



**Oil Search**

**Goldman Sachs  
Australasian  
Investment Forum**

**March 2014**

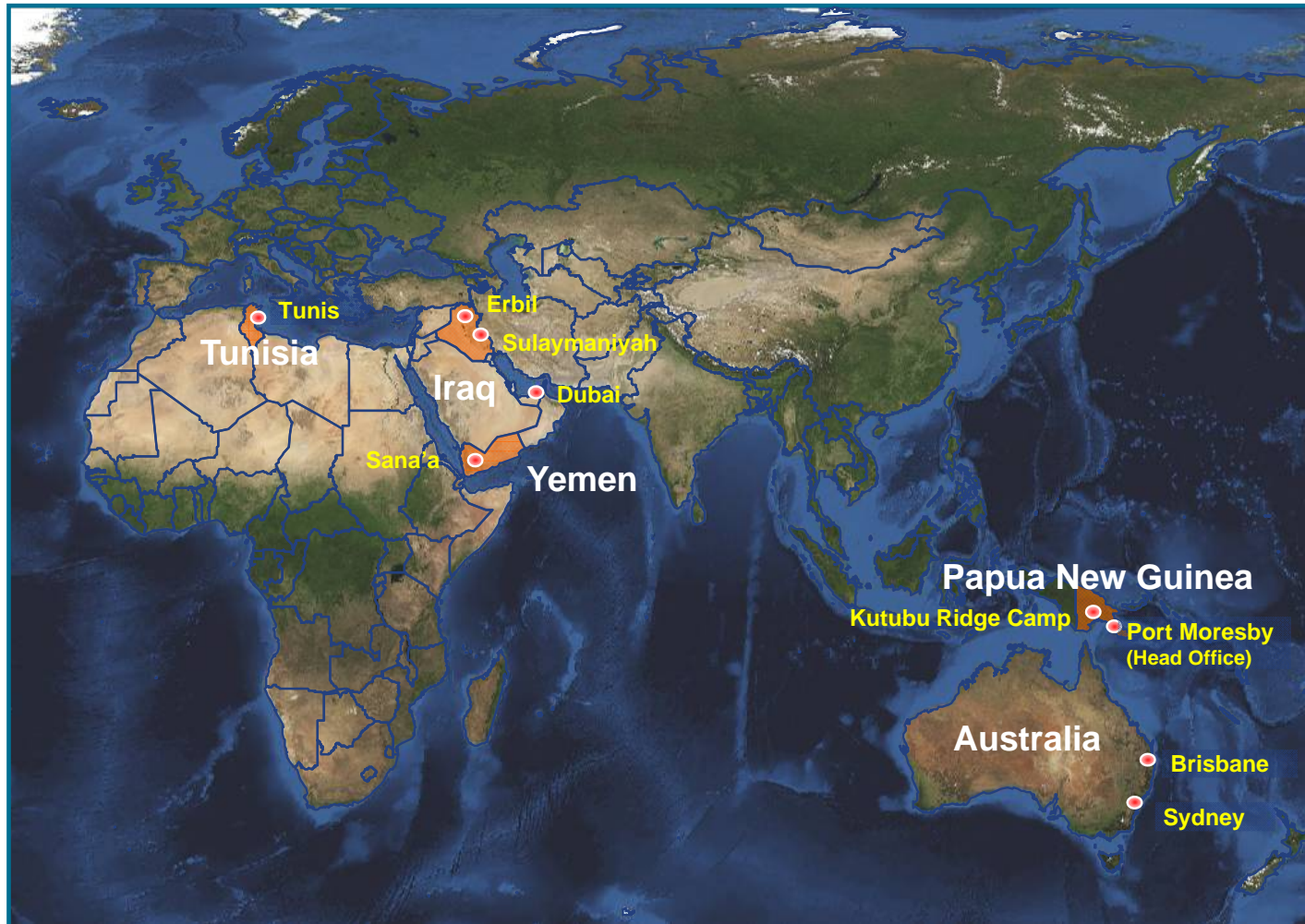


**Oil Search Limited**  
ARBN 055 079 868

# Oil Search Profile



**Oil Search**



- » Established in Papua New Guinea (PNG) in 1929
- » Market capitalisation ~A\$13.2bn (US\$11.7bn)<sup>1</sup>
- » Listed on ASX (Share Code OSH) and POMSOX, plus ADR programme (Share Code OISHY)
- » Operates all PNG's currently producing oil and gas fields
- » 29% interest in PNG LNG Project, world scale LNG project operated by ExxonMobil. >95% complete, LNG sales in mid '14, will quadruple OSH production from 2015
- » Exploration interests in PNG, Middle East/North Africa

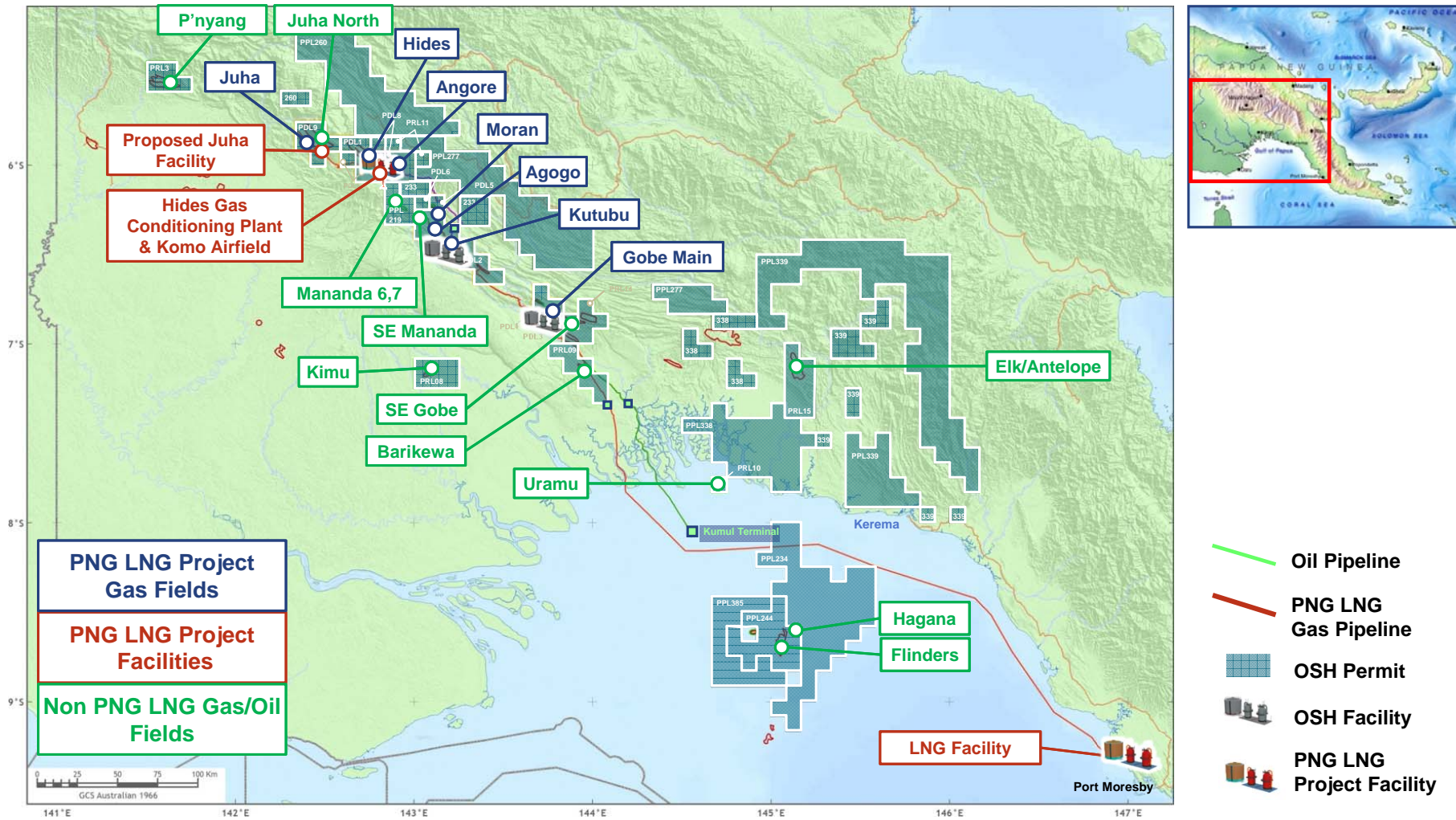
<sup>1</sup> Includes issue of 149.4m shares to fund PRL 15 acquisition (announced Feb-14). Share price of A\$8.84 as at 6-Mar-14



# Oil Search Licence Interests, PNG



Oil Search





# 2013 Full Year Results - Highlights

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- » 2013 production of 6.74 mmboe, 6% higher than 2012 production and slightly above 6.2 – 6.7 mmboe guidance
- » NPAT of US\$205.7 million, up 17% year-on-year, underpinned by strong oil sales volumes, lower exploration costs expensed and lower tax rate
- » PNG LNG Project >95% complete and on track for first LNG sales in 3Q14
- » Two oil discoveries, Taza 1 in Kurdistan and Mananda 6 in PNG. Both now under appraisal
- » Two small gas discoveries, Flinders and Hagana, in Gulf of Papua. New play identified
- » Total Recordable Injury Rate (TRIR) of 2.47 per million hours worked in 2013, an improvement from 2.64 in 2012

# PNG LNG Project



-  Oil Pipeline
-  PNG LNG Gas Pipeline
-  OSH Facility
-  PNG LNG Project Facility
-  Major Road



# PNG LNG Project Overview



- » 6.9 MTPA, 2 train development, operated by ExxonMobil
- » Expected to produce more than 9 tcf of gas and 200+ million barrels of associated liquids over its 30 year life
- » Current Equities:
  - ExxonMobil (33.2%), Oil Search (29.0%), National Petroleum Company of PNG (PNG Govt) (16.8%), Santos (13.5%), Nippon Oil (4.7%), MRDC (PNG Landowners) (2.8%)
- » 6.6 MTPA contracted to Asian buyers. Additional 0.3 MTPA to be sold either under contract or spot:

|                     |           |
|---------------------|-----------|
| – Sinopec (China)   | ~2.0 MTPA |
| – TEPCO (Japan)     | ~1.8 MTPA |
| – Osaka Gas (Japan) | ~1.5 MTPA |
| – CPC (Taiwan)      | ~1.2 MTPA |
- » First LNG sales expected mid 2014
- » Cost outlook of US\$19bn remains unchanged from Nov '12 guidance

# 2013 Project Milestones

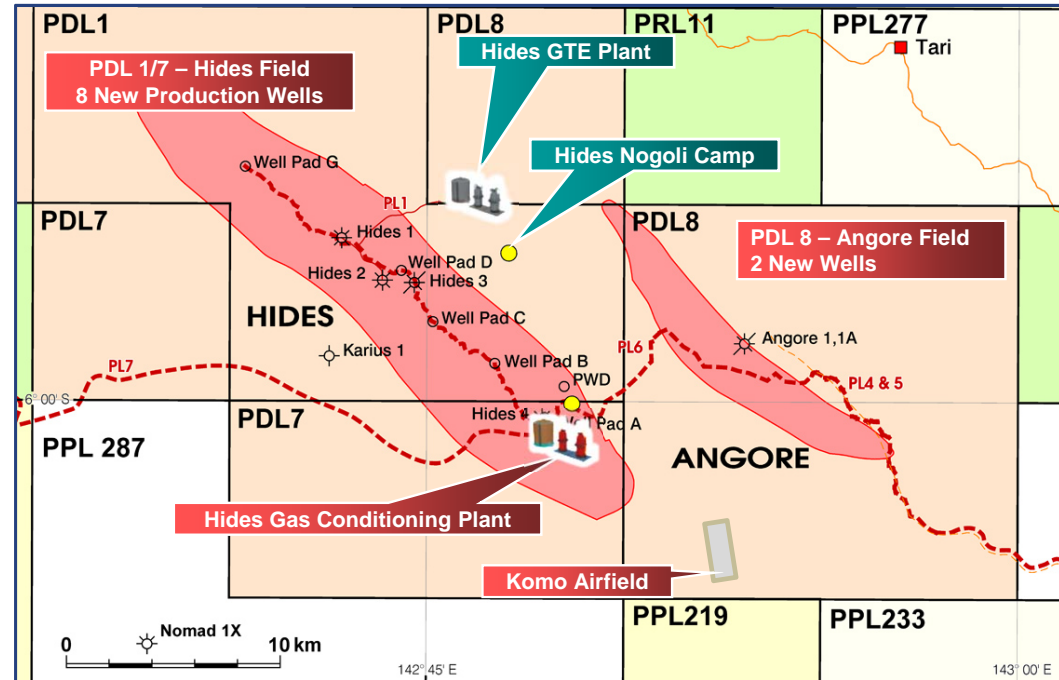
- » Currently >95% complete
- » LNG plant:
  - Completed construction of Train 1, LNG storage tanks and jetty
  - Commencement of commissioning activities on Train 1 and common process and utilities areas in September
- » Onshore pipeline:
  - Main 292km gas pipeline fully laid and welded; installation of spipeline linking Hides production wells to HGCP underway
  - Liquids pipeline complete and being used to commission HGCP
- » Commissioning gas introduced into the Hides Gas Conditioning Plant in December
- » Associated Gas (oil fields) supplying gas and ready to receive liquids
- » PL 2 Export Life Extension Project complete
- » Komo completed, commenced operations in May and used for HGCP mobilisation
- » Hides drilling progressing well – four wells complete at year end



# Hides Development Drilling



Drilling rig 703



- » Construction of access roads and wellpads complete – ongoing installation of flowlines to HGCP
- » Four wells at two wellpads (B and C) now complete. Drilling underway at wellpads D and G
- » NW Hides (G Site) currently drilling and PWD, due to spud 2Q14, will help constrain gas volume in Hides field



# PNG LNG Plant site



January 2014

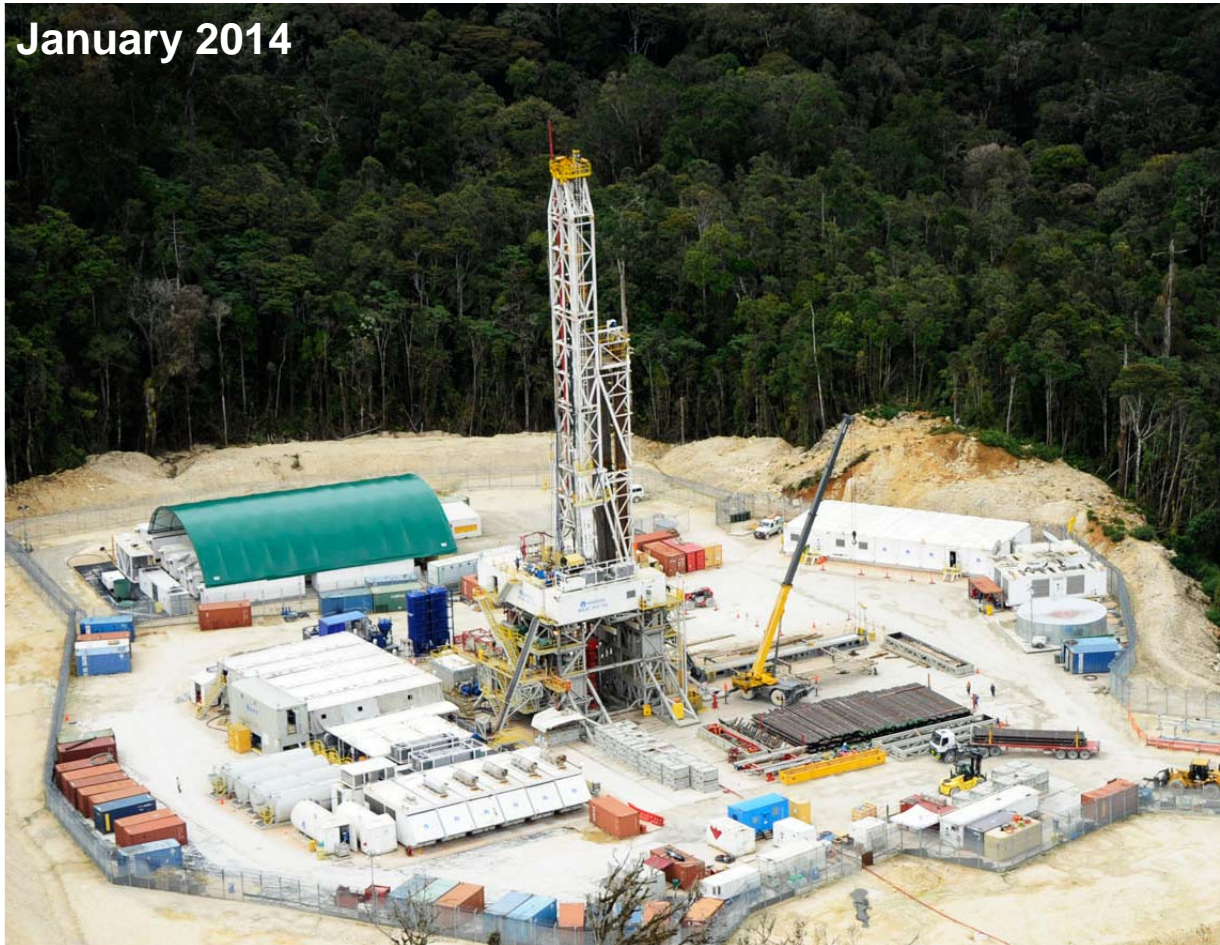


# Hides Gas Conditioning Plant





# Rig 702 on Hides Wellpad D





# 2014 Focus Items



- » Finalise construction of LNG Plant Train 2 and commission remainder of LNG Plant
- » Finish construction and commissioning of the HGCP and tie in production wells
- » Continue drilling operations
- » Begin production from Hides, condensate sales
- » Cool down LNG Plant facility and begin production of LNG
- » Commence LNG exports



# Gas Growth Strategy

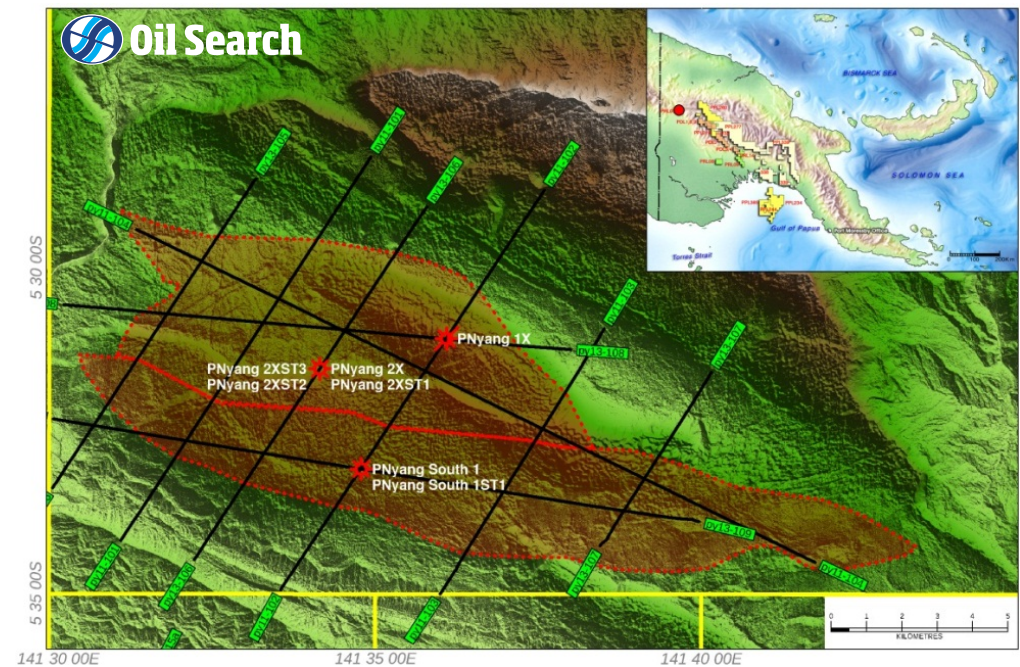
- » OSH looking to leverage LNG infrastructure and skills:
  - Brownfield LNG expansion offers potential high return growth opportunity
  - PNG LNG site has capacity to accommodate additional train/s
- » Upside in 1P reserves at Hides – to be evaluated by drilling in 2014 – plus substantial discovered undeveloped gas resources:

|              |                |              |                |
|--------------|----------------|--------------|----------------|
| – P'nyang    | (38.5% equity) | Kimu         | (60.7% Equity) |
| – Juha North | (24.4% Equity) | Flinders     | (40% Equity)   |
| – Uramu      | (100% Equity)  | Hagana       | (40% Equity)   |
| – Barikewa   | (45.1% Equity) | Elk/Antelope | (22.8% Equity) |
- PNG exploration
- » Oil Search well positioned to realise value from next and future phases of development:
  - Significant acreage/ resource/ infrastructure owner and proven delivery
  - Operator of ~ 1/5<sup>th</sup> of PNG LNG Project gas supply / all condensate export
- » PNG remains an attractive investment location:
  - Competitive fiscal terms anticipated for LNG expansion options
  - Continued strong regional demand for LNG supply from PNG

# P'nyang - PRL 3

- » Key resource to support potential LNG expansion:
  - Total 2C recoverable gas resources in P'nyang field of 2.5 tcf
  - Acquisition of second phase of additional seismic in PRL 3 complete, with data processing underway
- » Concept selection work ongoing – engineering, environmental and social mapping
- » Development work to continue through to submission of PDL application in early 2015

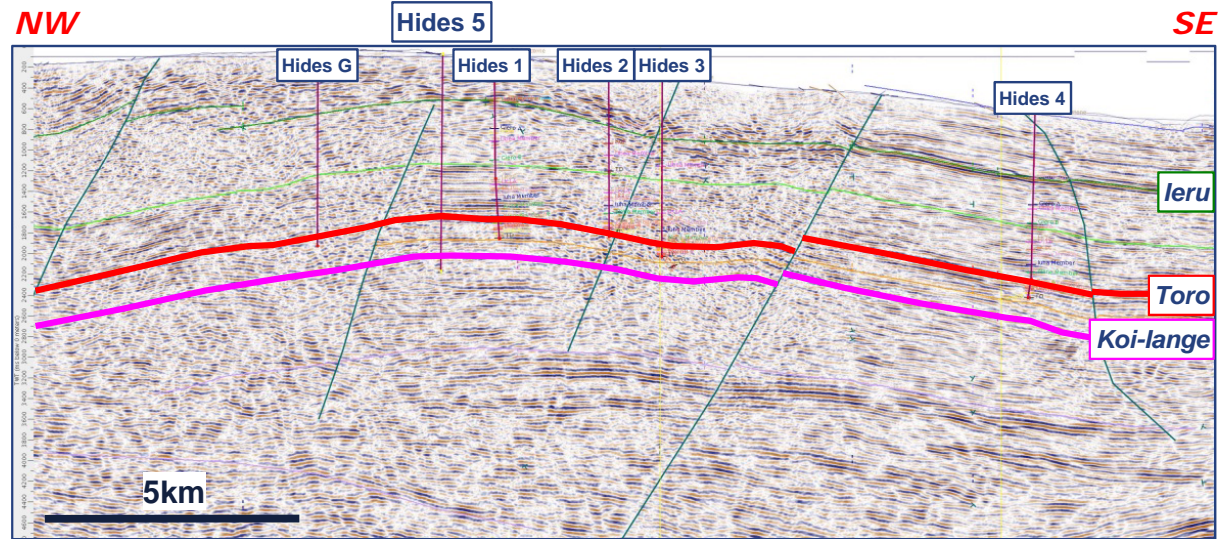
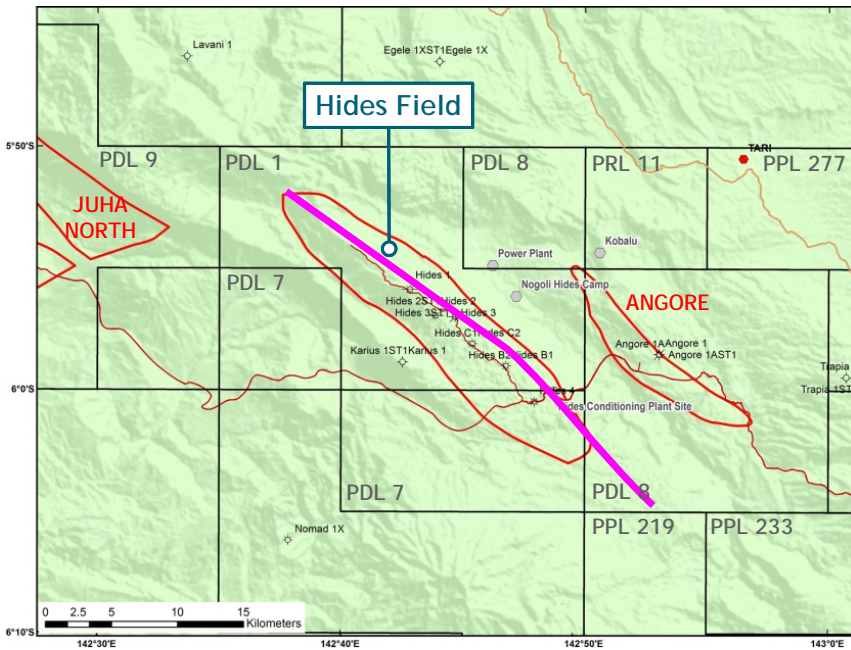
| PRL 3  | WI % |
|--|------|
| ExxonMobil affiliates<br>(operator Esso PNG P'nyang Ltd) | 49.0 |
| Oil Search   | 38.5 |
| JX Nippon  | 12.5 |







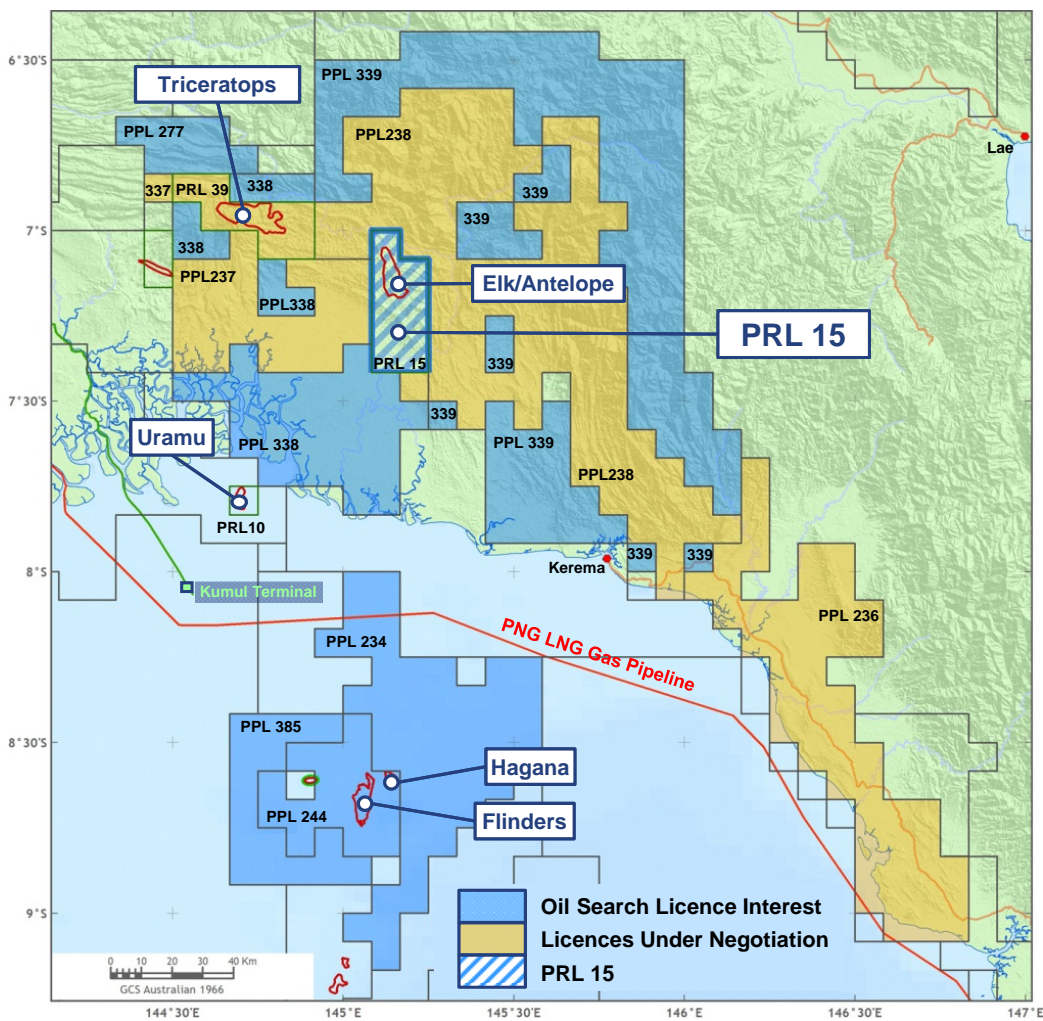
# Hides 5 (Hides Deep) – PDL 1



- » Hides 5 proposed to explore Koi-lange reservoir
- » Simple well-constrained anticline - 30km x 5km
  - >1,200m proven gas column in Toro
  - Koi-lange target mapped ~700m below Toro
- » Site construction almost complete
- » Drilling provisionally scheduled for 4Q14, subject to JV approval

| PDL 1                             | WI % |
|-----------------------------------|------|
| Esso Highlands Limited (operator) | 36.8 |
| Oil Search                        | 16.7 |
| Santos                            | 24.0 |
| NPCP                              | 20.5 |
| Gas Resources Gigira              | 2.0  |

# Elk/Antelope - PRL 15

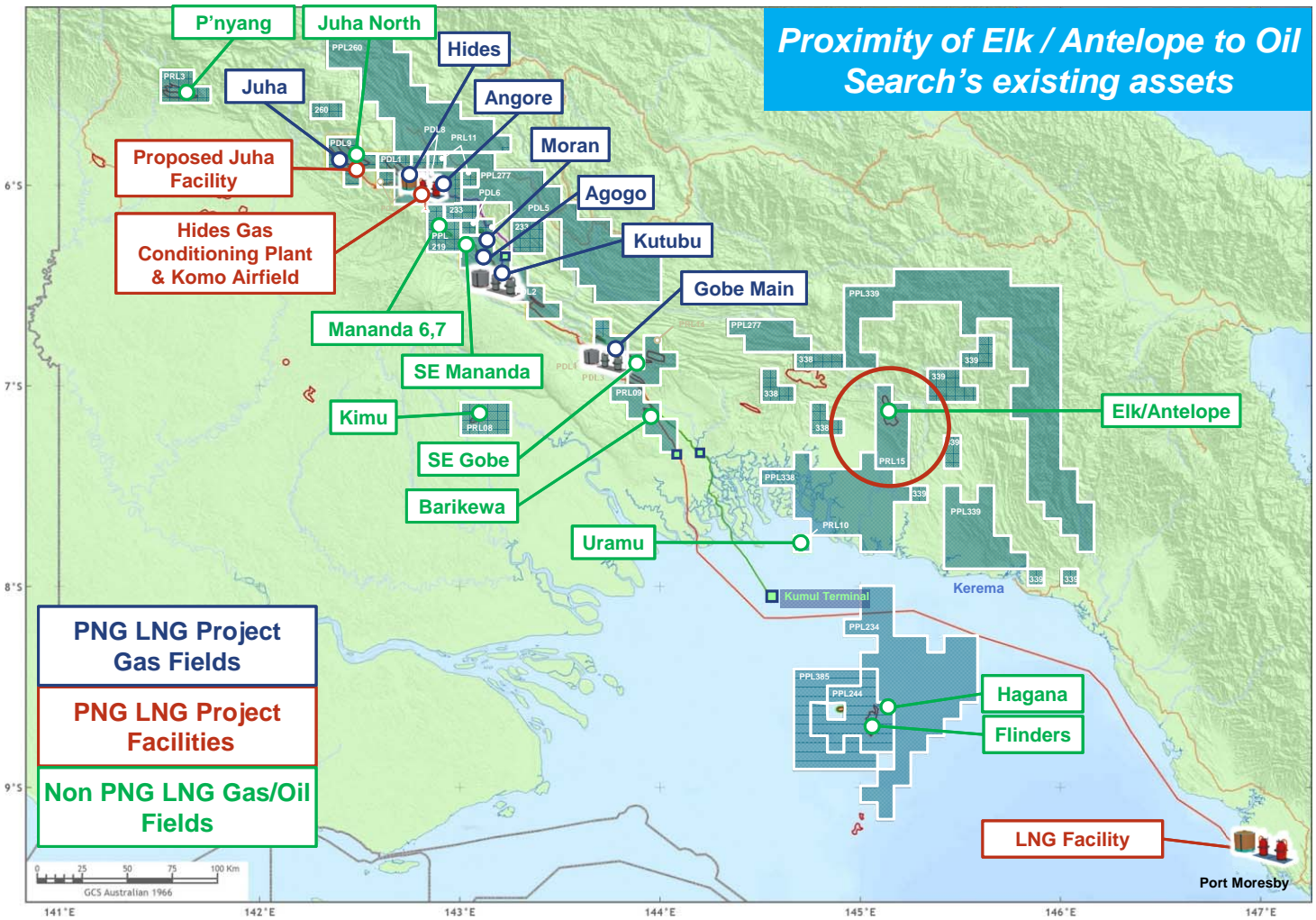


- » Oil Search to acquire 22.835% gross interest in PRL 15, containing Elk/Antelope gas discoveries, through acquisition of Pac LNG
- » Upfront payment of US\$900m, payable at completion
- » A contingent payments for any certified 2C raw gas contingent resource in Elk/Antelope >7 tcf
- » Provides exposure to largest undeveloped gas resource in PNG and substantial exploration and appraisal upside
- » HoA to undertake exclusive negotiations to acquire interest in PPLs 236, PPL 237, PPL 238 and PRL 39 (Triceratops)
- » Acquisition will deliver significant long term shareholder value and is in line with core strategy, to aggregate gas resources to underpin LNG developments in PNG

| PRL 15               | WI %     |
|----------------------|----------|
| InterOil Corporation | 75.6114% |
| Oil Search           | 22.835%  |
| Other                | 1.5536%  |



# PNG Permits



- » PRL 15 located close to OSH's existing assets
- » Potential to leverage existing OSH operating platform
- » Opportunity to aggregate resources



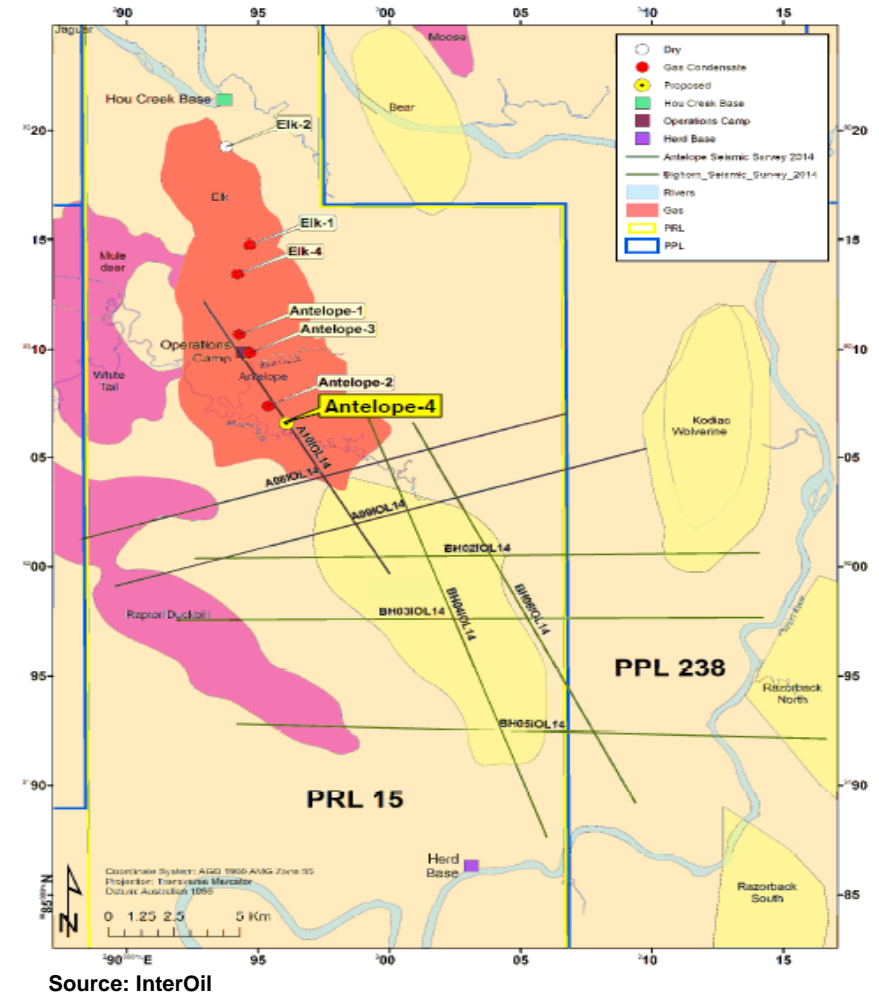
- Oil Pipeline
- PNG LNG Gas Pipeline
- OSH Permit
- OSH Facility
- PNG LNG Project Facility





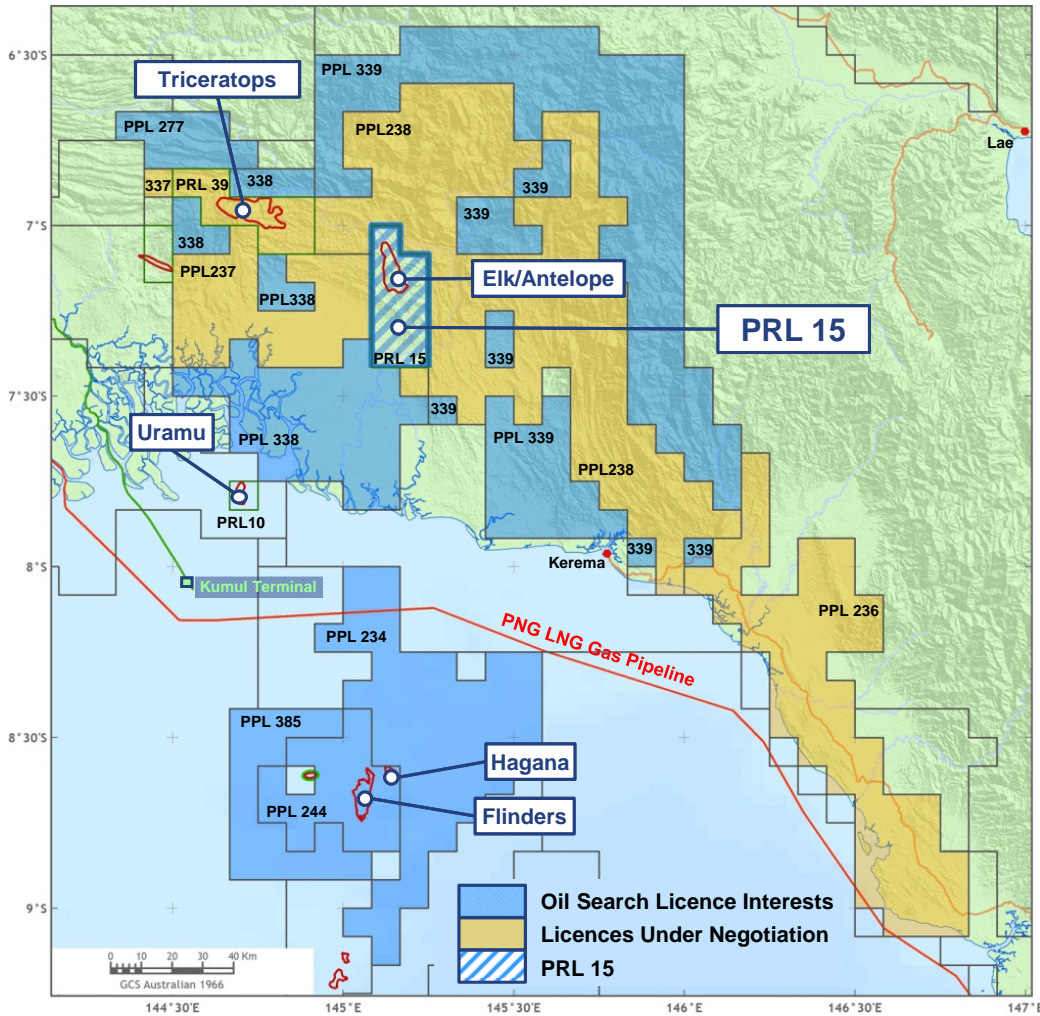
# PRL 15, Elk/Antelope Gas Fields

- » PRL 15, located in Papuan Basin, contains Elk/Antelope gas fields, largest undeveloped gas resource in PNG
- » Gross Elk/Antelope 2C contingent resources estimated by OSH at 5.3 tcf of raw gas including 75 mmbbl condensate
  - Independent assessment by Gaffney Cline & Associates (Dec 2013) on behalf of sellers estimates P50 raw gas resource of 7.0 tcf including 96 mmbbl condensate
- » Up to three wells, including Antelope 4 appraisal well, to be drilled on PRL 15, designed to prove up sufficient gas resources to support LNG development
- » As JV partner in PRL 15, OSH has industry standard rights, including minority interest protection, work programme and capital commitments voting rights and pre-emption rights:
  - Ability to influence how resource is commercialised
- » PNG Government has expressed desire that Elk/Antelope be developed in earliest practical timeframe



<sup>1</sup> Raw gas is natural gas recovered at the wellhead consisting of wet gas volumes (unprocessed) before reductions for shrinkage due to recovery of 75 million barrels of condensate, removal of non-hydrocarbon compounds, and losses from fuel and flare. The reference point is taken at the wellhead because the detailed development plan has not yet been agreed.

# Exposure to Substantial Upside



- » Substantial exploration and appraisal upside in PRL 15:
  - Range of material prospects and leads identified
  - Exploration well to spud 1H15
- » Oil Search holds interests in licences adjoining PRL 15:
  - Provides aggregation opportunity
- » Oil Search has contracted a rig to InterOil for two initial wells, with potential for two additional wells for its exploration/appraisal programme
- » Exclusive negotiations with Pac LNG to acquire interests in PPLs 236, 237 and 238 and PRL 39



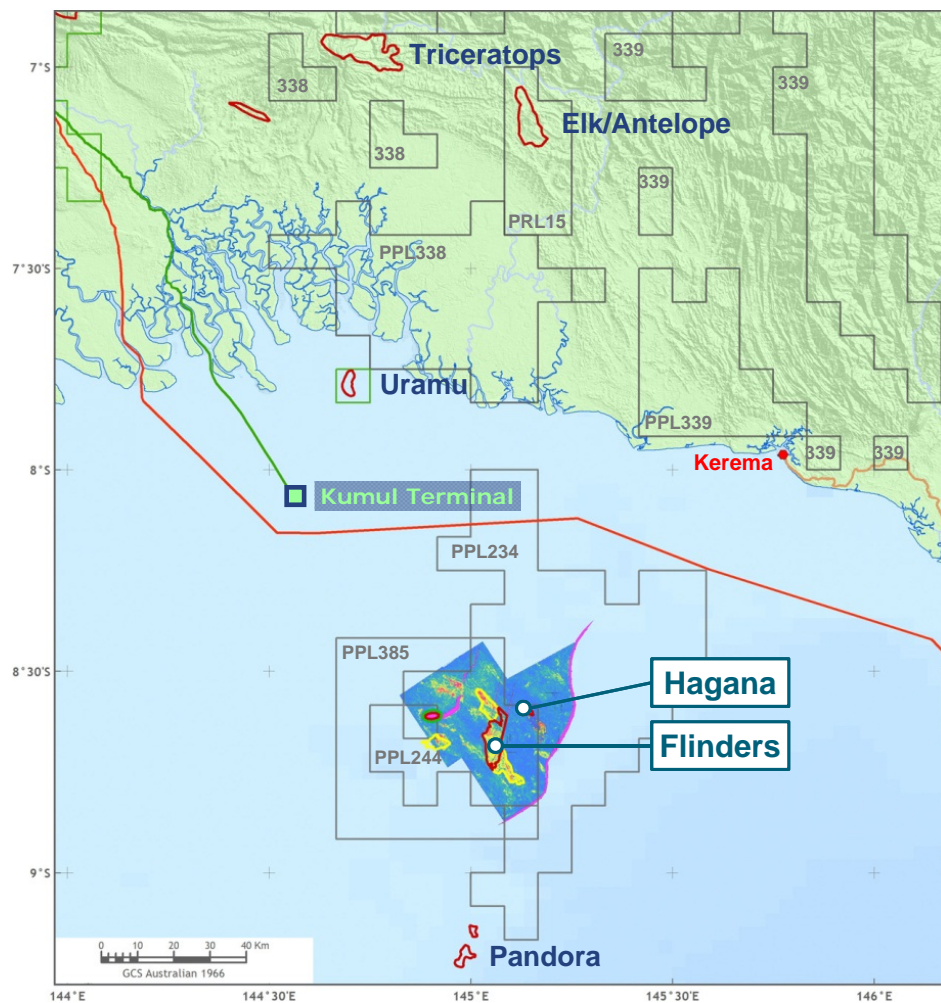
# PRL 15 Funding Arrangements

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- » Acquisition funded by placement of 149.39 million shares to PNG Government at A\$8.20 per share (<1% under one month VWAP). Provides Government with 10% shareholding
- » To fund acquisition, PNG Government entered into funding arrangements with UBS:
  - UBS established approximately A\$700 million hedge position in Oil Search
  - Conducted via fixed price institutional offer at A\$8.20 per share
  - Priority given to existing eligible Oil Search shareholders
- » Share Purchase Plan to be offered :
  - At lower of placement price of A\$8.20 per share or VWAP during pricing period
- » PNG Government placement ensures continuation of PNG Government’s strategic involvement in Oil Search:
  - Govt’s 196.6 million shares transferred to IPIC on 5 March. Provides IPIC 13.2% shareholding (diluted for placement)
  - IPIC has reputation as long term shareholder, supportive of OSH and PNG LNG Project, good addition to register
  - Government remains motivated to contribute to Oil Search’s future success – Oil Search seen as key player in driving continued growth and development in PNG
  - Demonstrates PNG Government’s confidence in Oil Search’s future and PRL 15 acquisition



# Gulf of Papua Discoveries

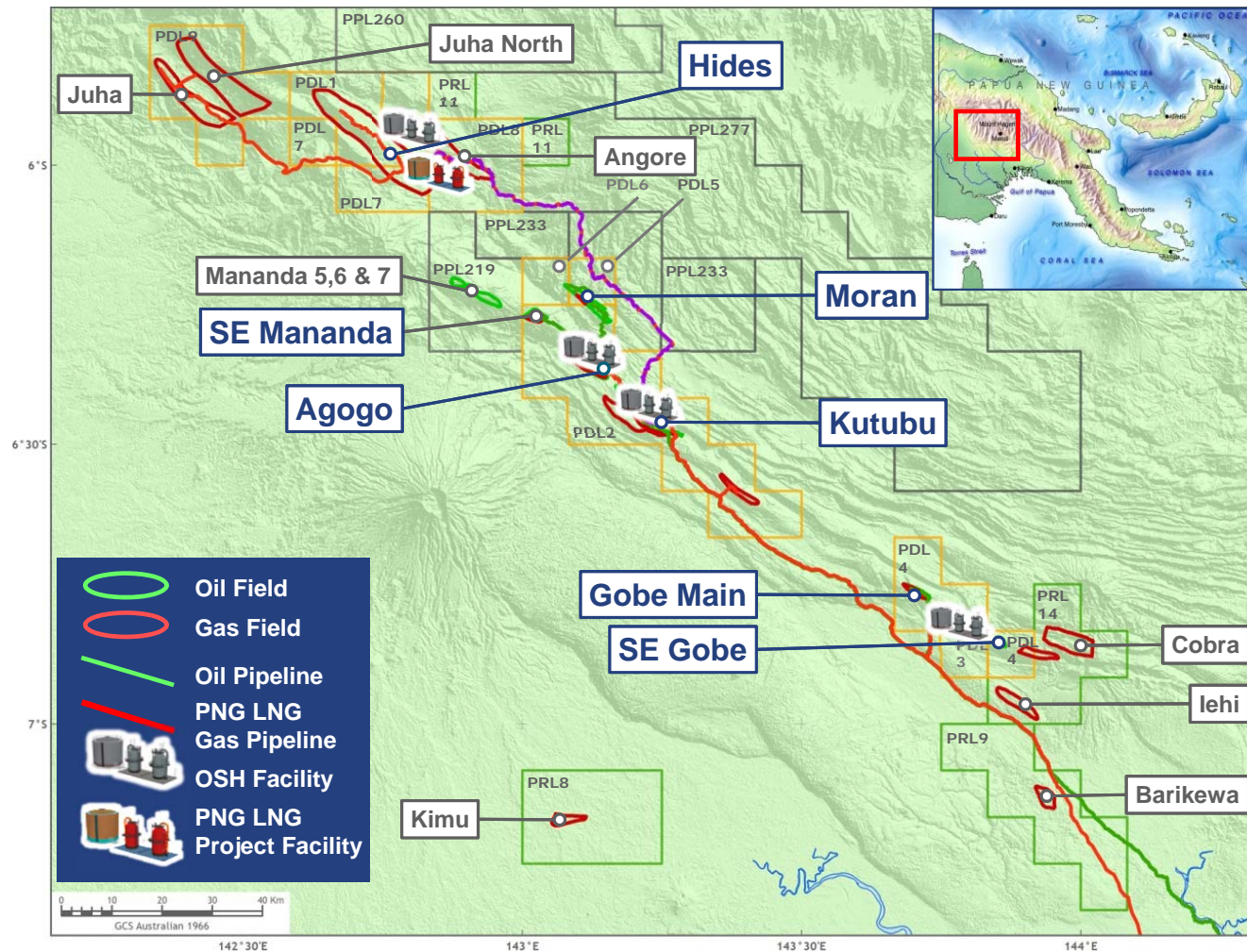


- » Gas discovered at both Flinders and Hagana wells in PPL 244
- » Drill results proved Plio-Pleistocene turbidite play fairway in Gulf of Papua
- » Well data being used to calibrate seismic and geological models, allowing full evaluation of other prospective targets in Gulf
- » Additional leads have been identified. Work is ongoing to further delineate play through specialised 3D seismic reprocessing and quantitative interpretation

# Strong Production Performance in 2013



**Oil Search**



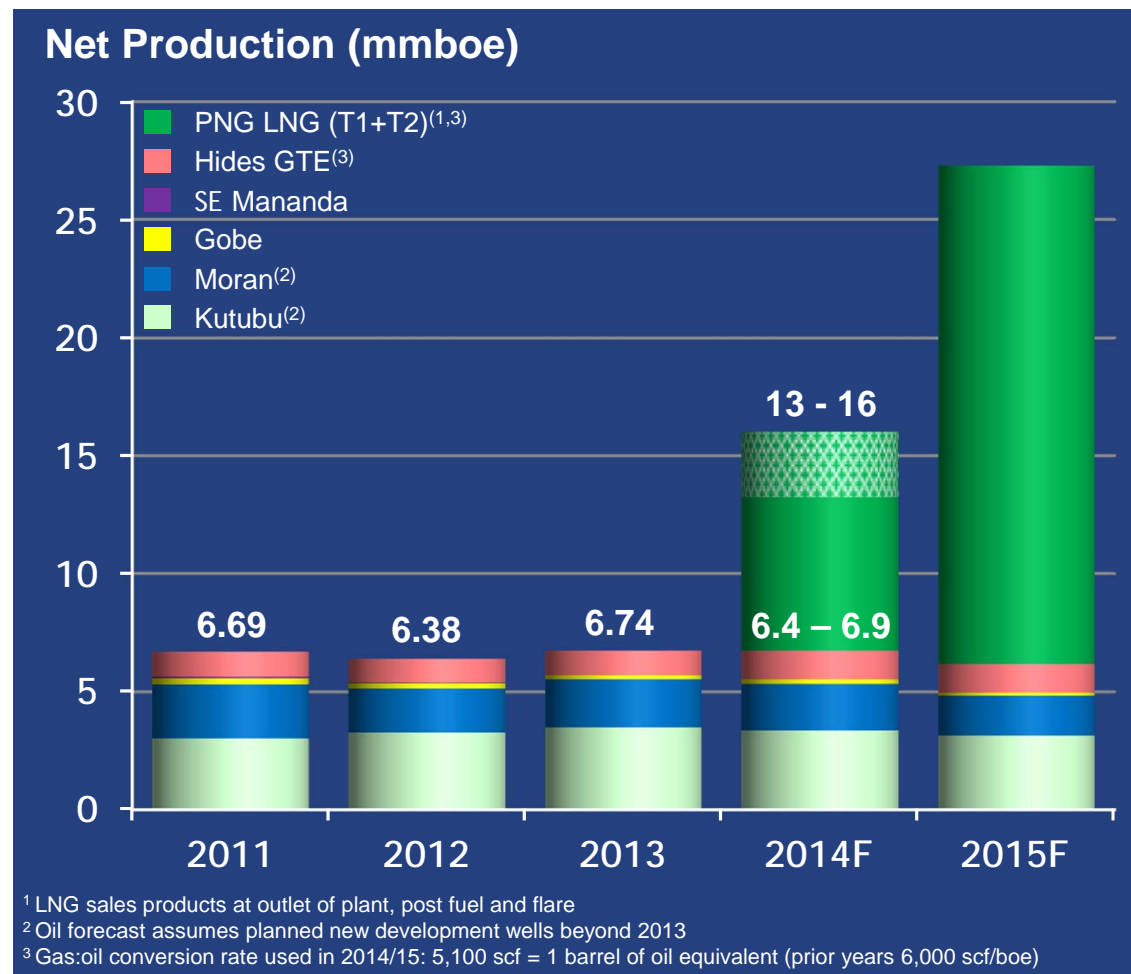
- » 2013 production of 6.74 mmboe, 6% higher than in 2012 and slightly above guidance of 6.2 – 6.7 mmboe
- » Continued success of development drilling and field management activities
- » Commissioning gas successfully delivered from Kutubu to PNG LNG Plant (September) and HGCP (December)





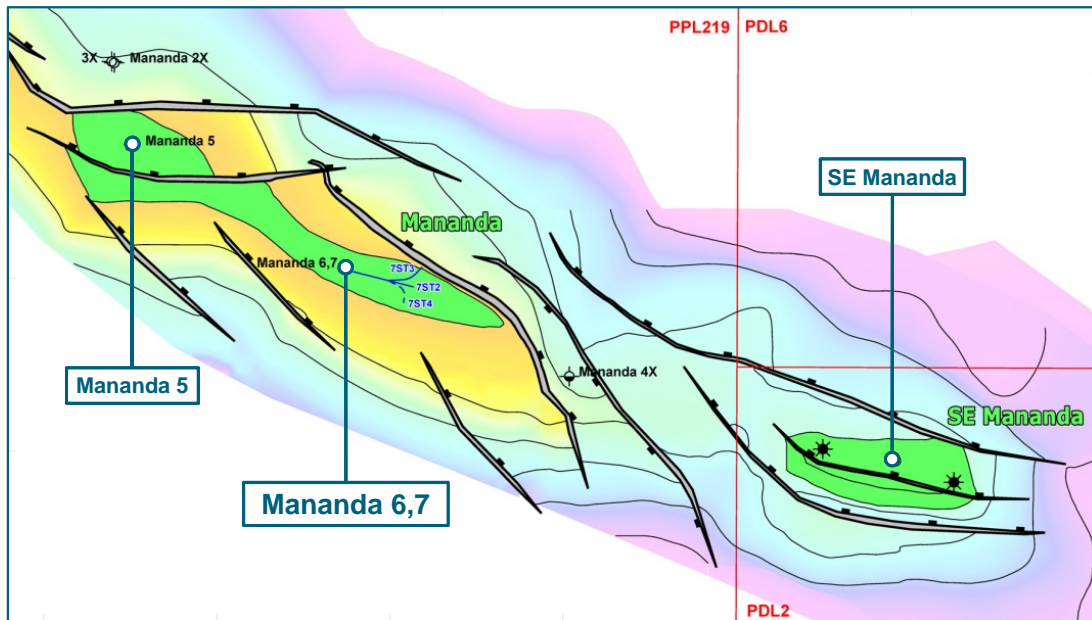
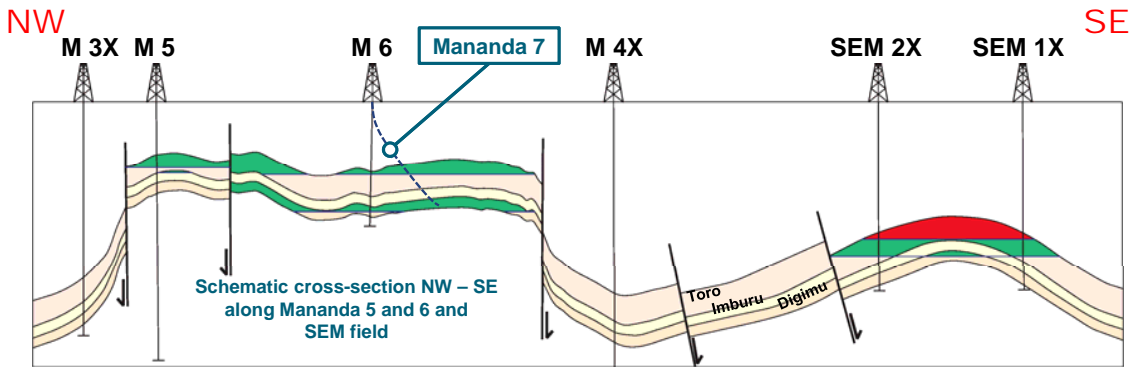
# Production Outlook

- » Underlying production from oil fields expected to remain strong in 2014:
  - 6.4 – 6.9 mmboe, up slightly from 2013
- » Total production guidance for 2014 of 13 – 16 mmboe, driven by PNG LNG Project
- » Increased guidance reflects adoption of revised conversion factor of 5,100 bcf per boe compared to 6,000 bcf per boe used previously
- » In first full year, PNG LNG will add ~21 mmboe net to OSH production





# Mananda Development – PPL 219

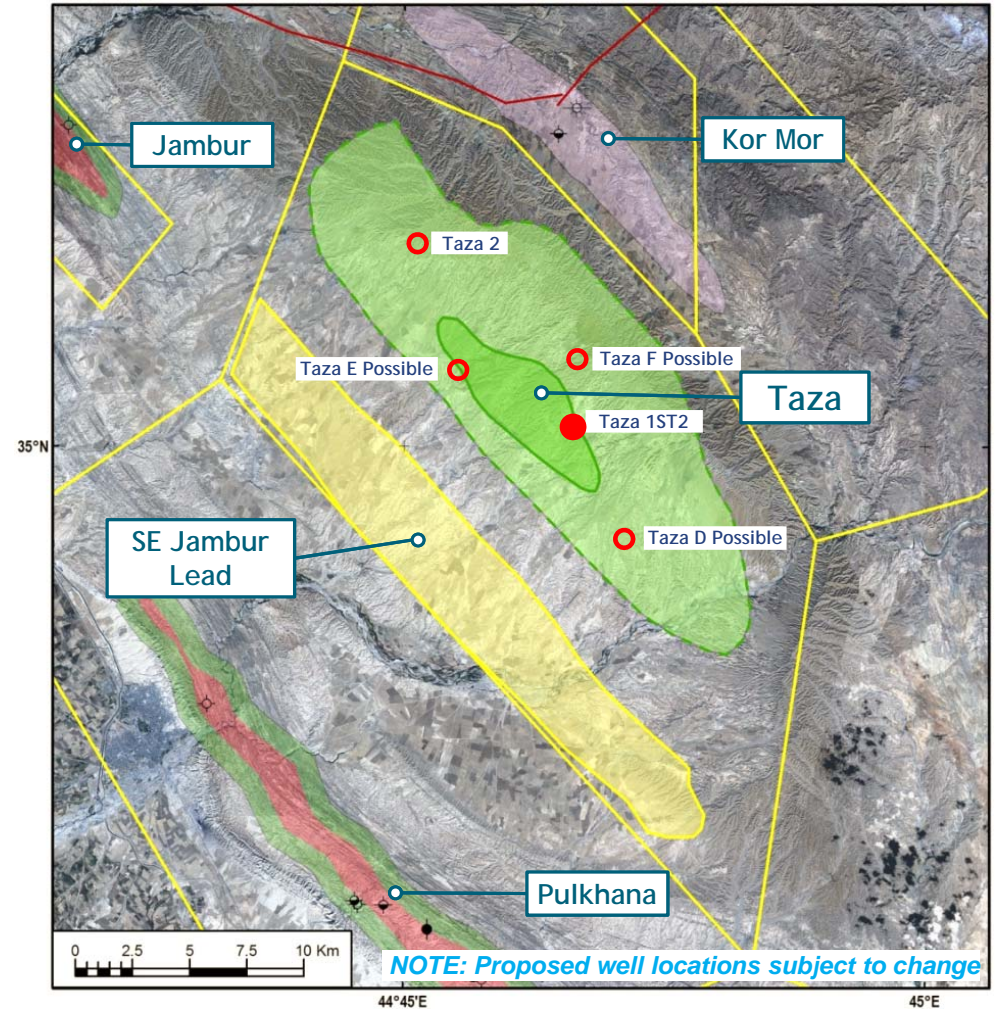


- » Successful Mananda 6 appraisal well drilled in 2Q13 extended Mananda 5 discovery ~ 8km to SE
- » Application for development licence submitted to PNG Government in August 2013
- » Mananda 7 spudded in December 2013, designed to appraise Mananda 6:
  - Data gathered indicates structure is more complex than previously mapped
- » Mananda 7 ST4 encountered oil in Toro and Digimu sands, as prognosed
- » Well has been suspended as a future producer

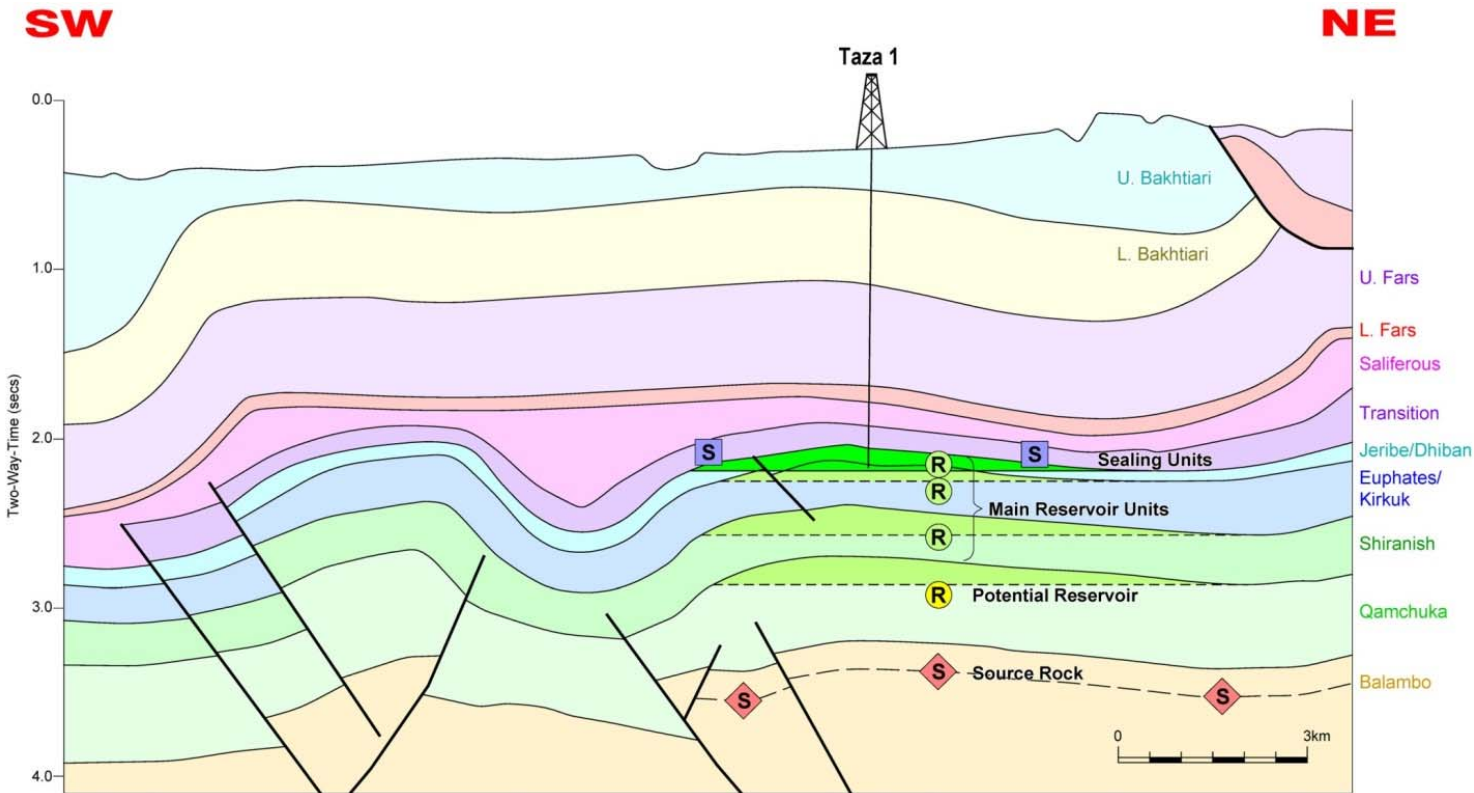


# Oil Discovery at Taza, Kurdistan: Appraisal Underway

- » Taza discovery report submitted to KRG in July 2013. Appraisal programme approved by MNR in December
- » Based on initial exploration programme, booked 51.5 mmbbl net entitlement oil and 134.9 bcf entitlement gas to 2C resources (~166 mmbbl & 357 bcf gas (gross 100%) in proven intervals)
- » Mapping indicates very large structure, potentially 200 km<sup>2</sup>. Significant potential upside exists in deeper untested intervals
- » Appraisal programme includes;
  - Taza 2 (spudded 25 December) to appraise upper intervals and explore deeper Tertiary and Cretaceous targets
  - Taza 3 to appraise southern part of field
  - Two more wells
  - 3D seismic
  - EWT on one well
- » Maturing SE Jambur lead with 3D coverage



# Taza PSC – Oil discovery



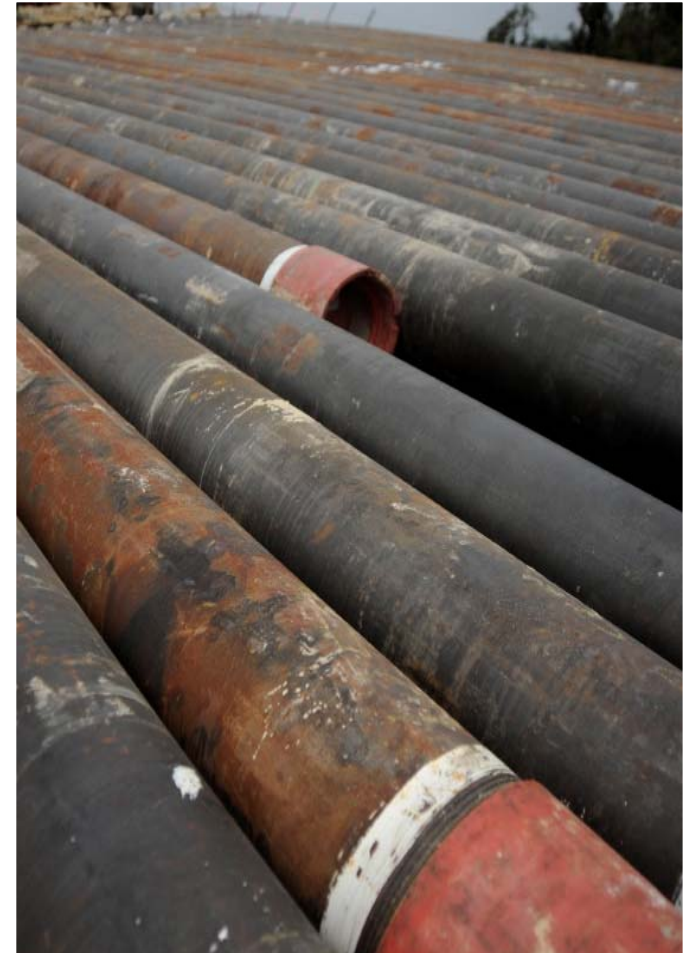
- » Taza PSC (OSH 60% Operator, Total 20%, KRG 20%)
- » Light oil proven across Jeribe/Dhiban and Euphrates/Kirkuk intervals
- » Testing of 150m interval across the Jeribe/Dhiban and Euphrates/Kirkuk sections flowed up to 1,100 bopd (36° API)
- » Taza 1 suspended for future re-entry





# Looking ahead: 2008 Strategy Delivered

- » Key objectives of 2008 strategic plan have been delivered:
  - Field development activities continue to mitigate PNG production natural decline. Smooth transition to gas for commissioning of PNG LNG Project
  - PNG LNG Project nearing completion, over 95% complete
  - Focus on LNG expansion, with range of PNG gas growth options
  - Taza 1 discovery in Kurdistan – high potential international expansion opportunity
  - Solid financial position
  - Operating safely and sustainably remains key underpinning principal





# Positioning for Next Phase of Growth

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- » Corporate transformation underway:
  - First LNG sales will change production and cash flows radically
  - New set of obligations with supply of gas to PNG LNG
  - Several potential growth projects in PNG plus material Kurdistan opportunity
  - Reinvestment challenges/risks
- » New strategic review will set plan for the next five years. Focus areas include:
  - Review of Company structure, cost base and operating model
  - Reinvestment opportunities and investment criteria:
    - Reinvestment is vital for long term growth but disciplined approach is essential
  - Capital management:
    - Quantum, optimal structure
  - Developing our people capability, including augmenting skills in key areas: right skills – right place



# Summary

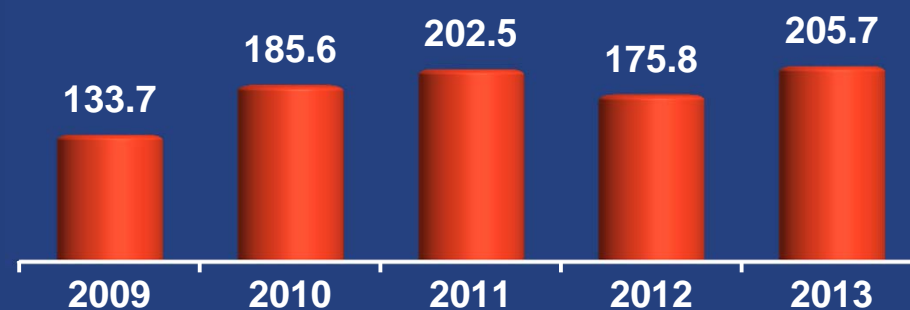
- » PNG LNG >95% complete, on track for first LNG deliveries in mid '14 within revised budget:
  - Transformational for OSH's production and cashflow profile
- » Moving forward on LNG expansion plans:
  - Proven P'nyang resource
  - Drilling to determine size and shape of Hides underway
  - Acquisition of PRL 15 interest provides exposure to potential new LNG development underpinned by Elk/Antelope. Commercially attractive on both a standalone or expansion basis
- » High potential Taza appraisal underway:
  - Includes multiple well drilling, seismic, EWT
  - Kurdistan-Iraq issues being resolved
- » Active programmes to mitigate natural decline from PNG oil fields will continue into 2014
- » Sound balance sheet

# Appendix 1: Key metrics

### Production (mmboe)



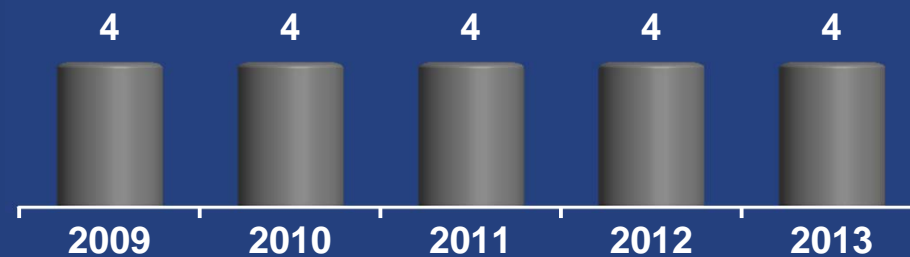
### NPAT (US\$m)



### Oil Price (US\$/bbl)



### DPS (US cents)







# Appendix 2: Treasury Update

**Cash (US\$m)**



**Corporate Facility Available (US\$m)**



- » Total liquidity of US\$509.7 million at end December comprising US\$209.7 million cash and US\$300 million available under non-amortising corporate revolving facility
- » US\$260 million remaining equity contribution to PNG LNG Project
- » Additional credit lines, including L/C facilities to access cash in LNG Project secured accounts, being established to provide near-term funding flexibility
- » US\$3.82 billion (OSH share) drawn down under PNG LNG Project finance facility. US\$1.5 billion supplemental debt tranche (gross) secured in October 2013
- » 2013 final unfranked dividend of two US cents per share, to be fully funded via underwritten DRP

# Appendix 3: Investment Outlook



**Oil Search**







# Appendix 4: 2014 Guidance Summary

## Production

|                                  |                              |
|----------------------------------|------------------------------|
| Current operations (oil and GTE) | 6.4 – 6.9 mmboe <sup>1</sup> |
| PNG LNG Project                  |                              |
| LNG                              | 26 – 38 bcf                  |
| Liquids                          | 1.3 – 1.8 mmbbl              |
| Total PNG LNG Project            | 6.4 – 9.3 mmboe <sup>1</sup> |
| <b>Total Production</b>          | <b>13 – 16 mmboe</b>         |

## Operating Costs

|   |                     |
|---|---------------------|
| Normalised cash opex (incl corporate costs)     | US\$21 – 26 / boe   |
| Hides GTE gas purchase costs                    | US\$37 – 40 million |
| Business development                            | US\$10 – 15 million |
| Depreciation, amortisation and site restoration | US\$13 – 15 / boe   |

Numbers may not add due to rounding

<sup>1</sup> Gas volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf per 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. The change to a specific boe conversion factor more closely reflects the energy content of the Company's gas reserve portfolio compared to the previous conversion factor of 6,000 scf per boe.

# Appendix 5: Reserves and Resources at 31 December 2013



- » 2013 reporting modified to align with new ASX listing rules
- » Total proven and probable (2P) oil reserves and contingent oil resources (2C) up 34% to 179 mmbbl:
  - 51.5 mmbbl contingent oil resources booked for Taza field in Kurdistan (net entitlement)
- » Total 2P gas reserves and 2C gas resources of 4,668 bcf, down 4%:
  - Expiry of PRL 1 Pandora licence
  - Revised assumptions used to calculate PNG LNG Project fuel, flare and shrinkage
- » 2P reserves:
  - Oil: 94.3 mmbbl, no changes except 2013 production of 5.8 mmbbl, 1.8 mmbbl PNG LNG tail liquids moved to 2C
  - Gas: 2,371 bcf, down from 2,703 bcf reflecting reclassification of tail gas to contingent resources (sales volumes & 1P unaffected), revision to fuel, flare and shrinkage
- » 2C contingent resources:
  - Oil: 84.7 mmbbl, up from 31.5 mmbbl driven by Taza oil additions
  - Gas: 2,297 bcf, up from 2,182 bcf due to PNG LNG reclassification, Taza gas, offset by Pandora

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