



2017 FIRST HALF RESULTS

August 2017

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



- ❖ **2017 HALF YEAR HIGHLIGHTS**
- ❖ FINANCIAL OVERVIEW
- ❖ PNG PRODUCTION
- ❖ GAS DEVELOPMENT
- ❖ EXPLORATION/APPRAISAL
- ❖ KEY ISSUES AND CONCLUSION

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2017 HALF YEAR HIGHLIGHTS

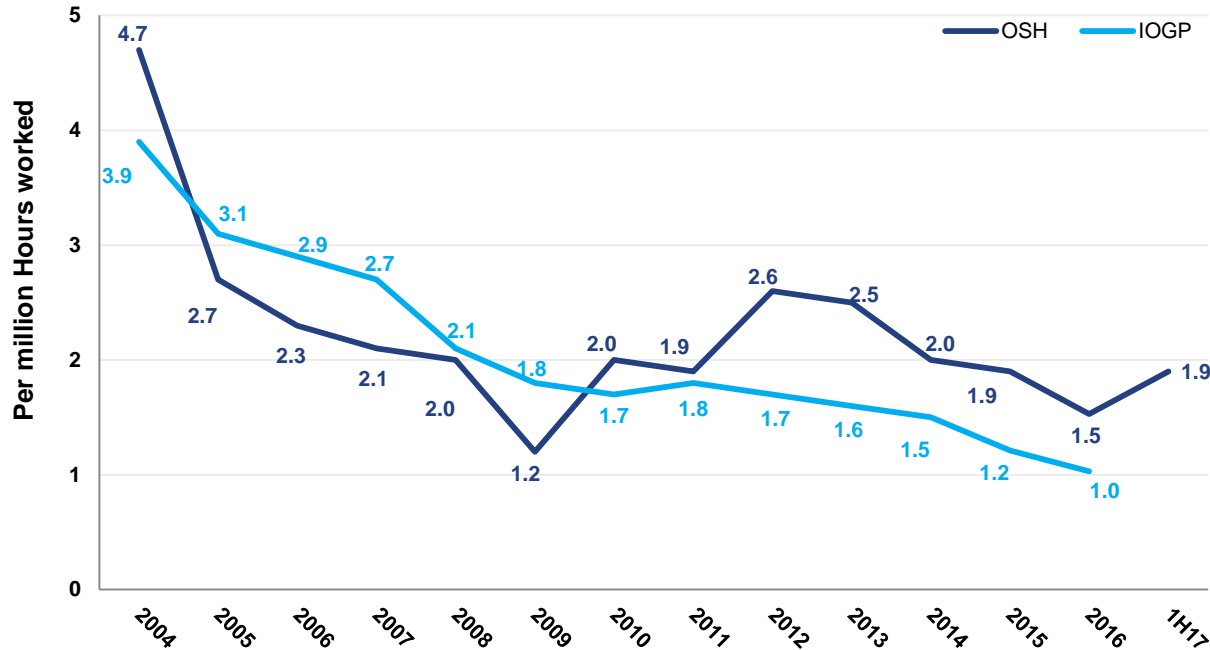
- ◆ Total production of 14.81 mmboe, similar to 1H16:
 - PNG LNG achieved record annualised rate of 8.65 MTPA in June following compressor upgrade, high rates sustained into July
- ◆ Robust financial metrics:
 - Net profit after tax of US\$129.1 million, more than five times 1H16 NPAT
 - Unit production costs remained low at US\$8.52/boe
 - Improved operating cash flows and strong liquidity
- ◆ 2017 interim dividend of four US cents up from one US cent in 1H16
- ◆ Very encouraging exploration/appraisal results on Muruk, with activity set to accelerate in 2H17 onwards
- ◆ Dialogue progressing between PRL 15 and PRL 3 joint venture partners, focused on presenting aligned view on next phase of LNG expansion and development to new PNG Government in 2H17

	1H17	1H16	
Production volume (mmboe)	14.8	14.9	↓
Sales volume (mmboe)	14.2	15.2	↓
Oil price (US\$/bbl)	53.35	41.61	↑
Net profit after tax (US\$m)	129.1	25.6	↑
Operating cash flow (US\$m)	419.2	239.2	↑
Interim dividend (US cents)	4.0	1.0	↑
Net debt (US\$m)	2,812	3,304	↓
Liquidity (US\$m)	1,824	1,528	↑

SAFETY PERFORMANCE REMAINS A KEY PRIORITY



TOTAL RECORDABLE INCIDENT RATE



- ◆ Safety improvement workshops conducted following increase in TRIR in 1H17, corrective actions underway
- ◆ Focus on maintenance activities to ensure safety, reliability and stability of operations
- ◆ Marked improvement in environmental performance – four spills reported (vs seven in 1H16), all minor

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2017 HALF YEAR FINANCIAL PERFORMANCE

US\$m	1H 2017	1H 2016
Sales volume (mboe)	14.18	15.17
Revenue	676.2	580.8
Production costs	(126.2)	(122.2)
Other operating costs	(55.0)	(83.3)
Other income	5.6	2.1
EBITDAX ¹	500.5	377.4
Depreciation and amortisation	(186.3)	(214.2)
Exploration costs expensed	(24.9)	(18.9)
Net finance costs	(98.5)	(96.3)
Profit before tax	190.8	48.0
Tax	(61.7)	(22.4)
Net profit after tax	129.1	25.6

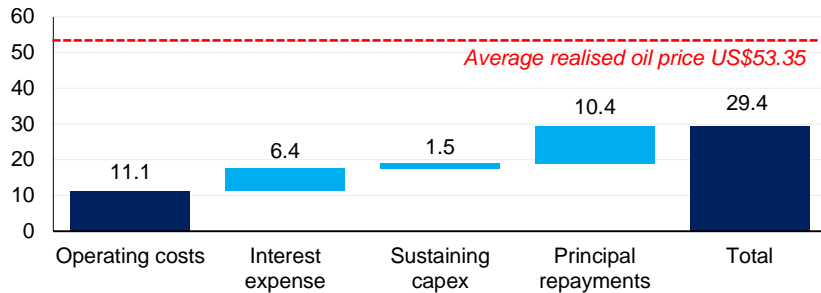
- ◆ Revenue up 16% - higher realised oil and gas prices partially offset by lower sales volumes
- ◆ Cash operating costs down 12% mainly due to inventory adjustments and InterOil bid related costs in 1H16
- ◆ Depreciation and amortisation down 13% following PNG LNG reserves upgrade from recertification at end 2016
- ◆ Effective tax rate of 32% compared to 47% for 1H16, due to lower tax rate on oil fields and one-off non deductible costs in 1H16

¹ EBITDAX (earnings before interest, tax, depreciation/amortisation, non-core activities, impairment and exploration) is a non-IFRS measure that is 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.

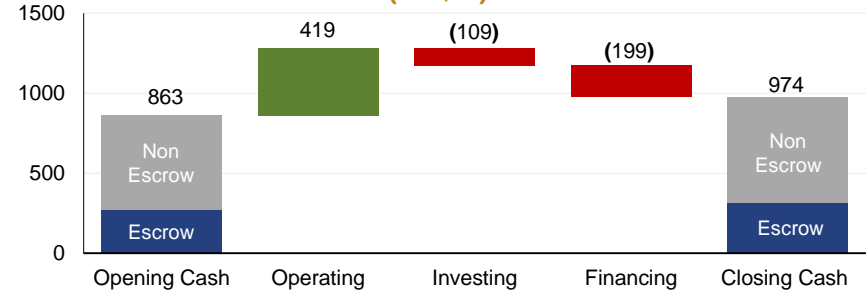


FINANCIAL METRICS REMAIN SOLID

CASH FLOW BREAK-EVEN ANALYSIS (US\$/BOE)

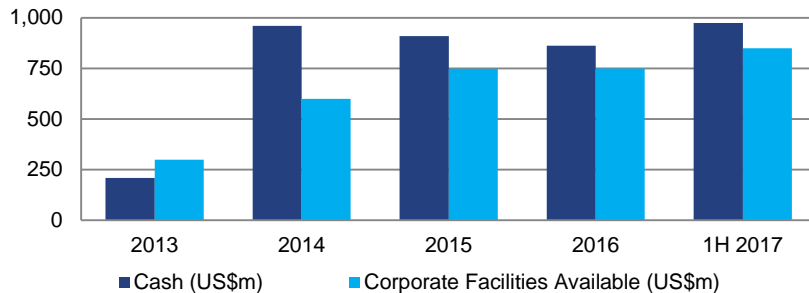


CASH FLOW WATERFALL (US\$M)



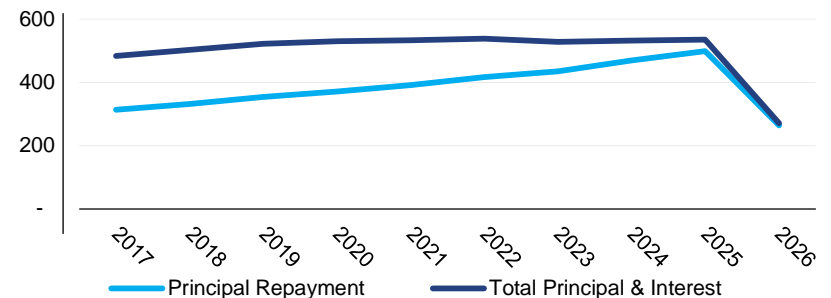
◆ Operating cash flow of US\$29.57/boe

LIQUIDITY (US\$M)



◆ Flexible balance sheet with US\$1.82bn of liquidity

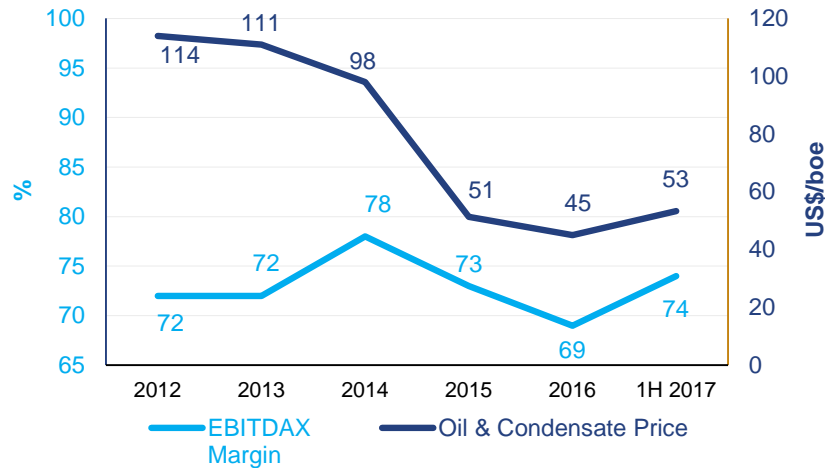
INDICATIVE PNG LNG REPAYMENT PROFILE (NET, US\$M)





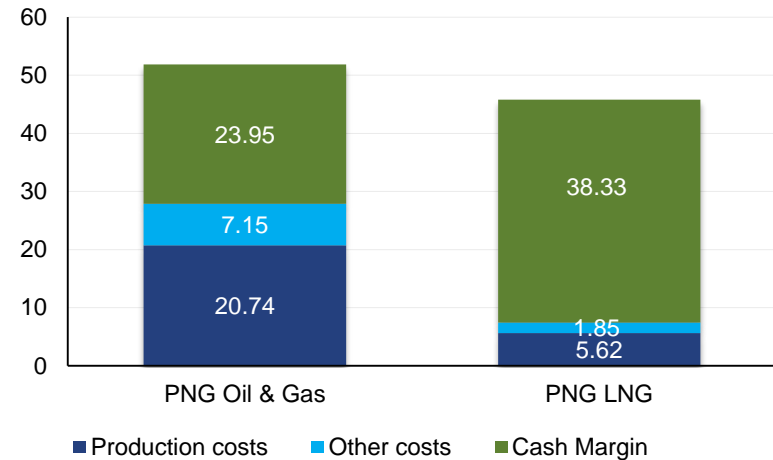
OPERATING MARGINS

EBITDAX MARGIN



◆ EBITDAX margin improvement reflecting higher realised prices and higher proportion of PNG LNG production

CASH MARGIN BY ASSET (US\$/BOE)



◆ Healthy cash margins:

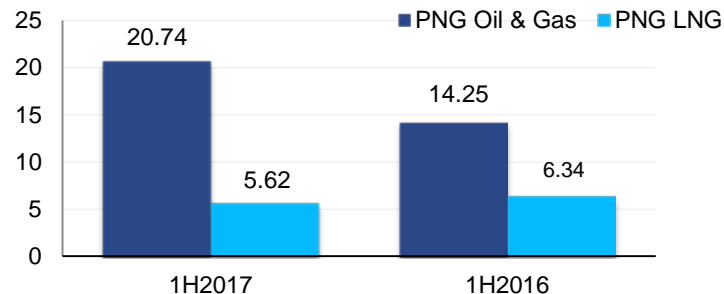
- PNG LNG ~US\$38/boe
- PNG Oil and Gas ~US\$24/boe

UNIT PRODUCTION COSTS OF US\$8.52/BOE – LOWER HALF OF FULL YEAR GUIDANCE

US\$m	1H 2017	1H 2016
Production costs:		
PNG LNG	67.2	72.1
PNG Oil and Gas	59.0	<u>50.1</u>
	126.2	122.2
Unit production cost (US\$/boe)	8.52	8.21
Royalties and levies	4.6	2.0
Gas purchases	8.6	6.5
Inventory movements	(10.6)	15.0
Total cost of production	128.9	145.6

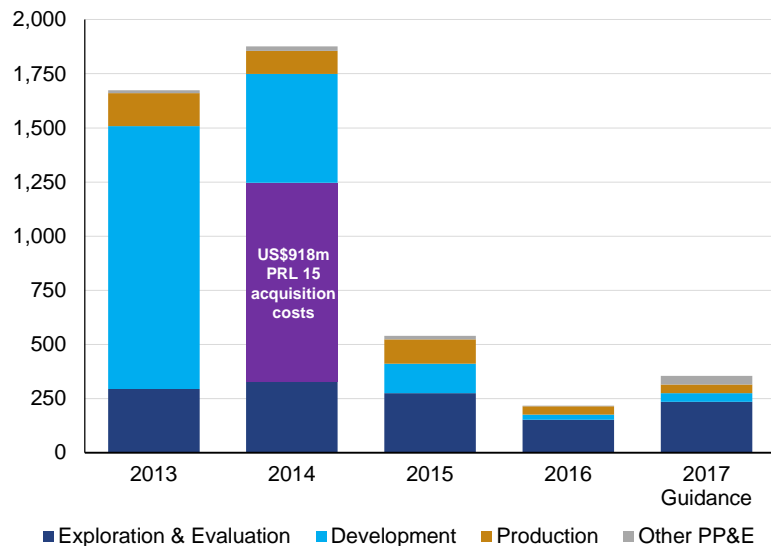
- ◆ Production costs stable, despite increased planned oil field work programmes
- ◆ PNG LNG unit production costs down 11% due to higher production and further realised cost savings
- ◆ PNG oil and gas production unit costs reflect lower production and higher maintenance activities, with major scheduled shut-in in May

UNIT PRODUCTION COSTS (US\$/BOE)



2017 FULL YEAR GUIDANCE

2017 CAPITAL COST GUIDANCE (US\$350 – 400M)



Exploration & Evaluation: US\$240 – 260m

Development: US\$35 – 45m

Production: US\$40 – 50m

Other PP&E: US\$35 – 45m

Production	2017 Guidance ¹
Oil Search operated	5.5 – 6.2 mboe ^{2,3}
PNG LNG Project:	
LNG	102 – 105 bcf
Power	0.62 – 0.65 bcf
Liquids	3.3 – 3.6 mmbbl
<u>Total PNG LNG Project</u>	<u>23.5 – 24.3 mboe²</u>
Total Production	29.0 – 30.5 mboe
Operating Costs	
Production costs	US\$8.00 – 9.50 / boe
Other operating costs ⁴	US\$135 – 145 million
Depreciation and amortisation	US\$11.50 – 12.50 / 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, power expense and corporate administration costs (including business development) and other expenses

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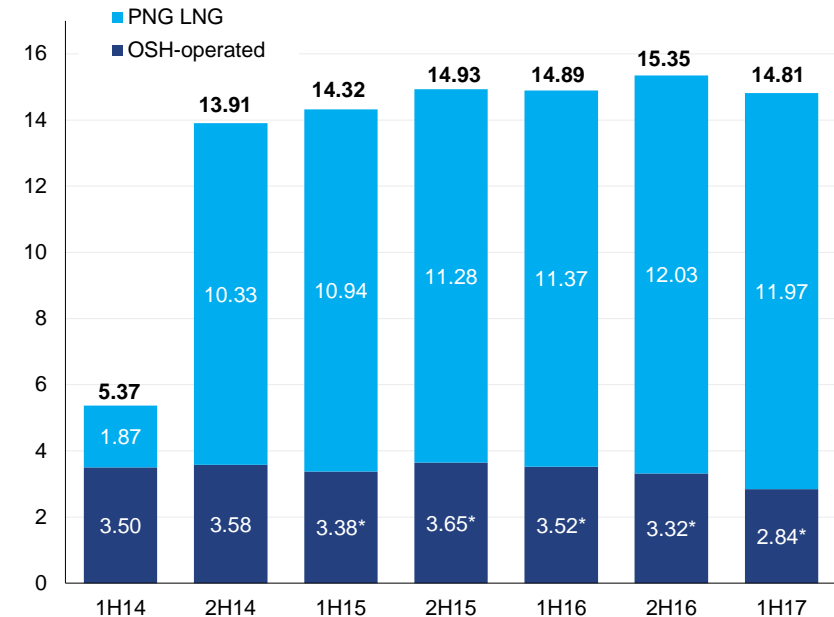
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STRONG PRODUCTION IN 1H17 DESPITE SCHEDULED MAINTENANCE ACTIVITIES

- ◆ Total production for 1H17 of 14.81 mmboe, similar to 1H16 despite scheduled maintenance at PNG LNG plant site and operated facilities in May
- ◆ PNG LNG Project contributed 12.0 mmboe (51.9 bcf LNG, 1.73 mmboe liquids), second highest half year production since start-up:
 - Annualised production rate of 8.2 MTPA in 1H17, record rates >8.6 MTPA in June and July following compressor upgrade
- ◆ Operated oil fields, Hides GTE and SE Gobe third party gas sales to PNG LNG contributed 2.8 mmboe:
 - Included 17 day shutdown at CPF and APF to ensure safe and reliable operations

NET PRODUCTION (MMBOE)



* Includes SE Gobe gas sales

MARKETING OF UP TO 1.3 MTPA FROM PNG LNG PROJECT

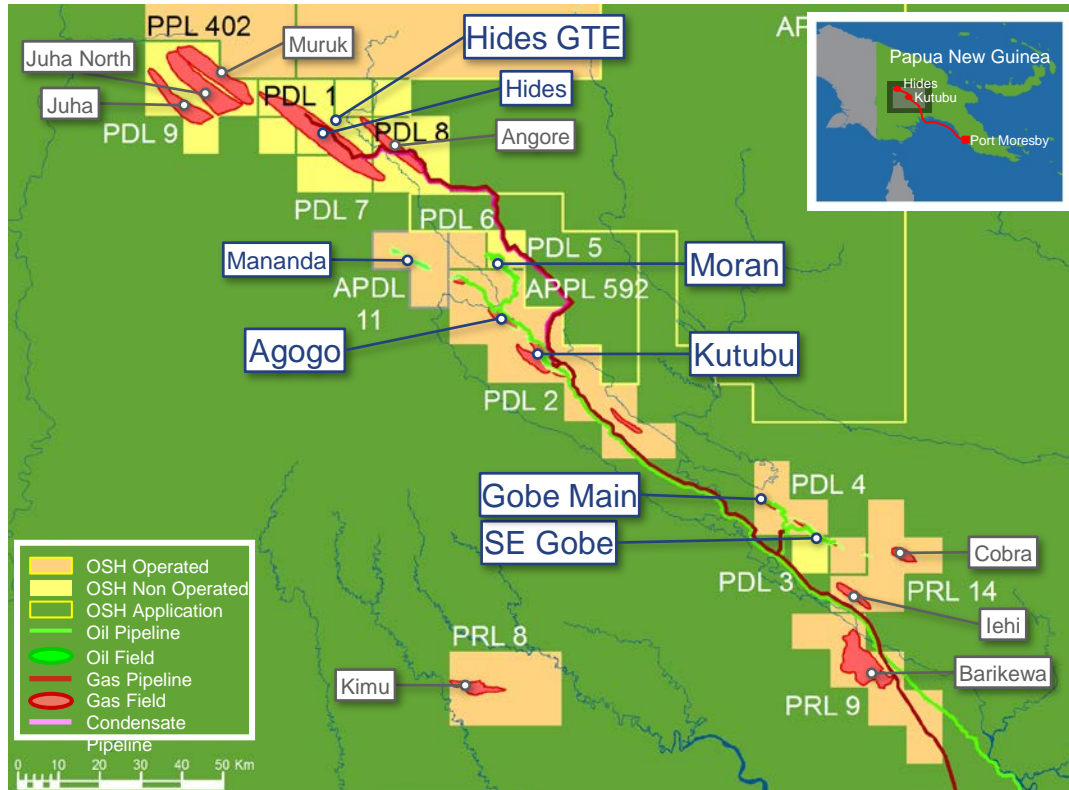


- ◆ Additional LNG volumes currently being marketed by ExxonMobil on behalf of PNG LNG Project participants
- ◆ Strong interest from market:
 - Expressions of interest from top-tier buyers, including end users and LNG traders
- ◆ Discussions now underway with several potential customers
- ◆ Contracts likely to be 2-5 years in maturity
- ◆ Adds to 6.6 MTPA under contract to JERA, Osaka Gas, Sinopec and CPC

EXISTING MARKETS FOR CONTRACTED LNG VOLUMES

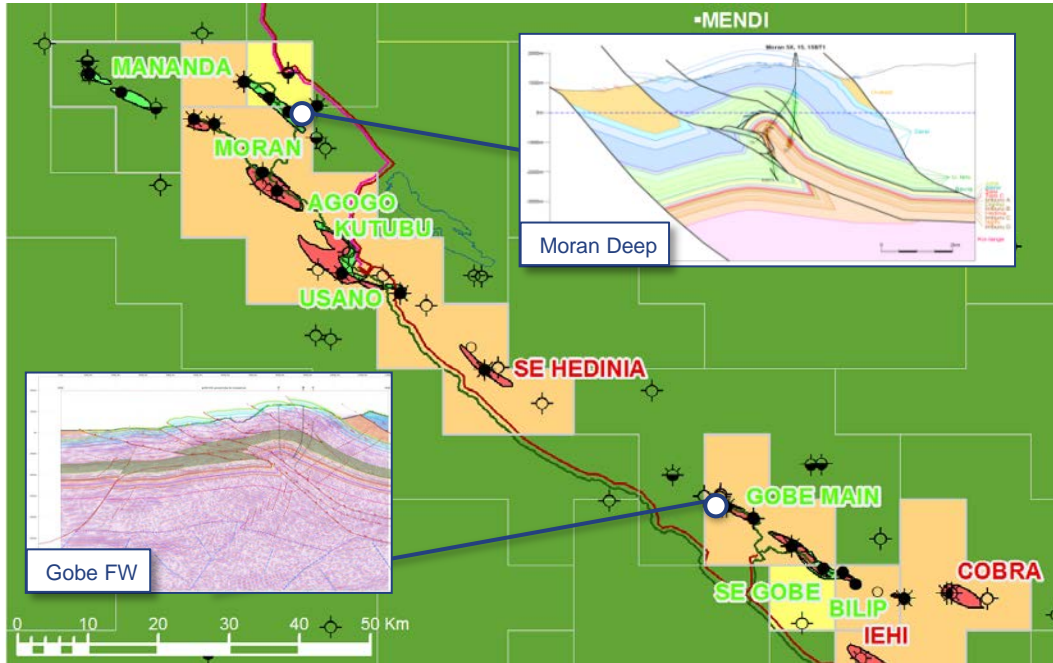


PLANNED ACTIVITY ON OPERATED OIL FIELDS IN 2H17

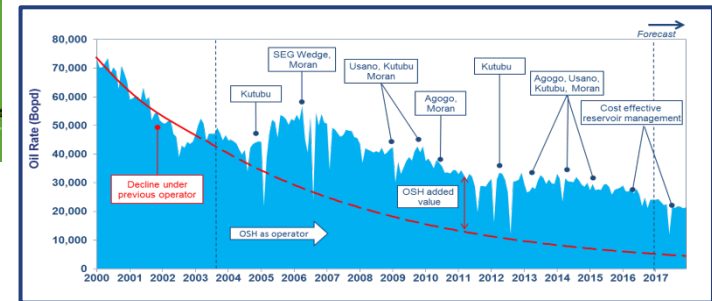


- ◆ Safe, reliable production remains key priority
- ◆ Holistic view of production, from reservoir to export:
 - Reservoir optimisation – maximising oil from low GOR zones
 - Well stimulations to improve production performance
 - Improving facilities uptime
- ◆ Key activities:
 - UDT 8 conversion to production (3Q17)
 - Turbine change out at CPF (3Q17), increasing gas handling to support oil production
 - Moran 4X workover (4Q17)
 - Well intervention work to improve injection and production performance

DRILLING OPPORTUNITIES – KEY TO MITIGATING LONG-TERM OIL DECLINE



- ◆ Core capability is extracting full value from assets
- ◆ In-field development and appraisal targets as well as near field exploration prospects being matured for drilling in 2018/19, to mitigate long-term oil decline:
 - Focused on Moran, Kutubu, Gobe and Agogo
 - Appraisal and near field exploration have potential to add material oil resource
- ◆ Proximity to infrastructure and quick tie-in makes these attractive opportunities
- ◆ Longer term oil prospectivity in interior foldbelt



2017 PRODUCTION FORECAST REVISED TO 29.0 – 30.5 MMBOE

- ◆ 2017 FY production forecast: 29.0 – 30.5 mmbœ (previously 28.5 – 30.5 mmbœ):

Production	2017 Guidance ¹
Oil Search operated	5.5 – 6.2 mmbœ ^{2,3}
PNG LNG Project	23.5 – 24.3 mmbœ ²
Total Production	29.0 – 30.5 mmbœ

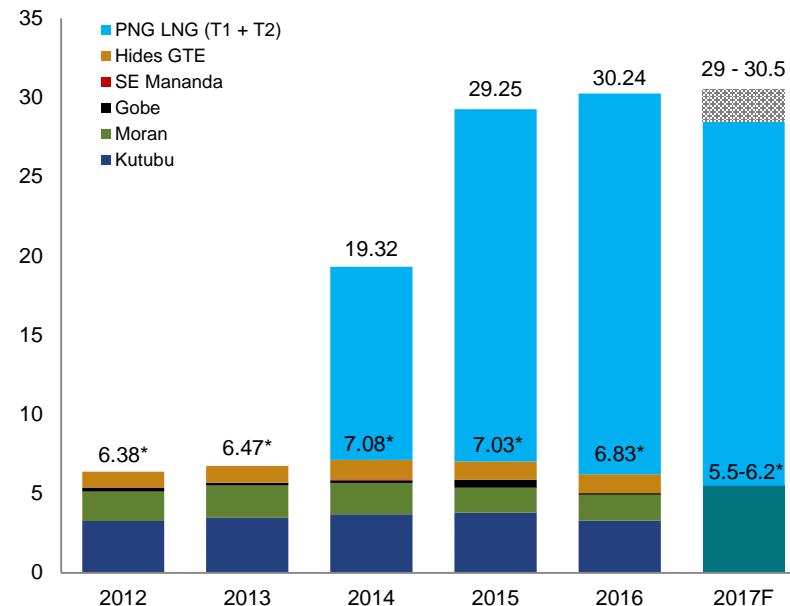
- Lower oil production offset by higher contribution from PNG LNG
 - Incorporates second PNG LNG compressor maintenance planned for 4Q17
- ◆ Longer term focus areas:
- Production optimisation and efficiency of operated assets through integrated Life of Asset Planning
 - Planning for Angore tie-in and HGCP modifications in 1H18 (expected production optimisation benefits to PNG LNG from 2H18)

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 3.0 – 3.3 bcf (net) of SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%).

OIL SEARCH 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

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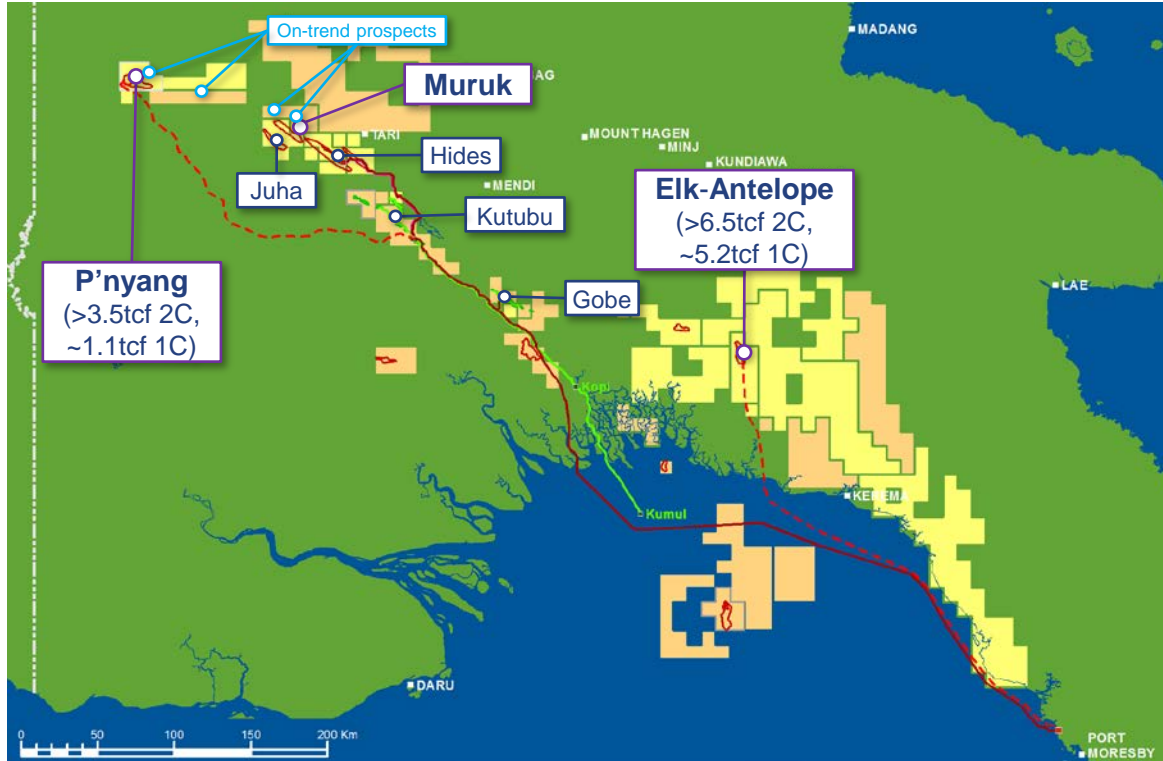
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ROBUST PLATFORM FOR LNG EXPANSION

PROVEN SOURCES OF GAS FOR EXPANSION THROUGH PNG LNG PLANT SITE

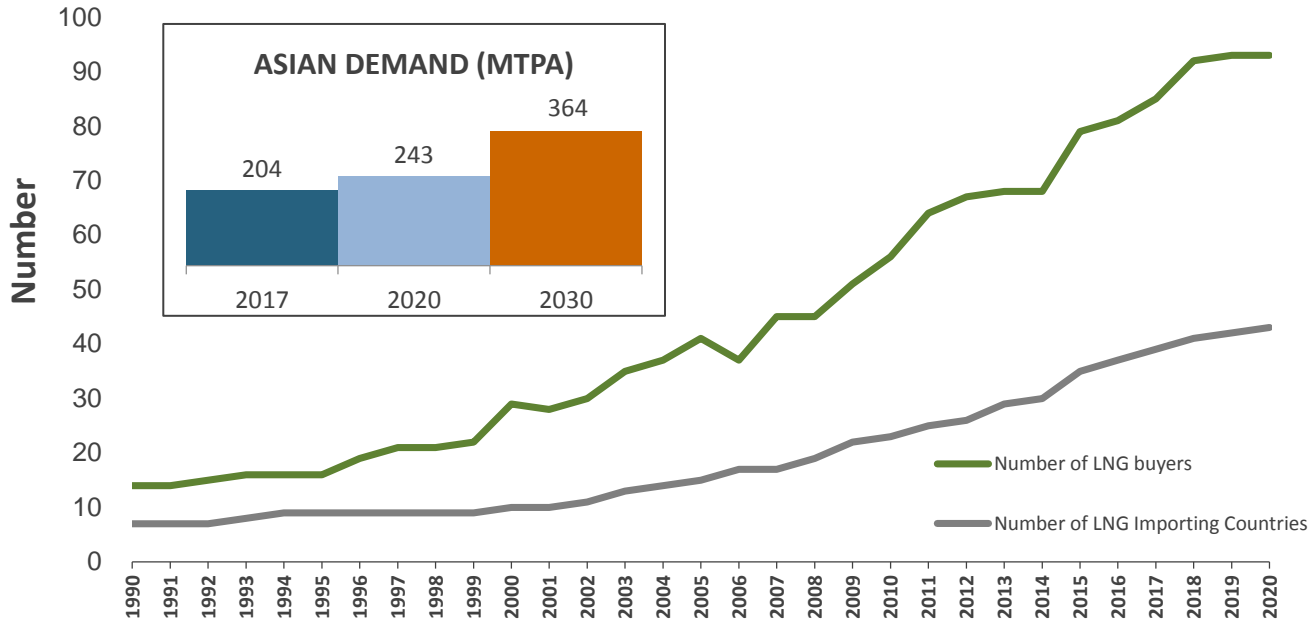


- ◆ >10 tcf undeveloped gas from Elk-Antelope and P'nyang plus potential low cost deliverability from Foundation Project fields
- ◆ Stakeholder alignment on processing gas at PNG LNG plant site to deliver lowest cost, earliest integrated expansion
- ◆ >8 MTPA new train capacity for 15-20 years at plateau
- ◆ Longer term production optionality from Muruk, Hides-P'nyang trend and onshore Papuan Gulf Basin
- ◆ Strong North-Asian LNG market for start-up timing of high quality, reliable LNG expansion volumes from PNG. OSH equity share ~2 MTPA

CONTINUED EXPANSION IN GLOBAL LNG MARKET BREADTH AND STRONG DEMAND GROWTH IN ASIA



GROWTH IN GLOBAL LNG MARKET – LNG BUYERS AND IMPORTING COUNTRIES



Source: FGE Online Data System - August 2017

- ◆ Strong demand growth to continue in Asian markets
- ◆ Global LNG market breadth continues to expand, with number of importing countries and active LNG buyers more than trebling in last 15 years

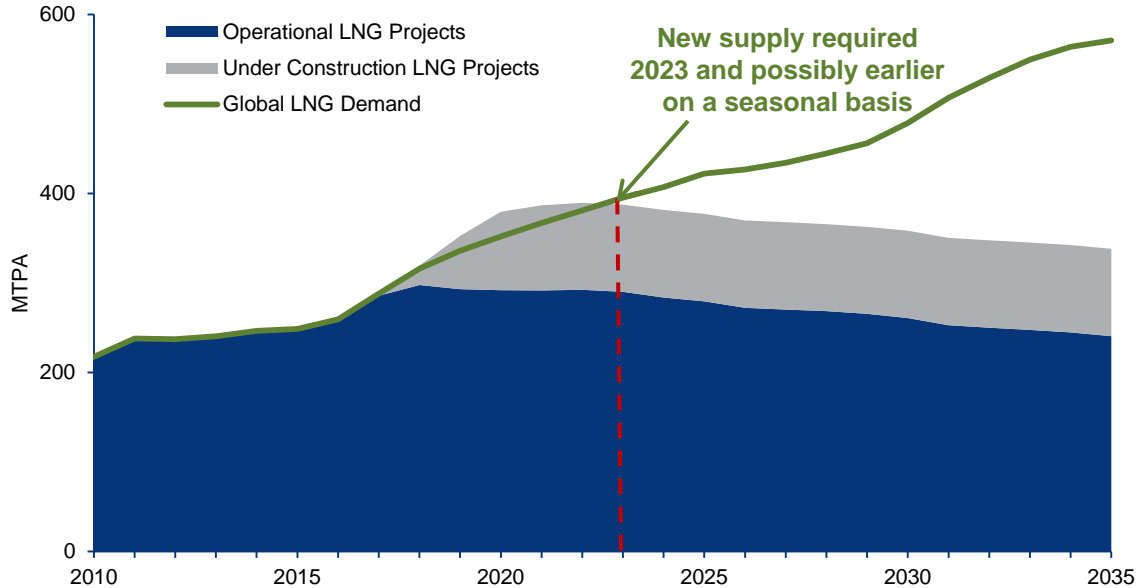
STRONG LONG-TERM GLOBAL LNG MARKET FUNDAMENTALS



- ◇ LNG importing countries/LNG buyers growing to >100 by 2020:
 - Traditional exporters in market as buyers for domestic requirements eg Indonesia
 - New buyers emerging: Thailand, Singapore, Bangladesh, Vietnam, Pakistan, Philippines, Egypt, Jordan etc
- ◇ Significant additional supply required to replace material expiring contracts in North Asian markets
- ◇ Key North Asian markets such as Korea and Taiwan prioritising LNG over coal and nuclear. China environmental policies encouraging fuel switching
- ◇ LNG usage expanding (e.g. merchant shipping)
- ◇ FSRUs supporting demand growth, enabling faster delivery to markets
- ◇ Most commonly, LNG marketing is currently undertaken on an equity sales basis

MARKET FOR GLOBAL LNG SUPPLY FROM 2023, POSSIBLY EARLIER

GLOBAL LNG SUPPLY DEMAND BALANCE



Source: WoodMac – June 2017

LNG EXPANSION FROM PNG IDEALLY PLACED TO SECURE PREMIUM ASIAN BUYERS

- ◆ Continued exceptional performance from PNG LNG Project
- ◆ PNG LNG recertification provided additional volumes for T1/T2 and expansion
- ◆ Geographical proximity and competitive cost brownfield expansion
- ◆ Strong interest in additional 1.3MTPA of PNG LNG volumes
- ◆ High heating value gas, PNG represents supply diversification
- ◆ >10 tcf undeveloped resources with overlapping ownership interests
- ◆ PNG LNG, Elk-Antelope and P'nyang co-operation will deliver low cost brownfield development with schedule certainty for buyers

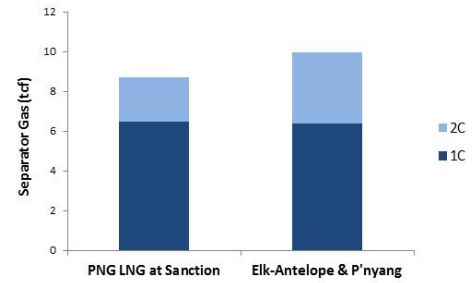
SUBSTANTIAL RESOURCE BASE TO UNDERPIN >8 MTPA NEW CAPACITY AT PNG LNG PLANT SITE

- ◆ Final appraisal well, Antelope 7/7ST1, completed in February. No change to OSH resource numbers
- ◆ OSH-operated P'nyang South 2 well to be drilled 4Q17, good progress being made on well pad construction:
 - Objective is to move 2C resource into 1C category, but also likelihood of increasing existing 2C resource above 3.5 tcf
 - Resource certification to follow well completion
- ◆ PNG LNG foundation fields' exceptional performance and recent recertification provide potential lowest cost gas to front-end part of expansion capacity
- ◆ Muruk result confirms high quality reservoir, increasing longer term optionality for field sequencing. Reduces risks on lead and prospects along Hides - P'nyang trend



Resource (tcf)	1C	2C
Elk-Antelope	5.2	6.5
P'nyang	1.1	3.5
Muruk	TBC	TBC
	>6.3	>10.0

**Sufficient resources to underpin
>8 MTPA capacity**

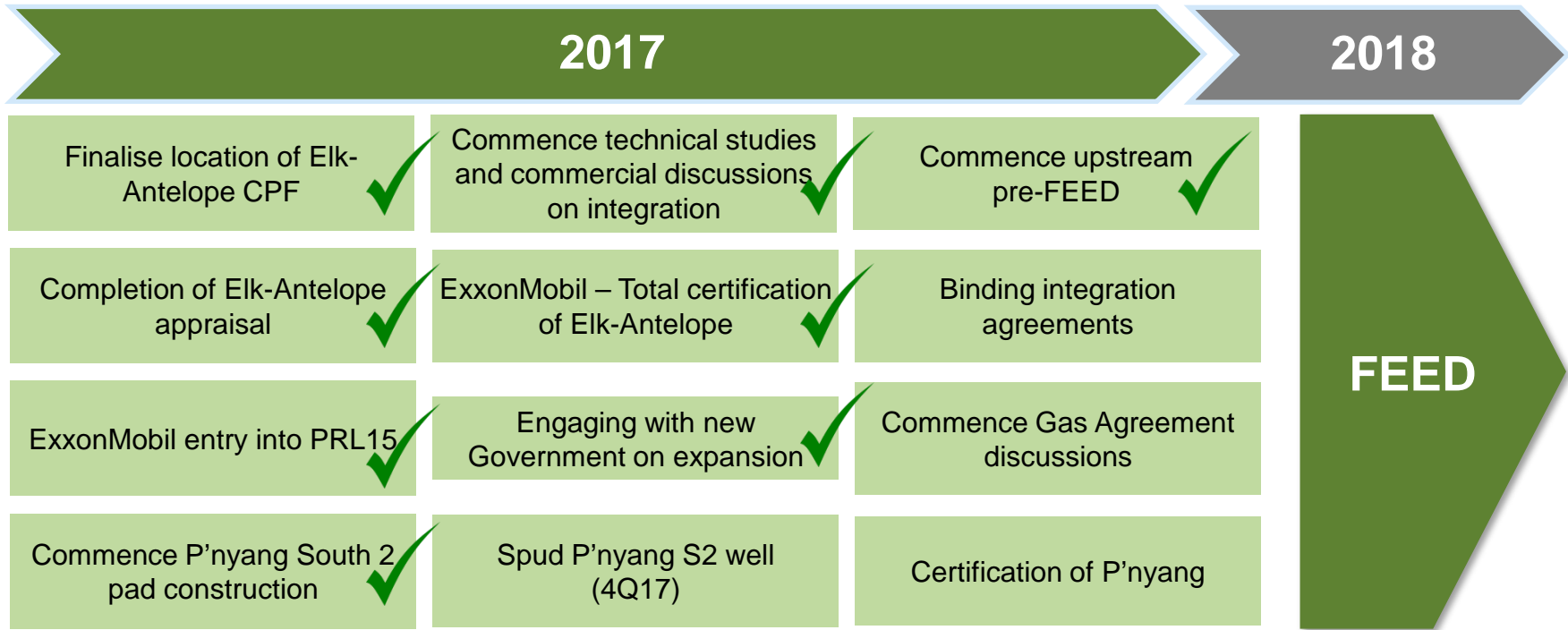


US\$2-3BN COST AND >US\$125M ANNUAL OPEX SAVINGS FROM COOPERATIVE LNG EXPANSION

- ◆ Discussions on LNG expansion progressing between ExxonMobil, Total and OSH. Confirmed intent to pursue integrated development
- ◆ Targeting alignment on commercial model in 4Q17 with new Government, followed by Gas Agreement negotiations
- ◆ OSH playing proactive role with partners and Government to facilitate early alignment for FEED entry
- ◆ Key issues being discussed:
 - Integration principles – including capacity and cost sharing
 - LNG marketing (equity or joint) and commercial model for financing
 - Exploration alignment onshore Gulf and offshore



MATERIAL PROGRESS ON KEY LNG EXPANSION WORK STREAMS



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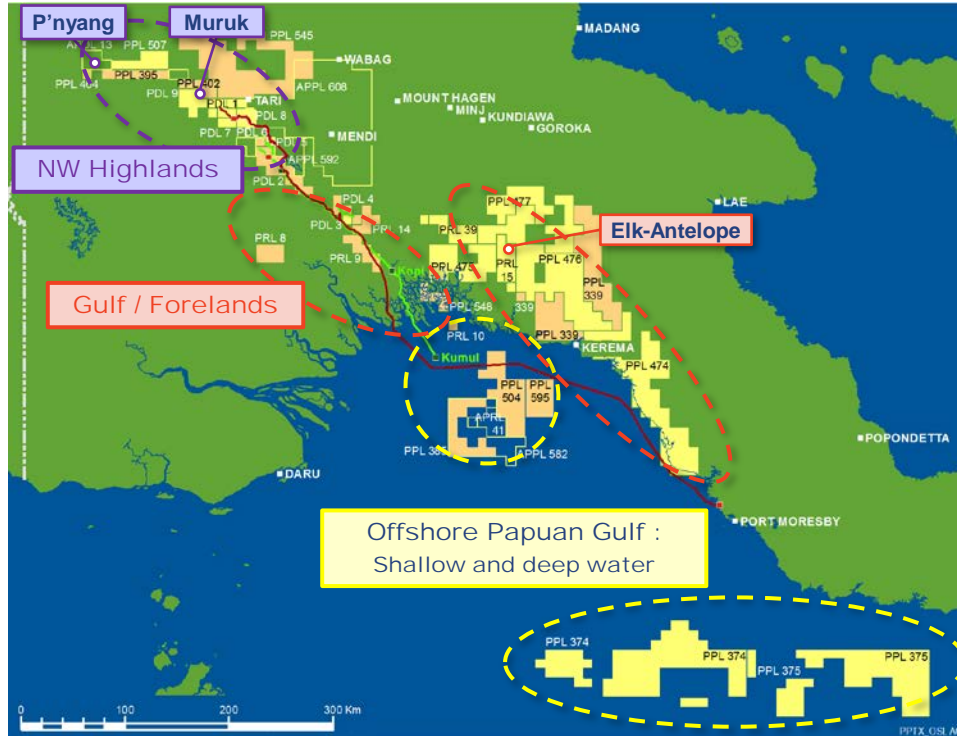
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WORLD CLASS ACREAGE, WITH MULTIPLE MATERIAL PLAYS TO SUPPORT LNG GROWTH



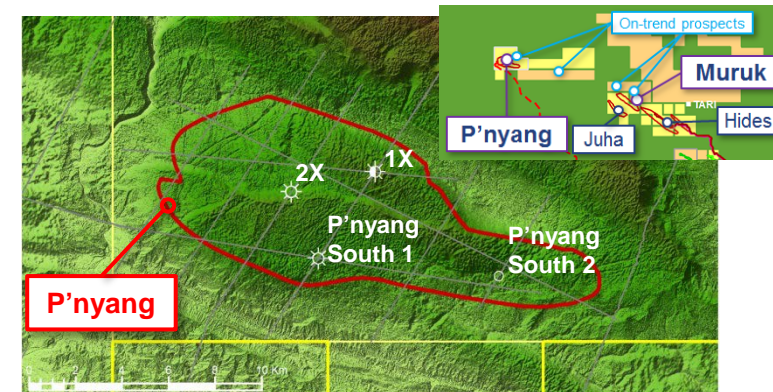
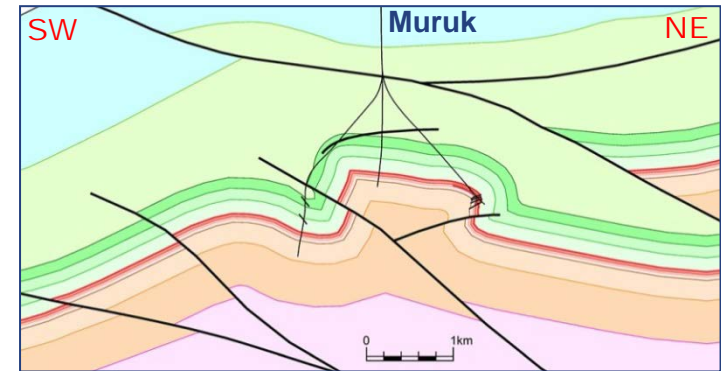
- ◆ Focused licence acquisition programme:
 - 16+ licences and manageable programme
 - Trend capture and high graded drilling
- ◆ Expanded PNG acreage focused on four potential LNG-scale hubs:
 - NW Highlands
 - Gulf/Forelands
 - Offshore Gulf
 - Deepwater Gulf
- ◆ Successful partnering:
 - Appropriate equity levels to manage capital
 - Operatorship of key licences
 - Strategically aligned JVs
- ◆ Opportunity, not commitment, driven
- ◆ PNG's yet-to-find potential estimated at 40 tcf gas, >550 mmbbl oil, with giant fields predicted

MATERIAL GAS DISCOVERY AT MURUK, BETWEEN HIDES AND P'NYANG

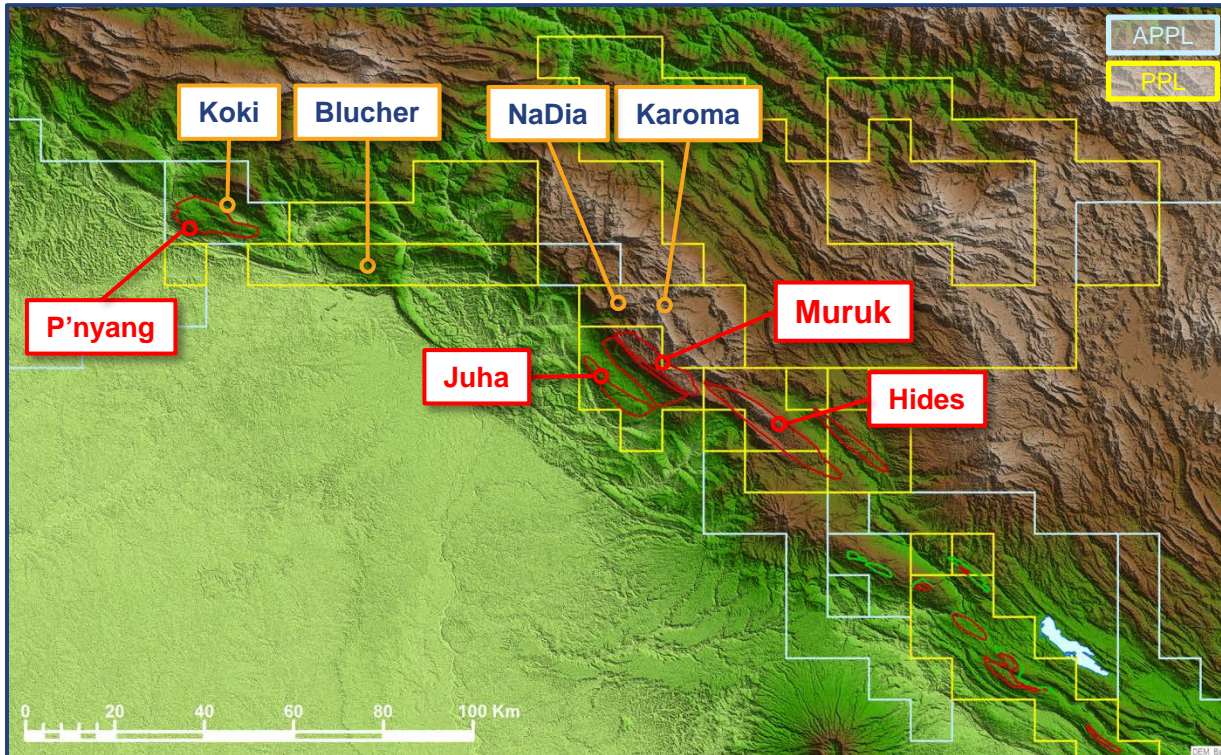
- ◆ Muruk 1 and sidetracks have discovered two new hydrocarbon pools (Muruk A & B) with 1 – 3 tcf potential:
 - ~ 8,000 metres drilled in vertical hole and three side-tracks
 - ~ 780 metres highest to lowest known gas
 - Two separate compartments (hanging wall and footwall)
 - Located ~21km from closest producing PNG LNG infrastructure
 - Aids Juha tie-in

- ◆ Muruk 2 location selected (10 km NW step out), planned to spud in 1Q18, subject to final joint venture approval

- ◆ P'nyang South 2 well scheduled to be drilled in 2H17, well pad construction underway:
 - Potential upside to current 3.5 tcf
 - Resource certification to take place after drilling



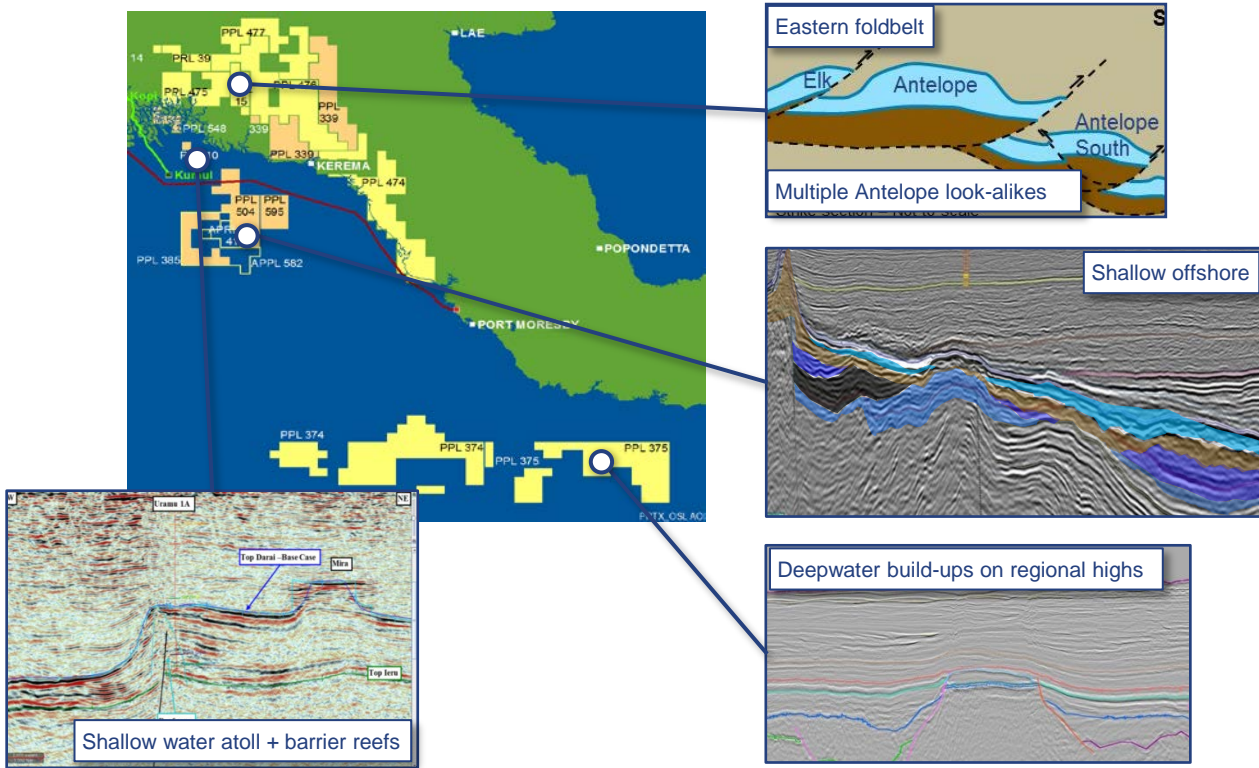
MURUK DISCOVERY MATERIALLY UPGRADES HIDES - P'NYANG TREND



- ◇ Four additional multi-tcf prospects being matured, each 1- 3+ tcf mean unrisks
- ◇ 10 tcf+ unrisks potential along proven trend*
- ◇ Seismic programme over Koki and Blucher completed. Seismic over Karoma planned for 4Q17
- ◇ 2018-19 multi-well programme, subject to seismic

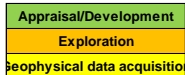
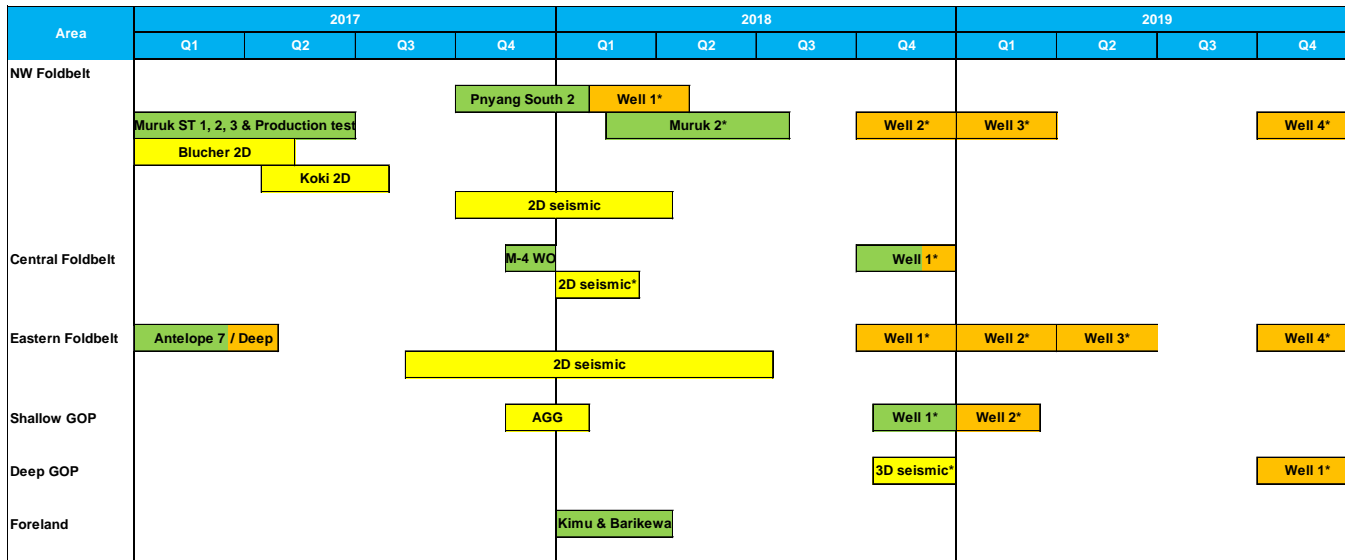
* Mean gross prospective resources. Summed prospective resource P50/best estimate is ~4.9 tcf. Numbers are based on OSH 2016 internal analysis. All estimates are unrisks.

DIVERSITY OF PLAYS WITH MULTI-TCF POTENTIAL IN EASTERN FOLDBELT + OFFSHORE



- ◇ Eastern Fold Belt opens up potential for multiple Antelope look-alikes and diversity of plays:
 - Major 200 km+ seismic programme (2017-18) and studies to prioritise targets
 - Drilling 2019+
- ◇ Variety of plays offshore:
 - High quality 2D (>20,000 kms) and 3D seismic
 - Clearly imaged mega structures
 - Gas indicators on seismic

THREE YEAR PROGRAMME TO DRIVE COSTS AND FOCUS



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

- ◆ Quality acreage secured to support five exploration/ appraisal wells p.a. for next 3-5 years:
 - Optimised, predictable and continually high graded programme
- ◆ Focused on near-term commercialisation and LNG growth
- ◆ Three year programme will test >19 tcf*

* Mean gross prospective resources. Summed prospective resource P50/best estimate is ~15.9 tcf. Numbers are based on OSH 2016-17 internal analysis. All estimates are unrisks

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PNG ELECTION OUTCOME PROVIDES CONTINUITY

- ◆ Hon. Peter O'Neill returned as Prime Minister, leading coalition government
- ◆ Extensive series of briefings to Ministers and Parliamentarians over past two weeks since Government formed
- ◆ Government finalising initial 100 Day Plan, addressing urgent financial and development priorities including:
 - Fiscal discipline, spending priorities and control
 - Structural adjustment likely but “no new taxes”
 - Focus on impactful developments
 - PNG LNG expansion and Papua LNG development
 - Resolution of landowner benefit distribution issues
 - In-country economic development, Port Moresby gas-fired power station, Biomass generation near Lae
- ◆ Opportunity to prioritise projects and ensure coordinated Government approach and support



Hon Peter O'Neill
Image courtesy Media Unit, Department of Prime
Minister and National Executive Council

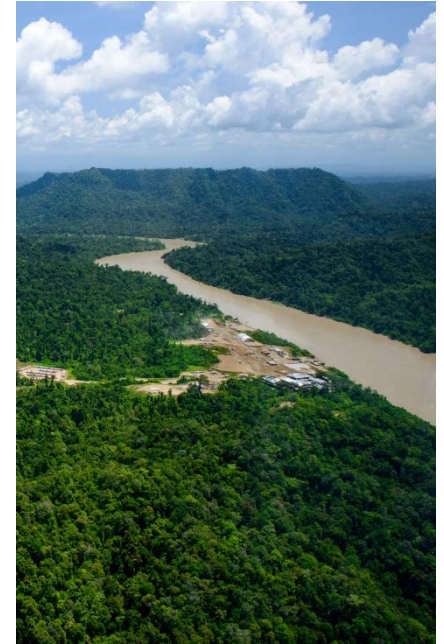
SOCIAL RESPONSIBILITY AND MAINTAINING A STABLE OPERATING ENVIRONMENT

- ◆ Long-standing commitment to operating responsibly and to sustainable development in PNG:
 - Programmes continue, both directly and through Oil Search Foundation, on health, community, power, infrastructure, leadership and education, women's empowerment etc
- ◆ Focus on demonstrating value and benefits delivered already by PNG LNG Project to PNG and landowners:
 - Need to communicate what benefits have been paid and resolve remaining barriers to distribution
 - Independent study underway on benefits of PNG LNG to economy and people
 - Goes beyond EITI reporting. Will publish details of benefits paid
 - ~K3bn (~US\$1.16bn) generated by PNG LNG Project to date for the State, Provincial Governments and landowners through equity distributions, development levies and royalties
 - Of this, ~K2.5bn (~US\$0.95bn) has flowed to relevant recipients



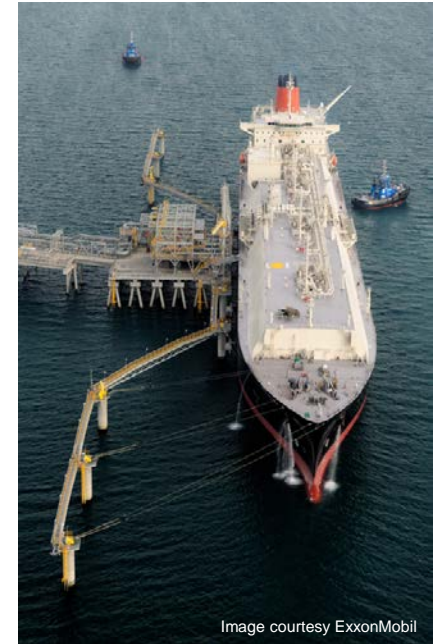
MATERIAL ISSUES RISK MANAGEMENT

- ◆ Climate change risk management:
 - Continuing 2°C/<2°C scenario analysis work and readiness for TCFD recommended disclosures in 2018
 - In depth engagement with stakeholders to shape climate disclosure approach
- ◆ Implementation of Human Rights Plan and VPSHR Report in early 2018
- ◆ Recently joined IPIECA, to consolidate and promote leadership efforts across spectrum of social responsibility issues and operating practices



FOCUS ITEMS FOR 2H17

- ◆ Continued optimisation of PNG LNG production
- ◆ Agreeing terms for up to 1.3 MTPA additional volume from PNG LNG (led by ExxonMobil)
- ◆ Engagement with ExxonMobil and Total on progressing next phase of LNG development in PNG:
 - Aligned development concept to new PNG Government in 4Q17
- ◆ Active exploration and appraisal programme focused on PNG gas:
 - Appraisal drilling on P'nyang South 2 and Kimu 2 commencing 4Q17
 - Preparations to drill appraisal wells on Muruk and Barikewa in 2018
 - Seismic acquisition in NW Highlands and onshore Gulf
- ◆ In-country initiatives remain high priority

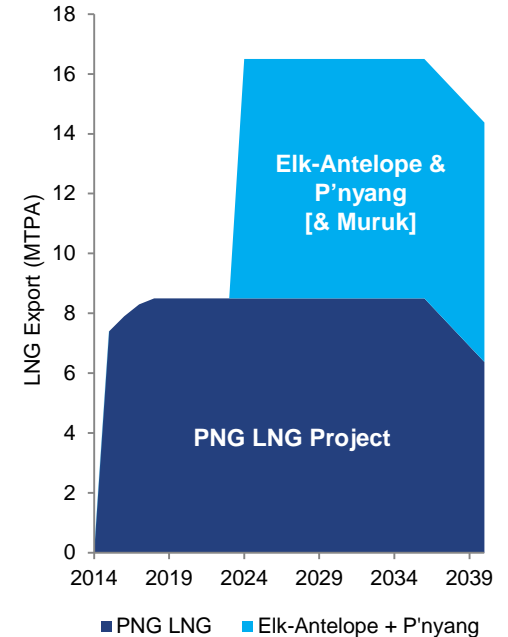


CONCLUSION

- ◆ Excellent performance from operations:
 - PNG LNG operating ~25% above nameplate
 - Significant 1P and 2P reserve upgrade in Foundation fields
 - Targeting longer term growth from mature operated PNG oil fields through near field exploration
- ◆ >10 tcf 2C of discovered undeveloped gas in Elk-Antelope and P'nyang:
 - Can support additional 8+ MTPA expansion capacity
 - Discussions on coordinated LNG expansion underway
- ◆ Muruk gas discovery – potentially significant new gas field, significantly increases prospectivity of Hides-P'nyang trend
- ◆ Continue to build and high-grade exploration portfolio, with material exploration potential to drive further growth
- ◆ Comprehensive in-country community-based programmes underwriting stable operations
- ◆ Flexible balance sheet, strong operating cash flows and sufficient liquidity to fund growth activities



INDICATIVE LNG PRODUCTION PROFILE WITH EXPANSION





2017 HALF YEAR RESULTS

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