



OIL SEARCH COMPANY UPDATE

MACQUARIE AUSTRALIA CONFERENCE
May 2018

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SIGNIFICANT PROGRESS MADE ON VALUE-CREATING INITIATIVES



◆ LNG Expansion and Development in PNG:

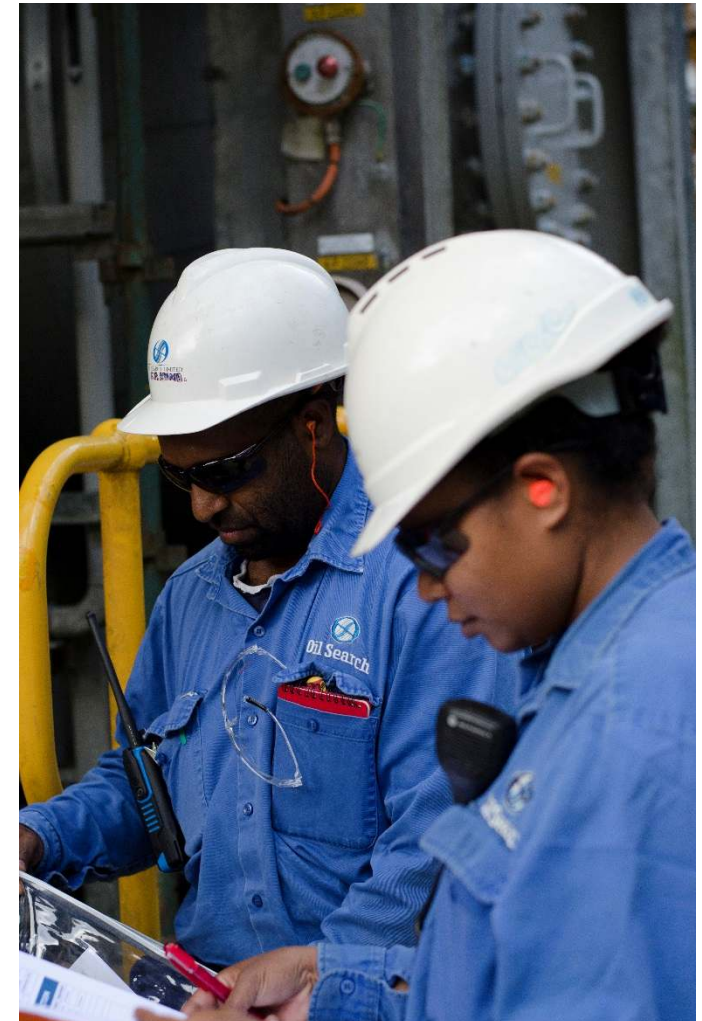
- Optimal, three train development concept agreed:
 - One PNG LNG expansion train, two Papua LNG trains
- Bottom quartile costs, simplified commercial and financial structure
- Government engagement commenced
- On-track for FEED decision in 2H18

◆ Alaskan Nanushuk oil field:

- Positive drilling results from Conoco Phillips
- Operatorship successfully transferred to OSH

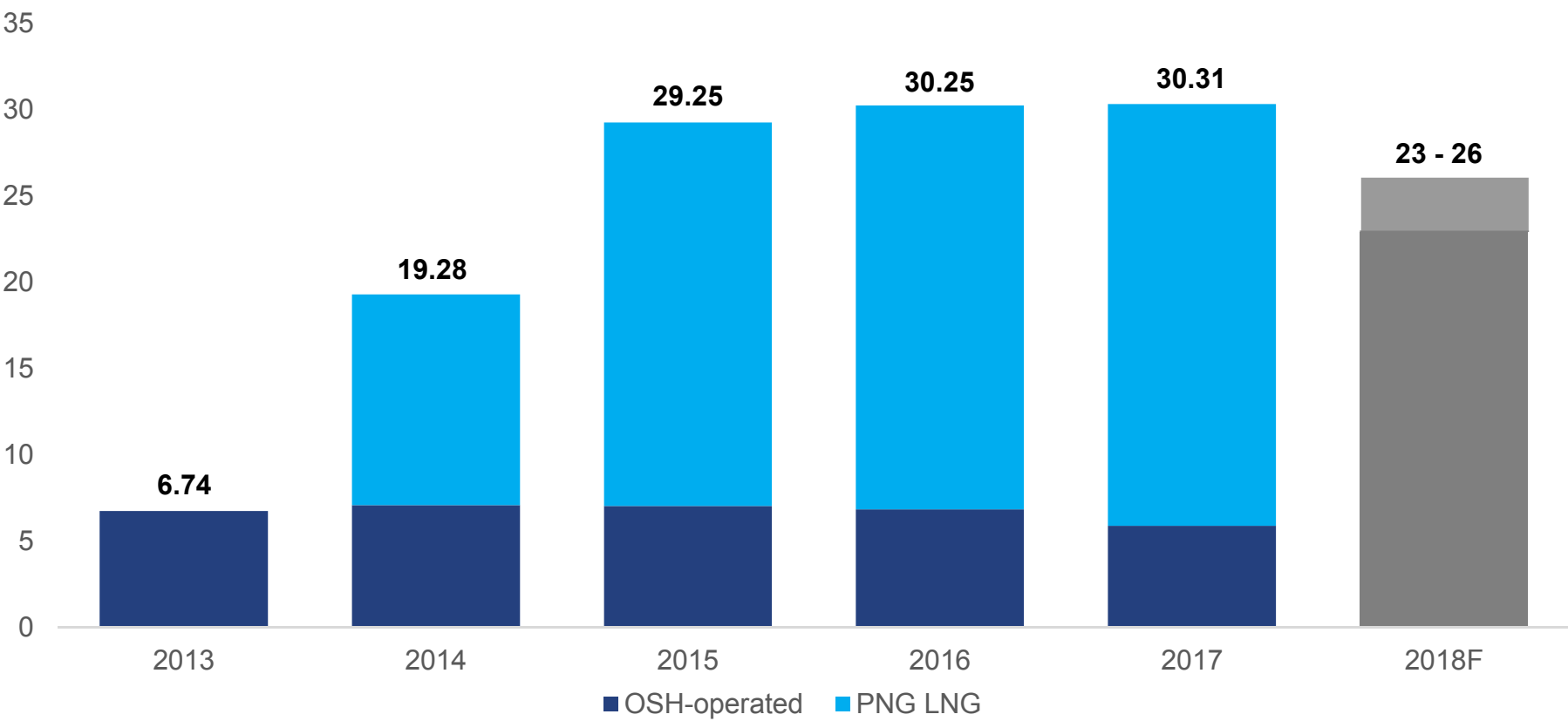
◆ Production base (oil and LNG) recovering well following earthquake

◆ Strong cash flows from healthy oil and LNG prices starting to flow to Balance Sheet following reinstatement of production



PRODUCTION HISTORY

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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HIGHLANDS EARTHQUAKE – SUMMARY

- ◆ Magnitude 7.5 earthquake struck the PNG Highlands on 26 February at 03:44 (PNG local time) with numerous aftershocks
- ◆ No serious injuries to OSH staff or contractors. However, many injuries and deaths in surrounding communities
- ◆ OSH-operated production in PNG Highlands and ExxonMobil operated PNG LNG Project facilities (HGCP, Hides wells, trains) shut in as precautionary measure and to assess damage
- ◆ >600 non-essential personnel demobilised from OSH's >20 operational sites
- ◆ OSH engineering team formed to assess damage and remedial work required to ensure integrity and safety of OSH-operated wells, gathering systems, production facilities and other infrastructure
- ◆ XOM also assembled team of technical experts to conduct damage evaluations and restore production to PNG LNG
- ◆ Major relief efforts within community undertaken by OSH



PNG LNG PROJECT RECOMMENCED PRODUCTION IN MID-APRIL



◆ LNG production resumed in mid-April, ahead of operator's previously estimated 8 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 HGCP, including Angore tie-in work, brought forward



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

Photos courtesy of ExxonMobil

PROGRESSIVE RESUMPTION OF OSH-OPERATED PRODUCTION



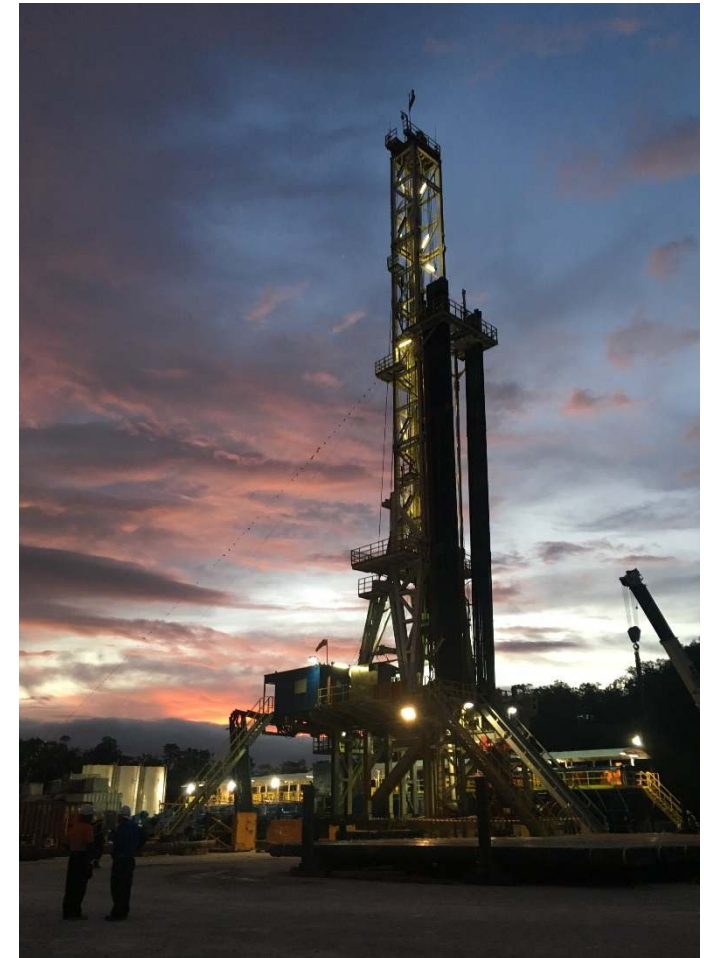
- ◆ OSH-operated Central Processing Facility resumed operations in late March:
 - Oil production being reinstated progressively from Kutubu complex fields
- ◆ Production from Gobe Processing Facility recommenced in March before undergoing two week planned maintenance shut-down:
 - Back online in late April
- ◆ Repairs still required to Agogo Production Facility prior to reinstating production from Moran, with damage to Moran 4,6,9 well pad being addressed
- ◆ Remediation work ongoing, particularly on camp sites, to support return to full production
- ◆ ***Expect ~80% of OSH-operated production to be returned to pre-earthquake levels over 2Q18***



HIGHLANDS EARTHQUAKE – INSURANCE



- ◆ OSH-operated and PNG LNG production facilities insured for earthquake-related property damage
- ◆ Initial estimate of US\$150 – 250 million for damage to insured OSH-operated assets:
 - OSH net share of insurance recoveries ~60%
 - OSH in discussions with insurers to progress claims on timely basis
- ◆ Supporting infrastructure for OSH-operated assets e.g. gathering lines, wellpads, roads, certain camp facilities self-insured
 - Repair and restoration costs funded by relevant joint ventures
- ◆ Business interruption insurance not carried by OSH or PNG LNG Project



2018 REVISED GUIDANCE¹

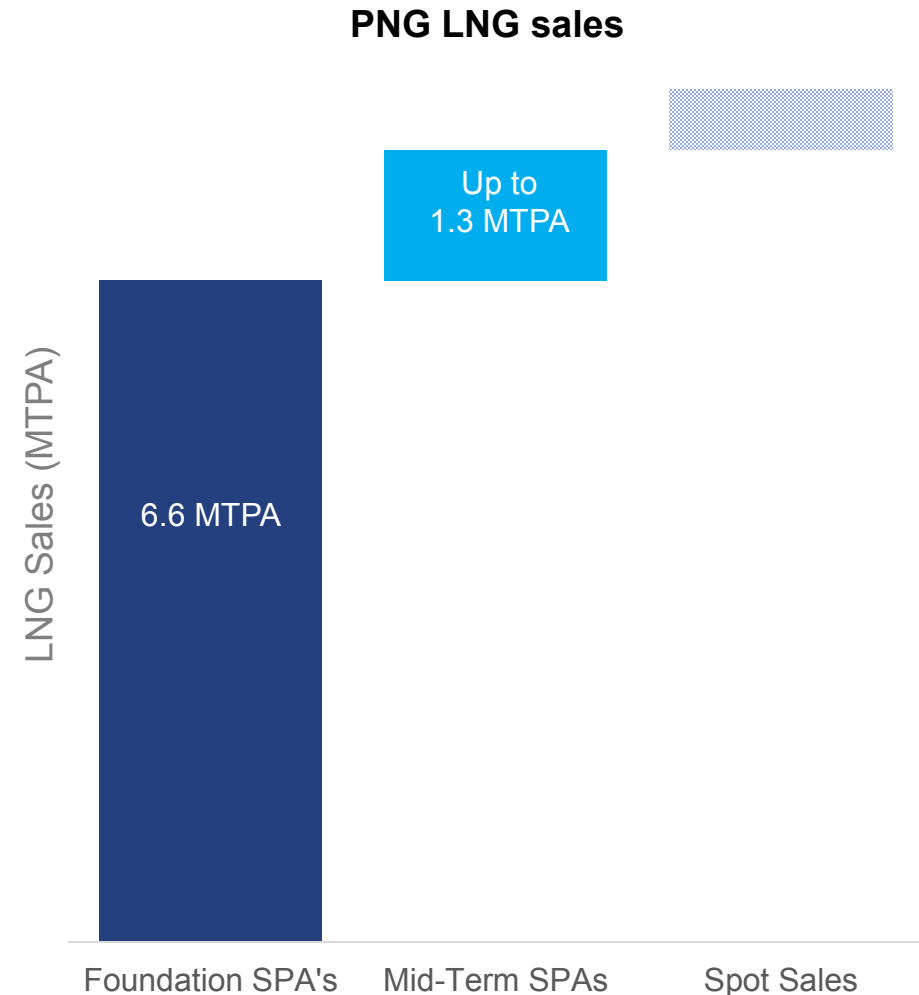
Production (mmboe)	Previous Guidance	Current Guidance
Oil Search-operated PNG oil and gas ^{2,3}	4.5 - 5.5	2.7 – 4.0
Total PNG LNG Project ²	24.0 - 25.0	20 – 22
Total production	28.5 – 30.5	23 – 26
Operating Costs		
Production costs	US\$8.50 – 9.50 / boe	US\$10.50 – 13.50 / boe
Other operating costs	US\$145 – 155 million	US\$140 – 150 million
Depreciation and amortisation	US\$11.50 – 12.50 / boe	US\$12 – 13 / boe
Capital Costs		
Exploration and Evaluation	US\$250 – 310 million	US\$250 – 310 million
Development	US\$50 – 65 million	US\$40 – 50 million
Production	US\$80 – 85 million	US\$35 – 40 million
Other PP&E	US\$45 – 50 million	US\$50 – 55 million
Power	US\$50 – 65 million	US\$50 – 65 million
Total	US\$475 – 575 million	US\$425 – 520 million

- Numbers may not add due to rounding.
- 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.
- Includes SE Gobe gas sales.

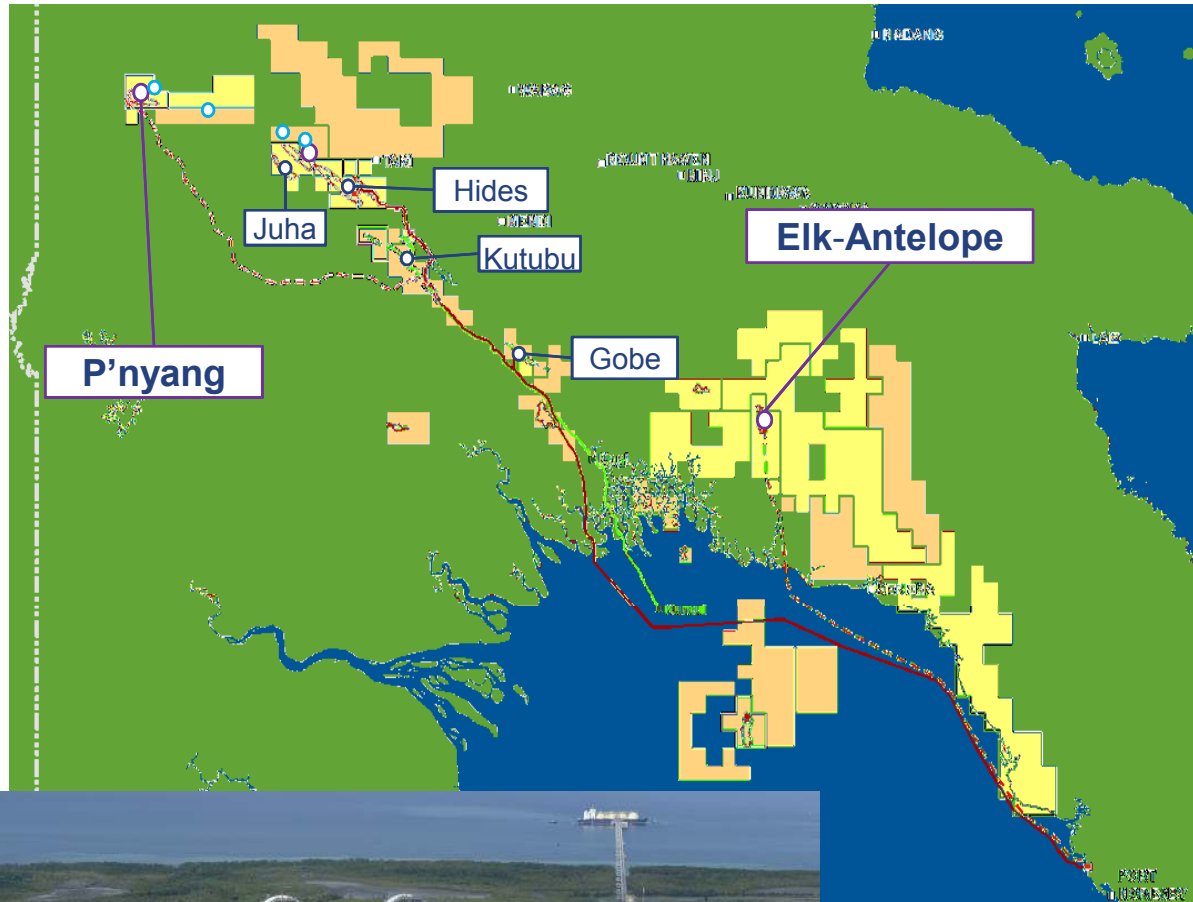
PNG LNG PROJECT MARKETING UPDATE



- ◆ Up to an additional 1.3 MTPA LNG volumes being marketed by PNG LNG Project
- ◆ Towards end 2017/early 2018, market conditions tightened for spot/strip sales, stronger terms available to sellers
- ◆ Strong interest from market – numerous top-tier buyers, including end users and LNG traders
- ◆ Parties shortlisted, negotiation of supply agreements underway and expected to be finalised 1H18
- ◆ Contract terms up to 5 years
- ◆ Adds to 6.6 MTPA under long term contracts with JERA, Osaka Gas, Sinopec and CPC



ALIGNMENT ON PREFERRED LNG EXPANSION DOWNSTREAM DEVELOPMENT CONCEPT

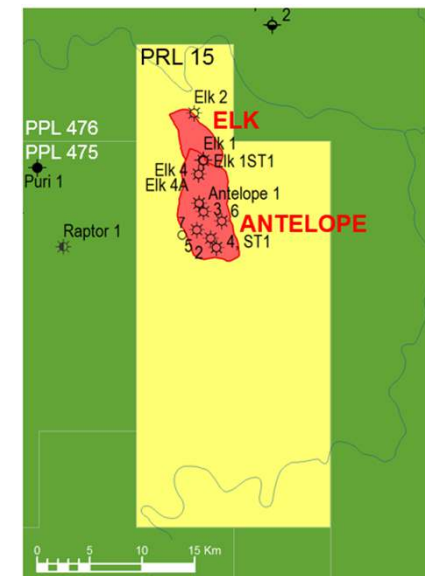
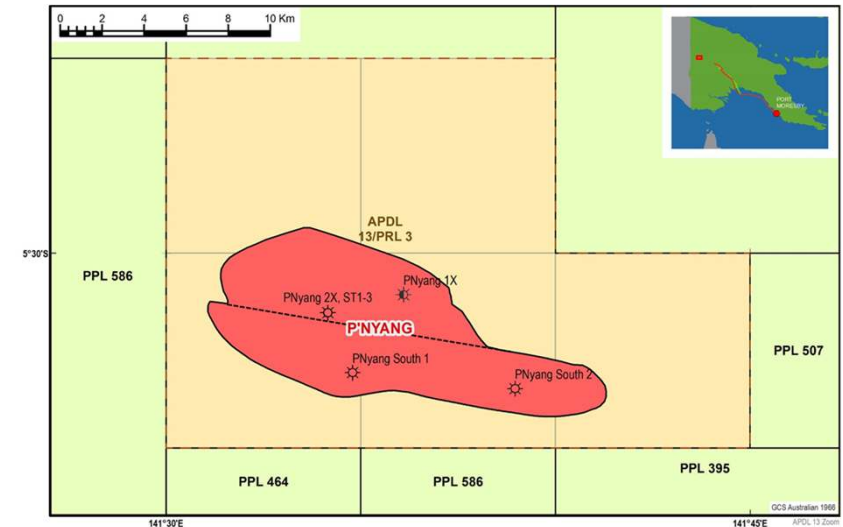


- ◇ Alignment reached on optimal downstream development concept:
 - Three 2.7 MTPA trains, two supported by Papua LNG (Elk-Antelope), one by PNG LNG and P'nyang
 - Best technical outcome, simplifies commercial and financial structure
 - Presented to PNG LNG, PRL 15 and PRL 3 joint ventures for endorsement
 - Sequenced upstream development to optimise build and cash flow management
- ◇ Intense series of JV meetings to advance technical concept, project financing and commercial agreements
- ◇ Engagement with Government underway
- ◇ Focus on benefits distribution
- ◇ Targeting decision on FEED in 2H18

EXPANSION UNDERWRITTEN BY STRONG RESOURCE POSITION



- ◆ Recertification of P'nyang field by NSAI completed in 1Q18:
 - Incorporated results of P'nyang South 2 well
 - Resulted in tripling of gross 1C certified resource to 3.51 tcf, 2C increased to 4.36 tcf
 - Will help support 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





TARGETING LNG EXPANSION FEED ENTRY IN 2H18

2018

Complete P'nyang South-2 appraisal well ✓

Present LNG expansion to Government ✓

Complete integration studies and commencement of commercial discussions ✓

Complete Gas Agreement discussions with Government

Complete recertification of P'nyang resource ✓

Complete Pre-FEED

Commencement of financing and LNG marketing activities ✓

Sign binding downstream integration agreements

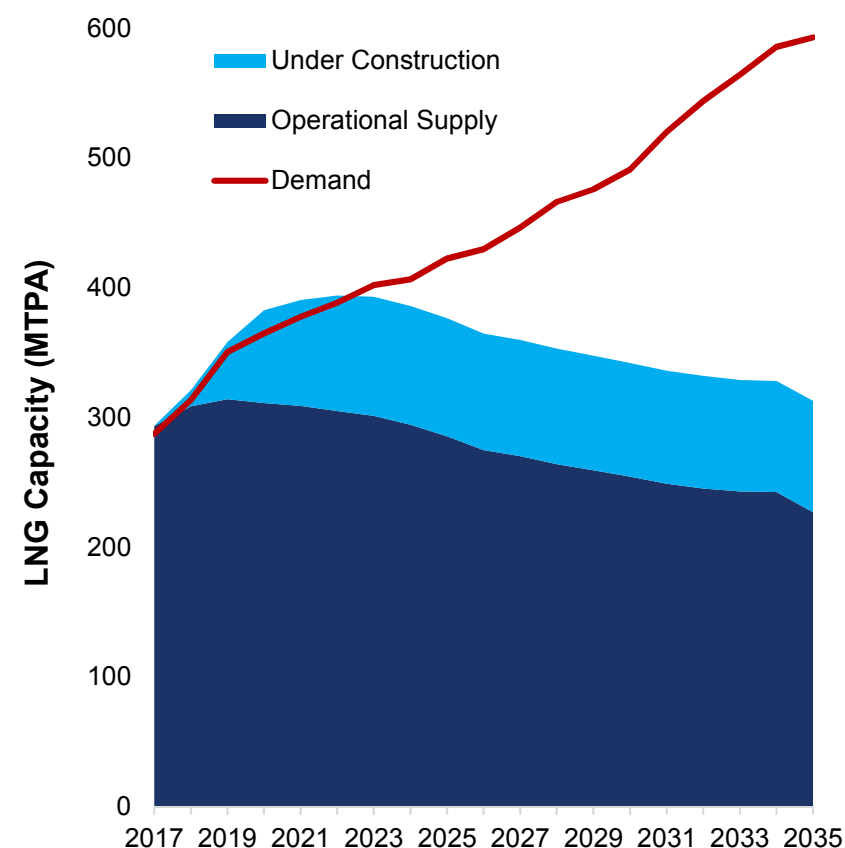
FEED Entry

LNG EXPANSION FROM PNG WELL POSITIONED FOR GROWTH IN GLOBAL LNG DEMAND



- ◆ Global LNG demand grew 11% in 2017; expected to grow by more than 6% pa over next five years
- ◆ China targeting increase in natural gas in energy mix from 6% currently to 10% (2020) and 15% (2030):
 - Reflects Government mandated coal-to-gas switch to improve air quality
- ◆ Other NE Asia markets also prioritising gas over coal and nuclear
- ◆ Currently 37 buyers in NE Asia, 80% of supply volumes controlled by 11 sellers; LNG buyers seeking diversity of supply
- ◆ >70 MTPA of Japanese, Korean and Chinese contracts expected to expire between 2018-2025
- ◆ Only 7.2 MTPA of new LNG capacity sanctioned in 2016-17
- ◆ To fill forecast supply-demand gap in mid 2020s, 50 MTPA of projects will need to take FID by 2020
- ◆ ***LNG expansion from PNG well placed, geographically and time-wise, to fill supply-demand gap, targeting NE Asian markets***

Global LNG supply demand balance

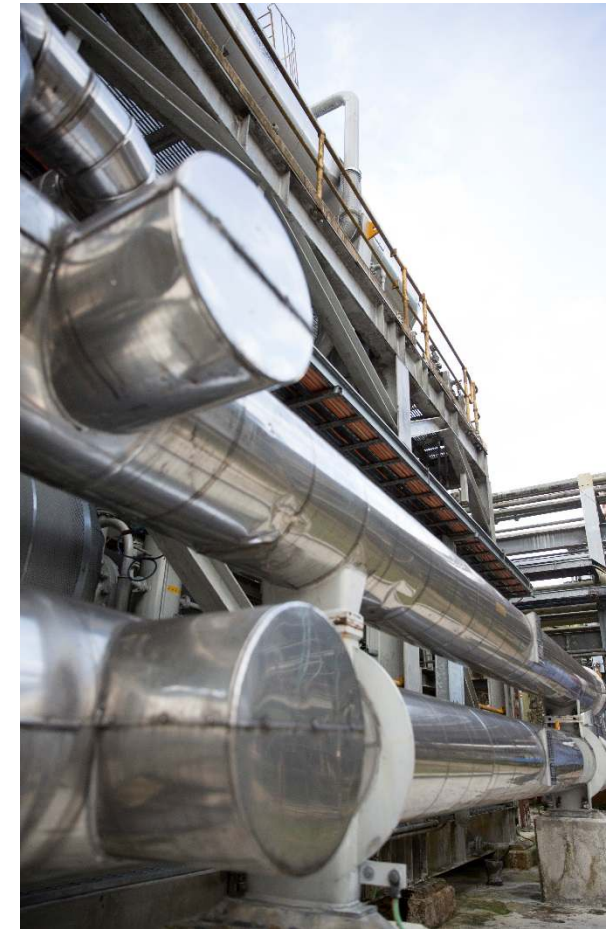


Source: Wood Mackenzie, 4Q 2017

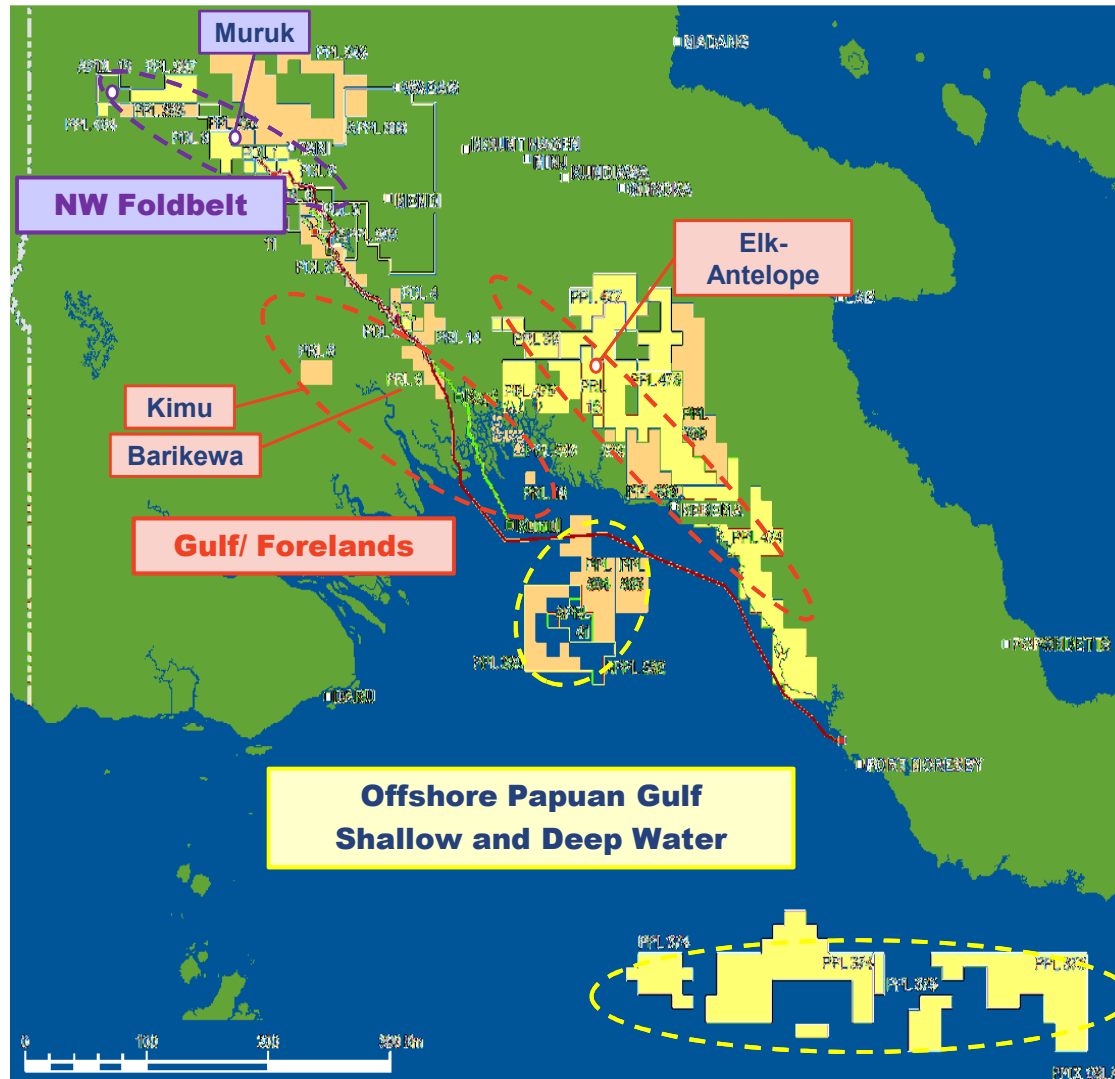
OPTIMISATION OF PNG ACTIVITIES TO SUPPORT NEXT PHASE OF DEVELOPMENT



- ◆ Major review of gas commercialisation options underway, focused on optimising development beyond next three trains:
 - 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:
 - Rank commercial options
 - Review infrastructure optimisation
 - Rank exploration and investment priorities
- ◆ Expect results by year end, will influence future exploration and development priorities and optimise capital efficiency and value

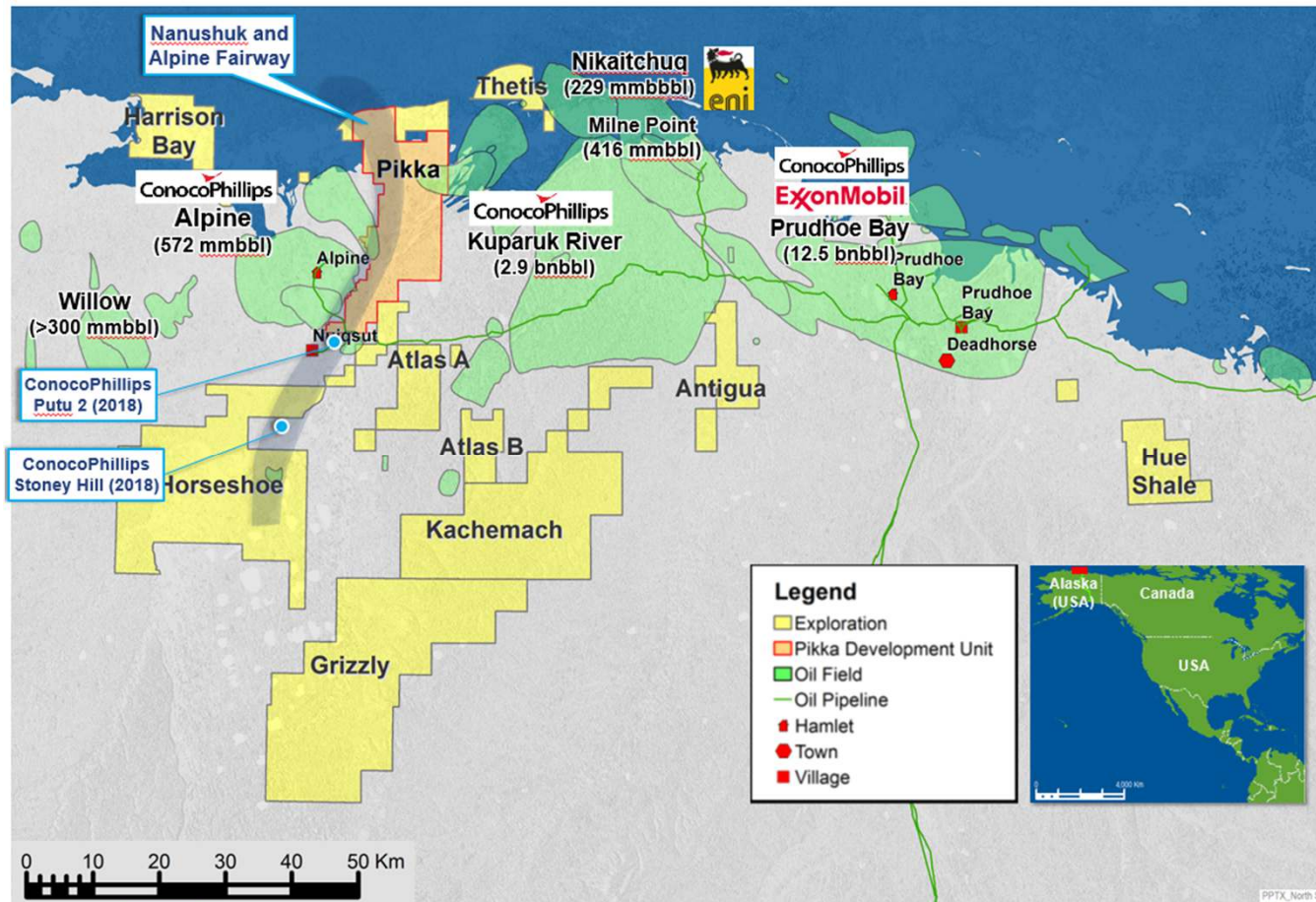


KEY PNG EXPLORATION ACTIVITIES IN 2018



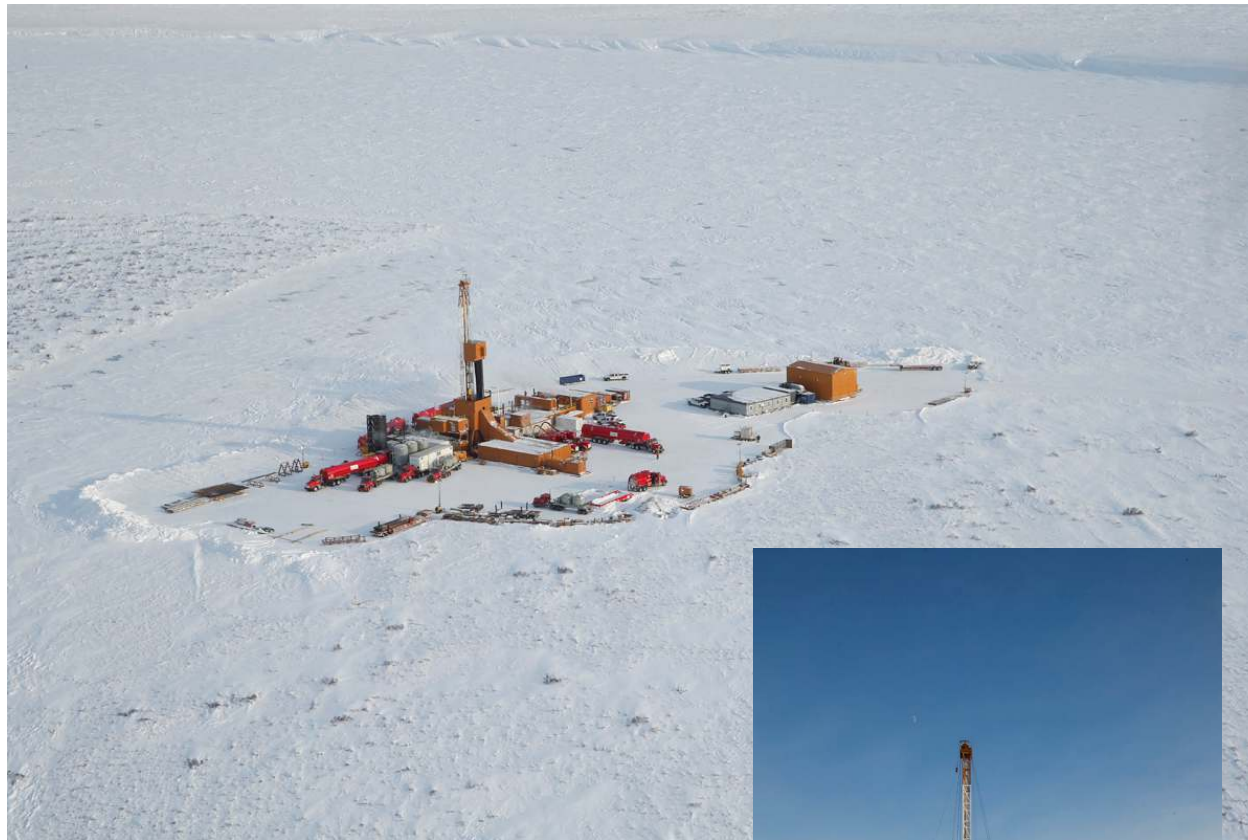
- ◇ Muruk 2 appraisal:
 - 11km step-out to test resource upside
 - Expected to spud 4Q18
- ◇ Kimu 2 and Barikewa 3 Foreland appraisal:
 - Test resource and firm up commercialisation plans
 - Combined potential >1 tcf
 - Kimu 2 recently spudded, Barikewa 3 to follow in late 2Q18/early 3Q18
- ◇ OSH's largest operated onshore seismic programme in 2018:
 - > 500km, to constrain multi-tcf prospects and mature prospects for potential drilling
 - Includes seismic over prospect adjacent to Muruk, seismic in and around PRL 15 on behalf of Total and ExxonMobil

ALASKA NORTH SLOPE ACQUISITION COMPLETED



- ◇ US\$400m acquisition completed February 2018
- ◇ Operatorship assumed March 2018
- ◇ 127.5 mmbbl of net 2C oil resource (500 mmbbl gross) assigned to Pikka Unit:
 - Upside to >1 bnbbbl
- ◇ US\$450m Option underscores additional value opportunity:
 - Potential to exercise and on-sell to strategic partner

OSH BUILDING ANCHORAGE-BASED INTEGRATED TEAM

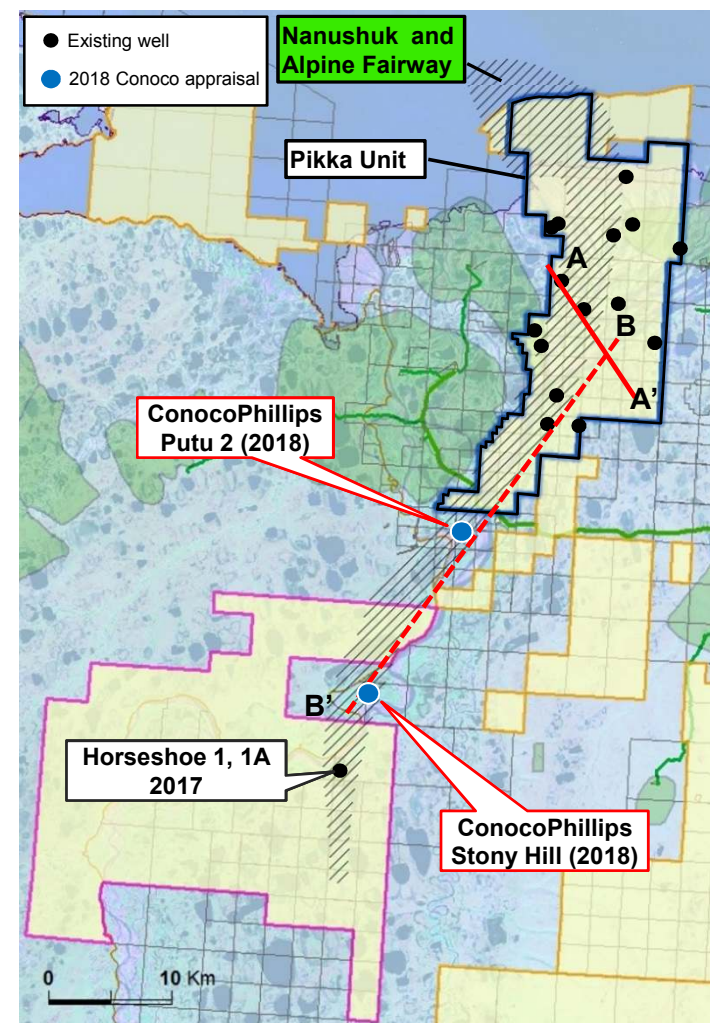


- ◆ Building integrated Anchorage-based team:
 - Comprising operations, subsurface, development and support personnel
 - Significant interest from highly qualified candidates, attracted to opportunity
 - Expect ~100 people by end 2018, in preparation for extensive drilling programme commencing early '19
- ◆ Alaskan operations to be run independently of PNG operations
- ◆ Encouraging meetings with partners, other operators, Government, local stakeholders
 - Focused on alignment on forward exploration, appraisal and development programme

MULTIPLE OPPORTUNITIES TO ADD VALUE

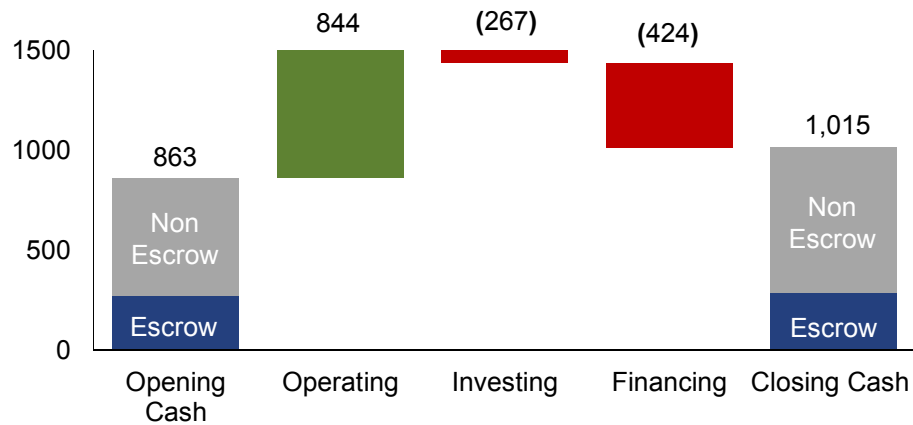


- ◆ Material oil upside potential:
 - Acquisition based on 500 mmbbl
 - JV partners suggest >1 bnbbbl
- ◆ Putu 2 and Stony Hill 1 wells drilled by ConocoPhillips in 1Q18
 - on trend and adjacent to Nanushuk field:
 - Both encountered oil and verified potential of the play
 - Access to some of ConocoPhillips well data will provide useful information on resource continuity and assist appraisal planning
 - Discussions underway to determine areas of cooperation
- ◆ OSH 2018/19 programme to focus on:
 - Delineating 2C resource at Nanushuk oil field for 2019 FEED
 - Appraising discovered resources (Alpine C) that can be tied-in
 - Highest ranked exploration with potential for early commercialisation
- ◆ >1 bnbbbl unrisks prospective resource potential (>20 prospects on 3D)

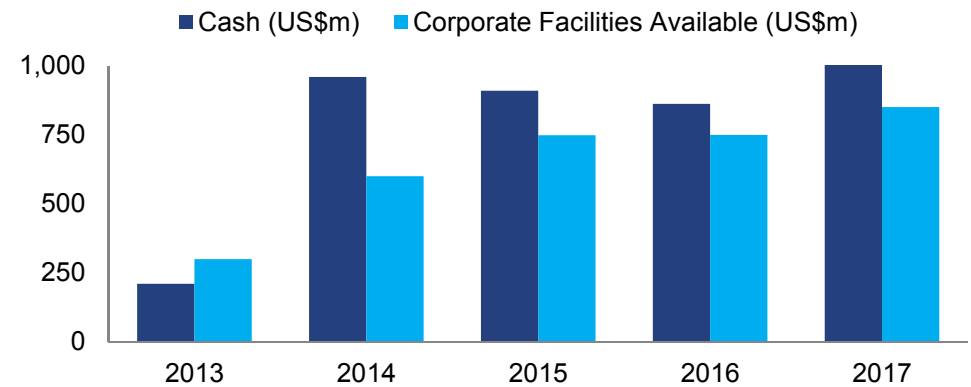


SOLID FINANCIAL METRICS

CASH FLOW WATERFALL (US\$M)

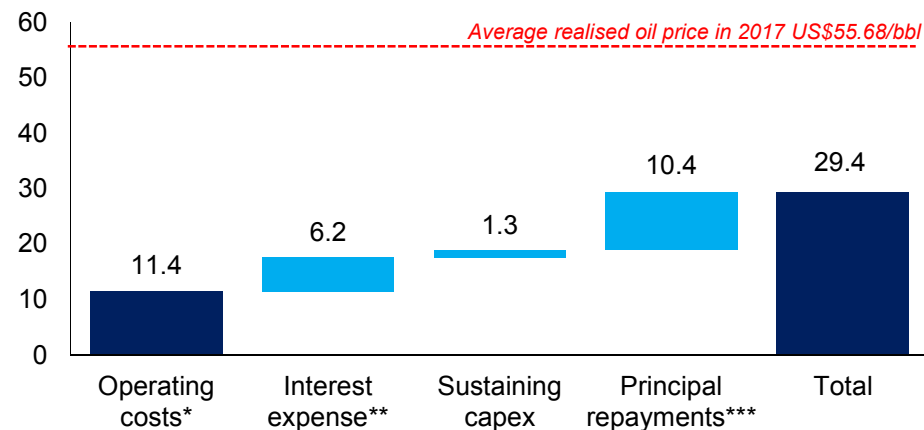


LIQUIDITY (US\$M)



Liquidity of US\$1.55bn at end 1Q18

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

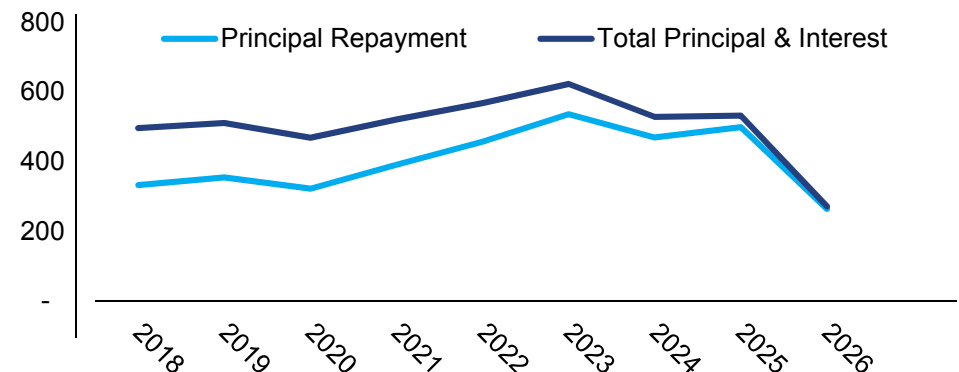


* Excludes inventory movements, donations, power expense, business development costs, other expenses and rig operating costs

** Includes interest from finance leases

*** Includes payments for finance leases

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



BALANCE SHEET CAN SUPPORT LNG EXPANSION AND ALASKA

- ◆ Current liquidity >US\$1.5bn. Includes US\$850m of corporate facilities, to be drawn as necessary
- ◆ Post earthquake, cash flows benefiting from higher oil and LNG prices
- ◆ Extensive modelling highlights ability to fund both LNG expansion and Alaska North Slope development
- ◆ Balance sheet being actively managed
- ◆ Key financial metrics forecast to remain comfortably within lender covenants:
 - Gearing peaks in 40-45% range, similar to 42% peak gearing for PNG LNG in 2015
 - Interest Cover forecast always >3.5x vs 3x in covenants



CASH FLOW PRIORITIES REMAIN UNCHANGED

Free cash flows

After scheduled debt servicing, sustaining capital expenditure and commitments

Dividends

In accordance with dividend policy to distribute 35-50% of core NPAT

Growth Capital Investments

LNG expansion in PNG & Alaska North Slope

Other Growth Initiatives

Exploration

Surplus Capital

Return to shareholders:

- Share buy-backs, special dividends

LNG EXPANSION AND ALASKA DEVELOPMENT ASSUMPTIONS



LNG EXPANSION

- ◆ OSH share of development costs for 2018–2023, before project debt funding, ~US\$2.6 - 3.5 billion (including capitalised interest and financing fees)
- ◆ 60% debt/40% equity
- ◆ Dedicated PF facility for Papua LNG. Expansion of existing PNG LNG PF facility to fund one expansion train
- ◆ OSH's equity contributions ~US\$1.1 - 1.4 billion, funded from PNG LNG free cash flows, surplus cash and undrawn bank lines. P'nyang upstream development to be funded from cashflow post train start-up
- ◆ Expect strong support from government financiers – tied and untied ECA credits. PNG LNG repayments freeing up capacity for those lenders plus commercial banks
- ◆ Funding margins and upfronts expected to be similar to PNG LNG

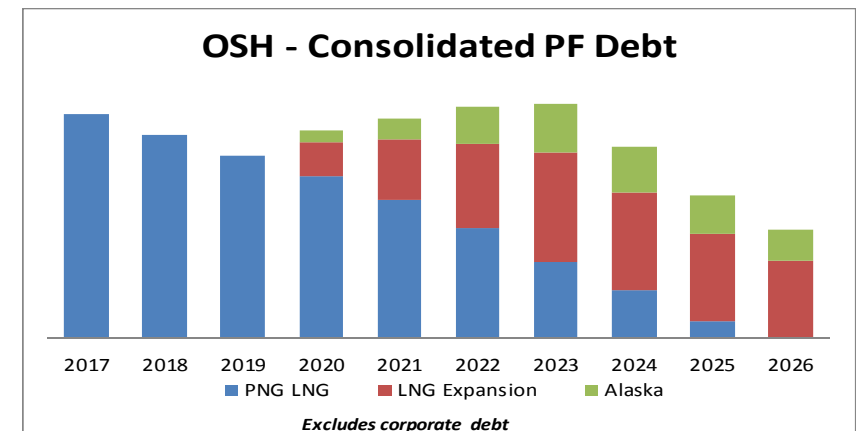
ALASKA NORTH SLOPE

- ◆ OSH share of development costs (25.5% working interest in Pikka Unit) for 2018-2023, before project debt funding, ~US\$0.8 -1.3 billion (including capitalised interest and financing fees)
- ◆ 60% debt/40% equity
- ◆ OSH's equity contributions ~US\$0.3 - 0.5 billion, funded from PNG LNG free cash flows, surplus cash and available corporate bank lines
- ◆ Debt markets offer range of financing options for conventional oil developments
- ◆ Funding costs expected to be more competitive than PNG LNG due to capacity and no developing country risk premium

CONSOLIDATED FINANCIAL POSITION

DEVELOPMENT PHASE – UP TO 2023

- ❖ OSH share of equity contributions for both LNG expansion and Alaska development to be funded from PNG LNG free cash flow, cash and corporate facilities
- ❖ Surplus cash flows of ~US\$1.1 - 1.6 billion before dividends and other growth initiatives
- ❖ Indicative consolidated project financed debt forecast to peak at ~US\$3.3 - 4.1 billion in 2023
- ❖ Exploration and other discretionary spend can be curtailed, DRP introduced, if needed



OPERATIONAL PHASE – FROM 2023

- ❖ PNG LNG, LNG expansion and Alaska will generate free cash flow >US\$2 – 3 billion pa until 2026, when further uplift occurs with PNG LNG debt fully repaid
- ❖ Debt repayments for LNG expansion and Alaska expected to be ~ \$0.5 billion pa, similar to current PNG LNG annual repayments

HIGHLANDS EARTHQUAKE – OSH RELIEF EFFORTS



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- ◆ Communities significantly impacted:
 - Many deaths, destruction to homes, schools, roads, bridges, loss of basic necessities
- ◆ OSH relief efforts:
 - ‘First Responder’ role (one of few organisations in PNG with ability to provide rapid on-the-ground assistance)
 - OSH’s Moro logistical base – coordination point for delivery and distribution of aid
 - Oil Search Foundation (OSF), in partnership with OSH and other companies that have donated funds, has played leading role in aid delivery to impacted communities
 - Continue to work with landowner leaders, government agencies, donor groups to address needs of communities in the Highlands

*At least PGK 16 million
(US\$5million) in cash
and kind committed to
support disaster relief
efforts in Hela and
Southern Highlands
Provinces*

- *>200 tonnes of food and supplies delivered into villages, reaching >200,000 people*
- *~100 health centre kits delivered*
- *~2,400 medical treatments cases undertaken*





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OTHER FOCUS AREAS

- ◆ Payments of royalties and equity entitlements to PNG LNG Project landowners:
 - Government has paid benefits to landowners around PNG LNG plant site and Hides
 - Still significant payments outstanding – matter of urgency for PNG Government
 - OSH facilitating communication between Government and landowner groups to help address issue
- ◆ First Voluntary Principles on Security and Human Rights report submitted to VPI and available on OSH website
- ◆ 2018 PNG programmes include construction of power station and APEC Haus in Port Moresby, FEED decision on Biomass project as well as ongoing social programmes directly and through OSH Foundation



INAUGURAL CLIMATE CHANGE RESILIENCE REPORT RELEASED MAR-18

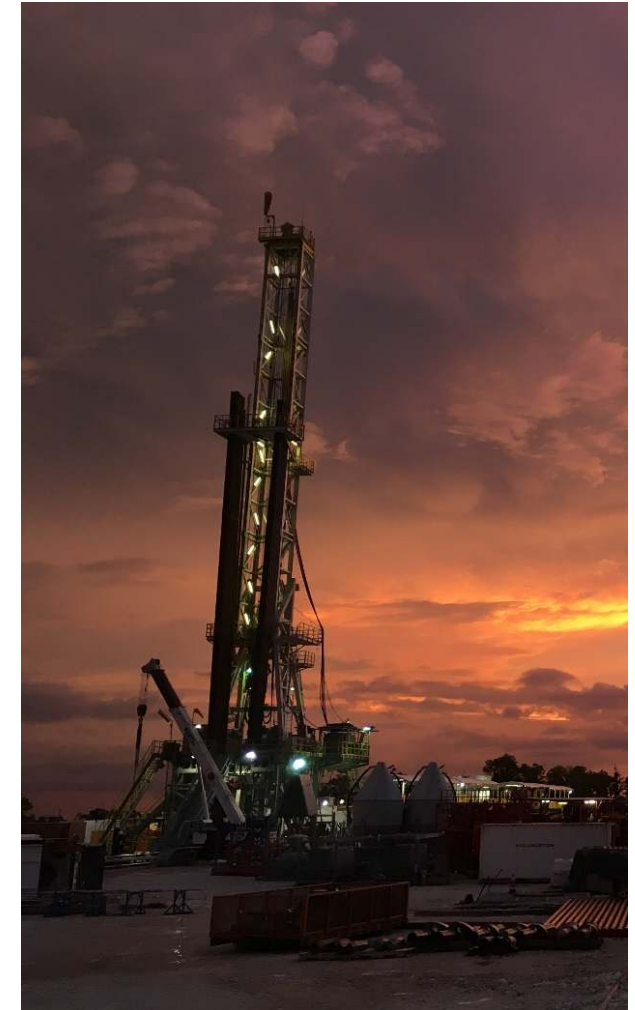


CLIMATE SCENARIO ANALYSIS – OUTCOMES

- ◆ Indicated long-term resilience and value generation under a range of decarbonisation scenarios, including a 2°C outcome.
- ◆ Under a 2°C scenario, PNG LNG and LNG expansion project expected to have positive NPVs and economic lives consistent with OSH's corporate economic assumptions (CEAs), whilst Nanushuk remains NPV positive.
- ◆ Low risk of OSH's low-cost assets being stranded in a carbon-constrained world.
- ◆ Confirmed OSH's current economic modelling approach and CEAs already capture price risks of a range of decarbonisation scenarios, including a 2°C pathway.

KEY PRIORITIES FOR 2018

- ◆ Safe ramp up of production from OSH operations and PNG LNG Project following Highlands earthquake
- ◆ Achieve critical milestones for PNG LNG expansion and Papua LNG:
 - FEED entry decision in 2H18, subject to pragmatic development solution
- ◆ Progress AGX – optimisation of oil fields via associated gas integration
- ◆ Binding medium term SPAs for 1.3 MTPA from PNG LNG
- ◆ Exploration and appraisal programme in PNG focused primarily on gas, to define future options and priorities for investment
- ◆ Integrated PNG initiatives to assist Government and ensure ongoing stable operating environment:
 - Relief work within communities following earthquake
- ◆ Approve Alaskan appraisal programme, leading to Nanushuk oil field FEED in 2019, and create value from Alaskan Option



Built on foundation of safe, reliable and sustainable operations



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