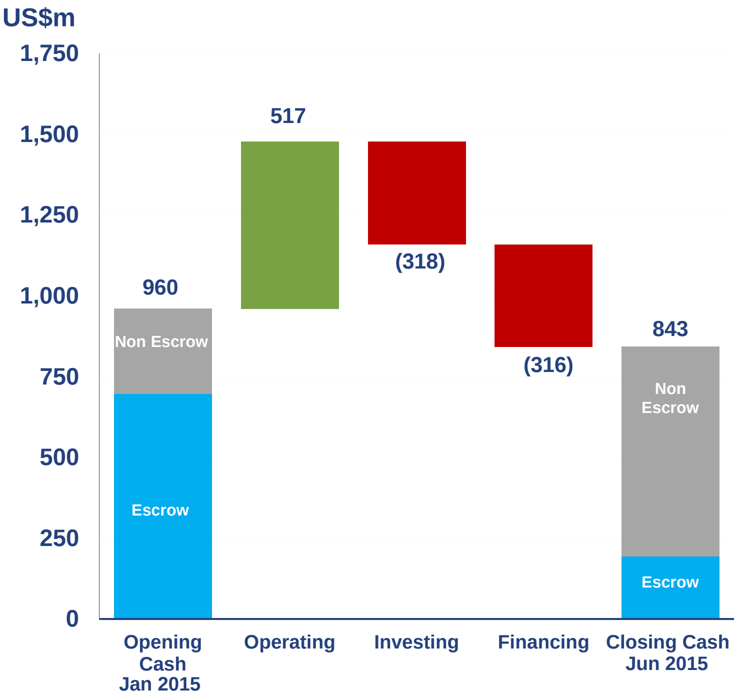
- Strong operating cash flows reflect full period of earnings from PNG LNG:
  - Operating cash flow of US$35.76/boe
- Investment spend driven by Taza drilling in Kurdistan, two wells in PRL 15 and residual development costs for PNG LNG
- Financing includes payment of 2014 final and special dividends totalling US$182.7m
- Net repayment of US$150.0m under corporate revolving facilities, partially offset by net draw downs of US$23.7m under PNG LNG Project finance facility



Balance sheet solid, liquidity US$1.6bn

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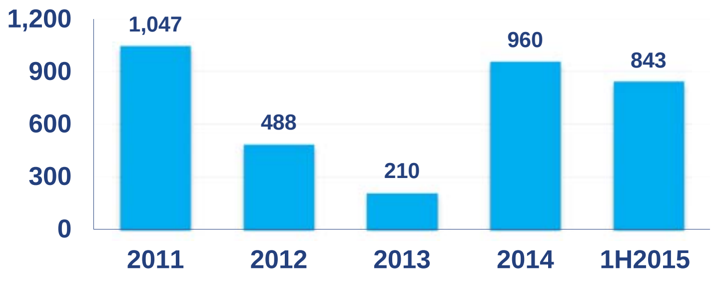
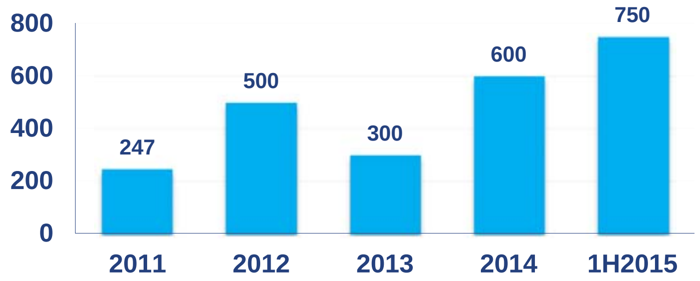
- Strong liquidity position at 30 June 2015 of US$1.59 bn:
  - US$843m of cash (incl. US$182m of PNG LNG escrowed cash) and US$750m of undrawn revolving facilities
- PNG LNG Financial Completion achieved in February, with US$1.0bn of cash distributions received since then
- Total debt of US$4.29bn, representing OSH share of debt drawn under PNG LNG Project finance facility:
  - OSH guarantee to LNG lenders terminated at Financial Completion, debt now non-recourse
  - First principal repayment in June (US$45.7m, net to OSH). Interest and principal to be paid semi-annually over next 11 years (mortgage-style repayment profile)
- 2015 interim unfranked dividend of 6 US cents per share (unfranked). DRP remains suspended

Cash (US$m)



Corporate Facilities Available (US$m)



2015 investment spend down ~65% on 2014 (down ~30% excl PRL 15 purchase)

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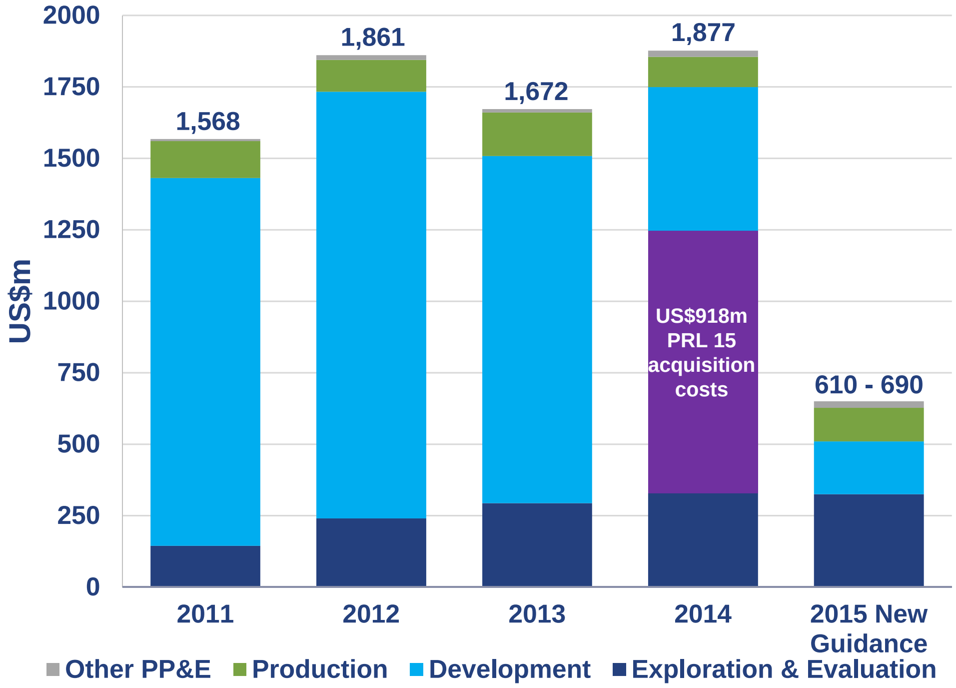

<u>2015 Capital Cost Guidance (US$610 – 690m)</u>

- Exploration & Evaluation: US$310 – 340m
- Development: US$170 – 200m
- Production: US$110 – 125m
- Other PP&E: US$20 – 25m

2015 Guidance Summary

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Production	2015 Guidance
Oil Search operated (PNG Oil and Gas)	6.3 – 6.9 mmboe
PNG LNG Project	
LNG	92 – 97 bcf
Liquids	3.0 – 3.2 mmbbl
Total PNG LNG Project[1]	21 – 22 mmboe
Total Production[1]	**27 – 29 mmboe**
Operating Costs	
Production costs	US$9 – 11 / boe
Other operating costs[2]	US$145 – 165 million
Depreciation and amortisation	US$13 – 14 / boe

» One-off costs of Business Optimisation Programme included within guidance. Positive earnings impacts to be realised in 2016

[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 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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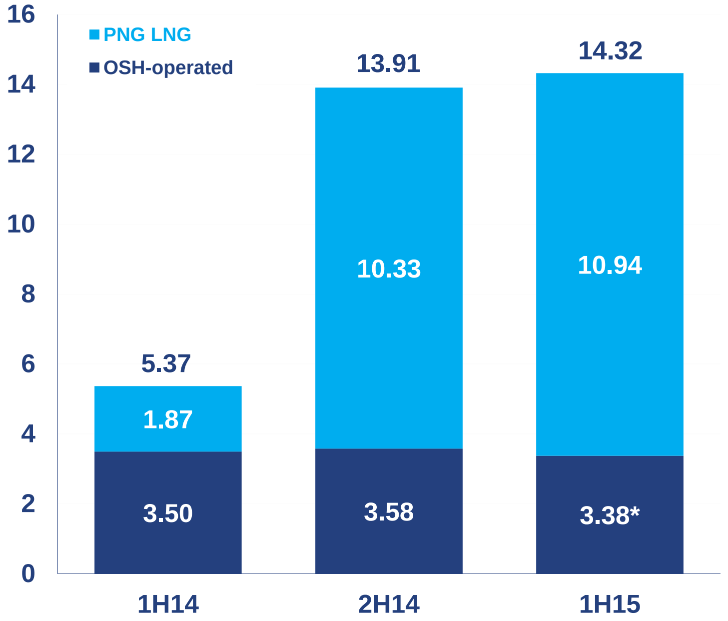
Highest half year production in OSH's history

» Total production for 1H15 of 14.3 mmboe, nearly triple 1H14 level:

– PNG LNG Project contributed 10.9 mmboe (47.7 bcf LNG plus 1.6 mmboe liquids)

– Oil fields and Hides GTE contributed 3.4 mmboe (including SE Gobe third party gas sales to PNG LNG)

Net Production (mmboe)



* Includes SE Gobe gas sales

PNG LNG Project – producing consistently above nameplate capacity

» 52 LNG cargoes exported in 1H15, 119 cargoes loaded to date since Project start-up in 2014

» Annualised production in 1H15 of ~7.1 MTPA, compared to nameplate capacity of 6.9 MTPA:

– Supported by strong upstream deliverability and LNG plant reliability

» Project has established excellent reputation as a reliable gas supplier

» Current focus is on production optimisation / debottlenecking:

– Already delivering substantial incremental value, with further upside potential

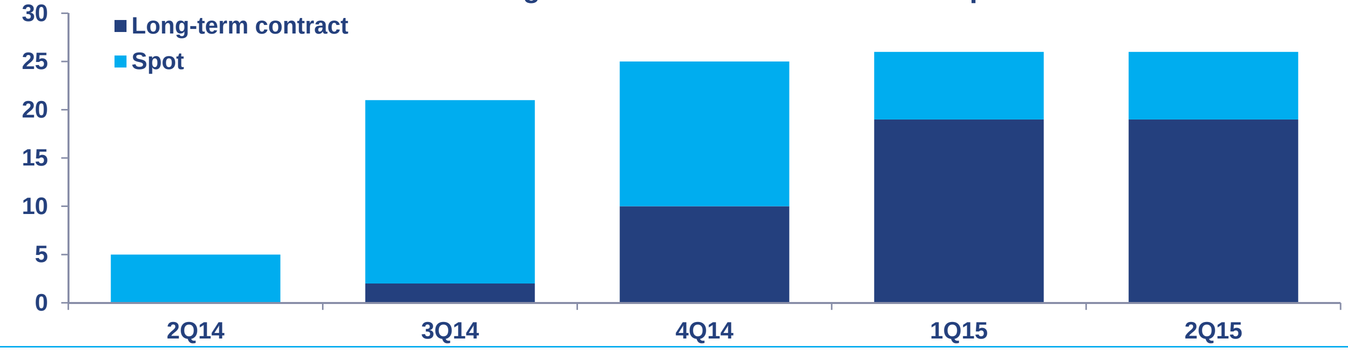
» Final components of foundation development (Angore drilling, tie-in of Hides F1) expected to be completed in 2015

Solid demand for PNG LNG spot cargoes

PNG LNG | Oil Search

- Full contractual volumes being taken, with ramp-up underway to plateau of 6.6 MTPA in 2Q16
- Good demand for spot volumes, >85% of spot cargoes have been sold to contract customers
- PNG LNG product well received by market, reflecting:
  - High heating value gas – well suited to Asian reticulation network
  - Proximity to Asian LNG markets
  - Diversification source

LNG cargoes sold since PNG LNG start-up



Continued strong performance from operated oil fields

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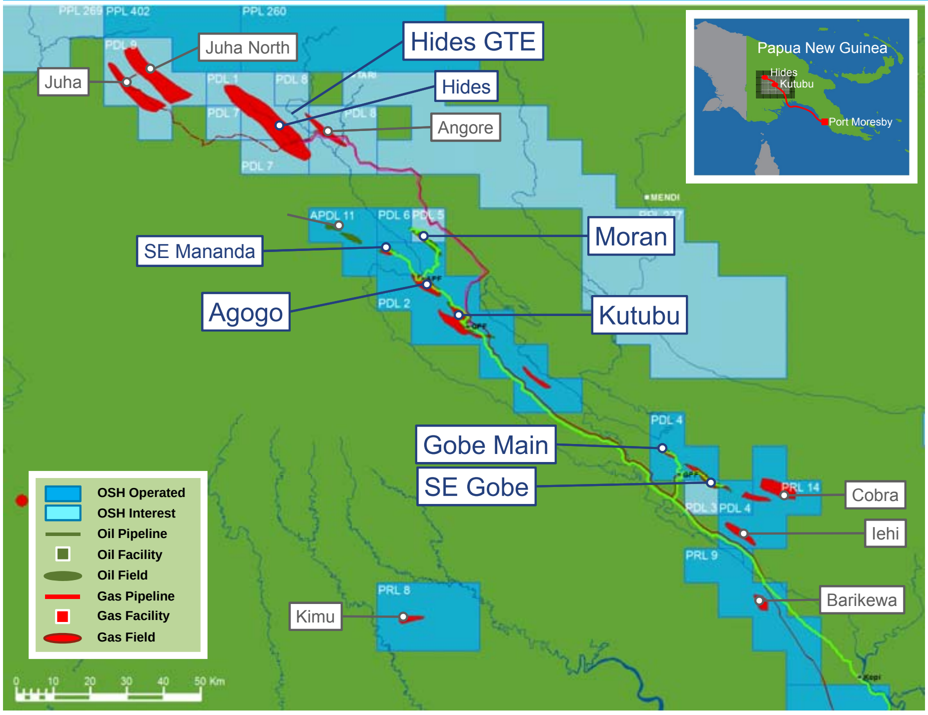
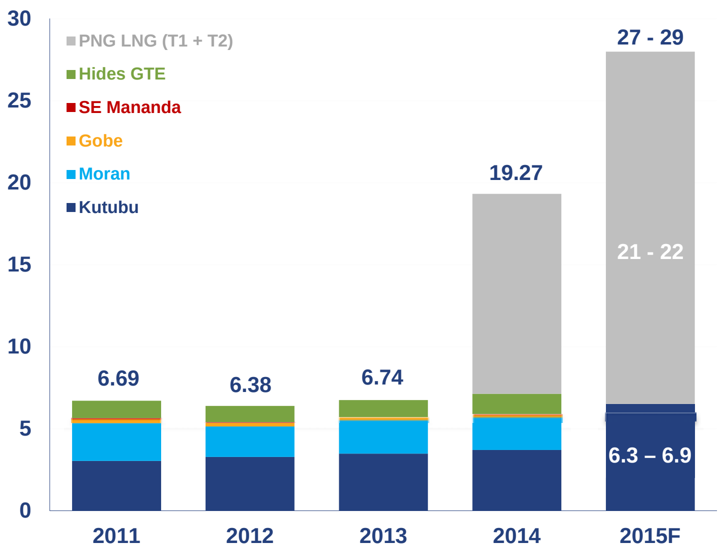


- 1H15 oil and Hides GTE production of 3.38 mmboe
- Gas supply from SE Gobe field to PNG LNG Project commenced in May. Gobe Processing Facility now handling >15,000 boepd (~2,000 bopd prior to Gobe Main and SEG gas export)
- Continued strong contributions from Kutubu and Moran fields (nearly 80% of total OSH-operated production in 1H15)
- Recently commissioned Moran 16 development well producing at 1,500 bopd
- NW Moran 1 ST7 drilling underway

2015 Production Outlook

- 2015 production guidance increased from 26 – 28 mmboe at beginning of 2015, to 27 – 29 mmboe, comprising:
  - Production from operated oil fields and Hides GTE: 6.3 – 6.9 mmboe*
  - PNG LNG Project: 92 – 97 bcf LNG and 3.0 – 3.2 mmboe liquids (21 – 22 mmboe net to OSH)
- 2H15 focus items :
  - Ongoing oil production optimisation initiatives, with focus on process safety, reliability and well integrity
  - Continued delivery of Kutubu, Gobe Main and SE Gobe (third-party) gas to PNG LNG Project, operation of liquids export system via Kumul Marine Terminal
  - Support operator in maximising PNG LNG production opportunities through optimisation / debottlenecking

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)

* Includes SE Gobe gas sales

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Next LNG developments in PNG: sourced from Gulf Hub and NW Hub

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- » OSH holds material positions in NW Hub (P'nyang field) and Gulf Hub (Elk-Antelope field) which will supply next phase of LNG development
- » Both PNG LNG expansion and Papua LNG Project in lowest quartile for costs globally and remain economically attractive
- » Delivery of near term trains is common objective for industry, Government and communities
- » OSH well positioned to play key role to ensure optimum development
- » Multiple exploration opportunities remain to supply further gas

NW Hub: PNG LNG expansion and domestic power

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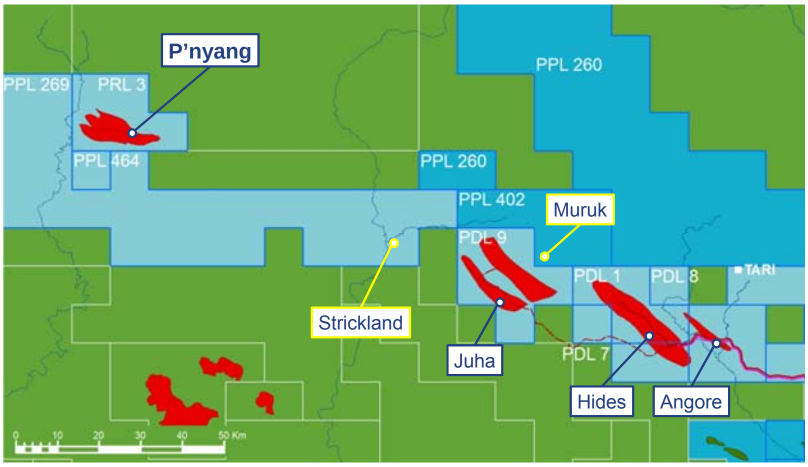
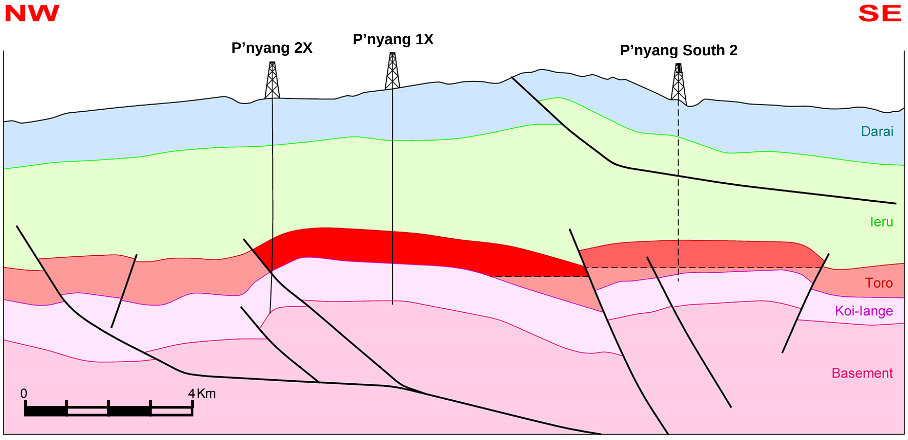


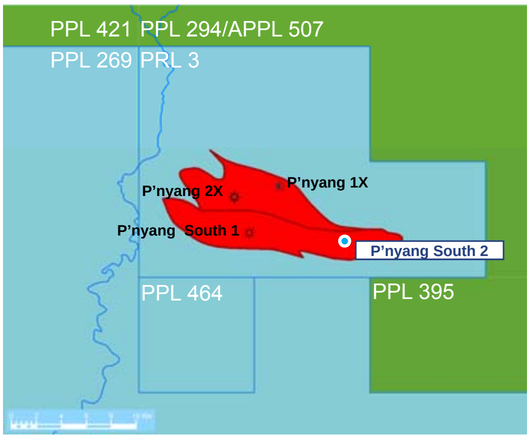
PRL 3	WI %
ExxonMobil affiliates (operator Esso PNG P'nyang Ltd)	49.0
Oil Search	38.5
JX Nippon	12.5

- » MoU signed by ExxonMobil PNG Limited (as operator of PNG LNG and PRL 3) and PNG Government in January 2015
- » MoU sets schedule to develop P'nyang gas field, to underpin:
  - – PNG LNG Project expansion (high value debottlenecking and potential third LNG train)
  - – Delivery of domestic power to PNG
- » PDL application under review from Government
- » Commencement of delivery of up to 25MW of interruptible electricity from PNG LNG plant to PNG Power in Port Moresby in July supported Pacific Games and satisfied key commitment of MoU
- » PNG LNG expansion identified by ExxonMobil as "very well positioned to compete" globally*
  - – Supported by successful delivery and performance of foundation Project, competitive cost structure, stable and transparent fiscal terms

* ExxonMobil 2Q 2015 earnings conference call

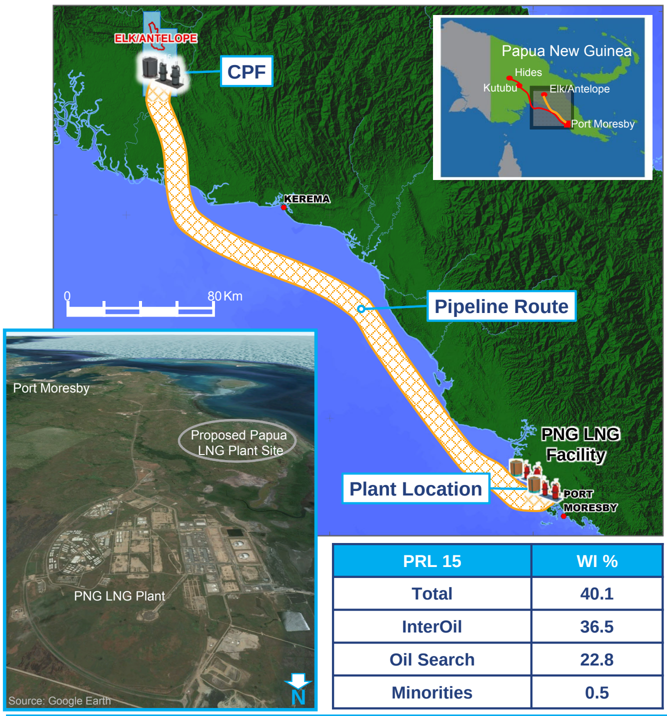
P’nyang South 2 appraisal well to further constrain 1C and 2C resource





- Preparatory work underway for P’nyang South 2 appraisal well:
  - Location in SE of structure agreed by PRL 3 JV
  - Assuming successful appraisal, OSH expects material increase in current OSH 1C and 2C resources
  - To be drilled 1H 2016, using OSH’s Rig 103 (following completion of PRL 15 appraisal programme)
- Once PDL awarded, P’nyang will be integrated into PNG LNG Foundation Project and included in any subsequent redetermination process

Gulf Hub: Papua LNG Project facilities site locations agreed, operator transition to Total SA completed



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

- Potential second world-scale LNG development in PNG
- Significant progress achieved in 1H15:
  - Locations of key infrastructure sites agreed by PRL 15 JV and supported by Government
  - Commencement of financing – financial, tax and legal advisors appointed
  - Transfer of operatorship to Total SA effective 1 August 2015. Total personnel progressively being mobilised to Port Moresby
- Selection of final development concept after completion of appraisal programme and resource evaluation:
  - LNG plant location provides opportunity for capital savings
- Entry to Basis of Design, including decision on one or two trains, in 1H16 followed by FEED in 2H16:
  - Potential for early works in 2017
- Development can provide material benefits for Gulf communities

Elk-Antelope appraisal programme to be completed 2H15, certification 2Q16

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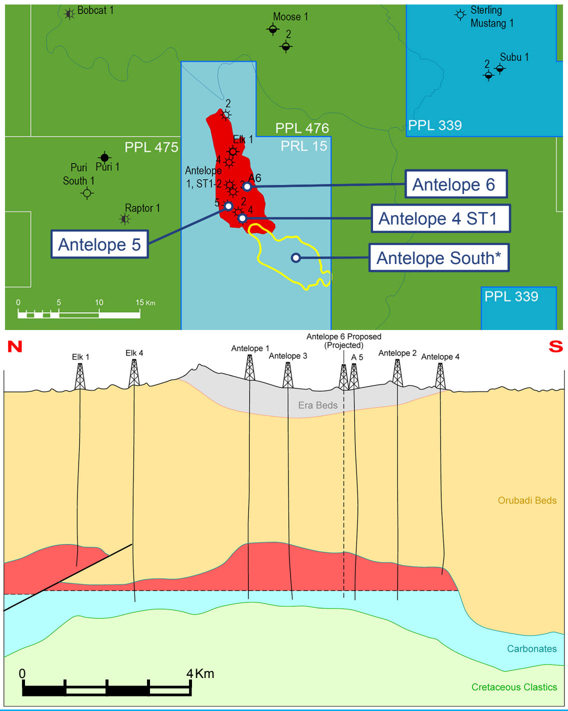

- » Results of appraisal programme to date have been at upper end of OSH's expectations:
  - – Antelope 4 extended good quality reservoir to south
  - – Antelope 5 testing confirmed substantial resource base, excellent reservoir quality and deliverability and pressure communication between A5 and A1
- » 2H15 appraisal programme:
  - – Antelope 4 ST1 sidetrack to spud shortly, using OSH Rig 103
  - – Antelope 6 site preparation on eastern flank well advanced, expected to spud 4Q15, complete by December 2015
  - – Interference testing planned once Antelope 4 ST1 drilled
- » Elk-Antelope field has sufficient resources to underpin one 5 MTPA LNG train (basis for entry into PRL 15) with ~5 tcf 2P, or depending on outcome of appraisal, potentially two PNG LNG-sized trains requiring >7 tcf 2P
- » Resource base >7 tcf would deliver higher returning LNG project (PNG LNG "look-alike") and trigger certification payments (US$0.775/mcf if volume >7 tcf based on average of two certifiers – Gaffney Cline and NSAI)
  - – OSH certification process due for completion mid 2Q16

Window for uncontracted LNG demand expected to re-emerge early next decade

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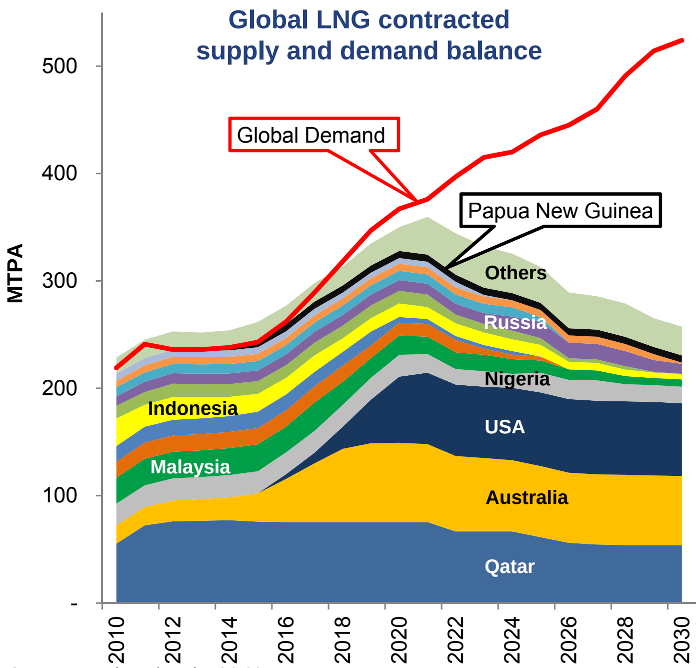
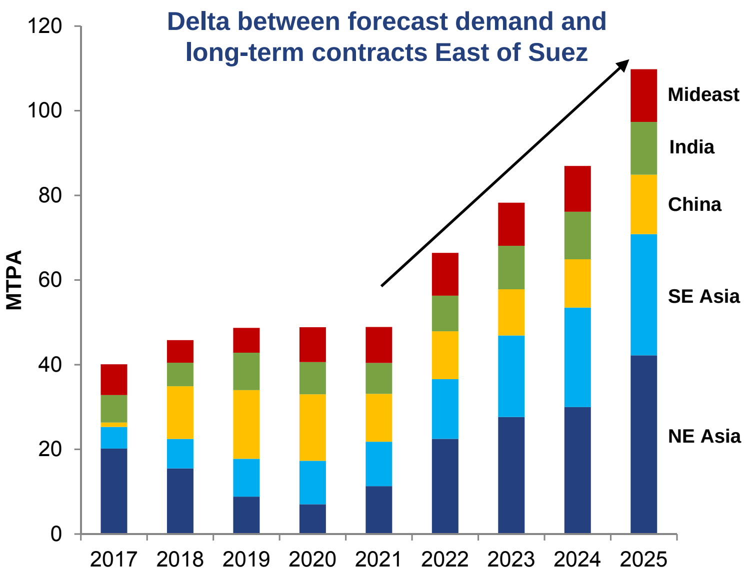


Source: Wood Mackenzie, Q2 2015



Source: Wood Mackenzie, Q2 2015

- » Window opening aligns with timeframes for potential PNG LNG T3 and Papua LNG
- » Both projects aimed at high quality Asian customers

LNG projects from PNG competitive versus Australian and global alternatives (WoodMac)

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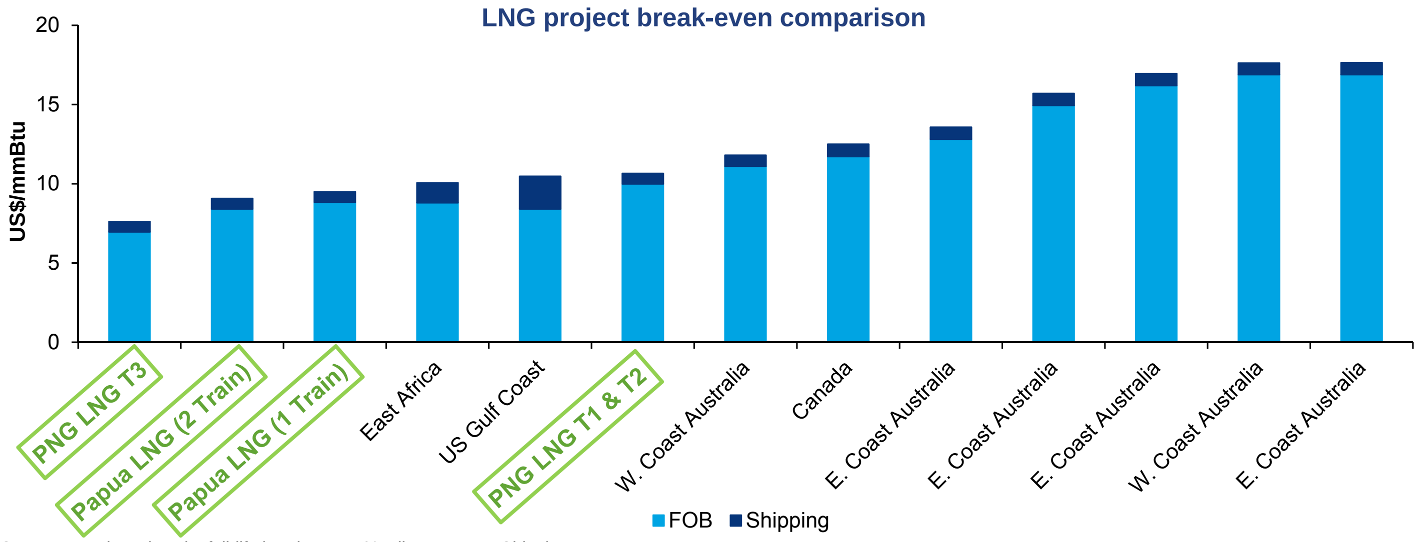

Source: Wood Mackenzie, full-life breakeven, 12% discount rate, Shipping costs are to Japan

- PNG LNG well placed compared to recently commissioned Australian projects
- Debottlenecking at PNG LNG offers opportunity to further improve economics
- Potential Train 3 at PNG LNG and Papua LNG 1 or 2 train options highly competitive with global LNG project alternatives

Gas development summary

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- Successful delivery of PNG LNG has put PNG on map as reliable producer of high heating value gas, that provides buyers with geographical diversification
- Potential PNG LNG Project expansion and Papua LNG Project globally very competitive, with attractive returns even under revised oil price scenario
- Aiming for high quality Asian buyers in LNG market window in early 2020s
- High value LNG growth highest priority for OSH – capital being managed to ensure developments are fully supported
- OSH can add value by acting as facilitator between Government, partners and communities, using long standing in-country expertise

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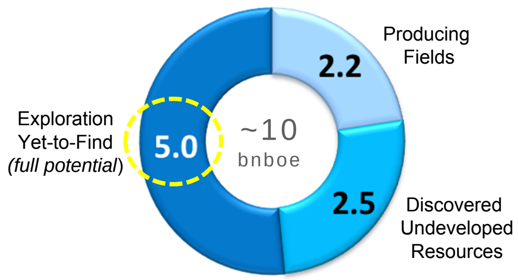
Oil Search exploration: Revitalising acreage and drilling programmes

- OSH analysis indicates Yet-to-Find potential of >5 bnboe in PNG
- Focus on building PNG acreage to support:
  - LNG expansion and potential additional trains
  - High-graded conventional oil
  - Potential new 'game changer' plays
- Systematic appraisal and exploration planned:
  - OSH's 18 month programme targeting ~6-7 tcf gas (mean prospective resources*)
- Programme focused on wells with clear commercialisation options
- Review of costs and technology to drive costs down:
  - Fit for purpose rigs and tight scopes
  - Reduced 3rd party contractor costs and services

Potential PNG resource base*

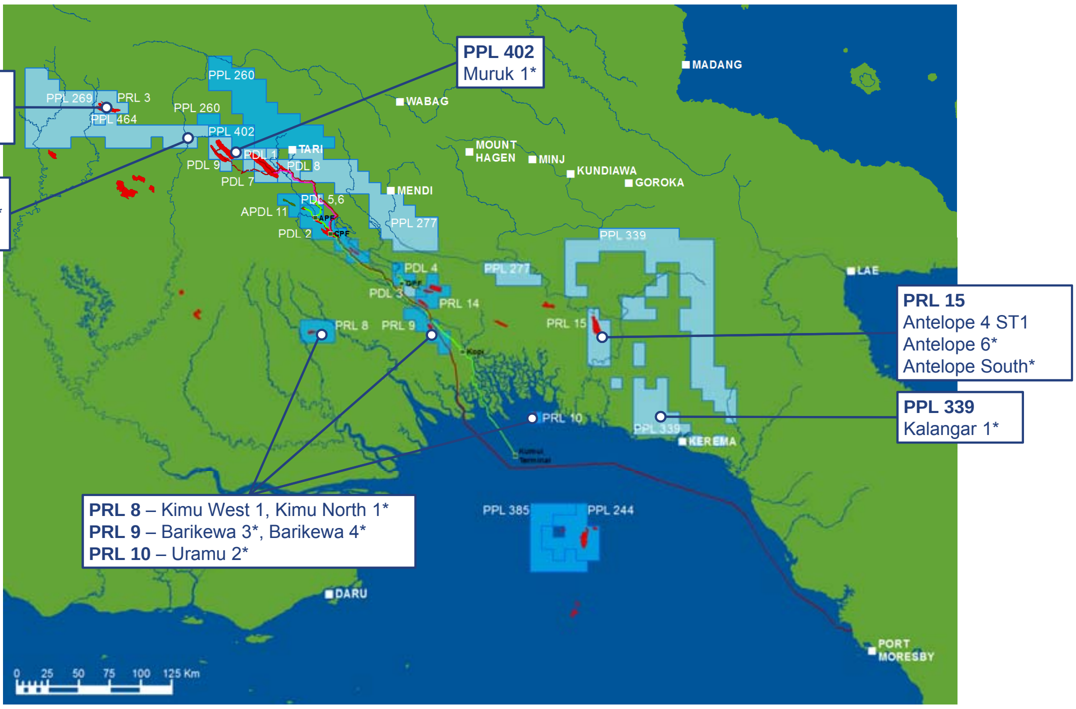


YTF = USGS P50 & IHS Estimates
YTF includes all prospective resource estimates in all PNG sedimentary basins

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

** Mean gross prospective resources. OSH 2015 internal analysis. P50/best estimate equivalent is ~4 - 4.5 tcf. All estimates are unrisked*

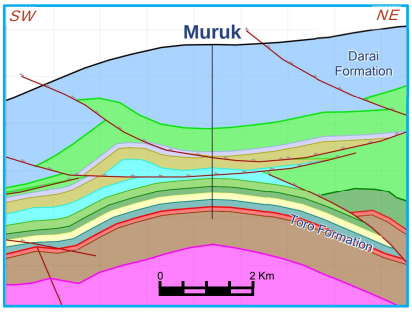
2H15/16 PNG exploration/appraisal programme targeting ~6-7 tcf gas [1, 2]

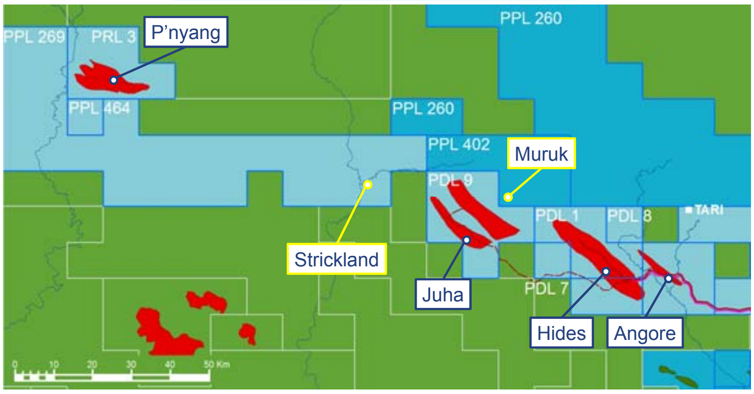


1. *Mean gross prospective resources. OSH 2015 internal analysis. P50/best estimate equivalent is ~4 - 4.5 tcf. All estimates are unrisked*
2. *Excludes P'nyang and Elk-Antelope appraisal*
3. ** Subject to JV approval*

NW Foldbelt: High impact exploration in LNG heartland

- Three exploration wells planned in 2H15/16, targeting ~4-5 tcf mean prospective resources*
- Highly prospective for large gas in proven Toro sandstone play:
  - Muruk 1 – PPL 402 (OSH 50%). On trend with Hides. Operated by OSH, to spud in 2H16, subject to rig availability. Potential multi-tcf structure and high-impact well in core area for PNG LNG expansion
  - Two wells planned in PPL 269 (OSH 10%, operated by Repsol). First well, Strickland 1, located west of Juha, expected to spud in late 2015. Second well target being finalised
  - Seismic programme being mobilised to mature 2016+ drilling targets





** Mean gross prospective resources. OSH 2015 internal analysis. P50/best estimate equivalent is ~3.2 - 3.7 tcf. All estimates are unrisked*

Gulf /Aure Foldbelt

Oil Search

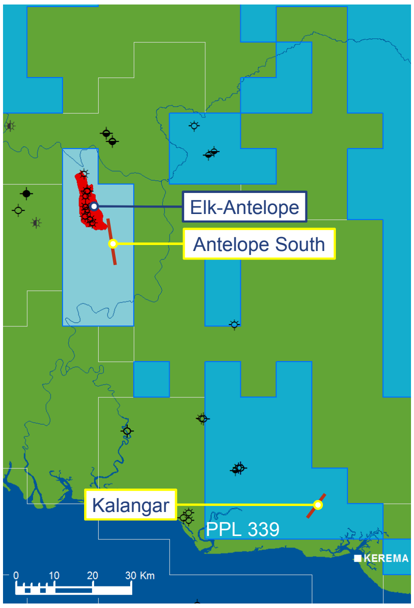
» 2016 wells targeting ~2 tcf mean prospective resources*

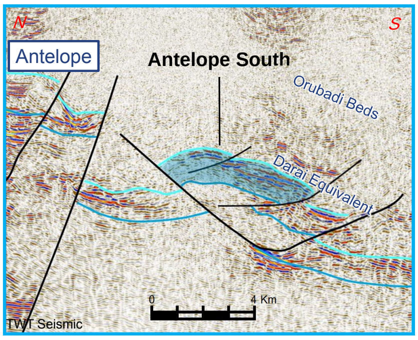
» Gulf area, on trend with Elk-Antelope field, highly prospective and under-explored Miocene play:

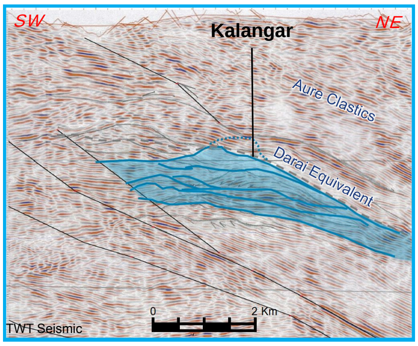
  – Antelope South exploration well – PRL 15 (OSH 22.8%). Adjacent to and downdip from Antelope. Large upside potential

  – Kalangar 1 – PPL 339 (OSH 70%), potential carbonate build-up, well defined by gravity/seismic data at relatively shallow depth. Large upside potential and strong external interest

  – Drilling cost reduction programme utilising smaller rigs, simpler logistics (road supported etc)







** Mean gross prospective resources. OSH 2015 internal analysis. P50/best estimate equivalent is ~1 tcf. All estimates are unrisked*

Forelands/Gulf

Oil Search

» 2016 programme includes appraisal of existing dicoveries targeting increase in 2C resource plus exploration targeting new fault blocks

» Remapping has upgraded resource potential

» Kimu (PRL 8, OSH 60.7%). Cluster of exploration prospects and upside in western part of discovery (Kimu West)

» Barikewa (PRL 9, OSH 45.1%). One/two wells to confirm 1C and 2C resource. Field ideally located in relation to existing infrastructure

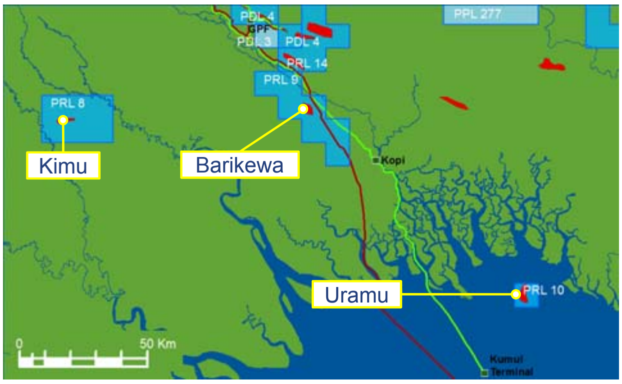
» Uramu (PRL 10, OSH 100%). High-quality reef. Well planned to constrain upside

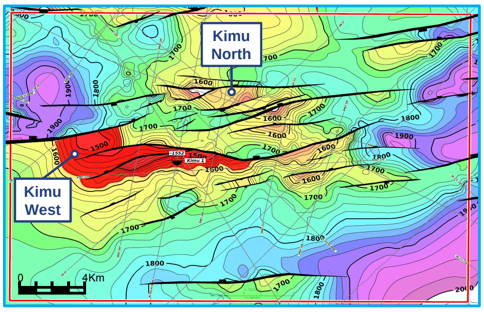
» Development options include:

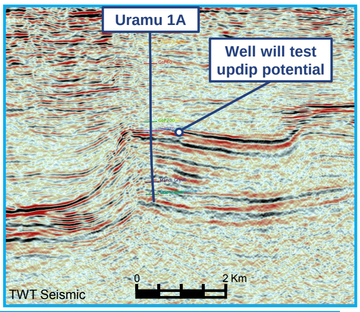
  – Existing LNG project integration/small-scale LNG

  – Power generation

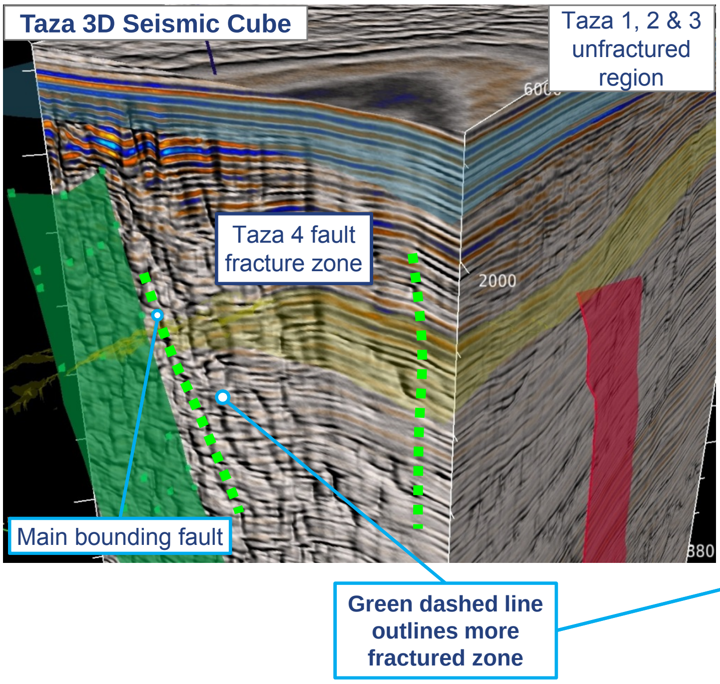
  – Petrochemicals



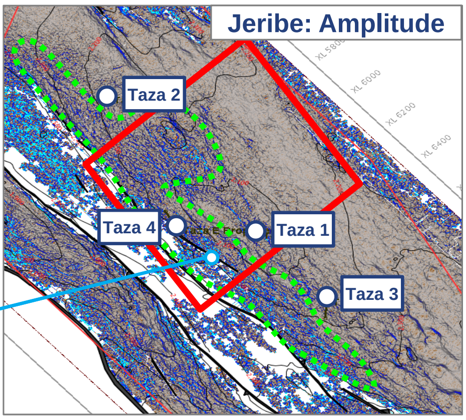




Measured appraisal of Taza in Kurdistan



- Three wells and 680km[2] 3D seismic survey completed
- Currently evaluating field size and economics based on well and seismic results
  - Taza 2 – recovered low flow rates on testing
  - Taza 3 – testing underway in SE
  - 3D data indicates Taza 4 location in major fracture zone
- Taza 4 timing likely 2016



2H15/16 Exploration and Appraisal Programme

	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4
PNG Highlands Activity						
PRL 3 (OSH - 38.5%)			P'nyang South 2 and other possible appraisal activities* **			
PPL 269 (OSH - 10%)		Strickland 1	PPL 269 Well 2*			
PPL 402 (OSH - 50%)						Muruk *
PNG Gulf Activity						
PRL 15 (OSH - 22.8%)	Antelope 4 ST1	Antelope 6				
				Antelope South**		
PPL 339 (OSH - 70%)						Kalangar 1*
PRL 8 (OSH - 60.7%)					Kimu W* Kimu N*	
PRL 9 (OSH - 45.1%)				Barikewa 3* & 4*		
PRL 10 (OSH - 100%)						Uramu 2*
International Activity						
Taza PSC (OSH - 60% WI)	Taza 3 ST1			Taza 4*		

Appraisal/development Exploration

****Subject to JV and/or government approvals***
***** Timing dependent on rig availability***
Schedule subject to change

Exploration Summary

- » Multi-year, multi-well programme to drive long-term growth in PNG, in existing licences plus material licence acquisition programme:
  - Supporting long-term gas reserves
  - New conventional plays
  - Areas with potential for material new 'game changers'
- » Estimate ~5 billion boe Yet-to-Find in PNG, with OSH targeting ~6 - 7 tcf* in 2H15/16 drilling programme
- » Major focus on fit-for-purpose approach:
  - Rig size and services
  - Evaluation and commercialisation
- » Plan to drill 6+ wells per year over next five years (subject to oil price)
- » Focus on PNG growth and value creation

** Mean gross prospective resources. OSH 2015 internal analysis. P50/best estimate equivalent is ~4 - 4.5 tcf. All estimates are unrisked*

2015 Half Year Results Agenda

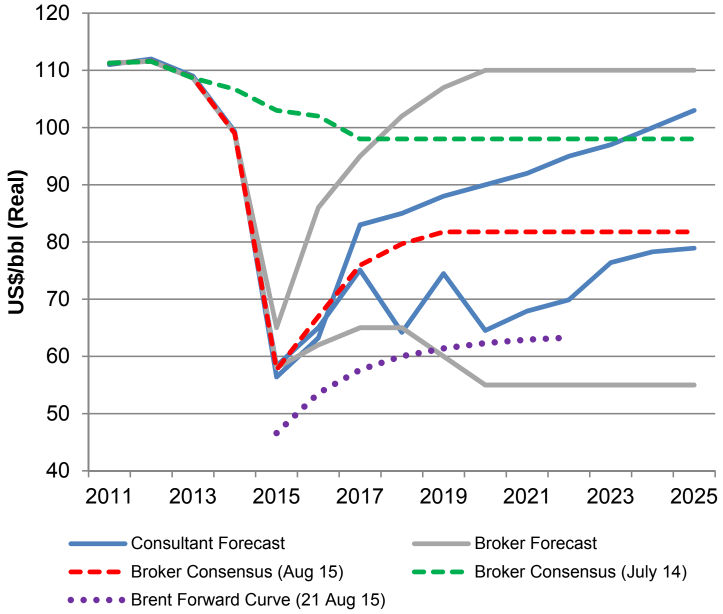
2015 Half Year Highlights	Peter Botten
Financial Overview	Stephen Gardiner
PNG Production	Julian Fowles
Gas Development	Ian Munro
Exploration/Appraisal	Keiran Wulff
Outlook & Summary	**Peter Botten**

Business environment outlook

Oil Search

- Oil market appears oversupplied into 2016, inventories remain at record levels
- Falling oil prices impacting LNG prices and markets
- 'Lower for longer' pervasive in management thinking
- Global industry reaction:
  - Reviewing project economics, marginal projects stalled
  - Reviewing investment spend, discretionary spend reduced
  - Contractors asked to share the pain
  - Equity funding hard to obtain, high level of uncertainty about when oil/gas pricing will settle
- **OSH remains well positioned**
  - Strong production, with PNG LNG outperforming and further potential upside from our top quartile, high margin fields
  - Solid balance sheet and liquidity
  - Strong cash flow generation
  - Significantly reduced capital expenditure obligations
  - Two globally competitive LNG growth projects in lowest quartile for costs

Brent Oil Price Forecasts to 2025



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

Background to Business Optimisation Programme

Oil Search

- 2014 Strategic Review resulted in new vision and series of priority objectives
- In light of dramatic fall in oil prices in 2H14 and OSH view that oil prices will remain 'lower for longer', we re-examined the 2014 Strategic Review recommendations in early 2015:
  - Confirmed that OSH's key strategies remain sound
  - Highlighted opportunity to fundamentally change cost base and re-align organisation to ensure strategic priorities are fully supported
- Business optimisation studies commenced in May 2015:
  - Comprehensive strategic approach to recalibrate business to support long-term growth and sustainability

Key focus areas

» Refocus entire organisation on core strategic priorities and value creation

» Ensure we make best use of resources, including our people, to deliver priority projects

» Take advantage of current business climate to reset cost base and negotiate lower supplier costs

» Improve production and operational efficiencies

» Identify where processes can be improved/streamlined, operating costs reduced and efficiency improved, without compromising safety performance

» Progress OSH's localisation and diversity targets, including increased commitment to staff skills development

» Position OSH for growth, including review of potential asset acquisitions where they fit strategic objectives and can be acquired at the right price

Initiatives to be rolled out over 2H15/2016

» Improve productivity of operated oil business:

- Pursue production enhancement opportunities through integrated planning and capital allocation discipline
- Formation of drilling optimisation team to reduce drilling costs
- Formation of high level continuous improvement and innovation team

» Streamline organisational structure:

- Remove management layers, consolidation/relocation of some functions

» Continued focus on supply chain/contractors to achieve material reduction in OSH controllable costs – results already being delivered

» Build capability of PNG workforce to drive future growth in PNG:

- PNG localisation, skills training

» Continue to work with PNG Gov't to deliver projects and services that benefit all PNG citizens and help promote stable operating environment:

- Power generation and distribution, infrastructure development
- Expand role of OSH Foundation to encompass education and women's empowerment as well as health, in partnership with PNG Government

Business Optimisation Programme – summary of expected outcomes

Oil Search

OSH-controlled spend reduced	» Targeting US$17 - 23m net reduction in annual operating costs from 2016 onwards*. Equivalent to US$2.50-3.50/boe on operated costs (US$16/boe in 1H15) or ~US$0.70-0.80/boe incl LNG » Unit rate reduction of 10 – 25% already achieved from major suppliers, further opportunities being pursued
Production enhancements	» Improved planning and reduced unplanned downtime » Targeting to add 5% to current forecasts for high value operated production, from 2016/17 onwards
Growth focus retained	» Capital management priorities reaffirmed » Capital being managed to allow spend of ~US$7bn on LNG developments over next seven years » Increased focus on exploration in PNG to drive long term growth
One-off P&L restructuring costs	» Approximately US$10m in 2015 » Included in existing cost guidance

» Initiatives will ensure that OSH has the right people in the right places and appropriate cost structure in lower oil and gas price environment

» Will allow OSH to continue to deliver superior returns to shareholders, in a socially responsible way

**Based on OSH-controllable costs only and excludes any cost reduction initiatives delivered by PNG LNG Project operator*

Key milestones*

Oil Search

2015

PNG LNG Project/Expansion

» Continued operation above nameplate capacity of 6.9 MTPA

» Award of PDL for P'nyang field and integration into PNG LNG Foundation Project

Papua LNG Project

» Complete drilling of Antelope 4 ST1 and Antelope 6 appraisal wells

Exploration and Appraisal

» Spud Strickland 1 (PPL 269)

» Complete testing of Taza 3 ST1

2016

PNG LNG Project/Expansion

» Drill P'nyang South 2

» Target FEED entry for T3

Papua LNG Project

» Resource certification of Elk-Antelope field

» Selection of final development concept

» Enter Basis of Design

» Target FEED entry

Exploration and Appraisal

» Drill Antelope South (PRL 15) and spud Kalangar (PPL 339)

» Drill second PPL 269 well and Muruk well in PPL 402 in NW Highlands

» Commence Forelands exploration/appraisal drilling

» Drill Taza 4

2017

PNG LNG Project/Expansion

» Resource certification of P'nyang and Hides

» Redetermination of PNG LNG equities

» Target FID for expansion train by year end

Papua LNG Project

» Ongoing FEED activities

» Possible early works

Exploration and Appraisal

» Programme being defined

** Timing contingent on Government and Joint Venture approvals and subject to change*

Summary

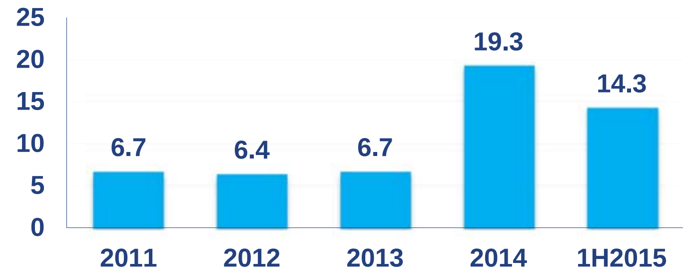
Oil Search

» Strong production, with excellent performance from PNG LNG Project and steady output from operated PNG fields:
  - PNG LNG performing above nameplate capacity with further upside – potential to create material additional value
  - High margin barrels with strong cash flow
» Business Optimisation Programme to be rolled out over 2H15:
  - Slimmer, fit for purpose organisation with recalibrated cost base
  - Enhanced production
  - Retain focus on attractive LNG growth projects with measured spend on other activities
  - Safety, nationalisation and PNG country stability initiatives remain a priority, including improving skills and focus
» Results already being delivered:
  - Unit production costs reduced by 43% in 1H15, more to come
» Steady progress on PNG LNG Project expansion and Papua LNG Project. Both globally competitive and remain commercially sound even in lower oil price environment
» Revitalised exploration programme planned over next 18+ months, targeting material gas resources
» Sound balance sheet, with liquidity being actively managed to fund growth

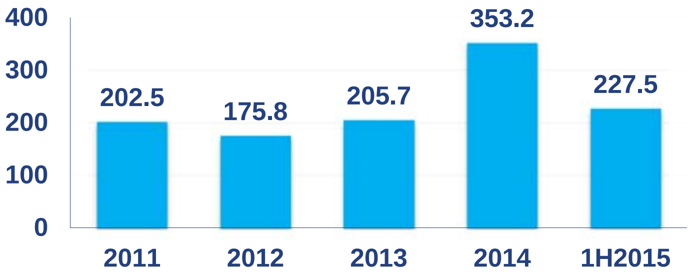
Appendix: Key metrics

Oil Search

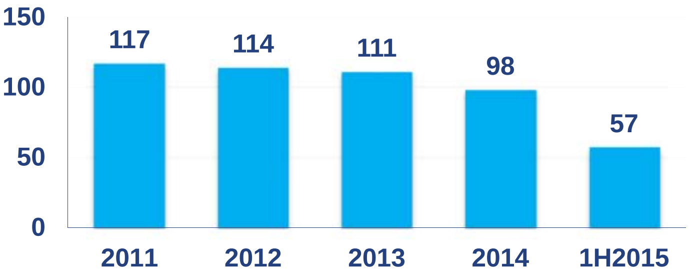
Production (mmboe)



Net Profit After Tax (US$m)



Oil Price (US$/bbl)



DPS (US cents)

Oil Search

Oil Search Limited

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