



2018 ANNUAL MEETING

When the pieces come together

11 May, 2018 | Crowne Plaza Hotel, Port Moresby, PNG

OIL SEARCH LIMITED | ARBN 055 079 868 | ASX: OSH | POMS0X: OSH | US ADR: OISHY

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PRESENTATION BY THE MANAGING DIRECTOR

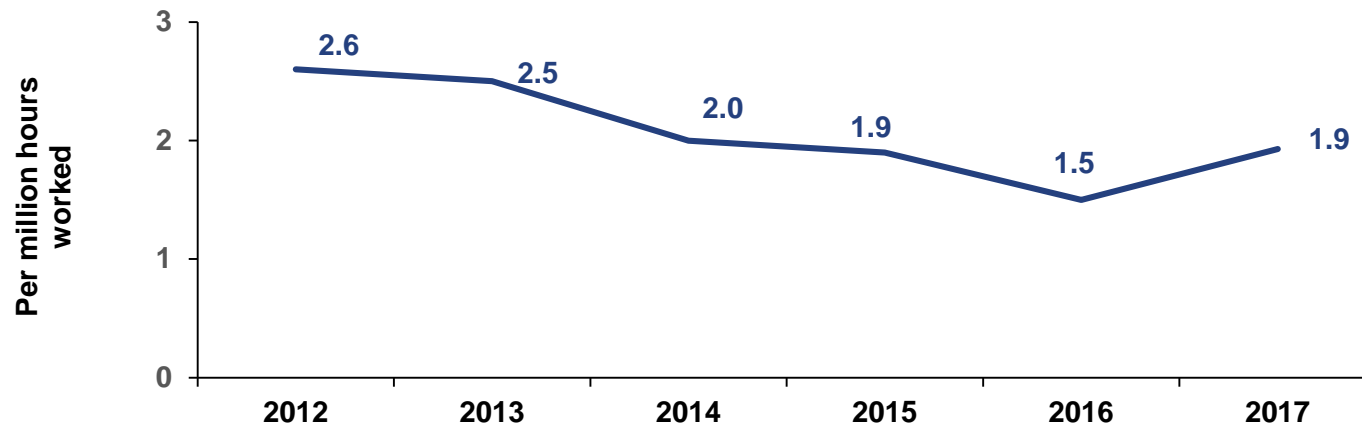


**PETER
BOTTEN**



FOCUS ON SAFETY

TOTAL RECORDABLE INCIDENT RATE



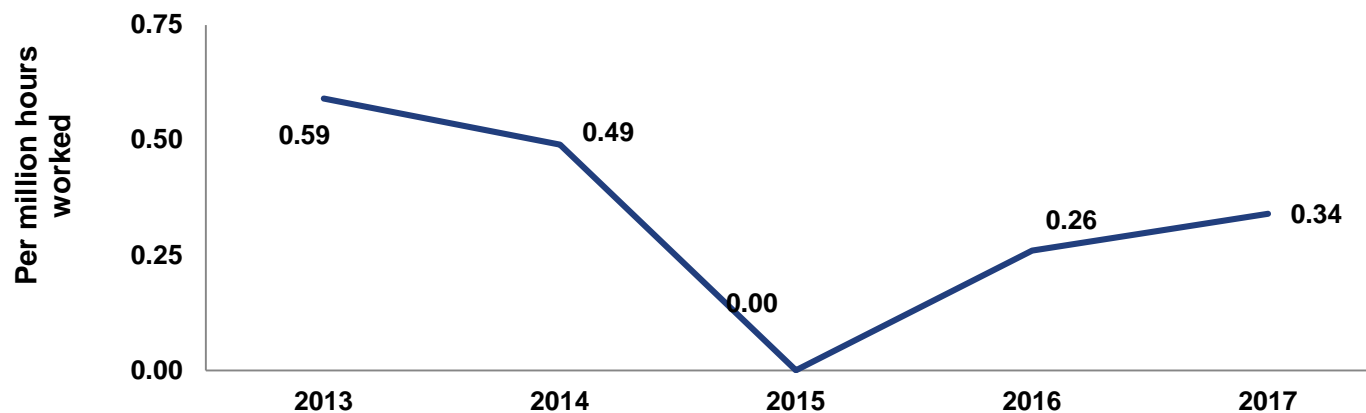
2018 INITIATIVE – FOCUSED ON BASICS:

*PLAN, DO, CHECK
FOCUS ON LEADERSHIP*

**PROCESS SAFETY
PERFORMANCE IMPROVED:**

SYSTEMATIC MAINTENANCE PROGRAMMES

LOST TIME INJURY FREQUENCY



**NO MATERIAL
ENVIRONMENTAL
INCIDENTS**

SIGNIFICANT PROGRESS MADE ON VALUE-CREATING INITIATIVES



- ❖ LNG Expansion and development in PNG:
 - Optimal, three train development concept agreed:
 - One PNG LNG expansion train, two Papua LNG trains
 - Bottom quartile costs, simplified commercial and financial structure
 - Government engagement commenced
 - On-track for FEED decision in 2H18
- ❖ Production base (oil and LNG) recovering well following earthquake
- ❖ Strong cash flows from healthy oil and LNG prices starting to flow to Balance Sheet following reinstatement of production
- ❖ Alaskan acquisition:
 - Potential to add materially to production in 2023 onwards

OIL SEARCH AT FOREFRONT OF RELIEF EFFORTS



- ❖ OSH and OSH Foundation played critical ‘First Responder’ role:
 - Ideally located and appropriately skilled to provide rapid on-the-ground assistance
 - OSH’s Moro Airfield – used as logistical base and coordination point for delivery and distribution of aid
- ❖ UN estimate that OSH delivered almost 80% of total food supplies to impacted areas in first four weeks after earthquake
- ❖ Continue to work with landowner leaders, government agencies, donor groups to address needs of impacted communities
- ❖ Phase 2 – major immunisation programme underway to combat communicable diseases

K16_M (US\$5_M)

COMMITTED IN CASH AND KIND TO SUPPORT DISASTER RELIEF EFFORTS IN HELA AND SOUTHERN HIGHLANDS PROVINCES

>200 TONNES

FOOD AND SUPPLIES DELIVERED INTO VILLAGES, REACHING >200,000 PEOPLE

~2,400

MEDICAL TREATMENT CASES UNDERTAKEN

~100

HEALTH CENTRE KITS DELIVERED



OSH RELIEF EFFORTS – PARTNERSHIPS AND IN-COUNTRY EXPERTISE IN ACTION



PNG LNG PROJECT RECOMMENCED PRODUCTION IN MID-APRIL



***Hides Gas Conditioning Plant
process area, 1 March 2018***

Photos courtesy of ExxonMobil

- ❖ LNG production resumed in April, ahead of operator's previously estimated eight week timeframe:
 - Both LNG trains at Plant site operational
 - LNG exports have resumed
 - Operator expects full capacity to be reached in May
- ❖ During period when operations were shut-in:
 - Planned maintenance work at LNG plant site (scheduled for April and October) conducted
 - LNG trains, tanks, loading system at LNG plant site kept cool (including purchase of LNG cargo in March) to minimise restart time
 - Planned modifications to Hides Gas Conditioning Plant, including some Angore tie-in work, brought forward

PNG LNG ECONOMIC BENEFITS DISTRIBUTION



- ❖ Since Project commenced production in mid-2014, PNG has received K14bn from PNG LNG Project, with K3.9bn paid to State and landowner entities in royalties, development levies and equity payments
- ❖ Landowner benefits of K708m held in trust, waiting for completion of landowner identification process
- ❖ Identification and verification of landowner entities – highly complex process complicated by in-migration and dispute resolution
- ❖ Of the 15 licences covering PNG LNG Project areas, 12 are either receiving (plant site landowners) or getting close to receiving benefits:
 - Landowner identification and verification completed
 - Awaiting Ministerial determination
- ❖ Three held up by court orders
- ❖ Payment structures for benefits distribution and relevant Boards all in place
- ❖ Importance of completing process, to ensure all landowner benefits are distributed, fully recognised by Government and Department of Petroleum
- ❖ Lessons learned from process will be applied to LNG expansion

PROGRESSIVE RESUMPTION OF OSH-OPERATED PRODUCTION



Nogoli mess hall



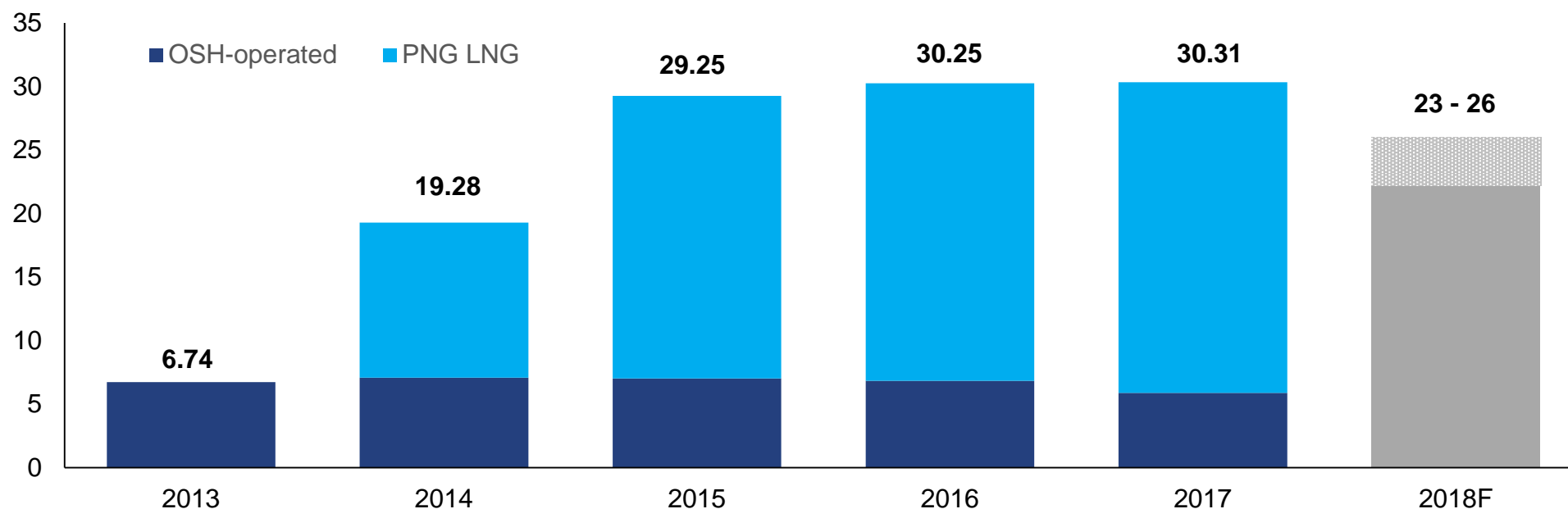
Damage at the entrance to Ridge Camp

- ❖ Central Processing Facility resumed operations in late March:
 - Oil production progressively reinstated from Kutubu
- ❖ Gobe Processing Facility back online in late April, following planned maintenance shut-down
- ❖ Repairs still required to Agogo Production Facility (APF) prior to reinstating production from Agogo and Moran fields:
 - APF expected to be operational early 3Q18 with production build-up progressively over 2H18
- ❖ Damage to Moran 4,6,9 well pad being addressed
- ❖ Remediation work ongoing, particularly on camp sites and in-field roads, to support return to full production

2018 PRODUCTION FORECAST REVISED TO 23 – 26 MMBOE



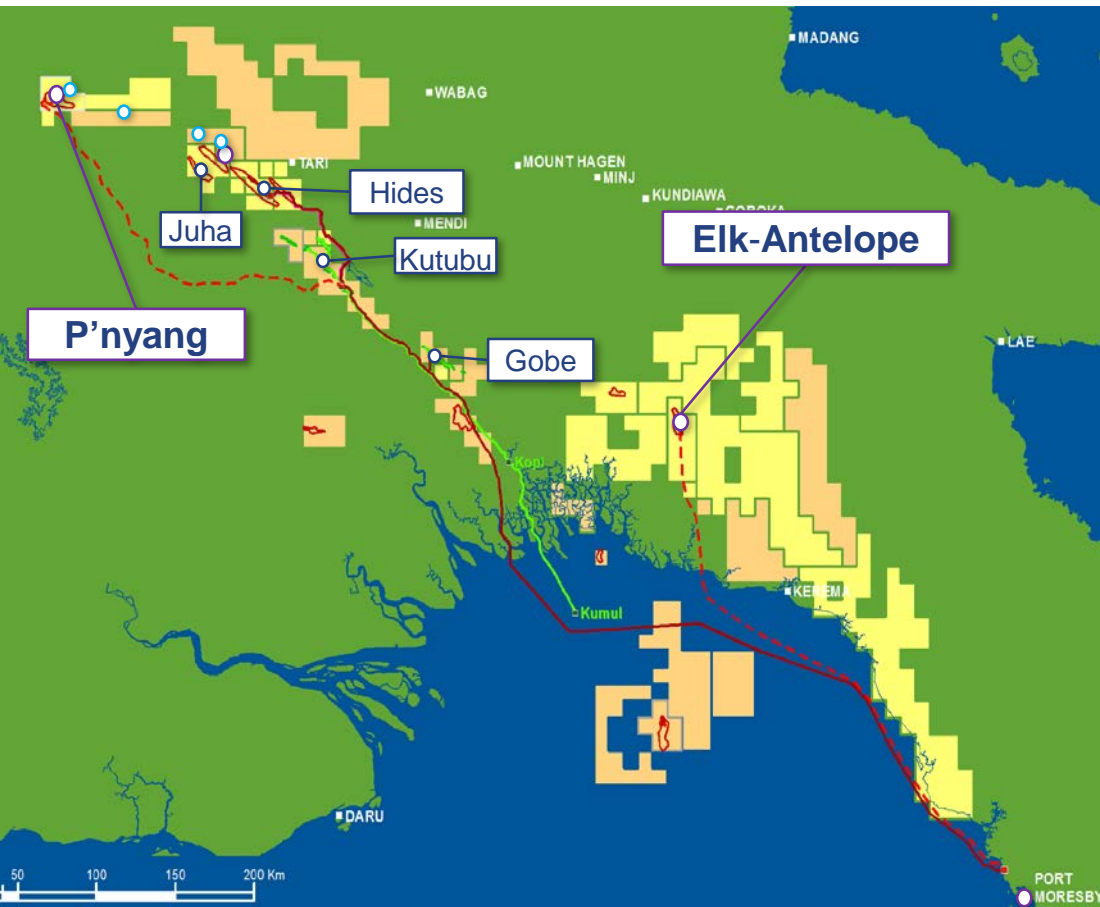
OIL SEARCH NET PRODUCTION (MMBOE)^{1,2}



2018 Production Guidance (mmboe) ¹	
OSH-operated PNG oil and gas ^{2,3}	2.7 – 4.0
PNG LNG Project	20 - 22
Total production	23 - 26

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 SE Gobe gas sales.

LNG EXPANSION TARGETING 2H18 ENTRY INTO FEED



- ❖ Alignment reached on optimal downstream development concept:
 - Three 2.7 MTPA trains, two supported by Papua LNG (Elk-Antelope), one by PNG LNG and P'nyang
 - Best technical outcome, simplifies commercial and financial structure
 - Presented to PNG LNG, PRL 15 and PRL 3 joint ventures for endorsement
- ❖ Intense series of JV meetings to advance technical concept, project financing and commercial agreements
- ❖ Engagement with PNG Government underway
- ❖ Focus on benefits distribution

OPPORTUNITIES FOR SHARING AT PNG LNG PLANT SITE



Sharing of shipping channel and, if necessary, construction of spur instead of new jetty

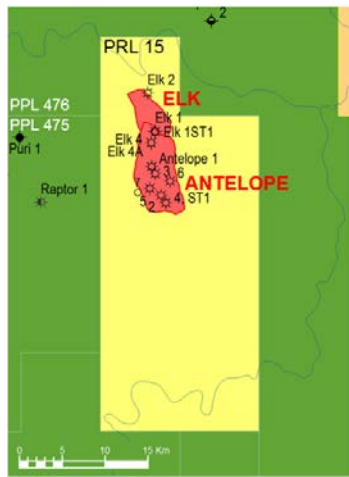
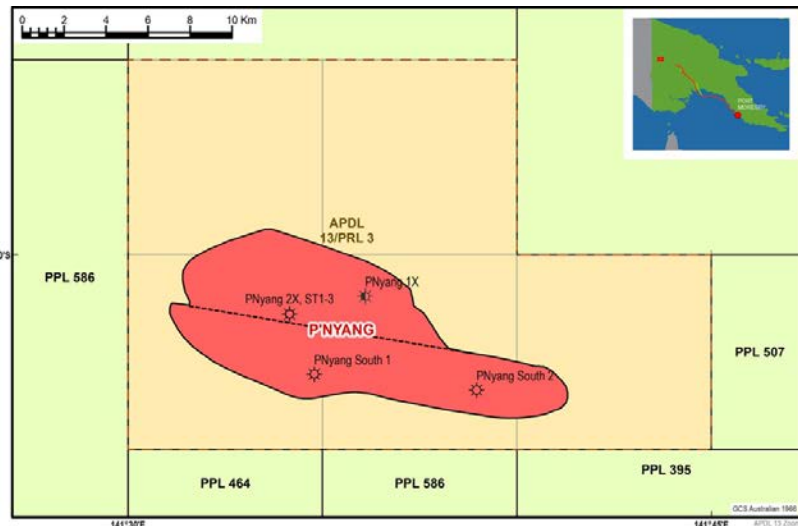
Reduction of additional tank storage requirements

Sharing of utilities, power generation, metering, controls

Use of existing infrastructure (laydown, roads, camps, buildings)

Proposed location of 3 x 2.7 MTPA new trains at existing LNG plant site

EXPANSION UNDERPINNED BY STRONG RESOURCE POSITION

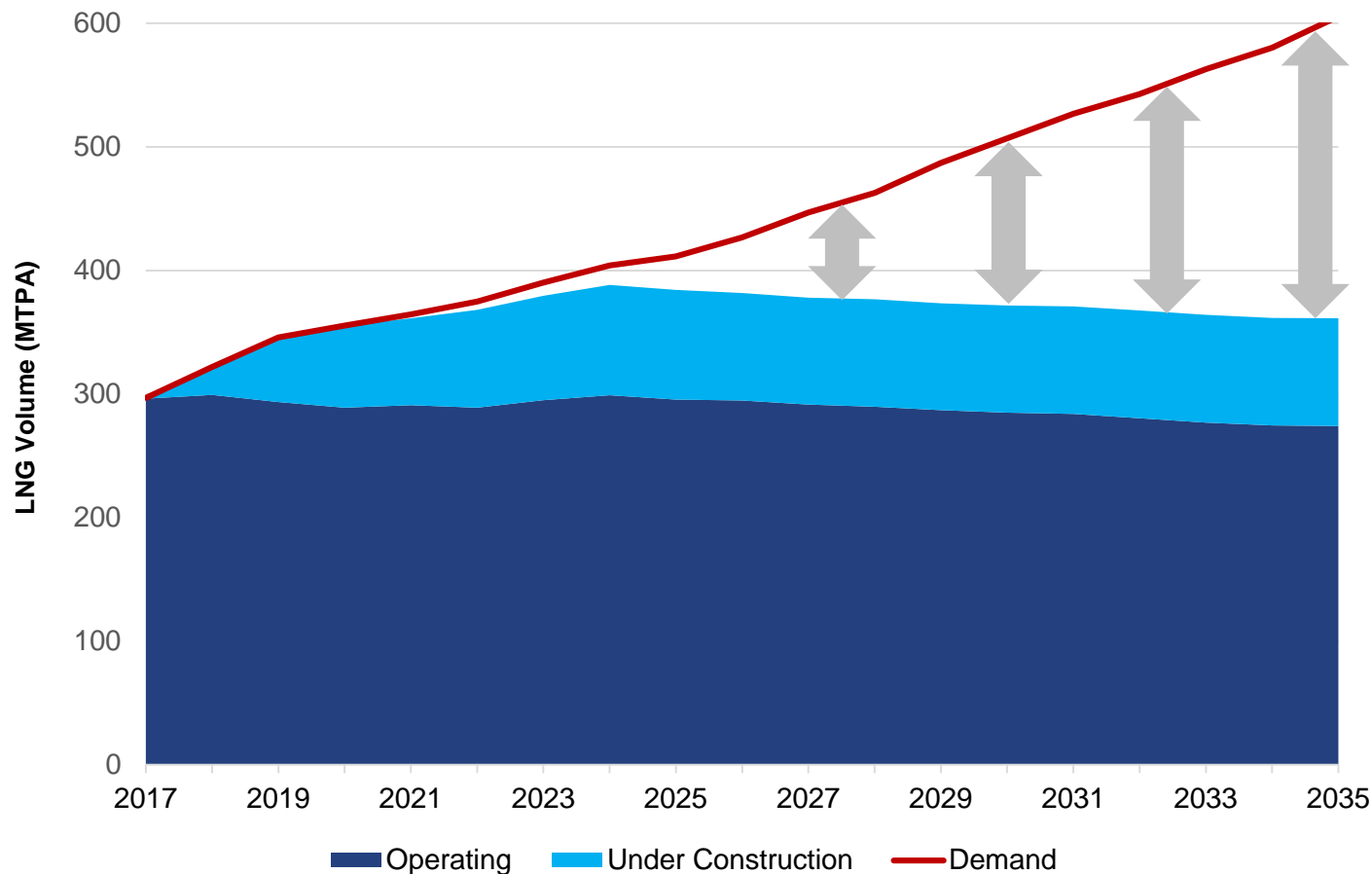


- ❖ Recertification of P'nyang field completed in 1Q18:
 - Incorporated results of successful P'nyang South 2 well
 - Resulted in tripling of gross 1C certified resource to 3.51 tcf, 2C increased to 4.36 tcf
 - Supports financing and marketing activities for LNG expansion
- ❖ Together with Elk-Antelope fields, ~11tcf of 2C and >8tcf 1C to support LNG expansion:
 - More than original resource underwriting PNG LNG Project

Sources of gas for LNG expansion (tcf)	1C	2C
Elk-Antelope (OSH 2017)	5.2	6.7
P'nyang (NSAI 2018)	3.5	4.4
Total	>8	~11

LNG EXPANSION WELL POSITIONED FOR GROWTH IN GLOBAL LNG DEMAND

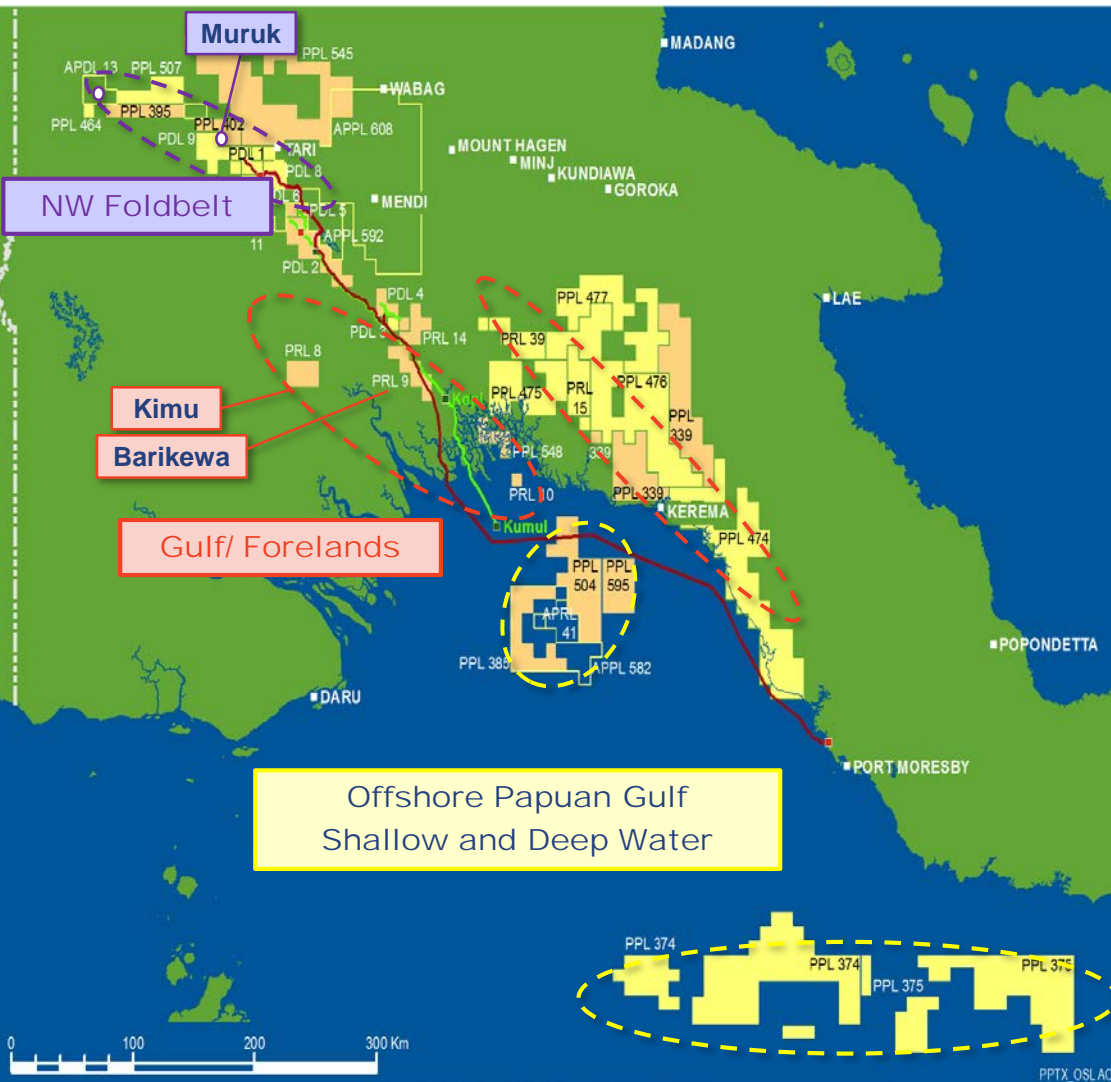
Global LNG Supply Demand Balance



- ❖ Global LNG demand grew 11% in 2017. Global LNG growth expected to be >5% p.a. to 2030
- ❖ NE Asian markets prioritising gas over coal and nuclear
- ❖ ~70 MTPA NE Asian contracts to expire between 2018-2025
- ❖ Only 7.2 MTPA of new LNG capacity sanctioned in 2016/17
- ❖ Material additional supply needed from new projects to meet 2025 forecast supply-demand gap

Source: IHS Markit, February 2018

KEY EXPLORATION ACTIVITIES IN 2018



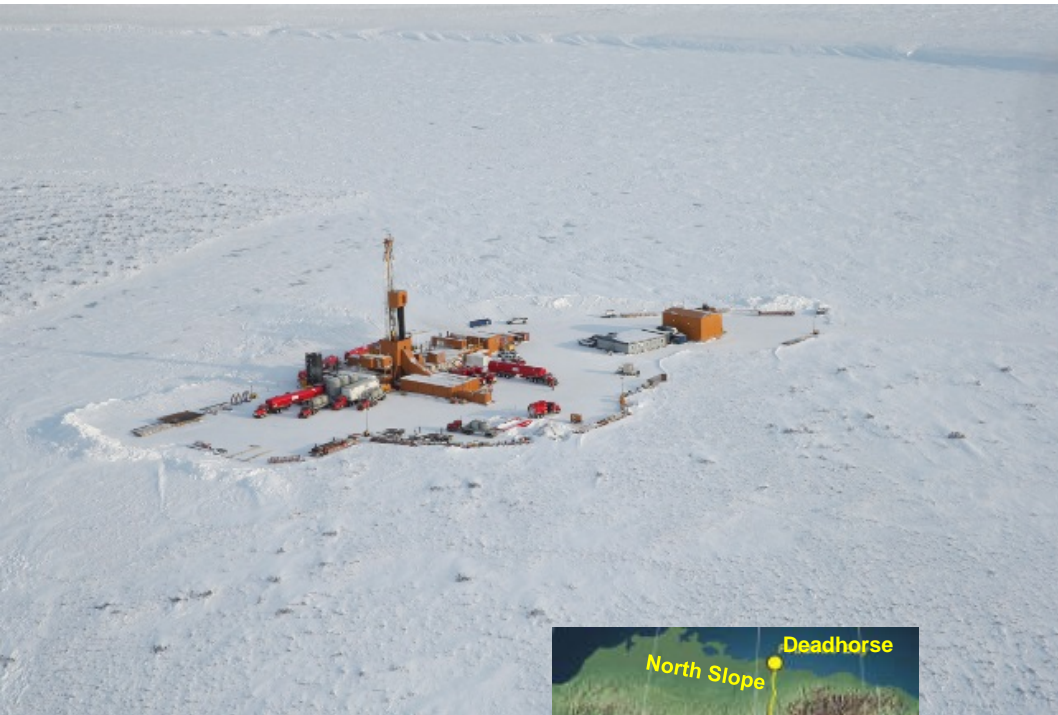
- ❖ OSH drilling three appraisal wells in 2018:
 - Kimu 2, Forelands (2Q18)
 - Barikewa 3, Forelands (2Q/3Q18)
 - Muruk 2, NW Highlands (4Q18)
- ❖ Undertaking largest operated onshore seismic programme (>500km) in OSH history:
 - In NW Highlands
 - In and around PRL 15 on behalf of Total and ExxonMobil
 - Aim is to constrain multi-tcf leads and prospects and mature for potential drilling
- ❖ Late 2018/2019, focus on deepwater offshore

OPTIMISING FUTURE PNG EXPLORATION



- ❖ Substantial discovered resource with material exploration upside:
 - Highlands: Hides, Muruk, P'nyang trend
 - Gulf Onshore: Elk-Antelope look-alikes
 - Gulf Offshore: Reef and Clastic Plays
 - Deepwater offshore
- ❖ Estimated resource potential >20tcf
- ❖ Major study underway to:
 - Review infrastructure optimisation and commercialisation options
 - Rank exploration and investment priorities
- ❖ Expect results by year end, will influence future exploration and development priorities and optimise capital efficiency and value for shareholders

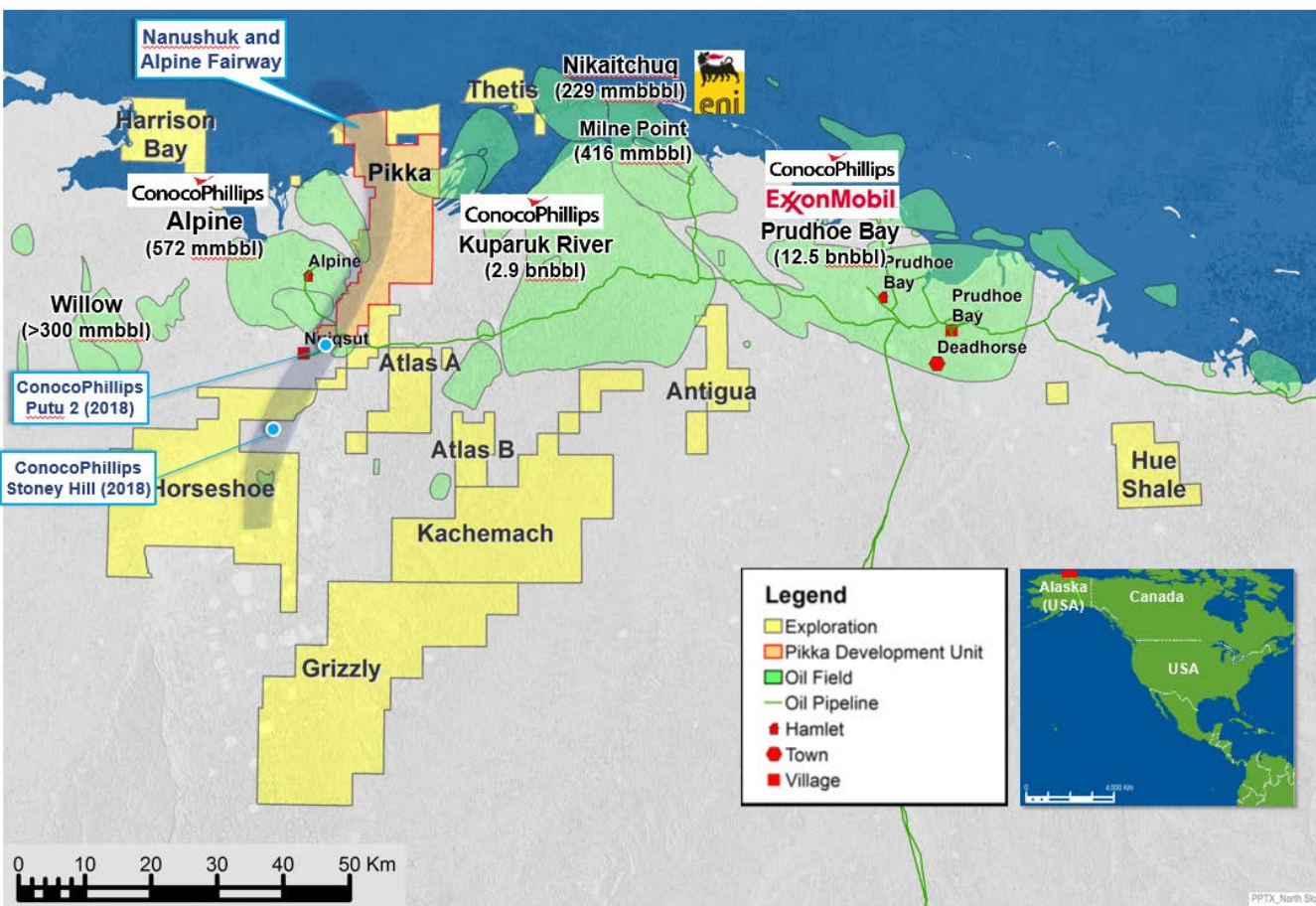
ALASKA ACQUISITION COMPLETED



- ❖ US\$400m acquisition of assets in North Slope Alaska completed Feb 2018, operatorship assumed Mar 2018
- ❖ Includes discovered, undeveloped Nanushuk oil field:
 - Acquisition based on estimated resource of 500 mmbbl, equivalent to ~US\$3.3/bbl (vs partner estimates of >1 bnbbbl, ~US\$1.1/bbl)
- ❖ Acquired at optimal time in oil price and resource development cycles
- ❖ Oil in developed economy (USA) balances OSH's PNG gas assets – reduces risk profile
- ❖ US\$450 million option to increase interests provides additional value opportunity:
 - Potential to exercise and on-sell to strategic partner



MATERIAL PRODUCTION PLUS EXPLORATION UPSIDE



OSH acquisition based on 500 mmbbl, JV partners estimate >1 bnbbbl

- ❖ Recent ConocoPhillips drilling adjacent to Nanushuk has verified play:
 - Discussions underway to determine areas of potential cooperation
- ❖ OSH 2018/19 drilling programme to focus on appraising and delineating Nanushuk and Alpine resource
- ❖ Targeting 2019 FEED decision, FID 2020, first production 2023:
 - Potential to add 25 - 35,000 bopd to production (at current equity)
- ❖ Significant additional exploration opportunities
- ❖ Engagement with partners, Government and local stakeholders has been positive

OTHER PNG FOCUS AREAS

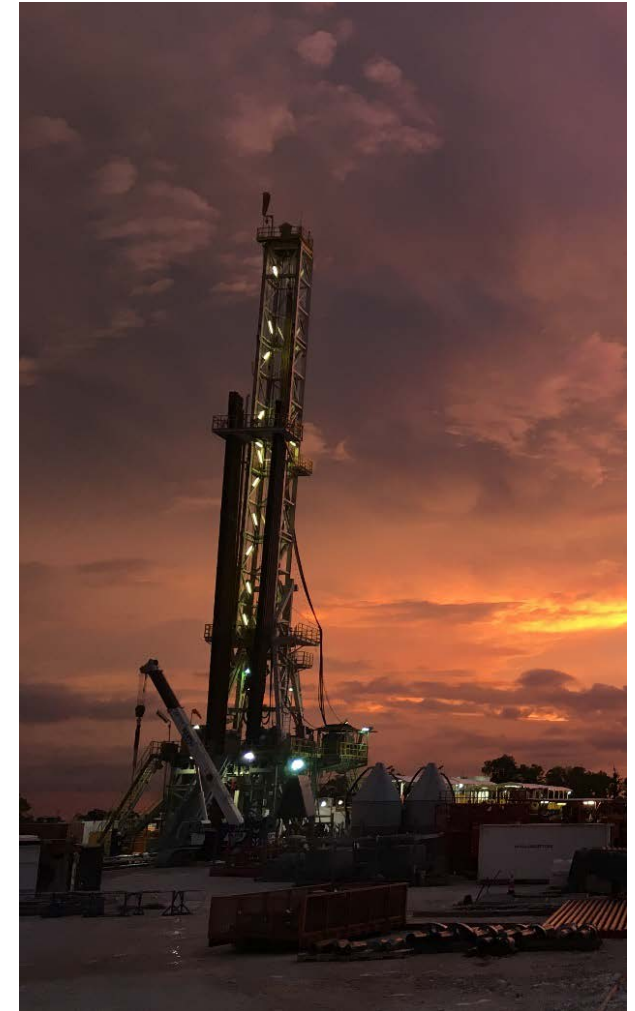
- ❖ Construction of power station in Port Moresby
- ❖ Completion of APEC Haus
- ❖ FEED decision on Biomass project
- ❖ Development of Papua New Guinean workforce and support of new diversity goals
- ❖ Ongoing social programmes, directly and through Oil Search Foundation:
 - Support of Hela Provincial Hospital:
 - Provision of world class health care
 - Women’s empowerment
 - Addressing gender-based violence
 - Champions for Change
- ❖ Support of rugby league in PNG:
 - Including promoting women through sponsorship of the Orchids



KEY PRIORITIES FOR 2018

- ❖ Safe ramp up of production from OSH operations and PNG LNG Project following Highlands earthquake
- ❖ FEED entry decision in 2H18 for PNG LNG expansion and Papua LNG
- ❖ Define future exploration and appraisal programme in PNG
- ❖ Integrated PNG initiatives to assist Government and ensure ongoing stable operating environment, including continued relief work within communities following earthquake
- ❖ Plan Alaskan appraisal programme, leading to Nanushuk oil field FEED in 2019

Built on foundation of safe, reliable and sustainable operations





THANK YOU

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