



# COMPANY UPDATE

November 2017

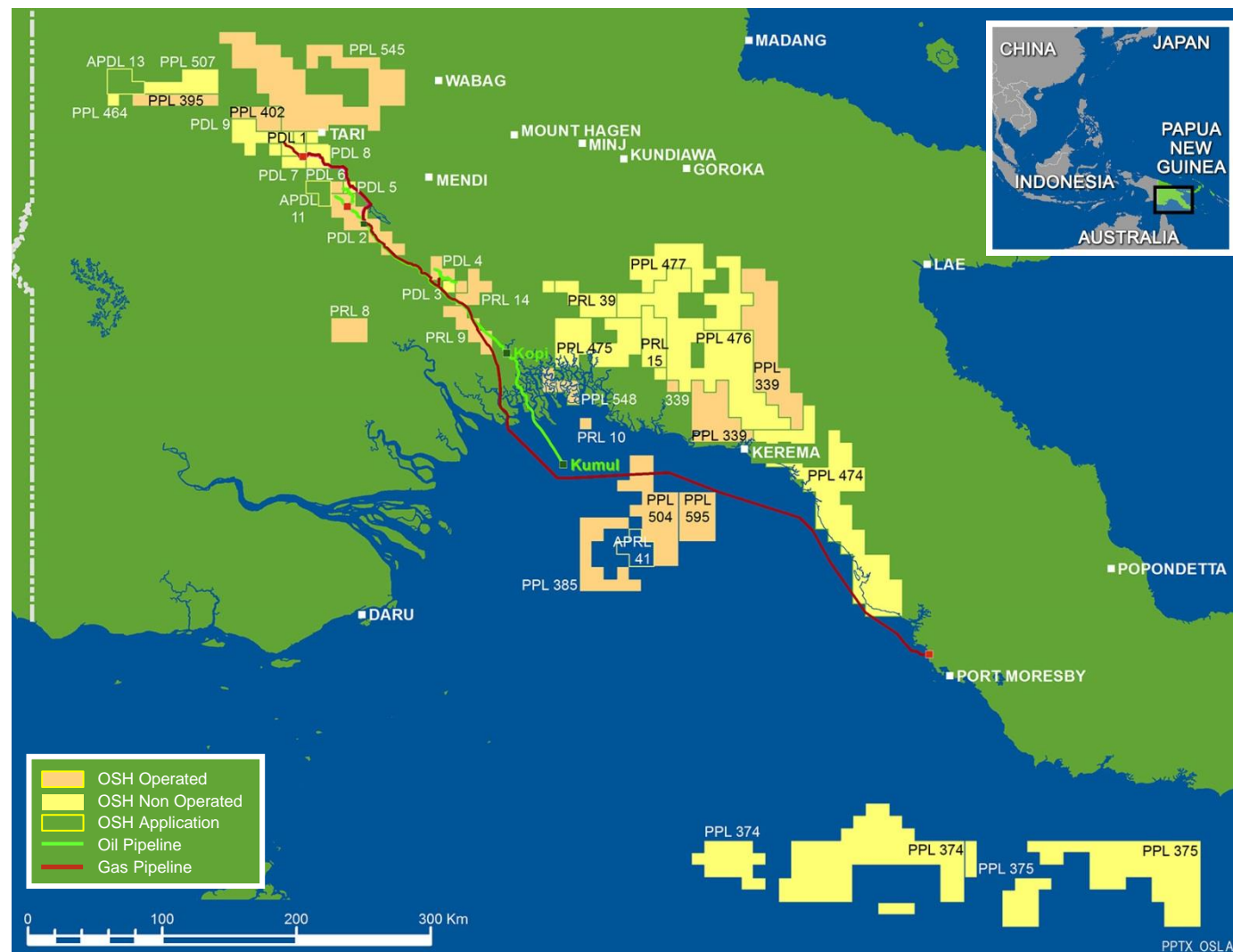
OIL SEARCH LIMITED | ARBN 055 079 868 | ASX: OSH | POMSx: OSH | US ADR: OISHY  
[www.oilsearch.com](http://www.oilsearch.com)



**Oil Search**



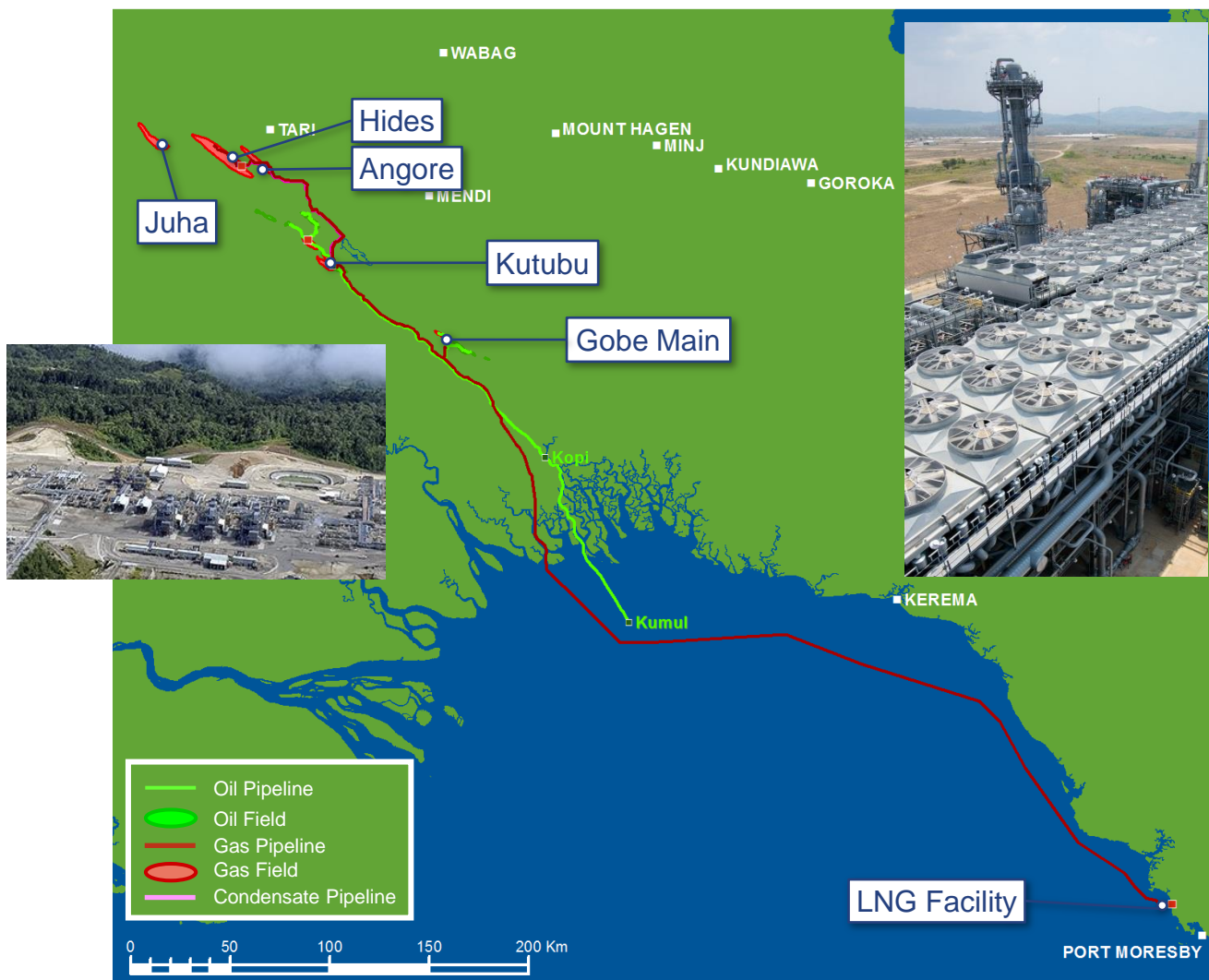
# OIL SEARCH PNG LICENCE INTERESTS



- ◇ Established in PNG in 1929
- ◇ 29% interest in PNG LNG Project, operated by ExxonMobil, ~60% interest in PNG's producing oil fields, operated by Oil Search
- ◇ Pursuing major LNG growth opportunities in PNG in partnership with ExxonMobil and Total:
  - >10 tcf 2C undeveloped gas resource available to support expansion
- ◇ Material gas exploration upside in PNG
- ◇ Recent acquisition of 500mmbbl\* Tier 1 oil asset in Alaska, USA with material growth potential
- ◇ Market capitalisation ~A\$11bn (~US\$8bn)
- ◇ Listed on ASX (Share Code: OSH) and POMSOX, plus US ADR programme (Share Code: OISHY)

\* OSH estimate of gross resource for purposes of the acquisition

# PNG LNG PROJECT PERFORMING WELL ABOVE EXPECTATIONS



- ◇ Outstanding performance by PNG LNG since it came onstream in mid-2014:
  - Record annualised production rate in 3Q17 of 8.6 MTPA (~25% above nameplate), following compressor upgrades in May
  - Sales supported by 50% and 12% increase in 1P and 2P gas reserves, respectively, following recertification by Netherland Sewell in early 2017
- ◇ Further work on compressors completed – should enable current higher levels of production to be maintained / exceeded
- ◇ Modifications to Hides Gas Conditioning Plant (HGCP) and work on tie-in of two Angore wells planned for 1H18, new wells expected onstream in mid '19. HGCP optimisation benefits expected from 2H18

# MARKETING OF UP TO 1.3 MTPA – PROPOSALS UNDER EVALUATION

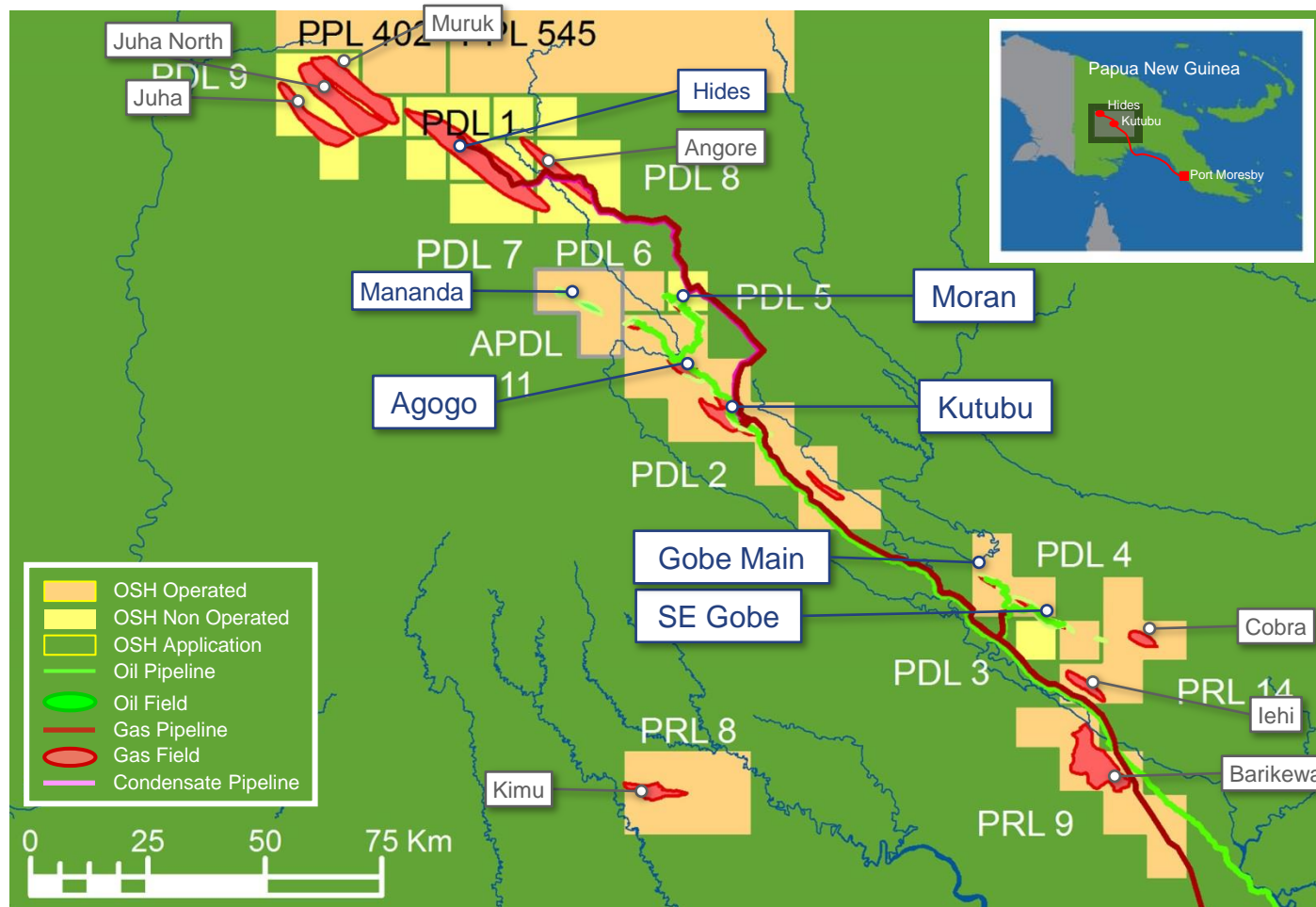


- ◆ 6.6 MTPA sold under 20 year take-or-pay contracts with JERA, Osaka Gas, Sinopec and CPC, with balance of production currently sold on spot market
- ◆ Additional 1.3 MTPA of short-medium term duration LNG volumes being marketed by ExxonMobil on behalf of PNG LNG Project participants
- ◆ Strong interest from market:
  - Expressions of interest from top-tier buyers, including end users and LNG traders
  - Proposals being evaluated
- ◆ Contracts likely to be 2-5 years in maturity

## EXISTING MARKETS FOR CONTRACTED LNG VOLUMES



# OPPORTUNITIES BEING MATURED TO MITIGATE OIL FIELD DECLINE



- ◆ Production from mature oil fields being actively managed
- ◆ In-field development and appraisal targets and near field exploration prospects being matured for drilling in 2018/19
- ◆ New road-supported, mobile land rig to be used to undertake workover and production-adding activities, commencing with Moran workovers
- ◆ Potential to add material oil resource, to partially mitigate long-term oil decline
- ◆ Commercially attractive given proximity to infrastructure



# ON TRACK TO DELIVER 2017 PRODUCTION AT UPPER END OF GUIDANCE RANGE

◆ 2017 FY production forecast of 29.0 – 30.5 mmboe:

Production	2017 Guidance <sup>1</sup>
Oil Search operated fields	5.5 – 6.2 mmboe <sup>2,3</sup>
PNG LNG Project	23.5 – 24.3 mmboe <sup>2</sup>
<b>Total Production</b>	<b>29.0 – 30.5 mmboe</b>

- ◆ Production for nine months to 30 September 2017 of 22.7 mmboe
- ◆ Lower oil production offset by higher contribution from PNG LNG Project

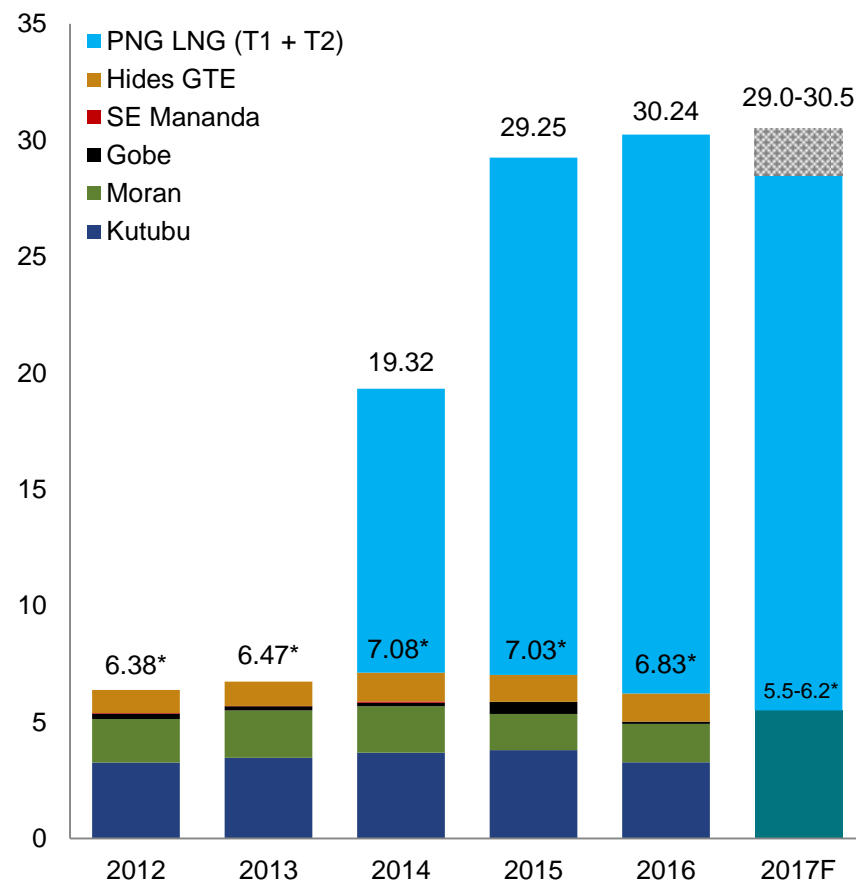
◆ Notes:

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> 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.

<sup>3</sup> 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)<sup>1,2</sup>



1. LNG sales products at outlet of plant, post fuel, flare and shrinkage

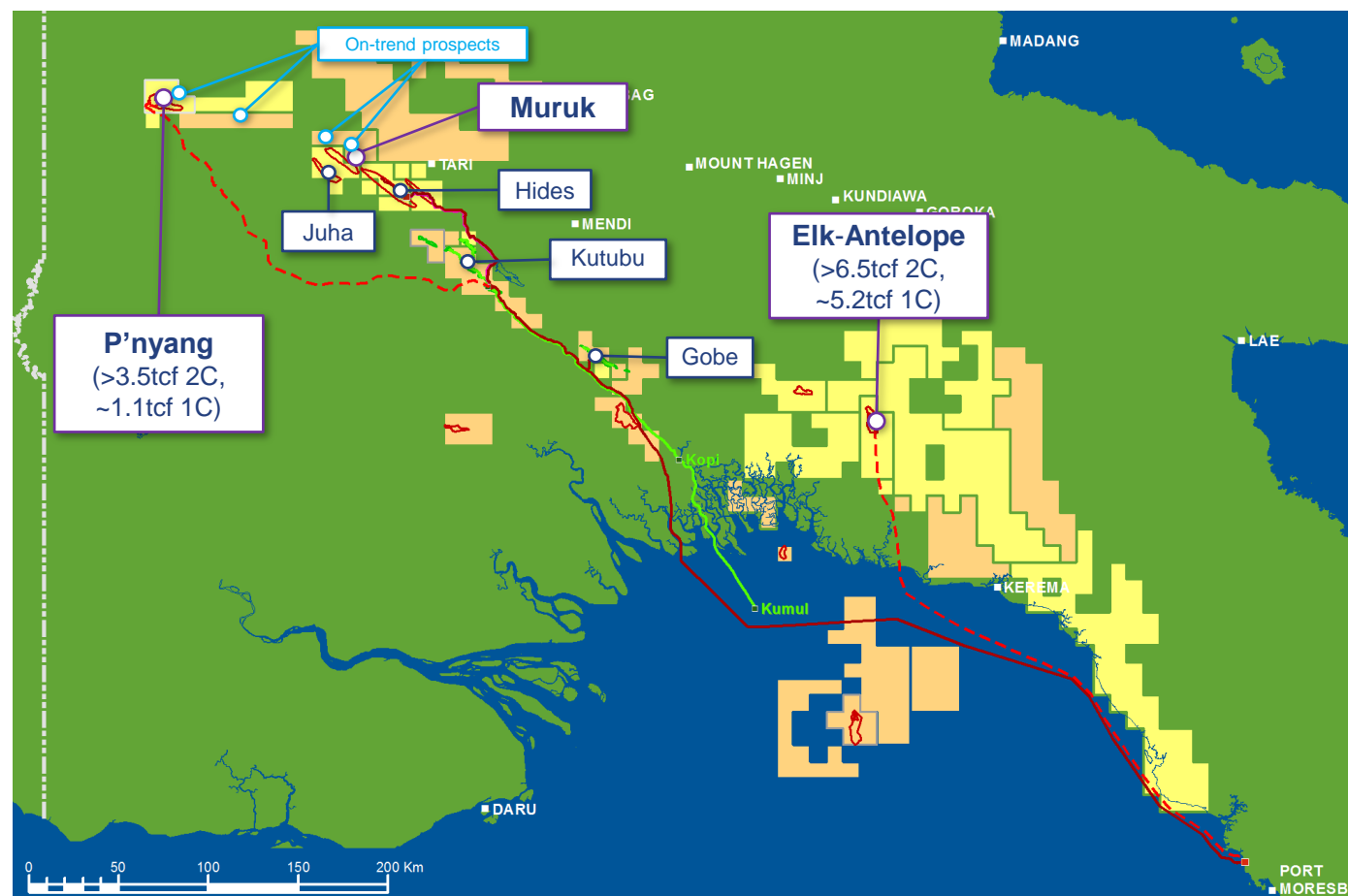
2. Gas:oil conversion rate from 2014 onwards: 5,100 scf = 1 barrel of oil equivalent (prior 6,000 scf/boe)

\* Oil Search operated production, including SE Gobe gas sales to PNG LNG Project

# 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 additional low cost gas from Foundation Project fields
- ◇ Full stakeholder alignment on processing gas at PNG LNG plant site, to deliver lowest cost, earliest 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 – potential third expansion train
- ◇ Strong North-Asian LNG market for start-up timing of high quality, reliable LNG expansion volumes from PNG. OSH equity share ~2 MTPA

# STRONG LONG-TERM GLOBAL LNG MARKET FUNDAMENTALS



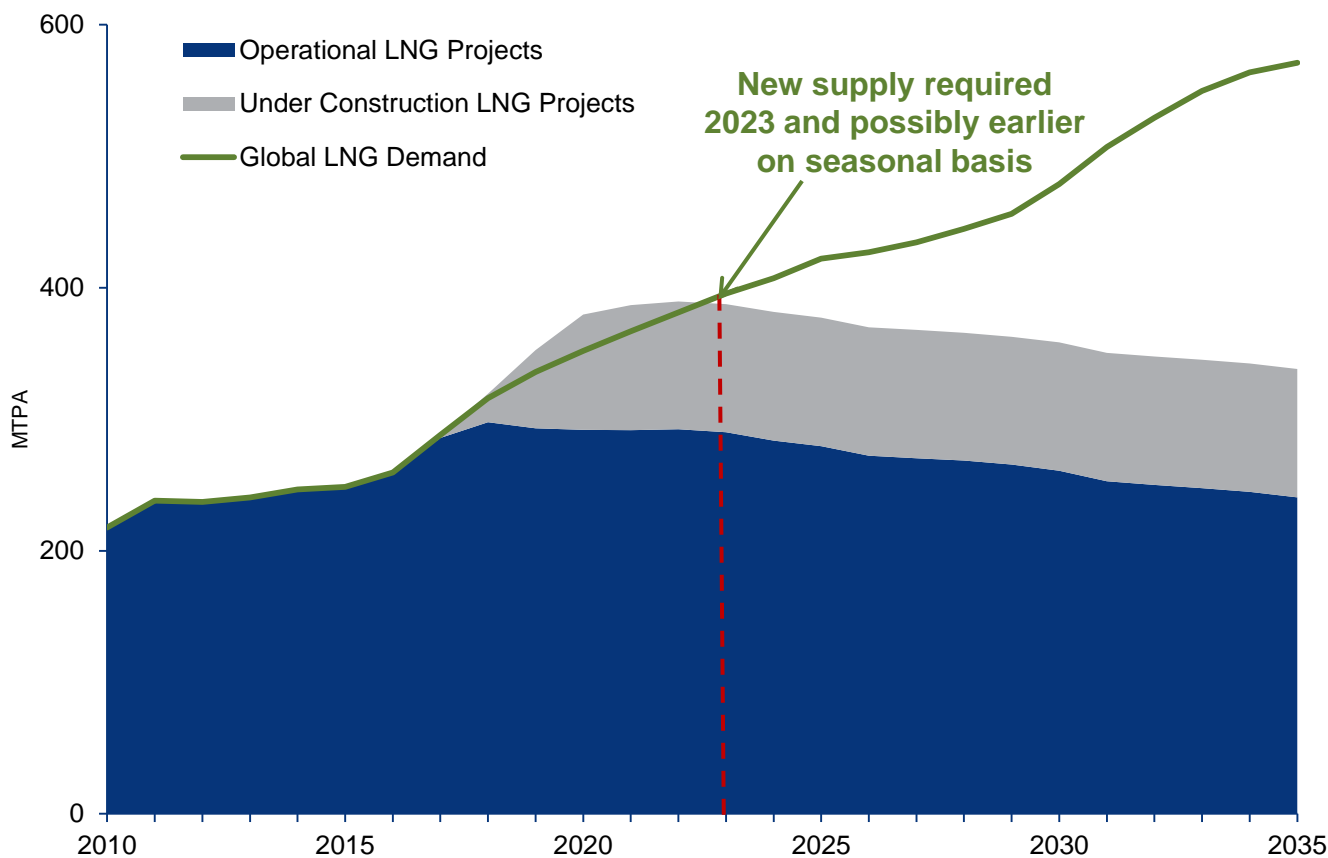
- ◆ LNG importing countries/LNG buyers expected to grow to >100 by 2020:
  - Traditional exporters as buyers for domestic requirements eg Indonesia
  - New buyers emerging: Thailand, Singapore, Bangladesh, Vietnam, Pakistan, Philippines, Egypt, Jordan etc
- ◆ Strong demand growth in Asian markets (1H16-1H17):
  - China (+37%), South Korea (+14%), Taiwan (+12%), Japan (+9%)
- ◆ Global demand expected to reach >460 MTPA by 2030, with Asian demand comprising more than two thirds
- ◆ Key North Asian markets such as Korea and Taiwan prioritising LNG over coal and nuclear. China environmental policies encouraging fuel switching
- ◆ >70 MTPA of Japanese, Korean and Chinese contracts expected to expire between 2017-2025, much sourced from projects in decline. New supply sources required, with buyers seeking supply source diversification
- ◆ LNG usage expanding (eg merchant shipping)
- ◆ FSRUs supporting demand growth, enabling faster delivery to markets



# MARKET FOR GLOBAL LNG SUPPLY FROM 2023, POSSIBLY EARLIER



## GLOBAL LNG SUPPLY DEMAND BALANCE



Source: WoodMac – June 2017

- ◇ Entering into period when LNG capacity exceeds demand
- ◇ However, only 7.2 MTPA of new LNG capacity sanctioned in 2016 and 2017 to date:
  - Potential for supply shortfall in late 2020s
- ◇ LNG expansion from PNG ideally placed to secure premium Asian buyers
- ◇ Geographical proximity and competitive cost brownfield expansion
- ◇ High heating value gas
- ◇ PNG represents geographical 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

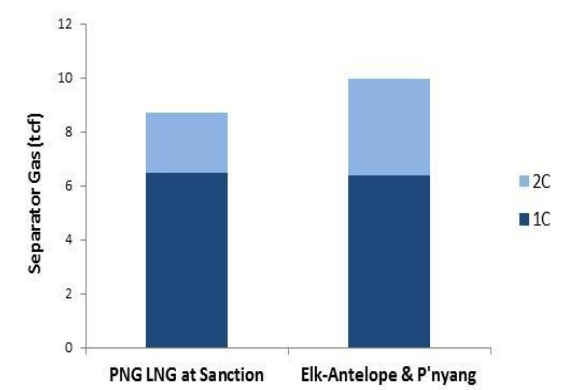


- ◆ 6.5 tcf (OSH resource estimate) in Elk-Antelope fields
- ◆ OSH-operated P'nyang South 2 well commenced drilling on 22 Oct '17:
  - Objective to move 2C resource into 1C category
  - Also likelihood of increasing existing 2C resource >3.5 tcf
  - Resource certification to follow well completion
- ◆ PNG LNG foundation fields' excellent performance and recent recertification plus accelerated gas production from oil fields 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 leads 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**

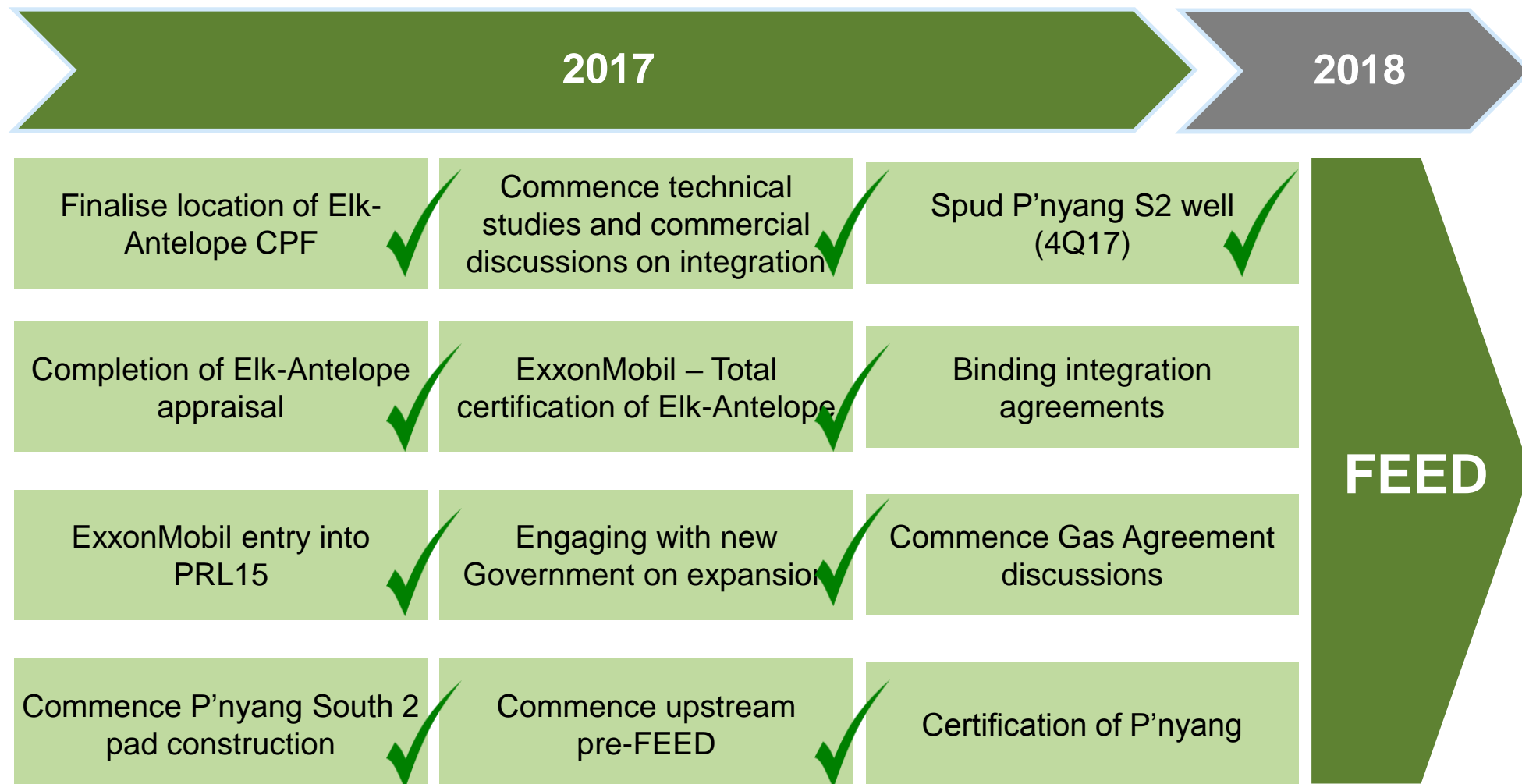
- ◆ Discussions on LNG expansion progressing between ExxonMobil, Total and OSH. Confirmed intent to pursue integrated development
- ◆ Targeting alignment on commercial model in 4Q17 with new Government, followed by Gas Agreement negotiations
- ◆ OSH playing proactive role with partners and Government to facilitate FEED entry as early as possible in 2018
- ◆ Key issues being discussed/decided:
  - Integration principles – including capacity and cost sharing
  - LNG marketing (equity or joint) and commercial model for joint project financing
  - Exploration alignment onshore Gulf and offshore
  - Final engineering evaluation on plant size and configuration



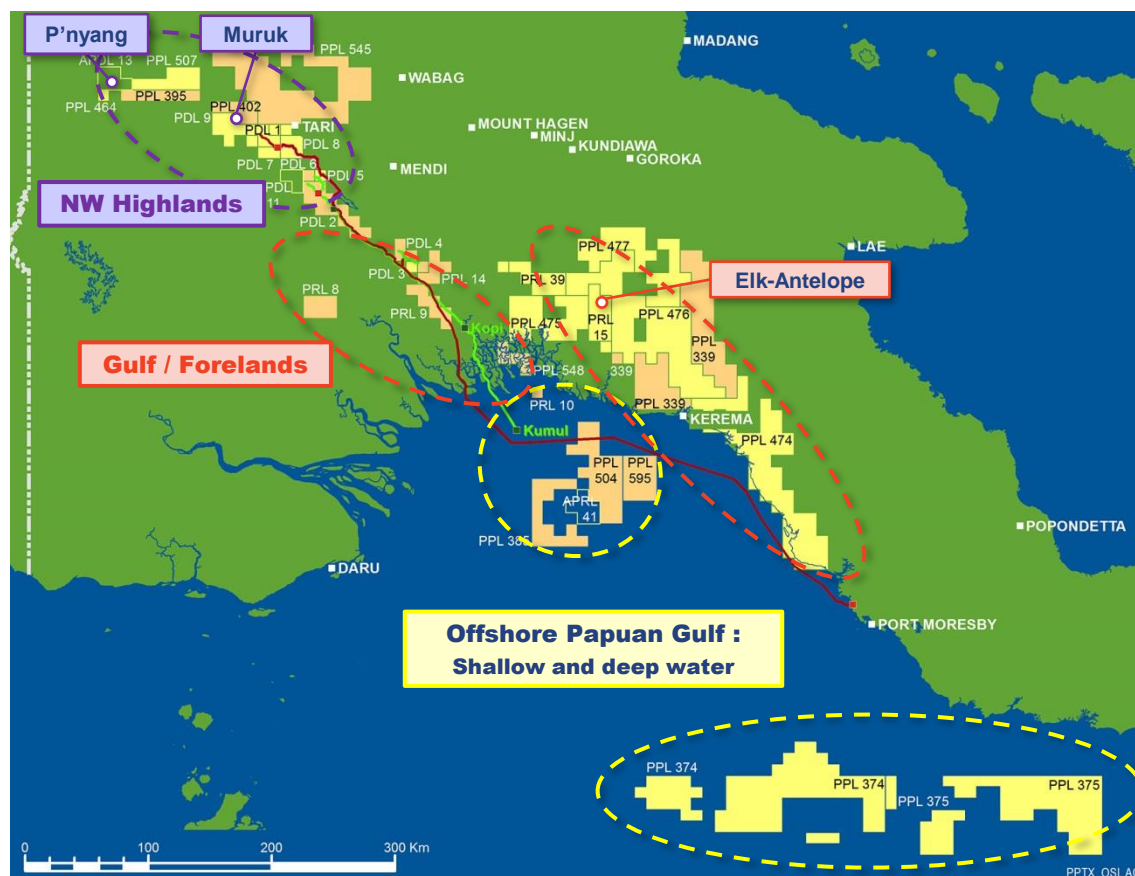
*Space for >8 MTPA new train capacity*



# MATERIAL PROGRESS ON KEY LNG EXPANSION WORK STREAMS



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

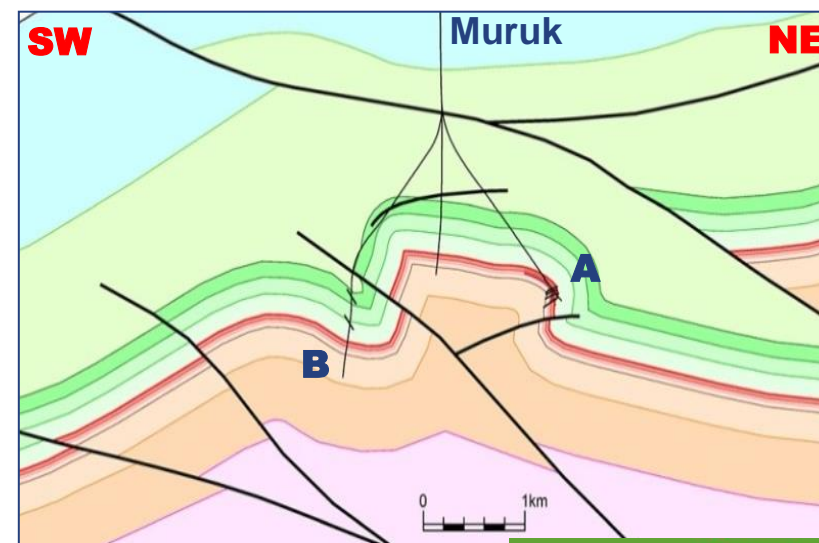


- ◆ Focused licence acquisition programme:
  - 16+ licences and manageable programme
  - Trend capture and high-graded drilling
- ◆ Expanded PNG acreage focused on four potential LNG-scale hubs:
  - NW Highlands
  - Gulf/Forelands
  - Shallow Offshore Gulf
  - Deepwater Gulf
- ◆ Successful partnering:
  - 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

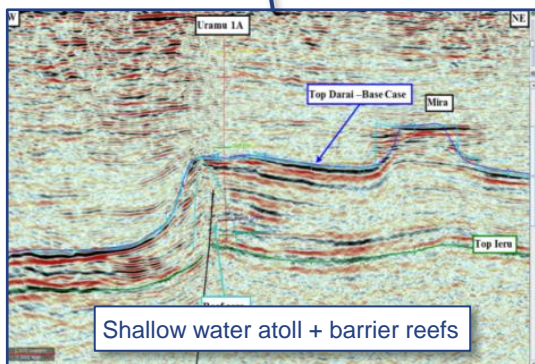
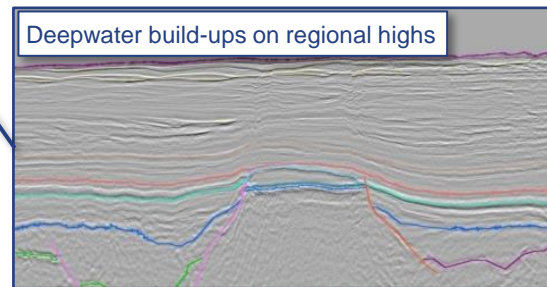
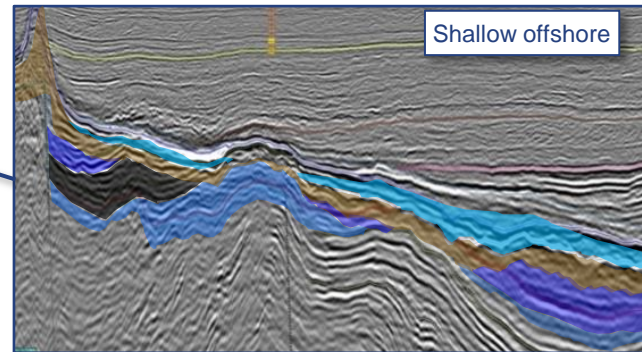
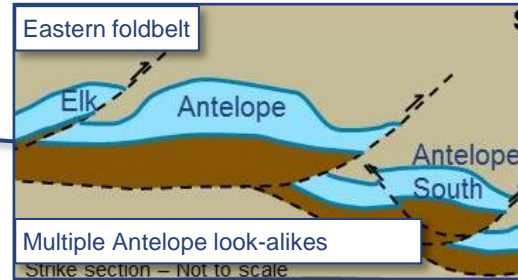
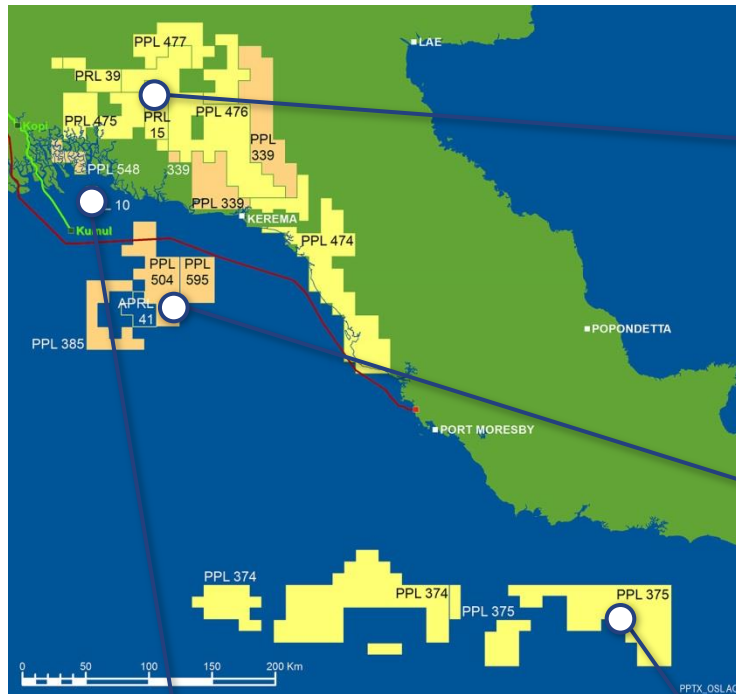


- ◆ Muruk 1 and sidetracks have discovered two new hydrocarbon pools (Muruk A & B) with 1 – 3 tcf potential. Located ~21 km from closest producing PNG LNG infrastructure
- ◆ Muruk 2 location agreed by PDL 9 joint venture (11 km NW step out). Site preparation and EIA underway, planned to spud late 1Q18 to help constrain volume
- ◆ P'nyang South 2 well spudded 22 Oct '17, with resource certification to take place after drilling. Well aiming to migrate 2C to 1C, with potential upside to current 3.5 tcf 2C resource
- ◆ Four additional multi-tcf prospects on Hides – P'nyang trend being matured, each 1- 3+ tcf mean unrisks
- ◆ 10 tcf+ unrisks potential along proven trend\*
- ◆ Seismic programme over Koki and Blucher completed – analysis ongoing, with 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 HIGH POTENTIAL PLAYS IN EASTERN FOLDBELT AND OFFSHORE

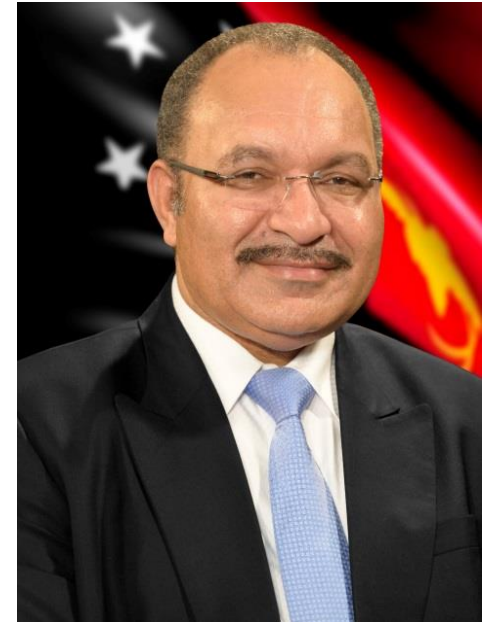


- ◇ Eastern Fold Belt opens up potential for multiple Antelope look-alikes and diversity of plays:
  - Major 200 km+ seismic programme (2017-18) and studies to prioritise targets
  - Drilling 2019+
- ◇ Variety of plays offshore:
  - High quality 2D (>20,000 kms) and 3D seismic
  - Clearly imaged mega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



## PNG GOVERNMENT UPDATE

- ◆ In August, Hon. Peter O'Neill returned as Prime Minister, leading coalition government
- ◆ Government's 100 Day Economic Stimulus Plan focused on "ensuring sound macroeconomic and fiscal management, restoring confidence and generating investment". Priorities include:
  - Fiscal discipline and boosting foreign exchange
  - Simplification of tax system (no new taxes)
  - FEED for PNG LNG expansion in 2018 and early works for Papua LNG
  - Resolution of PNG LNG landowner benefits 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
- ◆ In late September, PNG Government sold its OSH shares. Block trade, well bid, with shares widely distributed to domestic and global institutional investors:
  - With reduced revenues due to lower commodity prices, Government spend to be focused on priority areas of health, education, infrastructure development
  - Government recovered pre-paid financing costs on UBS/JP Morgan loan
  - Sale does not diminish excellent relationship between Government and OSH



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



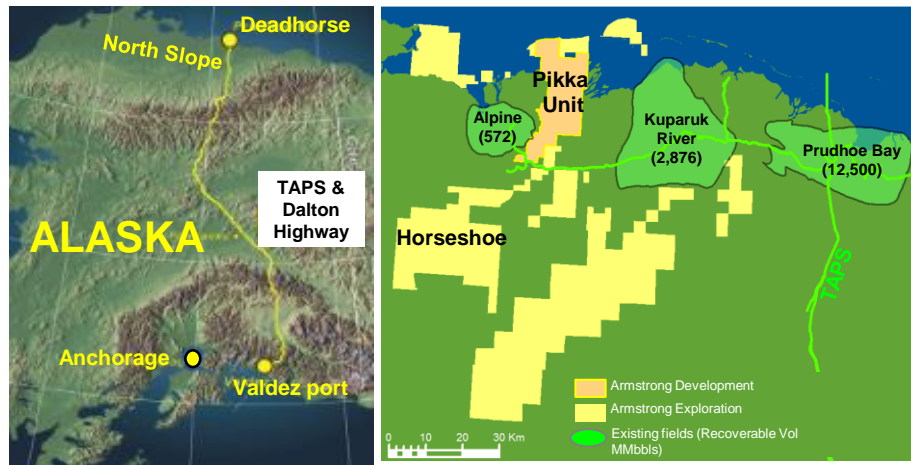


## **SOCIAL RESPONSIBILITY AND MAINTAINING A STABLE OPERATING ENVIRONMENT**

- ◆ Long-standing commitment to operating responsibly and to sustainable development in PNG, both directly and through Oil Search Foundation, with focus 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:
  - ~K3bn (~US\$1.16bn) generated by PNG LNG Project to date for State, Provincial Governments and landowners through equity distributions, development levies and royalties. ~K2.5bn (~US\$0.95bn) has flowed to relevant recipients
  - First landowner royalty payments paid in September, in line with Government's 100 Day Plan
- ◆ Material issues risk management:
  - Climate change risk management
  - Implementation of Human Rights Plan and VPSHR Report in early 2018

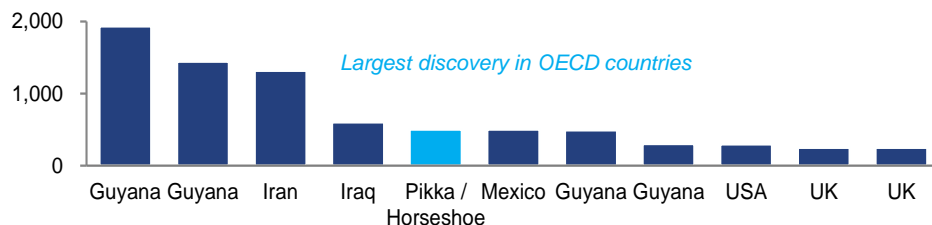


# ACQUISITION OF TIER 1 OIL ASSETS IN ALASKA NORTH SLOPE AT ATTRACTIVE POINT IN COMMODITY CYCLE



## GLOBALY SIGNIFICANT OIL DISCOVERY

One of largest conventional oil discoveries in last three years (mmbbls)<sup>(1)</sup>



- ◇ Oil Search to acquire 25.5% interest in Pikka Unit and adjacent exploration acreage and 37.5% in Horseshoe Block, located in Alaska's North Slope, from Armstrong Energy LLC and GMT Exploration Company LLC for US\$400m cash:
  - Conditional on Committee for Foreign Investment in the US (CFIUS) approval
- ◇ OSH may elect at any time before 30 June 2019 to acquire further 25.5% interest in Pikka Unit and adjacent exploration acreage and 37.5% interest in Horseshoe Block (balance of Armstrong and GMT's interests) for US\$450m:
  - If option not exercised by Jun '18, OSH to carry seller's share of 2018/19 appraisal programme (~US\$25-30m)
  - OSH can assign option (by mutual agreement) or acquire and on-sell
  - Unlikely to exercise and retain – optimal OSH interest 25-30%
- ◇ OSH will assume operatorship on 1 June 2018:
  - Armstrong to operate 2017/18 drilling programme (one well with side track and test)
  - Halliburton to assist OSH build local Alaskan operating capability
- ◇ Repsol to retain 49% interest in Pikka Unit and 25% interest in Horseshoe Block and adjacent exploration



# ALASKA NORTH SLOPE ACQUISITION – KEY ACQUISITION METRICS

## POTENTIAL DISCOVERED RESOURCES

- ◆ Gross OSH acquisition estimate of discovered Nanushuk & satellites fields resources of 500 mmbbls (discovered resource)
- ◆ Repsol believes there could be up to 1.2 bnbbbls resource<sup>(1)</sup>
- ◆ Acquisition cost to OSH of ~US\$3.1/bbl based on OSH’s estimate of discovered resource or ~US\$1.3/bbl based on Repsol’s estimate<sup>(1)</sup>

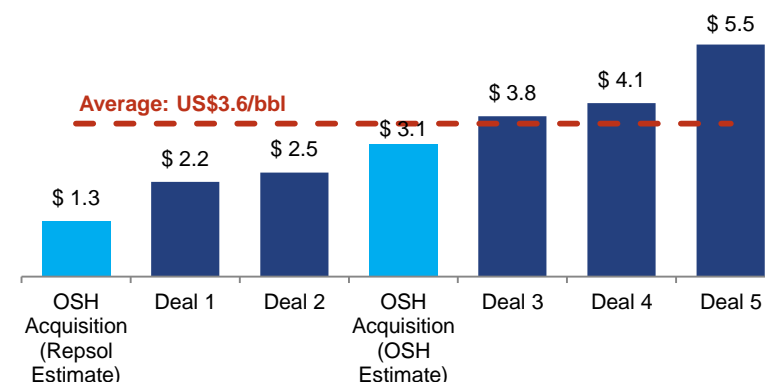
## POTENTIAL RESOURCES

- ◆ Estimated 1.5 bnbbbls unrisks resource potential outside Pikka Unit but within existing acreage

## FLEXIBILITY TO ACQUIRE REMAINING INTEREST

- ◆ OSH has option to acquire all Armstrong and GMT’s remaining interests and on-sell if potential to add further value
- ◆ Decision will be based on updated views of resources and development plan
- ◆ Disciplined approach to maximise shareholder value

## PRECEDENT TRANSACTION MULTIPLES (US\$/BBL)<sup>(2)</sup>



## TRANSACTION OWNERSHIP IMPACT

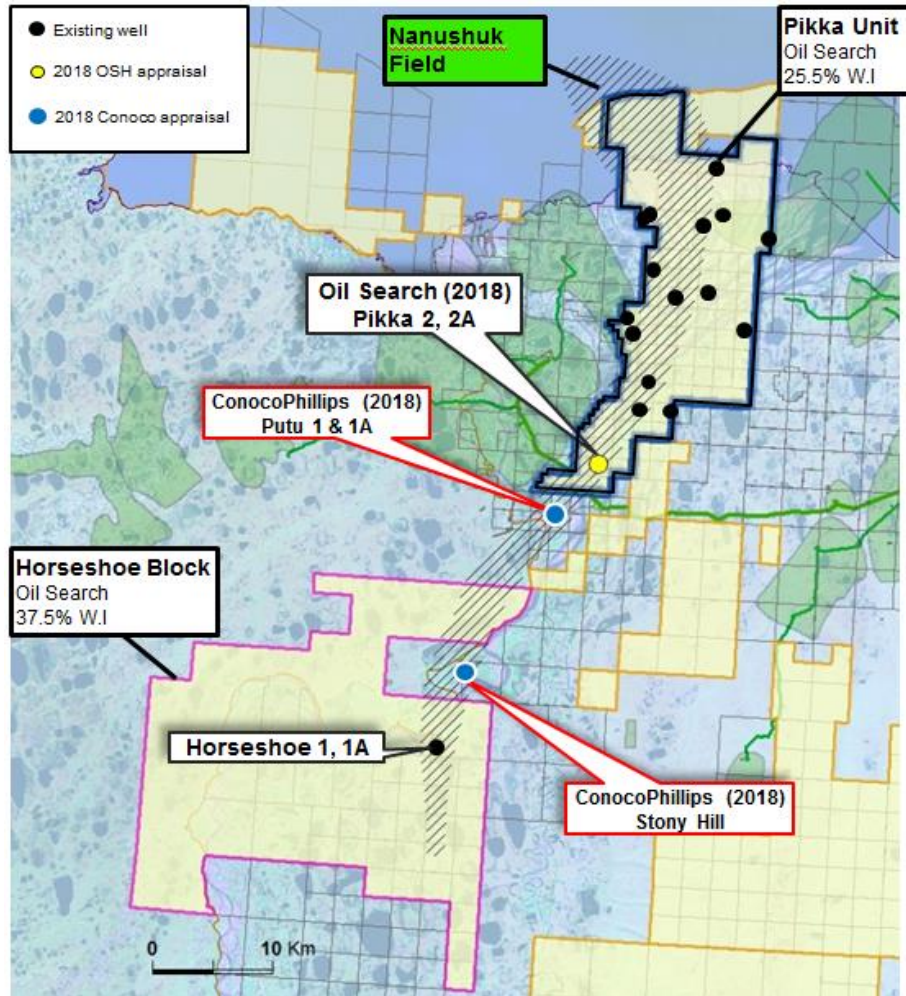
Phase	Lease Category	Oil Search	ARMSTRONG	GMT Exploration Company LLC	REPSOL
Pre-transaction	Pikka Unit	-	38.25 %	12.75 %	49 %
	Horseshoe	-	56.25 %	18.75 %	25 %
	Exploration	-	56.25 %	18.75 %	25 %
	Hue Shale	-	100 %	-	-
Current transaction	Pikka Unit	25.5 %	19.125 %	6.375 %	49 %
	Horseshoe	37.5 %	28.125 %	9.375 %	25 %
	Exploration	25.5 %	37.125 %	12.375 %	25 %
	Hue Shale	37.5 %	62.5 %	-	-
Post OSH’s option to acquire balance	Pikka Unit	51 %	-	-	49 %
	Horseshoe	75 %	-	-	25 %
	Exploration	51 %	18 %	6 %	25 %
	Hue Shale	75 %	25 %	-	-

(1) Repsol press release of 9 March 2017, reiterated 3 November 2017

(2) Comparable list of recent global oil transactions involving pre-development assets since 2015

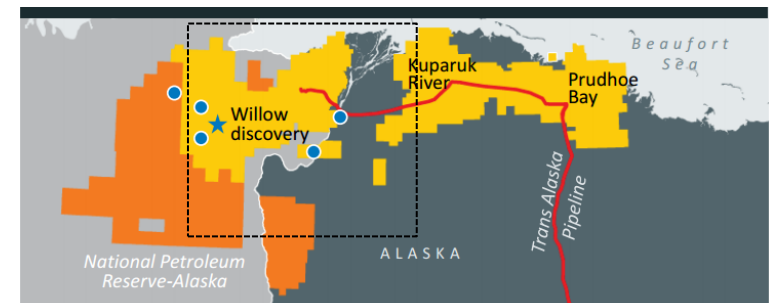


# 2018 APPRAISAL OF NANUSHUK FIELD



## NANUSHUK FIELD TO BE APPRAISED BY 3 WELLS IN 1Q18:

- ◆ 2 ConocoPhillips wells and 1 Armstrong well (6 boreholes)
- ◆ Well data trade in place
- ◆ Objectives:
  - Confirm Nanushuk field extension
  - Constrain reservoir properties to assist development planning and constrain resources
  - Calibrate 3D seismic to enable extrapolation between wells



● Proposed 2018 E&A Wells    ■ COP Acreage 2016    ■ COP Acreage 2017    — Pipeline

ConocoPhillips Press Release Nov. 2017



## KEY EVENTS IN ALASKA – 2017/2018



- ◆ 14 December – Alaskan Strategy Seminar, Sydney
- ◆ Commence ice pad construction

- ◆ Pikka 2 appraisal well plus Pikka 2A sidetrack, commence well testing
- ◆ 2 ConocoPhillips appraisal wells with data sharing
- ◆ Field trip 28 Feb – 2 March

- ◆ Complete well testing of Pikka 2 + 2A
- ◆ Contingent resource estimates for Nanushuk and satellite reservoirs
- ◆ OSH to take over operatorship 1 June 2018
- ◆ Potential option exercise

- ◆ EIS decision

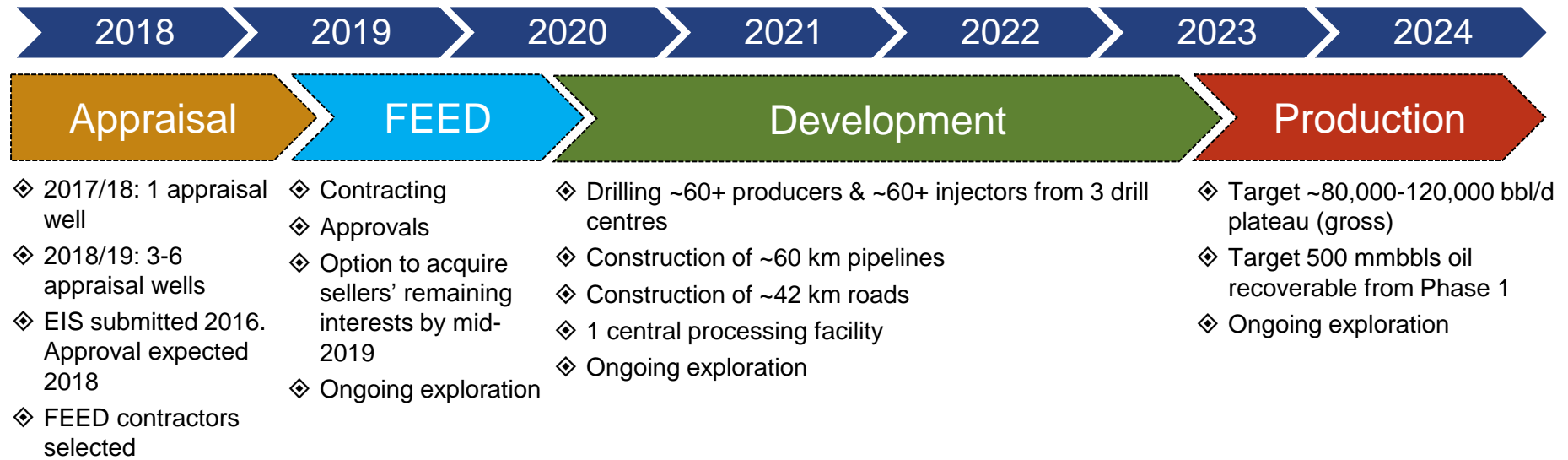
- ◆ Preparation for Pikka appraisal addressing potential upside



Appraisal well pad



# INDICATIVE TIMETABLE TO FIRST OIL



## EXTENSIVE EXISTING INFRASTRUCTURE WITH ULLAGE



# FUNDING OF ALASKA NORTH SLOPE ACQUISITION



- ◇ Initial acquisition cost of US\$400m funded from surplus cash
- ◇ OSH expected licence equity 25 – 30%
- ◇ 2018 capital expenditure for Alaska of ~US\$50m
- ◇ Development cost estimated at ~US\$4bn (non-optimised). Net equity funding requirements of ~US\$300 – 400m (depending on gearing level) payable over three year construction period
- ◇ Project financing for Alaskan projects readily available due to country stability and maturity of industry
- ◇ Additional debt funding capacity at corporate level, if required

# ALASKA NORTH SLOPE ACQUISITION SUMMARY



- ◆ **Combined with world class PNG assets, Alaska provide OSH with unprecedented platform for growth:**
  - Highly complementary to OSH’s low-cost, Tier 1 PNG portfolio
  - Acquired at a highly competitive price – US\$3.1/bbl under OSH’s resource estimate and US\$1.3/bbl under Repsol’s resource estimate<sup>(1)</sup>.
  - Low operating cost project with breakeven oil price ~US\$35/bbl , pre-optimisation
  - Potential to add >125 mmbbls net to OSH booked resources
- ◆ **Able to control commercialisation pathway and leverage OSH’s exploration and development capabilities:**
  - OSH will operate appraisal and development (similar scale to OSH’s operations in PNG)
  - Armstrong to provide support, with Halliburton to assist building long-term operating capability (analogous to PNG)
- ◆ **History of value-accretive M&A with long term strategic benefits:**
  - Very considered, focused and potentially material assets acquired at attractive point in oil price cycle
  - Fits with OSH’s strategy of increasing oil exposure and building best-in-class and focused portfolio
  - Acquisition, exploration, appraisal and development, as well as PNG expansion and exploration, can be funded from existing cash, cash flows and dedicated corporate facilities
- ◆ **No change to OSH’s ability or focus on delivering full value from PNG portfolio:**
  - Consistent with OSH’s focus on delivering top quartile total shareholder returns over next 5 – 7 years
  - No near-term requirement for any further new business. Focus on delivering full value from OSH’s world class portfolio
  - No change in dividend policy planned

(1) Repsol press release of 9 March 2017

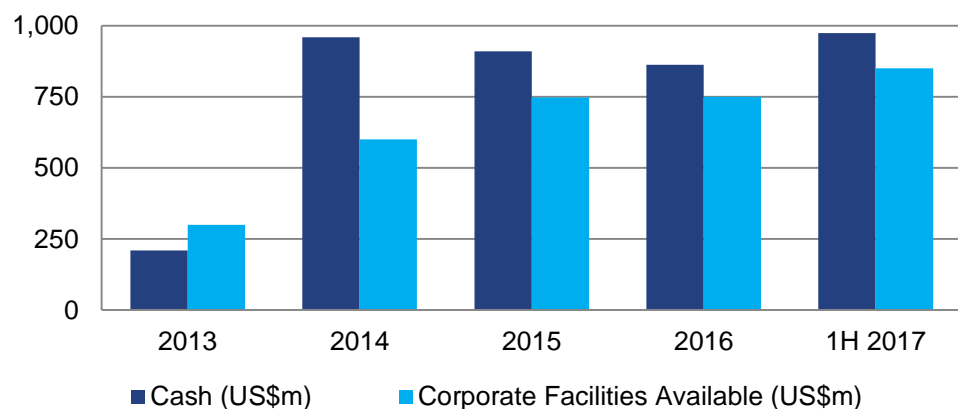




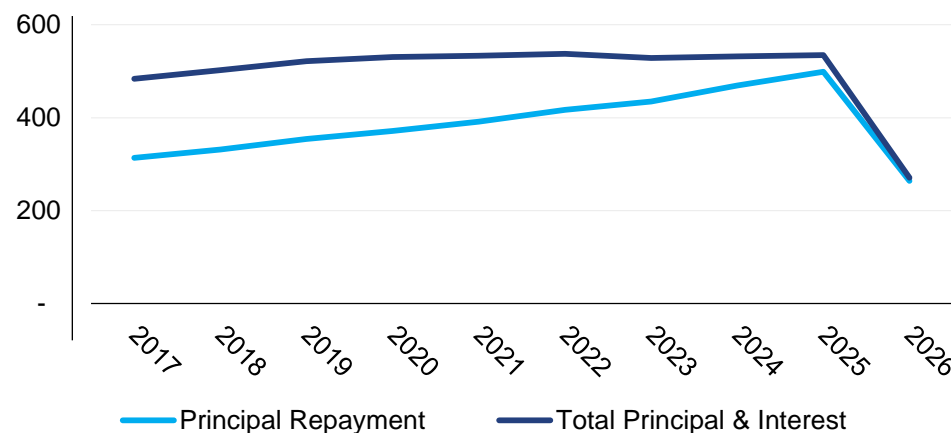
# STRONG BALANCE SHEET

- ◆ Strong existing free cash flow generation from producing assets
- ◆ 3Q17 liquidity of ~US\$2 billion, comprising US\$1.2 billion of cash and US\$850 million of undrawn corporate facilities
- ◆ Sufficient financing flexibility to fund both the development of LNG expansion and Alaskan projects:
  - Both Alaska and LNG expansion developments to be funded with project financing (same as PNG LNG Project)
  - PNG LNG Project debt paid down over same period
  - Gearing forecast to remain well below lenders’ covenant in 40 – 45% range during development phases including PNG expansion and Alaskan projects, with cash interest cover above 4x
  - Flexibility exists to wind back exploration spending if needed to prioritise development of these world class assets
  - Discretion to exercise option and on-sell enlarged interests post appraisal, to reduce development expenditure if in best interest of shareholders
- ◆ Based on current oil price and project development cost forecasts, there is adequate capacity to fund these developments without raising additional equity or impacting our dividend policy

Liquidity (US\$m)



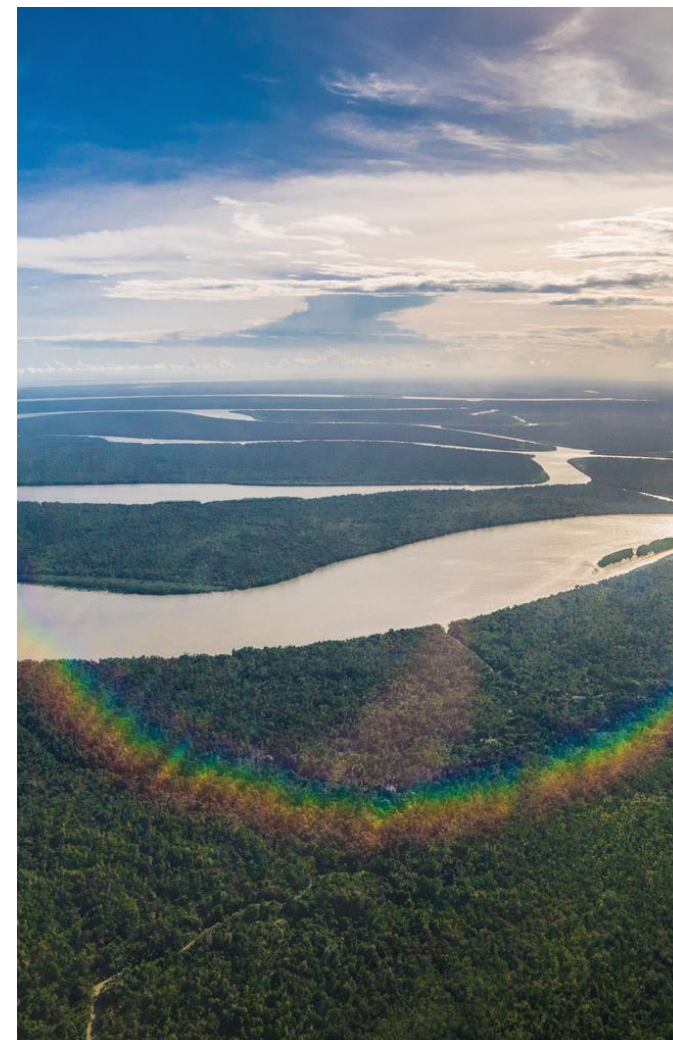
Indicative PNG LNG repayment profile (net, US\$m)





## CONCLUSION

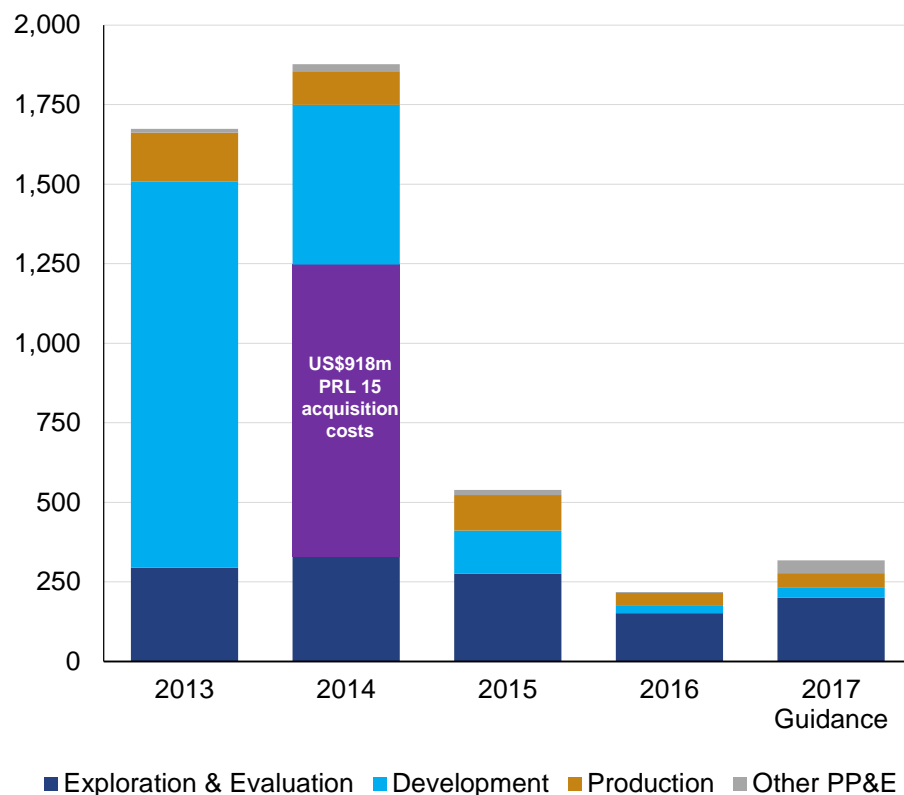
- ◆ Excellent performance from operations:
  - PNG LNG operating ~25% above nameplate
  - Additional capacity supported by significant 1P and 2P reserve upgrade in Foundation fields
  - Mitigating decline from mature operated PNG oil fields through near field exploration
- ◆ >10 tcf 2C of discovered 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, increases gas optionality
- ◆ Continue to build and high-grade exploration portfolio, with material exploration potential to drive further growth
- ◆ Alaska asset, when combined with PNG, provides unique portfolio of Tier 1 assets with clear commercialisation paths and unprecedented platform for growth
- ◆ Flexible balance sheet, strong operating cash flows and sufficient liquidity to fund growth activities, both in PNG and Alaska





## 2017 FULL YEAR GUIDANCE

### 2017 CAPITAL COST GUIDANCE (US\$295 – 340M)



**Exploration & Evaluation: US\$190 – 210m**

**Development: US\$30 – 35m**

**Production: US\$40 – 50m**

**Other PP&E: US\$35 – 45m**

Production	2017 Guidance <sup>1</sup>
Oil Search operated	5.5 – 6.2 mmboe <sup>2,3</sup>
PNG LNG Project:	
LNG	102 – 105 bcf
Power	0.62 – 0.65 bcf
Liquids	3.3 – 3.6 mmbbl
<b>Total PNG LNG Project</b>	<b>23.5 – 24.3 mmboe<sup>2</sup></b>
<b>Total Production</b>	<b>29.0 – 30.5 mmboe</b>
Operating Costs	
Production costs	US\$8.50 – 9.50 / boe
Other operating costs <sup>4</sup>	US\$125 – 135 million
<b>Depreciation and amortisation</b>	<b>US\$11.50 – 12.50 / boe</b>

<sup>1</sup> Numbers may not add due to rounding.

<sup>2</sup> 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.

<sup>3</sup> Includes 2.8 – 3.0 bcf (net) of SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%).

<sup>4</sup> 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

# ALASKA NORTH SLOPE ACQUISITION – BUILDS ON OSH’S CAPABILITY



Papua New Guinea (Papuan Basin)		Alaska (North Slope)
<ul style="list-style-type: none"> <li>5 bnboe discovered<sup>(1)</sup></li> </ul>	Proven reserves	<ul style="list-style-type: none"> <li>37 bnboe discovered<sup>(1)</sup></li> </ul>
<ul style="list-style-type: none"> <li>7 bnboe<sup>(2)</sup></li> </ul>	Yet-to-find	<ul style="list-style-type: none"> <li>60 bnboe<sup>(2)</sup></li> </ul>
<ul style="list-style-type: none"> <li>Hides Gas Field 1987 (1 bnboe<sup>(1)</sup>)</li> </ul>	Largest field	<ul style="list-style-type: none"> <li>Prudhoe Bay Field 1968 (19 bnboe<sup>(1)</sup>)</li> </ul>
<ul style="list-style-type: none"> <li>89% discovered volume is gas</li> </ul>	Phase	<ul style="list-style-type: none"> <li>78% discovered volume is oil</li> </ul>
<ul style="list-style-type: none"> <li>Fold Belt &amp; Foreland Basin</li> </ul>	Geological setting	<ul style="list-style-type: none"> <li>Fold Belt &amp; Foreland Basin</li> </ul>
<ul style="list-style-type: none"> <li>Seasonal activities onshore</li> <li>Remote with seasonal influences</li> <li>Working collaboratively with local stakeholders</li> </ul>	Operating environment	<ul style="list-style-type: none"> <li>Exploration restricted to the winter season</li> <li>Development all year round</li> <li>Working collaboratively with local stakeholders</li> </ul>
<ul style="list-style-type: none"> <li>Higher cost due to remote logistics</li> <li>Highlands well costs &gt;US\$100m/well</li> <li>2D seismic &gt; US\$200k/km</li> </ul>	Cost environment	<ul style="list-style-type: none"> <li>Close proximity to infrastructure</li> <li>Onshore drilling &lt;US\$30m/well</li> <li>2D &amp; 3D seismic</li> </ul>
<ul style="list-style-type: none"> <li>Moderate development lead time for gas</li> <li>New discoveries require new infrastructure</li> </ul>	Development options	<ul style="list-style-type: none"> <li>Ullage available via open access pipeline</li> <li>Only in-field infrastructure required for export</li> </ul>

- ◆ Replicate success of Halliburton agreement post acquisition of Chevron’s PNG assets
- ◆ Ability to leverage OSH’s oil operatorship experience
- ◆ Apply key learnings from PNG exploration and project development experience, given Alaska’s analogous geology to PNG
- ◆ Execute cost-effective appraisal programme
- ◆ Build on strong existing relationship with Repsol
- ◆ Work collaboratively with community and other stakeholders
- ◆ Leverage experience working with Majors to commercialise resource

(1) Source IHSMarkit 2017

(2) Source USGS 2010/11

# ALASKA NORTH SLOPE ACQUISITION – INVESTMENT HIGHLIGHTS



## World class, Tier 1 oil asset with material growth potential

- One of the largest conventional oil fields discovered in the US in more than 30 years
- 500 mmbbls<sup>(1)</sup> – 1.2 bnbbls<sup>(2)</sup> with development targeting production of 80,000-120,000 bopd (gross)
- Over 20 high quality exploration leads with five demonstrating over 100 mmbbls mean potential

## Commercially attractive terms providing scope for significant shareholder returns

- Attractive acquisition price of US\$1.3 – US\$3.1 per barrel discovered resource
- Low break-even cost asset acquired at an attractive point in the oil price cycle
- Financing flexibility to fund the appraisal and development of the Alaskan projects, as well as LNG expansion projects in PNG, while maintaining existing dividend policy. No requirement to raise equity
- Transaction expected to be NAV per share accretive

## Builds a position in an established, prolific oil producing province

- Existing infrastructure with open and direct access
- Well-developed operations and supply bases with skilled workforce
- Attractive fiscal regime
- Transparent regulatory administration and stable government

## Low risk operating plan leveraging important strategic partnerships

- Following appraisal, targeting FEED 2019, FID in 2020 and first oil in 2023
- Agreement with Halliburton to assist in building OSH's Alaskan operating capabilities
- Armstrong committed to assist OSH with secondees as part of agreed transition plan
- Three-year alliance with Armstrong to identify and pursue additional growth opportunities in Alaska
- Continuing the strong relationship with Repsol following successful collaboration in PNG

## Leverages OSH's capabilities and complements OSH's existing top quartile, high returning PNG gas portfolio

- Consistent with OSH's objective to acquire high quality oil assets without diluting our leading PNG portfolio
- Provides commodity and geographic diversification
- Leverages OSH's experience in successfully operating oil fields and working with local communities and governments
- Adds to, and does not distract from, OSH's existing PNG growth projects

(1) OSH estimate of gross resource for purposes of the acquisition; (2) Repsol press release of 9 March 2017

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## COMPANY UPDATE – NOVEMBER 2017

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