Oil Search Profile

- Established in Papua New Guinea (PNG) in 1929
- Operates all of PNG’s producing oil and gas fields. Current gross production ~33,500 boepd, net share ~18,500 boepd
- At December 2010, proven reserves were 337 mmboe, proven and probable 559 mmboe plus 318 mmboe 2C resources, taking 2P reserves and 2C resources to 877 mmboe
- PNG Government is largest shareholder with 15%. In early 2009, Govt issued exchangeable bond over shares to IPIC of Abu Dhabi
- 29% interest in PNG LNG Project, world scale LNG project operated by ExxonMobil. Project in construction, first LNG sales expected 2014
- Exploration interests in PNG and Middle East/North Africa
- Market capitalisation ~US$8 billion. Listed on ASX (Share Code OSH) and POMSOX, plus ADR programme (Share Code OISHY)
OSH Strategies to Create Value

- **Optimise current oil and gas production:**
  Through improved efficiencies and pursuit of near field opportunities

- **Maximise value of PNG LNG Project (T1 & T2):**
  By utilising in-country knowledge to assist Operator

- **Develop LNG and other gas expansion opportunities:**
  Build gas resources for both PNG LNG expansion and standalone LNG project/s

- **Measured programme of other growth options:**
  Optimise exploration portfolio

- **Ensure Oil Search’s Sustainability:**
  Operate business in transparent and sustainable manner to ensure long term operating stability and enhance ‘social licence to operate’
World Class Safety Performance

Total Recordable Injury Frequency Rate of 1.47 in 1H11

Australian Companies (APPEA)

International Companies (OGP)

Oil Search

Strong Long Term Share Price Performance

Oil Search

WTI oil

Brent

Woodside

ASX 100

Share price (rebased to OSH)
US$1.10 billion in cash at end September

Cash invested and actively managed with highly rated bank counterparties

US$261.0 million available from term revolving facility, nil drawn down. Facility expires 2013, planning to replace prior to that time

No oil hedging undertaken during 2011 to date or currently in place - realised earnings uplift from 2011 oil price recovery

US$1.52 billion has been drawn down under PNG LNG project finance facility
PNG LNG Project Overview

- 6.6 MTPA, 2 train development, operated by ExxonMobil
- Over its 30-year life, PNG LNG expected to produce over 9 tcf of gas and 200+ million barrels of associated liquids
- Initial Equities:
  - ExxonMobil - 33.2%
  - Oil Search - 29.0%
  - National Petroleum Company of PNG (PNG Government) - 16.8%
  - Santos - 13.5%
  - Nippon Oil - 4.7%
  - MRDC (PNG Landowners) - 2.8%
- Fully contracted to Asian buyers, with continuing strong market interest:
  - Sinopec (China) ~ 2.0 MTPA
  - TEPCO (Japan) ~ 1.8 MTPA
  - Osaka Gas (Japan) ~ 1.5 MTPA
  - CPC (Taiwan) ~ 1.2 MTPA

Main EPC contractors:
- LNG Plant: Chiyoda/JGC
- Offshore Pipeline: Saipem
- Hides Gas Plant: CBI/Clough JV
- Onshore Pipeline: Spiecapag
- Infrastructure: McConnell Dowell/CCC JV
- Early Works: Clough/Curtain JV
- Associated Gas (OSH only): Jacobs (formerly Aker Solutions)

Different labour environment to Australian LNG projects
- Four-year construction period. First LNG sales expected 2014, capital cost US$15 billion
**Milestones Achieved to 3Q11**

- Ground-breaking and pouring of first foundations at LNG plant site. Fabrication of process trains, tanks and jetty underway.
- Final delivery of line pipe to PNG for onshore pipeline, over 30km of welding and burial now completed.
- Construction of Caution Bay offshore pipeline support site.
- Continued early construction activities in Highlands (incl. earthworks at Hides plant site and Komo airfield, road and bridge upgrades).
- Completion of offsite fabrication of new CALM buoy for Oil Search PL 2 Life Extension project, shipped in October.
- First phase of Oil Search operated Associated Gas project, including PNG LNG interface facilities and modifications to gather oil field associated gas, successfully completed.
- Completion of training facilities at Juni in Highlands.
- Ramp-up in PNG workforce and use of PNG suppliers. Total workforce at end June of 9,300, of which 6,600 were PNG nationals (71%).

**Activities in 4Q11/2012**

- Complete Engineering and Procurement
  - Hides Gas Conditioning Plant (HGCP) and Komo Airfield
    - Complete airstrip and Hides access roads
    - Commence drilling development wells
    - Continue facilities construction
  - Onshore pipeline
    - Continue pipe lay, welding and burial
  - Offshore pipeline
    - Pipeline construction, pipe lay
  - LNG plant
    - Continue construction of steelwork, pipe racks, tanks & process trains
    - Continue with utilities and jetty works
  - Associated Gas work at Kutubu and on liquids export system
    - Complete Associated Gas and Commissioning Gas works
    - Complete CALM buoy installation
    - Complete Kumul refurbishment
Focus Areas

- Community engagement
- Working with new Government to ensure continued alignment and delivery of obligations
- Logistics in the Highlands
- Strong A$ - pressures easing due to mitigation

Timetable

- **2010**
  - Ongoing procurement and mobilisation
  - Airfield construction
  - Drilling mobilisation
  - Start offshore pipeline construction
  - Onshore line clearing and laying
  - Start LNG equipment installation
  - Financial Close

- **2011**
  - Complete AG
  - Continue onshore pipe lay
  - Complete offshore pipe lay
  - Start Hides plant installation

- **2012**
  - Complete pipe lay
  - Ongoing drilling
  - Complete Hides plant
  - Commission LNG plant with Kutubu gas

- **2013**

- **2014**

First Gas from Train 1, then Train 2
Hides Gas Conditioning Plant site

PNG LNG Project
Onshore Pipeline Construction

Pipe Welding

Pipe Lowering-in

First weld
PNG LNG Project
Onshore Pipeline Construction

Pipeline stringing
Welded pipeline

PNG LNG Project
Plant Site

February 2011
July 2011
PNG LNG Project
Plant Site

Marine jetty piling

Process pipe rack construction

PNG LNG Project
Plant Construction
Largest OSH Drilling Programme

- Embarking on one of the largest drilling programmes ever undertaken, starting 4Q11 continuing through 2012, into 2013
- Multi-TCF risked potential for gas and several hundred millions of barrels of oil potential
- Appraisal and development drilling
  - Hides
  - P’nyang
  - Kutubu, Moran and likely Mananda
- Exploration
  - Trapia (PRL 11)
  - Near field oil exploration
  - Gulf Area drilling, subject to final seismic results
  - Taza, Kurdistan
- Potential to underwrite continued gas commercialisation and short-medium term oil production

PNG LNG Expansion
PNG LNG Resource Maturation

- Integrated exploration, appraisal and development drilling programme in the PNG Highlands
- PNG LNG dedicated fields:
  - Associated Gas Fields:
    - Oil Search (Operator) undertaking detailed evaluation on additional resource potential. Seeking PNG LNG CoV alignment on additional resource in 1H12
  - Hides GWC well:
    - Targeting drilling commencement in 1H12
- Existing discoveries outside PNG LNG dedicated fields with high equity alignment:
  - P’nyang:
    - Targeting drilling commencement in 4Q11
    - Small additional seismic programme being conducted now
- Exploration licences with high equity alignment:
  - Trapia:
    - Seismic conducted in 2010/2011
    - Targeting drilling commencement in 1Q12

PDL 1, PDL 7 and PDL 8
Hides & Angore

PDL 1 – Hides Field 8 New Wells Drilling 2011+

PDL 7 – South Hides

PDL 8 – Angore Field 2 New Wells

PDL 1
ExxonMobil 36.81%
Oil Search 40.69%
PNG Govt 20.50%
Gas Resources Angore Ltd. 2.00%

PDL 7
ExxonMobil 36.812%
Oil Search 40.69%
PNG Govt 20.50%
Gas Resources Hides No.4 Ltd. 2.00%

PDL 8
ExxonMobil 36.812%
Oil Search 40.69%
PNG Govt 20.50%
Gas Resources Angore Ltd. 2.00%
PNG LNG Resource Maturation

**P’nyang (PRL 3)**
- ExxonMobil 49%, Oil Search 38.5%, JX Holdings 12.5%
- Well targeting southern fault block
- Additional seismic completing strike and two further dip lines
- Aim is to move 3C to 2C and increase 1C resource
- Potential 2C of ~2 tcf

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PNG LNG Resource Maturation

**Trapia 1 (PRL 11)**
- Oil Search 52.5%, ExxonMobil affiliates 47.5%
- Exploration well scheduled for 1Q12
- Series of prospects in area:
  - Reasonable seismic but structural uncertainty remains
  - Multi-tcf potential in area
  - Partial dependency. Exploration potential remains in event of success or failure at Trapia
Gulf Area LNG Opportunity

Key Licences

- **PPL 237**
  - Operator: SP InterOil Holdings.

- **PPL 338**
  - Partner: Kina Petroleum Ltd., OSH 30% equity for carry on 2D seismic.
  - Potential additional 40% equity for partial carry on well.

- **PRL10**
  - OSH 50% equity.

- **PPL 276**
  - Partner: Rockwell Energy Ltd., OSH 30% equity for carry on 3D seismic.
  - Potential additional 50% equity for carry on well.

- **PPL 234 & PPL 244**
  - OSH 80% equity.
  - Area of 3D seismic ~4700km².

- **PPL 238 & PRL15**
  - Operator: SP InterOil Holdings.

- **PPL 339**
  - Partner: Kina Petroleum Ltd., OSH 30% equity for carry on 2D seismic.
  - Potential additional 40% equity for partial carry on well.

- **PPL 312**
  - Partner: Hillsborough Energy Ltd., OSH 30% equity for carry on 3D seismic.
  - Potential additional 45% equity for carry on well.

- **PPL 236**
  - Operator: SP InterOil Holdings.

**Gulf Area LNG Opportunity**

- Multi-licence, multi play type, multi well opportunity being developed.
- Large, modern 3D seismic dataset acquired to unlock potential of Gulf.
- All offshore data complete and being interpreted. Results of initial interpretation are encouraging.
- 2D onshore in PPL 338 and 339 seismic processed, interpretation underway.
- Rig options and timing being assessed.
- Long lead item procurement process commencing.
Gulf Area LNG Opportunity

Prospectivity:
- Targeting 4Q for initial assessment of prospectivity across all licences
- Final views by year end

Partnering:
- Discussions initiated and ongoing with potential strategic farm-in partners

Drilling:
- Planning ongoing:
  - Well design commenced
  - Long lead item procurement process commenced
  - Site survey planning
  - Rig selection and sourcing discussions ongoing

Timing:
- Targeting 2012. Timing dependent on:
  - Prospectivity
  - Rig selection and availability
  - Strategy selected
  - Status of partnering discussions

PPL 244 - Flinders Fan

Preliminary interpretation of seismic over Flinders indicates potential hydrocarbon bearing sands
- Larger areal extent than previously thought
Kurdistan - Taza PSC

- PSC signed after exercising Option Agreement
- Oil Search operator with WI of 60%, ShaMaran 20%, KRG 20%
- Very prospective location adjacent to three fields
- Large, simple 4-way dip closure identified from 2010 seismic. > 1 billion bbl potential reserves in place, but recovery factors poorly constrained
- Well scheduled to spud in 1H12

Tunisia

- 2010 seismic evaluation complete. Infill line being conducted in 4Q11
- Large structures mapped
- Proven plays present and new deep gas play developed
- Prospect sizes commercially attractive. Prime prospect in Tajerouine permit has potential for >100 mmstb oil and >400 bcf gas
- Fiscal regime favourable
- Exploration well to be drilled in late 2012
2011 Production

- Net production to end 3Q11 of 5.05 mmboe, solid performance with underlying production from oil fields generally consistent with expectations
- Full year estimate towards upper end of 6.2 - 6.7 mmboe guidance range
- Gas injection well at Usano, UDT 13, drilled successfully. Providing support to key production wells in Usano East
- IDT 25 development well successfully drilled in Kutubu Main Block Toro:
  - Good indications of hydrocarbons in Toro reservoir
  - Well deepened to exploration target in Koi Iange horizon, with hydrocarbon indications - will be flow tested in 4Q11 prior to completing the Toro. Expected on-stream January 2012
- Hedinia 10 ST3 well proved hydrocarbons in Hedinia forelimb, now producing
- Agogo 6, currently drilling, will appraise Agogo forelimb
- Two week shutdown for tie-in of Associated Gas facilities successfully completed on schedule
- Workover programme using the Hydraulic Workover Unit (HWU) underway at Gobe, followed by PDL 2 programme
2011/12 Focus Areas

- Maintain OSH’s industry-leading safety performance in high activity environment
- Strong commitment to cost effectiveness
- PNG LNG Project commitments driving operational developments:
  - Deliver the Associated Gas Project as planned
  - Improved reliability and long term integrity
  - Life extension programmes for facilities
  - Upgrade of key systems and processes
  - Enhanced development of personnel
- Continued focus on capturing additional in-field and near field reserve opportunities

2012 Production Outlook

- Recent and planned drilling and work-over activity expected to reduce decline curve in 2012 - 2013, offset by planned shut-in of CPF/APF for 2 - 3 weeks in 1Q12 and GPF for 1-2 weeks in 3Q12 for Associated Gas work
- 2012 production expected to be similar to 2011, subject to finalisation of 2012 work programmes and performance from new wells
- Production out to first LNG broadly flat, subject to success of work programmes
Near Field Exploration

- Detailed review of “near field” exploration potential in and around existing producing fields as part of 2010 strategic review
- More than 25 opportunities originally identified. Recent successes support new structural models
- Remaining potential to be drilled:
  - >100 mmboe net (approximately half oil, half gas)
- Higher risk than historical development drilling:
  - Difficulty imaging
  - Untested reservoir properties
  - Complex geology
- Risk management:
  - Integrating with existing pads and wells to reduce cost
  - Fall back of safer, conventional proven targets
  - Step wise approach, building out from known positions

Focused on:
- Deeper Koi-lange play:
  - Potentially underlies all producing reservoirs
  - Penetrated by IDT 25, due to be tested in 4Q 2011
- Forelimb play:
  - ADT 2 look alikes
  - Hedinia 10 found hydrocarbons in forelimb
  - Agogo 6 well spudded

Play extensions:
- Based on detailed remapping and 2011 seismic
- Potentially SE Mananda and Kube Kabe (north of Kutubu)
- Footwall targets:
  - Hedinia, Moran, Mananda
2011/12 Development & Near-Field Appraisal Drilling Activity

PNG Operating Environment

- PNG has built enviable investment record of fiscal stability in resources sector over past 15 years
- Unprecedented investment now taking place in oil, gas and mining, encouraged by attractive fiscal policy and stability
- History of constructive dialogue between industry and Government to manage issues and expectations
- Anticipate that this will continue with new Government, led by Prime Minister Peter O’Neill
PNG Operating Environment

- Rapidly changing economic and social landscape
  - Changes in traditional tribal culture
  - Increased expectations and opportunities
  - Education and communications

- Potential instability pre June 2012 election

- Focus on improving benefits distribution system, transparency and service delivery

- Strong support from landowner leaders and key institutions

Managing Operating Risk

- Oil Search has increased its focus on managing in-country issues
  - Seen as key way to mitigate operating risk

- Expanded Sustainability Group is focusing on:
  - Government/regulatory
    - Promoting transparency
    - Sovereign wealth funds
    - Supporting benefits distribution process
    - Providing support to PNG Government bodies, when appropriate
  - Relationship building between Government, Landowners and other businesses

- Oil Search Health Foundation:
  - Expanding the successful OSH model for health programmes to other areas of PNG
  - Nominated as Principal Recipient for grants from The Global Fund to deliver HIV and malaria programmes
Summary

- Delivery of PNG LNG on track:
  - Robust project
  - Outside crowded Australian LNG space, conventional onshore gas, limited technical risks
  - High quality Operator, making good progress towards first sales in 2014

- Largest ever drilling programme for both gas and oil about to start. High degree of confidence that sufficient 1P gas reserves will be found by end 2012 to underpin move into LNG expansion

- Oil fields generating strong margins and cash flows. Production expected to remain relatively flat through to first LNG despite field maturity, AG work

- PNG challenging environment, increased focus on managing risk

- Balance sheet remains strong, ample liquidity to meet LNG obligations and to mature expansion activities

Appendix
2011/12 Guidance Summary

- Subject to finalisation of budgets, 2012 opex expected to be slightly higher on a per barrel basis, impacted by:
  - Ongoing PNG inflationary pressures
  - Strengthening of the PNG Kina
  - Continuation of workover programme (non-recurring)
  - Ongoing AG and Life Extension activities (non-recurring)
  - Health Foundation
  - Sustainability activities

- DD&A:
  - 2011 forecast unchanged at US$7-9/boe
  - Future DD&A profile will be impacted by life extension activities and development drilling opportunities

2011/12 Investment Outlook

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<th>US$m</th>
<th>2010 (A)</th>
<th>2011 (F)</th>
<th>2012 (indicative)</th>
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</tbody>
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* Dividend fully underwritten

# MENA spend ~ US$70m in 2011, US$60m in 2012
Note: 2012 numbers subject to finalisation of budgets
Other Key Players in PNG

- Talisman and Sasol have significant acreage in Western Forelands. InterOil has strong position in Eastern Forelands
- OSH strategy focused on core PNG LNG Foldbelt acreage and Gulf - viewed as offering greatest potential for large gas discoveries

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