
2017 Reserves and Resources Statement

20 February 2018

Highlights

- ❖ Despite record production in 2017 of 30.3 mmbbl, total 2P (Proved and Probable) gas Reserves and 2C (Contingent) gas Resources increased 3.4% to 6,341 bcf at 31 December 2017, while total 2P and 2C oil and condensate Reserves and Resources also rose, up 1.5% to 125.8 mmbbl.
- ❖ The increase in Reserves and Resources reflected:
 - A 4.8 mmbbl upgrade in 2P oil Reserves at Kutubu, Agogo and Moran, following an independent audit of the fields.
 - The booking of 174 bcf 2C gas Resources and 1.7 mmbbl 2C liquids Resources at Muruk, following the successful Muruk 1 well.
 - Additions at Elk-Antelope of 71 bcf 2C gas and 0.6 mmbbl 2C condensate and 73 bcf 2C gas and 1.3 mmbbl 2C condensate at P'nyang, due to a minor change in the treatment of tail gas.
- ❖ The figures do not incorporate the results of the successful P'nyang South 2 well. A recertification of the P'nyang field by an independent expert is currently underway, which Oil Search believes will result in an increase in both 1C and 2C certified Resources.
- ❖ In addition, Resources for the Pikka Unit and Horseshoe Block in the Alaska North Slope have not been included in the 2017 Reserves and Resources Statement, as the transaction was not completed until after year end.
- ❖ Based on 2017 production, Oil Search has a 1P Reserves life of 15 years, a 2P Reserves life of 17 years and a 2P Reserves and 2C Resources life of 45 years.

Commenting on the 31 December 2017 Reserves and Resources Statement, Oil Search's Managing Director, Mr Peter Botten said:

***“Oil Search’s oil and gas 2P plus 2C Reserves and Resources increased 1.5% and 3.4%, respectively, over 2017. This is a pleasing result, particularly given that production in 2017 was the highest in the Company’s history and that the 2017 year-end figures do not include the results of the recent successful P’nyang South 2 well or the recent acquisition of major oil resources in North Slope Alaska, which was completed on 14 February 2018.*”**

Following the successful Muruk 1 discovery, in 2017 we made our first booking of Moran field Resources. The volumes booked represent just the Resource identified in proximity to the Muruk 1

and side-track wells. Additional Resource potential will be tested by the Muruk 2 appraisal well, which is due to spud in the second quarter of 2018.

Oil Search's estimate of 2C gas for the P'nyang and Elk-Antelope fields has increased by 144 bcf (net). Further additions are anticipated at P'nyang from the current recertification process following the successful P'nyang South 2 well. We have recently reached broad agreement on the preferred development concept to commercialise these resources, which, together with PNG LNG Foundation Field resources, are expected to support a major expansion of LNG processing capacity, located at the PNG LNG Plant site.

Today's Reserves and Resources Statement highlights the strength of Oil Search's world class PNG resource base and our ability to deliver long term growth to shareholders from existing assets."

PETER BOTTEN, CBE

Managing Director

20 February 2018

For more information regarding this report, please contact:

Ann Diamant

General Manager, Investor Relations and Communications

Tel: +612 8207 8440

Mob: +61 407 483 128

Oil and Gas Reserves

At 31 December 2017, the Company's Proved (1P) Reserves were 59.1 mmbbl of oil and condensate and 2,040.5 bcf of gas. Proved and Probable (2P) Reserves were 73.0 mmbbl of oil and condensate and 2,313.7 bcf of gas.

The key changes in 1P and 2P Reserves since 31 December 2016, which are summarised in Tables 1 and 2, are as follows:

- ❖ Reserves at 31 December 2017 have been adjusted for net production of 7.4 mmbbl of oil and condensate and 111.1 bcf of gas¹.
- ❖ During the year Netherland, Sewell & Associates, Inc. (NSAI) were engaged by Oil Search to assess Reserves and Resources in the Kutubu Complex, Agogo, and Moran oil fields. This independent audit resulted in increases to Estimated Ultimate Recoveries (EUR) for all the fields assessed, with the majority of the increase seen in the Kutubu Complex and Agogo.
- ❖ There were minor changes in the Hides GTE 1P Reserve booking, reflecting a change to gas nominations under the Hides Gas Sales Agreement.
- ❖ There have been no changes to the EUR for oil and gas associated with the PNG LNG Project, or oil in the Gobe oil fields. Reserves in both the 1P and 2P categories reflect the year-end 2016 position less 2017 production volumes.

Developed and undeveloped Reserves are shown in Table 3. Undeveloped gas and condensate Reserves are related to the PNG LNG Project, where the construction of additional infrastructure is required prior to the commencement of gas export, consistent with the approved development plan. Undeveloped oil Reserves are largely associated with future development drilling in producing oil fields.

Contingent Resources

At the end of 2017, the Company's 2C Contingent Resources comprised 4,027.4 bcf of gas, up from 3,709.2 bcf at the end of 2016, and 52.7 mmbbl of oil and condensate, up from 48.3 mmbbl.

The key changes in 2C Contingent Resources since 31 December 2016, which are summarised in Tables 1 and 2, are as follows:

- ❖ The addition of 174.1 bcf gas and 1.7 mmbbl condensate at PDL 9/PPL 402, which represents the Resource identified in proximity to Oil Search's successful Muruk 1 and sidetrack wells drilled in 2016/17 (see below for further details).
- ❖ A minor change in the treatment of tail gas in the Contingent Resource category, to provide consistency across Oil Search's Reserves and Resources estimates, has resulted in the addition of 73 bcf gas and 1.3 mmbbl condensate at P'nyang (PRL 3) and 71 bcf gas and 0.6 mmbbl condensate at Elk-Antelope (PRL 15).
- ❖ At Kutubu and Agogo, the additional reserves resulting from the NSAI audit, noted above, have resulted in the addition of 0.9 mmbbl oil and condensate to the 2C category, reflecting the additional volumes beyond the current economic limit of the respective fields.

¹ Note that these production figures are based on Oil Search's net 16.67% share of PDL 1 Hides GTE production.

Note that additional Resources as a result of the acquisition of interests in the Pikka Unit and Horseshoe Block in Alaska have not been included in the year end Reserves and Resources Statement for 2017 because the transaction was not completed until February 2018.

Reserves and Resources

As highlighted in Table 4, at the end of 2017, Oil Search's total 2P oil and condensate Reserves and 2C Contingent Resources were 125.8 mmbbl, up from 124.0 mmbbl at year-end 2016. The Company's total 2P gas Reserves and 2C Contingent Resources were 6,341.1 bcf, up from 6,134.1 bcf at the end of 2016.

Muruk, PDL 9 and PPL 402 – initial booking of Contingent Resource

174.1 bcf gas and 1.7 mmbbl of condensate has been booked for the first time in the 2C Contingent Resource category, relating to the successful Muruk drilling programme. This programme comprised the Muruk 1 well and three sidetracks, drilled by Oil Search in Petroleum Prospecting Licence 402 (PPL 402), where Oil Search (as operator) holds a working interest of 37.50%. The current mapping of the Muruk field is based on seismic data and extends across both PPL 402 and Petroleum Development Licence 9 (PDL 9), where Oil Search holds an economic interest of 24.42%.

The presence of significant quantities of moveable hydrocarbons in the Muruk field has been confirmed from the following:

- ❖ Data acquired from the Muruk 1 well and its three sidetracks (ST1, ST2, and ST3), drilled between November 2016 and June 2017. Data from well logging during and after drilling have been used to determine the fluid content and most likely fluid contacts in the sandstone reservoir. This approach includes the analysis of reservoir pressure data and samples of hydrocarbons brought to surface during wireline logging in Muruk 1.
- ❖ The interpretation of data acquired during the drill stem testing of Muruk 1ST3, including the analysis of reservoir hydrocarbon samples recovered to surface.
- ❖ The interpretation of seismic data and data from offset wells, in particular the wells in the Hides and Juha fields.

Oil Search has conducted a detailed assessment of all available data to reach a position on the Contingent Resource potential of the field. Contingent Resource volumes have been estimated by combining in-place volume estimates from geological modelling with recovery factor estimates from analogue fields. A deterministic approach was used to estimate the reported volume for the Muruk field.

These Resources are considered to be contingent on the confirmation of a commercially viable development project. Additional seismic data is currently being gathered and a second well, Muruk 2, to test the north-west extent of the field is planned to start drilling mid-2018. The results of these data will be appraised during 2018 to further assess the potential for commercial recovery.

Elk-Antelope, PRL 15, and P'nyang, PRL 3 – increase in booked 2C Contingent Resource

Using the guidance provided by the Petroleum Resources Management System (PRMS), minor changes to Contingent Resource bookings for the Elk-Antelope gas fields and the P'nyang gas field have been made in 2017. Both of these bookings have been updated to be consistent with definitions and assumptions used for Oil Search's other Contingent Resource bookings and reflect production of tail gas beyond turndown rates associated with transmission to, and operation of, a remote LNG train.

1,473 bcf dry gas and 13.1 mmbbl of condensate were previously booked in the 2C Contingent Resource category relating to Oil Search's 22.835% economic interest in Petroleum Retention Licence 15 (PRL 15) in the Gulf Province of PNG, which contains the Elk-Antelope gas fields. Inclusion of the additional tail gas results in the addition of 71 bcf of dry gas and 0.6 mmbbl of condensate.

1,348 bcf of dry gas and 20.2 mmbbl of condensate were previously booked in the 2C Contingent Resource category relating to Oil Search's 38.5% economic interest in Petroleum Retention Licence 3 (PRL 3) in the Western Province of PNG, which contains the P'nyang gas field. Inclusion of the additional tail gas results in the addition of 73 bcf of dry gas and 1.3 mmbbl of condensate.

These Contingent Resource volume changes have been assessed using the field models and development plans used for the year-end 2016 Contingent Resource bookings. As such, these amendments do not reflect any changes to the assessment of total hydrocarbons in place.

The Elk-Antelope and P'nyang Resources are considered to remain contingent on a number of factors, including additional technical studies, the confirmation of a commercially viable development project, acceptable project financing and the negotiation of, and commitment to, future gas sales contracts.

Governance and 2018 Audit Plan

The governance arrangements for the reporting of hydrocarbon Reserves and Resources are based on Oil Search's Resource Management and Audit Process (RMAP), which consists of the following:

- ❖ A Technical Reserves Committee (TRC) which assesses all proposed changes and additions to the Company's Reserves and Resources database, utilising advice and contributions from peer review and subject matter experts, where appropriate.
- ❖ The TRC reports to the Reserves Operating Committee (ROC), consisting of senior management from technical and commercial disciplines, for the sanction of changes proposed by the TRC.
- ❖ Final statements are subject to review and endorsement by the Audit and Financial Risk Committee prior to approval by the Board.

Oil Fields

Under the Company's Reserves Management and Audit Process, oil fields are subject to independent audit every three years, or alternative intervals under some circumstances (for example, where anticipated changes may or may not be material). The Kutubu and Moran fields were audited at year-end 2017 by independent auditor, NSAI. The Gobe oil fields were audited in 2015, also by NSAI.

PNG LNG Project

Given that the PNG LNG Project Resources were audited in 2016, there is no reason for further audit in 2018.

PRL 3

Gas Resources at P'nyang (PRL 3) will be recertified by the Joint Venture in 2018 following the drilling of the recent, successful P'nyang South 2ST1 appraisal well. This recertification is underway and is being managed by the Operator, ExxonMobil.

PRL 15

Two separate audits of the Resources at Elk-Antelope were undertaken by NSAI and GCA in 2016 as part of the First PAC Certification. These audits were updated by the same auditors in 2017 to include the results of Antelope 7 for Oil Search internal purposes. There is no requirement for further audit in 2018.

The Second PAC Certification will occur one year after delivery of the first commercial LNG cargo.

Muruk

An independent certification of the Muruk field may occur in 2018, subject to the results of the Muruk 2 well.

TABLE 1: 2017 oil and condensate Reserves and Resources reconciliation with 2016
Proved oil and condensate Reserves (million barrels)

Licence/Field	End 2016 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2017 Reserves
PDL 2 - Kutubu	12.1	2.6	3.4	-	12.9
PDL 2/5/6 - Moran Unit	7.0	1.3	0.7	-	6.4
PDL 4 - Gobe Main	0.0	0.0	-	-	0.0
PDL 3/4 - SE Gobe	0.2	0.1	-	-	0.1
PDL 1 – Hides GTE	-	-	-	-	-
PNG LNG Project	43.1	3.5	-	-	39.6
Total	62.3	7.4	4.2	-	59.1

Proved and Probable oil and condensate Reserves (million barrels)

Licence/Field	End 2016 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2017 Reserves
PDL 2 - Kutubu	16.7	2.6	4.2	-	18.3
PDL 2/5/6 - Moran Unit	10.6	1.3	0.6	-	10.0
PDL 4 - Gobe Main	0.1	0.0	-	-	0.1
PDL 3/4 - SE Gobe	0.3	0.1	-	-	0.2
PDL 1 – Hides GTE	-	-	-	-	-
PNG LNG Project	48.0	3.5	-	-	44.6
Total	75.7	7.4	4.8	-	73.0

2C Contingent oil and condensate Resources (million barrels)

Licence/Field	End 2016 2C Resources	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2017 2C Resources
PNG LNG Project Fields oil and condensate	1.6	-	-	-	1.6
Other PNG oil and condensate	46.7	-	4.5	-	51.1
Total	48.3	-	4.5	-	52.7

TABLE 2: 2017 gas Reserves and Resources reconciliation with 2016
Proved gas Reserves (billion standard cubic feet)

Licence/Field	End 2016 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2017 Reserves
PDL 2 - Kutubu	-	-	-	-	-
PDL 2/5/6 - Moran Unit	-	-	-	-	-
PDL 4 - Gobe Main	-	-	-	-	-
PDL 3/4 - SE Gobe	10.7	3.3	-	-	7.4
PDL 1 – Hides GTE	3.2	1.0	1.0	-	3.2
PNG LNG Project	2,136.8	106.9	-	-	2,029.9
Total	2,150.7	111.1	1.0	-	2,040.5

Proved and Probable gas Reserves (billion standard cubic feet)

Licence/Field	End 2016 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2017 Reserves
PDL 2 - Kutubu	-	-	-	-	-
PDL 2/5/6 - Moran Unit	-	-	-	-	-
PDL 4 - Gobe Main	-	-	-	-	-
PDL 3/4 - SE Gobe	14.2	3.3	-	-	10.9
PDL 1 – Hides GTE	5.0	1.0	-	-	4.0
PNG LNG Project	2,405.6	106.9	-	-	2,298.8
Total	2,424.9	111.1	-	-	2,313.7

2C Contingent gas Resources (billion standard cubic feet)

Licence/Field	End 2016 2C Resources	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2017 2C Resources
PNG LNG Project Fields Gas	60.0	-	-	-	60.0
Other PNG Gas	3,649.3	-	318.1	-	3,967.4
Total	3,709.2	-	318.1	-	4,027.4

TABLE 3: Developed and undeveloped Reserves
Developed Reserves

(Net to Oil Search)

Licence / Field	Oil Search Interest	Developed Oil and Condensate ³	Developed Gas ^{4,5}	Developed Oil and Condensate ³	Developed Gas ^{4,5}
	%	mmbbl	bcf	mmbbl	bcf
Reserves		Proved (1P)		Proved and Probable (2P)	
PDL 2 - Kutubu	60.0%	11.0	-	14.8	-
PDL 2/5/6 - Moran Unit	49.5%	4.6	-	6.8	-
PDL 4 - Gobe	10.0%	0.0	-	0.1	-
PDL 3/4 - SE Gobe	22.3%	0.1	7.4	0.2	10.9
PDL 1 – Hides GTE	16.7%	-	3.2	-	4.0
Oil fields and Hides GTE Reserves		15.7	10.6	21.8	15.0
PNG LNG Project Reserves	29.0%	28.6	1,490.5	32.0	1,657.2
Sub-total developed Reserves		44.4	1,501.1	53.8	1,672.1

Undeveloped Reserves

(Net to Oil Search)

Licence / Field	Oil Search Interest	Undeveloped Oil and Condensate ³	Undeveloped Gas ^{4,5}	Undeveloped Oil and Condensate ³	Undeveloped Gas ^{4,5}
	%	mmbbl	bcf	mmbbl	bcf
Reserves		Proved (1P)		Proved & Probable (2P)	
PDL 2 - Kutubu	60.0%	1.9	-	3.5	-
PDL 2/5/6 - Moran Unit	49.5%	1.9	-	3.2	-
PDL 4 - Gobe	10.0%	-	-	-	-
PDL 3/4 - SE Gobe	22.3%	-	-	-	-
PDL 1 – Hides GTE	16.7%	-	-	-	-
Oil fields and Hides GTE Reserves		3.7	-	6.7	-
PNG LNG Project Reserves	29.0%	11.0	539.4	12.6	641.6
Sub-total undeveloped Reserves		14.7	539.4	19.2	641.6
Total developed and undeveloped Reserves		59.1	2,040.5	73.0	2,313.7

TABLE 4: Total Reserves and Resources summary
Reserves and Resources at 31 December 2017^{1,2}

(Net to Oil Search)

Licence / Field	Oil Search Interest %	Total Oil and Condensate ³ mmbbl	Total Gas ⁴ bcf	Total Oil and Condensate ³ mmbbl	Total Gas ⁴ bcf
Reserves		Proved (1P)		Proved & Probable (2P)	
PDL 2 - Kutubu	60.0%	12.9	-	18.3	-
PDL 2/5/6 - Moran Unit	49.5%	6.4	-	10.0	-
PDL 4 - Gobe	10.0%	0.0	-	0.1	-
PDL 3/4 - SE Gobe ⁵	22.3%	0.1	7.4	0.2	10.9
PDL 1 – Hides GTE ⁶	16.7%	-	3.2	-	4.0
Oil fields and Hides GTE Reserves		19.5	10.6	28.5	15.0
PNG LNG Project Reserves⁵	29.0%	39.6	2,029.9	44.6	2,298.8
Sub-total Reserves		59.1	2,040.5	73.0	2,313.7
Contingent Resources		1C		2C	
PNG LNG Project Fields gas, oil and condensate		-	-	1.6	60.0
Other PNG gas, oil and condensate ⁷		-	-	51.1	3,967.4
Sub-total Resources		-	-	52.7	4,027.4
Total Reserves and Resources		59.1	2,040.5	125.8	6,341.1

NOTES

- (1) Numbers may not add due to rounding.
- (2) Oil fields proved Reserves (1P) and Proved and Probable (2P) Reserves are as certified by independent auditor Netherland, Sewell & Associates, Inc. (NSAI) in 2015 and 2017. 1P and 2P PNG LNG Project Reserves are based on Contingent Resources as certified in 2016 by independent auditor, NSAI, adjusted for economic limit using Oil Search's corporate assumptions.
- (3) Crude oil, and separator and plant condensates.
- (4) For the PNG LNG Project, shrinkage has been applied to raw gas for the field condensate, plant liquids recovery, and fuel and flare.
- (5) PNG LNG Project Reserves comprise the Kutubu, Moran, Gobe Main, SE Hedinia, Hides, Angore and Juha fields. Minor volumes associated with proposed domestic gas sales have been included as part of PNG LNG Reserves. In addition, third party wet gas sales to the project at the Gobe plant outlet (inclusive of plant condensate) have been included for SE Gobe in 1P and 2P Reserves at the post-sales agreement field interest of 22.34%. SE Gobe estimates for gas are based on NSAI certification in 2015.
- (6) Hides Reserves associated with the GTE Project under existing contract. Production volumes shown in this Reserves report are based on Oil Search's entitlement in PDL 1 (16.67%).
- (7) Other gas, oil and condensate Resources comprise the Company's other PNG fields including Elk-Antelope, SE Mananda, Juha North, P'nyang, Kimu, Uramu, Barikewa, Iehi, Cobra, Mananda, Flinders, and Muruk and may also include Resources beyond the current economic limit of producing oil and gas fields. These gas Resources may include fuel, flare, and shrinkage depending on the choice of reference point.

The information in this Reserves and Resources statement has been prepared by Dr Jon Rowse, Oil Search's General Manager – Subsurface, who is a full-time employee of the Company and a member of the Society of Petroleum Engineers. Dr Rowse is qualified in accordance with ASX Listing Rules 5.41-5.44, and confirms that the statement fairly represents information and documentation

which has been prepared under his supervision and approved by him. He has consented to publish this information in the form and context in which it is presented in this statement.

ADDITIONAL NOTES

- The evaluation date for these estimates is 31 December 2017.
- Oil Search's Reserves and Contingent Resource estimates are prepared in accordance with the Petroleum Resources Management System (PRMS), sponsored by the Society of Petroleum Engineers (SPE).
- The following reference points are assumed:
 - Oil volumes: include both oil and condensate recovered by lease processing. The reference point is at the outlet of the relevant process facility. Volumes are adjusted to stock-tank using field standard conditions.
 - Hides GTE: the custody transfer point at the wellhead
 - PNG LNG Project: the outlet to the LNG plant
 - SE Gobe gas: the outlet to the Gobe facility
 - Fuel, flare and shrinkage upstream of the reference points have been excluded.
- Reserves and Contingent Resources are aggregated by arithmetic summation by category and therefore Proved Reserves may be a conservative estimate due to the portfolio effects of arithmetic summation.
- Reserves and Contingent Resources have been estimated using both deterministic and probabilistic methods.