2016 Full Year Results

February 2017

Oil Search

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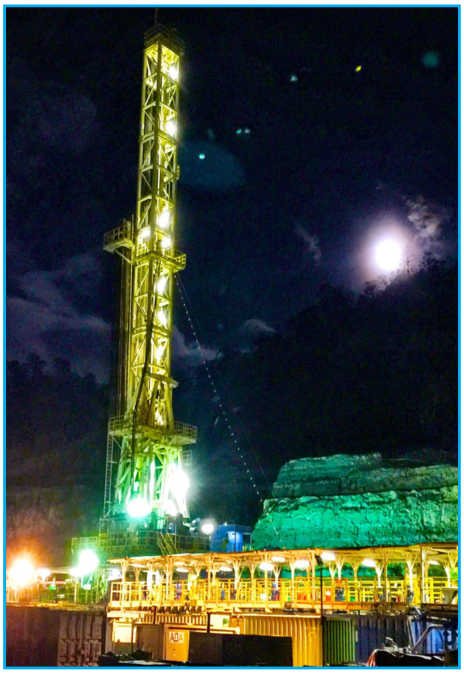
2016 Full Year Results Agenda

2016 Highlights	**Peter Botten**
Financial Overview	Stephen Gardiner
PNG Production	Julian Fowles
Gas Development	Ian Munro
Exploration/Appraisal	Keiran Wulff
Outlook & Summary	Peter Botten

2016 Operational Highlights

» Strong operating result delivered:
- Record oil and gas production: 30.24 mmboe – 3% higher than 2015
  - Underpinned by excellent production performance from PNG LNG Project and solid oil production
- Continuation of unit production cost reductions: 16% down from US$10.08 boe in 2015 to US$8.50 boe. 30% drop since 2014
- Strong platform of reserves and resources for growth and sustainability
  - 49% increase in 1P reserves (~26% coming from OSH-operated oil fields)
  - 11% increase in 2P Reserves
  - Reserves cover on 1P basis of 16 years, 18 years for 2P
  - 2P reserves and 2C contingent resources cover of 44 years
- Successful Antelope appraisal programme and resource certification
- Clear definition of possible development options for PNG LNG and Elk-Antelope
  - Decisions pending completion of ExxonMobil acquisition of IOC



2016 Financial Highlights

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- Core profit of US$106.7m:
  - Achieved despite 33% lower realised LNG and gas prices and 12% drop in realised oil and condensate price
- Statutory NPAT US$89.8m, including profit from IOC break-fee, offset by deferred tax restatement
- Final dividend for 2016 of 2.5 US cents, 3.5 US cents total for year
- Strong performance during lower oil price environment:
  - Cash flow positive at ~US$17/bbl, with break-even cash flow after interest, principal repayments and sustaining capex ~US$28/bbl
  - US$1.61bn liquidity available to support growth programmes

Fourth consecutive year of improved safety performance

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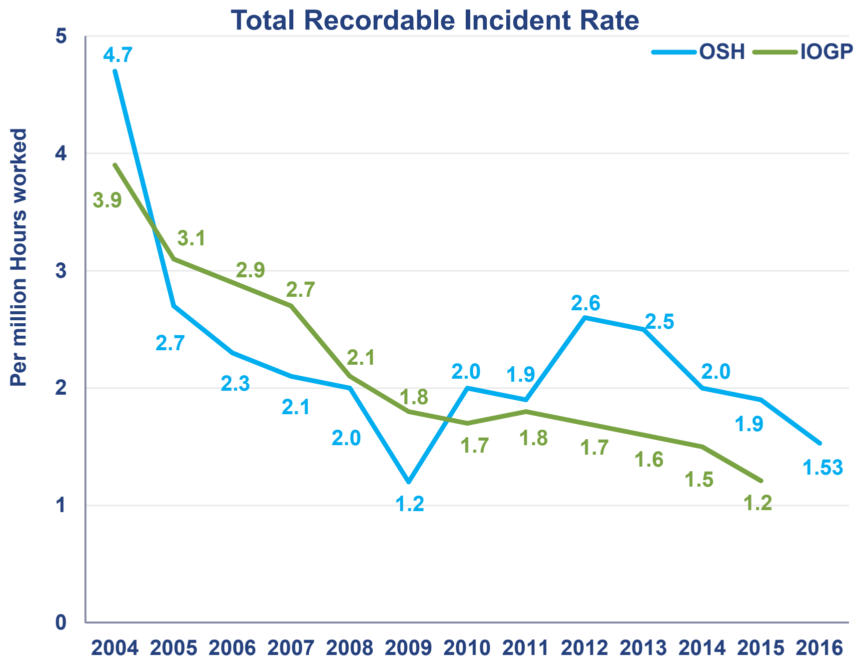

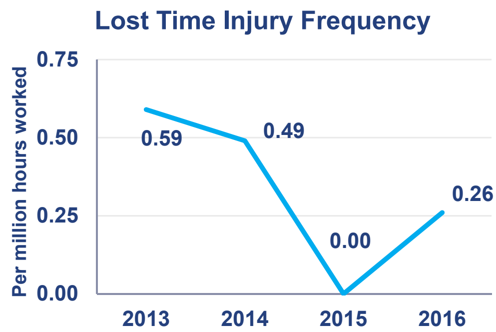

- Safety improvement plan introduced following increase in TRIR in 1H16
- Significantly better performance in 2H16, leading to 20% improvement in TRIR for FY16 relative to FY15, from 1.9 to 1.53 per million hours worked
- Process safety performance a key focus for production and drilling operations
- Strong environmental performance in 2016, continuation of ISO 14001 certification

2016 Results Agenda

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2016 Highlights and Financial Performance

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Highlights		2016	2015	
Sales volume	(mmboe)	30.59	28.76	↑
Operating cash flow	(US$m)	555.1	952.7	↓
Total dividend	(US cents)	3.5	10.0	↓
Net debt	(US$m)	3,076.6	3,318.2	↓
Liquidity	(US$m)	1,612.7	1,658.5	↓

Full Year P&L (US$m)	2016	2015
Revenue	1,235.9	1,585.7
Costs of production	(296.0)	(324.4)
Other costs	(87.7)	(110.1)
EBITDAX[1]	**852.2**	**1,151.3**
Depreciation and amortisation	(436.7)	(407.8)
Exploration costs expensed	(53.2)	(50.9)
Impairment	-	(399.3)
InterOil break fee (net)	18.7	-
Net finance costs	(196.0)	(185.1)
Profit before tax	**185.0**	**108.3**
Tax	(95.2)	(147.6)
Net profit/(loss) after tax	**89.8**	**(39.4)**
Impairment (net of tax)	-	399.3
InterOil break fee (net)	(18.7)	-
PNG tax law changes	35.6	-
Core profit[1]	**106.7**	**359.9**

- 6% increase in sales volume offset by lower average realised prices, reducing revenue by 22%
- Operating cash flow and earnings solid despite soft oil and LNG market conditions – liquids price 12% down on prior year and LNG price down 33% due to pricing lag
- Operating costs lowered, despite higher sales volumes, due to efficiency savings and reduced discretionary work programmes
- Core profit of US$106.7 million excludes:
  - InterOil bid related income of US$48.0 million, partially offset by associated costs of US$29.3 million
  - One-off, non-cash restatement of deferred tax balances of US$35.6 million, resulting in effective tax rate of 51%
- Final ordinary dividend of 2.5 US cents per share

[1] EBITDAX (earnings before interest, tax, depreciation/amortisation, non-core activities, 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.

Financial metrics are robust

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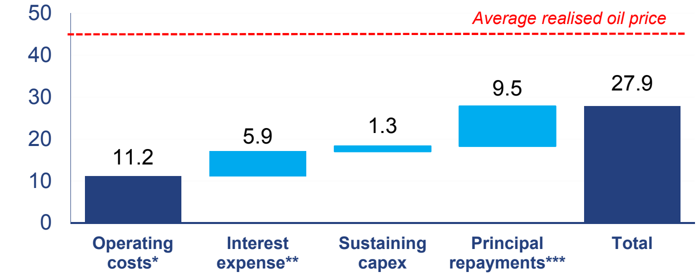
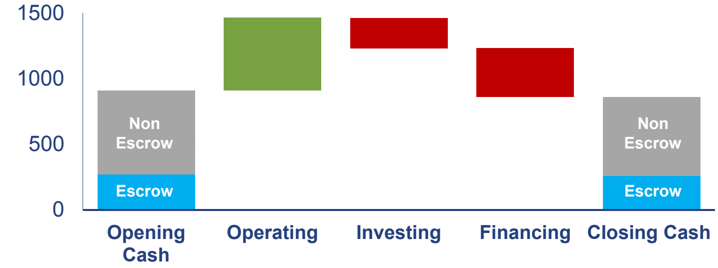
Cash flow break-even analysis (US$/boe)



* Excludes inventory movements, donations, IOC acquisition costs, power expense, business development costs, other expenses and rig operating costs
** Includes interest from finance leases
*** Includes payments for finance leases

Cash flow Chart

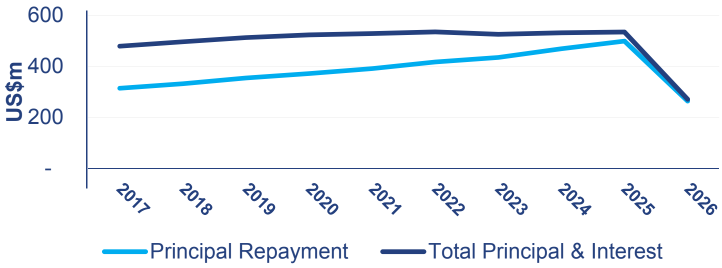


Operating cash flow of US$18.15/boe

Cash and Corporate Facilities available

Balance sheet solid, liquidity US$1.61bn

Indicative annual repayment profile



Unit production costs reduced to US$8.50/boe

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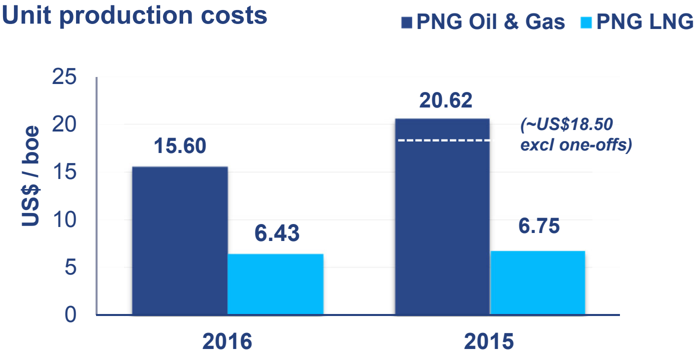
US$m	2016	2015
Production costs:		
- PNG LNG	150.6	149.9
- PNG Oil and Gas	106.5	144.9
	257.1	**294.8**
US$/boe	***8.50***	***10.08***
Royalties and levies	5.4	12.4
Gas purchases	14.7	20.9
Inventory movements	18.9	(3.7)
Total costs of production	**296.0**	**324.4**

- Production costs on a per barrel of oil equivalent (boe) basis declined 16%
- PNG LNG production unit costs on a per boe basis were 5% lower than 2015 unit costs, with PNG LNG Project producing well above nameplate capacity
- PNG oil and gas unit production costs per boe for 2016 were 24% lower than in prior year, primarily due to cost reduction initiatives, one-off restructuring costs in 2015 and no well workover activity in 2016

Unit production costs



2017 Guidance

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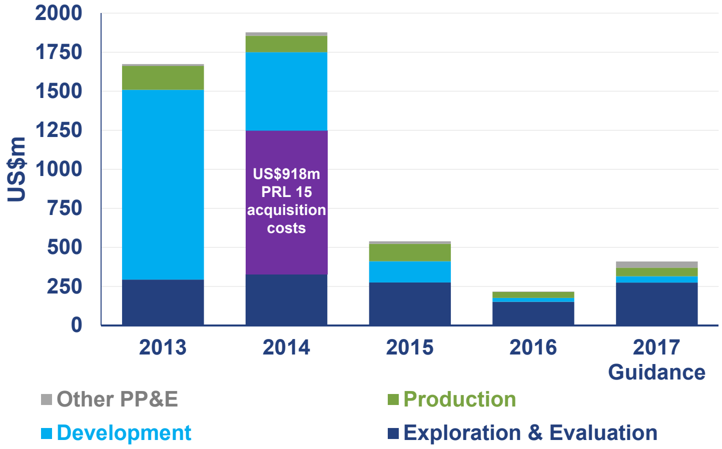
2017 Capital Cost Guidance (US$360 – 460 million)



» Exploration & Evaluation: US$250 – 300 million
» Development: US$35 – 45 million
» Production: US$45 – 65 million
» Other PP&E: US$30 – 50 million

Production	2017 Guidance[1]
Oil Search operated	5.5 – 6.5 mmboe[2,3]
PNG LNG Project:	
LNG	101 – 104 bcf
Power	600 – 650 mmscf
Liquids	3.0 – 3.5 mmbbl
Total PNG LNG Project	23 – 24 mmboe[2]
Total Production	**28.5 – 30.5 mmboe**
Operating Costs	
Production costs	US$8.50 – 10.50 / boe
Other operating costs[4]	US$135 – 145 million
Depreciation and amortisation	US$12 – 13 / boe

[1] Numbers may not add due to rounding.
[2] Gas volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 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.
[3] Includes 2.8 – 3.0 bcf (net) of SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%).
[4] Includes Hides GTE gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, corporate administration costs (including business development)

2016 Results Agenda

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Highest ever full year production

» FY16 production of 30.24 mmboe, 3% higher than 2015 and all-time record for OSH:

– Outstanding performance by PNG LNG Project:

• 23.4 mmboe (101.8 bcf LNG plus 3.45 mmboe liquids). Annualised production rate of ~7.9 MTPA, peak rate of ~8.4 MTPA in November & December

• High uptime (>96%), operating >15% above design capacity

– 6.8 mmboe contributed from operated oil fields and Hides GTE, well above budget for mature fields:

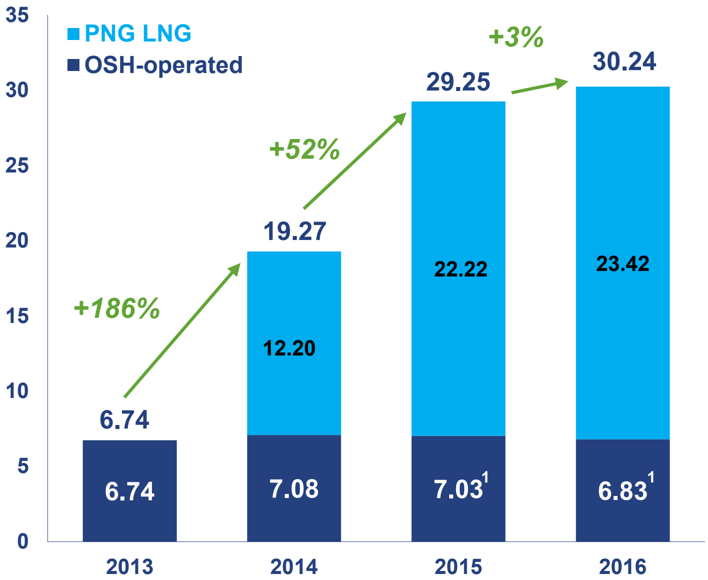
• Oil – 5.0 mmboe

• Hides GTE – 1.21 mmboe

• SE Gobe third party gas sales to PNG LNG – 3.1 bcf

• Facilities uptime >94%, excellent performance given maturity

Net Production (mmboe)



[1] Includes SE Gobe gas sales

2017 Production Outlook

» 2017 production forecast: 28.5 – 30.5 mmboe

» OSH-operated: 5.5 – 6.5 mmboe

– Includes 2.8 – 3.1 bcf (net) of SE Gobe gas sales (OSH – 22.34%) exported to PNG LNG

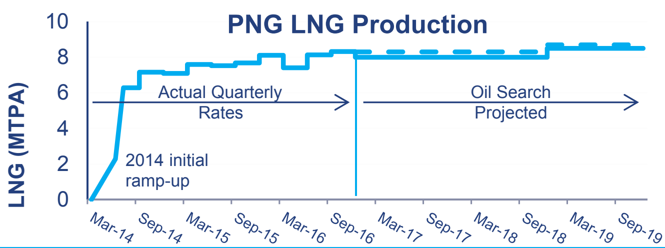
– Specific focus on production optimisation and efficiency through integrated Life of Asset Planning

» PNG LNG: 23 – 24 mmboe

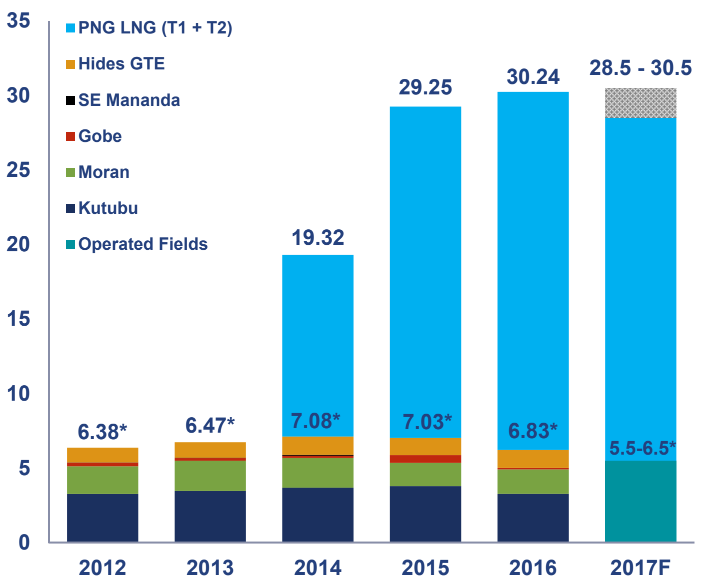
– 101-104 bcf LNG, 600-650 mmscf power, 3.0 – 3.5 mmbbl liquids

– PNG LNG routine compressor maintenance planned for May and September 2017

– Planning for Angore tie-in and HGCP slugcatcher modifications in 2018



OSH Net Production (mmboe)[1,2]



1. LNG sales products at outlet of plant, post fuel, flare and shrinkage
2. Gas:oil conversion rate from 2014 onwards: 5,100 scf = 1 barrel of oil equivalent (prior 6,000 scf/boe)
* Oil Search operated production, including SE Gobe gas sales to PNG LNG Project

Reserves and Resources at 31 December 2016

- Major increase in PNG LNG Project reserves:
  - Technically recoverable gas recertified for all Project fields by NSAI. Reserves assessed using OSH corporate economic assumptions
  - 1P category: 50% increase in PNG LNG gas reserves (+815 bcf) and 30% increase in condensate (+13 mmbbl)
  - 2P category: 12% increase in PNG LNG gas reserves (+353 bcf), minor reduction in condensate (-3 mmbbl)
- Increases after record production volumes for 2016 of 8.5 mmbbl oil and condensate and 105.8 bcf gas*
- Key changes to resources:
  - Addition of 254 bcf of 2C gas and 13 mmbbl of 2C condensate, equivalent to 6.53 tcf of raw gas gross, from Elk-Antelope (PRL 15):
    - Gross figures consistent with average 2016 certification by NSAI and GCA, average 1C and 2C resource of 5.2 tcf and 6.4 tcf of raw gas respectively
  - Removal of 21.9 mmbbl oil and 6.3 bcf gas relating to Taza and Block 7, Yemen

At end Dec 2016	Oil and condensate (mmbbl)	*% Change*	Gas (bscf)	*% change*
1P Reserves	62.3	↑ *8%*	2,151	↑ *49%*
2P Reserves	75.7	↓ *13%*	2,425	↑ *11%*
2C Resources	48.3	↓ *15%*	3,709	↑ *3%*
Total 2P & 2C	124.0	↓ 14%	6,134	↑ 6%

- **On 2016 production of 30.24 mmboe:**
  - **1P reserves life - 16 years**
  - **2P reserves life - 18 years**
  - **2P reserves and 2C resources life - 44 years**
- **Substantial 2C gas which is likely to be commercialised by LNG expansion**

* Production volumes include Oil Search's entitlement of PDL 1 (16.67%) for Hides GTE Project

2016 Results Agenda

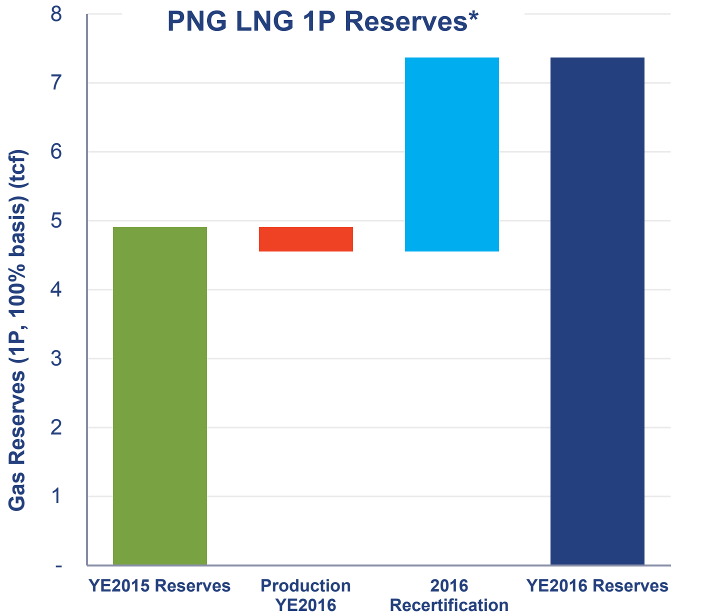
Material increase in PNG LNG reserves

» NSAI recertification of PNG LNG fields has resulted in 50% increase in OSH's PNG LNG Project 1P gas reserves

» Implies gross increase of ~2.8 tcf 1P (~815 bcf OSH net) in future sales gas. Provides flexibility and ability to:

- Sustain higher rates of production (~8 MTPA) from PNG LNG and potentially provide early 1P coverage for LNG expansion
- Optimally place volumes in either term contracts (for uncommitted production above 6.6 MTPA) and / or spot market

» Further bolsters strongly performing world class project and increases likelihood of high value integrated LNG expansion



* After historical production, F&F and shrinkage, adjusted for economic limit using OSH's corporate assumptions

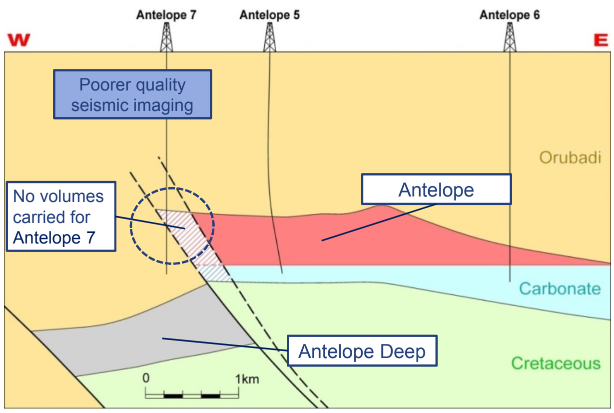
Material increase in PRL 15 resources

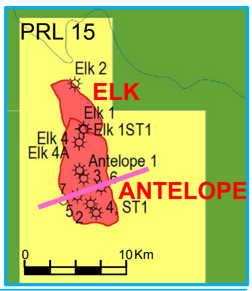
» Increase in OSH 2C contingent resource at Elk-Antelope following 2017 drilling and evaluation:

- Gas increased by 21% to 1,473 bcf (6.45 tcf gross)
- Condensate increased to 13 mmbbl (57 mmbbl gross)

» Final appraisal well - Antelope 7/7ST1 - underway:

- Objective to provide structural control and test for reservoir in poorly defined western flank
- No carbonate reservoir encountered to date, consistent with OSH and certification interpretation
- Drilling ahead to Antelope Deep secondary target





» Five-year extension of PRL 15 licence granted in December:

- Licence conditions stipulate completion of pre-FEED and FEED in first two years

» Project milestones will lead to timely LNG development

Muruk gas discovery adds to existing undeveloped resources

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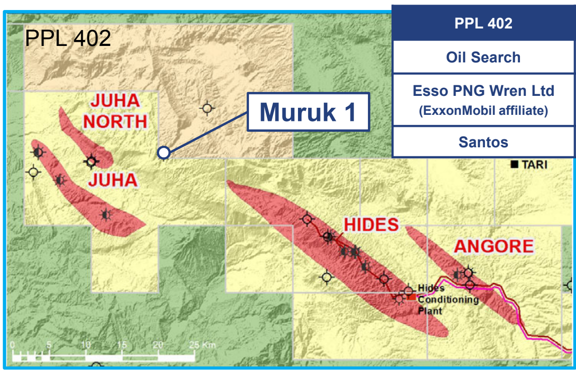
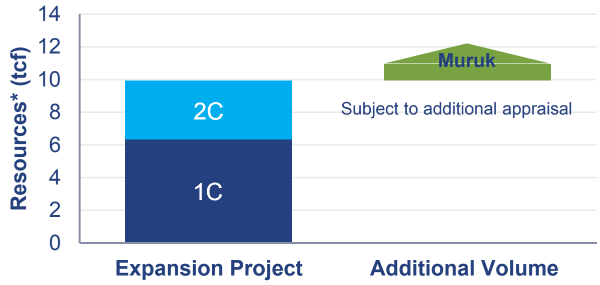
» OSH-operated Muruk discovery located ~21km from nearest producing PNG LNG infrastructure:
  – Due to proximity to Hides, could result in competitive development costs (subject to appraisal results)
  – Provides optionality of field phasing for LNG expansion to deliver maximum value to all parties

» Muruk, and de-risked exploration prospects along trend, add to 2C resources in Elk-Antelope and P'nyang of 10 tcf

» P'nyang South 2 well to be drilled in 2H17, contracting for well pad construction underway:
  – Recertification to take place after well completion



PPL 402	WI %
Oil Search	37.5
Esso PNG Wren Ltd (ExxonMobil affiliate)	42.5
Santos	20



* Upstream dry gas

Cooperative LNG expansion

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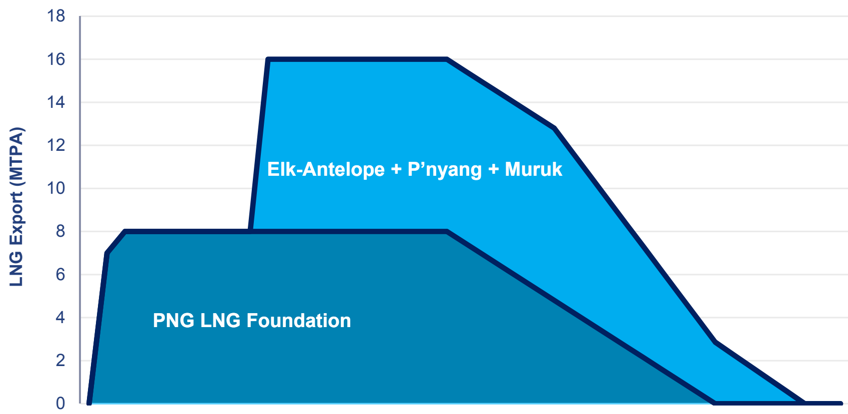
» Elk-Antelope and P'nyang can supply two additional 4+ MTPA trains constructed together at existing PNG LNG site

» Formal discussions on LNG expansion to commence following completion of ExxonMobil acquisition of InterOil

» OSH, partners and Government have confirmed intent to pursue coordinated development

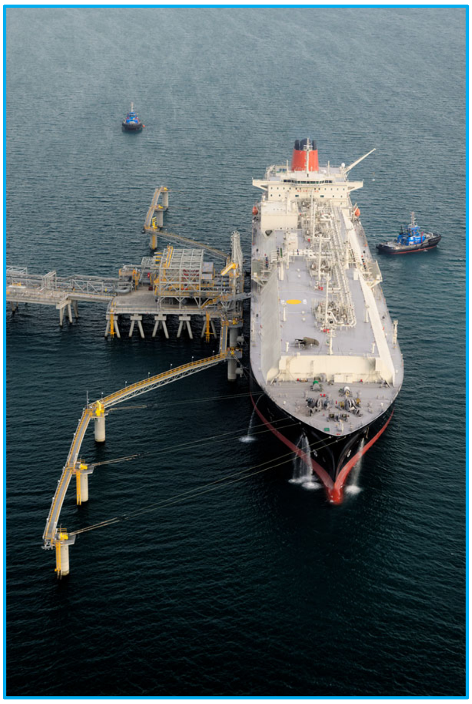
» Targeting alignment on field phasing and commercial model in 2H17



» Various commercial models can deliver brownfield expansion:
  – US$2-3+ bn of downstream cost synergy
  – Optimised field phasing and schedule acceleration
  – US$125+ million annual opex savings

Long term LNG market remains strong

- » LNG spot price has risen from ~US$4/mmbtu in 1H16 to >US$9/mmbtu in Dec 2016, driven by seasonal and supply issues
- » Long term LNG market fundamentals remain strong. Buyers continuing to enter into long term SPAs
- » Top tier buyers in NE Asia expected to have additional LNG requirements early next decade, including to replace expiring supply contracts
- » Several buyers and sellers now expecting market to rebalance earlier than mid next decade
- » PNG expansion well positioned to capture market opportunities:
  - Continued exceptional performance of PNG LNG
  - Additional PNG LNG volumes available for short/mid/long term LNG marketing following recertification
  - 10+ tcf resources with overlapping ownership interests
  - Cost-competitive brownfield integrated development



Commercialisation activities in 2017

2017 Work streams to progress timely co-operative development

Elk-Antelope	P'nyang	Muruk
Completion of Antelope 7ST1	P'nyang South 2 pad construction to commence in April 2017	Completion of Muruk 1 and sidetracks, certification
ExxonMobil entry to PRL 15	Target P'nyang South 2 in 2H17 (after wet season) and recertification	Site prep for additional appraisal well(s)

Integration technical study and commercial discussions between JVs and PNG LNG to deliver binding agreements

Concept Select and commencement of upstream and downstream pre-FEED before YE 2017

Gas Agreement discussions to commence before YE 2017

FEED 2018

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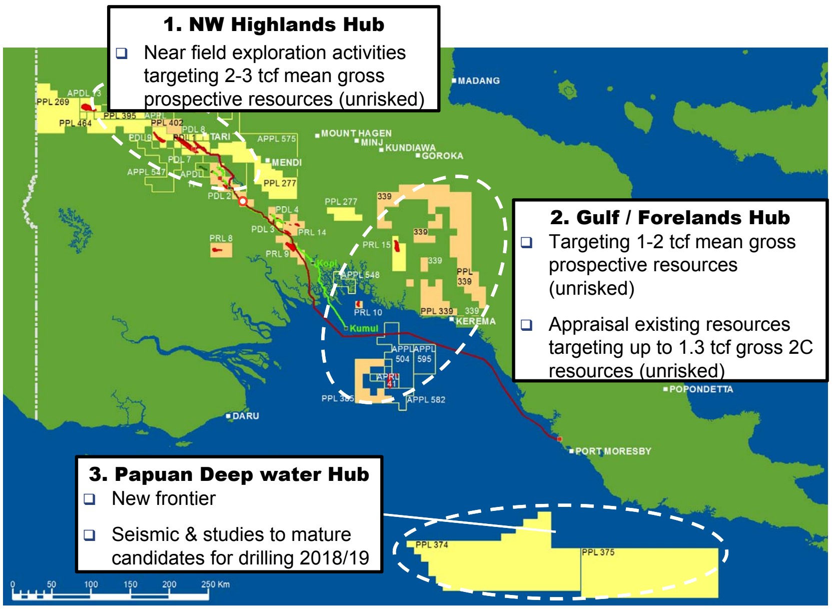
2016 Exploration strategy and outcome

- PNG-wide prospectivity review completed focusing on long term strategy:
  - 60% of PNG's resource yet to find (ie >7bn boe)
  - >90% of yet to find expected to be gas
- Materially expanding PNG acreage:
  - Focus on gas expansion and delineating remaining oil
  - Strong portfolio including several game changers
- Significant Muruk gas discovery end 2016:
  - ~350m gas column to date (no GWC yet defined)
  - 21 km NE of Hides infrastructure
  - Results upgrade on-trend prospectivity
- 2017 programme targeting 4-6 tcf unrisked:
  - Active appraisal drilling in 2017
  - Seismic to firm up material new prospects to drill in 2018, targeting key LNG hubs



- Industry cost rebasing has resulted in significant cost savings and ability to attract world class personnel

Muruk gas discovery (OSH 37.5% and operator)

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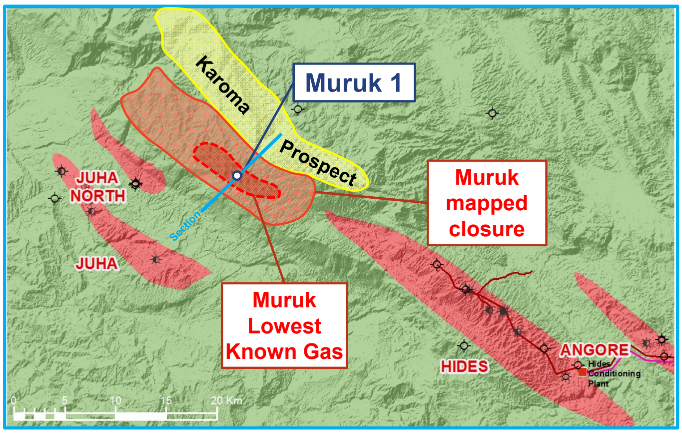
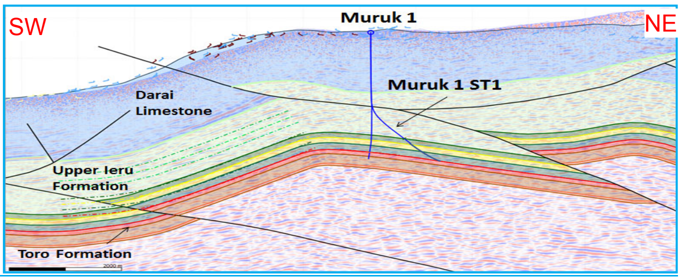
- » Early results from Muruk very encouraging, strong JV alignment for early appraisal
- » Muruk 1 & sidetracks in 2017:
  - – Muruk tested large structure 21km NW of Hides. Penetrated gas saturated Toro sand with gross thickness of 106 metres
  - – Muruk 1ST1 targeted Toro reservoir 1km to NE. Has more than doubled proven gas column to 350 metres
  - – Sidetrack being deepened and reorientated to target Toro deeper and gain additional structural information
  - – Active forward appraisal programme being proposed:
    - • Deepening Muruk 1ST1 plus additional side tracks likely
    - • Site prep in 2017 for appraisal drilling in 2018
    - • Seismic on Karoma prospect, to mature for drilling in 2018
- » Muruk result has derisked major play trend:
  - – Three prospects along trend with similar attributes to Muruk. Combined unrisked mean resource potential of 4 – 6 tcf
  - – Targets to be confirmed by 2017 seismic





Appraisal of material upside in existing Foreland fields

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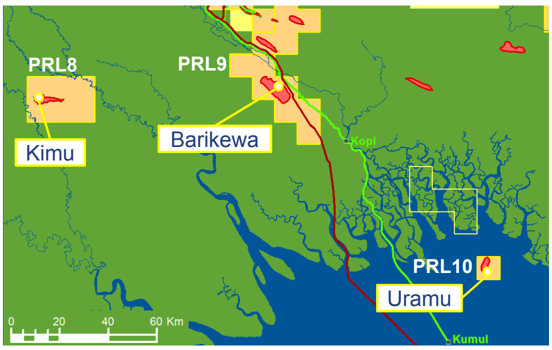
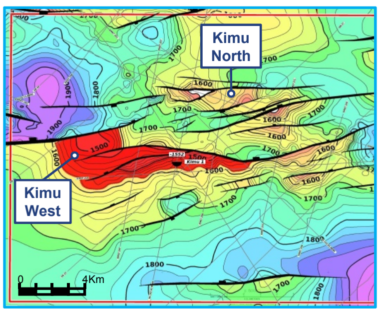
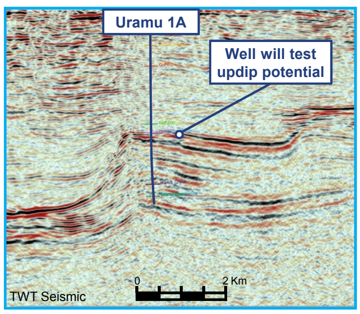
- » Appraisal to define 2C resource and near field exploration opportunities (Kimu North):
  - – 2016 seismic acquisition upgraded resource potential
  - – 2017/18 wells targeting ~1 tcf mean unrisked prospective resources
- » Kimu (PRL 8, OSH 60.7%):
  - – Cluster of prospects adjacent to Kimu gas field with recently identified upside
- » Barikewa (PRL 9, OSH 45.1%):
  - – Confirm 1C and 2C resource,
  - – Field located adjacent to existing infrastructure
- » Uramu (PRL 10, OSH 100%):
  - – High-quality reef, shallow water, well to define 2C
- » Results will drive final commercialisation options:
  - – Tier 1: Existing LNG project integration
  - – Tier 2: Small-scale LNG
  - – Tier 3: Power generation / petrochemicals







Three year exploration focus in PNG

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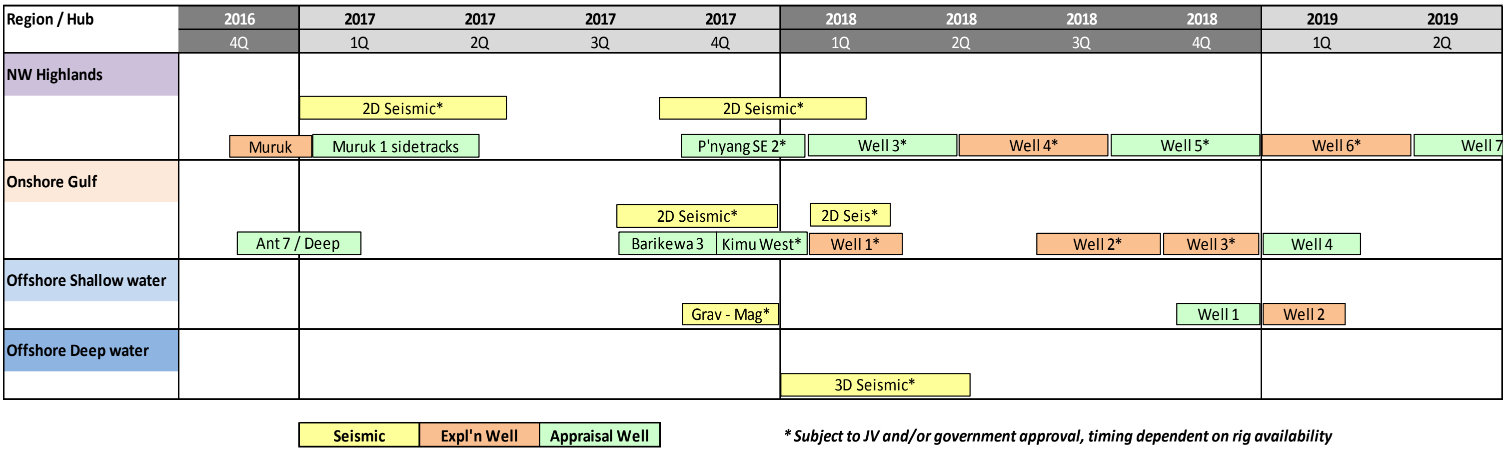
- Optimal combination of appraisal and high quality exploration, supporting gas expansion and material new growth opportunities
- Coordinated programmes to prioritise capital, optimise rig activity and drive lower costs
- Appraisal drilling to focus commercialisation efforts
- Partnering to balance portfolio risk, manage capital and secure commercialisation path



** Subject to JV and/or government approval, timing dependent on rig availability*
Schedule subject to change

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Key events in 2017

- » Completion of ExxonMobil entry to PRL 15 (Elk-Antelope) planned 1Q17
- » Comprehensive discussions on cooperation and project development scope. Licence commitments a factor
- » Further appraisal of Muruk and drilling on P'nyang in 2H17
- » Completion of Elk-Antelope appraisal followed by reserve/resource review
- » Continued optimisation of PNG LNG production
- » PNG election June/July. New Government August 2017

Summary - unprecedented platform for growth

- » 2016 Strategy Refresh highlighted potential to deliver top quartile returns for next 5 – 7 years
- » Delivery of PNG LNG expansion and development of Elk-Antelope core to high-returning growth
- » Strategy set roadmap to optimise developments:
  - Strong support from all stakeholders
  - Material discussions on way forward starting 1Q17
- » Strong platform to deliver:
  - Existing world class project and infrastructure
  - PNG LNG expansion and Elk-Antelope – multiple train potential
  - Strong resource base bolstered by reserves upgrades, with 10 tcf + available:
    - P'nyang resource to be appraised
    - Muruk a potential significant resource
- » Building excellent exploration portfolio, complementary to gas commercialisation
- » Ancillary field development review – ssLNG
- » Comprehensive in-country community-based programmes underwriting stable operations
- » Further organisational optimisation with succession planning

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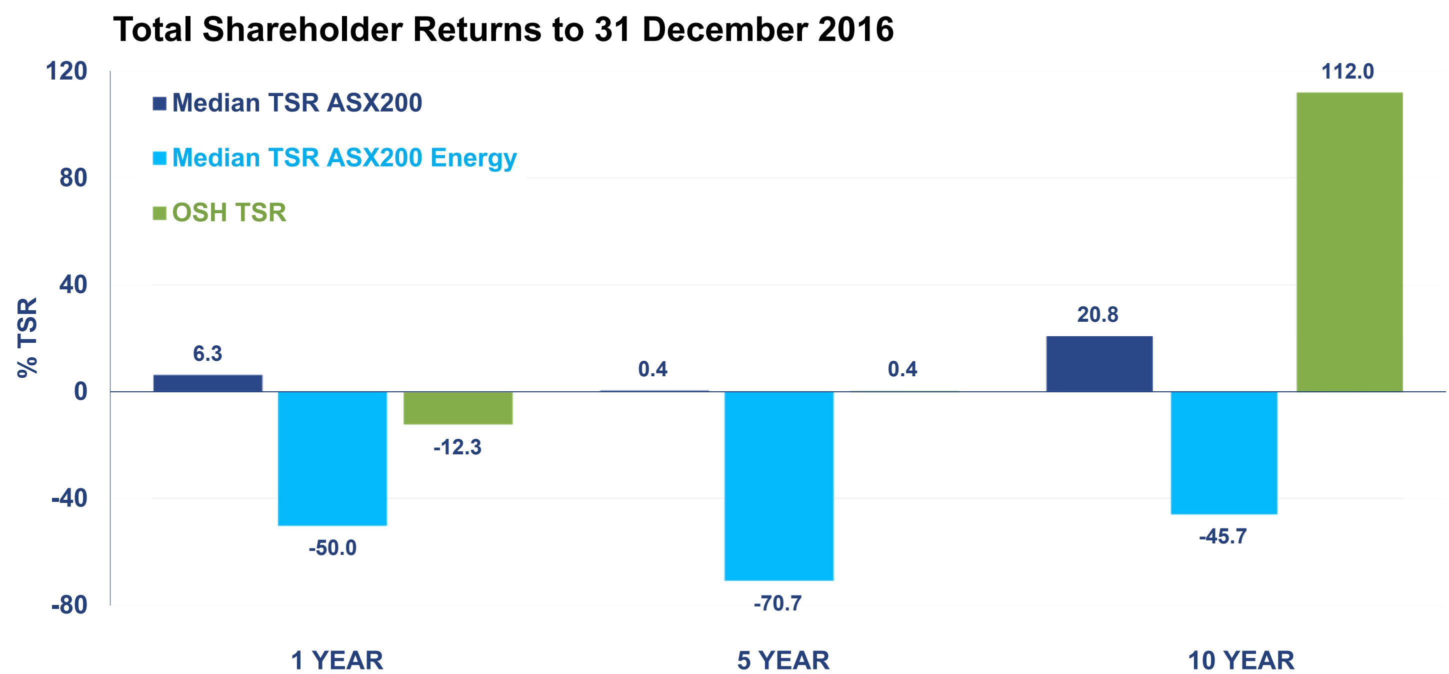
Appendix 1: Recent TSR performance reflects global oil price weakness



Source: Orientcap

Appendix 2: Operating Margins

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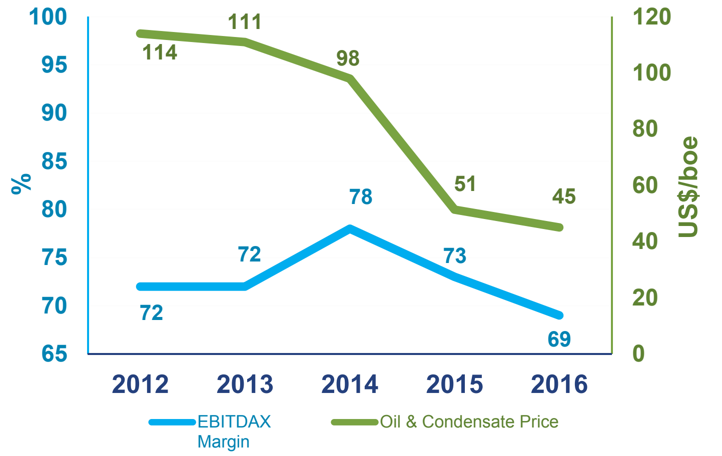
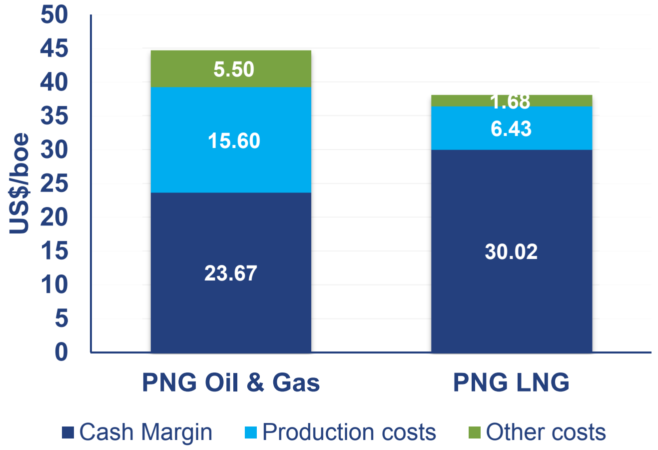
EBITDAX Margin



- Average realised oil and condensate price of US$45.04/bbl, reflecting the continual deterioration in global oil prices in early 2016
- EBITDAX margin down due to lower oil and condensate, LNG and gas prices, partially offset by increase in sales volumes

Cash Margin by Asset



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

Appendix 3: Cash Flows

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- Healthy operating cash flows despite weak oil price environment:
  - Operating cash flow of US$18.15/boe
  - Includes borrowing costs of US$194.0 million
- Investment spend driven by US$142.9 million spent on exploration and evaluation expenditure, mainly relating to Antelope wells including related pre-FEED activities and other exploration drilling (Muruk 1 well, Strickland 1 and 2 wells)
- Financing includes payment of 2015 final 2016 interim dividends totalling US$76.1m
- Repayment of US$289.3m under PNG LNG Project finance facility