

Oil Search

2017 FIRST HALF RESULTS

ASX: OSH | ADR: OISHY | POMSOX: OSH

NET PROFIT AFTER TAX UP 405%, REFLECTING STRONG OIL AND GAS PRICES AND SOLID PRODUCTION

HIGHLIGHTS

+405%

NET PROFIT AFTER TAX
% CHANGE

Net profit after tax (NPAT) of US$129.1 million, up 405%, reflecting higher sales revenue and lower costs

$8.52/BOE

UNIT PRODUCTION COST
US$ PER BOE

Total unit production cost a very competitive US$8.52/boe, with operating margin increasing to 74%

$1.8BN

LIQUIDITY
US$ BILLION

Net debt reduced to US$2.8 billion. Strong operating cash flows funded growth activities, scheduled debt repayments and dividend distributions

4¢

DIVIDEND PER SHARE
US CENTS

300% increase in interim dividend, representing 47% dividend payout ratio, towards upper end of payout guidance range of 35-50% of core NPAT

2017 FIRST HALF RESULTS

Oil Search

HIGHLIGHTS *(CONTINUED)*

Six months to 30 June	2017	2016	% CHANGE
Total production (mmboe)	**14.81**	14.89	**-1**
Total sales (mmboe)	**14.18**	15.17	**-7**
Average realised oil and condensate price (US$ per barrel)	**53.35**	41.61	**+28**
Average realised LNG and gas price (US$ per mmBtu)	**7.67**	6.09	**+26**
Total revenue (US$m)	**676.2**	580.8	**+16**
Net profit after tax (US$m)	**129.1**	25.6	**+405**
Operating cash flow (US$m)	**419.2**	239.2	**+75**
Interim dividend (US cents per share)	**4.0**	1.0	**+300**

- **Oil Search delivered a 2017 first half net profit of US$129.1 million, more than five times the first half of 2016 and 21% above 2016 full year core net profit.**

  This strong result reflected:

  - 16% increase in sales revenue to US$676.2 million, underpinned by materially higher average realised oil/condensate and LNG/gas prices, which increased by 28% and 26%, respectively.
  - 12% reduction in operating costs, resulting in total unit production costs of a very competitive US$8.52 per boe and an increase in operating margin to 74%.
  - 13% reduction in depreciation and amortisation expense, driven by lower depreciation and amortisation rates for the PNG LNG Project as a result of a material increase in Project reserves following recertification.

- **2017 full year production guidance has been upgraded, while the ranges for forecast full year unit operating costs, depreciation/amortisation and capital expenditure have been reduced.**

  Based on the record performance recently achieved by the PNG LNG Project, the lower end of our 2017 full year production guidance range has been upgraded, with 2017 full year production expected to be between 29.0 and 30.5 mmboe. 2017 full year unit production cost guidance has been reduced, from US$8.00–10.00/boe to US$8.00–9.50/boe, while unit depreciation and amortisation guidance has also been revised down, from US$12.00–13.00/boe to US$11.50–12.50 per boe. Total capital expenditure for 2017 is now estimated to be between US$350 million and US$400 million, compared with previous guidance of US$380–480 million.

- **No impairments required, highlighting the strength of Oil Search's asset base.**

  Despite a reduction in oil price forecasts, in line with current market expectations, no impairment charges were required to the Company's asset carrying values.

- **Marketing by ExxonMobil of up to 1.3 MTPA from the PNG LNG Project progressing well.**

  Strong interest has been received from a number of top-tier buyers for short to medium term supply of high heating value LNG, currently being offered by the Project. It is expected that terms will be agreed with customers by the end of the year and then formalised in binding LNG Sale and Purchase Agreements (SPAs).

- **Dialogue continuing between key stakeholders on the next phase of LNG expansion in PNG and monetising PRL 3 and PRL 15 gas at the PNG LNG plant site.**

  Discussions on the various integrated development options for the Elk-Antelope fields in PRL 15 and P'nyang in PRL 3 are ongoing, with various coordinated development options and technical/commercial structures under review. Work also continues on further optimising PNG LNG production.

- **New Government elected in Papua New Guinea.**

  Extensive briefings have taken place with the new PNG Government and Parliamentarians, as they finalise a 100 Day Plan, designed to address important financial and development issues in the country. Finalising outstanding PNG LNG Project benefits distribution issues and LNG expansion plans have been highlighted as high priority areas for the new Government, led by the Hon. Peter O'Neill.

- **Very encouraging exploration/appraisal results in key North West Highlands, adding to longer-term optionality for gas expansion, with activity set to accelerate.**

  Recent Muruk drilling has confirmed a material gas discovery close to the Hides field and has reduced the risk of several leads and prospects along the Hides to P'nyang trend, increasing long-term optionality to support gas expansion. Appraisal drilling is scheduled to commence at P'nyang South 2 in the fourth quarter of 2017, while Muruk 2 is being planned for early 2018, subject to final joint venture approvals.

- **Flexible balance sheet, strong operating cash flow and US$1.82 billion in liquidity**

  Oil Search's balance sheet has strengthened substantially over the first half of 2017, with net operating cash flow of US$419 million during the period more than sufficient to fund the Company's growth initiatives, scheduled debt repayments and dividend distributions. Net debt declined from US$3.1 billion at the end of 2016 to US$2.8 billion at the end of June and the Company had cash of US$974 million and US$850 million of undrawn corporate credit facilities.

- **2017 interim unfranked dividend of four US cents per share was announced, compared to one US cent per share in the first half of 2016**

  The payout ratio of 47% is towards the top end of Oil Search's policy to pay out between 35% and 50% of core net profit after tax by way of dividends.

COMMENTING ON THE 2017 FIRST HALF RESULTS, OIL SEARCH MANAGING DIRECTOR, PETER BOTTEN, SAID:

Financial results

"Oil Search reported a net profit after tax for the first half of US$129.1 million, more than five times the first half of 2016 and 21% higher than 2016 full year core profit. Total revenue rose by 16% to US$676.2 million, with lower product sales volumes more than offset by higher realised oil and gas prices.

During the first half, the Company remained focused on optimising its cost base and driving operational efficiencies. Unit production costs, including upstream, pipeline and downstream costs, were a very competitive US$8.52 per boe, which contributed to a strong operating margin of 74%, up from 65% in the previous corresponding period.

Other operating costs fell 34% to US$55.0 million, primarily due to a net increase in inventory reflecting the timing of shipments and InterOil bid-related costs in 2016. Depreciation and amortisation charges for producing assets were US$11.93 per boe, down 13% from US$13.68 per boe in the first half of 2016, reflecting lower depreciation and amortisation rates attributable to the PNG LNG Project as a result of the material increase in Project reserves announced in early 2017, following a recertification by Netherland Sewell and Associates Inc.

Oil Search's financial position improved substantially over the half year. We repaid US$153.4 million of PNG LNG project finance debt and our cash position increased from US$863 million to US$974 million, while at the same time we continued to invest in value accretive growth opportunities, such as the successful Muruk exploration programme. In June, we refinanced our US$500 million corporate facility, achieving improved terms and increasing the facility size to US$600 million, due to strong global bank support. At the end of June 2017, Oil Search had access to total liquidity of US$1.82 billion, including US$850 million of undrawn corporate credit facilities. Our breakeven oil price, including operating costs, corporate overheads, sustaining capital expenditure, interest payments and principal repayments, was US$29.40/barrel, significantly lower than the realised oil price of US$53.35/barrel, allowing us to remain strongly cash flow positive and profitable during the period.

We have revised down our oil price forecasts, in line with current market expectations. Pleasingly, this has not resulted in any impairment to the carrying value of any asset. Our robust asset base and financial strength enables us to continue to invest in growth projects, including the next phase of LNG development in PNG and further exploration, which can generate strong returns over the long-term, through what is expected to be a prolonged period of low oil prices."

2017 interim dividend of four US cents per share, representing 47% payout ratio

"The Board has approved the payment of an interim unfranked dividend of four US cents per share, compared to the 2016 interim dividend of one US cent per share. This represents a dividend payout ratio of 47%, which is towards the upper end of the range of the Board's dividend policy to return between 35% and 50% of core net profit after tax to shareholders by way of dividend.

Following taxation amendments in the PNG 2017 Budget, which included the removal of an exemption from withholding taxes on earnings sourced from PNG petroleum operations, the 2017 interim dividend will be subject to a 15% withholding tax. We continue to hold positive discussions with the PNG authorities with the objective of restoring the exemption for future dividends."

Safety performance remains a key priority

"During the first half of 2017, Oil Search recorded a Total Recordable Incident Rate (TRIR) of 1.90 per million hours worked, up from a TRIR of 1.53 per million hours worked for the 2016 full year. The deterioration in safety performance reflected a number of incidents which occurred during April. Safety improvement workshops have been conducted to identify both the root causes of the incidents and opportunities for improvement, with corrective actions now in progress.

The Company's focus on process safety performance continued, with the successful completion in May of a 17 day scheduled shutdown at Oil Search's operated Central Processing and Agogo Processing Facilities for maintenance and upgrades, which will ensure ongoing safe and reliable operations.

Oil Search's environmental performance improved markedly in the first half of 2017, with the number of reported spills falling from seven in the first half of 2016 to four, all of which were very minor. An ISO 14001 Environment Audit against the upgraded 2015 standard was completed shortly after the end of the period, with Oil Search again retaining its certification.

While the operating environment in our areas of operation was tense during the election period, it is pleasing to note that no serious security incidents were recorded."

Production upgrade for 2017 full year

"As highlighted in the 2017 second quarter results, in June the PNG LNG Project produced at a record annualised rate of 8.65 MTPA, nearly 25% above the plant's 6.9 MTPA nameplate capacity, with these high rates being maintained through July. This exceptional performance reflected almost 100% facilities uptime following a compressor upgrade programme completed in May, demonstrating the consistently high level of reliability being achieved by the Project.

While there will be further planned downtime for maintenance and a second compressor upgrade in the fourth quarter, this is expected to improve plant capacity and the Company has increased its forecast for PNG LNG production for the second half of 2017. Consequently, despite a small reduction in expected production from our operated fields due to a period of unplanned weather-related downtime in July, we have raised the lower end of our 2017 full year production guidance range, with production now expected to be between 29.0 mmboe and 30.5 mmboe."

PNG LNG marketing activities indicate good demand for high heating value LNG

"There has been strong market interest in the extra LNG volumes currently being marketed by ExxonMobil on behalf of the PNG LNG Project co-venturers. The interest levels highlight the marketability of PNG LNG's reliable, high heating value gas and auger well for future marketing of expansion volumes.

Terms with buyers are expected to be agreed by the end of 2017, with binding LNG Sale and Purchase Agreements (SPAs) then signed. These new SPAs would be in addition to the existing supply of 6.6 MTPA sold under long term SPAs with JERA, Osaka Gas, Sinopec and CPC."

Developing dialogue on the next phase of LNG expansion/growth

"Discussions between Oil Search, ExxonMobil, operator of both the PNG LNG Project and P'nyang, and Total SA, operator of Elk-Antelope, on the next phase of LNG expansion and development in PNG are ongoing. Engagement remains focused on evaluating the various integrated development options for the Elk-Antelope and P'nyang gas

resources. Key areas of discussion include establishing integration principles, including capacity and cost sharing, the optimal commercial model for asset ownership and financing, whether to joint or equity market the LNG and reaching alignment on future exploration acreage and activities.

We are aiming to present an aligned view on the proposed coordinated development concept to the new Government in the fourth quarter of 2017, which will enable fiscal discussions to commence, prior to FEED entry. Oil Search believes that the most likely development scenario will involve the sharing of downstream infrastructure, through the location of at least eight million tonnes per annum of additional LNG capacity on the existing PNG LNG Project plant site, so that all stakeholders can benefit from the considerable construction and operating synergies available."

PNG elections conclude

"Elections in PNG have recently concluded, with the Hon. Peter O'Neill returned as Prime Minister, leading a strong coalition Government. We would like to congratulate Mr O'Neill on his reappointment and look forward to continuing to work closely with the new ministerial team, to ensure future LNG developments are delivered on time and on budget, with benefits distributed in a timely and appropriate manner to the people of PNG.

Over the past two weeks, comprehensive briefings of Ministers and Parliamentarians have taken place, concentrating on important project development and financial issues. The Government is compiling an initial 100 Day Plan, due to be released this week, that includes making progress on LNG expansion and development options and improving benefits distribution mechanisms for PNG LNG, with measurable progress on resolution of landownership issues.

PNG has an excellent track record of fiscal stability and offering a predictable operating environment, which has brought significant investment into the resources sector over the past two decades. Since his re-election, the Prime Minister has continued to highlight the importance for the country of stimulating economic growth and we are confident that under the new Government, PNG will remain an attractive country in which to invest. Mr O'Neill has stated that there will be no new taxes within the range of economic reforms that are presently being considered. Based on our discussions, we expect that progress on LNG expansion and development, which will provide a major boost to the economy both through the construction and the operating phase, will be part of the Government's 100 Day Plan, as will the provision of power in Port Moresby and our Biomass Project near Lae.

Oil Search and Papua New Guinea subscribe to the Extractive Industries Transparency Initiative and we report benefits that have been paid by both our oil and LNG operations. Since the PNG LNG Project came on-stream in mid-2014, Oil Search estimates that the Project has generated approximately K3 billion or US$1.16 billion for the State, Provincial Governments and landowners through equity distributions, development levies and royalties. Of this, K2.5 billion (approximately US$950 million) has already flowed through to the relevant recipients. We are pleased to see that one of the Government's key priorities is finalising the landowner clan vetting process, aimed at identifying which landowners are eligible to receive benefits from the PNG LNG Project. At present, royalties due to the landowners are being held in a trust account with the Central Bank and equity payments are in trust accounts with MRDC. Oil Search is committed to providing the Government with whatever assistance it can to ensure the clan vetting process is completed as soon as possible, so these royalty and equity payments being held on behalf of landowners can be released."

Step-up in exploration/appraisal activity planned

"Following the successful completion of production testing at the Muruk 1ST3 well in June, which confirmed the presence of a good quality gas reservoir with high deliverability, the PPL 402 and PDL 9 joint venture partners have been working together to develop a comprehensive appraisal programme. Subject to final joint venture approval, an

appraisal well, Muruk 2, located approximately 10 kilometres north-west of Muruk 1, is being planned for an early 2018 spud, with site preparation expected to commence as soon as weather allows access to the site. The discovery of Muruk has reduced the risk on several leads and prospects along the Hides to P'nyang trend. Importantly, the Muruk well results have highlighted the potential for both hanging wall and footwall structures within these prospects. Seismic acquisition over Koki and Blucher, two prospects towards the north of the trend, has recently been completed, with positive initial indications, while seismic is planned to be acquired over the Karoma prospect, located immediately north of Muruk, in the fourth quarter. Subject to the results of the seismic and joint venture approval, one or more of these prospects is expected to be drilled in 2018/2019.

Site preparation for P'nyang South 2 is underway, with the well, which is being operated by Oil Search on behalf of the PRL 3 Joint Venture, on track to commence drilling in the fourth quarter. While the primary objective of the well is to migrate 2C gas resource volumes to the 1C category, it will also provide valuable information that we believe will verify recent work by Oil Search, including remapping of the structure and analysis of petrophysical properties, which has highlighted material 2C upside potential.

The upside at P'nyang, the Muruk discovery and the high grading of prospects along the Hides-P'nyang trend supports the potential for gas volumes beyond the current 10 tcf booked at Elk-Antelope and P'nyang, increasing the optionality for LNG expansion.

Appraisal of the Barikewa and Kimu fields is expected to commence in late 2017/early 2018. Commercialisation options for these fields will be dependent on appraisal results, with options including the delivery of third party gas for LNG expansion or small scale LNG, which represents a potential competitive source of fuel for domestic and/or regional markets that are currently dependent on diesel.

A seismic acquisition programme over several licences in the onshore Papuan Gulf Basin, which Oil Search is conducting on behalf of ExxonMobil, will commence shortly. These licences are located adjacent to the world-class Elk-Antelope gas fields and contain the Triceratops, Bobcat and Raptor discoveries. Our planned entry into these licences will materially enhance Oil Search's exploration portfolio and builds on our existing strong relationship with ExxonMobil in the PNG LNG and Papua LNG projects."

Guidance for the 2017 full year

"As already highlighted, 2017 full year production guidance has been upgraded to 29.0–30.5 mmboe. While unit production costs in the second half are expected to be higher than in the first half, due to the timing of major work programmes targeting production improvements in the Company's operated mature oil fields, our 2017 full year production cost guidance has been reduced, from US$8.00–10.00/boe to US$8.00–9.50/boe. Other operating costs of US$135–145 million remain unchanged.

Depreciation and amortisation guidance has also been reduced, from US$12.00–13.00 per boe to US$11.50–12.50 per boe, as a result of the material increase in the PNG LNG Project reserves following recertification.

Capital expenditure is expected to be lower than previous forecasts, down from US$380–480 million to US$350–400 million, due to optimisation of the drilling schedule and revised LNG expansion activities, that focus on capturing cooperation synergies following ExxonMobil's acquisition of InterOil instead of standalone developments."

Year to December	2017 Guidance[1]
Production	
Oil Search operated (PNG oil and gas)[2,3] (mmboe)	5.5 – 6.2
PNG LNG Project	
LNG (bcf)	102 – 105
Power (bcf)	0.62 – 0.65
Liquids (mmbbl)	3.3 – 3.6
Total PNG LNG Project[2] (mmboe)	23.5 – 24.3
Total production (mmboe)	**29.0 – 30.5**
Operating costs	
Production costs (US$ per boe)	8.00 – 9.50
Other operating costs[4] (US$m)	135 – 145
Depreciation and amortisation (US$ per boe)	11.50 – 12.50
Capital costs	
Production (US$m)	40 – 50
Development – oil and gas (US$m)	35 – 45
Exploration and evaluation (US$m)	240 – 260
Other plant and equipment[5] (US$m)	35 – 45
Total (US$m)	**350 – 400**

1. Numbers may not add due to rounding.
2. 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.
3. Includes 3.0 – 3.3 bcf (net) of SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%).
4. Includes Hides GTE gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, corporate administration costs (including business development), expenditure related to power activities, inventory movements and other expenses.
5. Excludes finance leased assets.

2017 FIRST HALF RESULTS

FINANCIAL PERFORMANCE SUMMARY[1]

Six months to 30 June	2017	2016	%change
Sales data			
PNG LNG PROJECT			
LNG (Billion Btu)	**59,047**	58,536	**+1**
Condensate ('000 bbls)	**1,434**	1,622	**-12**
Naphtha ('000 bbls)	**150**	150	**-**
PNG oil ('000 bbls)	**1,710**	2,626	**-35**
HIDES GTE			
Gas (Billion Btu)	**3,102**	2,923	**+6**
Condensate & refined products ('000 bbls)	**59**	51	**+16**
Total barrels of oil equivalent sold ('000 boe)[2]	**14,179**	15,168	**-7**
Average realised oil and condensate price (US$/bbl)[3]	**53.35**	41.61	**+28**
Average realised LNG and gas price (US$/mmBtu)	**7.67**	6.09	**+26**
Financial data (US$ million)			
Revenue from operations	**676.2**	580.8	**+16**
Production costs	**(126.2)**	(122.2)	**+3**
Other operating costs	**(55.0)**	(83.3)	**-34**
Other income	**5.6**	2.1	**+167**
EBITDAX[4]	**500.5**	377.4	**+33**
Depreciation and amortisation	**(186.3)**	(214.2)	**-13**
Exploration costs expensed	**(24.9)**	(18.9)	**32**
EBIT[4]	**289.3**	144.3	**+100**
Net finance costs	**(98.5)**	(96.3)	**+2**
Profit before tax	**190.8**	48.0	**+298**
Taxation expense	**(61.7)**	(22.4)	**+175**
Net profit after tax	**129.1**	25.6	**+405**
Per share data (US cents)			
Basic EPS before significant items	**8.48**	1.68	**+405**
Diluted EPS before significant items	**8.45**	1.67	**+406**
Net operating cash flow per share	**27.51**	15.71	**+75**
Interim dividend	**4.0**	1.0	**+300**

1. Numbers and percentage moves may not add due to rounding.
2. Gas and LNG 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. Minor variations to the conversion factors may occur over time.
3. Average realised price for Kutubu Blend, including PNG LNG condensate.
4. EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration) and EBIT (earnings before interest and tax) are non-IFRS measures that are presented to provide a more meaningful understanding of Oil Search's financial performance. The non-IFRS financial information is unaudited but is derived from the financial statements which have been subject to review by the Group's auditor.

FINANCIAL POSITION (US$M)[1]

As at	30 Jun 2017	31 Dec 2016	30 Jun 2016
Cash and short-term deposits[2]	**973.8**	862.7	779.7
Debt (PNG LNG financing)[3]	**(3,786.0)**	(3,939.4)	(4,084.1)
Net debt	**(2,812.2)**	(3,076.6)	(3,304.4)
Total liquidity[4]	**1,823.8**	1,612.7	1,527.7

1. Numbers may not add due to rounding.
2. As at 30 June 2017, US$301.1 million was escrowed in PNG LNG Project accounts (31 December 2016: US$261.7 million, 30 June 2016: US$262.1 million).
3. Excludes finance leases presented as 'Borrowings' in the Statement of Financial Position.
4. As at 30 June 2017, the Company's corporate facilities remained undrawn.

2017 FIRST HALF RESULTS

A full analysis of the financial results can be found in the Results and Review of Operations commencing on page 3 of the Directors' Report for the half-year ended 30 June 2017.

PRODUCTION SUMMARY[1]

Six months to 30 June	2017		2016		% change	
	Gross daily production	Net to OSH	Gross daily production	Net to OSH	Gross daily production	Net to OSH
Gas production	**mmscf/d**	**mmscf**	**mmscf/d**	**mmscf**		
PNG LNG Project						
LNG[2]	988.270	51,880	935.888	49,402	**+5**	**+5**
Gas to power	6.101	320	-	-	**N.M**	**N.M.**
Hides GTE gas[3]	15.959	2,889	14.805	2,695	**+7**	**+7**
SE Gobe gas to PNG LNG[4, 5]	38.376	1,552	30.552	1,275	**+25**	**+22**
Total gas	1,048.71	56,641	981.245	53,372	**+6**	**+6**
Oil and liquids production	**bopd**	**mmbbl**	**Bopd**	**mmbbl**		
Kutubu	11,982	1.302	15,465	1.690	**-23**	**-23**
Moran	6,438	0.577	10,536	0.949	**-39**	**-39**
Gobe Main	537	0.010	651	0.012	**-18**	**-18**
SE Gobe[5]	732	0.030	970	0.041	**-25**	**-27**
Total PNG oil	**19,688**	**1.918**	**27,623**	**2.692**	**-29**	**-29**
Hides GTE liquids[3]	309	0.056	303	0.055	**+1**	**+1**
PNG LNG liquids	32,988	1.732	31,876	1.683	**+3**	**+3**
Total liquids	**52,985**	**3.706**	**59,802**	**4.430**	**-12**	**-16**
	boepd	**mmboe**	**boepd**	**mmboe**		
Total production[6]	**258,614**	**14.812**	**252,203**	**14.895**	**+2**	**-1**

1. Numbers may not add due to rounding. Where required, adjustments are taken in the affected production period.
2. Production net of fuel, flare and shrinkage and SE Gobe wet gas.
3. Hides GTE production is reported on a 100% basis for gas and associated liquids purchased by the Hides (GTE) Project Participant (Oil Search 100%) for processing and sale to the Porgera power station. Sales gas volumes are inclusive of approximately 2% unrecovered process gas.
4. SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.
5. Oil Search interest in SE Gobe changed from 25.55% to 22.34% on 1 February 2016.
6. Gas and LNG 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. Minor variations to the conversion factors may occur over time.

Gas/LNG Glossary and Conversion Factors Used[1,2]

mmscf	Million (10^6) standard cubic feet
mmBtu	Million (10^6) British thermal units
Billion Btu	Billion (10^9) British thermal units
MTPA (LNG)	Million tonnes per annum
Boe	Barrel of oil equivalent
1 mmscf LNG	Approximately 1.10 - 1.14 billion Btu
1 boe	Approximately 5,100 standard cubic feet
1 tonne LNG	Approximately 52 mmBtu

1. Minor variations in conversion factors may occur over time, due to changes in gas composition.
2. Conversion factors used for forecasting purposes only.

PETER BOTTEN, CBE

Managing Director

22 August 2017

For more information regarding this report, please contact:

Investors and Media:

Ann Diamant

General Manager, Investor Relations and Communications

Tel: +612 8207 8440

Mob: +61 407 483 128

Investors:

Stephanie Chu

Senior Investor Relations Advisor

Tel: +612 8207 8542

Mob: +61 481 038 179

Presentation and Webcast

Oil Search will be holding a presentation for analysts and fund managers at 11.00 am AEDT today, 22 August 2017. The presentation will be webcast live over Oil Search's website. To listen to the webcast, please log on to www.oilsearch.com. If you experience any technical difficulties, please call: +61 2 8280 6000.

The webcast will be available in archive form on the Oil Search website 2 – 3 hours after the completion of the presentation.

DISCLAIMER

This report contains some forward-looking statements which are subject to particular risks associated with the oil and gas industry. Actual outcomes could differ materially due to a range of operational, cost and revenue factors and uncertainties including oil and gas prices, changes in market demand for oil and gas, currency fluctuations, drilling results, field performance, the timing of well workovers and field development, reserves depletion and fiscal and other government issues and approvals.



Oil Search

2017 HALF YEAR REPORT

INCLUDING APPENDIX 4D DISCLOSURES

FOR THE PERIOD ENDED 30 JUNE 2017

Oil Search Limited and its subsidiaries
ARBN 055 079 868

Appendix 4D

This information should be read in conjunction with the consolidated Financial Report for the half-year ended 30 June 2017.

Results for announcement to the market

	% Change	Half-year ended 30 June 2017 US$'000	Half-year ended 30 June 2016 US$'000
Revenue from ordinary activities	*up* 16.4%	**676,165**	580,778
Profit from ordinary activities after tax attributable to members	*up* 405.3%	**129,102**	25,550
Net profit for the half-year attributable to members	*up* 405.3%	**129,102**	25,550

The financial information above has been prepared in accordance with International Financial Reporting Standards.

Dividends

	Half-year ended 30 June 2017 US cents	Half-year ended 30 June 2016 US cents
Interim dividend paid per security [(1)]	4.00	1.00

Net tangible assets

	30 June 2017 US$	30 June 2016 US$
Net tangible asset backing per ordinary security	**2.47**	2.38

Details of entities over which control was gained or lost

There were no acquisitions or disposals of controlled entities during the half-year ended 30 June 2017.

Details of joint venture

	Percent ownership interest held at the end of the period	
	30 June 2017 %	30 June 2016 %
Papua New Guinea Liquefied Natural Gas Company LDC	**29**	29

(1) No franking credits available on dividends, as Oil Search Limited is incorporated in Papua New Guinea. No component of the dividends represents conduit foreign income.

Oil Search Limited and its subsidiaries
ARBN 055 079 868

Consolidated Financial Report for the half-year ended 30 June 2017

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Directors' report

The directors submit their report for the financial half-year ended 30 June 2017.

DIRECTORS

The names of the directors of the company in office during or since the end of the financial year are:

- Mr RJ Lee, AM, BEng (Chem) (Hons), MA (Oxon), FAICD, (Chairman) Non-Executive
- Mr PR Botten, CBE, BSc, ARSM, (Managing Director), Executive
- Mr G Aopi, CBE, BEc, BAC, MBA, Executive
- Sir KG Constantinou, OBE, Non-Executive
- Dr EJ Doyle, BMath (Hons), MMath, PhD, FAICD, Non-Executive
- Ms FE Harris, BCom, FCA (Aust), FAICD, Non-Executive (Appointed 1 January 2017)
- Dr AJ Kantsler, BSc (Hons), PhD, GAICD, FTSE, Non-Executive
- Mr KW Spence, BSc (Geophysics) (Hons), Non-Executive
- Mr MP Togolo, CBE, BEcon (Hons), MA (Econ), MA (Geography), Non-Executive

GROUP SECRETARY

Mr SW Gardiner, BEc (Hons), FCPA

RESULTS AND REVIEW OF OPERATIONS

For the half year ended 30 June	2017	2016	% change
Production and Sales Data			
Production (mmboe[1])	14.81	14.89	-0.5
Sales (mmboe)	14.18	15.17	-6.5
Average realised oil and condensate price (US$/bbl[2])	53.35	41.61	+28.2
Average realised LNG and gas price (US$/mmBtu[3])	7.67	6.09	+25.9
Financial Data ($US million)			
Revenue	676.2	580.8	+16.4
Production costs	(126.2)	(122.2)	+3.3
Other operating costs	(55)	(83.3)	-34.0
Other income	5.6	2.1	+166.7
EBITDAX[4]	**500.5**	**377.4**	**+32.6**
Depreciation	(186.3)	(214.2)	-13.0
Exploration costs expensed	(24.9)	(18.9)	+31.7
Net finance costs	(98.5)	(96.3)	+2.3
Profit before tax	**190.8**	**48.0**	**+297.5**
Taxation	(61.7)	(22.4)	+175.4
Net profit after tax	**129.1**	**25.6**	**+404.3**
Net debt	**2,812.2**	**3,304.4**	**-14.9**

Note: Numbers may not add due to rounding.

Production and Revenue

Total production in the first half of 2017 was 14.81 mmboe, 0.5% less than in the corresponding period in 2016 (14.89 mmboe).

Total revenue of US$676.2 million was 16.4% higher than in the prior period. LNG delivered volumes for the first half of 2017 were 59,047 billion Btu, 0.87% higher than in the prior period, and included the delivery of 53 cargoes of LNG (2016: 53 cargoes). The increase in sales revenue during the first half of 2017 was due to higher average realised LNG, gas, oil and condensate prices and higher LNG sales volumes, partially offset by lower sales volumes of oil and condensate.

Total liquids volumes delivered for the first half of 2017 totalled 3.35 million barrels (mmbbl), 24.7% lower than the 4.45 mmbbl delivered for the corresponding period in 2016, largely due to natural field declines and scheduled maintenance activities at the oil field facilities.

[1] mmboe = million barrels of oil equivalent. 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.
[2] bbl = barrel of oil.
[3] mmBtu = million (10^6) British thermal units.
[4] EBITDAX (earnings before interest, tax, depreciation, impairment and exploration) is a non-IFRS measure that is presented to provide a more meaningful understanding of Oil Search's financial performance. This non-IFRS financial information is derived from the financial statements, which have been subject to review by the Group's auditor.

Directors' report *(continued)*

Production and Revenue (continued)

Other revenue, which consists mainly of rig revenue, electricity, refinery and naphtha sales and infrastructure tariffs, increased to US$31 million in the first half of 2017 from US$29.1 million over the corresponding period in 2016. This was predominantly due to higher average realised prices for naphtha which were partially offset by lower infrastructure tariffs and refinery sales.

The average oil and condensate price realised during the half-year was US$53.35 per barrel, 28.2% higher than in the prior period, reflecting the higher spot oil prices during the first half of 2017 in comparison to the corresponding period in 2016. The average price realised for LNG and gas sales increased 25.9% to US$7.67 per mmBtu, reflecting a rebound in the global oil prices and approximate three month lag between the spot oil price and LNG contract prices. The company did not establish any oil hedges during the period and remains unhedged to oil price movements.

Production and other operating costs

Production costs increased from US$122.2 million in the first half of 2016 to US$126.2 million in the first half of 2017 reflecting higher oil production costs mainly due to scheduled maintenance activities across the production and offshore export facilities and were partly offset by lower costs for the PNG LNG Project. Production costs on a per barrel of oil equivalent (boe) basis increased from US$8.21 per boe in the first half of 2016 to US$8.52 per boe.

	Production costs	
US$ million	**2017**	**2016**
PNG LNG	67.2	72.1
PNG oil and gas	59.0	50.1
	126.2	**122.2**

PNG LNG production unit costs on a per boe basis were US$5.62, 11.4% lower than in the prior period, which reflected stronger PNG LNG Project production and lower production costs. PNG oil and gas unit production costs per boe for the first half of 2017 were US$20.74, 45.5% higher than in the prior period primarily due to lower production and scheduled maintenance activities.

Other operating costs decreased from US$83.3 million in the first half of 2016 to US$55 million in the first half of 2017, primarily due to hydrocarbon inventory movements.

Depreciation

Depreciation decreased from US$214.2 million in the first half of 2016 to $186.3 million in the first half of 2017.

Depreciation expense related to the producing assets decreased by US$26.9 million to US$176.7 million in the first half of 2017, driven by higher PNG LNG 2P reserves following the 2016 year-end recertification process. On a cost per boe produced basis, the average depreciation rate for the producing assets in the first half of 2017 was US$11.93 per boe, compared to the first half 2016 rate of US$13.68 per boe.

Depreciation on other plant and equipment decreased by US$0.9 million to US$9.7 million in the first half of 2017, mainly driven by lower rig utilisation in 2017.

Exploration costs expensed

In line with Oil Search's successful efforts accounting policy, all costs associated with unsuccessful drilling, seismic work and other support costs related to exploration activity were expensed during the half-year and resulted in a pre-tax charge of US$24.9 million, compared to US$18.9 million in the first half of 2016. This included US$10.1 million attributable to the Antelope Deep well.

The remaining exploration costs expensed consisted of seismic, geological, geophysical and general and administration expenses.

Net finance costs

Net finance costs of US$98.5 million in the first half of 2017 were US$2.3 million higher than the prior period, primarily due to a slight increase in interest expense on the PNG LNG Project debt and a finance charge for the additional LNG tanker leased in May 2016.

Taxation

Tax expense on statutory profit in the first half of 2017 was US$61.7 million, compared to US$22.4 million in the corresponding period in 2016. This resulted in an effective tax rate of 32.3%, significantly lower than in the prior period and primarily due to changes in PNG tax legislation, effective from 1 January 2017, that adjusted income rates for oil projects from 45-50% down to 30% and a restatement of certain deferred tax balances in the first half of 2016.

Directors' report *(continued)*

Summary of Financial Position

Net debt

As at 30 June 2017, Oil Search had net debt (total borrowings less cash) of US$2,812.2 million, which was US$264.4 million lower than the net debt position of US$3,076.6 million as at 31 December 2016. A reconciliation of the movement in net debt during the period is as follows:

	US$ million
Net debt at 31 December 2016	**3,076.6**
Net repayment – PNG LNG Project finance facility	(153.3)
Increase in cash balances	(111.1)
Net movement in 2017	**(264.4)**
Net debt at 30 June 2017	**2,812.2**

Note: Numbers may not add due to rounding.

At 30 June 2017, the Group had US$3,786.0 million drawn under the PNG LNG Project finance facility.

Oil Search remained in a strong liquidity position at 30 June 2017, with cash of US$973.8 million, including US$301.1 million in PNG LNG escrow accounts, and US$850 million available under the Group's corporate revolving facilities.

Investment expenditure

Total investment expenditure for the first half of 2017 was US$127.8 million. The categories of investment expenditure for the period were:

US$ million	30 June 2017
Exploration and evaluation [(1)]	88.7
Development - PNG LNG Project and Biomass	14.6
Producing assets	22.8
Other plant and equipment	1.8
Total investment expenditure	**127.8**

Note: Numbers may not add due to rounding.
(1) Includes US$24.9 million (2016: US$18.9 million) of exploration costs expensed during the period.

Exploration and evaluation expenditure for first half of 2017 was US$88.7 million. This expenditure was primarily incurred on drilling Antelope 7 and Antelope Deep exploration targets, ongoing evaluation activities on PRL 15 and PRL 3, drilling activities for the Muruk discovery in PPL 402 and P'nyang South 2 well site preparations.

Oil Search's share of PNG LNG Project development costs was US$10.5 million during the first half of 2017. In addition US$4.1 million were spent on Biomass FEED activity in the period.

Expenditure on producing assets totalled US$22.8 million for the first half of 2017 and comprised capital investment for both PNG LNG and PNG Oil and Gas assets.

Cash flows

Year to 30 June (US$ million)	2017	2016	% change
Net receipts	540.9	348.0	+55.4
Net interest paid	(96.7)	(91.7)	+5.5
Tax paid	(24.9)	(17.1)	+45.6
Operating cash flow	**419.3**	**239.2**	**+75.3**
Net investing cash flow	(109.3)	(160.2)	-31.8
Net financing cash flow	(198.9)	(209.8)	-5.2
Net cash inflow/(outflow)	**111.1**	**(130.8)**	**+185.0**

Operating cash flow increased due to higher average realised hydrocarbon prices in the first half of 2017 and higher sales volumes for LNG, partially offset by lower sales volumes for oil and condensate.

During the first half of 2017, Oil Search's net investing cash flow included expenditures of:

- US$75.0 million on exploration and evaluation;
- US$5.2 million on PNG LNG Project development activities;
- US$18.9 million on production activities; and
- US$7.5 million on other plant and equipment.

The Group distributed US$38.1 million to shareholders by way of the 2016 final dividend during the period. During the first half of 2017, borrowings of US$153.3 million were repaid under the PNG LNG Project finance facility.

Directors' report *(continued)*

SUBSEQUENT EVENTS

Dividends

On 21 August 2017, the directors approved the payment of an interim unfranked dividend of US 4 cents per ordinary share (2016: US 1 cents interim dividend) to ordinary shareholders in respect of the half-year ended 30 June 2017. The due date for payment is 26 September 2017 to all holders of ordinary shares on the Register of Members on 6 September 2017. The Company's dividend reinvestment plan will remain suspended for the interim dividend. Dividends paid and declared during the year are recorded in note 9 to the financial statements.

ROUNDING

The majority of amounts included in this report are rounded to the nearest US$1,000 (where rounding is applicable).

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Deloitte Touche Tohmatsu's Independence Declaration, which forms part of this report, is attached on page 8.

Signed in accordance with a resolution of the directors.



……

RJ LEE

Chairman



……

PR BOTTEN

Managing Director

Sydney, 21 August 2017

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board Directors
Oil Search Limited
Ground Floor, Credit House
Cuthbertson Street, Port Moresby
Papua New Guinea

21 August 2017

Dear Directors,

Oil Search Limited

I am pleased to provide the following declaration of independence to the directors of Oil Search Limited.

As lead audit partner for the review of the financial statements of Oil Search Limited for the half-year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board of Accountants (IESBA) in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited.

Condensed consolidated statement of comprehensive income for the half-year ended 30 June 2017

	Note	Half-year ended 30 June 2017 $'000	Half-year ended 30 June 2016 $'000
Revenue	3	**676,165**	580,778
Cost of sales	4	**(333,640)**	(382,635)
Gross profit		**342,525**	198,143
Other income		**5,625**	2,134
Other expenses	5	**(58,838)**	(56,032)
Profit from operating activities		**289,312**	144,245
Net finance costs	6	**(98,541)**	(96,260)
Profit before income tax		**190,771**	47,985
Income tax expense	7	**(61,669)**	(22,435)
Net profit after tax		**129,102**	25,550
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		**219**	2,010
Total comprehensive income for the period		**129,321**	27,560
		cents	cents
Basic earnings per share	8	**8.48**	1.68
Diluted earnings per share	8	**8.45**	1.67

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

	Note	30 June 2017 $'000	31 December 2016 $'000
Current assets			
Cash and cash equivalents		**973,805**	862,748
Receivables		**93,843**	152,712
Inventories		**115,302**	106,817
Prepayments		**11,608**	11,761
Total current assets		**1,194,558**	1,134,038
Non-current assets			
Other assets		**9,841**	2,476
Other financial assets		**119,272**	114,487
Exploration and evaluation assets	10	**1,585,654**	1,521,371
Oil and gas assets	11	**6,502,926**	6,646,293
Other plant and equipment	11	**183,105**	186,669
Deferred tax assets		**543,772**	520,795
Total non-current assets		**8,944,570**	8,992,091
Total assets		**10,139,128**	10,126,129
Current liabilities			
Payables		**167,793**	161,647
Provisions		**18,386**	17,912
Borrowings		**328,376**	315,875
Current tax payable		**51,576**	56,403
Total current liabilities		**566,131**	551,837
Non-current liabilities			
Payables		**20,175**	19,717
Provisions		**390,530**	384,299
Borrowings		**3,592,106**	3,758,906
Deferred tax liabilities		**749,794**	686,054
Total non-current liabilities		**4,752,605**	4,848,976
Total liabilities		**5,318,736**	5,400,813
Net assets		**4,820,392**	4,725,316
Shareholders' equity			
Share capital	12	**3,152,443**	3,147,340
Reserves		**(11,805)**	(10,769)
Retained earnings		**1,679,754**	1,588,745
Total shareholders' equity		**4,820,392**	4,725,316

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows for the half-year ended 30 June 2017

	Half-year ended 30 June 2017 $'000	Half-year ended 30 June 2016 $'000
Cash flows from operating activities		
Receipts from customers and third parties	**739,399**	550,196
Payments to suppliers and employees	**(186,743)**	(186,479)
Interest received	**4,949**	3,145
Borrowing costs paid	**(101,697)**	(94,884)
Income tax paid	**(24,998)**	(17,074)
Payments for exploration and evaluation - seismic, G&A, G&G	**(11,697)**	(13,925)
Payments for site restoration	**-**	(1,765)
Net cash from operating activities	**419,213**	239,214
Cash flows from investing activities		
Payments for other plant and equipment	**(7,514)**	(1,470)
Payments for exploration and evaluation expenditure	**(75,005)**	(97,417)
Payments for development asset expenditure	**(5,250)**	(29,511)
Payments for producing asset expenditure	**(18,982)**	(27,236)
Loan to third party in respect of exploration and evaluation	**(2,510)**	(4,565)
Net cash used in investing activities	**(109,261)**	(160,199)
Cash flows from financing activities		
Dividend payments	**(38,067)**	(60,908)
Purchase of treasury shares	**-**	(4,721)
Contributions received for employee shares schemes	**1,821**	1,051
Repayment of borrowings	**(153,352)**	(144,543)
Establishment fee on credit facility	**(8,350)**	-
Finance lease payments	**(947)**	(647)
Net cash used in financing activities	**(198,895)**	(209,768)
Net increase/(decrease) in cash and cash equivalents	**111,057**	(130,753)
Cash and cash equivalents at the beginning of the period	**862,748**	910,479
Cash and cash equivalents at the end of the period	**973,805**	779,726

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity for the half-year ended 30 June 2017

Consolidated	Share capital $'000	Foreign currency translation reserve $'000	Reserve for treasury shares $'000	Employee equity compensation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2017	**3,147,340**	**(17,645)**	**(250)**	**7,126**	**1,588,745**	**4,725,316**
Dividends provided for or paid	-	-	-	-	(38,067)	(38,067)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	129,102	129,102
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	219	-	-	-	219
Total comprehensive income for the period	-	219	-	-	129,102	129,321
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	9,016	(9,016)	-	-
Employee share-based remuneration	-	-	-	3,847	-	3,847
Issue of treasury shares	5,103	-	(5,103)	-	-	-
Trust distribution	-	-	-	-	(25)	(25)
Total transactions with owners	5,103	-	3,913	(5,169)	(25)	3,822
Balance at 30 June 2017	**3,152,443**	**(17,426)**	**3,663**	**1,957**	**1,679,755**	**4,820,392**
Balance at 1 January 2016	**3,147,340**	**(18,741)**	**(5,391)**	**11,158**	**1,574,995**	**4,709,361**
Dividends provided for or paid	-	-	-	-	(60,908)	(60,908)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	25,550	25,550
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	2,010	-	-	-	2,010
Total comprehensive income for the period	-	2,010	-	-	25,550	27,560
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	11,395	(11,395)	-	-
Employee share-based remuneration	-	-	-	5,241	-	5,241
Purchase of treasury shares	-	-	(4,721)	-	-	(4,721)
Trust distribution	-	-	-	-	97	97
Total transactions with owners	-	-	6,674	(6,154)	97	617
Balance at 30 June 2016	**3,147,340**	**(16,731)**	**1,283**	**5,004**	**1,539,734**	**4,676,630**

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

1 Significant accounting policies

Oil Search Limited (the 'Company' or 'Oil Search') is incorporated in Papua New Guinea (PNG). The condensed consolidated interim financial report for the half-year ended 30 June 2017 comprises Oil Search Limited and its controlled entities (together, 'the Group').

The condensed consolidated interim financial report was authorised for issue by the Board of Directors on 21 August 2017.

(a) Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2017 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX and POMSoX Listing Rules.

The majority of amounts included in this report are rounded to the nearest US$1,000 (where rounding is applicable).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 Segment reporting

(a) Information about reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The identified reportable segments are:

PNG Business Unit ("PNG BU")
Development and production including sale of liquefied natural gas, crude oil, natural gas, condensate, naphtha and other refined products from the Group's interest in its operated assets for Papua New Guinea (PNG) crude oil and Hides gas-to-electricity operations and from the Group's interest in the PNG LNG Project.

Exploration
Exploration and evaluation of crude oil and gas in Papua New Guinea and, for prior years, in the Middle East/North Africa (MENA).

Other
This segment includes the Group's ownership of drilling rigs, activity related to the Group's contribution to power solutions in PNG and corporate overheads. Net finance costs (excluding PNG LNG project financing costs) and income taxes are managed at a Group level.

(b) Segment information provided to the executive management team

The Group's executive management team evaluates the financial performance of the Group and its segments principally with reference to earnings before interest and tax, and investment expenditure split between exploration and evaluation assets, oil and gas assets, and property, plant and equipment.

	PNG BU		Exploration		Other		Total	
$'000	**30 June 2017**	**30 June 2016**	**30 June 2017**	**30 June 2016**	**30 June 2017**	**30 June 2016**	**30 June 2017**	**30 June 2016**
External revenues	**663,369**	567,301	**-**	-	**12,796**	13,477	**676,165**	580,778
Costs of production	**(128,898)**	(145,630)	-	-	**-**	-	**(128,898)**	(145,630)
Selling and distribution costs	**(20,599)**	(22,063)	-	-	**(448)**	(805)	**(21,047)**	(22,868)
Rig operating costs	**-**	-	-	-	**(1,244)**	(4,101)	**(1,244)**	(4,101)
Corporate	**-**	-	-	-	**(17,339)**	(23,432)	**(17,339)**	(23,432)
Power costs expensed	**-**	-	-	-	**(3,724)**	(5,119)	**(3,724)**	(5,119)
Other income	**1,300**	2,134	-	-	**4,325**	-	**5,625**	2,134
Other expenses	**-**	-	**-**	-	**(9000)**	(4,392)	**(9,000)**	(4,392)
EBITDAX	**515,172**	401,742	**-**	-	**(14,634)**	(24,372)	**500,538**	377,370
Depreciation	**(180,194)**	(206,114)	**-**	-	**(6,126)**	(8,083)	**(186,320)**	(214,197)
Exploration costs expensed	**-**	-	**(24,906)**	(18,928)	**-**	-	**(24,906)**	(18,928)
EBIT	**334,978**	195,628	**(24,906)**	(18,928)	**(20,760)**	(32,455)	**289,312**	144,245
Net finance costs	**(92,981)**	(87,972)			**(5,560)**	(8,288)	**(98,541)**	(96,260)
Profit before income tax							**190,771**	47,985
Income tax expense							**(61,669)**	(22,435)
Net profit after tax							**129,102**	25,550
Investment expenditure								
Exploration and evaluation assets	**-**	-	**(88,664)**	(93,523)	**-**	-	**(88,664)**	(93,523)
Oil and gas assets - development and production	**(33,302)**	(21,353)	**-**	-	**-**	-	**(33,302)**	(21,353)
Other plant and equipment	**-**	-	**-**	-	**(5,881)**	(1,998)	**(5,881)**	(1,998)
	(33,302)	(21,353)	**(88,665)**	(93,523)	**(5,881)**	(1,998)	**(127,847)**	(116,874)

The difference between investment expenditure disclosed above for the period ended 30 June 2016 and the additions in note 11 relate to finance leased assets recognised during the period that are not included as investment expenditure for management reporting purposes.

Geographical segments

The Group operates primarily in Papua New Guinea, but also has activities in Australia, and for prior years, in MENA.

Production from the designated segments is sold on commodity markets and may be sold to other geographical segments.

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the location of operating activity.

	Revenue		Non-current assets[1]	
$'000	**Half-year ended 30 June 2017**	**Half-year ended 30 June 2016**	**30 June 2017**	**31 December 2016**
PNG	**676,165**	580,778	**8,253,566**	**8,328,635**
Australia	**-**	-	**26,124**	**26,435**
Other	**-**	-	**121,107**	**116,226**
Total	**676,165**	580,778	**8,400,797**	**8,471,296**

[1] Non-current assets exclude deferred tax of $543.7 million (2016: $520.8 million).

	Half-year ended 30 June 2017 $'000	Half-year ended 30 June 2016 $'000
3 Revenue		
Liquefied natural gas sales	**456,655**	358,365
Oil and condensate sales	**168,602**	177,334
Gas sales	**19,956**	15,938
Other revenue	**30,952**	29,141
Total revenue	**676,165**	580,778
4 Cost of sales		
Costs of production:		
Production costs	**(126,227)**	(122,236)
Royalties and levies	**(4,578)**	(1,971)
Gas purchases	**(8,646)**	(6,486)
Inventory movements	**10,553**	(14,937)
	(128,898)	(145,630)
Selling and distribution costs	**(21,047)**	(22,868)
Rig operating costs	**(1,244)**	(4,101)
Depreciation:		
Oil and gas assets	**(176,669)**	(203,637)
Marine assets	**(3,526)**	(2,477)
Rig assets	**(2,256)**	(3,922)
Total cost of sales	**(333,640)**	(382,635)
5 Other expenses		
Corporate	**(17,339)**	(23,432)
Exploration costs expensed	**(24,906)**	(18,928)
Power costs expensed	**(3,724)**	(5,119)
Depreciation	**(3,869)**	(4,161)
Profit/(loss) on disposal of non-current assets	**(438)**	16
Foreign currency gain/(loss)	**30**	1,260
Other	**(8,592)**	(5,668)
Total other expenses	**(58,838)**	(56,032)
6 Net finance costs		
Interest income	**7,379**	4,986
Borrowing costs	**(100,863)**	(96,059)
Unwinding of discount on site restoration	**(5,057)**	(5,187)
Net finance costs	**(98,541)**	(96,260)

	Half-year ended 30 June 2017 $'000	Half-year ended 30 June 2016 $'000
7 Income tax		
The major components of tax expenses are:		
Current tax expense	**(958)**	(3,836)
Adjustments for current tax of prior periods	**(1,883)**	1,610
Deferred tax expense	**(58,828)**	(20,209)
Income tax expense	**(61,669)**	(22,435)
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	**190,771**	47,985
Tax at PNG rate of 30%*	**(57,231)**	(14,396)
Remeasurement of deferred tax balances	**-**	(4,462)
Effect of differing tax rates across tax regimes	**557**	(4,260)
	(56,674)	(23,118)
Tax effect of items not tax deductible or assessable:		
Under/(over) provisions in prior periods	**(1,883)**	1,610
Non-deductible expenditure	**(3,347)**	(7,805)
Non-assessable income	**122**	973
Previously unrecognised tax losses	**109**	5,899
Exempt dividends	**4**	6
Income tax expense	**(61,669)**	(22,435)
Deferred tax expense recognised in net profit for each type of temporary difference:		
Exploration and development	**(60,609)**	(52,075)
Other assets	**1,475**	1,254
Provisions and accruals	**(202)**	25,086
Other items	**(15)**	(1,614)
Tax losses	**523**	7,140
Deferred tax expense	**(58,828)**	(20,209)

* The PNG income tax rate of 30% at 30 June 2016 was applicable to non-oil field related income only.

	Half-year ended 30 June 2017 cents	Half-year ended 30 June 2016 cents
8 Earnings per share		
Basic earnings per share	**8.48**	1.68
Diluted earnings per share	**8.45**	1.67
	No.	**No.**
Weighted average number of ordinary shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:		
Basic earnings per share	**1,522,900,014**	1,522,692,587
Employee share rights	**1,152,511**	1,125,916
Employee performance rights	**1,859,229**	1,995,022
Diluted earnings per share	**1,525,911,753**	1,525,813,525

	Half-year ended 30 June 2017 $'000	Half-year ended 30 June 2016 $'000

9 Dividends paid or proposed

Unfranked [1] dividends in respect of the half-year, proposed subsequent to the period end:		
Ordinary dividend [2]	60,945	15,227
	60,945	15,227
Unfranked [1] dividends paid during the period in respect of the previous half-year:		
Ordinary dividend	**38,067**	60,908
Special dividend	**-**	-
	38,067	60,908

(1) As Oil Search Limited is a Papua New Guinea incorporated company, there are no franking credits available on dividends.

(2) On 21 August 2017, the Directors declared an interim unfranked dividend of US 4 cents per ordinary share (2016: US 1 cent interim dividend), to be paid to the holders of ordinary shares on 26 September 2017. The proposed interim dividend for 2017 is payable to all holders of ordinary shares on the Register of Members on 6 September 2017 (record date). The estimated dividends to be paid are $60,945,248 and have not been included as a liability in these financial statements.

	30 June 2017 $'000	31 December 2016 $'000

10 Exploration and evaluation assets

(a) Exploration and evaluation assets

At cost	**2,232,118**	2,167,835
Accumulated impairment	**(646,464)**	(646,464)
	1,585,654	1,521,371
Balance at start of period	**1,521,371**	1,420,651
Additions	**88,664**	151,761
Exploration costs expensed	**(24,906)**	(53,164)
Changes in restoration obligations	**-**	2,205
Net exchange differences	**525**	(82)
Balance at end of period	**1,585,654**	1,521,371

11 Property, plant and equipment

	Oil and gas			Other plant and equipment			
	Development	Producing	Total	Marine	Rigs	Corporate	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017							
At cost	9,475	8,940,912	8,950,387	138,020	84,479	149,633	372,132
Accumulated depreciation and impairment	-	(2,447,461)	(2,447,461)	(13,508)	(68,105)	(107,414)	(189,027)
	9,475	**6,493,451**	**6,502,926**	**124,512**	**16,374**	**42,219**	**183,105**
Balance at 1 January 2016	-	6,646,293	6,646,293	128,038	18,630	40,001	186,669
Additions	10,539	22,763	33,302	-	-	5,881	5,881
Transfers	(1,064)	1,064	-	-	-	-	-
Disposals	-	-	-	-	-	(494)	(494)
Changes in restoration obligations	-	-	-	-	-	50	50
Net exchange differences	-	-	-	-	-	650	650
Depreciation	-	(176,669)	(176,669)	(3,526)	(2,256)	(3,869)	(9,651)
Balance at 30 June 2017	**9,475**	**6,493,451**	**6,502,926**	**124,512**	**16,374**	**42,219**	**183,105**
2016							
At cost	446	8,917,085	8,917,531	138,020	84,479	143,546	366,045
Accumulated depreciation and impairment	(446)	(2,270,792)	(2,271,238)	(9,982)	(65,849)	(103,545)	(179,376)
	-	**6,646,293**	**6,646,293**	**128,038**	**18,630**	**40,001**	**186,669**
Balance at 1 January 2016	446	7,023,328	7,023,774	71,121	26,644	30,742	128,507
Additions	9,611	38,250	47,861	62,919	-	17,927	80,846
Transfers	(10,057)	10,057	-	-	-	-	-
Disposals	-	-	-	-	-	(54)	(54)
Changes in restoration obligations	-	(11,551)	(11,551)	-	-	177	177
Net exchange differences	-	-	-	-	-	104	104
Depreciation	-	(413,791)	(413,791)	(6,002)	(8,014)	(8,895)	(22,911)
Balance at 31 December 2016	**-**	**6,646,293**	**6,646,293**	**128,038**	**18,630**	**40,001**	**186,669**

12 Share capital and reserves

	30 June 2017 $'000	31 December 2016 $'000
Issued 1,523,631,192 (2016: 1,522,692,587)		
Ordinary shares, fully paid (no par value)	**3,152,443**	3,147,340

13 Financial and Capital Risk Management

Syndicated revolving credit facility

The Group finalised and signed a new five year non-amortising syndicated financing facility effective 22 June 2017 for US$600 million, which remains undrawn. This facility replaced Oil Search's previous US$500 million corporate facility that was due to expire at the end of October 2017. As part of the terms and conditions of this new facility, Oil Search (PNG) Limited has provided a charge over the Debt Service Reserve Account and Offshore Receivable Account held in Singapore with Australia & New Zealand Banking Group Limited.

14 Subsequent events

Dividends

On 21 August 2017, the Directors approved the payment of an interim unfranked dividend of US 4 cents per ordinary share (2016: US 1 cent interim dividend) to ordinary shareholders in respect of the half-year ended 30 June 2017. The due date for payment is 26 September 2017 to all holders of ordinary shares on the Register of Members on 6 September 2017. The Company's dividend reinvestment plan will remain suspended for the interim dividend. Dividends paid and declared during the half-year are recorded in note 9 to the financial statements.

Directors' Declaration

In accordance with a resolution of the Directors of Oil Search Limited, the Directors declare that:

(a) the attached financial statements and notes thereto of the consolidated entity:

(i) give a true and fair view of the consolidated entity's financial position as at 30 June 2017, and its performance for the half-year ended on that date; and
(ii) comply with International Financial Reporting Standards; and
(iii) the attached financial statements and notes thereto comply with the reporting requirements of the Australian Securities Exchange Listing Rules; and

(b) in the opinion of the Directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due or payable.

This declaration has been made after receiving unqualified declarations from the Managing Director and the Chief Financial Officer, that are consistent with requirements under section 295A of the Australian Corporations Act 2001, for the half-year ended 30 June 2017.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



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RJ LEE

Chairman



.....

PR BOTTEN

Managing Director

Sydney, 21 August 2017

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Deloitte Haus, Level 9
MacGregor Street
Port Moresby
PO Box 1275 Port Moresby
National Capital District
Papua New Guinea

Tel: +675 308 7000
Fax: +675 308 7001
www.deloitte.com/pg

Independent Auditor's Review Report to the members of Oil Search Limited

We have reviewed the accompanying half-year financial report of Oil Search Limited, which comprises the condensed consolidated statement of financial position as at 30 June 2017, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 19.

Director's Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with International Financial Reporting Standards (including the interpretations of the IFRS Interpretations Committee) and the *Papua New Guinea Companies Act 1997*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Papua New Guinea Companies Act 1997* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with International Accounting Standard IAS 34 *Interim Financial Reporting* and the *Papua New Guinea Companies Act 1997*. As the auditor of Oil Search Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oil Search Limited is not in accordance with the *Papua New Guinea Companies Act 1997*, including:

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Member of Deloitte Touche Tohmatsu Limited.

Deloitte.

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

(b) complying with International Accounting Standard IAS 34 Interim Financial Reporting and the *Papua New Guinea Companies Act 1997*.

Other Information

We have no interest in the company or any relationship other than that of the auditor of the company.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants
Registered Company Auditor in Australia

Sydney, 21 August 2017

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Benjamin Lee
Partner
Chartered Accountants
Registered under the Accountants Act, 1996

Port Moresby, 21 August 2017