Oil Search

2019 FIRST HALF RESULTS



ASX: OSH | ADR: OISHY | PNGX: OSH

SOLID PERFORMANCE IN THE FIRST HALF OF 2019

HIGHLIGHTS

US$162M
NET PROFIT AFTER TAX (NPAT)

Net profit after tax recovered strongly and was more than double NPAT in the first half of 2018, which was impacted by the major PNG Highlands earthquake.

US$419M
OPERATING CASH FLOW

Operating cash flow was underpinned by a strong production performance from the PNG LNG Project and higher LNG and gas price realisations.

US$1.43BN
LIQUIDITY

Healthy liquidity was maintained, with operating cash flow used to help fund the appraisal drilling campaign in Alaska and pre-FEED works for LNG expansion in PNG.

5 US CENTS
INTERIM DIVIDEND PER SHARE

The five US cents per share interim dividend represents a 47% dividend payout ratio, in line with the Board's policy to pay out between 35% and 50% of core net profit.

2019 FIRST HALF RESULTS

Oil Search

Six months to 30 June	2019	2018	% CHANGE
Total production (mmboe)	**14.13**	10.24	**+38%**
Total sales (mmboe)	**13.39**	9.77	**+37%**
Average realised oil and condensate price (US$ per barrel)	**65.26**	71.45	**-9%**
Average realised LNG and gas price (US$ per mmBtu)	**9.71**	9.02	**+8%**
Total revenue (US$m)	**776.9**	557.8	**+39%**
Net profit after tax (US$m)	**161.9**	79.2	**+105%**
Operating cash flow (US$m)	**418.5**	243.5	**+72%**
Interim dividend (US cents per share)	**5.0**	2.0	**+150%**

- **Oil Search reported a 2019 first half net profit after tax (NPAT) of US$161.9 million. This was more than double the 2018 first half NPAT of US$79.2 million, which was impacted by the February 2018 PNG Highlands earthquake.**

  The result reflected a 37% increase in sales volumes and an 8% increase in the realised LNG and gas price, partially offset by a 9% fall in the realised oil and condensate price.

  Average unit production costs for the half were US$12.97 per boe, higher than the full year guidance range of US$11 – 12 per boe due to ongoing earthquake recovery work not offset by insurance recoveries and a well workover programme, while unit depreciation and amortisation charges were US$12.51 per boe.

- **PNG LNG production remained well above nameplate**

  The PNG LNG Project produced at an annualised rate of 8.6 MTPA for the first half of 2019, 25% above nameplate capacity. This was an excellent result given the two-week partial shut-in for scheduled maintenance. No further major downtime is planned for 2019.

- **Final mid-term tranche of PNG LNG volumes contracted**

  In April, the final 0.45 MTPA tranche of mid-term PNG LNG volumes on offer to the market was contracted to Unipec Singapore Pte Ltd. Total contracted volumes for the PNG LNG Project are now 7.9 MTPA, representing approximately 90% of the Project's total LNG production, limiting exposure to the spot LNG market.

- **LNG expansion in PNG is FEED-ready, waiting for finalisation of Papua LNG and P'nyang Gas Agreements**

  During the first half of 2019, steady progress was made towards Front-End Engineering and Design (FEED) entry on the proposed three-train LNG development in PNG. Key commercial agreements governing Papua LNG's access to PNG LNG Project infrastructure were essentially completed, while a letter of intent was signed between the PRL 3 Joint Venture and Santos, to broadly align the ownership between the PRL 3 and PNG LNG Joint Ventures. Pre-FEED on the downstream facilities and the Associated Gas Expansion (AGX) project also advanced and both are ready to move into the FEED phase.

  After approximately 12 months of negotiation with the PNG Government, the Papua LNG Gas Agreement was signed in April 2019, which was a major milestone for the Project. This triggered the commencement of tendering activities for the Papua LNG upstream FEED phase engineering studies, with attractive bids received. Following a change in

the PNG Government leadership team in late May, the Minister for Petroleum commenced a review of the Papua LNG Gas Agreement. While initially indicating that the Government had decided, in principle, to stand behind the Agreement, more recently it has signalled its desire to renegotiate some of the Agreement terms. The Papua LNG Project Joint Venture believes that the legally binding Agreement, negotiated and signed in good faith, is fair and balanced, equitably allocating Project benefits and returns to the State, the Project participants and other stakeholders. Discussions between the PNG Government and Total (as Operator of the Papua LNG Project) continue and the Joint Venture is seeking a resolution by the end of August, prior to the expiry of contract bids for FEED activities. We remain committed to supporting both Total and the PNG Government in concluding discussions and moving the Project forward in the earliest timeframe. This will then allow negotiations on the P'nyang Gas Agreement to recommence. Finalisation of both these gas agreements is a key pre-requisite for the expansion projects to progress into FEED.

- **Preparations underway to enter FEED for the Pikka Unit development in Alaska**

  Material value was added to Oil Search's Alaskan assets during the first half, through a successful drilling and testing campaign, the receipt of the Federal Record of Decision approving the Pikka Unit development, optimisation of the development plan and strengthening alignment with partners and nearby operators. Based on this, in late June, Oil Search doubled its interests in the Pikka Unit and other highly prospective leases in Alaska by exercising the US$450 million Armstrong/GMT Option. The Company is targeting to enter FEED late in the fourth quarter of 2019 for the Pikka Unit development and take a Final Investment Decision in mid-2020.

- **New organisational structure strengthens capabilities to deliver major growth projects**

  In June, Oil Search concluded a detailed organisation redesign, preparing the Company for the next phase of growth by enhancing management depth and skills as it advances towards the development of key expansion projects in PNG and Alaska, in two newly created Business Units. As part of the restructure, two new Executive Vice Presidents were appointed and a Technology and Value Assurance Group formed, to strengthen the Company's project execution capabilities.

- **Robust financial position underscored by strong cash flow generation**

  At the end of June 2019, Oil Search had access to total liquidity of US$1.43 billion, including US$538.3 million of cash and US$895.7 million of undrawn corporate credit facilities. An additional US$300 million of credit facilities have been arranged (subject to standard regulatory approvals that are expected shortly), to provide additional funding flexibility ahead of the settlement of the Alaskan Option exercise. First half operating cash flows were US$418.5 million.

- **2019 interim unfranked dividend of five US cents per share announced, compared to two US cents per share in the first half of 2018**

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

2019 FIRST HALF RESULTS

COMMENTING ON THE 2019 FIRST HALF RESULTS, OIL SEARCH MANAGING DIRECTOR, PETER BOTTEN, SAID:

Financial results

"Oil Search reported a net profit after tax of US$161.9 million, 105% higher than the first half of 2018, which was impacted by the Highlands earthquake. This was a strong result, underscored by an excellent performance from the PNG LNG Project, which produced at an annualised rate of 8.6 MTPA for the first half of 2019, despite a two-week partial shut-in for scheduled maintenance. Total revenue increased 39.3% to US$776.9 million, driven by higher hydrocarbon sales volumes and an 8% increase in realised LNG and gas prices, partly offset by 9% lower realised oil and condensate prices.

Total unit production costs for the first half were US$12.97 per boe, at the upper end of first half guidance, due to higher than expected earthquake recovery work within our operated production facilities which was not offset by insurance recoveries and a value-accretive well workover campaign. Excluding the financial impact of the earthquake, first half production costs were US$11.76 per boe. Other operating costs fell 7%, mainly driven by increased hydrocarbon inventories on hand and lower selling and distribution costs, due to LNG tanker leases being capitalised (previously expensed) following the adoption of *IFRS 16 Leases* from 1 January 2019. Unit depreciation and amortisation charges were slightly higher than in the corresponding period of last year at US$12.51 per boe, reflecting a higher proportion of PNG LNG production in the first half product mix.

Oil Search ended the first half with liquidity of US$1.43 billion, comprising US$538.3 million in cash and US$895.7 million in undrawn corporate facilities. The Company generated operating cash flow of US$418.5 million during the period, which was used to fund a scheduled PNG LNG project finance debt repayment of US$174.3 million and the 2018 final dividend of US$129.5 million. Approximately US$135 million was spent on exploration and appraisal programmes in PNG and Alaska during the first half. This included the Muruk 2 appraisal well, the second phase of seismic acquisition on the Eastern Foldbelt, the Company's inaugural appraisal drilling campaign in Alaska and pre-FEED works for LNG expansion in PNG.

To provide additional financial flexibility ahead of the Alaska Option payment of US$450 million in late August, US$300 million of one-year corporate credit facilities have been arranged, which, once standard regulatory approvals are received, will increase the Company's total undrawn bank facilities to US$1.2 billion. In addition, revised ownership agreements with Repsol executed late in the first half will result in the receipt of US$64.4 million in late August 2019."

2019 interim dividend of five US cents per share

"The Board has approved the payment of an interim unfranked dividend of five US cents per share, compared to the 2018 interim dividend of two US cents per share. This represents a dividend payout ratio of 47%, which is consistent with the Board's dividend policy to return between 35% and 50% of core net profit after tax to shareholders by way of dividend.

Safety and environmental performance

"Our Total Recordable Incident Rate (incidents per million work hours) (TRIR) in the first half of 2019 was 2.50, compared to a TRIR of 1.58 in the 2018 full year and 2.71 in the first half of 2018. The increase in TRIR, following from an excellent safety performance in the second half of 2018, was largely due to incidents associated with remote seismic and marine operations in PNG, including three lost work day events. We held a PNG Safety Summit in Port Moresby in July 2019 which was attended by a significant number of our service companies. The objective of the Summit was to

reflect, reset and refocus efforts to improve performance in the second half. The Summit also recognised areas of excellent performance in the PNG Business Unit, with a Board of Directors' Safety Award given to the PNG Drilling team for their excellent safety performance during the Muruk 2 drilling programme.

One Tier 1 and two Tier 2 process safety events (PSEs) were recorded at the Central Processing Facility in PNG. A Process Safety Taskforce has been established to understand causal factors related to PSEs and to implement an improvement plan.

Our inaugural drilling season in Alaska was completed without any recordable injuries. This was an excellent result given the challenging drilling conditions.

During the first half, 16 environmental incidents (14 in PNG and two in Alaska) were reported, all minor in nature. This compared to 13 reported during the first half of 2018. Incident investigation trend analysis has been undertaken for minor spill events and a plan is being developed to address these incidents.

On a positive note, Oil Search achieved a 'Leading' rating in the Australian Council of Superannuation Investors' (ACSI) annual review of the level ESG reporting by ASX200 listed companies."

LNG expansion in PNG ready to enter FEED phase, subject to resolution of gas agreements

"In early April, a landmark Gas Agreement was signed by the PRL 15 Joint Venture and the PNG Government for the development of the Papua LNG Project. This was the culmination of more than 12 months of comprehensive negotiations. The resulting Agreement included several important additional benefits for the State, as is appropriate for the country's second LNG project, including a new 2% production levy and a Domestic Market Obligation of up to 5% at a fixed, globally attractive gas price.

In June, the new PNG Government leadership team advised that it intended to review the Papua LNG Gas Agreement, as part of its handover activities. In early August, the PNG Government announced that it had agreed, in principle, to stand behind the Agreement and would not seek to change the economic terms. However, more recently, the Minister for Petroleum has indicated the Government is seeking to renegotiate certain terms. We absolutely respect the right of any host Government to review project agreements. However, the Papua LNG Joint Venture believes the existing terms and agreement, which were entered into in good faith, are appropriate, fair and reasonable. Discussions between Total (as Operator of the Papua LNG Project) and the PNG Government continue and the Joint Venture is seeking a resolution by the end of August, prior to the expiry of contract bids for FEED activities.

Confirmation of the Papua LNG Gas Agreement will allow us to recommence discussions with the State Negotiating Team on finalising the P'nyang Gas Agreement. Execution of both gas agreements is a pre-requisite for entering FEED on the proposed integrated three-train development. There are a range of projects globally competing for both LNG markets and for contractor services, so we believe it is in the best interests of all stakeholders to progress into FEED as soon as possible. In addition, the commencement of FEED will bring inflows of funds to PNG through a commitment to early works, providing a boost to the country's economy.

Apart from the gas agreements, the developments are ready to progress into FEED. During the first half of 2019, the PRL 15 Joint Venture commenced the engineering contractor tender process for the upstream development. In addition, key commercial agreements governing the overall project development and Papua LNG's integration with PNG LNG Project infrastructure were essentially completed. These included the execution of a new PRL 15 Joint Venture Operating Agreement, with three new integration agreements ready for execution. A binding Letter of Intent was signed with Santos in May, delivering a similar ownership structure between the PRL 3 and PNG LNG Joint Ventures, which will strengthen alignment ahead of the planned development of the P'nyang field through one of the new trains and associated PNG LNG Project infrastructure. Pre-FEED work on the integrated downstream facilities was matured, focused on finalising the design basis and progressing key permitting and regulatory approval strategies.

The development concept for the Oil Search-operated AGX project has been selected and is awaiting the approval of the PNG LNG Joint Venture, while basic engineering work has been matured in preparation for FEED award.

Oil Search has continued to receive strong interest for its equity share of LNG expansion volumes, underpinned by buyers' desire to diversify their LNG supply sources, the excellent operating reliability of the PNG LNG Project and the high quality of LNG produced in PNG."

PNG LNG signs mid-term SPA with Unipec

"In April, the PNG LNG Project contracted the final mid-term tranche of LNG volumes with Unipec Singapore Pte Ltd (Unipec), committing to supply approximately 0.45 MTPA of LNG over a four-year period.

Supply commenced in April 2019, with two LNG cargoes delivered to Unipec during the second quarter.

Following the Unipec SPA, total contracted volumes for the PNG LNG Project are now 7.9 MTPA, representing approximately 90% of the Project's LNG production output, with only minor volumes now exposed to the LNG spot market."

Landowner identification for PNG LNG benefits distributions nearing completion

"Following the completion of the Landowner Benefits Identification (LOBID) process for the majority of licence areas last year, concerted efforts were made by the Government and the PNG LNG Project partners to complete LOBID for two outstanding areas (PDLs 1 and 7). Ministerial Determination for both licences was gazetted in March 2019 and the election of chairpersons to represent the identified landowner groups is progressing, which will assist in the benefits disbursements process. This is a major milestone for the PNG LNG Project, with the LOBID process for the outstanding licence areas targeted to be resolved soon, subject to the removal of landowner injunctions."

Exploration and appraisal activity in PNG

"In April, the Muruk 2 appraisal well successfully encountered gas. Pressure data and the test results are consistent with reservoir continuity from the original Muruk 1 gas discovery well. This is an excellent outcome, particularly given the proximity of the Muruk field to existing PNG LNG Project infrastructure. Muruk 2 has been shut in since the completion of testing, which has allowed the measurement of the build-up of pressure within the well. This data will be used to assist in constraining resource estimates, which are expected to be finalised in the coming months.

During the first half, Oil Search acquired the second phase of a 2D seismic survey over licences held in the Eastern Foldbelt and Onshore Papuan Basin. Provisional interpretation of the data acquired has highlighted several interesting features, a few of which may have characteristics similar to the Elk or Antelope fields, which merit further investigation. Additional seismic acquisition is being planned for the second half of 2020 and into 2021, to mature these leads."

Oil field optimisation programme ramps up

"During the first half, Oil Search made an excellent start to its multi-year in-field workover and drilling campaign, designed to mitigate the decline rate and extend the life of our mature oil fields in PNG.

The first workover of the programme, on the IDT 21 well at Kutubu, was brought online in April. This was followed by successful workovers of the M4 and M9 wells at Moran, with both wells expected to come onstream late in the third

quarter. The M15 ST2 well successfully intersected oil in the south-east part of the Moran field, in line with pre-drill expectations, and is expected online in the fourth quarter. Drilling of a Usano development well, UDT S, is planned to commence in late August. These wells are expected to deliver an uplift in production towards the end of 2019 and into 2020.

Given the success of this oil optimisation programme, which has added high value barrels at a competitive cost, we plan to continue in-field activities, with the drilling programme for 2020 and 2021 currently being planned."

Alaska – moving forward on multiple fronts

"The Company's 2018/19 winter season Pikka Unit drilling campaign was completed in early April, with four reservoir penetrations drilled from two surface locations. All four penetrations encountered oil, with the Pikka B appraisal well recording excellent flow rates. The wells were drilled materially under budget with an excellent safety and environmental performance. The results of the drilling programme are presently being combined with well data from other wells drilled in the trend as well as reprocessed and merged 3D seismic data. As previously indicated, we anticipate a material resource upgrade above the acquisition case, which will be reviewed by independent experts ahead of a formal certification process in early 2020 and before the planned equity sell-down.

In late June, following the success of the drilling campaign and strong progress on the development plan, Oil Search exercised the Armstrong/GMT Option to double its interests in the Pikka Unit, Horseshoe Block and other exploration leases, for US$450 million. In conjunction with the Option exercise, Oil Search strengthened its alignment with Repsol, executing a series of agreements whereby Oil Search and Repsol will hold 51% and 49%, respectively, across all co-owned North Slope leases, resulting in a net payment to Oil Search of US$64.4 million.

Oil Search and ConocoPhillips, which is the operator of the Kuparuk and Alpine oil facilities immediately to the east and west of the Pikka Unit, respectively, are working together to develop the Nanushuk (Narwhal) reservoir, which extends across both companies' leases in the Colville delta region. In its recent earnings call, ConocoPhillips commented that it has had very encouraging results in its Alaskan Narwhal appraisal programme. It also announced that, in addition to the long-term production test of the Putu horizontal appraisal well (immediately adjacent to, and on trend with, the Pikka Unit), ConocoPhillips intends to drill an additional appraisal well, to better understand long-term deliverability from the Narwhal (Nanushuk) trend. Given its proximity to existing infrastructure and its potential scale, the Nanushuk reservoir is an exciting new development for Alaska and the stakeholders involved.

As previously disclosed, Oil Search has revised its Pikka Unit development plan. First production of approximately 30,000 barrels of oil per day (bopd) is targeted for 2022, a year earlier than previously planned. The Company is finalising development plans associated with early production and is focused on exploring opportunities to utilise infrastructure owned by a nearby operator. The full-scale field development, with a nominal capacity of 120,000 bopd, is expected to come onstream in 2024. This revised and phased development approach will allow early learnings from development drilling to be incorporated into the full development plan, as well as generating early cashflow.

We have recently completed the integration of the Company's extensive data base in the core development area with adjacent regional data, which has confirmed that no further appraisal drilling is required. Preparations for the 2019/20 winter drilling season are now underway. It is expected that the winter activities will comprise a two-rig programme focused on exploring two high quality prospects with early commercialisation options.

Preparations to divest a portion of our Alaskan portfolio are advancing well, with Oil Search aiming to retain approximately 35% across our core leases. A formal sell-down process is planned to commence late in the fourth quarter, with completion expected to occur prior to a Final Investment Decision on the Pikka Unit Development, currently scheduled for mid-2020. We believe this timeframe will enhance the value of our sell-down, by incorporating the

expected resource upgrade within the Pikka Unit, optimised drilling information and early results from the 2019/20 winter drilling season."

New organisational structure – laying the foundations for the next chapter of growth

"In 2018, Oil Search commenced a detailed study of the Company's organisational requirements as we advance towards FEED entry on major expansion projects in PNG and Alaska, capable of doubling our production by the middle of next decade. As a result of this work, we have implemented a range of structural changes to the organisation, which has improved the skills and depth of the Management Team, as well as addressing career development and succession planning through the business. The revised structure comprises two separate Business Units in PNG and Alaska, both of which will have substantial autonomy, supported by a lean Corporate Centre. The Centre will provide governance and assurance as well as drive technical excellence.

As part of the redesign, we welcomed two new Executive Vice Presidents to Oil Search. Dale Rollins leads the new PNG Business Unit and Bart Lismont heads the newly-created Technology and Value Assurance Group, formed to strengthen our project execution capabilities in both PNG and Alaska, as we embark on two major developments. Both Dale and Bart possess significant global oil and gas experience and we look forward to their contributions to Oil Search."

2019 FIRST HALF RESULTS

Oil Search

GUIDANCE FOR THE 2019 FULL YEAR[1]

Year to December	2019 Guidance
Production	
Oil Search operated (PNG oil and gas)[2,3] (mmboe)	3.2 – 4.4
PNG LNG Project	
LNG (bcf)	110 – 115
Power (bcf)	0.7 – 1.1
Liquids (mmbbl)	3.1 – 3.5
Total PNG LNG Project[2] (mmboe)	25 – 26
Total production (mmboe)	**28 – 31**
Operating costs	
Production costs[6] (US$ per boe)	11.00 – 12.00
Other operating costs[4] (US$m)	135 – 145
Depreciation and amortisation (US$ per boe)	12.00 – 13.00
Capital costs	
Production (US$m)	95 – 115
Development (US$m)	110 – 135
Exploration and evaluation (US$m)	*290 – 340*
Alaska Option exercise (US$m)	*450*
Repsol farm-down (net) (US$m)	*(64)*
Total exploration and evaluation[5]	676 – 726
Other plant and equipment (US$m)	50 – 60
Power (US$m)[7]	20 – 25
Total (US$m)	**951 – 1,061**

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 SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%)
4. Includes gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, power expense and corporate administration costs (including business development), expenditure related to hydrocarbon inventory movements and other expenses.
5. Total exploration and evaluation guidance, excluding Alaska Option exercise and Repsol net transaction proceeds, remains unchanged.
6. Guidance includes the total financial impact of earthquake remediation.
7. Excludes prior year POM Power station costs, which will be recognised as an Investment in Joint Ventures in 2019 upon finalisation of ownership agreement.

Most recent guidance is shown on our website, at http://www.oilsearch.com/investors/guidance.

2019 FIRST HALF RESULTS

Oil Search

FINANCIAL PERFORMANCE SUMMARY[1]

Six months to 30 June	2019	2018	% Change
Sales data			
PNG LNG PROJECT			
LNG (Billion Btu)	**60,951**	42,720	*+43%*
Condensate ('000 bbls)	**1,226**	1,048	*+17%*
Naphtha ('000 bbls)	**186**	140	*+33%*
PNG oil ('000 bbls)	**870**	865	*+1%*
HIDES GTE			
Gas (Billion Btu)	**2,548**	1,426	*+79%*
Condensate & refined products ('000 bbls)	**42**	27	*+56%*
Total barrels of oil equivalent sold ('000 boe)[2]	**13,394**	9,766	*+37%*
Average realised oil and condensate price (US$/bbl)[3]	**65.26**	71.45	*-9%*
Average realised LNG and gas price (US$/mmBtu)	**9.71**	9.02	*+8%*
Financial data (US$ million)			
Revenue from operations	**776.9**	557.8	*+39%*
Production costs	**(183.2)**	(143.8)	*+27%*
Other operating costs	**(51.2)**	(55.0)	*-7%*
Other income	**39.8**	4.7	*+747%*
EBITDAX[4]	**582.3**	363.7	*+60%*
Depreciation and amortisation	**(205.9)**	(131.4)	*+57%*
Exploration costs expensed	**(24.6)**	(12.3)	*+100%*
Impairment	**(4.7)**	-	-
EBIT[4]	**347.1**	219.9	*+58%*
Net finance costs	**(119.3)**	(99.6)	*+20%*
Profit before tax	**227.9**	120.3	*+90%*
Taxation expense	**(65.9)**	(41.1)	*+60%*
Net profit after tax	**161.9**	79.2	***+105%***
Per share data (US cents)			
Basic EPS before significant items	**10.63**	5.20	*+104%*
Diluted EPS before significant items	**10.58**	5.18	*+104%*
Net operating cash flow per share	**27.46**	15.98	*+72%*
Interim dividend	**5.0**	2.0	*+150%*

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 2019	31 Dec 2018	30 Jun 2018
Cash and short-term deposits[2]	**538.3**	**600.6**	412.1
Debt (PNG LNG financing)[3]	**(3,119.3)**	**(3,293.6)**	(3,459.7)
Net debt	**(2,581.0)**	**(2,693.0)**	(3,047.6)
Total liquidity[4]	**1,434.0**	**1,500.6**	1,262.1

1. Numbers may not add due to rounding.
2. As at 30 June 2019, US$312.7 million was escrowed in PNG LNG Project accounts (31 December 2018: US$308.6 million, 30 June 2018: US$310.2 million).
3. Excludes lease liabilities presented as 'Borrowings' in the Statement of Financial Position.
4. As at 30 June 2019, the Company's corporate facilities totalled US$900 million of which US$4.3 million has been utilised as a guarantee for a Group Company.

2019 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 2019.

PRODUCTION SUMMARY[1]

Six months to 30 June	2019		2018		% 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]	1,056	55,462	742	38,942	+42%	+42%
Gas to power	6	295	6	333	-11%	-11%
Hides GTE gas[3]	13	2,376	7	1,331	+78%	+78%
SE Gobe gas to PNG LNG[4, 5]	20	809	18	712	+14%	+14%
Total gas	**1,095**	**58,942**	**773**	**41,318**	**+42%**	**+43%**
Oil and liquids production	**bopd**	**mmbbl**	**bopd**	**mmbbl**		
Kutubu	7,229	0.786	6,892	0.749	+5%	+5%
Moran	1,347	0.121	1,524	0.137	-12%	-12%
Gobe Main	380	0.007	360	0.007	+6%	+6%
SE Gobe	466	0.019	338	0.014	+38%	+38%
Total PNG oil	**9,422**	**0.932**	**9,113**	**0.906**	**+3%**	**+3%**
Hides GTE liquids[3]	254	0.046	154	0.028	+65%	+65%
PNG LNG liquids	30,397	1.596	22,939	1.204	+33%	+33%
Total liquids	**40,072**	**2.574**	**32,206**	**2.138**	**+24%**	**+20%**
	boepd	**mmboe**	**boepd**	**mmboe**		
Total production[5]	**254,828**	**14.131**	**183,799**	**10.239**	**+39%**	**+38%**

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. 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, AC, CBE

Managing Director

20 August 2019

For more information regarding this report, please contact:

Ann Diamant

Senior Vice President, Investor Relations

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Presentation and Webcast

Oil Search will be holding a presentation for analysts and fund managers at 11.00 am AEST today, 20 August 2019. 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.

Appendix 4D

This information should be read in conjunction with the consolidated Financial Report for the half-year ended 30 June 2019.

Results for announcement to the market

	% Change	Half-year ended 30 June 2019 US$'000	Half-year ended 30 June 2018 US$'000
Revenue from ordinary activities	*up* 39.3%	**776,941**	557,752
Profit from ordinary activities after tax attributable to members	*up* 104.6%	**161,931**	79,160
Net profit for the half-year attributable to members	*up* 104.6%	**161,931**	79,160

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

Dividends

	Half-year ended 30 June 2019 US cents	Half-year ended 30 June 2018 US cents
Interim dividend paid per security (1)	**5.00**	2.00

Net tangible assets

	30 June 2019 US$	30 June 2018 US$
Net tangible asset backing per ordinary security	**2.14**	2.27

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 2019.

Details of joint venture

	Percent ownership interest held at the end of the period	
	30 June 2019 %	30 June 2018 %
Papua New Guinea Liquefied Global Natural Gas Company LDC	**29**	29
NiuPower Limited	**50**	-
NiuEnergy Limited	**50**	-

(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

Consolidated Financial Report for the half-year ended 30 June 2019

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Directors' report

The directors submit their report for the financial half-year ended 30 June 2019.

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, AC, CBE, BSc, ARSM, (Managing Director), Executive
- Dr BS Al Katheeri, PhD, BASc, MSc, Executive MBA (Hons), Non-Executive
- Sir KG Constantinou, OBE, Non-Executive
- Ms SM Cunningham, BAGeol, Non-Executive
- Dr EJ Doyle, BMath (Hons), MMath, PhD, FAICD, FTSE, Non-Executive
- Ms FE Harris, BCom, FCA (Aust), FAICD, Non-Executive
- Dr AJ Kantsler, BSc (Hons), PhD, GAICD, FTSE, Non-Executive
- Sir MP Togolo, CBE, BEcon (Hons), MA (Econ), MA (Geography), Non-Executive

GROUP SECRETARY

Mr SW Gardiner, BEc (Hons), FCPA

RESULTS AND REVIEW OF OPERATIONS

Summary of Financial Performance

For the half-year ended 30 June	2019	2018	% change
Production and Sales Data			
Production (mmboe[1])	14.13	10.24	+38.0
Sales (mmboe)	13.39	9.77	+37.1
Average realised oil and condensate price (US$/bbl[2])	65.26	71.45	-8.7
Average realised LNG and gas price (US$/mmBtu[3])	9.71	9.02	+7.6
Financial Data ($US million)			
Revenue	776.9	557.8	+39.3
Production costs	(183.2)	(143.8)	+27.5
Other operating costs	(51.2)	(55.0)	-6.9
Other income	39.8	4.7	+746.8
EBITDAX[4]	**582.3**	**363.7**	**+60.1**
Depreciation	(205.9)	(131.4)	+56.7
Exploration costs expensed	(24.6)	(12.3)	+100.0
Impairment	(4.7)	-	+100.0
Net finance costs	(119.3)	(99.6)	+19.8
Profit before tax	**227.9**	**120.3**	**+89.4**
Taxation	(65.9)	(41.1)	+60.3
Net profit after tax	**161.9**	**79.2**	**+104.6**
Net debt[5]	**2,581.0**	**3,047.6**	**-15.3**

Note: Numbers may not add due to rounding.

[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 costs expensed) 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.
[5] Net debt represents total borrowings, excluding lease liabilities, less cash and cash equivalents.

Directors' report *(continued)*

Production and Revenue

Total production in the first half of 2019 was 14.13 mmboe, 38.0% higher than in the corresponding period in 2018 (10.24 mmboe). 2018 production was lower due to the temporary shut-in of Oil Search's operated and PNG LNG production facilities caused by the PNG Highlands earthquake on 26 February 2018.

Total revenue of US$776.9 million was 39.3% higher than in the prior period, predominantly driven by higher hydrocarbon sales volumes, partially offset by lower average realised oil and condensate prices.

LNG delivered volumes for the first half of 2019 were 60,951 billion Btu, 42.7% higher than in the prior period, and included the delivery of 55 cargoes of LNG (1H2018: 38 cargoes). Total liquids volumes delivered for the first half of 2019 totalled 2.32 million barrels (mmbbl), 11.5% higher than the 2.08 mmbbl delivered for the corresponding period in 2018.

The average oil and condensate price realised during the halfyear was US$65.26 per barrel, 8.7% lower than in the prior comparable period, reflecting weaker global oil prices in the first half of 2019.

The average price realised for LNG and gas sales increased 7.7%, to US$9.71 per mmBtu reflecting an approximate three-month lag between the spot oil price and LNG contract prices. The Group did not establish any oil-linked hedges during the period and remains unhedged to oil price movements.

Other revenue, which consists mainly of electricity, naphtha sales and infrastructure tariffs, decreased marginally to US$14.6 million in the first half of 2019 from US$15.9 million over the corresponding period in 2018. This was predominantly due to the lower electricity income, partially offset by increased naptha sales.

Rig and camp lease revenue increased by 25.2% to US$7.2 million, representing higher rig utilisation in the first half of 2019 over the corresponding period in 2018.

Production and other operating costs

Production costs increased 27.5%, from US$143.8 million in the first half of 2018 to US$183.2 million. This was mainly driven by well workover activity and continued earthquake remediation work across the PNG Oil and Gas production facilities and higher maintenance costs for the PNG LNG Project. No offsetting insurance recoveries for earthquake remediation work were recognised for the PNG Oil and Gas assets, pending further assessment by the insurers. Earthquake remediation costs incurred by the PNG LNG Project were fully offset by recoveries received in the period.

	Production costs	
US$ million	**1H2019**	**1H2018**
PNG LNG	93.6	85.5
PNG Oil and Gas	89.6	58.3
	183.2	**143.8**

Production costs on a per barrel of oil equivalent (boe) basis decreased by 7.6%, from US$14.04 per boe in the first half of 2018 to US$12.97 per boe, as the corresponding period was significantly impacted by lower production. The PNG LNG Project production unit costs for the first half of 2019 were US$7.47 per boe (1H2018: US$9.60 per boe). PNG Oil and Gas unit production costs were US$55.93 per boe (1H2018: US$43.69 per boe), reflecting the well workover activity and earthquake repair costs noted above.

Other operating costs in the first half 2019 of US$51.2 million, excluding the impact of impairments of $4.7 million, were US$6.3 million lower than the prior comparable period. This was predominantly due to a decrease in lease rental expense in relation to LNG tankers upon adoption of IFRS 16 *Leases.* These were recognised as selling and distribution costs in the comparable prior period. The reduction also reflected the increase in hydrocarbon inventories on hand, partially offset by higher gas purchases and royalties and levies.

Directors' report *(continued)*

Depreciation

An increase in depreciation expense of US$74.5 million to $205.9 million in the first half of 2019 was mainly driven by higher production volumes and the impact from right-of-use assets recognised from 1 January 2019 under the newly adopted accounting standard IFRS 16 *Leases*. On a cost per boe produced basis, the average depreciation rate for the producing assets in the first half of 2019 was slightly higher at US$12.51 per boe, compared to the first half of 2018 rate of US$12.34 per boe mainly due to the higher proportional PNG LNG production compared to PNG Oil and Gas asset production.

Other income

Other income of US$39.8 million in the first half of 2019 was US$35.1 million higher than the prior comparable period, predominantly due to recoveries on assets capitalised under the newly adopted accounting standard IFRS 16 *Leases*, the recognition of insurance receipts related to prior year earthquake remediation costs and a one-off adjustment related to the release of a prior year provision.

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$24.6 million (1H2018: US$12.3 million). The exploration costs expensed during the first half of 2019 included seismic acquisition and geological, geophysical and general and administration expenses in PNG and Alaska.

Net finance costs

Net finance costs of US$119.3 million in the first half of 2019 were 19.8% higher than the prior comparable period, impacted by higher US Dollar interest rates on PNG LNG debt and finance charges on lease liabilities recognised under the newly adopted accounting standard IFRS 16 *Leases*.

Taxation

Tax expense on statutory profit in the first half of 2019 was US$65.9 million, compared to US$41.1 million in the 2018 corresponding period. This resulted in an effective tax rate of 28.9%, lower than the prior comparable period rate, primarily due to recognition of carry-forward tax losses in PNG and a one-off adjustment for non-assessable income.

Directors' report *(continued)*

Summary of Financial Position

Investment expenditure

Investment expenditure for the first half of 2019 totalled US$656.0 million, of which US$450 million related to the exercise of an option to acquire additional licence interests in Alaska. The categories of investment expenditure for the period were:

US$ million	30 June 2019
Exploration and evaluation [1]	600.7
Development - PNG LNG Project and Biomass	15.1
Producing assets	27.7
Other plant and equipment	12.5
Total investment expenditure[2][3]	**656.0**
Sale of equity interest in Alaskan licences	(70.5)
Investment expenditure adjusted for divestments	**585.5**

[1] Includes US$24.6 million (2018: US$12.3 million) of exploration costs expensed during the period and purchase costs of US$6.1 million related to alignment of equity interests in Alaskan licences.
[2] The difference between investment expenditure presented above and asset additions presented in Notes 11 and 12 of the condensed consolidated financial statements relate to asset leases recognised under the newly adopted accounting standard IFRS 16 *Leases*.
[3] Excludes prior period expenditure of US$13.8 million settled as equity investments in joint ventures during the half-year ended 30 June 2019.

Exploration and evaluation expenditure for the first half of 2019 was driven by investment in major growth opportunities, including pre-FEED for the Group's LNG expansion projects in Papua New Guinea, the Alaska option exercised on 28 June 2019, seismic acquisition in the Eastern Foldbelt licences in PNG as well as Alaska North Slope and PNG Muruk 2 appraisal wells.

Oil Search's share of PNG LNG Project development costs for the Angore development was US$10.9 million during the first half of 2019. In addition, US$4.2 million was outlayed on Biomass FEED activities in the period.

Capital investment across all producing assets totalled US$27.7 million for the first half of 2019 and included a well workover at Kutubu and the drilling of a development well at Moran.

In conjunction with the exercise of the Armstrong option, the Group also completed a series of transactions to align Alaskan ownership interests with Repsol. These transactions resulted in a net payment to Oil Search of US$64.4 million and comprised a sell down of Horseshoe and other exploration licence interests for US$70.5 million and an acquisition of interests in certain Repsol exploration licences for US$6.1 million.

Net debt

As at 30 June 2019, Oil Search had cash and cash equivalents of US$538.3 million and gross debt of US$3,119.3 million, excluding lease liabilities of US$411.4 million.

Oil Search had net debt (total borrowings, excluding lease liabilities, less cash) of US$2,581.0 million as at 30 June 2019 which was US$112.1 million lower than the net debt position of US$2,693.0 million as at 31 December 2018.

Directors' report *(continued)*

A reconciliation of the movement in net debt during the period is as follows:

	US$ million
Net debt at 31 December 2018	**2,693.0**
Net repayment – PNG LNG Project finance facility	(174.3)
Decrease in cash balances	62.2
Net movement in 1H2019	**(112.1)**
Net debt at 30 June 2019	**2,581.0**

Note: Numbers may not add due to rounding.

At 30 June 2019, the Group had US$3,119.3 million drawn under the PNG LNG Project finance facility.

Oil Search remained in a sound liquidity position at 30 June 2019, with cash of US$538.3 million, including US$312.7 million in PNG LNG escrow accounts, and US$895.7 million available under the Group's corporate revolving facilities. In late June 2019, Oil Search arranged an additional US$300 million of corporate credit facilities, subject to obtaining standard PNG regulatory approvals, to provide additional financial flexibility for the forthcoming Alaskan option payment of US$450 million due in late August 2019.

Cash flows

Half-year to 30 June (US$ million)	2019	2018	% change
Net receipts	552.5	387.2	+42.7
Net interest paid	(120.9)	(94.0)	+28.6
Tax paid	(13.2)	(49.7)	-73.4
Operating cash flow	**418.5**	**243.5**	**+71.8**
Net investing cash flow	(170.3)	(591.5)	-71.2
Net financing cash flow	(310.5)	(254.6)	+22.0
Net cash inflow/(outflow)	**(62.2)**	**(603.1)**	**-89.7**

Note: Numbers may not add due to rounding.

Operating cash flow increased due to higher LNG and gas sales and higher average realised LNG and gas prices in 2019, partially offset by higher payments to suppliers.

The Group distributed US$129.5 million to shareholders via the 2018 final dividend in the first half of 2019. During the period, borrowings of US$174.3 million were repaid under the PNG LNG Project financing facility.

Directors' report *(continued)*

SUBSEQUENT EVENTS

Dividends

On 19 August 2019, the directors approved the payment of an interim unfranked dividend of US 5 cents per ordinary share (1H2018: US 2 cents interim dividend) to ordinary shareholders in respect of the half-year ended 30 June 2019. The due date for payment is 24 September 2019 to all holders of ordinary shares on the Register of Members on 4 September 2019. The Company's dividend reinvestment plan will remain suspended for the interim dividend. Dividends paid and declared during the year are recorded in note 10 to the financial statements.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Deloitte Touche Tohmatsu's Independence Declaration, which forms part of this report, is attached on page 9.

Signed in accordance with a resolution of the directors.



.....

RJ LEE AM

Chairman



.....

PR BOTTEN AC, CBE

Managing Director

Sydney, 19 August 2019

Deloitte.

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The Directors
Oil Search Limited
Ground Floor, Harbourside East Building
Stanley Esplanade
National Capital District, Port Moresby
Papua New Guinea

19 August 2019

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 2019, 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 for 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 Asia Pacific Limited and the Deloitte Network

Condensed consolidated statement of comprehensive income for the half-year ended 30 June 2019

	Note	Half-year ended 30 June 2019 $'000	Half-year ended 30 June 2018 $'000
Revenue	3	**776,941**	557,752
Cost of sales	4	**(399,194)**	(294,383)
Gross profit		**377,747**	263,369
Other income	5	**39,793**	4,650
Other expenses	6	**(70,413)**	(48,147)
Profit from operating activities		**347,127**	219,872
Net finance costs	7	**(119,263)**	(99,598)
Profit before income tax		**227,864**	120,274
Income tax expense	8	**(65,933)**	(41,114)
Net profit after tax		**161,931**	79,160
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		**(700)**	(1,095)
Total comprehensive income for the period		**161,231**	78,065
		cents	cents
Basic earnings per share	9	**10.63**	5.20
Diluted earnings per share	9	**10.58**	5.18

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

Condensed consolidated statement of financial position as at 30 June 2019

	Note	30 June 2019 $'000	31 December 2018 $'000
Current assets			
Cash and cash equivalents		**538,322**	600,557
Receivables		**198,132**	228,705
Inventories		**115,649**	90,428
Prepayments		**3,746**	12,302
Total current assets		**855,849**	931,992
Non-current assets			
Prepayments		**81,738**	83,416
Receivables		**63,685**	59,408
Exploration and evaluation assets	11	**2,845,866**	2,344,818
Oil and gas assets	12	**6,181,751**	6,240,567
Other plant and equipment	12	**471,285**	248,768
Investments in joint ventures		**17,790**	3,958
Deferred tax assets		**879,265**	760,964
Total non-current assets		**10,541,380**	9,741,899
Total assets		**11,397,229**	10,673,891
Current liabilities			
Payables		**690,459**	326,484
Provisions		**34,030**	19,317
Borrowings		**336,846**	356,739
Current tax payable		**88,672**	68,433
Total current liabilities		**1,150,007**	770,973
Non-current liabilities			
Payables		**11,056**	23,394
Provisions		**639,920**	569,694
Borrowings		**3,193,829**	3,068,035
Deferred tax liabilities		**1,223,216**	1,076,177
Total non-current liabilities		**5,068,021**	4,737,300
Total liabilities		**6,218,028**	5,508,273
Net assets		**5,179,201**	5,165,618
Shareholders' equity			
Share capital	13	**3,158,390**	3,152,443
Reserves		**(6,738)**	(5,448)
Retained earnings		**2,027,549**	2,018,623
Total shareholders' equity		**5,179,201**	5,165,618

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 2019

	Half-year ended 30 June 2019 $'000	Half-year ended 30 June 2018 $'000
Cash flows from operating activities		
Receipts from customers and third parties	**877,660**	674,157
Payments to suppliers and employees	**(294,665)**	(271,293)
Interest received	**9,150**	6,786
Borrowing costs paid	**(130,076)**	(100,744)
Income tax paid	**(13,168)**	(49,697)
Payments for exploration and evaluation - seismic, G&A, G&G	**(21,126)**	(11,603)
Payments for site restoration	**(9,286)**	(4,148)
Net cash from operating activities	**418,489**	243,458
Cash flows from investing activities		
Payments for other plant and equipment	**(15,725)**	(22,220)
Payments for exploration and evaluation	**(114,071)**	(512,704)
Payments for development assets	**(9,301)**	(21,228)
Payments for producing assets	**(25,554)**	(6,620)
Payments for power assets	**(4,882)**	(28,240)
Loan to third party in respect of exploration and evaluation	**(729)**	(469)
Net cash used in investing activities	**(170,262)**	(591,481)
Cash flows from financing activities		
Dividend payments	**(129,501)**	(83,800)
Loan provided to third party	**(729)**	(469)
Purchase of treasury shares	**-**	(8,239)
Contributions received for employee shares schemes	**2,287**	4,246
Repayment of borrowings	**(304,264)**	(165,744)
Proceeds from borrowings	**130,000**	-
Lease payments	**(8,255)**	(1,070)
Net cash used in financing activities	**(310,462)**	(255,076)
Net decrease in cash and cash equivalents	**(62,235)**	(603,099)
Cash and cash equivalents at the beginning of the period	**600,557**	1,015,246
Cash and cash equivalents at the end of the period	**538,322**	412,147

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 2019

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 2019	**3,152,443**	**(19,162)**	**2,969**	**10,745**	**2,018,623**	**5,165,618**
Impact of change in accounting policy (Note 1(c))	-	-	-	-	(23,447)	(23,447)
Restated balance at 1 January 2019	**3,152,443**	**(19,162)**	**2,969**	**10,745**	**1,995,176**	**5,142,171**
Dividends provided for or paid	-	-	-	-	(129,501)	(129,501)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	161,931	161,931
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	(700)	-	-	-	(700)
Total comprehensive income for the period	-	(700)	-	-	161,931	161,231
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	9,513	(9,513)	-	-
Employee share-based remuneration	-	-	-	5,357	-	5,357
Shares issued for the share purchase plan	5,947	-	(5,947)	-	-	-
Trust distribution	-	-	-	-	(57)	(57)
Total transactions with owners	5,947	-	3,566	(4,156)	(57)	5,300
Balance at 30 June 2019	**3,158,390**	**(19,862)**	**6,535**	**6,589**	**2,027,549**	**5,179,201**
Balance at 1 January 2018	**3,152,443**	**(17,157)**	**3,663**	**7,060**	**1,791,745**	**4,937,754**
Dividends provided for or paid	-	-	-	-	(83,800)	(83,800)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	79,160	79,160
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	(1,095)	-	-	-	(1,095)
Total comprehensive income for the period	-	(1,095)	-	-	79,160	78,065
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	7,545	(7,545)	-	-
Employee share-based remuneration	-	-	-	4,772	-	4,772
Issue of treasury shares	-	-	(8,239)	-	-	(8,239)
Trust distribution	-	-	-	-	(26)	(26)
Total transactions with owners	-	-	(694)	(2,773)	(26)	(3,463)
Balance at 30 June 2018	**3,152,443**	**(18,252)**	**2,969**	**4,287**	**1,787,079**	**4,928,526**

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

1 Significant accounting policies

(a) Corporate information

Oil Search Limited (the 'Company' or 'Oil Search') is incorporated in Papua New Guinea (PNG). The condensed consolidated financial report for the half-year ended 30 June 2019 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 19 August 2019.

The interim financial report is presented in United States Dollars (US$).

(b) Basis of preparation

This condensed consolidated financial report for the half-year reporting period ended 30 June 2019 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 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX and PNGX 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 except for the mandatory adoption of new and amended standards as set out below.

(c) New and amended standards adopted by the Group

Effective from 1 Janaury 2019 the Group adopted IFRS 16 *Leases,* as issued by the International Accounting Standards Board (IASB), requiring an amendment to its accounting policies. There have been no other new standards issued or amendments to existing standards requiring mandatory adoption by the Group for the half year ended 30 June 2019.

This note explains the impact to the Group's financial statements from adopting IFRS 16 *Leases* and discloses the new accounting policies that have been applied.

Transition approach

The Group has adopted IFRS 16 using the simplified transition approach and has not restated comparative amounts. The Group has measured its lease liabilities at the present value of the remaining lease payments, discounted using the appropriate incremental borrowing rates as of 1 January 2019. The associated right-of-use-assets were measured on transition as if the new Standard had been applied since the commencement date of the lease. The adjustments arising from the new leasing rules are recognised in the opening balance of retained earnings on 1 January 2019.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and lease liability at the date of initial application.

Elections and practical expedients applied

The Group has made the following practical expediency elections under its transition to IFRS 16:

- The right-of-use-assets were adjusted for onerous leases previously recognised.
- Assessment as at transition date was used to determine the lease term for contracts with extension or termination options.
- Initial direct costs were excluded from the measurement of the right-of-use asset at transition date.

Adjustments recognised on adoption of IFRS 16

Adjustments to the Statement of Financial Position at 1 January 2019

	$'000
Right-of-use-assets recognised	230,205
Lease liabilities recognised	(282,055)
Deferred tax assets (net) recognised	11,350
Reversal of deferred lease liabilities, onerous provision and other balances	17,053
Retained earnings reduction	(23,447)

Reconciliation of non-cancellable operating lease commitments to lease liabilities at 1 January 2019

	$'000
Operating lease obligations 31 December 2018	**304,917**
Less:	
Short-term and low value leases	(11,997)
Commitments reassessed as having no leasing arrangements	(6,068)
Add:	
Reasonably certain extension clauses	208,579
Undiscounted lease liabilities at 1 January 2019	**495,431**
Discounted lease liabilities at 1 January 2019 [(1)]	**282,055**
Of which are:	
Current lease liabilities	17,456
Non-current lease liabilities	264,599

[(1)] The weighted-average incremental borrowing rate for lease liabilities initially recognised as of 1 January, 2019 was 7.30%

Reconciliation of right-of-use-assets by asset class

	Other plant and equipment $'000		
	Transport & logistics[1]	**Corporate**	**Total**
Right-of-use-assets recognised upon transition	159,252	70,953	230,205
Right-of-use-assets pertaining to finance leases at transition date	113,936	-	113,936
Balance at 1 January 2019	**273,188**	**70,953**	**344,141**
Lease arrangements entered into during the period	-	8,388	8,388
Depreciation expense	(13,158)	(3,901)	(17,059)
Balance at 30 June 2019	**260,030**	**75,440**	**335,470**

[1]Previously categorised as Marine assets.

The expense recognised in the income statment for short term and low value leases for the half-year period totalled $11.8 million.

Change in accounting policy from 1 January 2019

Leases

A lease arrangement is one that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group's right to control an asset is defined by whether the arrangement allows the Group to:

- use an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- obtain substantially all of the economic benefits of the asset throughout the period of use; and

- direct the use of the asset thereby changing how the asset is used and the purpose for which it is deployed. The right to direct the use of the asset will also exist if the Group:
    - has the right to operate the asset; or
    - designed the asset in a way that predetermines its deployment and purpose.

The Group does not recognise lease arrangements in respect of intangible assets. The payments associated with short-term lease arrangements and leases of low value assets are recognised on a straight line basis in the Statement of Comprehensive Income. Short term leases are leases with a lease term of 12 months or less. The lease arrangements that contain identifiable non-lease components are separated and accounted for separately. The Group applies the requirements of the leasing standard on a lease by lease basis.

Leased assets

The Group recognises a right of use asset and a lease liability at the commencement date of the lease arrangement. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to dismantle or remediate the underlying asset, less any lease incentives received. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. In addition, the right of use asset may be adjusted periodically due to remeasurements of the lease liability.

Lease liabilities
The lease liability is initially measured at the present value of the outstanding lease payments at the commencement date of the arrangement, discounted using the borrowing rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently measured through increasing the carrying amount to reflect interest on the lease liability, less lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its assessment of whether it will excersice a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in the profit and loss if the carrying amount of the right of use asset has been reduced to zero.

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, production and sale of liquefied natural gas, crude oil, natural gas, condensate, naphtha, other refined products and electricity from the Group's interest in its operated assets for 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 the United States of America.

Other

This segment includes the Group's ownership of drilling rigs, investment and development activities in support of the Group's power strategy and corporate activities. Net finance costs (excluding PNG LNG project financing) 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 categorised across exploration and evaluation assets, oil and gas assets, and property, plant and equipment.

	PNG BU		Exploration		Other		Total	
$'000	**30 June 2019**	**30 June 2018**	**30 June 2019**	**30 June 2018**	**30 June 2019**	**30 June 2018**	**30 June 2019**	**30 June 2018**
External revenues	**769,585**	551,759	**-**	-	**7,356**	5,993	**776,941**	557,752
Costs of production	**(189,318)**	(141,283)	**-**	-	**-**	-	**(189,318)**	(141,283)
Selling and distribution costs	**(15,070)**	(23,740)	**-**	-	**(739)**	(1,188)	**(15,809)**	(24,928)
Rig operating costs	**-**	-	**-**	-	**(835)**	(557)	**(835)**	(557)
Corporate	**-**	-	**-**	-	**(18,412)**	(14,269)	**(18,412)**	(14,269)
Foreign currency gains/(losses)	**-**	-	**-**	-	**985**	(662)	**985**	(662)
Power costs expensed	**-**	-	**-**	-	**(1,574)**	(2,665)	**(1,574)**	(2,665)
Other income	**20,020**	1,514	**-**	-	**19,773**	3,136	**39,793**	4,650
Other expenses	**-**	(2,661)	**-**	-	**(9,470)**	(11,783)	**(9,470)**	(14,444)
EBITDAX	**585,217**	385,589	**-**	-	**(2,916)**	(21,995)	**582,301**	363,594
Depreciation	**(193,092)**	(127,449)	**-**	-	**(12,831)**	(3,933)	**(205,923)**	(131,382)
Exploration costs expensed	**-**	-	**(24,557)**	(12,340)	**-**	-	**(24,557)**	(12,340)
Impairment	**-**	**-**	**(4,694)**	**-**	**-**	**-**	**(4,694)**	**-**
EBIT	**392,125**	258,140	**(29,251)**	(12,340)	**(15,747)**	(25,928)	**347,127**	219,872
Net finance costs	**(89,558)**	(90,222)	**-**	-	**(29,705)**	(9,376)	**(119,263)**	(99,598)
Profit before income tax							**227,864**	120,274
Income tax expense							**(65,933)**	(41,114)
Net profit after tax							**161,931**	79,160
Investment expenditure[1]								
Exploration and evaluation assets[2]	**-**	-	**(530,275)**	(515,166)	**-**	-	**(530,275)**	(515,166)
Oil and gas assets - development and production	**(38,634)**	(24,014)	**-**	-	**-**	-	**(38,634)**	(24,014)
Other plant and equipment	**-**	-	**-**	-	**(16,653)**	(22,116)	**(16,653)**	(22,116)
	(38,634)	(24,014)	**(530,275)**	(515,166)	**(16,653)**	(22,116)	**(585,562)**	(561,296)

(1) The difference between investment expenditure above and asset additions in Note 12 relate to the recognition of lease assets from the adoption of IFRS 16 *Leases* from 1 January 2019.

(2) During the period, the Group exercised the Armstrong option to double its interests in the Pikka Unit, Horseshoe Block and other exploration leases in Alaska, for US$450 million. In conjunction with exercising the Armstrong option, Oil Search and Repsol entered into arrangements to align ownership interests resulting in a net contribution to Oil Search of US$64.4 million.

Geographical segments

The Group operates primarily in Papua New Guinea, but also has activities in the United States of America and Australia.

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

The presentation of information for 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 2019	Half-year ended 30 June 2018	30 June 2019	31 December 2018
PNG	**776,941**	557,752	**8,516,288**	8,305,847
USA	**-**	-	**903,323**	477,169
Australia	**-**	-	**104,181**	64,603
Other	**-**	-	**138,323**	133,316
Total	**776,941**	557,752	**9,662,115**	8,980,935

(1) Non-current assets exclude deferred tax assets of $879.3 million (2018: $761.0 million).

	Half-year ended 30 June 2019 $'000	Half-year ended 30 June 2018 $'000
3 Revenue		
Revenue from Contracts with Customers		
Liquefied natural gas sales	**595,435**	388,116
Oil and condensate sales	**138,360**	137,809
Gas sales	**21,386**	10,233
Other revenue	**14,572**	15,855
	769,753	552,013
Drilling rig and camp lease revenue	**7,188**	5,739
Total revenue	**776,941**	557,752
4 Cost of sales		
Costs of production:		
Production costs	**(183,215)**	(143,763)
Royalties and levies	**(7,965)**	(1,678)
Gas purchases	**(11,555)**	(3,302)
Inventory movements	**17,012**	10,628
Other costs of production	**(3,595)**	(3,168)
	(189,318)	(141,283)
Selling and distribution costs	**(15,809)**	(24,928)
Rig operating costs	**(835)**	(557)
Depreciation:		
Oil and gas assets	**(176,865)**	(123,923)
Transport and logistics	**(13,158)**	(3,526)
Rig assets	**(3,209)**	(166)
Total cost of sales	**(399,194)**	(294,383)

	Half-year ended 30 June 2019 $'000	Half-year ended 30 June 2018 $'000
5 Other income		
Capital cost recoveries (including from leased assets)	**22,746**	2,591
Provisions written back	**7,585**	-
Insurance receipts relating to prior year	**5,836**	-
Other	**3,626**	2,059
	39,793	4,650
6 Other expenses		
Corporate	**(18,412)**	(14,269)
Exploration costs expensed	**(24,557)**	(12,340)
Power costs expensed	**(1,574)**	(2,665)
Depreciation	**(12,691)**	(3,766)
Loss on obsolescence and disposal of assets	**-**	(2,662)
Impairment of exploration asset	**(4,694)**	-
Foreign currency gain/(loss)	**985**	(662)
Other	**(9,470)**	(11,783)
Total other expenses	**(70,413)**	(48,147)
7 Net finance costs		
Interest income	**12,698**	8,534
Borrowing costs	**(104,779)**	(92,557)
Finance charge on lease liabilities	**(19,029)**	(8,158)
Unwinding of discount on site restoration	**(8,153)**	(7,417)
Net finance costs	**(119,263)**	(99,598)
8 Income tax expense		
The major components of tax expenses are:		
Current tax expense	**(23,635)**	(1,289)
Adjustments for current tax of prior periods	**-**	(8,721)
Deferred tax expense	**(42,298)**	(31,104)
Income tax expense	**(65,933)**	(41,114)
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	**227,864**	120,274
Tax at PNG rate of 30%	**(68,360)**	(36,082)
Additional profits tax payable	**(115)**	(415)
Effect of differing tax rates across tax regimes	**(250)**	(173)
	(68,725)	(36,670)
Tax effect of items not tax deductible or assessable:		
Under provisions in prior periods	**-**	(8,721)
Non-deductible expenditure	**(1,622)**	(856)
Non-assessable income	**4,046**	154
Previously unrecognised tax losses	**-**	(117)
Additional profits tax movement	**-**	5,085
Exempt dividends	**-**	11
Reinstatement of deferred tax liabilities	**368**	-
Income tax expense	**(65,933)**	(41,114)

	Half-year ended 30 June 2019 $'000	Half-year ended 30 June 2018 $'000

8 Income tax expense (continued)

Deferred tax expense recognised in net profit for each type of temporary difference:		
Exploration and development	**(125,292)**	(33,613)
Other assets	**26,093**	3,761
Provisions and accruals	**24,717**	(12,382)
Other items	**4,048**	4,453
Tax losses	**28,136**	6,677
Deferred tax expense	**(42,298)**	(31,104)

9 Earnings per share

	Half-year ended 30 June 2019 cents	Half-year ended 30 June 2018 cents
Basic earnings per share	**10.63**	5.20
Diluted earnings per share	**10.58**	5.18
	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	**1,523,902,434**	1,523,631,192
Employee share rights	**2,459,788**	1,675,159
Employee performance rights	**3,708,437**	3,028,500
Diluted earnings per share	**1,530,070,659**	1,528,334,851

	Half-year ended 30 June 2019 $'000	Half-year ended 30 June 2018 $'000

10 Dividends paid or proposed

Unfranked [1] dividends in respect of the half-year, proposed subsequent to the period end:		
Ordinary dividend [2]	**76,237**	30,473
	76,237	30,473
Unfranked [1] dividends paid during the period in respect of the previous half-year:		
Ordinary dividend	**76,237**	30,473
	76,237	30,473

(1) As Oil Search Limited is a Papua New Guinea incorporated company, there are no franking credits available on dividends.
(2) On 19 August 2019, the Directors declared an interim unfranked dividend of US 5 cents per ordinary share (2018: US 2 cent interim dividend), to be paid to the holders of ordinary shares on 24 September 2019. The proposed interim dividend for 2019 is payable to all holders of ordinary shares on the Register of Members on 4 September 2019 (record date). The estimated dividends to be paid are $76,237,349 and have not been included as a liability in these financial statements.

	Balance at 30 June 2019 $'000	Balance at 31 December 2018 $'000

11 Exploration and evaluation assets

At cost	**3,497,025**	2,991,283
Accumulated impairment	**(651,159)**	(646,465)
	2,845,866	2,344,818

Balance at start of period	**2,344,818**	1,672,352
Additions [1]	**530,275**	714,796
Exploration costs expensed	**(24,557)**	(66,663)
Changes in restoration obligations	**3,082**	26,387
Impairment loss	**(4,694)**	-
Net exchange differences	**(3,058)**	(2,054)
Balance at end of period	**2,845,866**	2,344,818

(1) During the period, the Group exercised the Armstrong option to double its interests in the Pikka Unit, Horseshoe Block and other exploration leases in Alaska, for US$450 million. In conjunction with exercising the Armstrong option, Oil Search and Repsol entered into arrangements to align ownership interests resulting in a net contribution to Oil Search of US$64.4 million.

12 Property, plant and equipment

	Oil and gas			Other plant and equipment			
	Development	Producing	Total	Transport & logistics[1]	Rigs	Corporate	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019							
At cost	**76,753**	**9,224,855**	**9,301,608**	**297,272**	**93,347**	**323,565**	**714,184**
Accumulated depreciation and impairments	**-**	**(3,119,857)**	**(3,119,857)**	**(37,242)**	**(73,860)**	**(131,797)**	**(242,899)**
	76,753	**6,104,998**	**6,181,751**	**260,030**	**19,487**	**191,768**	**471,285**
Balance at 1 January 2019	**65,818**	**6,174,749**	**6,240,567**	**113,936**	**19,644**	**115,188**	**248,768**
Adjustment for change in accounting policy (Note 1(c))	**-**	**-**	**-**	**159,252**	**-**	**70,953**	**230,205**
Restated opening balance	**65,818**	**6,174,749**	**6,240,567**	**273,188**	**19,644**	**186,141**	**478,973**
Additions	**10,935**	**27,699**	**38,634**	**-**	**3,052**	**22,519**	**25,571**
Disposals	**-**	**-**	**-**	**-**	**-**	**(4,000)**	**(4,000)**
Changes in restoration obligations	**-**	**79,415**	**79,415**	**-**	**-**	**-**	**-**
Net exchange differences	**-**	**-**	**-**	**-**	**-**	**(201)**	**(201)**
Depreciation	**-**	**(176,865)**	**(176,865)**	**(13,158)**	**(3,209)**	**(12,691)**	**(29,058)**
Balance at 30 June 2019	**76,753**	**6,104,998**	**6,181,751**	**260,030**	**19,487**	**191,768**	**471,285**
2018							
At cost	65,818	9,117,741	9,183,559	138,020	90,295	234,294	462,609
Accumulated depreciation and impairment	-	(2,942,992)	(2,942,992)	(24,084)	(70,651)	(119,106)	(213,841)
	65,818	6,174,749	6,240,567	113,936	19,644	115,188	248,768
Balance at 1 January 2018	28,961	6,506,782	6,535,743	120,987	18,703	66,011	205,701
Additions	36,797	21,723	58,520	-	2,097	59,950	62,047
Transfers	60	(60)	-	-	-	-	-
Disposals	-	-	-	-	-	(8)	(8)
Changes in restoration obligations	-	(43,717)	(43,717)	-	-	(78)	(78)
Net exchange differences	-	-	-	-	-	(2,779)	(2,779)
Depreciation	-	(309,979)	(309,979)	(7,051)	(1,156)	(7,908)	(16,115)
Balance at 31 December 2018	65,818	6,174,749	6,240,567	113,936	19,644	115,188	248,768

[1]Previously referred to as Marine assets.

	Balance at 30 June 2019 $'000	Balance at 31 December 2018 $'000
13 Share capital		
Issued 1,524,746,985 (2018: 1,523,631,192) Ordinary shares, fully paid (no par value)	**3,158,390**	3,152,443

14 Subsequent events

Dividends

On 19 August 2019, the directors approved the payment of an interim unfranked dividend of US 5 cents per ordinary share (2018: US 2 cents interim dividend) to ordinary shareholders in respect of the half-year ended 30 June 2019. The due date for payment is 24 September 2019 to all holders of ordinary shares on the Register of Members on 4 September 2019. The Company's dividend reinvestment plan will remain suspended for the interim dividend. Dividends paid and declared during the year are recorded in note 10 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 2019, and its performance for the half-year ended on that date; and

(ii) comply with International Financial Reporting Standards; and

(iii) 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 2019.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



.....

RJ LEE AM

Chairman



.....

PR BOTTEN AC, CBE

Managing Director

Sydney, 19 August 2019

Deloitte.

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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 (the "Company"), which comprises the condensed consolidated statement of financial position as at 30 June 2019, 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 10 to 24.

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 2019 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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Deloitte.

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 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

Matthew Donaldson
Partner
Chartered Accountants
Registered Company Auditor in Australia

Sydney, 19 August 2019

DELOITTE TOUCHE TOHMATSU

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

Port Moresby, 19 August 2019