

# ASX Announcement

19 November 2020

ASX: OSH | PNGX: OSH | ADR: OISHY

## STRATEGY UPDATE AND INVESTOR BRIEFING 2020

Oil Search has responded to a uniquely challenging backdrop in 2020 by enhancing its resilience through sustained cost improvements and a focus on commercialising growth at a highly competitive breakeven cost of supply. Today, Oil Search announces a refreshed ambition to deliver an exciting future built on a proud heritage and clarity on its strategy to meet that ambition.

At the Company's investor briefing, Managing Director, Dr Keiran Wulff, said:

"The challenges posed by the pandemic and oil price downturn, combined with global trends and societal expectations, have been the catalyst for us to review our past performance and make sustained improvements to position Oil Search for long term success.

We now have a lower cost base, are more resilient and are in a strong position to commercialise our world class resource base. Most importantly, these changes have been achieved while delivering a record safety performance and stable production, as well as enhancing employee engagement and maintaining our commitment to our communities.

Together with the structural changes in our industry as the energy transition builds pace, these challenges have highlighted our need to focus on low cost projects, measurable action on sustainability and disciplined capital management. Oil Search has a very strong oil and gas resource base and our focus is to commercialise our resources at the lowest possible cost, aligned with societal and investor expectations. We firmly believe oil and gas produced safely, responsibly and at low cost will continue to play a critical role during the transition to a renewable energy future.

Today we are outlining our renewed purpose and ambition. We will deliver low cost, low greenhouse gas (GHG) intensity, high value energy that meets society's needs with the ambition of being the preferred energy company for all stakeholders.

Our strategy to meet this ambition comprises three disciplined phases:

- We will **Focus** our business and resources on the assets that matter, driving sustained low costs and simplification of our PNG operations;
- We will **Deliver** our world class resources, starting with commercialising the Pikka development at a breakeven cost of supply of less than US\$40/bbl and prioritising the delivery of Papua LNG; and
- We will **Evolve** by focusing on maximising shareholder returns and free cashflow, achieving full potential from Alaska and considering targeted complementary energy investments.

Critically, sustainability will be embedded in everything we do, building on our strong heritage of commitment to community to include new targets for operated emissions intensity, minimising our environmental footprint and ensuring our developments and operations are aligned with our commitment to be the preferred energy company for all stakeholders. We are now aiming to reduce operated GHG emissions intensity by in excess of 30% by 2030.

We have learned some hard lessons this year. We are focused on delivering near term operating cash flow and strong returns underpinned by resilient operations and disciplined capital management.

We have a clear hierarchy for allocating capital, prioritising sustaining capital and a strong, flexible balance sheet. We have stress tested our portfolio, instilled a disciplined approach to investment decisions and are well progressed in pursuing multiple options to ensure funding readiness for delivering Pikka and Papua LNG.

The quality of our portfolio and the discipline being applied will underpin the delivery of our strategy. We are excited by the future and look forward to providing regular updates on our progress against clearly stated milestones. We are committed to delivering major production growth, lower breakeven costs, lower emissions intensity and a material increase in free cash flow over the next decade.”

To access the live webcast of the Investor Briefing, please follow the link that can be found at [www.oilsearch.com](http://www.oilsearch.com). The webcast will commence at 09:00 AEDT.

A copy of Oil Search’s Investor Briefing 2020 is attached.

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*This ASX announcement was authorised for release by Oil Search’s Disclosure Committee.*

ABSOLUTE

# FOCUS

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**Oil Search**

## Investor Briefing

19 November 2020

Oil Search Limited – ARBN 055 079 868 – ASX: OSH – PNGX: OSH – US ADR: OISHY

[www.oilsearch.com](http://www.oilsearch.com)



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# Today's speakers



**Rick Lee AM**  
Non-Executive Chairman



**Dr. Keiran Wulff**  
Managing Director



**Bruce Dingeman**  
Executive Vice President,  
Alaska



**Diego Fettweis**  
Executive Vice President,  
Commercial



**Beth White**  
Executive Vice President,  
Sustainability and Technology



**Stephen Gardiner**  
Chief Financial Officer

# Agenda



**Introduction by Chairman**

Rick Lee AM (Non-Executive Chairman)

**Strategy Overview**

Dr. Keiran Wulff (Managing Director)

**Alaska**

Bruce Dingeman (EVP, Alaska)

**PNG**

Diego Fettweis (EVP, Commercial)

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***10 minute break***

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**Sustainability**

Beth White (EVP, Sustainability & Technology)

**Capital Management**

Stephen Gardiner (CFO)

**Final Remarks**

Dr. Keiran Wulff (Managing Director)

**Q&A**

Dr. Keiran Wulff (Managing Director)

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***End (12:30)***

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# Introduction by Chairman



**Rick Lee AM**  
Non-Executive Chairman

# Strategic foundations



The **energy transition is here**, but **responsibly developed** oil and gas will continue to **play a vital role**



Society expects **measurable action on Sustainability**



Investors require **free cash flow generation and returns** underpinned by resilient operations, disciplined capital management and growth

## REQUIREMENTS FOR OUR STRATEGY



**Low-cost projects**  
resilient to price volatility



**Measurable delivery**  
against commitments



**Near term free cash flow**  
generation and capital discipline





## OUR PURPOSE

**We will deliver low cost, high value energy that meets society's needs**



## OUR AMBITION

**We will be the preferred energy company for all stakeholders**

# Strategy Overview



**Dr. Keiran Wulff**  
Managing Director

# Five key global trends demand consideration in strategy



**Oil demand outlook is evolving**



**LNG growing in prominence**



**Increasing sustainability focus**



**Technology an opportunity and a disruptor**



**Changing geopolitical context**

# Oil Search has a strong track record and owns four main assets



## Proud History

- Established in 1929 in PNG
- Quality resource base
- Delivered success in sustainability and community

## Demonstrated Capability

- Proven capability to operate in challenging environments in PNG and Alaska
- Strong record of working with communities and stakeholders

## Consistent Growth

- Consistent history of growth in phases, most recently driven by PNG LNG project (2014)
- Path to future growth is clear with opportunity to commercialise world-class assets

## OUR ASSETS

### PNG operated

**Equity:** various

**Production**<sup>1</sup>: 3 mmboe

**2P:** 25 mmboe

**2C:** 5 mmboe

### PNG LNG

**Equity:** 29%

**Production**<sup>1</sup>: 25 mmboe

**2P:** 2.3 tcfGE

**2C:** 2.4 tcfGE

### Alaska

**Equity:** 51%

**Production:** Starting 2025

**2P:** n/a

**2C:** 494 mmbbl<sup>2</sup>

### Papua LNG

**Equity:** 22.8%<sup>3</sup>

**Production:** Starting 2027

**2P:** n/a

**2C:** 1.6 tcfGE

Note: Oil Search's internal view on potential start dates; (1) Production and Reserves/Resources per 2019 full year results; except Alaska which incorporates 2020 2C increases – see ASX release on 19<sup>th</sup> November 2020 for further detail. PNG LNG 2C resource includes P'nyang, Muruk, and Juha North; some non-material field resources not included; oil converted to Gas Equivalent using PNG LNG conversion factor of 5100 scfGE/bbl & gas converted to oil using same factor of 5100 scf/BOE; (2) Alaska 2C resource is net before royalties; (3) Papua LNG equity interest prior to government back-in



# In 2020 we enhanced our resilience and focused our business



## Business stabilisation

Strengthened liquidity and balance sheet  
Decisive response to COVID-19 protecting our people and assets  
Reduced 2020 capex by 40%  
Generated stable cash flow from core producing assets

Redesigned organisation for efficiency and resilience  
Decreased production costs by US\$1-2/boe, sustainably  
Continual improvement office established



## Operational optimisation



## Clear priorities

Commercialise resources (2C to 2P) by lowering breakeven  
Reduce Alaska cost of supply (improved returns, halved capex)  
Focus PNG operations and simplify LNG expansion  
Embed sustainability in all decision making

# Our strategy to be the preferred energy company



## 1. Focus (2020-23)

Drive sustained low costs

Focus PNG operations and activities

Reduce Alaska cost of supply and capex

Optimise organisation for the future

## 2. Deliver (2021-25)

Commercialise Pikka development

Prioritise Papua LNG

Optimise P'nyang integration approach

Low breakeven PNG oil production add-ons

## 3. Evolve (2024-30)

Shareholder returns and free cashflow

Deliver Alaska full potential

Consider targeted complementary energy investments

Value accretive M&A to be assessed against growth options and capital management alternatives

**Disciplined capital management** is a foundational enabler

**Sustainability** is at the core of all decisions

# Focus on highest and fastest return on capital within our control



**Optimise cost base**

**US\$90m**

Opex savings<sup>1</sup> across the business



**Controlling development**

**50%**

Reduction in Alaska capex with pathway to full value



**Focus on appraisal**

**75%**

Reduction in average annual exploration capex<sup>3</sup>



**PNG operated asset prioritisation**

**US\$200m**

Reduction in PNG exploration expense<sup>4</sup>

## OTHER SUPPORTING ACTIONS

Continuous improvement and third party spend improvement

Reduced Alaska cost of supply<sup>2</sup> <US\$40/bbl; targeting ~US\$35/bbl

Nearfield early payout production opportunities

Five year plan for Lancos and third party support

Portfolio targeting low unit cost & resilience

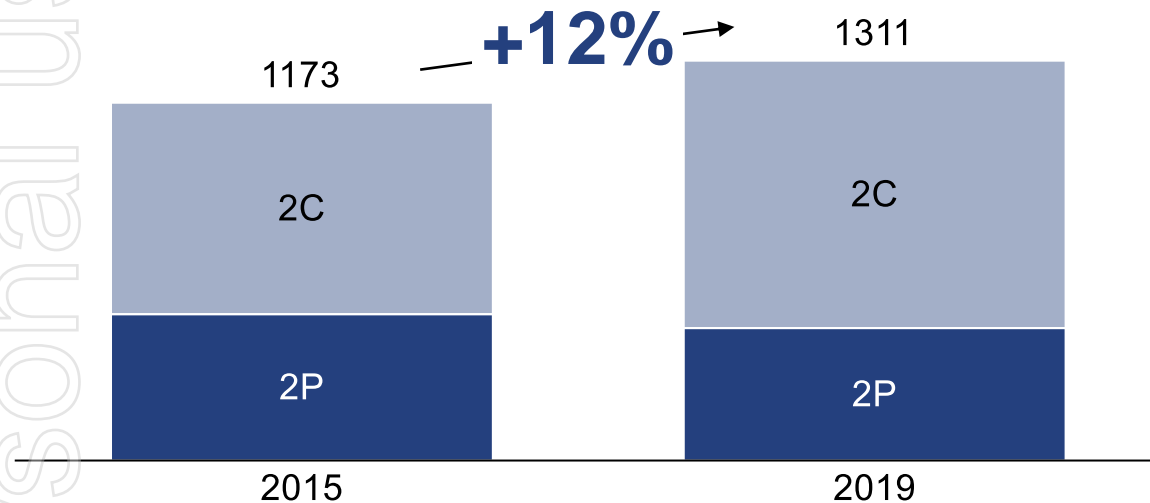
Note: (1) US\$90m savings excludes one offs: restructuring and COVID-related costs, when compared with FY2020 guidance released in February 2020; (2) Cost of supply calculated as real brent price required for project investment to breakeven at 10% discount rate; (3) Reduction in average annual exploration capex based on 2017-2019 vs 2021-2023, for PNG only; (4) Reduction represents exploration capex that would have been required to retain licenses being relinquished across the lifecycle of the licences; All numbers are net to Oil Search and are estimates based on Oil Search internal estimates

# We have significant growth to deliver from our world class resources



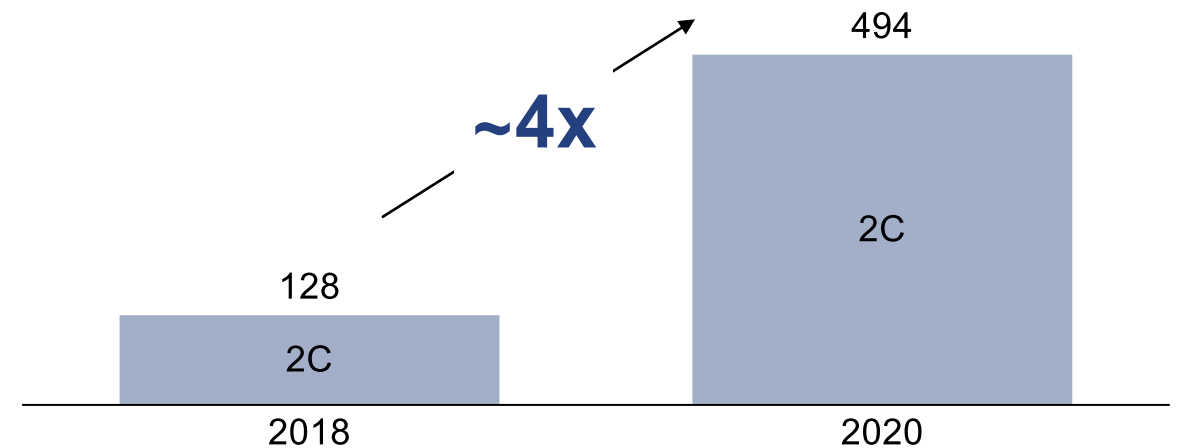
**PNG: Large scale resource base with an attractive brownfield growth opportunity**

Oil Search PNG reserves and resources (mmboe)<sup>2</sup>



**Alaska: Largest recent US onshore discovery<sup>1</sup> continues to grow and attract global interest**

Oil Search net Alaska resources (mmbbl)<sup>3</sup>

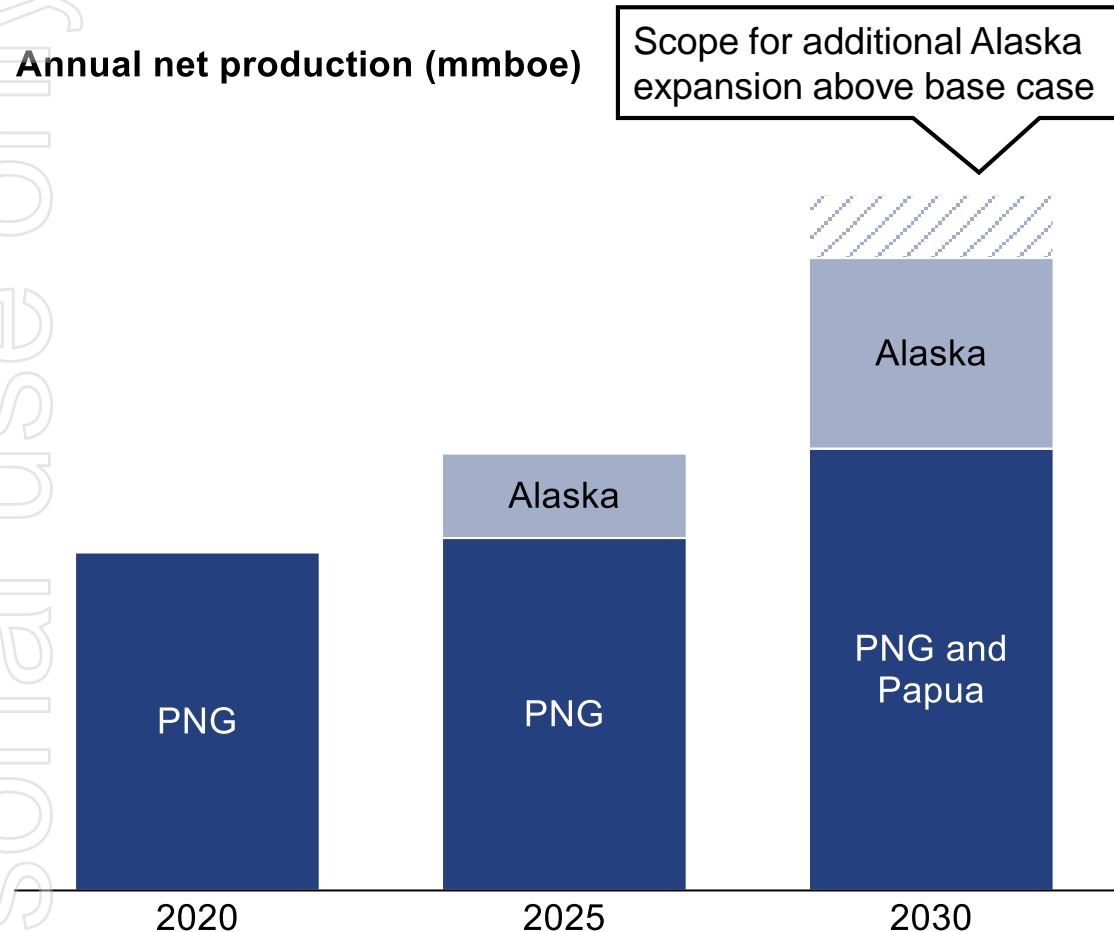




# Delivery of our growth results in high value, low breakeven and material long term production

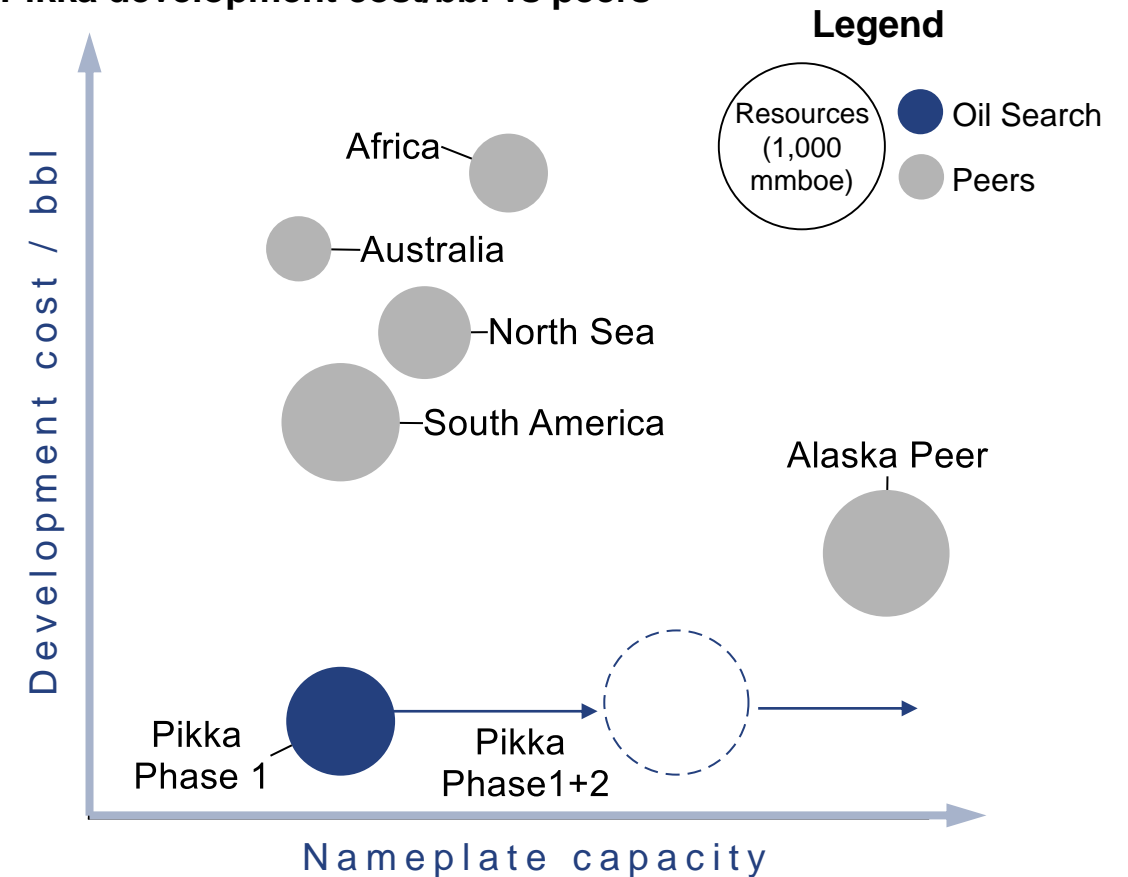


## Production increase >80% by 2030



## Competitive development case vs. peer projects

### Pikka development cost/bbl vs peers<sup>1</sup>



# Building on strong sustainability foundations



Personal use only



# The future of Oil Search

For internal use only



**Production**  
(mmboe p.a.)



**Free cash flow**  
(p.a.)



**Free cash flow breakeven**  
(US\$/boe)



**2C to 2P reserves conversion**  
(mmboe basis)



**Reduction in operated emissions intensity**  
(unit basis)

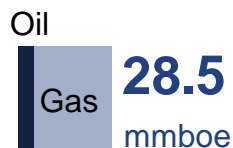
**Accountable, high performance culture**

**Inclusive and diverse workforce**

**Delivery on sustainability commitments**

**Resilient balance sheet and capital discipline**

**Today**



**28.5**  
mmboe

**US\$100-130m**

**20-22**



Individual asset initiatives

**Targets (2028-2030)**



**50+**  
mmboe

**US\$1.5-2bn**

**17-20**

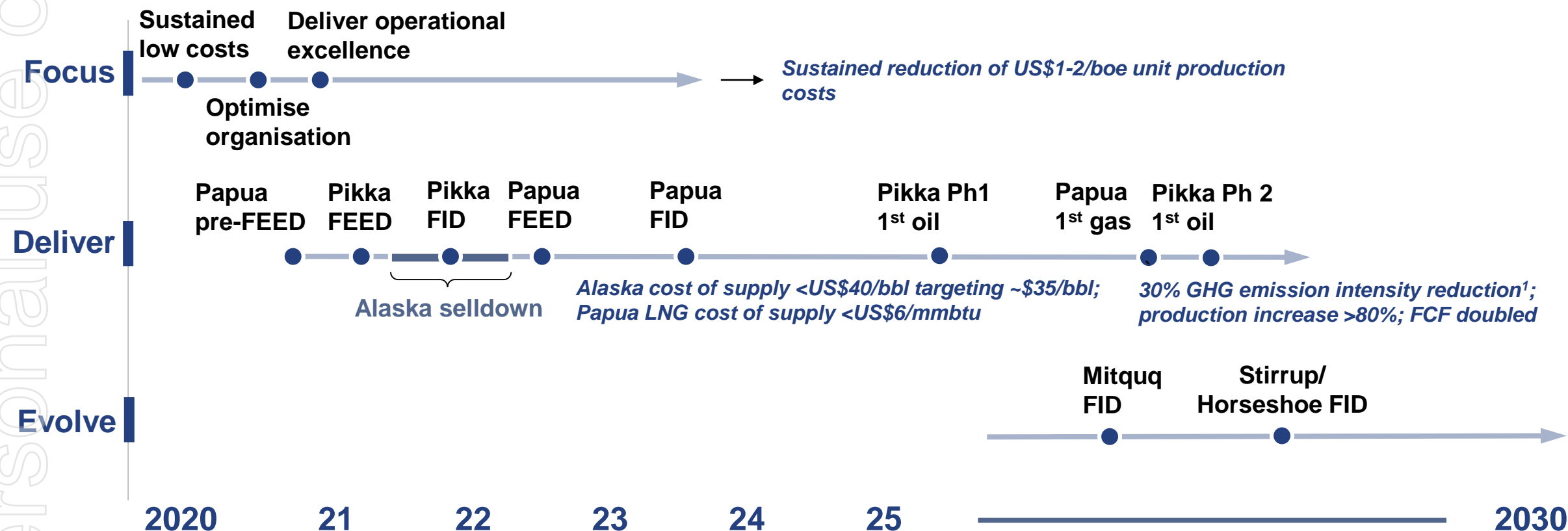


**>30%**  
(whole of business, by end 2030)



Note: Free cash flow defined as operating activities less investing activities. "Today" free cash flow is 2020 year end estimate. Production today is midpoint of Q3 guidance. Forecast methodology uses corporate assumptions and oil price assumptions as disclosed in note 13 to the 30 June 2020 half year accounts. Free cash flow breakeven is the annual average realised price at which cash flows from operating activities equals cashflows from investing activities, excluding all discretionary expenditure. All numbers are net to Oil Search, estimates only and are Oil Search's view of potential project development dates

# Milestones to track our strategy over three horizons





## 01

### Renewed purpose and ambition

- Deliver low cost, high value energy that meets society's needs
- We will be the preferred energy company for all stakeholders

## 02

### Disciplined strategy delivery in three phases

- Focus our business and resources on the assets that matter
- Deliver resource commercialisation with Phase 1 of Alaska and Papua LNG
- Evolve to grow returns and monetise our deep resource base

## 03

### Focused 2020 supports strategy

- Delivered efficiencies and improved liquidity
- Disciplined capital management
- Creating capital flexibility
- Simplification and control

## 04

### Sustainability is part of our DNA

- Focus on protecting the health and safety of our people
- We will extend our industry leadership in community relationships into all aspects of sustainability

## 05

### Our journey has already begun

- Building on our unique culture and world class assets
- Deliver significant, high margin production growth and commercialise our resource base

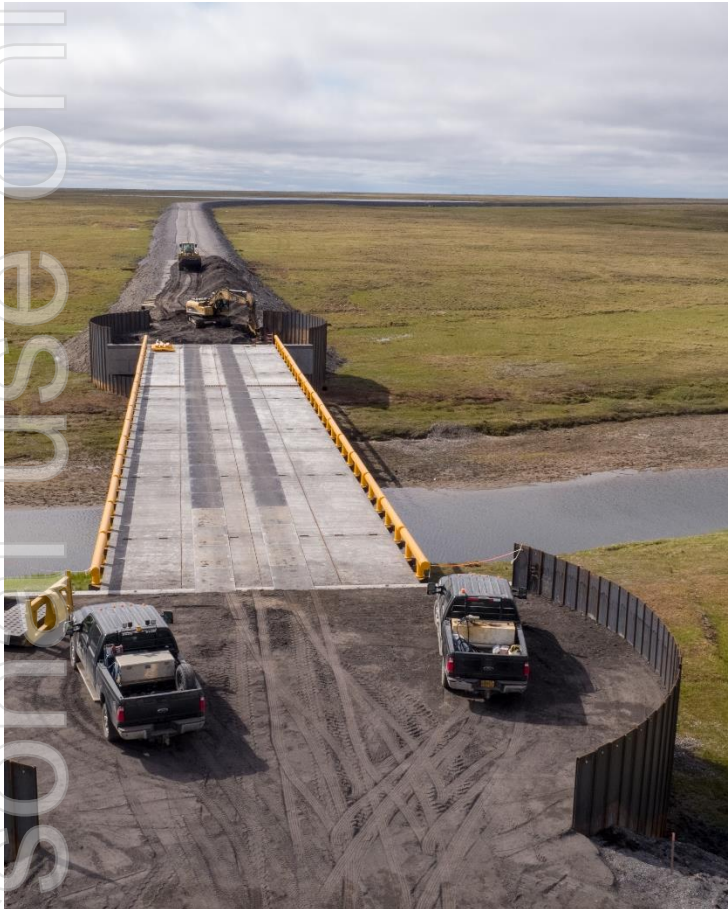
# Alaska



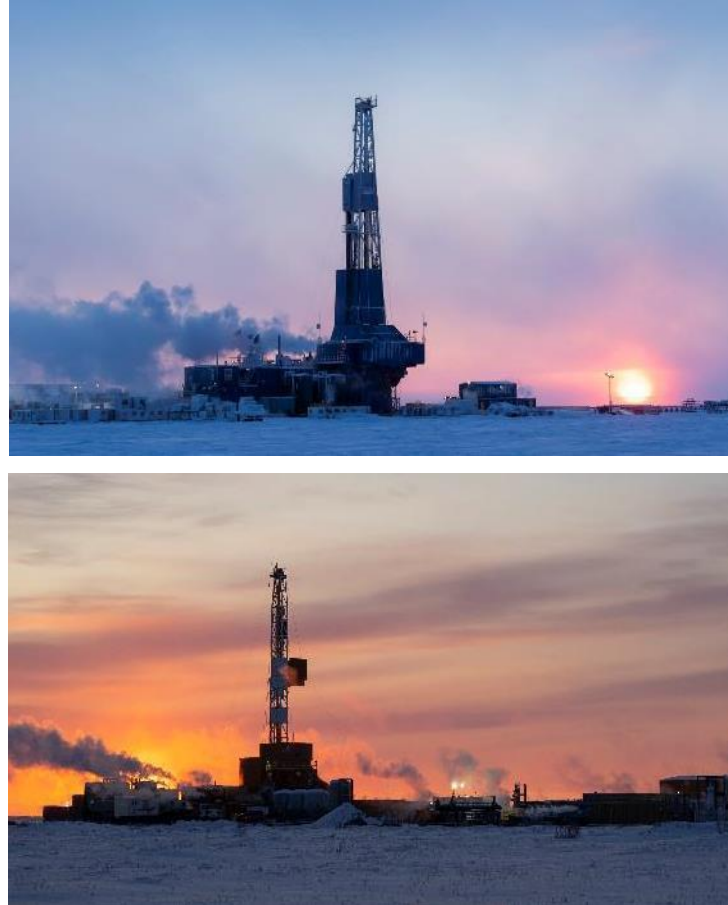
**Bruce Dingeman**  
Executive Vice President,  
Alaska

# Significant progress against critical path to 2025 first oil

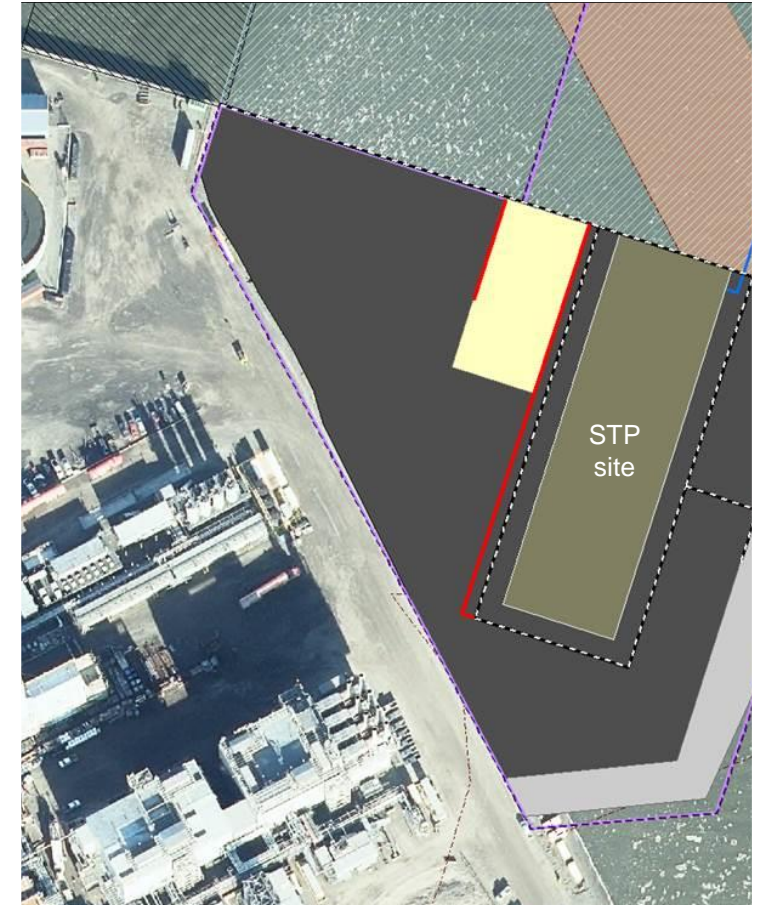
**Road and pad construction enables year-round access**



**Mitquq and Stirrup discoveries, each with Pikka-scale potential**

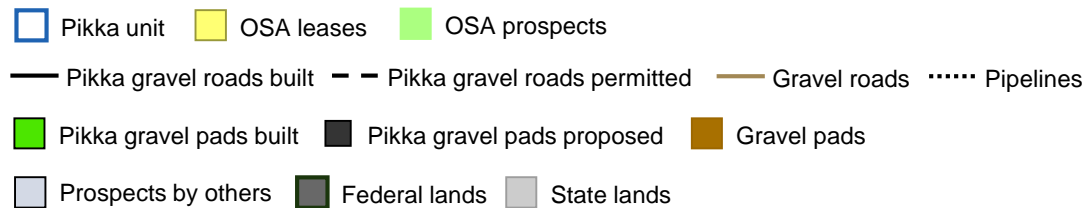
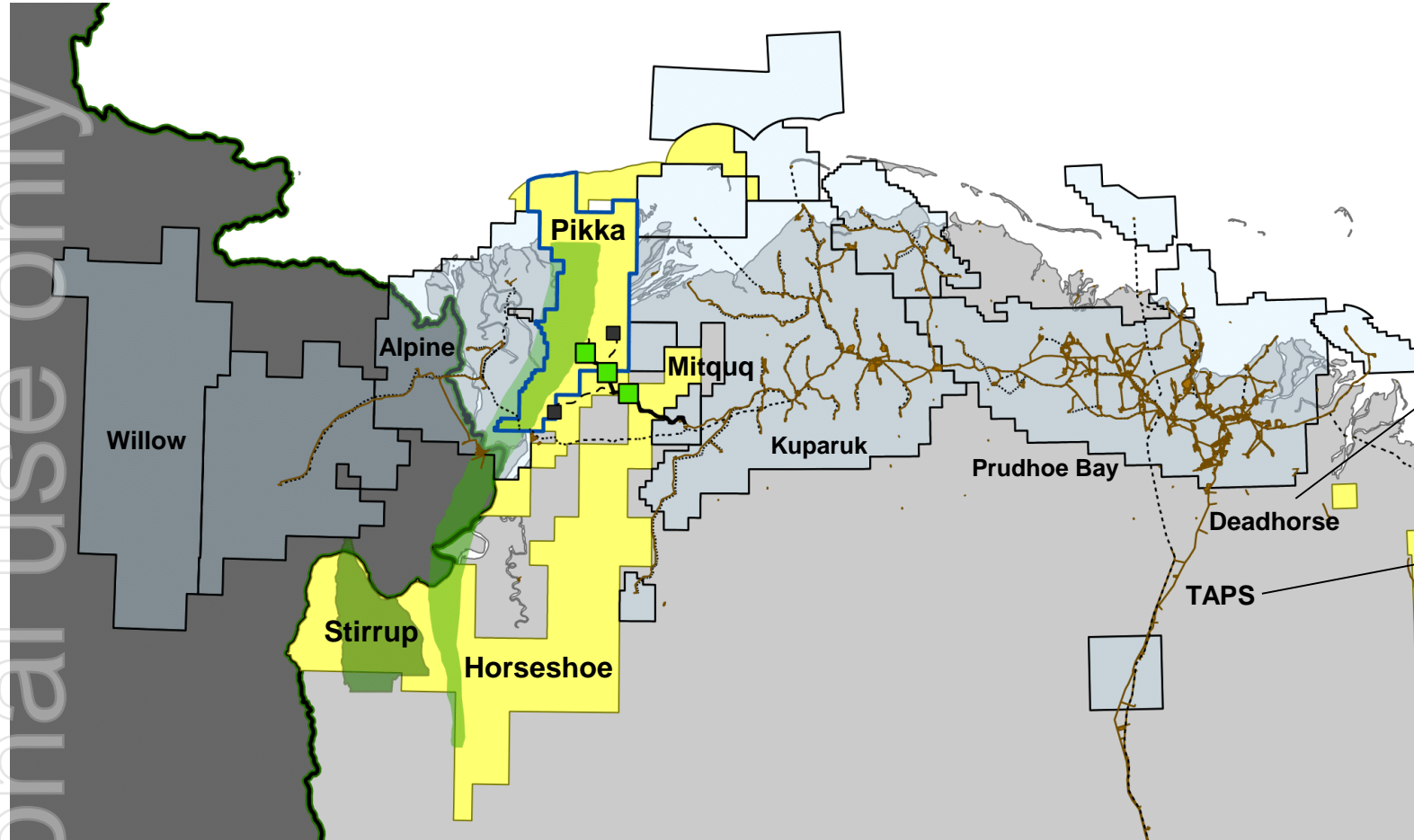


**Seawater supply optimised, permit modification granted**





# World class asset surrounded by infrastructure

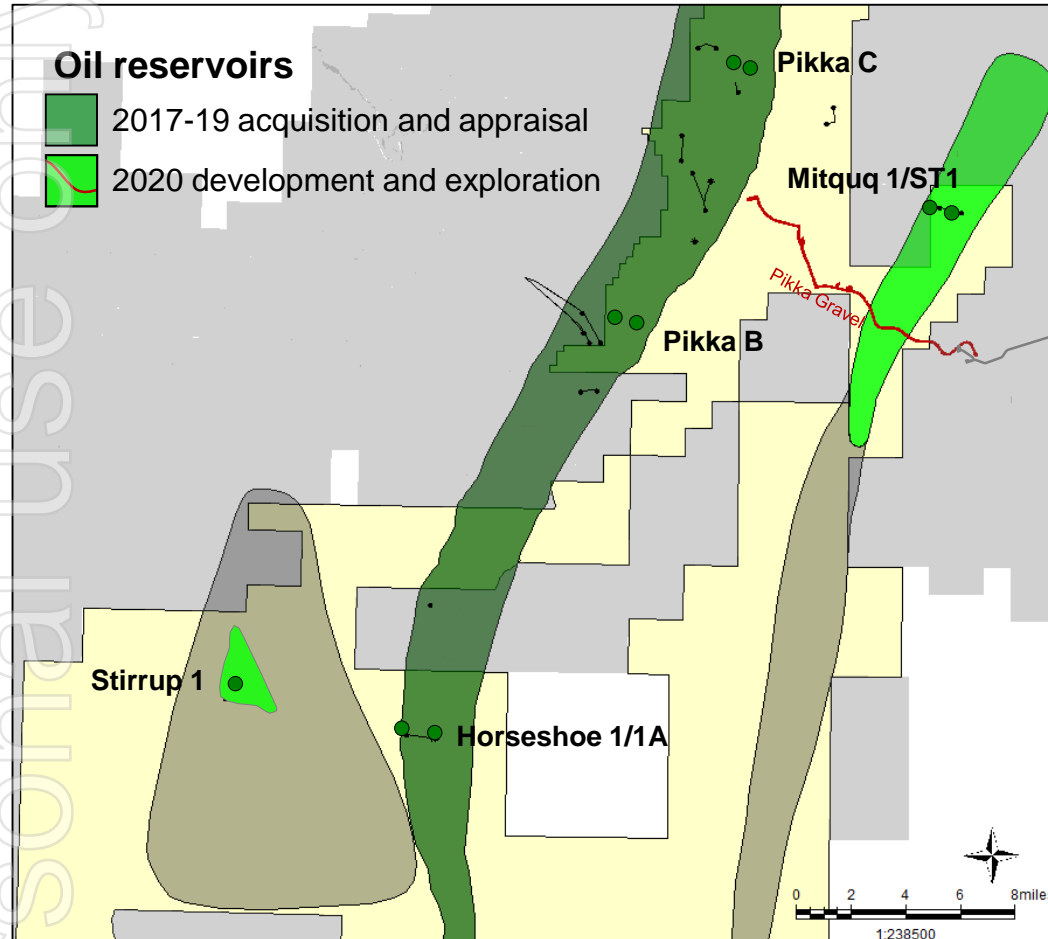


## Key infrastructure

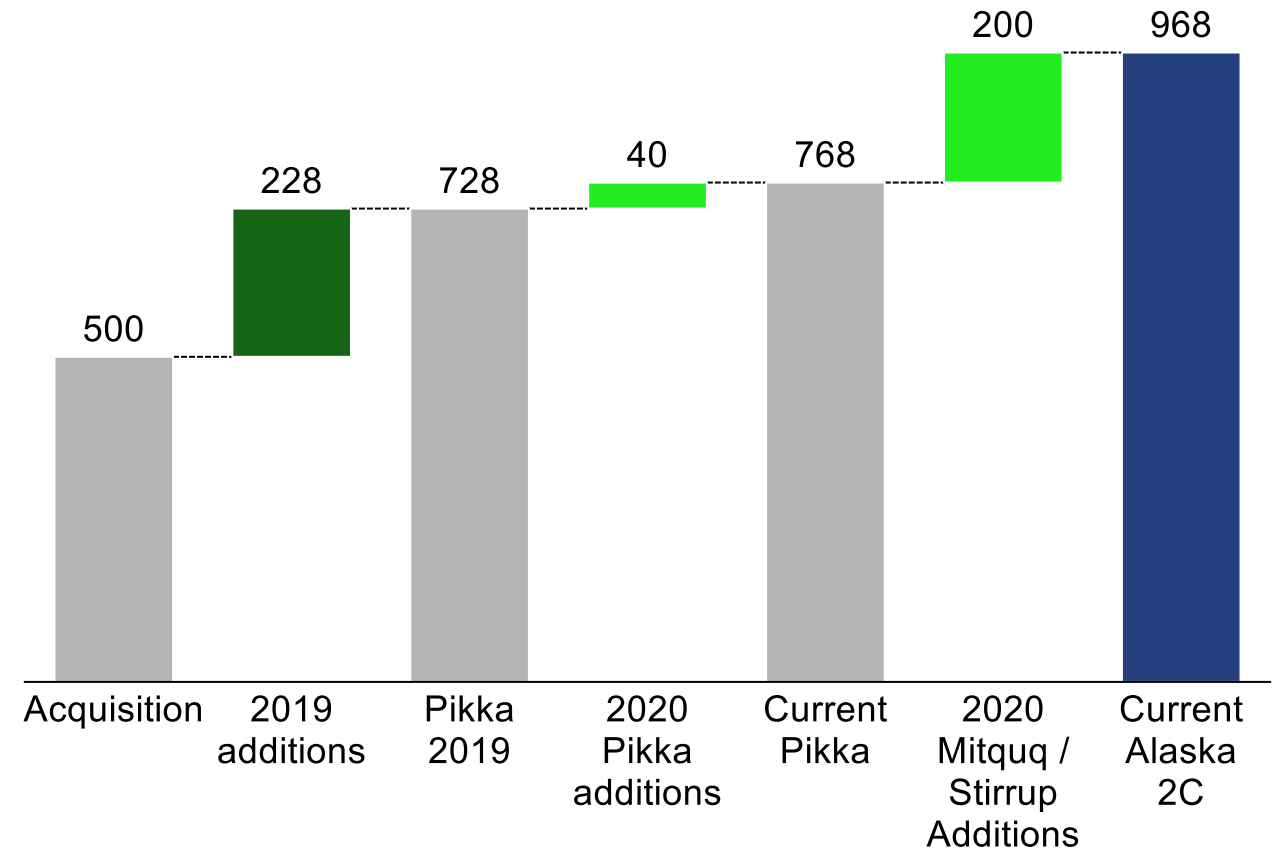


# Significant growth in resources since acquisition

## Current resources



## 2C gross resource growth<sup>1</sup> (mmbbl)





# Pathway to full value from phased Alaska developments



	Pikka modular development		Mitquq
	Phase 1	Phase 2	Backfill or Phase 3
Resource developed	350-400 mmbbl	350-400 mmbbl	TBD
Nameplate capacity	80 kbpd	+40 kbpd	+40 kbpd
Facilities capex	US\$1.7 – 1.9bn	15-20% cost reduction vs. phase 1	Development concept to be confirmed
Drilling capex	US\$1.0 – 1.2bn		
Operating costs	US\$3.50 – 4.00/bbl		
Cost of Supply	<US\$40/bbl	~US\$35/bbl	Targeting <US\$35/bbl
IRR	>20%	>20%	>25%

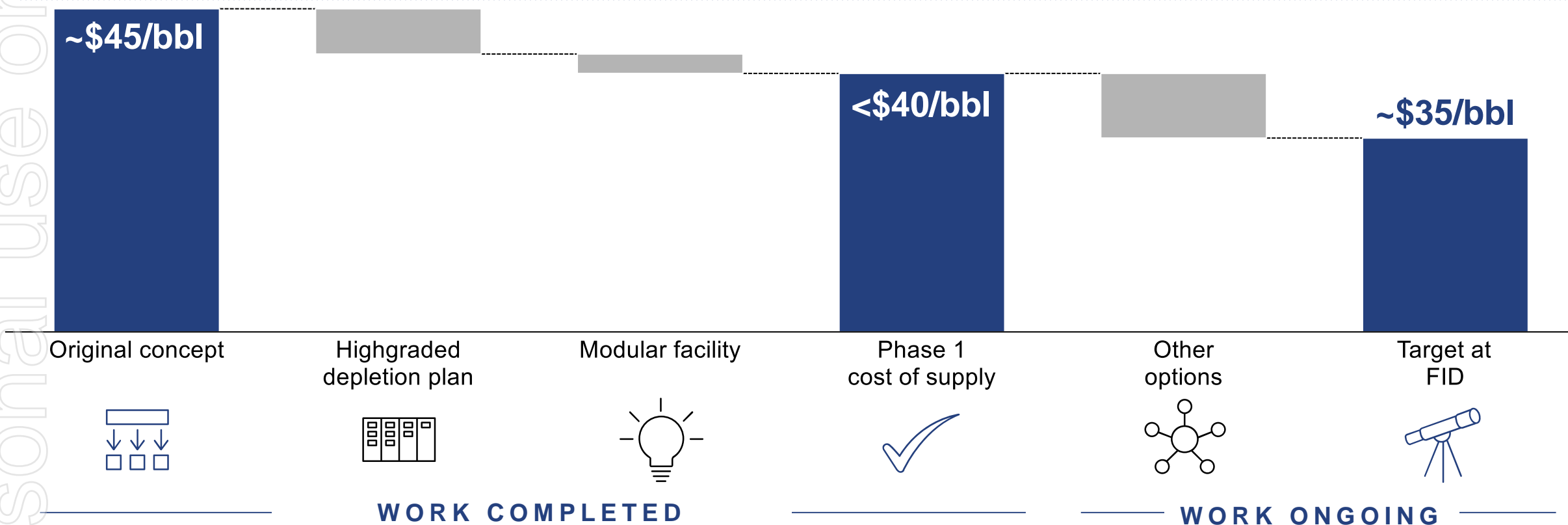
Modular concept achieves 67% of the production rate at 50% of previous cost estimates

Note: All figures cited on a gross basis. Oil Search current Pikka working interest is 51%. Cost estimates are in real 2020 terms. Facilities and drilling capex estimates include 15-25% contingency. Cost of Supply calculated as the real Brent price required for project investment to breakeven at a 10% discount rate; Cost of Supply and IRR calculations assume current State of Alaska and US Federal tax rates and \$7-8/bbl transportation costs to market. IRR based on price decks disclosed in note 13 to the half year financial statements ended 30 June 2020  
Source: Oil Search internal estimates

# Optimised design lowers cost of supply, grows value and flexibility

Drivers of Alaska Phase 1 Cost of Supply at 10% discount rate (US\$/bbl)

2025 Brent Futures price: US\$45-50/bbl<sup>1</sup>

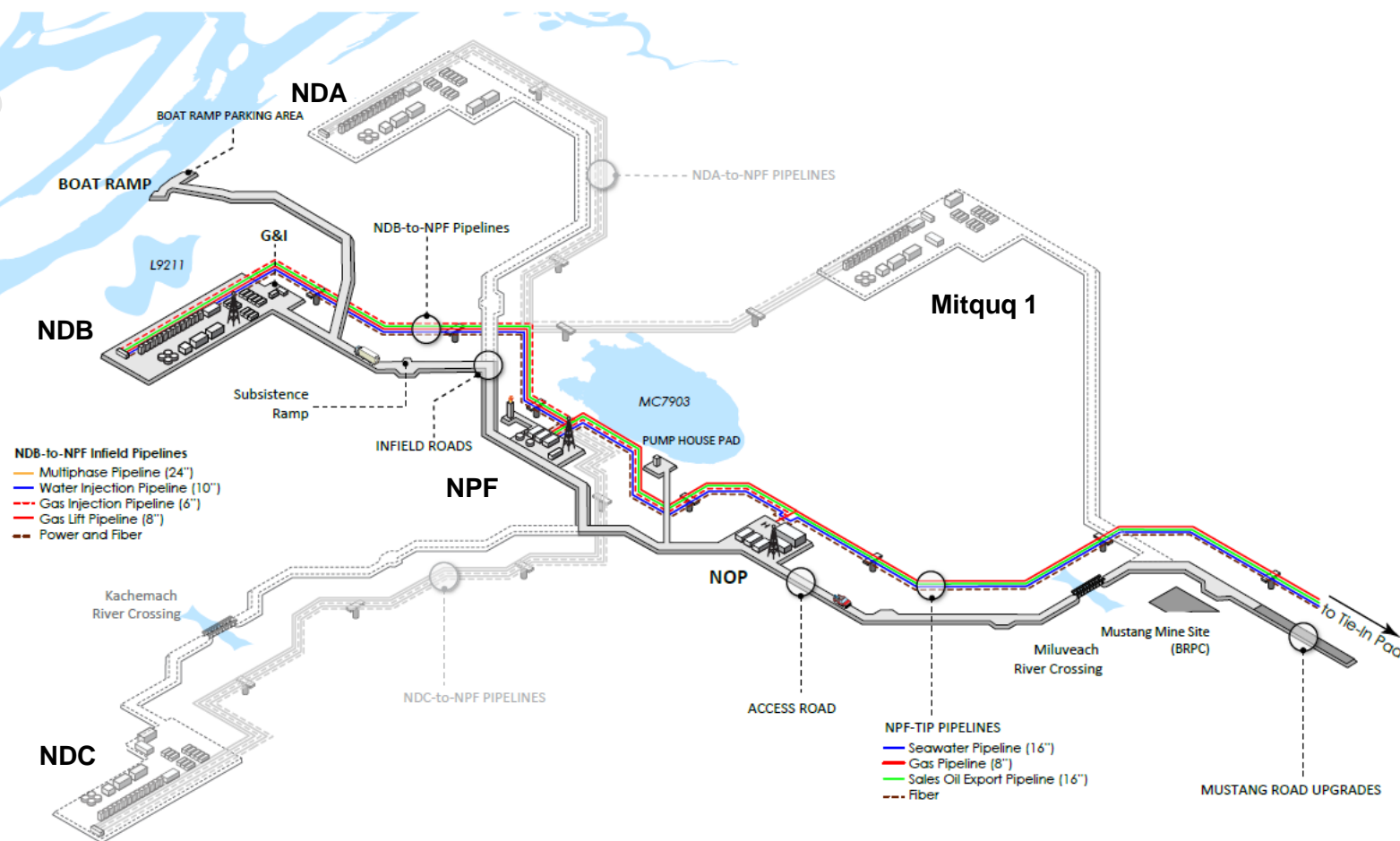


Note: Cost of supply calculated as the real brent price required for project investment to breakeven at a 10% discount rate; (1) Range of Jan 2025 – Dec 2025 Brent futures contract prices as at 18 November 2020

# Phased development lowers risk, cost and drives flexibility

## Development pace can be managed through price cycles

- Central road and pads ready for year-round access
- NDA and NDC are permitted for Phase 2 development
- Following appraisal and permitting, Mitquq pad can be tied back to central processing facilities with a further expansion or as backfill

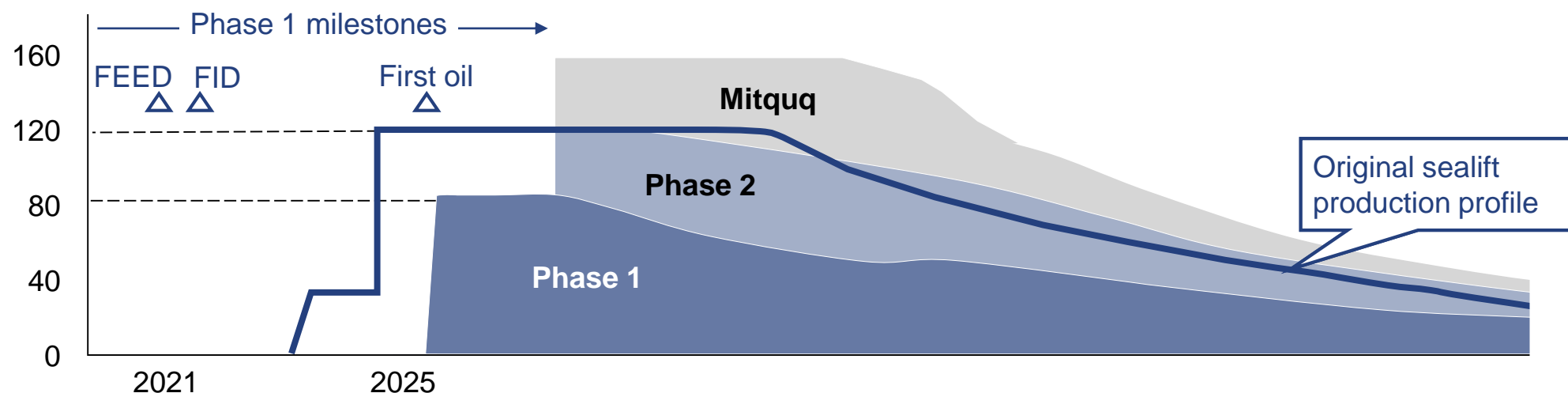


# Low cost of supply delivered via use of existing infrastructure

## Phased production has flexibility built in

### Approximate Production Profile

Daily production (kbpd, approximate)



### Phase 1



- Pikka central facilities hub
- Pikka Phase 1

### Phase 2



- Pikka Phase 2
- Current permitted scope

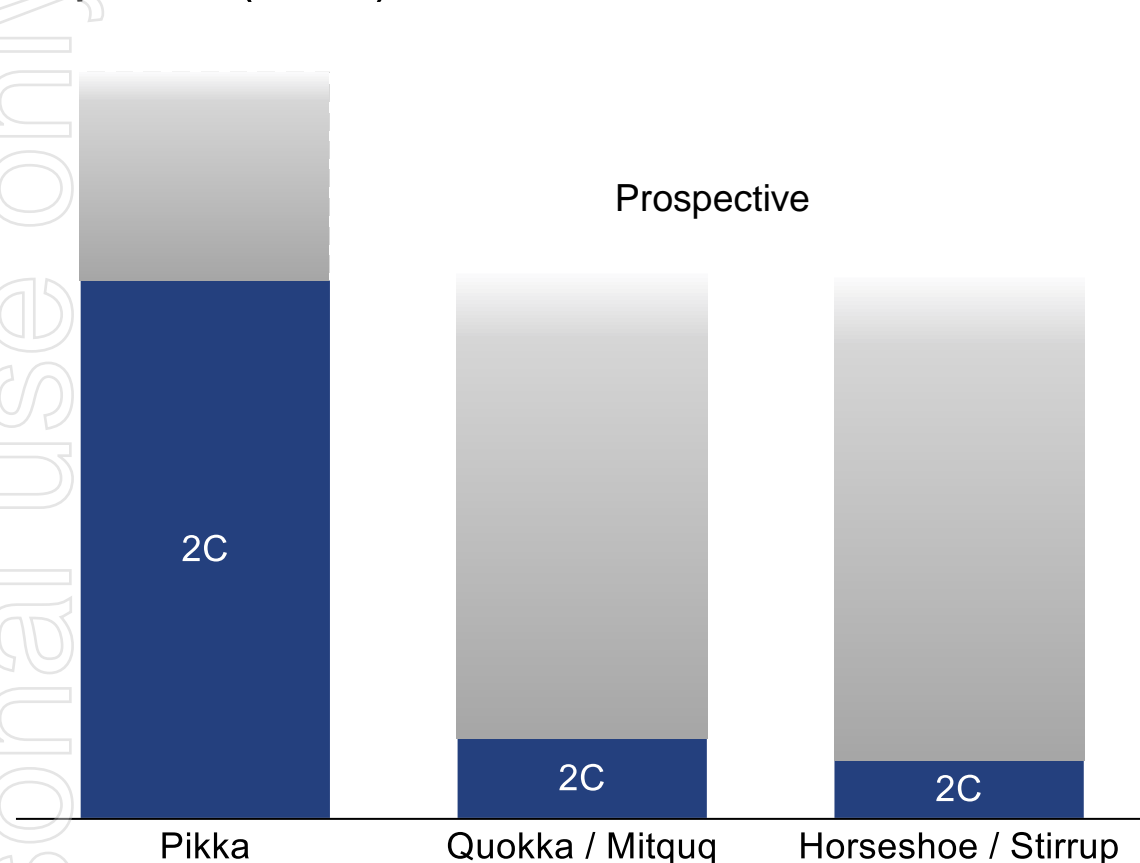
### Mitquq



- Mitquq step out extension and modular expansion
- Capital efficient with increasingly low cost of supply

# Significant flexibility adds value in future developments

2C potential (mmbbl)



## Future flexibility

- Pikka design optimised for efficient monetisation utilising modular expansions and tie-backs
- **Further appraisal drilling** will define **full resource potential beyond Pikka**
- **Mitquq and Stirrup** both have **Pikka-scale potential**
- **Mitquq to be commercialised** through existing infrastructure or backfill after appraisal
- Stirrup and Horseshoe, post-appraisal, of sufficient scale for a **Southern processing hub** with growth potential



# Project designed for sustainability

## Development incorporates latest sustainable practices

- Pikka GHG intensity designed to be ~75% lower than the North Slope average<sup>1</sup>
- Proactively reduced development footprint beyond community expectations
- Electrified operations have superior GHG performance vs operations powered by generators fired from gas
- Extensive community input on road access for subsistence use and emergency response
- Support independent and transparent flora and fauna studies and benchmarking
- Opportunity creation for youth through education programs, vocational training and business development

## Continuing our proud tradition of community engagement



*“Oil Search’s central focus isn’t just to do good business, it’s to **build capacity for our people**, to **protect our lands** and it’s linked to a **sustainability mindset**.”*

**Rex A. Rock Sr.,  
President & CEO, Arctic Slope  
Regional Corporation**



***Landmark Land Use Agreement  
signing with Kuukpik Corporation,  
October 2019***



01

## Design is modular and low capex

- Resilient to sustained oil prices <US\$40/bbl
- Designed in close alignment with our joint venture partner

02

## Highly experienced team with proven history in Alaska

- Demonstrated ability to operate responsibly
- Record drilling performance
- Control on core facilities
- Application of latest technology

03

## Low emission intensity

- Facilities designed for lower GHG emission intensity
- Minimised environmental footprint

04

## Desired long term ownership of 36%

- Targeting a 15% Oil Search sell-down solely or in cooperation with our joint venture partner
- Renewed market interest driven by quality and scale of conventional asset

05

## Proactively working with our communities

- Committed to continuous engagement, opportunity creation and long term sustainability for our local communities

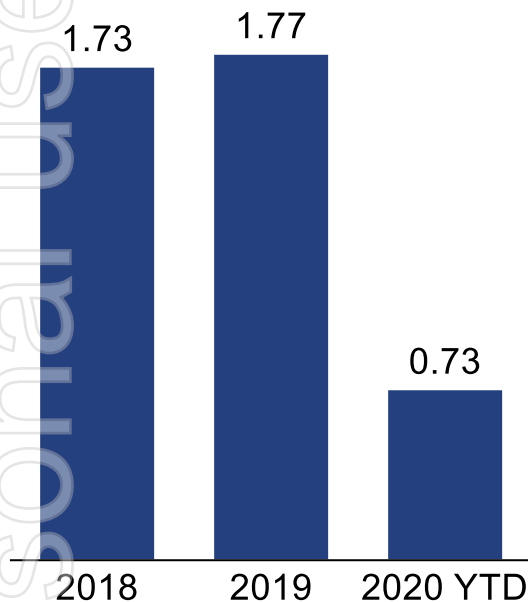


**Diego Fettweis**  
Executive Vice President,  
Commercial

# We have been uncompromising in protecting our people and assets Oil Search

## Outstanding safety performance

### Operated TRIR



## Early and rapid COVID response

0

COVID-19 cases at  
operated assets

## Improving operational performance

### Operated compressor uptime (YTD)



## Cost reduction in operated business<sup>1</sup>

22%

Reduction in underlying  
2020 operated  
production costs

# Our footprint in PNG is being simplified with a focus on operational performance



## Discipline and sustained cost reduction

### Targeted outcomes

**40% decrease in opex by 2023<sup>1</sup>**

### Activities

- Technology and planning driving improved tool time
- Third party spend reduction
- Enhancing cooperation with Lancos
- Consolidate support infrastructure and logistics

## Portfolio optimisation

### Maximise return on capital

**75% reduction in average annual exploration capex<sup>2</sup>**

- Focus on high priority, high value licenses
- Release non-core acreage
- Disciplined sequencing of opportunities, accounting for risk

## Sustaining production

### Arrest natural decline of operated

- Ongoing review of breakeven cost reduction programs
- Infill drilling to boost productivity
- Solely in-field exploration relevant to existing operations



# PNG portfolio – world class assets in strategic location with options to expand



## Operated assets playing a vital role in PNG LNG

- Contribute 20% of PNG LNG gas, growing into the future
- Provide cash flow
- Will be fully integrated into PNG LNG (planned by 2027)
- Support Lanco and employee capability development



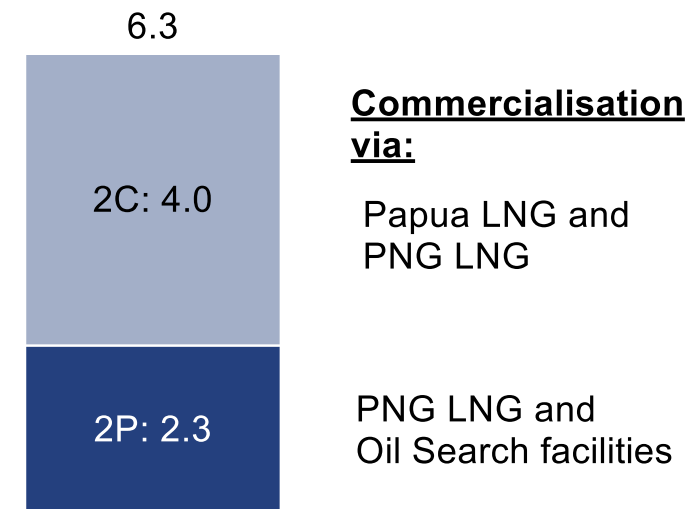
## PNG LNG the cornerstone of current production

- Delivered >1.6MTPA above nameplate without additional capital
- Increased cash flow ~2026 once project loans repaid
- Multiple options to extend plateau
- PNG LNG genuinely world class – cost, product, delivery and reliability



## Resource base supports expansion

Oil Search's reserves and resources associated with main gas assets (YE2019, tcfGE)

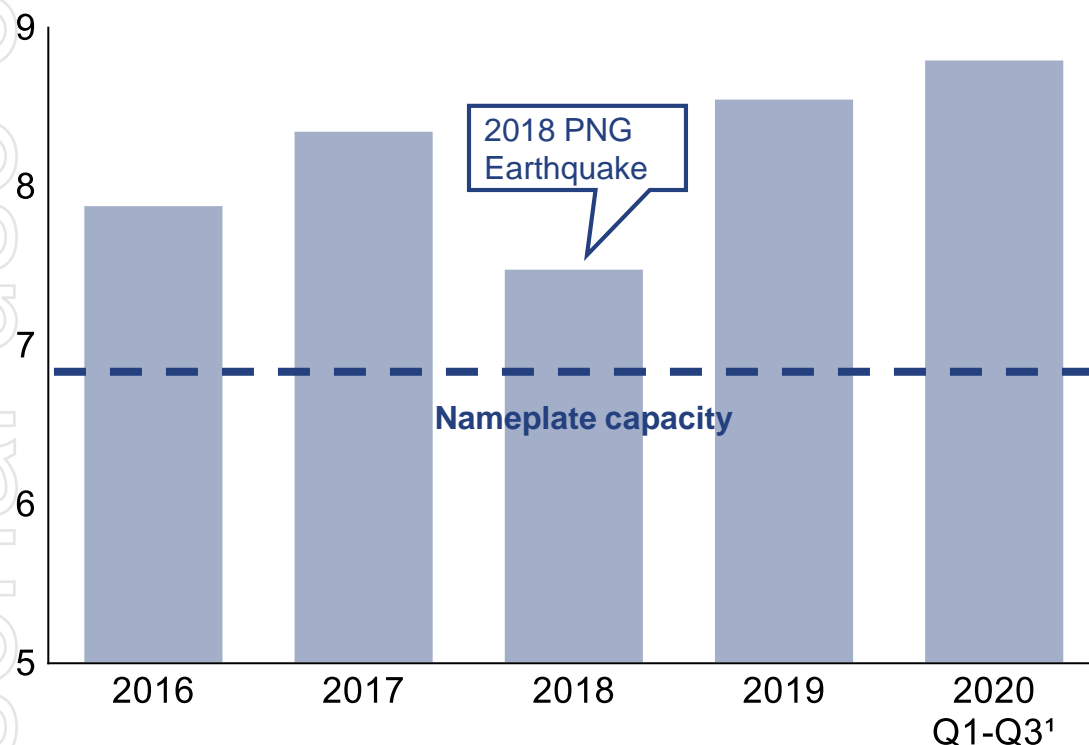


# PNG LNG – consistent out-performance



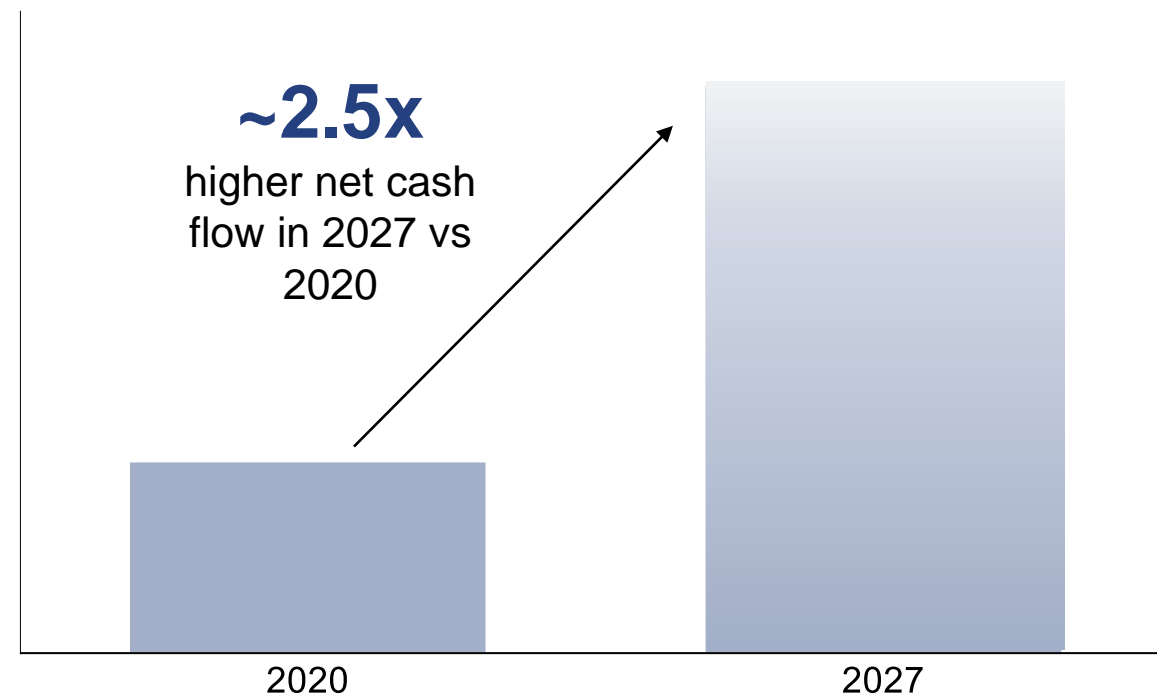
ExxonMobil continues to deliver excellent operating performance

PNG LNG annualised volumes (MTPA)



Anticipate more than doubling net cash flows from PNG LNG by 2027 as financing repaid in 2026

PNG LNG net cash flow (Oil Search estimate)



# PNG uniquely positioned to fill the emerging LNG gap

## Global LNG supply shortfall forecast

Optimally placed to target supply window into Asia

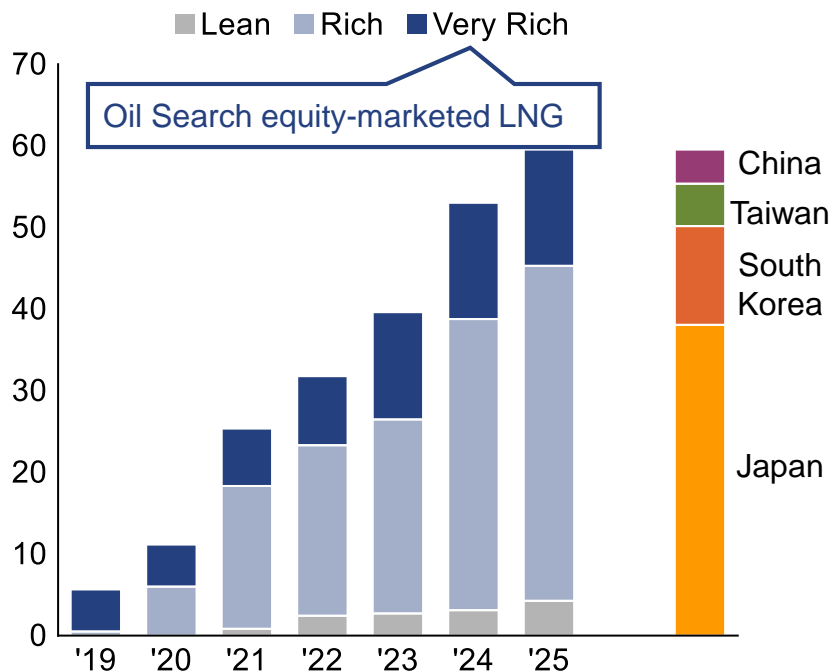
Papua LNG has competitive cost, high quality rich LNG sought after by north Asian buyers

Favourable location is a differentiator

LNG will remain a transition fuel of choice

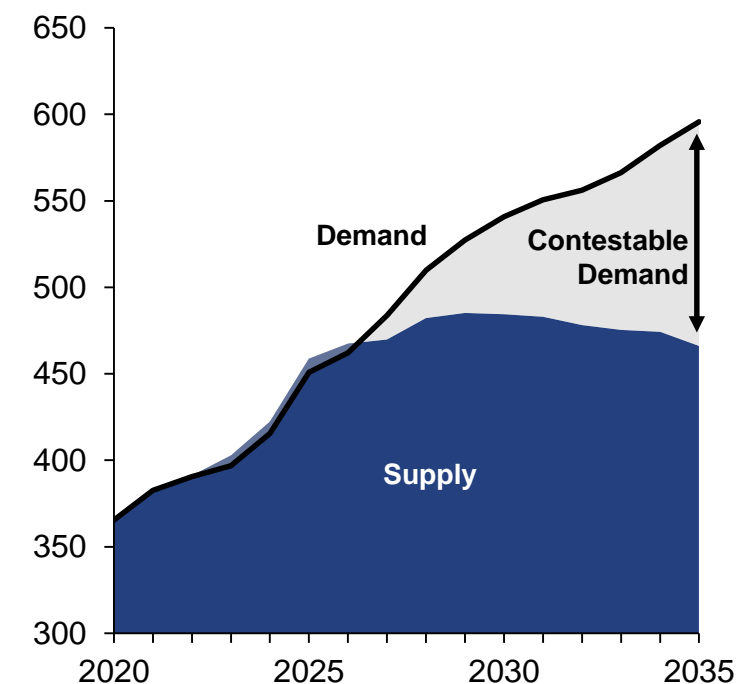
## Significant volumes of Asian LNG contracts to expire

Cumulative contract expirations (MT)



## Opportunity to capture share of contestable demand

LNG supply and demand (MTPA)



# Strong support for Papua LNG

**PNG LNG site has capacity to accommodate additional trains**



- PNG Government reaffirmed strong commitment to Papua LNG
- Gas Agreement legislative amendments passed through Parliament on 11 November 2020
- Strong desire to progress discussions
- PNG Government indicated future discussions to focus on P'nyang project

**Prime Minister's Statement** on 11 November 2020:  
***"Papua LNG is now fully cleared, we will now shift our attention to P'nyang ..."***



01

### Uncompromising protection of people and assets

- Protected our assets and our people from COVID
- Ensured stable production and outstanding safety
- Materially and sustainably changed operating model to reduce cost

02

### Strong foundation for growth

- Drive delinking of LNG expansion decisions
- Papua LNG expansion subject to market
- Lowered cost of supply from oil and LNG operations to maximise returns on capital

03

### Simplification in 2020

- Rightsizing of organisation
- Simplifying the business and ensuring cost reductions are sustained
- Lowering operated emissions intensity
- Focus activity
- No near term greenfield exploration

04

### PNG LNG consistently outperforms

- PNG LNG continues to outperform
- Excellent operating performance by ExxonMobil
- Debt repaid in 2026 releasing significant free cash flow

05

### Equity marketing a differentiator

- Marketing of our equity LNG will be a point of differentiation
- Point to point sales, diversion rights, rich gas and proximity to growth markets



# Sustainability



**Beth White**  
Executive Vice President,  
Sustainability & Technology

# Building on strong sustainability foundations



## Our sustainability approach:

Oil search has a long and proven track record of partnering to deliver enduring and tangible positive impacts

Creation of the Oil Search Foundation in 2015 to promote improved health services, education, and women's empowerment and protection

Deliver measurable outcomes in partnership with our communities and host governments

Provide improved stability in our operational areas

5-year plans to be developed with our communities, which allow them to determine their own development outcomes and ensure long-term sustainable outcomes



## Social Sustainability is in our DNA

Over the past 5+ years, together with our partners we have helped facilitate:

### Improved health outcomes



1,000,000+ vaccinations  
7,500 outreach clinics

### Educational opportunities



>600 children taught to read  
69 education scholarships

### Positive and enduring impact



Safe delivery of ~20,000 babies  
2,800 Health Workers trained

### Empowering women and girls



Helped 4,000 survivors of FSV<sup>1</sup> to access health care, justice and accommodation

### Support in time of need



Rescue shelters on North Slope.  
>200 tonnes aid delivered.  
126 water tanks installed

### Community, Climate & Environment



Partnership to minimise environmental impacts

# We are committed to a sustainable future as the preferred energy company for all stakeholders



Responsible delivery of low cost, low GHG intensity energy



Respecting the unique environments in which we operate



Partnering with our communities to build a sustainable future



## Our commitments

### Tangible

- **GHG intensity reduction in excess of 30% by 2030** for operated assets<sup>1</sup>
- Targeted **renewable energy and carbon offset** investments
- GHG targets linked to **executive remuneration**
- Advance **PNG Biomass Project**<sup>2</sup>

### Transparent

- **Paris Agreement aligned** portfolio
- **No net loss of biodiversity** for new projects
- Contribute to **global biodiversity knowledge**
- Minimise our **environmental footprint**

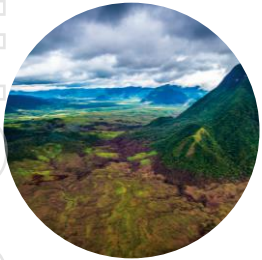
### Trusted

- **Partner to support youth** for a better future
- Work with host governments to further **sustainable development goals**
- **Role model** for good governance
- Transparent reporting

# Sustainability is embedded in all aspects of our business



## DEEP DIVE ON COMMITMENTS



### Climate

Responsible delivery of low cost, low GHG intensity Paris aligned projects



### Environment

Respecting our unique environments



### Community

Working and strengthening communities in which we operate



### Health & Safety

Protecting and enhancing the health and safety of our employees, contractors and communities



### People

Trusted and preferred employer and partner of choice



### Integrity

Committed to doing the right thing



### Economic Sustainability

Building a resilient business for our stakeholders

Commitments overseen by our Board Sustainability Committee



# Our Climate Change commitments

## Our commitments



**Reduce operated GHG intensity in excess of 30% by 2030<sup>1</sup>**



**Invest in Paris aligned growth projects**



**Make prudent investments to prepare for the energy transition**

## Our approach to deliver

- Lower GHG intensity through **operational excellence**
  - Carbon abatement program to **reduce flaring, methane and combustion emissions** and use **renewables** and **batteries**
  - GHG targets linked to **executive remuneration**
  - Will commence **reporting equity emissions in 2021**
- 
- Focus on **projects utilising or near existing infrastructure** e.g. Pikka, Papua LNG
  - Develop **Pikka for step change GHG performance** (~75% below the North Slope average GHG emissions intensity<sup>2</sup>)
- 
- Make targeted investments of appropriate scale into **renewable energy and carbon offsets**
  - Advance **PNG Biomass<sup>3</sup>**, a cash flow generative project **offsetting** 160k tonnes of CO<sub>2</sub> annually with 20 million trees planted by 2025 (4 million already planted)



# Our Climate Change commitments

## Our commitment

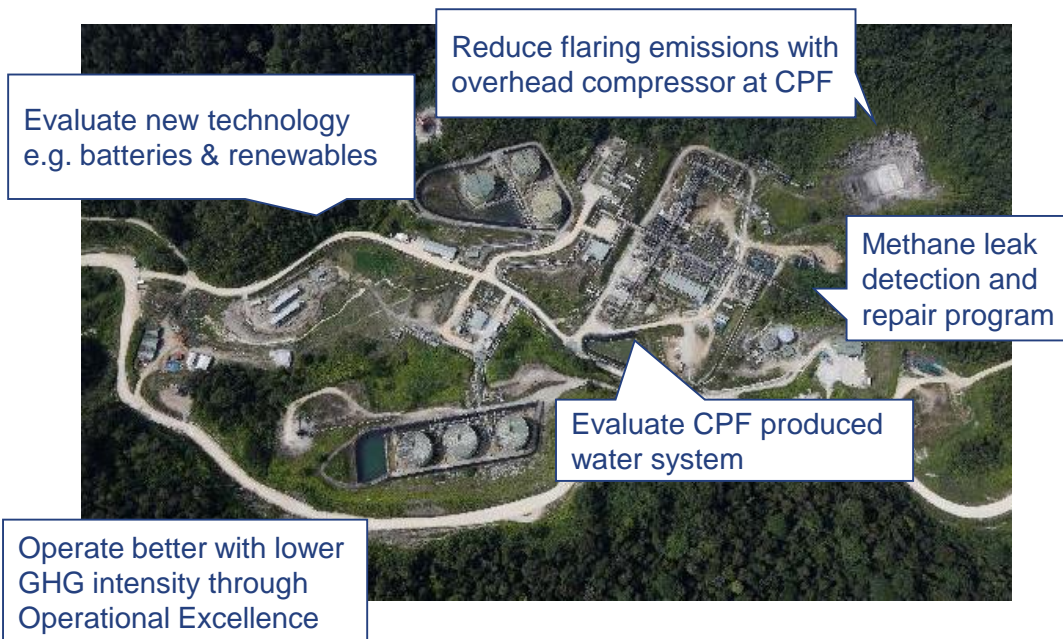
## What we will do

## Our approach

### Reduce operated GHG intensity in excess of 30% by 2030<sup>1</sup>

#### 2021-24

Focus on reducing operated GHG emissions in PNG BU through operational efficiency, flaring reduction, and methane reduction<sup>2</sup>



#### 2025-30

Step change reduction in operated GHG intensity with the responsible delivery of our low cost and low GHG intensity Pikka project



PNG Biomass<sup>3</sup> will produce baseload renewable energy and generate 160,000 tonnes carbon offsets annually

Step change reduction in emission intensity when low cost and low GHG intensity Pikka asset begins production



Further reductions to GHG intensity and breakeven costs expected with Pikka Phase 2

# Our Environment commitments

## Our commitments



### Protect biodiversity



### Minimise our environmental impact



### Responsible approach

## Our approach to deliver

- Enhance knowledge of biodiversity by sharing studies and data e.g. Alaska environmental field survey data
- Achieve **no net loss of biodiversity** in new projects
- **No exploration** in the **Arctic offshore** or currently inscribed **UNESCO World Heritage sites**
- Develop projects close to **existing infrastructure**
- Undertake studies and listen to communities to **enhance our environmental understanding** to better manage risk
- Expand reporting and **disclosure of environmental indicators**
- Embed **environmental value** as part of decision making

# Our Community commitments



## Our commitments



**Support youth in  
our communities  
for a better future**



**Advance sustainable  
development**



**Role model  
good governance**

## Our approach to deliver

- In PNG, ~60% of the population is under the age of 25<sup>1</sup>
- Our priority is to partner with key stakeholders to focus on ensuring the youth of today have a brighter tomorrow
- We are committed to **improved health outcomes, gender equality, quality education and sustainable livelihoods**
- Partner with our **communities and governments** to make a **positive and enduring impact** on their sustainable development
- Our programmes will be backed by **5-year plans** that promote the **self-sustainability of our communities**
- Apply disciplined **social development and investment practices** reflective of industry and UN standards
- **Embed governance across all aspects of our responsible business practices**



## 01

### **Sustainability is in our DNA**

- Strong history of delivered success on sustainability
- Aspire to set the standard for sustainable development
- Seven pillar model integrated across our business
- Continuous improvement culture

## 02

### **Committed to positive impact**

- Responsible delivery of low cost, low GHG intensity energy
- Respecting the unique environments in which we operate
- Partner with our communities to build sustainable livelihoods
- Focus on protecting the health and safety of our people

## 03

### **Commitments are sustainable and measurable**

- In excess of 30% GHG intensity reduction by 2030
- Paris aligned portfolio
- No net loss of biodiversity in new project areas
- Support youth for a better future

## 04

### **Our reporting is transparent**

- Portfolio resilience testing and reporting in alignment with TCFD recommendations
- Consistently disclose our sustainability performance
- Assess and action our industry association alignment on Sustainability

# Capital management



**Stephen Gardiner**  
Chief Financial Officer



# Focus on capital management priorities sharpened in 2020



## Maximise operating cash flow

Operating costs reduced by US\$90m (~20% reduction)  
Capex reduced from US\$710-845m to US\$390-460m  
PNG LNG maintained positive cash flow despite oil prices



## Enhancing capital efficiency

Alaska capex halved, improving returns and value  
Stress tested portfolio for a range of scenarios  
Instilled disciplined approach to investment decisions



## Strengthening balance sheet

US\$700m equity raising to strengthen balance sheet fully allocated to existing investors  
US\$300m short term loan extension negotiated and agreed  
Debt refinancing strategies for FY21 well advanced

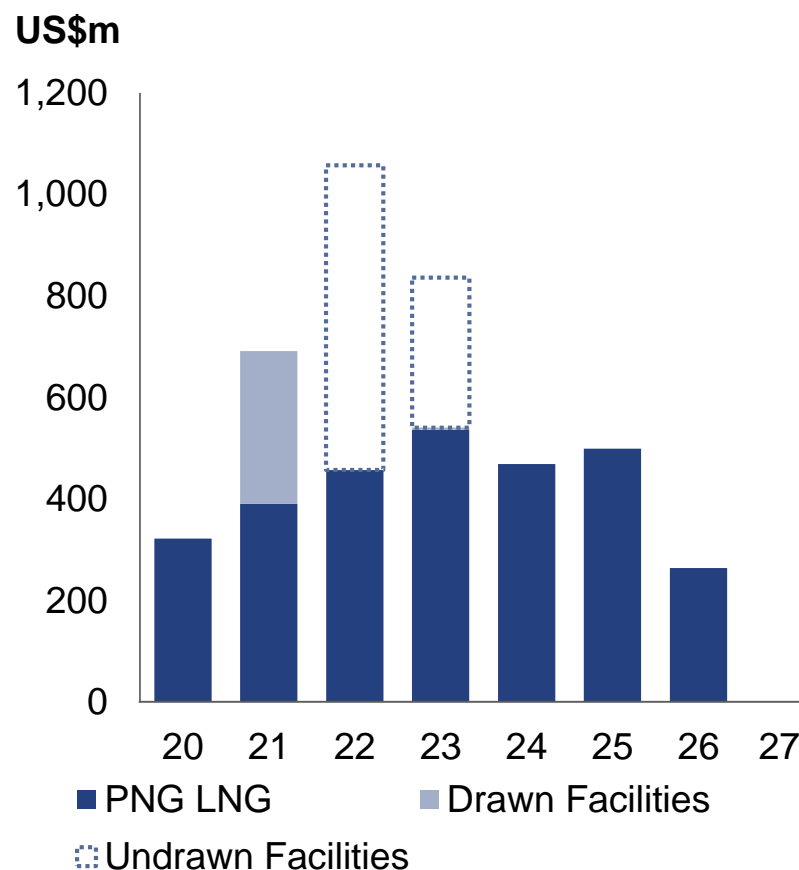
# Strengthened balance sheet underpinned by PNG LNG cash flows



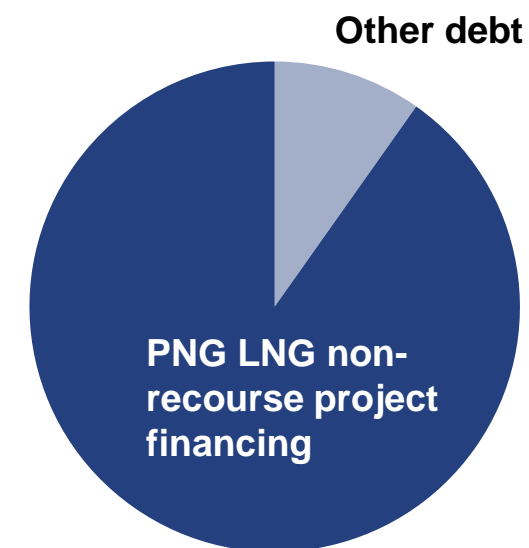
## Liquidity and net debt as of 31 Oct 2020

	US\$m
Cash	746
Undrawn bank facilities	896
<b>Total Liquidity</b>	<b>1,642</b>
Drawn bank facilities	304
PNG LNG project finance (Non-recourse)	2,804
<b>Total debt</b>	<b>3,108</b>
<b>Net debt</b>	<b>2,362</b>

## Limited drawn debt maturities, with US\$896m undrawn credit facilities



## 90% of drawn debt relates to PNG LNG non-recourse project finance



# High quality producing assets with robust cash flow generation



## October 2020 Full Year Guidance

	Low	High
<b>Costs</b>		
Unit production costs (US\$/boe)	9.50	10.50
Other operating costs (US\$m)	90	110
Depreciation and amortisation (US\$/boe)	12.00	13.00
<b>Production (mmboe)</b>	<b>Low</b>	<b>High</b>
Oil Search Operated	3	4
PNG LNG Project	24.5	25.5
<b>Total production</b>	<b>27.5</b>	<b>29.5</b>
<b>Investment expenditure (US\$m)</b>	<b>Low</b>	<b>High</b>
Production	45	55
Development	135	155
Exploration and evaluation	185	210
Other plant and equipment	20	30
Power	5	10
<b>Total investment expenditure</b>	<b>390</b>	<b>460</b>

## Indicative expectations for 2021



- Higher operating expenditure and lower production in 2021 due to one off events:
  - Scheduled PNG LNG and CPF maintenance
- Sustainable cost reductions to continue, 2021 to 2023

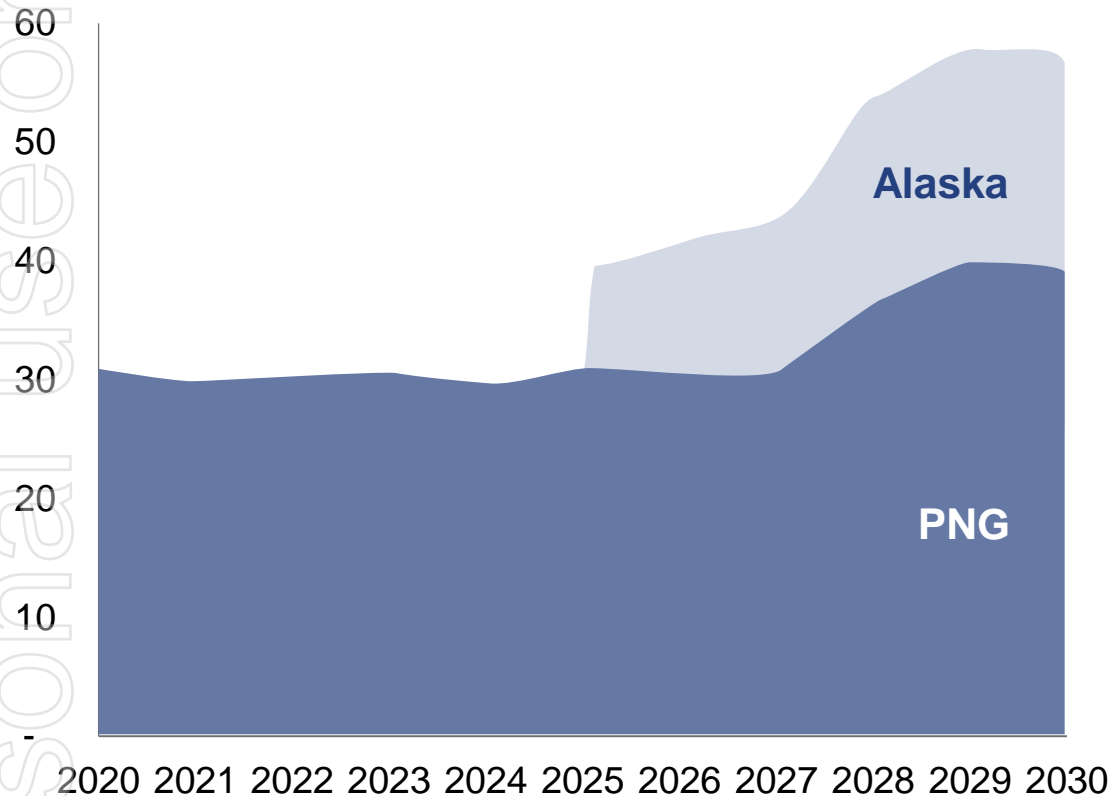


- Investment expenditure expected to be below 2020 levels
  - Focus on key value drivers that underpin strategy
  - 3 year development of Angore expected to commence in 2H2021
  - No greenfield exploration expenditure
- Progress on growth projects dependent on market conditions

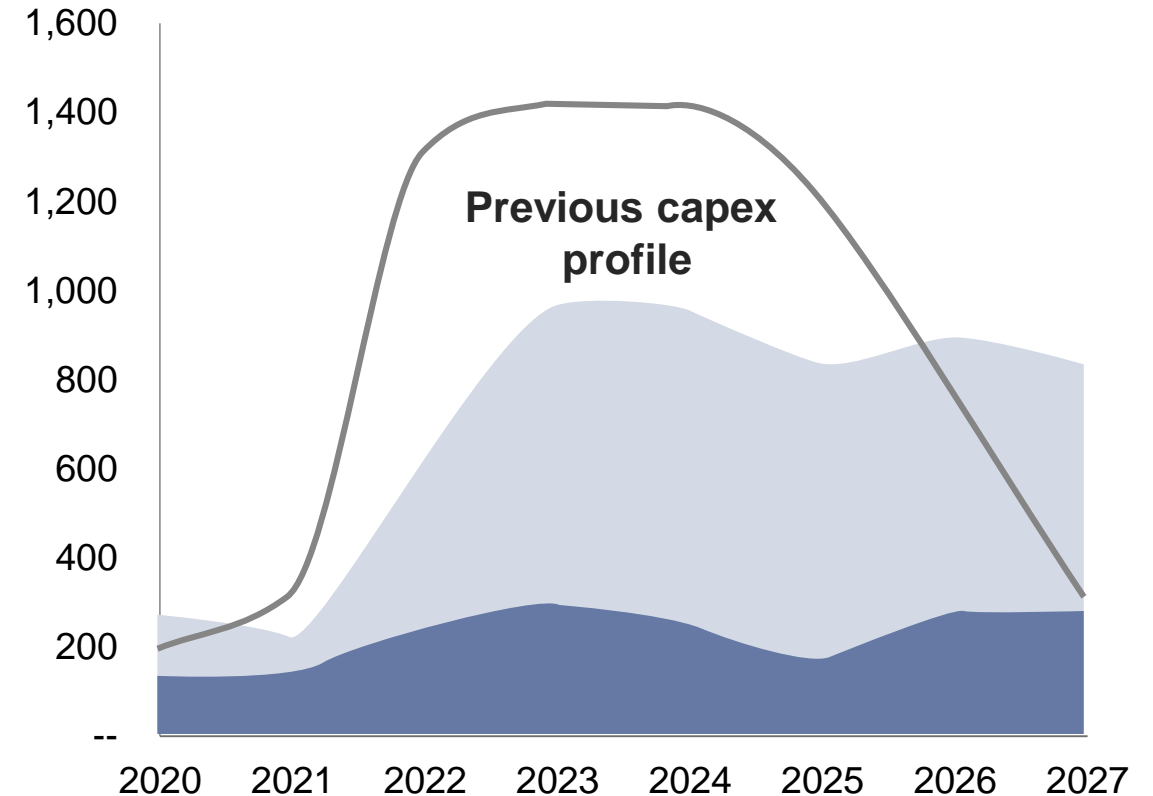
# Significant production uplift with substantially reduced capex

## Significant reduction in growth capital expenditure after project rephasing and redesign

Production chart (mmboe)



Indicative capex per year (US\$m)



# Funding readiness for refinancing and growth well progressed



## Current exposure



## Base case



## We are actively pursuing multiple funding options and strategic levers

### PNG LNG

US\$2.8bn to repay by mid-2026

Debt non-recourse and serviced by project cash flows

### Alaska

US\$0.8-0.9bn (36% share) to fund development to first oil post FID

Targeting financial readiness by FID via  
(i) 15% selldown, (ii) project debt and  
(iii) infrastructure opportunities

### Papua LNG

No material expenditure prior to FEED

Likely to project finance in alignment with project partners

### Corporate

Cash of US\$746m  
Drawn facility of US\$304m  
Undrawn committed facilities of US\$896m

Repayment of US\$300m in Jun-21  
Refinancing plans for corporate facilities underway

Alaska selldown  
(aligned with joint venture partner)

Corporate level finance  
(bank and capital markets)

Project level finance  
(bank and capital markets)

Off balance sheet funding

Oil price hedging

Focused expenditure control

Optimising LNG expansions

Control over Alaska FID timing

Asset sales

*Oil price remains a material swing factor –  
each \$5/bbl increase contributes extra  
~US\$120m revenue<sup>1</sup>*



# Disciplined approach to capital management

## Capital Allocation Hierarchy

### Sustaining capital

- Capex focused on safety of operations and continuity of production
- Sustaining capex funded from operating cash flows

### Strong, flexible balance sheet

- Preserve strong balance sheet and access to liquidity
- Long term target gearing ~25% with clear pathway for significant deleveraging ~2025
- Consider hedging strategies to manage oil price risk

### Pikka and Papua LNG delivery

- Commercialise Pikka development and Papua LNG

### Dividends

- Proportional dividend policy of 35-50% of core NPAT, subject to Board discretion
- Dividend reinvestment plan can be activated to reinforce balance sheet

### Acquisitions / capital returns

- Recognise capital returns are a key component of shareholder value
- Future value accretive M&A to be assessed against growth options and capital management alternatives

## 01

### Lessons learned

- Disciplined focus on what can be controlled – costs, balance sheet, capital allocation
- Rigorous downside planning to ensure options are identified

## 02

### Clear strategic priorities

- Preserving cash flow stability through production continuity and cost control
- Selling down Alaska
- Proactively managing balance sheet and identifying various funding solutions
- Implement financing for Alaska pre-FID

## 03

### Resilient balance sheet

- Maintain balance sheet flexibility to manage capital through the commodity cycle
- Strong operating performance and cash flow

## 04

### Disciplined capital allocation framework

- Disciplined approach to capital allocation and core growth prioritisation
- Flexible distribution policy

# Final remarks



**Dr. Keiran Wulff**  
Managing Director

01

**Renewed  
purpose and  
ambition**

02

**Disciplined  
strategy  
delivery in  
three phases**

03

**Capital discipline  
to commercialise  
our high value  
world class  
resources**

04

**Enhancing  
resilience and  
low breakevens  
across our  
business**

05

**Sustainability is  
part of our DNA**

06

**We are  
absolutely  
focused**

# Our strategy is disciplined, considered and clear



Our Purpose

Our Ambition

Our Strategy

We will deliver low cost, high value energy that meets society's needs

We will be the preferred energy company for all stakeholders

## 1. Focus (2020-23)

- Drive sustained low costs
- Focus PNG operations and activities
- Reduce Alaska cost of supply and capex
- Optimise organisation for the future

## 2. Deliver (2021-25)

- Commercialise Pikka development
- Prioritise Papua LNG
- Optimise P'nyang integration approach
- Low breakeven PNG oil production add-ons

## 3. Evolve (2024-30)

- Shareholder returns and free cashflow
- Deliver Alaska full potential
- Consider targeted complementary energy investments
- Value accretive M&A to be assessed against growth options and capital management alternatives

Disciplined capital management is a foundational enabler

Sustainability – at the core of all decisions

- An **uncompromised approach** to health and safety across our business
- Tangibly **reduce** our environmental footprint, **protect** biodiversity and **deliver** Scope 1 & 2 operated emissions intensity reductions in excess of 30%
- **Commit** to ensuring communities are **better off** and more **sustainable** long term as a result of our engagement

Measures  
of success

Safety and  
production

Cost of Supply

Commercialise  
2C resources

Breakeven

Free cashflow

Gearing

GHG emission  
intensity

Biodiversity



# Questions and answers

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Acronym	Definition
\$	United States Dollars
2C	Best estimate of contingent resources
2P	Proven and probable reserves
bbl	Barrel
Boe	Barrel of oil equivalent
Cost of supply	Real Brent price required for project investment to breakeven at 10% discount rate
DRP	Dividend Reinvestment Plan
FCF	Free Cash Flow is defined as cashflows from operating activities less cashflows from investing activities
FCF breakeven	Annual average realised price at which cash flows from operating activities equals cashflows from investing activities
FEED	Front End Engineering and Design
FID	Final Investment Decision
GHG intensity	Greenhouse Gas intensity of production
IRR	Internal Rate of Return
kbpd	Thousand barrels per day
Lancos	Land owner companies in Papua New Guinea
mmbbl	Millions of barrels of oil
mmboe	Millions of barrels of oil equivalent
MTPA	Million Tonnes Per Annum
tcfGE	Trillion cubic feet Gas Equivalent
TCFD	The Taskforce on Climate related Financial Disclosures
TRIR	Total Recordable Incident Rate

# Notes to Petroleum Reserve & Resource statements



1. Unless otherwise stated, all petroleum reserves and resources estimates refer to Oil Search's 2019 Reserves and Resources Statement released to the ASX and PNGX on 25 February 2020 which is also available at [www.oilsearch.com/investors/asx-releases](http://www.oilsearch.com/investors/asx-releases).
2. The 2019 Reserves and Resources Statement has been updated by Oil Search's announcement released to the ASX and PNGX on 19 November 2020.
3. Oil Search is not aware of any new information or data that materially affects the information included in its 2019 Reserves and Resources Statement as updated by the 19 November 2020 ASX announcement. All the material assumptions and technical parameters underpinning the estimates in the 2019 Reserves and Resources Statement as updated by the ASX announcement released on 19 November 2020 continue to apply and have not materially changed.

