

Helping to create a sustainable future in PNG

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A BRIEF PROFILE OF OIL SEARCH

Oil Search has been involved in exploring for oil and gas in Papua New Guinea (PNG) for over 80 years. We are one of the leading players in the PNG oil and gas industry and operate all of PNG's currently producing oil and gas fields.

We are poised to enter a major new growth phase, driven by our 29 per cent interest in the PNG LNG Project, a world scale liquefied natural gas (LNG) project operated by Esso Highlands (a subsidiary of Exxon Mobil Corporation). This project, which is scheduled to commence LNG sales in 2014, will transform Oil Search into a significant LNG exporting company.

In addition to our producing oil and gas and LNG development interests in PNG, we also have exploration activities in PNG, Yemen, Iraq and Tunisia. The Company has approximately 1,000 full-time staff and employs over 1,000 contractors in PNG, Australia, the Middle East and North Africa (MENA).

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*Our vision is for a sustainable
improvement in the health
and wellbeing of the people
of Papua New Guinea*

REPORT SCOPE

While Oil Search carries out exploration activities in Yemen, Iraq and Tunisia (MENA), and maintains corporate offices in Australia, the sustainability data in this report, unless otherwise stipulated, relates exclusively to our active exploration and production activities in Papua New Guinea.

All production activities in Papua New Guinea for which we are Operator are included in this report. This includes our Associated Gas activities within the PNG LNG Project, but does not include the PNG LNG Project in its entirety.

All figures are as at 31 December 2010 unless otherwise indicated. For an overview of our sustainability performance in MENA please refer to pages 86-89.

For more detailed information about this report, please refer to page 92.

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CONTENTS

Message from the
Managing Director
2

Operating in Papua
New Guinea
6

Environment
10

Community Development
14

Stakeholder Management
16

Community Health
18

Wealth and Benefits
Distribution
20

Transparency and
Efficiency
22

PERFORMANCE REVIEW
24

Five Year Sustainability
Snap Shot
26

Our Environment
28

Our People
46

Our Communities
58

Our Financial Performance
76

Corporate Governance
78

Management Structures
and Systems
80

Stakeholder Engagement
Overview
84

Other Assets
86

Glossary of Terms
90

About this Report
91

API/PIECA Index
92

GRI Contents Index
93

MDG Index
96

MESSAGE FROM THE MANAGING DIRECTOR

At Oil Search we have, for many years, focussed our operations on the various key aspects of sustainability; be it the safety and well being of our people, government and community engagement, various social and public health initiatives or protecting the pristine environments in which we operate. We have developed a strong, caring, corporate culture that pervades our activities, supported by all our staff.

We recognise that with increasing development activities and construction of the PNG LNG Project underway, expectations of local communities and Government are escalating and our interactions with all stakeholders are becoming more complex. There is an increasing need for transparency and good governance in our dealings, plus a priority to lift our performance in managing and reporting our efforts in all areas of sustainability.

Our first annual Sustainability Report outlines our approach to Sustainability, demonstrates our ongoing efforts to mitigate the environmental, social and economic risks to which we are exposed and illustrates our total commitment to securing and enhancing our social licence to operate everywhere we work.

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*Only by conducting our operations
in accordance with the principles
of sustainable development can
we truly achieve our ultimate
business objectives*



Managing Director
Peter Botten

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MESSAGE FROM THE MANAGING DIRECTOR CONTINUED

OUR VISION

Oil Search will be a leader in delivering sustainability, driven by integrity, innovation and partnership with governments and the communities with whom we work.

OUR APPROACH TO SUSTAINABILITY:

Oil Search has a long history of working in Papua New Guinea, starting operations in 1929. During the past 20 years the country has had a history of investment and operating stability. This has been constantly challenged and now requires a sophisticated, holistic approach to sustainability that involves building trusting relationships through appropriate stakeholder engagement and management, transparency in benefits distribution and the promotion of long term sustainable improvement in the well being of the people.

Oil Search has grown substantially during this time, to where it now operates all the producing oil and gas fields in the country and is a major equity holder in the PNG LNG Project. As a Papua New Guinean company, Oil Search has adopted a culture and operating style displaying an ethos which addresses the challenges of delivering sustainable, long term growth for its shareholders, whilst enhancing our social licence to operate and our corporate reputation in PNG. We are proud that we have developed the skills and attitude to be successful in this challenging environment.

It is Oil Search's intention to be a leader in delivering sustainability in Papua New Guinea. This is not just printed words in a report or to tick a series of boxes for governments, financiers or NGO's. It is an ethos that we believe is socially and morally correct. Success in its delivery will provide us with a stable operating environment, in which the true potential of our assets can be achieved. Getting sustainability right in PNG, or anywhere we work, delivers a great social outcome, as well as a compelling bottom line impact for our shareholders.

Our activities in PNG are being carried out at a time of unprecedented social and economic change, driven by major project development in both the hydrocarbon and mining sectors. This is combined with a range of social changes to tribal traditions and leadership, burgeoning population growth and better education, especially for the younger generation. The advent of instant communications, the presence of significant pockets of wealth and unprecedented new business opportunities for communities, are resulting in major social change in many parts of the country. With these changes comes an increase in community expectations, and a desire to improve life's fundamentals. Combine these influences with a dynamic political environment, a stressed bureaucratic system and, unfortunately, growing levels of corruption, and the challenge of managing the operating environment required to deliver the inherent value of our assets is large.

We see management of these influences as a major opportunity for Oil Search to make a positive difference to people and life in PNG and for us to play a lead role in responsibly influencing these social changes. We call this holistic sustainability and the Company's new Sustainability

Group, set up to specifically address these social and economic challenges, is charged with managing these aspects, with a focus on people, the environment and our social licence to operate. This Sustainability Group will focus on improving our formal reporting, whilst at the same time delivering to our bottom line socially responsible growth and a stable operating platform.

Our approach to sustainability starts with the safety and wellbeing of our people, including our contractors. We have a strong safety culture and care factor within our workforce. This is shown by our strong safety performance, especially when measured against our industry peers. However safety statistics are not just numbers; they represent people who have been hurt in the course of our operations. We believe no one should come to work and go home injured. We also believe Incident Free Operations are achievable. We will continue to make safety the highest priority in our organisation and a key sustainability measure.

Sustainability for Oil Search also means relationships. Managing our relationships with government, bureaucracy and the many communities with whom we work is a key part of delivering long term sustainable operations and lifting social outcomes.

We recognise that benefits emanating from resource projects in the country over many years have not had appropriate, positive impact in many areas. We must learn from this and our Sustainability Group will take an active role in ensuring benefit streams are managed to provide fair distribution, with appropriate transparency and governance. This will require close relationships with all stakeholders, government and communities to deliver positive long term outcomes that are sustainable.

Project benefits come in a variety of forms to government and impacted communities – in the form of direct equity in project ownership, royalties and levies, employment and training opportunities, landowner company business programmes and health initiatives. Long term sustainable business activities are also promoted, including agricultural and educational projects, that are not directly related to resource developments.

Our 2010 strategic review identified several core sustainability priorities, including appointing a sustainability management team, managing key PNG in-country operating risks, and expanding our public health program

The integrated management of these complex issues is now carried out by our Sustainability Group, along with our External, Community Affairs and Health Departments. These departments will help drive a comprehensive stakeholder engagement process, with PNG Government and bureaucracy, largely in Port Moresby, and landowner leaders and the communities in the many villages.

They will also lead an enhanced reporting process that will publish summaries of project benefits and payments, whilst actively promoting strong governance for these funds. This reporting will demonstrate stakeholder engagement, monitor the financial and social impacts on our communities and report on key sustainability metrics.

The Sustainability Group is also responsible for administration and reporting of our environmental performance, improving on our ISO 14001 accreditation, delivering environmental education, and forming partnerships with a range of institutions. These include WWF, who are responsible for monitoring Wildlife Management Areas in the Highlands of PNG, and Business 4 Millennium Development, who support the development of social businesses across our communities, allowing direct benefits from these activities into family groups, especially women.

As Oil Search further grows its business, in PNG and elsewhere, we are committed to playing a significant and positive social role in the communities in which we work. We believe we need to put something back and our decision to form an Oil Search Community Health Foundation embodies this ethos. The Foundation will build on our world recognised HIV/AIDS and malaria management programmes, Maternal and Child Health and Health Education initiatives both within our Project areas and across the rest of PNG. These initiatives are supported by The Global Fund, AusAid and the Asian Development Bank (ADB), with Oil Search leveraging its presence and skills base to administer and deliver a series of health programmes directly to communities.

We have a broad definition of sustainability across our total business. It is not just a matter of looking good, or feeling good about ourselves. It is about real people and making a positive, long term social contribution to the communities of which we are part. In PNG we can make a difference. Getting this right has never been more important, remembering that this model of sustainability delivers good social outcomes with a compelling impact on the bottom line.



CASE STUDY
SAFETY FORUM AND SAFETY AWARDS

We have renewed our focus on ensuring Incident Free Operations (IFO), with every job being done safely and with minimal impact on the environment. Safety Leadership Workshops are attended by executives, managers, supervisors, contractors and Landowner Companies (Lancos) and provide an excellent forum to discuss and develop initiatives to ensure IFO. The Oil Search International Field Based Contractor IFO Award for 2010 was awarded to Coral Seas Mining Services (CSMS), a drill and blast contracting company which has not had any incidents in operations since commencing work for Oil Search in 2005. We believe that excellence in safety leads to good operating performance, and we recognise the important role employees, contractors and Lancos play in achieving IFO.

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PAPUA NEW GUINEA: IN-COUNTRY CONTEXT

We have seen many significant political and socioeconomic changes in the eight decades that Oil Search has been operating in Papua New Guinea.

We believe that assuring sustainable livelihoods for the local communities is one of the greatest ongoing challenges to our operations. While the PNG Government recognises the need for improved service delivery in rural areas, cultural and geographical diversity within Papua New Guinea renders service delivery expensive and logistically challenging.

Limited infrastructure and decentralised public management structures exacerbate the challenge and hinder progress toward sustainable development. As a result, many communities lack access to basic goods and services. We are working with our stakeholders to help address these issues, often serving as an intermediary between local communities and government.

The need for access to primary health care services in both urban and remote rural areas is pressing. According to the World Health Organisation (WHO), PNG has the poorest state of health in the Pacific region with a maternal mortality ratio among the highest in the world. Health indicators are particularly bad in rural areas where primary health care services, if available, are generally limited and difficult to access.

Oil Search believes that the wealth generated by natural resource projects over the past few decades has not delivered as great a benefit to local communities as one would expect. The PNG LNG Project, which is predicted to double the nation's GDP when plateau production is reached in 2015, provides an opportunity for the PNG Government to invest in greater social development through improved public service delivery.

At the 2010 Mining and Petroleum Investment Conference, Oil Search Managing Director, Peter Botten, highlighted that between 1992 and 2009 the oil industry in PNG generated benefits of almost 12 billion Kina (US\$4.6 billion) for landowners and all levels of government. He also noted that improvements in living standards over this period were not commensurate with resource company payments to government. We are committed to working with local industry bodies to encourage a more effective and transparent system of extractive industry benefits management in PNG.

ONGOING PRIORITY ISSUES



ENVIRONMENT

As an oil and gas operator in one of the most pristine and biologically diverse regions on the planet, we consider the protection and conservation of the local environment to be a significant ongoing priority. Given PNG's vulnerability as a Small Island Developing State (SIDS) facing the impacts of climate change we are also committed to carbon reduction initiatives and associated mitigation strategies.



COMMUNITY DEVELOPMENT

Maintaining a social licence to operate is an ongoing priority as we require local community support to ensure successful project delivery and incident-free operations. Local communities equally require Oil Search support to facilitate local economic and social development.

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As a Papua New Guinean company, Oil Search Limited is committed to ensuring a sustainable future for Papua New Guinea and its people

PRIORITY ISSUES: 2011-2015



STAKEHOLDER MANAGEMENT

Stakeholder management is the cornerstone of successful operations and the key to addressing our priority issues. In 2011 we will develop and implement a detailed Stakeholder Engagement Plan clearly defining methods for engaging and monitoring our engagement with our various stakeholder groups.



TRANSPARENCY AND EFFICIENCY OF GOVERNANCE STRUCTURES

We are committed to improving the transparency and efficiency of governance structures affecting the industry in PNG. This includes support for capacity building in various government departments and collaborating with the Chamber of Mines and Petroleum to encourage transparency of extractive industry payments to government.



COMMUNITY HEALTH

Our public health team has developed significantly over the past five years, and has achieved outstanding results, particularly in its targeted Malaria and HIV/AIDS Programmes. Given the success of these programmes, we aim to expand our community health service, and will establish a Health Foundation to support this expansion.



WEALTH AND BENEFITS DISTRIBUTION

A priority for us in the next five years is to support the PNG Government in ensuring that effective, transparent streams of benefits from oil and gas projects are implemented and maintained.

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CASE STUDY
REVEGETATION

In the project area disturbed sites rapidly regrow with ground cover and vegetation. In accordance with Oil Search's commitment to minimising potential environmental impact, top soil cover is protected or retained for remediation work. The rapid rate of revegetation is illustrated in the photos taken during the drilling of the Juha 4 well.

Left: Drilling operations February 2007

Above: Following remediation December 2007



CASE STUDY
LOW CARBON ALTERNATIVES

When the PNG LNG Project starts producing, the balance of our production portfolio will shift from crude oil to natural gas. The gas will be shipped in the form of LNG to customers in China, Japan and Taiwan which are seeking a lower carbon alternative to traditional energy sources, thereby contributing to greenhouse gas emission reductions in those countries.

In 2015 when plateau production for the two train PNG LNG Project is reached, gas for LNG exports will represent approximately 70 per cent of the Company's production and contribute a similar share of the Company's revenue. The proportion of gas in the total production mix will continue to grow from that time onwards.



CASE STUDY
RICE FARMING AT KUTUBU

After the Foe Women's Association in the Pimaga area mobilised its members to start planting upland rice, other local communities embraced this sustainable agricultural activity. The rice field pictured is a demonstration plot at the Ilogobaiyu community school.

The Company facilitated a number of visits from the National Agriculture Research Institute (NARI) to provide seeds and technical instruction to Kutubu area villagers. Despite these communities' traditional diet being based on sago and fish, the women have actively planted and maintained rice gardens.

In the past year we have continued to support Foe women by donating a small rice mill to assist in processing their rice, 1.5 tonnes of which was produced during the year, and by helping them to formally incorporate themselves as a co-operative in order to market any excess produce.

STAKEHOLDER MANAGEMENT

STAKEHOLDER ENGAGEMENT

We attribute our operational success in PNG to our ability to successfully engage with various stakeholder groups. We endeavour to ensure that all stakeholders – be they government agencies or officials, local communities in the project areas or lenders and investors – are consulted regularly, and that any concerns and grievances are identified and addressed as soon as they arise.

Our External Affairs department is the principal interface between Oil Search and our core PNG stakeholders, including government bodies, NGOs and the local project area communities.

Responsibility for community engagement is vested with line management who liaise directly with field based Community Affairs teams to facilitate the development of positive, sustainable relationships with local communities. These Community Affairs teams engage with local stakeholders and monitor concerns and issues emanating from the project areas. They also manage and oversee various community-based development programmes.

A fundamental aspect of the Community Affairs strategy for engaging with project area communities and landowners is the use of Village Liaison Officers (VLOs) and Village Liaison Committees (VLCs). These liaisons are particularly valuable in areas where the Company is undertaking exploration drilling or seismic activities. All local matters, including employment and grievances, are managed through these individuals and representative community bodies.

For a detailed overview of our Stakeholder Engagement Methods please refer to pages 84-85.

STAKEHOLDER MANAGEMENT SYSTEM

At Oil Search, we recognise that a rigorous system of Stakeholder Management is fundamental in successfully addressing our priority issues.

Our Community Affairs team uses a highly advanced system of recording, monitoring and tracking community stakeholder issues. The Community Affairs Information Management System (CAIMS) enables the Community Affairs team to keep abreast of all issues and incidents concerning individual landowners and community members and to maintain a detailed record of how these issues were addressed.

CAIMS is used to record land compensation payments; village and community profiles; community development, sponsorship and donation programmes; local business development and Lanco data; history of engagement and work in progress.

We are planning to develop a similar system of Stakeholder Management for other Oil Search teams and departments who regularly engage with priority stakeholders.

In 2011 we will systematically identify and prioritise our key stakeholders and develop a Stakeholder Engagement Plan to clearly define the regularity, location, and form of engagement for each priority stakeholder group.

IDENTIFICATION OF PRIORITY ISSUES

For the past 18 months, we have been carrying out an in-depth study of core stakeholder issues. Following various surveys, workshops and interviews we were able to categorise raised concerns into several distinct problem areas.

Following the recent strategic review, it was decided that the Company would address the majority of these concerns by focusing on several core issues. These are identified as our priority issues for 2011-2015: Stakeholder Management, Community Health, Wealth and Benefits Distribution, and Transparency and Efficiency of Governance Structures.

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One of our core objectives in 2011 is to develop and execute a formal Stakeholder Engagement Plan and Process which will better enable us to address our identified priority issues

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CASE STUDY STAKEHOLDER ENGAGEMENT

Since Oil Search became operator of the Hides Gas-to-Electricity Project in 1998, our Community Affairs staff have held regular monthly meetings with the chiefs of the nine clans on whose land the production facilities and camps are situated. This has led to strong, long-term relationships with influential local Huli leaders. We have also had regular meetings with landowner associations to ensure engagement with a broader cross-section of the community. These relationships assist in resolving issues that arise in this project area, which is now at the centre of gas production expansion as part of the PNG LNG Project.

In a country where personal relationships are critical, the ready availability of senior Oil Search management personnel to participate in discussions with leaders at all levels of society – from the village clan level to local, provincial and national government – has cemented a strong rapport with the people of PNG. Oil Search is seen as a company which is open, honest, transparent and willing to sit down and talk through fundamental issues affecting project stakeholders.

COMMUNITY HEALTH

PUBLIC HEALTH EXPANSION INITIATIVE

For 18 years, Oil Search Limited has focused on Public Health issues, investing in community health programmes in its operating areas in Papua New Guinea. Oil Search has focused specifically on the issues of Malaria, HIV/AIDS and Maternal and Child Health, delivering innovative programmes that have achieved remarkable results.

To fulfil our social responsibility to the people of Papua New Guinea, Oil Search intends to build upon its success by identifying both preventative and proactive health programme opportunities in a variety of locations around PNG.

Oil Search will expand its community health programmes commensurate with the wider area of impact and increased intensity of the Company's activity in Papua New Guinea. This expansion will be referred to as the "National Expansion Initiative" through which Oil Search ultimately aims to contribute to the strengthening of public health programmes across Papua New Guinea.

THE GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA: ROUND 10 PROGRAMME

Oil Search was nominated as a Principal Recipient for The Global Fund's Round 10 approved programme in PNG. The goal of this Global Fund supported programme is:

"To reduce the transmission of HIV and other STIs and minimise their impact on individuals, families and communities."

The programme is focused geographically on nine "high need" provinces: Western Highlands Province, Southern Highlands Province, Jiwaka, Hela, Enga, Simbu, Morobe, Madang and the National Capital District.¹

While Oil Search only operates in Southern Highlands (and Hela) Province(s), the Company will be actively promoting HIV programmes across all nine provinces, be it directly, through programme implementation as part of our National Expansion Initiative, or indirectly, through support to other Global Fund designated service providers.

The Programme has been designed with a clear view on the need for cost sharing with the PNG Government, development partners and the private sector.

ABOUT THE GLOBAL FUND

The Global Fund to Fight AIDS, Tuberculosis and Malaria was created to increase resources to fight these diseases, and to direct those resources to areas of greatest need.

The Global Fund is a unique global public/private partnership dedicated to attracting and disbursing additional resources to prevent and treat HIV/AIDS, tuberculosis and malaria. This partnership between governments, civil society, the private sector and affected communities represents a new approach to international health financing.

OIL SEARCH HEALTH FOUNDATION

In 2011 Oil Search will establish a Health Foundation to build upon its community programme success and to ensure that ongoing management and funding continues to strengthen the public health care systems in Papua New Guinea.

The Health Foundation will be the operating platform for the "National Expansion Initiative" and will enable Oil Search to channel the necessary funds and resources into achieving the ultimate objective of improving public health across the entire nation of Papua New Guinea.

Oil Search will collaborate with the PNG National Department of Health (NDOH), the World Health Organisation (WHO), and other health authorities in the country to ensure the initiative complements national health plans and programmes.

The Oil Search Health Foundation will be a non-profit organisation, registered as a charity in PNG. An independent Board of Trustees will facilitate attraction of international donor and joint venture funding. The trust will maintain its own bank account and accounting records and will be subject to annual external audit.

Oil Search announced
as Principal Recipient
of The Global Fund's
Round 10 grants for HIV
programmes in PNG

¹ Hela (Southern Highlands) and Jiwaka (Western Highlands) are designated to become independent provinces in 2012.



CASE STUDY
CHILD HEALTH

Oil Search's Public Health team conducts activities to strengthen local health service delivery. This includes training and mentoring local health staff in their work environment.

Oil Search health staff also assist health workers conduct mobile health patrols as part of the maternal and child health programmes. These patrols are used to boost immunisation coverage, monitor nutritional status, and to discuss information ranging from maternal health and birth spacing, to hygiene and disease prevention with local community members.

WEALTH AND BENEFITS DISTRIBUTION

BENEFITS DISTRIBUTION

Current oil operations in PNG deliver substantial cash and non-cash benefits to the people of Papua New Guinea. Once the PNG LNG Project comes on stream, these benefits will be increased and extended for another 30 years.

Oil Search is committed to promoting a collaborative approach with stakeholders, including government and the operator of the PNG LNG Project, ExxonMobil and its affiliates, to ensure the integrity of the processes, mechanisms and institutions through which industry benefits are devolved.

The manner in which this is achieved is the subject of ongoing dialogue with all external stakeholders, seeking alignment on an increasingly proactive approach by Oil Search to benefits management, assurance, and delivery.

Currently, aside from dividends paid to shareholders, all benefits paid by Oil Search are directed to national government. The distribution of funds is the responsibility of national government, and, beyond that, project impacted provincial and local-level governments. While we are unable to control or assure the appropriate distribution of funds beyond our initial benefit payments, we can actively support national government's initiatives to develop transparent and efficient distribution streams for the future.

OIL BENEFIT STREAMS

As operator of all producing oil fields in PNG, Oil Search, on behalf of its Joint Venture partners, effects payment of statutory benefits to the PNG Government as defined by legislation and official agreements. The Company also serves as an execution agent for the state in the delivery of non-cash benefits to local communities, such as infrastructure projects and other development initiatives.

Certain benefits paid to the State are subsequently distributed to local stakeholders, including governments and communities around the oil fields and those impacted by the oil export pipeline. Since the start of oil production in 1992, over 3.0 billion Kina (US\$1.15 billion) has been distributed to local-level governments, provincial governments and landowners.

Oil Search recognises that the level of development in the local villages, districts and provinces has not been commensurate with the industry benefits flowing into the area. Lack of material development in terms of infrastructure and public service provision at community level impacts all project stakeholders. Oil Search is committed to expanding its interactions and working relationships with government and state entities to ensure that the mechanisms for benefits management are significantly improved, and that development outcomes are enhanced, in the coming years.

PNG LNG BENEFIT STREAMS

The benefits that will flow to all stakeholders from the PNG LNG Project will be significantly greater than those generated from oil developments, and will last much longer. These benefits will total some 15 - 20 billion Kina (US\$ 5.75 - 7.7 billion) over the 30-year project life. Effective management mechanisms are vital for the proper development of the impacted landowners and governments.

Oil Search considers it imperative that benefits management processes are fair, transparent and accountable, and that all stakeholders are kept informed of the details and developments surrounding these processes.

Oil Search works extensively with the national government in facilitating agreements between the state and other stakeholders, local-level governments, provincial governments and landowners regarding the distribution of benefits resulting from the PNG LNG Gas Project – the Umbrella Benefits Sharing Agreement (UBSA) and various Licence-based Benefits Sharing Agreements (LBBSA).

Oil Search supported the PNG Government in finalising these democratic agreements, and will continue to support the state in effectively implementing and administering the proposed LNG benefit stream mechanisms.

Oil Search considers it imperative that benefits management processes are fair, transparent and accountable, and that all stakeholders are kept informed of the details and developments surrounding these processes



CASE STUDY
DISTRIBUTING BENEFITS TO LANDOWNERS

Given our extensive in-country knowledge and experience, Oil Search supported ExxonMobil as operator of the PNG LNG Project by working extensively with the national government in facilitating agreements between the state and other stakeholders regarding the distribution of benefits resulting from the PNG LNG Gas Project. These benefits will total some 15-20 billion Kina (US\$ 5.75-7.7 billion) over the 30-year project life. The negotiation of the Umbrella Benefits Sharing Agreement (UBSA) was a major undertaking involving 2,000 people over five weeks. Two areas of particular focus were project equity and infrastructure grants, with the UBSA granting up to 7 per cent (of the state's 19.4 per cent) project equity to landowners and provincial governments and committing 1.2 billion Kina over the next 10 years for infrastructure development.

TRANSPARENCY AND EFFICIENCY

TRANSPARENCY

Papua New Guinea has an established regulatory regime for the petroleum and energy industry. The industry is enjoying unprecedented growth as a result of the strength of the global oil and gas sector. This speed of growth has increased the challenges of operating transparently.

Oil Search believes that one of the biggest challenges is the integrity of mechanisms, processes and institutions that constitute PNG's petroleum and energy regulatory regime.

In order to promote responsible stewardship of the benefits arising from the extractive industries, we are committed to promoting the integrity of established mechanisms, processes and institutions.

Oil Search has adopted a considered, deliberate and measured approach to driving greater transparency in PNG. We are evaluating initiatives such as "Publish What You Pay" and "Extractive Industries Transparency Initiative" paying close attention to the local socio-political context and to various stakeholder positions and concerns.

Oil Search, in collaboration with key industry representatives, will support the PNG Chamber of Mines and Petroleum in its efforts to improve transparency and good governance in the management and distribution of extractive industry benefits.

We will be working closely with the PNG chapter of Transparency International, and advocating openly for the removal of costly, lengthy and arbitrary regulations. The Company will also promote more rigid management systems to reduce the incidence of informal and substandard practices.

DEPARTMENT OF PETROLEUM AND ENERGY

The Department of Petroleum and Energy is PNG's regulatory body for the development of petroleum and other sources of energy.

DPE supports the government in developing the nation's energy resources by promoting, monitoring and regulating all exploration, development and production activities in PNG.

The recent increase in resource activity in the country has placed an enormous strain on the resources and capacity of the DPE. In addition to the daily requirements of managing the petroleum industry, the Department is now also required to deal with several new large scale energy projects, including the PNG LNG project.

Recognising the Department's challenges in effectively managing the expansion of the oil and gas sector there are proposals to establish a self funding National Petroleum Authority. In December 2010, at the 11th PNG Mining and Petroleum Investment conference in Sydney, the Prime Minister announced that a new national petroleum company would be established to manage the state's interest in the oil and gas industry. This specialised government agency would offer an alternate organisational framework with the capacity to facilitate and promote continued growth and sustainability of the sector.

Details regarding the framework and structure of the authority remain to be determined. Oil Search will participate in the debate and evaluation of options, and work towards gaining industry consensus. We will then support the Chamber of Mines and Petroleum in the development of a detailed proposal for submission to government.

Oil Search is committed to working with all levels of government and other participants in the extractive sector to promote transparency and good governance



CASE STUDY
TRANSPARENCY

In December 2010, Oil Search made a public payment to the Department of Petroleum and Energy of over 20 million Kina, consisting of royalty payments (paid monthly) for December and development levies (paid annually) for 2010. This was the first time we had publicly declared our payments to the state. We will continue to do so in the interests of transparency.

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PERFORMANCE REVIEW

CONTENTS

| | |
|----------------------------------|-----------|
| OUR ENVIRONMENT | 28 |
| ENERGY | 30 |
| EMISSIONS | 32 |
| WATER AND WASTE | 36 |
| BIODIVERSITY | 44 |
| OUR PEOPLE | 46 |
| HEALTH, SAFETY AND SECURITY | 48 |
| TRAINING AND DEVELOPMENT | 52 |
| COMPANY CULTURE | 54 |
| OUR COMMUNITIES | 58 |
| SOCIETY | 60 |
| Community Health | 60 |
| Community Development | 70 |
| ECOSYSTEM SERVICES | 72 |
| ECONOMIC DEVELOPMENT | 74 |
| OUR FINANCIAL PERFORMANCE | 76 |

FIVE YEAR SUSTAINABILITY SNAP SHOT

| OUR COMPANY* | | 2006 | 2007 | 2008 | 2009 | 2010 | |
|---|---|--|---------|---------|---------|---------------|----------------|
| ENVIRONMENT | Energy Consumption (Total in Terajoules (TJ)) | 8192 | 7569 | 9214 | 9011 | 14405 | |
| | Energy Consumption Rate (TJ/mmboe) | 803 | 774 | 1071 | 1110 | 1871 | |
| | GHG emissions (million CO ₂ e p/a) | 3.200 | 2.695 | 2.172 | 1.839 | 0.844 | |
| | Emissions intensity (CO ₂ e/mmboe) | 0.31 | 0.28 | 0.25 | 0.23 | 0.11 | |
| | Water Withdrawal (ML): Permitted by Licence | 2022 | 2269 | 1711 | 1687 | 1473 | |
| | Water Discharged (ML): Permitted by Licence | 929 | 908 | 464 | 454 | 433 | |
| | Significant spills | 0 | 0 | 0 | 1 | 1 | |
| | Recordable spills | 1 | 4 | 1 | 1 | 2 | |
| Total Recordable Injury Frequency Rate (no. of incidents per million man hours) | | 2.47 | 1.94 | 1.92 | 1.05 | 2.03 | |
| Percentage of workforce represented in formal HSES committees (p 80) | | 100 | 100 | 100 | 100 | 100 | |
| SOCIAL | HIV/AIDS | Number of employees tested | | 177 | 356 | 675 | |
| | | Number of employees testing positive | | 4 | 5 | 1 | |
| | | – as % of those tested | | 1.39 | 0.84 | 0.15 | |
| | Number of employees | | 835 | 813 | 758 | 807 | |
| | Local employees | | 695 | 682 | 646 | 694 | |
| | Employee turnover (%) | | 8.6 | 8.4 | 4.6 | 4.7 | |
| | Average hours of training per employee | | – | – | 53.9 | 37.7 | 28.7 |
| Ratio of basic salary of men to women | | – | 0.92:1 | 0.91:1 | 0.89:1 | 0.86:1 | |
| ECONOMIC | Revenue (US\$ million) | | \$931.4 | \$751.2 | \$954.2 | \$518.2 | \$593.6 |
| | Operating Costs ⁽¹⁾ (US\$ million) | | \$63.3 | \$70.6 | \$63.4 | \$56.7 | \$52.2 |
| | Employee wages and benefits (US\$ million) | | \$39.6 | \$49.3 | \$51.9 | \$48.6 | \$61.7 |
| | Payments to providers of capital: | | 100.7 | 89.6 | 89.4 | 67.4 | 52.1 |
| | | Dividends to Shareholders (US\$ million) | 2.7 | 7.6 | 7.7 | 8.9 | 7.7 |
| | Total Borrowing Costs (US\$ million) | | 180.3 | 252.5 | 269.1 | 79.4 | 124.4 |
| | Tax payments to government (US\$ million) | | 2.0 | 2.5 | 2.9 | 2.3 | 2.9 |
| Community investments (US\$ million) | | 2.0 | 2.5 | 2.9 | 2.3 | 2.9 | |
| Fines and non-monetary sanctions for non-compliance | | 0 | 0 | 0 | 0 | 0 | |

| OUR COMMUNITIES* | | 2006* | 2007* | 2008* | 2009* | 2010* | | | | | |
|------------------|---|-------------------------------|-------|-------|-------|-------|--------------|-------------|-----------|----|---|
| ENV'T | Percentage of PA ⁽²⁾ villages with access to electricity or commercial energy* | 9 | 9 | – | 21 | – | | | | | |
| | Percentage of PA villages using improved drinking water source* | 31 | 31 | – | 43 | – | | | | | |
| | Percentage of PA villages with improved sanitation facility* | 87 | 87 | – | 87 | – | | | | | |
| SOCIAL | Education* | Primary (% Male / % Female) | | 45 | 37 | 45 | 41 | – | 57 | 49 | – |
| | | Secondary | | 57 | 42 | 47 | 36 | – | 56 | 36 | – |
| | | Tertiary | | – | – | 0.5 | 0.2 | – | 3 | 1 | – |
| | Literacy rate* | (% Male / % Female) | | – | – | 55 | 40 | – | 60 | 43 | – |
| | HIV/AIDS | Number Tested in Project Area | | – | – | 1254 | 2182 | 3938 | | | |
| | | Number Found Positive | | – | – | 7 | 17 | 29 | 32 | | |
| | | – as % of those tested | | – | – | 1.36 | 1.33 | 0.81 | | | |
| | Percentage of those infected with access to antiretroviral drugs ⁽³⁾ | | – | 100 | 100 | 100 | 100 | | | | |
| | Prevalence of malaria (average across project area) (per cent) | | 10.73 | 14.43 | 6.07 | 4.83 | 6.12 | | | | |
| | Percentage of villages with access to malaria drugs | | 19 | 49 | – | – | 80 | | | | |
| | Maternal Mortality Ratio | (per 100,000) | – | – | – | – | 426 | | | | |
| | Infant Mortality Rate | (per 1000) | – | – | 48 | 33 | 18 | | | | |
| | <5 Mortality Rate | (per 1000) | – | – | 104 | 38 | 20 | | | | |
| Immunisation | Measles | | – | 34 | – | – | 73.2 | | | | |
| | Polio | | – | 32.8 | – | – | 72.3 | | | | |
| | Diphtheria Pertussis Tetanus ⁽⁴⁾ | | – | 38 | – | – | 68.5 | | | | |
| ECON'C | Access to Roads* (average time to reach nearest road – hours) | | 5 | 2 | – | 0.5 | – | | | | |
| | Percentage of villages with access to public communications* | | – | – | – | 25 | – | | | | |
| | Landowner Company – gross contract Incomes (Kina – million) | | 130.9 | 140.0 | 156.7 | 107.7 | 141.9 | | | | |
| | Households with Non-Project Cash Income* | | – | 70 | – | 99 | – | | | | |

(1) Excludes employee wages and benefits.

(2) Project Area (PA).

(3) All people diagnosed with HIV in the project area have access to antiretroviral drugs. The timing to commence antiretroviral therapy is based on the patient's immune status amongst other factors and is determined by the treating doctor using national and international guidelines.

(4) In 2008 changes to the immunisation guidelines resulted in Hepatitis B and Haemophilus influenzae type B being added to the combination vaccine.

• Data may differ from that in the Annual Report due to the defined scope being limited to PNG operations (see page 91).

* Household surveys have been conducted in our communities biennially since 2007 (see page 60), with baseline data (2005) being collated from previous studies in the project area. All data marked with an asterisk show results from these surveys. Other data has been sourced from Company and Community Health records.

| ASPECT | ACHIEVEMENTS | CHALLENGES | ACTIONS | |
|-----------------------------------|--|--|---|---|
| OUR ENVIRONMENT | Energy (p 30) | Significant improvements in energy efficiency through equipment and facility upgrades. | Minimising energy consumption as GOR increases given that more energy is required to compress gas. | Continue to upgrade facilities and equipment to promote greater efficiency. Review energy monitoring processes. |
| | Emissions (p 32) | Significant reductions achieved through targeted flare reduction programme. | Rudimentary procedures for measuring and monitoring emissions data limit ability to set meaningful targets around GHG emissions. | Improve emissions reporting methods, trial new technologies and assess practical emission reduction figures in order to set targets in 2011 Sustainability Report. |
| | Water and Waste (p 36) | Water Quality Assessment of Lake Kutubu confirms no negative impact from OSH operations. | Various minor non-conformances for ISO 14001 around water and waste monitoring. | Action plans in place to enhance water quality testing and waste management processes. |
| | Biodiversity (p 44) | Successful continuation of conservation and biodiversity management programmes in partnership with WWF. | Difficulties measuring and assessing deliverables associated with the WWF Conservation programmes. | Develop specific programme outcomes annually in collaboration with the WWF and develop a detailed Biodiversity Management Plan. |
| OUR PEOPLE | Health and Safety (p 50) | TRIFR among the lowest in the industry by international standards. | Maintaining safety record and reducing safety incidents among contractors and landowner companies. | Visible Leadership in Safety Performance – closer collaboration with contractors and Lancos to promote safety culture. |
| | Training (p 52) | Partnering with our joint venture partners and building new relationships with PNG institutions to facilitate the delivery of high quality training and assessment. | Providing our stakeholders with verifiable assurance of our workforce capability and competence. | Design and deliver a rigorous programme of competency training and assessment. Implement a learning management system to track and record training progress and currency. |
| | Labour Practices (p 46) | Acknowledged employer of choice for PNG nationals in the project area and nationwide. | Bringing labour practices of contractors and landowner companies up to Oil Search standards. | Competency based training and assessment. Engaging with landowner companies to demonstrate the benefits of best practice. |
| ECONOMIC | Revenue (p 76) | Successfully minimised operational costs and maximised production from mature fields through effective subsurface management. | Operating rapidly declining oil fields and sustaining strong company revenue through to PNG LNG first gas in 2014. | Maintain and bolster exploration activities, and continually improve operational efficiencies to maximise oil production from existing fields. |
| | Payments to Government (p 74) | Records maintained of all payments to government. | Tensions could develop in-country from publicly disclosing payments to government as communities do not see all the benefits of these payments. | Focus on establishing an efficient and transparent mechanism for distribution of benefits flowing from oil and gas projects. |
| OUR COMMUNITIES | Energy Access (p 72) | Provided communities with generators and solar panels to power health and education facilities. | Geography complicates providing grid-based energy; solar panels and generators are often damaged/stolen. | Investigate alternate means of providing energy, such as biomass project to produce pellets as an energy source for local populations. |
| | Water Supply (p 72) | Water catchments provided in various communities within and around the project area. | Lack of community ownership results in poor maintenance of installations. | Work in collaboration with the PNG LNG Project to improve and maintain existing water supplies and investigate future community water supplies. |
| | Sanitation (p 72) | Supported CDI's community development activities, which included installing sanitation in project area communities. | Local communities' lack of concern about poor sanitation. | Continue to support CDI in their community development projects. |
| | Community Health (p 62) | Demonstrated success in our Public Health Programmes, particularly malaria and HIV/AIDS. | Effectively plan and implement extension health services with government health providers. | Establish Health Foundation to support significant expansion of health programme across PNG backed by Company and external donor financing. |
| | Education (p 70) | Many school facilities built through the Tax Credit Scheme (TCS); education promoted through the Sponsorship Programme, and CDI distance education programmes supported. | Ensuring that school facilities are maintained, resourced and staffed. | Continue to provide educational support to project area schools and incorporate trial agricultural projects into the curriculum in alignment with community development programmes. |
| Wealth Distribution (p 74) | Maximised the use of Lancos and employees. | Considerable payments made to national government, but community development not commensurate due to inefficient management of benefit streams. | Supporting national government in the development of efficient and transparent benefits distribution mechanisms. | |

OUR ENVIRONMENT

| 2010 HIGHLIGHTS | 2011 OBJECTIVES |
|--|---|
| 54 per cent reduction in GHG emissions from the 2009 total of 1.839 Mt of CO ₂ eq. | Assess opportunities for further reduction of emissions and set targets for GHG emissions. |
| Completed economic and engineering assessments for viability of project concerned with further emission reduction (flare and vent reduction) as a CDM project. | Complete CDM project on emissions reduction from flaring and venting associated gas. |
| Successfully retained ISO 14001 Certification after undergoing surveillance audit in 2010. | Close out minor non conformances prior to recertification audit in 2012. |
| A major limnological study of Lake Kutubu was completed assessing the hydrology, sediment and water quality of the lake. | Execute Phase II of the Lake Kutubu project which will include socioeconomic and resource use, fish population and aquatic weed studies. |
| A series of consultations were held with stakeholders on developing a management plan for the Lake Kutubu environment. | Complete study of socioeconomic factors, and resource use by the people of Lake Kutubu to understand potential impacts on the lake environment. |
| Completed a scientific study on the nesting biology and harvesting efforts of the pig-nosed turtle in the Kikori Delta in collaboration with University of Canberra and WWF. | Develop conservation management plan for pig-nosed turtle. |

OUR APPROACH

We are committed to conducting all of our activities in an environmentally sustainable way. All activities will be planned and managed to ensure minimum environmental impact and in a matter sensitive to the culture and requirements of the people they may affect.

The Company is committed to achieving Incident Free Operations and has a rigorous ISO 14001 certified Environmental Management System in place.

Our goals are to ensure ISO 14001 conformance, to maintain our record of minimal impact on the local environment, and to pursue efforts to reduce GHG emissions and energy consumption as far as possible within operational limits. While clear targets have been set for flare reduction figures, overall targets for GHG emissions require further calculation and technical verification before they can be confirmed.

Environmental risks and opportunities are constantly evaluated by Operations staff.

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Our core environmental objective is to ensure that Oil Search activities are planned and managed to ensure minimal environmental impact

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CASE STUDY
HIDES FISH POND

The Hides area around the Oil Search Nogoli base camp is densely populated with agricultural land at a premium as the population increases.

Local communities approached Oil Search Community Affairs staff to assist them in investigating the possibility of constructing fish ponds, a non-traditional activity. The Company assisted in facilitating the regular visits of the National Fisheries Authority and the Department of Agriculture and Livestock based in Goroka, to carry out training in pond construction, fingerling rearing and managing growing out ponds.

Today there are fish fingerling hatcheries/distribution centres at Maria, Wabia, Anguale and Homa villages cultivating fish, a valuable source of protein, to supplement the diet of local families.

OUR ENVIRONMENT CONTINUED

ENERGY

ENERGY CONSUMPTION

Context

Most of the energy consumed at the Oil Search operations in PNG is generated internally. The primary source of energy is the associated gas from the oil fields, which is produced with crude oil and water from the reservoir.

Associated Gas – Consumption

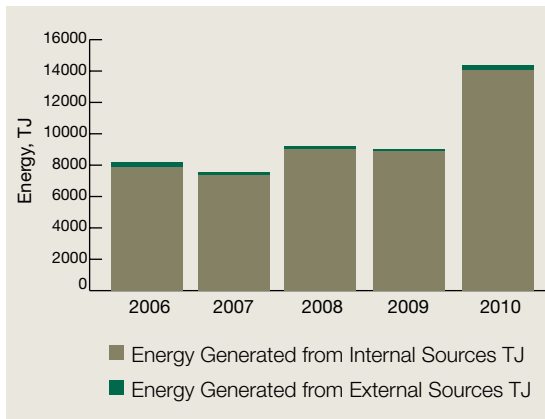
- Electricity generation for the production facilities and camps
- Gas turbine driven compressors at each field to recompress the excess gas for reinjection into the reservoir
- Gas driven oil export pumps
- Heat generation for the tri process requirements

As fields mature, the gas/oil ratio (GOR) increases and more energy is required to recompress this gas. Thus energy consumption figures have risen gradually over the past five years.

We purchase only a small amount of primary energy. This is in the form of diesel and aviation fuel for Oil Search support camps such as Kopi and the Kumul Marine Terminal.

We produce all other diesel fuel at Kutubu, Gobe and Hides, and aviation fuel at the mini refinery at Kutubu.

ENERGY GENERATION AND USE



In addition to the increased GOR mentioned above, explanations for the increased 2010 figure are:

- Due to internal reporting practices low pressure (LP) flare data, previously recorded as flared gas is now reported under fuel gas. The estimated energy value of LP flare data is 1500-1800TJ/a
- PNG LNG Project construction commenced in 2010 resulting in increased activity, particularly in and around Kopi, resulting in an increased use of diesel for fuel and power generation.

ENERGY EFFICIENCY INITIATIVES

Oil Search compresses over 350 million cubic feet of gas each day in PNG with discharge pressures reaching as high as 5,000 pounds per square inch. Most of this high pressure gas, is reinjected into the reservoirs it was produced from to enhance oil production and conserve the gas for delivery to the PNG LNG plant scheduled to come online in 2014.

Improved compressor performance increases oil production while at the same time improving energy efficiency by increasing the available horsepower per unit of fuel gas consumed.

Oil Search implemented compressor and power turbine performance monitoring shortly after assuming operatorship in October 2003. Monitoring equipment and procedures continue to be upgraded to provide ongoing performance improvements.

Increased energy efficiency is also achieved through improved boiler performance. Boilers use fuel gas to create steam – the more steam created per unit of fuel gas, the higher the energy efficiency.

ENERGY EFFICIENCY INITIATIVES

- 2007** Turbine efficiency at Gobe was improved by upgrading engine control systems.
- 2009** An online water wash system was installed on the Gobe compressor turbines to improve performance.
- 2010** Vents from processing equipment were relocated further from the Central Production Facility (CPF) turbine air intakes to improve turbine efficiency by removing contaminants from combustion air.

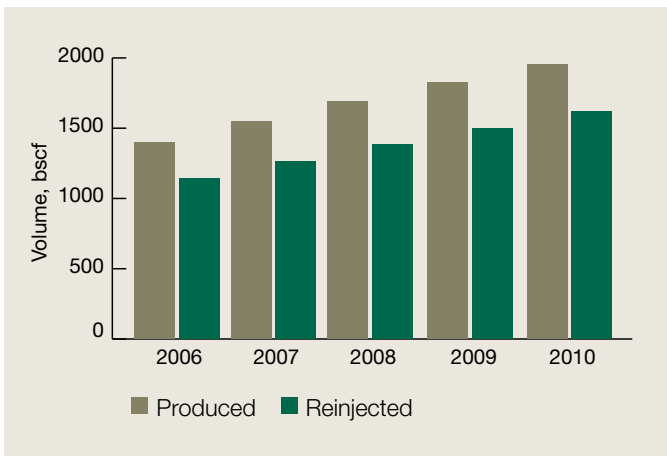
Introduction of softened water to feed the Gobe boilers improved energy efficiency.

UPCOMING

- 2011** Based on positive results from Gobe, online water wash systems have been purchased for installation in the CPF and Agogo Production Facility (APF).
- A new boiler will be installed at the Kutubu Refinery to support improvements to boiler energy efficiency

Oil Search has a successful track record of pursuing production opportunities which enhance safety, improve operational efficiency and increase commercial value

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CASE STUDY
ASSOCIATED GAS

As fields mature, the gas/oil ratio increases. The increased levels of produced gas are shown in the graph opposite. While a portion of produced gas is used to generate energy for operations, the remainder is reinjected to enhance oil production. As greater levels of gas are produced, more energy is required to recompress the gas for reinjection into the reservoir. By compressing the gas and reinjecting (as opposed to flaring), Oil Search is able to reduce emissions and conserve gas reserves for future commercial use.

OUR ENVIRONMENT CONTINUED

EMISSIONS

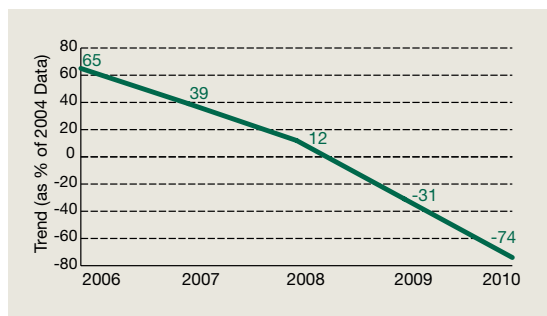
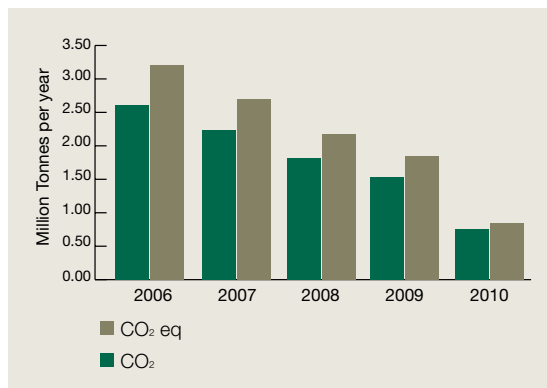
GHG EMISSIONS

Context

The significant decrease in recent years in GHG emissions is attributed to various programmes that have been initiated, including:

- High Pressure (HP) Flare Reduction Programme
- Improving reliability of compressors used in the compression and reinjection of produced gas
- Effective and rigorous maintenance schedule
- Improvements in well management, where high gas producing wells are choked back to restrict the production of excess gas.

A reduction in GHG (CO₂eq) of 54 per cent was achieved in 2010, primarily as a result of the HP Flare Reduction Programme.



EMISSION REDUCTION INITIATIVES

High Pressure Flare Reduction Programme

Flared gas contributes to over 70 per cent of the total GHG emissions from our PNG operations. Historically, operational flaring was maintained at a level allowed under government flare permits in order to optimise oil production.

Oil Search developed a strategy in 2008/9 to minimise high pressure flaring while mitigating the adverse impact on oil production. We evaluated the minimal daily flare needed at each plant to ensure safe normal operating conditions to estimate the base operational flare target. Compressor controls were modified to support this target.

Flare minimisation testing commenced in the second quarter of 2009. The plan was fully implemented from 1 January 2010, the performance to year end 2010 is shown in the figure below.

| EMISSION REDUCTION RESULTS | | |
|----------------------------|--------------------------|------------|
| 2009 Emissions | 44.7 mmscf/d | 16.3 bcf/a |
| 2010 TARGET | 8 mmscf/d | 2.9 bcf/a |
| 2010 Actual | 3.027 mmscf/d | 1.1 bcf/a |
| Gas Conserved | | 15.2 bcf |
| COST – Oil Production | Deferred 250,000 barrels | |

As seen in the table above, the 2010 calendar year flare minimisation target of 8 mmscf/d was surpassed by approximately 5 mmscf/d with the actual 2010 flare being 3.027 mmscf/d (1.1 bcf/a). The gas conserved in 2010 was 15.2 bcf compared to the 12 months ending 30 June 2009.

We anticipate further small reductions in flaring volumes will be achieved over the next few years by a combination of: further fine tuning of the process, repairs to the CPF flare planned for the 2011 shutdown, planned well automations and other reliability improvements.

A reduction in GHG (CO₂eq) of 54 per cent was achieved in 2010, significantly as a result of the HP flare reduction programme

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CASE STUDY
HP FLARE REDUCTION PROGRAMME

We developed a strategy in 2008/2009 to minimise high pressure flaring while mitigating the adverse impact on oil production. Flare minimisation testing commenced in the second quarter 2009 and the plan was fully implemented in January 2010. A calendar year flare minimisation target of 8 mmscf/d was surpassed by approximately 5 mmscf/d with the actual 2010 flare being 3.027 mmscf/d (1.1 bcf/a).

OUR ENVIRONMENT CONTINUED

Associated Emission Reduction Initiatives

We have introduced a number of initiatives to enhance safety, conserve gas and reduce costs, which have resulted in a reduction of our GHG emissions.

Oil Search formalised its process safety programmes in 2009 to better document, track and report safety incidents and risks related to the integrity of hydrocarbon processing equipment. The objective is to reduce the frequency and severity of these incidents and mitigate the potential impact of future incidents.

Fugitive Emissions

Fugitive emissions are a key component of the process safety programme. These emissions relate to unplanned gas releases which are outside the design intent of the hydrocarbon processing facilities. Fugitive emissions can create an explosive atmosphere and have resulted in serious safety incidents around the world.

The cause of fugitive emissions may be equipment related, or as a result of human error.

Most fugitive emissions begin small and are initially difficult to detect visually, audibly or by conventional gas detectors. In enclosed areas, small emissions can be dangerous and even if in the open can often increase to dangerous levels.

Our process safety programme began reducing emissions shortly after implementation. Root cause analysis of incidents led to new training, improvements in operating and maintenance practices, improvements in design and changes in equipment selection standards and quality control processes.

Oil Search invested in a state-of-the-art infra-red based fugitive emissions video camera in 2010 to improve emissions monitoring, including detecting very small emissions that cannot be detected conventionally. Many small and previously undetectable emissions were immediately identified and the related faults were corrected.

The 2010 fugitive emissions programme results represent an improvement in effectiveness over 2009 and with the improved work practices and the help of technology such as the fugitive emissions camera, we expect further improvements in 2011.

LP Flare/Fuel Gas Emissions

Improved maintenance in 2009/10 of the fuel gas regulators and pressure control valves that provide blanket gas to the six CPF crude storage tanks reduced fuel gas consumption and low pressure flaring. In 2011 we will continue to evaluate and potentially implement tank design changes that could reduce fuel gas consumption by another 500 to 600 thousand cubic feet per day.

We are preparing an application for the United Nations Framework Convention for Climate Change (UNFCCC) Clean Development Mechanism (CDM) Board to fund incremental fuel gas consumption reductions at CPF and GPF through the sale of Certified Emission Reductions (CERs) – carbon credits – on an existing international exchange.

The CPF CDM project is based on installing low pressure compression to gather all the crude storage tank blanket gas currently consumed in the low pressure flare, plus gas vented from water treatment processes, and deliver that gas to existing compression facilities for conservation and sale.

The GPF CDM project is similar to that at the CPF but may use nitrogen extracted from the atmosphere to replace the current fuel gas as a blanket gas in its facilities. The nitrogen would be vented back into the atmosphere in place of the fuel gas.

These CDM projects, a first for Papua New Guinea and Oil Search, are forecast to conserve 1.8 mmscf/d representing a greenhouse emission reduction of approximately 43,800 tonnes of CO₂eq per annum.

Oil Search invested approximately US\$350,000 by the end of 2010 towards these projects. The 2011 budget for these initiatives includes provision for a further US\$3.28 million investment.

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These CDM projects, a first for Papua New Guinea and Oil Search, could conserve 1.8 million cubic feet of gas per day representing a greenhouse emission reduction of approximately 43,800 tonnes of CO₂eq per annum

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CASE STUDY
CLEAN DEVELOPMENT MECHANISM (CDM) PROJECT

Oil Search initiated engineering and economic studies in 2010 to assess the potential for two projects under an existing United Nations approved method “Recovery and utilisation of gas from oil wells that would otherwise be flared or vented” to apply for carbon credits.

These CDM projects, a first for Papua New Guinea and Oil Search, could conserve 1.8 mmscf/d of gas, representing a greenhouse emission reduction of approximately 43,800 tonnes of CO₂eq per annum.

For more information see page 34.

OUR ENVIRONMENT CONTINUED

WATER AND WASTE

WATER CONSUMPTION

Context

As the average annual rainfall figures in the highlands can reach as high as 5,000mm (197 inches) water consumption has not been a material indicator for Oil Search in its PNG operations.

However, we are very aware of the importance of maintaining the ecological integrity of Lake Kutubu and the Kikori River Delta – the main water bodies affected by our operations.

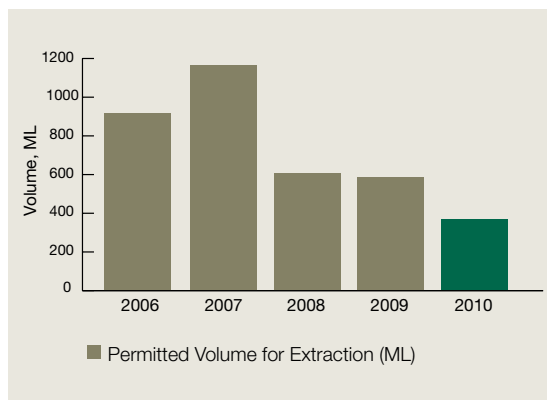
We have stringent protocols for measuring water quality prior to discharge to ensure that impacts on these water bodies are kept at a minimum.

Water is a PNG national resource and managed through various state agencies. Water required for domestic and industrial consumption must be approved through a permitting process that involves payment, monitoring and reporting.

Water consumption and discharge requirements for Oil Search are defined for both our drilling operations, which includes drilling activities and consumption at temporary drilling camps, and project operations, which includes emergency water (fire protection), and production and domestic consumption at the various operations camps.

Drilling Operations

As seen in the graph below, there have been significant reductions in water consumption since 2007. This is due both to a reduction in drilling activity, and to the demobilisation of older, contracted drilling rigs in 2007 and 2008. These rigs were replaced by newer, more efficient Oil Search rigs capable of executing several wells on the same drill pad. In addition to reducing water demand, these rigs have had various environmental benefits, including a reduction in our project footprint by avoiding the installation of multiple pads in densely forested areas.



Project Operations

Water is not a limited resource in Papua New Guinea. As a result, we do not have standard processes and systems in place for measuring and monitoring water consumption. This is something that we are looking to address in the coming years.

Our annual water licence limitations and defined extraction volumes are as follows:

Permitted annual water extraction volumes (ML).

| OPERATIONS AREA | PURPOSE | EXTRACTION (VOL, ML) |
|------------------------------|-------------------------------|----------------------|
| Camps | Domestic consumption | 919 |
| Production Facilities | Production and Fire/Emergency | 182 |
| Contingency | | 145 |
| TOTAL (ML) | | 1246 |

We have stringent methods in place for measuring water discharge by quality and location, to ensure that impacts on local water bodies are kept to a minimum

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CASE STUDY
WATER TESTING

Regular water testing is one of the permit requirements for our exploration and operational activities, as specified by the Department of Environment and Conservation. Preventing environmental pollution is a major part of our Company strategy, and is a core principle of ISO 14001.

Exploration water sampling is carried out weekly on surface waters (rivers/creeks). We regularly monitor offsite operational discharge. Water samples are collected and delivered to an external laboratory for analysis, with results being evaluated against permit requirements for compliance. Any non-compliance recorded is investigated, identified, corrected and reported.

OUR ENVIRONMENT CONTINUED

WASTE WATER

We do not have established processes or systems for measuring the quantity of water we discharge. Our focus has always been on water quality, and on the location of discharge to ensure minimal environmental impact. Discharges to the environment are minimised wherever practical.

In 2011 we are planning to review our water monitoring, both in terms of quality assessment and quantity measurements.

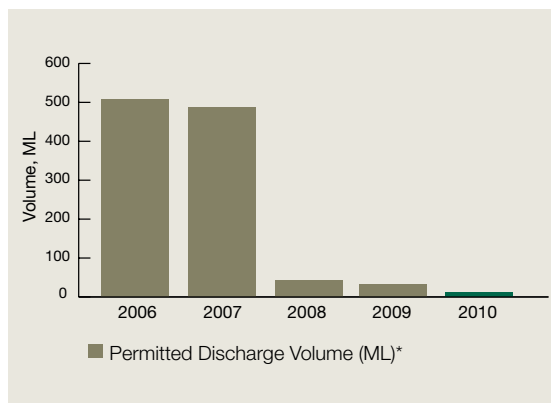
Waste water is classified as one of the following:

- Drilling: drilling fluids and treated sewage from drilling camps
- Facilities: sewage treatment plants and fire water
- Produced water: water separated from crude oil in the production facilities
- Stormwater: rainwater run-off from the plant area.

Drilling Waste Water

The data for drilling waste water include discharges from the camp facilities, drilling fluid, and general rig water use. Significant changes in drilling operations have impacted positively on the volumes discharged.

Based on the data presented below, the large volumes in 2006 and 2007 reflect a period of multiple drilling programmes utilising up to four drilling rigs. In 2010 we reduced rig activity with only one rig operational, resulting in reduced consumption and discharge requirements.



* As approved by the PNG Department of Environment and Conservation.

In keeping with our commitment to minimising impact on the environment and continuously improving the environmental integrity of our operations, we have recently reassessed and modified our use of drilling fluids.

In 2010 Oil Search instigated a change to chloride free fluids wherever practical in its drilling operations to reduce the risk of impact from potential run-off to nearby water sources. By replacing potassium chloride with potassium acetate we have been able to significantly improve the environmental integrity of our operations. While the cost of acetate is higher than chloride, the investment is justified by the environmental benefits of its application. This reflects our commitment to continuous improvement in environmental management.

We also revised the make up of our completion fluids, replacing sodium bromide wherever practical with potassium formate, a biodegradable formic acid. This not only has a positive environmental impact at point of discharge, but also reduces initial water extraction requirements by enabling the recycling of fluids across multiple wells, significantly reducing health, safety and environmental risks. There are occasions when we are required to use potassium chloride in our completion fluids. Used completion fluids are captured and treated before being reinjected into the reservoir.

Facilities Waste Water

The total waste water discharge from facilities is mainly treated sewage effluent, but also includes water used as fire water and in daily wash-down activities. The waste water from the latter activity is channelled via the storm water retention system.

In the table below, the total permitted volume is 422 million litres for all the operations camps and facilities. The contingency volume is for the Moro camp only.

| OPERATIONS AREA | PURPOSE | DISCHARGE (VOL, ML) |
|------------------------------|-------------------------------|---------------------|
| Camps | Domestic consumption | 422 |
| Production Facilities | Production and Fire/Emergency | 0 |
| Contingency | Emergency | 50 |
| TOTAL (ML) | | 472 |

In keeping with our commitment to minimise our impact on the environment, we have recently reassessed and modified our use of drilling fluids



CASE STUDY
DRILLING OPERATIONS

The past three years have seen Oil Search make great advances and continuous improvements in the environmental integrity of our drilling operations. We have significantly reduced our project footprint through the design and implementation of new compact, flexible rigs which allow the drilling of a higher number of wells from the same drill pad, and also through the use of Durabase matting as opposed to wooden boards in the construction of our drilling platforms. In 2010 we also implemented a switch to chloride free drilling fluids and biodegradable completion fluids to ensure minimal impact on the environment.

OUR ENVIRONMENT CONTINUED

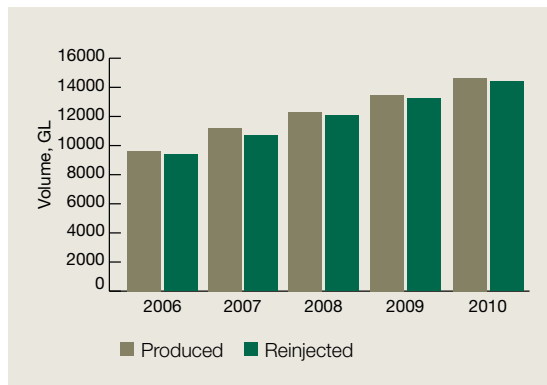
Produced Water

Produced water is the salty water (brine) produced from the reservoir with crude oil and gas. The mixture undergoes a three-phase separation process. The separated water is then treated for sulphate reducing bacteria in order to control corrosion, and injected back into the reservoir.

In total, the annual produced water from the Kutubu and Moran fields averaged 47,800 and 2,640 gegalitres (GL) respectively, compared to 18,360 GL for Gobe over the five years since 2005. The reinjection efficiency averaged 98 per cent over the five year period (see table and graph below).

An upward trend is observed for produced water. We expect this to continue as the oil reservoir matures.

| PRODUCED WATER (GL) | | |
|---------------------|----------|------------|
| YEAR | PRODUCED | REINJECTED |
| 2006 | 9635 | 9391 |
| 2007 | 11200 | 10677 |
| 2008 | 12308 | 12082 |
| 2009 | 13481 | 13248 |
| 2010 | 14651 | 14421 |



Storm Water

Oil and gas production facilities in the PNG operations (Central, Gobe, Agogo and Hides) have been designed to collect all surface run-off from rain or cleaning activities, within a closed-loop system.

Run-off is channelled through a series of hydrocarbon traps. The surface-accumulating hydrocarbon is skimmed-off and channelled through a waste oil processing facility which recovers and recycles the waste hydrocarbon for future sale.

The storm water is directed to a settlement pond and released slowly to allow dissolved hydrocarbon and other chemicals to be exposed to natural and atmospheric degradation prior to release. This water is monitored monthly and results reported to the national Regulator.

WASTE MANAGEMENT

Oil Search's waste management strategy is to reduce waste generated at the source. To support this, we have built environmental requirements into our contracting and procurement strategies. The next steps include recycling, treatment and disposal, the latter being the least preferred of the waste management processes.

Solid waste for disposal must be cleaned of chemicals and hydrocarbon through washdown or incineration prior to being used as landfill. Volume reduction is important through incineration, except for metallic and plastic material. All food waste is incinerated. This is an important consideration in reducing our footprint and legacy issues. All landfills are approved by the PNG Department of Environment and Conservation.

Waste brought into the various landfill areas is segregated prior to receipt at the waste management area. The material quantity is recorded in volume (cubic metre).

| YEAR | KITCHEN WASTE | TRASH | TIMBER | SEWAGE WASTE | WASTE OIL |
|-------|---------------|-------|--------|--------------|-----------|
| 2006 | | 16915 | 1148 | | 1386 |
| 2007 | 1367 | 17164 | 1983 | 1235 | 738 |
| 2008 | 1234 | 18571 | 2174 | 0 | 258 |
| 2009 | 1398 | 18072 | 2338 | 3085 | 3412 |
| 2010* | | | | | |

* Not yet been collated.

Large individual items such as tyres, empty drums and palletised containers are counted and a record is maintained.

| YEAR | TYRES | METAL DRUMS | PLASTIC DRUMS | CRUSHED DRUMS |
|-------|-------|-------------|---------------|---------------|
| 2006 | 2892 | 2103 | 678 | 1386 |
| 2007 | 1953 | 1648 | 766 | 738 |
| 2008 | 1792 | 4159 | 1104 | 258 |
| 2009 | 1953 | 4759 | 1153 | 3412 |
| 2010* | | | | |

* Not yet been collated.

Oil Search encourages landowner business development by allowing free collection and recycling of scrap metal. Since 2007, approximately 2,520 tonnes of scrap metal and 33 tonnes of lead batteries have been recycled. Approximately 12,000L of spent battery acid has been neutralised and processed through the waste water treatment system.

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HOW IS WASTE HANDLED, MEASURED, TRACKED AND STORED?

| | |
|---------------------------|---|
| Domestic waste | Segregated at source, collected and transported to the waste management area for disposal. At the disposal site the waste is recorded and then incinerated. |
| Scrap metals | Large metal items (pipes, vehicles, shipping containers and shelter frames) are accumulated at designated laydown yards for metal recyclers to remove. Smaller metals (<2 metres including drums) are taken to the scrap metal pit at the waste management area and used as landfill. |
| Unused chemicals | Recorded and returned to the waste management area for storage. When opportunities for reuse are exhausted the Safety and Environment team dispose of the chemicals as per the Material Safety Data Sheets (MSDS). |
| Sewage waste | All sewage waste is treated at sewage treatment plants and the effluent discharged. The sludge is pumped out and disposed at approved sludge pits. Effluent discharge is monitored monthly. |
| Oily sand | Incinerated. As part of our effort towards continuous improvement, commenced a bioremediation project in 2010. |
| Waste oil | Recycled at the production facilities. |
| Used car batteries | The residual acid is decanted and neutralised at the waste management area and tested before discharged at the production facilities. Empty cells are removed for recycling. |
| Used tyres | Stored at the waste management area and used to aid burning in the incinerators when incinerator performance is not at its optimum. |

Current waste management equipment, designed to cater for the oil project more than a decade ago, does not have the capacity to process the increased quantity of waste produced by the LNG project. The need for new waste management equipment has been realised and plans are in place to update our waste management facilities accordingly.

An increased deposit of unused chemicals in the waste management area has also become apparent. We are working to improve systems and planning for the regulation and monitoring of chemical waste.

Our 2010 waste data has not yet been collated. We need to improve the consistency of our records maintenance and in 2011 we will be reviewing our waste tracking, reporting and storage processes.

SIGNIFICANT SPILLS

Context

At Oil Search, all spill incidents, regardless of magnitude, are recorded as part of the Company's Incident Reporting Procedure. When reporting spill incidents, it is mandatory to provide details of any actions taken to mitigate, contain and clean the spill, as well as information regarding follow-up measures with authorities or other external stakeholders.

Any spills of hydrocarbon in excess of 10 barrels (1,600 litres) are considered significant and are immediately reported to the Department of Environment and Conservation and the Department of Petroleum and Energy.

In 2010, there was one significant hydrocarbon spill at Moro where a three way valve was knocked following routine maintenance resulting in the release of 1,785L of diesel to the environment.

Oil Search assesses environmental damage as being minor, moderate, serious, major or critical under the Core Reference Risk Matrix. A minor incident classification is referred to as "limited damage to a localised area" and a critical incident as "wide spread irreparable damage to a highly valued area". However, a minor incident can be reclassified to a higher category if it is assessed as costly (>US\$1M) and/or potentially damaging to the Company's reputation.

The table below lists all spills from the past five years which Oil Search has rated as moderate or above.

| YEAR | RECORDABLE INCIDENTS |
|-------------|--|
| 2006 | August – Release of 795L light crude to open water at the Kumul Marine Terminal during loading. Spill under control within four hours: Weather and tidal conditions complicated containment. |
| 2007 | May – See Lake Kutubu Case Study pages 42-43. June – 557L of crude released through an eroded gasket at the valve station as Kopi. Gasket replaced and area cleaned up. September – 740L of diesel-water emulsion released to the environment through breach of containment after heavy rain causing overflow. Area cleaned up and rehabilitated. September – Unintentional release of drilling fluid through seepage due to broken liner during the drilling of North West Papua. Appearance of foam indicating release. Bund fixed and downstream water quality monitored. |
| 2008 | February – South East Gobe. Flow line eroded by sand resulting in the release of approximately 1,190L of crude water-sand mixture. Incident reported to Regulators. Area contained and cleaned. |
| 2009 | October – A failed air tank union at Rig 104 resulted in the slow release of 52 barrels of filtered brine. Filtered brine transferred to another tank to repair air bag. |
| 2010 | January – 1,785 litres of Diesel released at Moro generator yard following inadvertent opening of the supply fuel three way valve. Valve restored and area cleaned up. October – Loss of 1,060 litres of potassium formate liquid on the PNG/Agogo Road when two intermediate bulk containers fell from twin steer truck. Site contained and cleaned, and water quality monitored both up and downstream to assess potential surface water contamination. |

OUR ENVIRONMENT CONTINUED

CASE STUDY LAKE KUTUBU

Lake Kutubu, classified as a Wildlife Management Area under the PNG Conservation Laws and a Ramsar Wetland under the Ramsar Convention, is home to 12 endemic fish species. The lake sustains the livelihoods of the many neighbouring villages and communities who rely on the water for cooking, cleaning and consumption and on the lake's fish stocks for sustenance. The community has noticed a gradual decline in fish stocks over time.

Oil Search is aware of the crucial role that Lake Kutubu plays as a life source for local communities in the Kutubu region and constantly monitors any discharges emanating from its operations which may ultimately impact on the purity of this integral ecosystem.

KUTUBU 2 – EXPLORATION WELL

When drilling was proposed at Kutubu 2, Oil Search selected a pre-existing exploration well site that had been prepared in late 2001. The Company entered a rigorous planning and preparation process to ensure minimal impact on the local environment.

The Kutubu 2 well is located approximately 4km southwest of the western shores of Lake Kutubu, within the boundary of the Lake Kutubu Ramsar Wetland Site.

Given the proximity of the well site to the lake, we escalated our standard protective controls to further minimise any potential impact the drilling activities might have on the local ecosystem.

The selected drilling mud system was tested beforehand to ensure it had negligible toxicity. We designed the chemistry of the drilling fluids to replace any potentially toxic components, with the final fluid mixture being tested on various local organisms to confirm there would be minimal impact on the local ecosystem in the event of an unplanned spill or discharge.

We also constructed large settlement ponds to separate and manage the drilled rock solids and to collect, monitor and treat waste and rain water prior to discharge.

Baseline environmental monitoring commenced in September 2006, with drilling operations at the well running from mid-March to end of June 2007.

INCIDENT AND IMMEDIATE RESPONSE

During drilling operations at Kutubu 2, there were several verbal reports of turbid water and dead fish along the south-eastern end of the lake. These reports were investigated immediately and the PNG Department of Environment and Conservation (DEC) was informed directly.

Oil Search began extensive sampling of water and sediment in the area to test for the presence of drilling fluids. As a means of precaution, villagers within the locality of the reported incident were advised not to use the water while investigations were being conducted, and rainwater tanks were provided to meet their water needs in the interim.

Further investigation and ongoing monitoring data did not detect drilling fluids, and the water quality was found to be within PNG Water Quality Guidelines. Further reviews of the available data by the DEC concluded that there was "no clear link to the Oil Search Ltd drilling operation activities".

There is little doubt that an incident did take place which resulted in the death of fish and discolouration of the water. Independent analysis of water and sediment in the area found no causal links to our operations; however, the reason for the disturbance remains unknown. We need to understand why these events take place in the lake and work with all stakeholders to communicate research findings regarding their cause.

It is possible that the localised fish kills, which are common in the lake, were due to a localised "water turnover". This occurs when oxygen-deficient waters from the bottom of the lake are forced to the surface, killing fish and other aquatic organisms. Turnover events are common and can affect the entire lake or localised areas depending on various climatic conditions.

Ongoing monitoring of lake conditions is taking place to understand these events.



Oil Search understands the crucial role that Lake Kutubu plays as a life source for local communities in the Kutubu region



ONGOING RESEARCH AND ENGAGEMENT

We are aware of and sensitive to ongoing community concerns regarding absence of fish, low fish catches and water quality in Lake Kutubu. We have been working with various stakeholder groups to conduct further scientific and social studies, including use of the lake's resources and changes in lifestyle, to understand pressures on the lake ecosystem.

Studies on the lake have been divided into three phases. The first phase on the limnology, hydrology, fish and water quality was completed in 2010. Findings from this first phase have shown that the lake's ecosystem is in good condition: the water quality is fine and living organisms present no evidence of toxicity impact.

Findings from the first phase confirmed no measurable impact from Oil Search's oil production activities on Lake Kutubu. There are no direct discharges into the lake, and any waste water is carefully monitored, tested and treated prior to discharge.

The second phase of studies are focussing on community use of the lake including economic impacts and lifestyle changes. Fish populations will be measured and fish catch methods studied. This will provide a holistic understanding of the social and environmental factors impacting on the lake. Studies on possible fish breeding and restocking of the lake, run by local communities, are now taking place.

The third phase involves developing a conservation management plan. Oil Search cannot alone ensure the protection of this unique environment. We are actively engaging with a multi-stakeholder group from the community, interested NGOs and government. The data we collect will be valuable as a baseline and will be used to determine priorities. A change in the behaviours which threaten the natural ecosystem of the lake will only be achieved through the collaborative efforts of all stakeholders.

We will continue to work with the local communities to address their concerns on the environmental aspects of the lake.

OUR ENVIRONMENT CONTINUED

BIODIVERSITY

Context

Papua New Guinea is ranked sixth in the world in terms of biodiversity. The importance of conservation and biodiversity management was clearly identified in the environmental impact assessment (EIA) associated with the initial development of oil production facilities in the Kikori Basin. The oil project entered into partnership with the World Wildlife Fund (WWF) PNG and over the past 16 years has contributed significant funds to conservation projects under the Kikori Integrated Development and Conservation Programme (KIDCP).

Kikori Basin

Virtually the entire Kikori Basin, approximately 2.3 million hectares is covered in forest, containing diverse species of flora, some of which are yet to be discovered. The basin is recognised as a region of exceptionally high biodiversity and significantly high endemism.

According to data collected over the years by the WWF and recent studies undertaken as part of the EIA for the PNG LNG Project, there are over 220 endemic species in the Kikori Basin. The data also estimates that there are approximately five Critically Endangered, four Endangered, 29 Vulnerable, and 28 Near Threatened species in the Basin, as listed on the International Union for Conservation of Nature (IUCN) Red List of Threatened Species.

FLAGSHIP SPECIES PROGRAMME

The Oil Search Flagship Species programme aims to understand the importance of selected large fauna species that are present in the Kikori Basin. The range, diversity and uniqueness of the species attracts attention because of the potential impact of the project. However it is also important to assess the significance of these species both as a food source and a source of commercial value. Our two current species of focus are the pig-nosed turtle and the fish in Lake Kutubu (see pages 42-43).

Pig-Nosed Turtle

The pig-nosed turtle (*Carettochelys insculpta*) is a PNG national icon and features on the five toea coin (PNG currency). It is listed under the IUCN as "vulnerable" as a precaution. It has a restricted distribution within the Kikori Delta and spreads west towards the Fly River. It is a major source of food and protein for the local delta villages and has been identified as a species under threat from over harvesting (eggs and individuals).

Oil Search engaged Professor Arthur Georges and Carla Eisemberg from the Institute of Applied Ecology at the University of Canberra to investigate nesting biology and harvesting effort in a three year research programme. Results comparing data collected 30 years ago to data collected between 2007 and 2009 confirm that the species is under threat from over-exploitation.

Further work is planned to develop conservation and management programmes to arrest this trend and encourage the species to recover. This work will complement the partnership's biodiversity management approach and is designed to encourage local villagers and land holders to take direct ownership of conservation efforts.

KIKORI RIVER PROGRAMME (KRP)

In 2010 staff of the Kikori River Programme consolidated, scanned and electronically organised all scientific and research data on the Lake Kutubu and Kikori River catchment areas in order to render the information more easily accessible. Biodiversity, species distribution and habitat maps for the area were also compiled. KRP also carried out a variety of village-level training including technical assistance to mobile sawmill operators and eco-tourism advice to Lake Kutubu communities who intend to organise a Foe Cultural Festival in 2011.

LAND USE

Our operations and facilities are located within Petroleum Development Licences (PDL) approved by the PNG Department of Petroleum and Energy. The PDLs (six in total) are within the 2.3 mHa greater Kikori Basin. Our permanent footprint constitutes 108 Ha, although land disturbed by constructing facilities, well pads and road infrastructure totalled 197 Ha. We have minimised our project footprint by using reusable, synthetic Durabase matting as opposed to locally milled wooden boards for the construction of our drill sites, and by adopting rehabilitation methods which complement the rapid natural revegetation and ground cover.

Areas designated as Wildlife Management Areas (WMA) under the PNG Conservation Laws are not protected areas. Activities such as drilling can occur as long as the landowners agree and proper environmental management plans are in place. Oil Search supports WWF efforts to help communities register and implement these plans.

| LAND (ha) | |
|--|-----------|
| Total Kikori Basin | 2,300,000 |
| Protected Areas: | |
| Lake Kutubu | 24,057 |
| Neiru (Aird Hills) | 3,984 |
| Arisai | 4,830 |
| Hose | 4,661 |
| Sulamesi | 70,159 |
| Total Land Area Protected (sum of above) | 107,691 |
| Total Land Area Disturbed | 197 |
| Total disturbed land areas allowed to regenerate naturally | 89 |
| Total Project Footprint | 108 |

*In partnership with the
World Wildlife Fund (WWF)
PNG, Oil Search has made
a significant contribution to
conservation in the Kikori Basin*



CASE STUDY
ORCHIDS

The Kikori Basin is believed to contain more than 500 species of orchids with up to 50 per cent of these endemic to the basin. In collaboration with WWF PNG we have conducted various surveys to understand the extent of the species diversity. Standalone surveys involving orchid experts and WWF PNG, as well as EIAs carried out for drilling activities, have highlighted the discovery of new species, and the rediscovery of species described from a single specimen nearly 100 years ago. Oil Search has provided technical and in-kind support to local orchid conservation efforts.

OUR PEOPLE

2010 HIGHLIGHTS

Developed the capability of the Human Resources team to deliver high quality service to the business.

Reorganised the planning and coordination of learning and development initiatives.

Commenced developing a competency-based learning and assurance programme for critical roles.

Developed and implemented a career planning tool so employees can consider their current and future development needs and discuss them with their supervisors.

Developed and delivered in-house leadership training programme, "Leading the Oil Search Way" to more than 100 employees in PNG.

Undertook employee opinion survey as part of broader programme to define and articulate the Oil Search culture.

2011 OBJECTIVES

Implement a new workforce management programme to address workforce planning, succession planning and talent management needs for the period to 2015.

Implement a learning management system to record and track all training.

Continue developing our competency-based learning and assurance programme for critical roles, with particular focus on safety-critical tasks.

Integrate the career development planning process with the annual review and goal setting process. Build links to the competency programmes in order to motivate employees.

Refine "Leading the Oil Search Way" programme to help align front-line supervisors so they deliver consistent leadership across the workforce.

Embark upon a financial education programme for PNG employees so they can manage their personal assets more effectively.

OUR APPROACH

At Oil Search, our greatest asset is our people. We know it is common for companies to say this, but rarely do their employees validate the claim as fervently as they do at Oil Search. Our employees have confirmed that the Oil Search culture is one in which they feel valued and cared for. They say they experience a genuine sense of belonging, because Oil Search both understands and values Papua New Guinean culture and values and is committed to helping PNG develop.

We are committed to conducting all of our activities in compliance with all applicable local laws and regulations. Our strong ethical, social and moral values lead us to adopt policies and standards which extend far beyond regulatory requirements.

Oil Search respects the PNG Employment Act which defends against forced and compulsory labour, and also requires age checks on all employees to ensure against the use of child labour. We also offer extensive benefits to our workforce, reflecting our commitment to the wellbeing of both our employees and their families. For details see page 56.

We place a high priority on protecting, developing, and retaining our workforce. For 2010, PNG Operations had five Key Results Areas (KRAs), two of which highlight our commitment to our workforce.

1. Maintain and improve our world class HSES record, which is the cornerstone of our corporate culture and distinguishes us from our peers.
2. Develop our people to their maximum potential. They are our future and their professional development will ensure our long-term success.

We have several policies, strategies and systems in place to achieve these objectives, with a strong focus on health, safety and security; training and development; and company culture.

PNG WORKFORCE BREAKDOWN

| BY EMPLOYMENT TYPE | |
|-------------------------------|------------|
| Permanent full time employees | 798 |
| Part time employees | 0 |
| Fixed term contract | 1 |
| Students/interns | 8 |
| Total | 809 |

| BY ORIGIN | |
|-----------------|------------|
| Local employees | 694 |
| Expatriates | 113 |
| Total | 807 |

OUR VISION:

To be a leader in Oil and Gas Operations in PNG – operator and employer of choice – delivering first class performance with first class people



**CASE STUDY
EMPLOYING LOCALS**

As far as is practicable Oil Search gives preference in employment to PNG citizens. The first step in our recruitment process is to identify whether or not candidates can be sourced from the local market. We place a strong emphasis on training and developing our local employees, with a view to career progression to managerial level, where practical, depending on the individual's aptitude and attitude. Over the past few years, a number of local employees have risen to the level of senior management by gaining the required skills and knowledge via a mix of training and education and varied work assignments, some obtained internationally.

SENIOR MANAGEMENT¹

| | |
|-----------------|----|
| Local Employees | 14 |
| Expatriate | 9 |
| Total | 23 |

(1) For the purposes of this report, the definition of senior management is employees that comprise the management team based in Port Moresby and the management team for our operations.

OUR PEOPLE CONTINUED

HEALTH, SAFETY AND SECURITY

POLICIES

Health, Safety, Environment and Security Policy

“Oil Search is committed to achieving Incident Free operations through the provision of effective Health, Safety, Environmental and Security (HSES) Management Systems across all of its operations and worksite that benefit employees, contractors and the community.”

Drug and Alcohol Policy

“We recognise that the use of illicit drugs and the use of alcohol and medication can adversely affect job performance, the work environment and the safety and health of our workplace... Oil Search provides education, prevention, assessment, rehabilitation and aftercare support and resources for employees who suspect they have a substance dependency or an emerging alcohol or drug problem.”

HIV/AIDS Policy

“Oil Search is committed to promoting and protecting the health of our people by ensuring that they are informed about HIV and AIDS and the potential effect on their lives, their families, friends and the Company.”

WORKFORCE HEALTH

Oil Search is committed to optimising the health of our employees by providing a company-wide health and wellbeing programme.

The aim of the programme is to ensure that everyone clearly understands their health risks and how to manage them, so they can prevent debilitating disease impacting their lives.

We first assess an individual's state of health during the pre-employment medical, and through periodic medical assessments. We completed 625 medical assessments in 2010.

We assess the health criteria below against a risk rating. High risk individuals are prescribed a targeted health management plan managed by the Company's medical team.

Criteria

- Alcohol
- Cardiovascular
- Dental
- Exercise/Physical Activity
- Gender/Sexual
- Musculoskeletal
- Nutrition
- Respiratory
- Sleep
- Smoking
- Stress/Fatigue
- Weight

The individual is educated and counselled accordingly and offered the opportunity to address/reduce their associated risk through a dedicated programme – the Health and Wellbeing 'TRAKA' programme.

The Health and Wellbeing programme is not only dedicated to improving the lives of our employees and their immediate families, we also extend components of the programme to contractors and the community.

COMPONENTS OF THE HEALTH AND WELLBEING PROGRAMME

| | |
|------------------------------|--|
| Medical Support | <ul style="list-style-type: none"> • Pre employment/periodic medicals • Baseline health check • Health risk management |
| Health Programmes | <ul style="list-style-type: none"> • High risk management • Personalised support |
| Education | <ul style="list-style-type: none"> • Health themes • Special presentations • Brochures • Information packs |
| Psychological Support | <ul style="list-style-type: none"> • EAP – Employee Assistance Programme (Counselling Phone Support) |
| Active Lifestyle | <ul style="list-style-type: none"> • Facilities • Activity classes • Special events |
| Extras | <ul style="list-style-type: none"> • Nutrition • Quit smoking programme • Fatigue • Drugs and alcohol • Workplace ergonomics • Rehabilitation and return to work • Supporting the community |

2010 WORKFORCE HEALTH DATA

| | |
|--------------------------------|-----|
| Periodic medicals conducted | 625 |
| Identified High Risk Employees | 82 |

FOCUS FOR 2011

We are committed to optimising the health of our employees and strive to dramatically reduce the impact of lifestyle disease through our Health and Wellbeing programme.

Our dedicated staff are focused on continuing education and identifying and managing high risk employees.

We are reviewing our key indicators and identification process.

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CASE STUDY
QUIT SMOKING

VBC Health Improver – Francis Tekali

Francis Tekali otherwise known as the “Kopi/Gobe Lion” is a nursing officer at the Gobe Health Centre. Francis has taken on the challenge to improve his health by quitting his smoking habit of 30 years.

Prior to giving up smoking Francis would smoke a packet of 25 cigarettes a day. Francis has successfully achieved 200 days smoke free and counting. Francis had previously tried to quit many a time but to no avail so this has been no easy task.

We support employees such as Francis to achieve their personal health goals and improve their overall wellbeing.

OUR PEOPLE CONTINUED

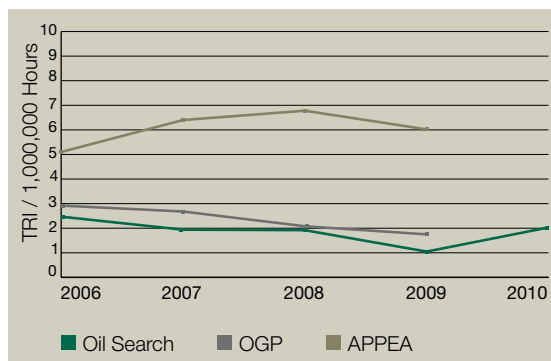
SAFETY

Oil Search is intent on delivering Incident Free Operations. While we maintain an outstanding safety record, we are committed to reducing our TRIFR to ever lower levels. Our ultimate objective always remains Incident Free Operations.

We report our safety performance to the International Association of Oil and Gas Producers (OGP) and the Australian Petroleum Production and Exploration Association (APPEA), and benchmark our performance against our peers through these associations.

Citigroup Research identified Oil Search as having the lowest recorded TRIFR for the ASX100 group of companies in 2009 and 2010. Our TRIFR has been consistently lower than both APPEA and OGP's TRIFR averages since 2005.

| TRIFR OIL SEARCH V. INDUSTRY AVERAGES | | | | | | |
|--|------|------|------|------|------|------|
| Oil Search | 2.94 | 2.47 | 1.94 | 1.92 | 1.05 | 2.03 |
| OGP | 3.05 | 2.92 | 2.68 | 2.08 | 1.75 | – |
| APPEA | 6.9 | 5.1 | 6.4 | 6.78 | 6.02 | – |



However, we are not complacent. Injuries rose year on year from 2009 to 2010, reflecting in part a changing mix of contractors with more inexperienced people on site.

With initiatives such as Associated Gas developments ahead of us in 2011, safety is a major focus for the Company. Our key areas of focus to achieve our goal of incident free operations are:

Promoting a Culture of Safety

While processes and systems all contribute to maintaining safe operations, it is ultimately the behaviour and mindset of our people which has the greatest impact on safety performance.

As we continue to grow and take on new challenges, a key area of focus is promoting and maintaining a strong safety culture. In 2011 we will concentrate on developing our people and promoting safe behaviours.

Visible Safety Leadership

Safety comes first. Our senior management and operational leadership teams are committed to encouraging this across

all departments. This includes engaging contractors and Lancos to do the same in their operations.

The majority of Total Recordable Incidents (TRI) recorded in 2010 occurred amongst our contractors and Lancos. This has highlighted the need for us to have a greater level of engagement, focus and leadership to drive safety performance across the entire workforce.

In 2011 our Field Operations Leadership Team will continue to demonstrate their commitment to safety by implementing the Balanced Scorecard and Safety Plan, of which the four key areas are: people, control of work, process safety and sustainability.

Use of Safety Indicators to Assess Performance

Lead indicators are a valuable tool to assess whether the behaviours and processes which lead to safe operations are being followed. Oil Search management pays close attention to lead indicators, such as Job Hazard Analysis, Step Back 5 by 5, Safety Tours, HAZID and Stop Cards. Lag indicators, such as TRIFR, HiPo and PSMLI, are used to measure performance.

Our challenge in 2010 was to maintain the safety performance of 2009. We carried out a comprehensive programme of stand-down meetings, safety forums, safety leadership workshops and Lanco workshops to focus on improving safety performance in the lead up to the 2011 programme.

Recognising safety performance

Anyone – from the newest employee to the most experienced, whether Oil Search staff, contractor, or visitor – who sees an unsafe activity or condition has the power to stop the job. This message is highlighted throughout the organisation. Actual cases where jobs have been stopped while an unsafe condition is addressed are used as case studies to reinforce this message.

Individuals and contractors who demonstrate leading safety behaviours are recognised at annual and quarterly awards.

At Oil Search, safety comes first. Everybody is empowered to stop any job they believe is unsafe



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CASE STUDY
SAFETY

Our Lock Out Tag Out (LOTO) system is one of our Safety Critical tools we use to ensure the safety and protection of our people.

The LOTO system and its regulations are used in conjunction with other safe work procedures to:

- Effectively isolate equipment to protect our people;
- Advise employees of faulty equipment which is out of service and must not be used;
- Provide information about equipment for its safe operation.

As with all Oil Search systems the LOTO system is subject to continuous improvement. The LOTO system is one of our 10 Life Preserving Behaviours. Compliance is mandatory. In 2010 we successfully rolled out and implemented a revised LOTO system.

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CASE STUDY
KUTUBU SECURITY

The Lanco “Kutubu Security Services”, like all Oil Search security contractors, is required to maintain and enforce strict standards of conduct in line with international policies and principles on Human Rights. It is required to deliver human rights training to all employees, and continuously monitor employee conduct to ensure human rights are respected and upheld. All security staff, be they Oil Search employees or contractors, must attend Oil Search’s induction training on human rights prior to commencing work.

OUR PEOPLE CONTINUED

In order to oversee this programme, we have established the PNG Learning and Development Steering Committee which has implemented a leadership development programme called "Leading the Oil Search Way". Over 100 employees have already attended this programme and the feedback has been overwhelmingly positive. The Committee is planning a new and improved programme for 2011.

Organisational Alignment

Following our successful Strategic Review in 2010 we developed an extensive programme of organisational alignment. The programme will be implemented in the first half of 2011 and will involve revised and integrated approaches to talent management, workforce planning and succession planning. The unambiguous aim of the organisational alignment programme is to ensure that the business possesses the most suitable people with the necessary capability to deliver the business plan for 2011-2014 and beyond.

Human Rights and Ethics Training

The Code of Conduct

Employees are expected to understand and be familiar with the Oil Search Code of Conduct, and to conduct Company business honestly, ethically and fairly, upholding our reputation as a "good corporate citizen."

All new employees (including directors, contractors, consultants, agents, advisors and representatives) must be formally inducted into the Company and are required to acknowledge awareness of their obligations regarding the Code of Conduct. As of 2011, we will conduct ongoing awareness and training sessions on the code annually.

Fraud and Corruption Prevention Programme "Whistleblower Protection Policy"

Oil Search recognises that some employees or contractors may be reluctant to report serious breaches of policy and/or procedure for fear of retribution.

To this end we have established a confidential hotline and reporting system for employees and contractors.

COMPANY CULTURE

Oil Search maintains strong ethical, social and moral values. We pride ourselves on our unique company culture, which espouses compassion, integrity, honesty and understanding, and which promotes strong, open relationships, with both internal and external stakeholders, as the cornerstone of successful operations.

Oil Search has always been a relatively small operator internationally. However, after taking over oil operations from Chevron in 2003, and assuming a 29 per cent interest in the PNG LNG project, we are experiencing unprecedented growth.

The greatest challenge we face during this period is ensuring that the company culture we have developed over the years as a small, safety conscious, local company, is both maintained and promoted.

Our objective for 2011 is to clearly define the details of our company culture in order to promote and monitor it moving forward.

We will also focus on implementing our organisational alignment programme to further reinforce our capacity to deliver on defined objectives.

Employee Remuneration

Oil Search is extremely mindful of the salaries and wages we pay to ensure that employees are adequately and equitably rewarded for their contribution and have the opportunity for economic wellbeing both in employment and retirement. We do this via a combination of salary, contributions to superannuation, assisting with housing costs and the education of employees' children, and our employee share plans.

As one of the largest employers in PNG, Oil Search also has a responsibility to ensure our remuneration practices do not adversely impact the ability of other organisations to pay their employees affordable wages. To that end, we play an active role in working with other companies on the human resources issues facing our industry, and the country as a whole.

WAGES (AS AT 31 DEC 2010)

| | |
|-----------------------------|-----------------|
| National Minimum Wage | |
| – Age > 21 yrs | K 4,763.20 p.a. |
| – Age 16-21yrs | K 3,572.40 p.a. |
| Oil Search Entry Level Wage | K 14,012 p.a. |

Oil Search has a responsibility to ensure our remuneration practices do not adversely impact the local employment market

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CASE STUDY
APPRENTICE TRAINING AT KUTUBU

Warubi Masahimu has been with Oil Search for over 20 years. He has focused on training electricians within the maintenance department. Many of those experienced electricians now maintaining the assets were trained to some extent by Warubi. He takes great pride in educating employees on the importance of working safely and efficiently at all times. Warubi regularly helps employees to understand all aspects of the work that they are required to perform.

OUR PEOPLE CONTINUED

Employee Benefits

All temporary employees receive the same benefits as permanent employees with the exception that they are not eligible to participate in employee share plans. Under the share plan rules, participants can only be permanent employees at the time of grant.

In addition to paying salaries and contributing to superannuation, we provide the following benefits to employees:

| BENEFIT | WHO | WHAT |
|--------------------------|--|---|
| Housing Allowance | All local employees | Tax-free allowance to assist with housing costs. |
| Education Allowance | All local employees | Allowance to assist with education costs for children of employees below tertiary level. |
| Health Insurance | All local employees and their immediate families | Health insurance on a reimbursement basis to cover medical expenses. This includes medical evacuation to Australia if required. |
| Life Insurance | All employees, including expatriate employees | Life Insurance, with the level of benefit commensurate with market practice in the employee's location of residence. |
| Travel Insurance | All employees | Covered by an organisation-wide insurance policy when travelling on Company business. |
| Financial Education | All local employees | Assistance with financial education. |
| Professional Memberships | All employees | Reimbursement of the cost of one professional membership per annum. |

Benefit Plans

The retirement plans for employees are based on an accumulation fund model, where contributions are made to employees' accounts every fortnight, in line with normal payroll processing. All employee superannuation accounts are held with NASFUND, the first approved superannuation fund to be licensed by the Central Bank of PNG under the Superannuation Act, 2000.

Under PNG legislation, Oil Search must pay a minimum of 8.4 per cent of an employee's base salary into an approved superannuation plan. In January 2009, recognising that superannuation is vital for the financial future of our employees, we increased the Company's contribution to 10 per cent of base salary.

Employee Turnover

Retaining our local employees in PNG is a major issue and we have implemented numerous programmes and initiatives in the past two years. These have worked extremely well, with retention among our employees at a high level.

ANNUAL TURNOVER (AS AT 31 DEC 2010)*

LOCAL EMPLOYEES BY GENDER

| Gender | Number | Leavers | Turnover rate |
|--------------|------------|-----------|---------------|
| Male | 573 | 30 | 5.2% |
| Female | 123 | 6 | 4.9% |
| Total | 696 | 36 | 5.2% |

EXPATRIATE EMPLOYEES BY GENDER

| Gender | Number | Leavers | Turnover rate |
|--------------|------------|----------|---------------|
| Male | 109 | 6 | 5.5% |
| Female | 3 | 0 | 0.0% |
| Total | 112 | 6 | 5.4% |

LOCAL EMPLOYEES BY AGE

| Age Group | Number | Leavers | Turnover rate |
|--------------------|------------|-----------|---------------|
| Less than 30 | 125 | 3 | 2.4% |
| 30 to less than 40 | 229 | 13 | 5.7% |
| 40 to less than 50 | 259 | 16 | 6.2% |
| 50 or older | 83 | 4 | 4.8% |
| Total | 696 | 36 | 5.2% |

EXPATRIATE EMPLOYEES BY AGE

| Age Group | Number | Leavers | Turnover rate |
|--------------------|------------|----------|---------------|
| Less than 30 | 2 | 0 | 0.0% |
| 30 to less than 40 | 10 | 1 | 10.0% |
| 40 to less than 50 | 37 | 3 | 8.1% |
| 50 or older | 63 | 2 | 3.2% |
| Total | 112 | 6 | 5.2% |

* Data includes all reasons for departure, including resignation, retirement or termination for cause.

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Employee retention at Oil Search is far higher than the industry average and highlights the success of our initiatives to gauge and promote employee satisfaction

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COMMENTS FROM OUR PEOPLE

“I’ve seen this company do things for people who aren’t employees. I’ve seen them medivac people who aren’t employees out of a village and get them to hospital. Other companies don’t do that.”

“There’s a sense of responsibility the Company has. We don’t just act like any company. We care for each other. There’s respect. Peter Botten and his team understand PNG culture.”

“Oil Search is a blessing to anyone who works here.”

OUR COMMUNITIES

2010 HIGHLIGHTS

No days of lost oil production due to landowner issues, due to comprehensive coverage of work locations and project area villages by our field Community Affairs staff.

Established a 35,000 seedling capacity coffee nursery near Poroma along Kutubu Access Road.

Rehabilitated 40ha of overgrown coffee in Erave area and established a demonstration 12,000 seedling nursery at local high school.

Formed the Foe Women's Cooperative Society to market the rice that members have been encouraged to plant.

Rice growing introduced in many project area communities.

Market garden vegetable production projects established in the Hides, Gobe and Kikori areas.

Support of poultry and fish farming projects in interested project area villages.

31 Oil Search sponsored students graduated from tertiary training institutions.

2011 OBJECTIVES

Establish more coffee nurseries by motivated individuals, that can become self supporting through the sale of seedlings to local farmers at a low fixed cost.

Continue support of increased planting of upland rice in project area village areas, as well as ongoing support of other agricultural projects.

Resume sustainable community development agriculture and Community Area Planning (CAP) programme in the Moran and Samberigi areas. This was not possible in 2010 due to inter-clan fighting and law and order issues.

Based on the training and awareness from 2010, support village and district sports administration in all project areas.

Provide tertiary education sponsorship to at least 30 students from project area villages.

Provide support of at least 300,000 Kina for material inputs into village CAP infrastructure and service projects.

Strategically targeted donations to the value of at least 10,000 Kina to community facilities.

OUR APPROACH

Oil Search is committed to establishing and maintaining strong and mutually beneficial relationships with the communities and various levels of government in those areas impacted by our exploration, development and production activities. We plan and implement all our activities in a culturally sensitive manner to ensure community support and to optimise community benefits.

Our vision for a mutually beneficial relationship with the communities in which we operate demands a constant focus on external affairs in all areas of the business. The Oil Search External Affairs Policy applies to all departments and activities.

To ensure effective implementation of the External Affairs Policy, we have various management standards and systems in place for leadership, consultation and accountability management, organisation, responsibilities and resources, and additional standards and systems for lands, local business development, community relations, interdepartmental relations, exploration and capital support, and information management.

Of particular interest is our Sustainable Development Planning System, which involves determining – in collaboration with host governments – the ideal future state of the nation in terms of infrastructure and service delivery. Appropriate strategies for targeted and effectively supported development are designed to ensure the community will benefit beyond the life of the project.

Sustainable Development Planning requires a holistic approach and open consideration of a variety of issues including: economic resources, community benefit streams management, community commitment and participation, state commitment to future management, statutory requirements, International petroleum CSR benchmarks, economic, social and political context, adaptation of resource project infrastructure, cultural alignment, sustainable development opportunities, industrial considerations, management capacity, partnerships and NGOs, health and education service delivery, maintenance and continuity of programmes.

Our aim is to leave a long-term legacy of improved sustainable development opportunities in all the areas where Oil Search operates



CASE STUDY
LOCAL PEOPLE

PNG has over 800 distinct indigenous language and cultural groups. There are at least 15 language groups within the project impact areas and a total population of over 35,000.

We have extensive experience working with the communities in the project impact areas and have developed a deep understanding of their various cultures and traditions. Our corporate values ensure we respect local diversity and way of life, both within the Company and out in the communities.

Oil Search conducts cultural inductions for all new employees, be they expatriates or nationals, when they arrive on site. The induction covers both a generic cultural overview of PNG and specific cultural presentations covering communities within the project impact areas. The presentations cover landownership, traditional property rights, marriages, compensation, leadership, change and development.

OUR COMMUNITIES CONTINUED

Socioeconomic Monitoring

Each year, Oil Search produces a socioeconomic report for submission to the Department of Environment and Conservation (DEC). These reports present the results of biennial household and village surveys carried out to assess the status of community livelihoods against a range of socioeconomic indicators. These include parameters relating to demographics, education levels, literacy, water supply, sanitation, village infrastructure, nutrition and expenditure patterns.

These socioeconomic reports are a useful means of monitoring and tracking changes in the situation and livelihoods of communities in the oil project licence areas and comparing them to provincial and/or national averages.

The household surveys are carried out in a sample of project area villages. In 2009 about 38 per cent of project impact area (PIA) villages were surveyed. A different set of villages were surveyed on each occasion, some in greenfield areas where we are carrying out exploration drilling activities. As a result, there is a certain degree of variation in the data, which is the average of survey results from the villages covered and extrapolated as indicative of the whole project area.

To reduce future data variation, the same villages will be surveyed wherever possible. The next village and household survey will take place in 2011.

To review all Oil Search socioeconomic reports please refer to the sustainability section of the Oil Search website.

The indicators in our socioeconomic surveys can be divided into three core categories: society, ecosystem services, and economic development.

SOCIETY

Our Community Affairs and Public Health teams work tirelessly to facilitate and support social development in our local communities. Through close interaction with local community groups, NGOs, and government departments, these teams are constantly implementing, developing and monitoring targeted projects and programmes. Both the Community Affairs and Public Health teams have witnessed outstanding results over the past few years, contributing significantly to sustainable livelihoods and the provision of social services in our local communities.

COMMUNITY HEALTH

Oil Search Public Health

Oil Search has invested in various community health programmes over the last 18 years within the oil operating areas of the Southern Highlands and Gulf provinces.

The results achieved by our Public Health team have won support and recognition from various stakeholders including the PNG provincial and national Departments of Health, donor organisations and various sectors of the community.

The success of our Public Health programme has led to a positive relationship between the community and the Company and has set the precedent for expanding initiatives such as malaria control, HIV prevention and treatment, maternal and child health, and health and hygiene across Papua New Guinea.

Community access to essential drugs

The Kutubu project area has a population of approximately 10,000 people. Most live in small communities of between 200-400 people. These small communities can not all sustain health workers and a formal health facility.

Prior to 2005, only 19 per cent of the Kutubu area population had ready access to essential drug treatment from their local village health facility.

The remainder of the population had to travel several hours to visit a health facility. They would often arrive to find absent or underskilled health staff who were unable to meet their health needs, or a depleted supply of medicines.

In 2007, Oil Search, through an agreement with the local church health provider, the Evangelical Church of Papua New Guinea, agreed to fund additional health worker positions and reopen previously closed or non-functioning health facilities. This resulted in an increase in coverage to 49 per cent of the Kutubu area.

We use our extensive logistical network to transport medicines and medical supplies from regional medical stores to local health facilities. The public health team also assists local centres with their stock management.

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We have a longstanding practice of recording and tracking our Company and community performance in line with various sustainability metrics

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CASE STUDY
SOCIOECONOMIC MONITORING

In keeping with Oil Search's commitment to the UN Millennium Development Goals, we have developed strategies for measuring and monitoring community performance in accordance with defined MDG targets and indicators. The biennial household surveys carried out by our Community Affairs teams enable us to track the socioeconomic development of our communities in accordance with international standards, and to subsequently design and implement community development programmes which address identified needs.

OUR COMMUNITIES CONTINUED

COMMUNITY HEALTH PROGRAMMES

Malaria

Background

Malaria transmission depends on a delicate balance between the presence of a specific mosquito and appropriate breeding sites, the presence of the malaria parasite in a given population, and the contact between humans and malaria infected mosquitoes. This balance can be altered by climatic conditions which affect the mosquito presence, social factors such as the movement and behaviours of people, and the population's access to appropriate and effective treatment.

Since the malaria parasite and transmission dynamics were first identified over 100 years ago, significant scientific advances have contributed to an array of control methods. These include insecticides, barriers to prevent mosquito/human contact and new drug treatments to kill or suppress the parasite.

While these advances have, in theory, provided strategies to combat the disease, much of the developing world in the tropics and sub-tropics continue to suffer from its impact. The delivery of these various control methods relies on an effective health service and strong management systems.

Oil Search Malaria Programme

Since we began working in the remote areas of PNG in the early 1990s, we have analysed the malaria epidemiology and applied targeted interventions to suit the local context. Our operating area covers a vast cross-section of the country. The variance in ecology, mosquito species, and cultures results in diverse malaria transmission dynamics and demands targeted, location-specific control strategies.

In the Hides area of Southern Highlands, the dominant mosquito species, *Anopheles punctulatis*, is an indoor feeder, prefers resting indoors, and breeds in pools in the sweet potato gardens and trenches surrounding gardens and houses. People live in thatched housing with minimal windows. At night they sleep around a fire in the middle of the house to keep warm. In contrast, in the isolated Kikori River of the southern Gulf Province, the dominant mosquito, *Anopheles farauti*, breeds in brackish water and is an early evening feeder. People live in well-ventilated houses on stilts and socialise outdoors under the houses.

Both these situations require tailored malaria control interventions. In the Hides area, (at 1,250 metres above sea level), a strategy combining indoor residual insecticide spraying with improvements to the diagnostic and treatment capacity of the local health facilities has resulted in a dramatic drop in malaria. Since the programme began in 1996, malaria prevalence dropped from 25 per cent to less than 5 per cent within two years. Today the programme continues, with the local Lanco company conducting the household spraying, and Oil Search providing technical support to the spray teams and local health staff. Approximately 7,000 people are now living in this relative malaria transmission-free area.

In other areas of the project, such as the Kutubu and Kikori River areas, the local terrain, isolation and logistics prevented a comprehensive residual spray programme being implemented. Most people did not have ready access to health facilities and treatment in the event they contracted malaria. By remaining untreated, they maintained a parasite pool in their blood which continued the transmission cycle in the community (see pages 68-69).

To address this, we have developed an innovative strategy of training selected village people to dispense malaria medicine in their own communities. The Medical Store Keeper programme is improving access to treatment and reducing the prevalence of malaria in the communities (see pages 68-69).

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Since it began working in the remote areas of Papua New Guinea in the early 1990s, Oil Search has analysed the malaria epidemiology and applied targeted interventions to suit the local context

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CASE STUDY
MALARIA SURVEILLANCE

Our Public Health team maintains a strong technical capacity for malaria case management together with monitoring and evaluating control programmes. The surveillance programme is based upon malaria diagnosis using the internationally agreed 'standard' of malaria blood slides with microscopy.

Malaria diagnosis has been improved at community sites where staff have been trained to conduct a Rapid Test screening blood test and to prepare malaria blood slides for case confirmation. The malaria blood slides are sent from the community to the Oil Search Public Health Laboratory. Results are sent back to the community clinics to assist in case management.

Prevalence surveys provide a snapshot of the disease in a village at a given point in time. These longitudinal studies assess the programme outcomes and help in understanding the epidemiology of malaria in the area.



CASE STUDY
HIV FARM

People living with HIV carry a stigma that often leads to discrimination and isolation. This also occurs in PNG and many HIV people are left to cope with their illness without the support of their family or friends. A group at Nogoli, in the Hides area, is helping people such as these. With practical help and training from our public health team, Henry, a local member of the community, and his family, have established a care centre for HIV positive people that provides care and education to maintain a healthy lifestyle. During their stay people learn skills in nutritional gardening and food preparation. They also receive support from the Oil Search clinical HIV case managers to better understand their disease and to manage their medical treatment.



CASE STUDY
MATERNAL HEALTH

In September 2010, our public health team conducted an Emergency Obstetric Care course for health workers in the Kutubu and Tari areas of Southern Highlands. The course was delivered in collaboration with the Australian and New Zealand College of Obstetrics with a curriculum especially designed for conditions in Pacific countries. A week after the course, Martina, a nurse in the local area health centre at Inu Village, put her new knowledge into practice. A woman had delivered a baby during the night and was continuing to haemorrhage due to a retained placenta. Martina successfully removed the placenta which stopped the bleeding and saved the mother's life. Haemorrhage, obstructed labour and infection are the leading causes of maternal deaths in PNG.

OUR COMMUNITIES CONTINUED

Child Health

Oil Search has previously supported government programmes such as supplemental immunisation activities in the project area. These WHO recommended programmes involved intensive sweeps of the provinces, vaccinating against diseases such as polio and measles in an effort to bring the country in line with international targets for disease eradication.

Results of these programmes are determined at a provincial and national level by the number of doses of vaccine given over the estimated population. While this is important at country level, it is difficult to determine its impact at the local level, as individual children are not recorded.

Oil Search has also supported the Community Development Initiative (CDI), a local NGO, to conduct immunisation patrols in the area. While these programmes were effective the Company decided a greater effort was needed to boost immunisation coverage and child health initiatives.

In 2010 the MCH team commenced a more comprehensive immunisation programme focused on improving the “cold chain” for supply of vaccines by assisting health staff with ordering and distribution. Special vaccine refrigerators were installed to ensure safe storage. Immunisation patrols have been stepped up, and an education programme instigated in the community and with health workers, aimed at increasing the uptake of immunisation and improving immunisation processes. This has resulted in an increased coverage of vaccination.

| IMMUNISATION OF CHILDREN UNDER 5YRS | | | | |
|-------------------------------------|---------------|-------|-------|-------------------|
| | | 2007 | 2010 | 2011 |
| Diphtheria | Local Area | 38.5% | 68.5% | |
| | National avg. | N/A | 64.8% | 85-90% |
| Pertussis | Local Area | 34% | 73% | (national target) |
| | National avg. | N/A | 80.3% | |
| Tetanus* | | | | |
| Measles | Local Area | 34% | 73% | (national target) |
| | National avg. | N/A | 80.3% | |

The combination of the general effort to improve local health services and emergency treatment being available at Oil Search occupational clinics, has resulted in a decline in childhood deaths over the past five years.

| CHILD MORTALITY RATES | | | |
|----------------------------------|-----------------------|----------|---------|
| | | 2008 | 2010 |
| Infant Mortality Rate | Local Area | 48/1000 | 18/1000 |
| | National avg. (rural) | | 62/1000 |
| Under five Mortality Rate | Local Area | 104/1000 | 20/1000 |
| | National avg. (rural) | | 75/1000 |

While conducting child health and immunisation assessments, we observed that 22 per cent of children fall under the 80th percentile of weight for age. Further investigation and initiatives to address child nutrition will increase during 2011.

* In 2008 changes to the immunisation guidelines resulted in Hepatitis B and Haemophilus influenzae type B being added to the combination vaccine.

Marasin Stoa Kipa (MSK) Programme

In 2007 Oil Search began a programme to train village health providers in remote communities to dispense life saving malaria treatment in pre-packaged, weight dependent doses. The Marasin Stoa Kipa (Medicine Store Keeper) Programme is based on a social business model, allowing the dispenser to charge a small service fee for providing malaria medicine, and other basic medicine and health products, such as tooth brushes and toothpaste and basic first aid supplies.

This model provides greater incentive to sustain the treatment providers and has resulted in a decrease in malaria prevalence in many isolated communities. Since the MSK Programme was introduced in 2008, malaria prevalence rates in the village of Baina on the Kikori River have dropped from 30-45 per cent to under 5 per cent.

The programme has been introduced to 15 villages in the area over the past four years. Over 80 per cent of the local area population now have access to life saving malaria treatment. Since its phased introduction, the overall prevalence of malaria has decreased in most communities. More significant results have been observed in remoter communities with stable populations. The transient nature of some communities combined with an inward migration due to economic activity, creates an unstable malaria situation.

In January 2011 Oil Search signed an agreement with the local church health service provider to take on local management of the programme with continued technical support from Oil Search Public Health.

Following a recommendation by the National Department of Health and the in-country World Health Organisation that the concept be piloted in other parts of PNG, we will commence an expansion pilot programme in 2011 partnering with other church health service providers. We plan to expand the inventory of the MSKs to include other essential drugs in addition to malaria treatment.

The Marasin Stoa Kipa network now provides life saving malaria drugs to 80 per cent of the Kutubu area population

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CASE STUDY
MSK PROGRAMME

Alice is a 40 year old woman married to a local pastor. Having raised seven children and with only a grade 6 education, she did not think she could contribute to the health of people in her community. After watching the expansion of the MSK programme in other villages, Alice applied to undertake training in October 2009. She now is a vocal advocate for health in her community. She says, "sick people come to me, and using what I have learned, I see them get better in a couple of days, it's wonderful."

OUR COMMUNITIES CONTINUED

COMMUNITY DEVELOPMENT

Education

Throughout the project area traditional mores tend to give more prominence to male children participating in the education system. Gradually this situation is changing due to greater awareness of practices elsewhere in Papua New Guinea.

| PERCENTAGE OF GIRLS AND BOYS IN PRIMARY, SECONDARY AND TERTIARY EDUCATION | | |
|---|--------|-----|
| Primary | Male | 57% |
| | Female | 49% |
| Secondary | Male | 56% |
| | Female | 36% |
| Tertiary | Male | 3% |
| | Female | 1% |

Education Sponsorship Programme

| 2010 CONTRIBUTION | FORM | RECIPIENTS |
|-------------------|-------------|---|
| US\$189,000 | Sponsorship | 43 Project Area Community Members – 30 Male – 13 Female |

In 2010 we awarded scholarships for students to attend institutions such as the University of Goroka, Port Moresby and Goroka technical colleges, the University of PNG, and the University of Technology.

We will continue this sponsorship in 2011, with priority being given to those candidates enrolled in trade courses, as there is a local need for people with these practical qualifications.

Partnerships

We continued to support the community development organisation, CDI Foundation, which carries out high-school and tertiary level distance education. It also provides agriculture, village skills and health awareness training for people in the Kutubu, Gobe and Kikori project areas.

Respecting Local Rights and Traditions

Through our various community affairs interactions and community development programmes Oil Search enjoys a harmonious relationship with oil project affected landowners. We are respectful of traditional cultures, mores and practices. When prominent local leaders pass away Oil Search, in line with traditional custom, makes a contribution of food to the "haus kraï" mourning ceremony, and may on occasion assist with transport of the deceased back to their home village.

We avoid disturbing sacred sites or grave locations in our exploration seismic and drilling activities. In the event of land disputes we maintain a practice of holding any compensation monies due in a trust account until disputes are resolved through traditional mediation processes.

Oil Search cooperates with the office bearers of Incorporated Land Groups, legally constituted entities reflecting customary social and landowning groupings, in our dealings with land matters.

Other matters such as preferential employment, training, community and local business development programmes, and landowner representation on CAP and Sponsorship selection committees, all indirectly reflect the Company's respect and support for societal traditions.

Sport and Physical Culture

Sport of various kinds is popular in Papua New Guinea with both soccer and rugby league teams competing in international events.

Sport provides a means to organise young people to channel their energies to working together and provides a venue for raising awareness of other lifestyle messages such as health, safety and nutrition. As well as providing sport equipment, Oil Search offers training in coaching and sports administration to help establish village, zone, district and provincial sports competitions and structures.

District Youth Sports Support Programme

| 2010 CONTRIBUTION | FORM | RECIPIENTS |
|-------------------|--|---|
| US\$60,000 | Training (Skills, Refereeing, Administration) | Kikori Sports Council Kutubu District Sports Council |
| | Facilities | Daga Village |
| | Equipment | Villages around Hides |

These sports projects and programmes enhance organisational skills at village, zone and district levels.

Organisations such as the PNG Sports Foundation contributes equally to these projects.

Oil Search enjoys a harmonious relationship with project affected landowners and is respectful of traditional cultures, mores and practices

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CASE STUDY
AI'IO COMMUNITY SCHOOL

This school is located in an lower Fasu speaking area. Two double classrooms have recently been constructed under the Tax Credit Scheme (page 74), administered by Oil Search. In 2010 we also donated desks made by a Lanco to the school.

Community Affairs field staff work closely with leaders of communities which are prepared to help themselves. We reached an agreement with the people of Ai'io that they will contribute to a CAP (page 74) project to construct a basketball court in the village in 2011.

OUR COMMUNITIES CONTINUED

WOMEN'S EMPOWERMENT

Oil Search Women's Network

"Promoting Diversity and Partnership through Oil Search Ltd for a better tomorrow."

Most female Oil Search employees working at Lake Kutubu in the Southern Highlands and Port Moresby are members of the Oil Search Women's Network (OWN). The network works to empower female employees and to improve the quality of life of women and children in the surrounding project area communities.

In 2010 the network's focus was on female workforce development and internal activities. In addition to organising a 13km walkathon from Iagifu Ridge to Moro as a fundraiser for their various internal and external activities, OWN donated several boxes of children's clothes to Masiki Village, Samberigi, and coordinated an external exposure trip to Indonesia to promote friendship and cultural understanding.

Donation Programme

Oil Search's Community Affairs department administers a donations programme for Project Area communities. Allocations are made annually and relatively small, strategically targeted donations are made to local institutions, primarily health and education institutions, to assist their operations.

| 2010 CONTRIBUTION | FORM | RECIPIENTS |
|-------------------|--|--|
| US\$50,000 | Donations, school desks, stationery items, sewing machine) | Community Institutions (Primary Schools, Women's Groups) |

Sewing machines were donated to some women's groups to assist with their income-earning activities.

ECOSYSTEM SERVICES

The balance between people and nature is one of great cultural significance in PNG. People benefit from a multitude of resources and processes that are supplied by natural ecosystems. These benefits are known as ecosystem services and include products like clean drinking water and processes such as the decomposition of wastes.

We intend to measure and monitor a number of ecosystem services over time, including energy access, water and sanitation, and agriculture and forestry.

ENERGY ACCESS

Rural electrification is a concern at village level in petroleum development affected communities. This is an area where other national agencies are currently undertaking feasibility studies. The national government will address this in particular locations, as part of its infrastructure commitments for the PNG LNG Project.

In the longer-term the Biomass Project we are investigating may provide a means of improving rural electrification (page 12).

WATER AND SANITATION

Oil Search has been involved in supporting or constructing a number of village water catchment and water supply/reticulation projects, some funded under the Tax Credit Scheme, others as community based CAP projects (page 74).

Under its administration of CAP projects in affected villages, our Community Affairs team supports any initiative by communities to improve sanitation facilities, and works closely with the Public Health Unit in increasing awareness of health and sanitation matters.

AGRICULTURE AND FORESTRY

The people of Papua New Guinea have a strong cultural connection with the land. In order to maintain this traditional bond, the Community Affairs team has focused on promoting village agriculture in project area communities. Programmes are designed both to both develop cash crops and enhance food crops.

Sustainable Community Development Programme

| 2010 CONTRIBUTION | FORM | RECIPIENTS |
|-------------------|----------------------|---------------------------|
| US\$70,000 | Agriculture Projects | Various Local Communities |

KUTUBU

Kutubu Rice Project

- Specialist staff from the National Agriculture Research Institute (NARI) carried out training on the planting, harvesting, milling and storage of rice
- Oil Search donated a rice mill to the Kutubu Foe Women's Cooperative Society to enable them to process their village grown rice

KUTUBU ACCESS ROAD

Poroma Coffee Project

- 45,000 plant coffee nursery established that will distribute seedlings to interested local farmers for a nominal cost in early 2011

GOBE

Erave Coffee Project

- Coffee Industry Corporation was enlisted to train villagers in the rehabilitation of more than 70,000 coffee trees and established a 20,000 plant coffee nursery

KIKORI

Gobe-Kikori Poultry Project

- Village poultry projects have been assisted through the donation of day-old birds and feed, and training from NARI and other agencies

Vegetable and Rice Project

- NARI conducted vegetable farm training on nursery, transplanting and vegetable rearing. Assorted vegetable seeds and farming tools were presented to the participating groups

HIDES

Hides Coffee and Farming Projects

- Assistance to coffee nurseries has continued with 10,000 seedlings being distributed during the year. A number of poultry, vegetable, and fish farming projects were also assisted



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CASE STUDY
COFFEE GROWING

Coffee is an important cash crop in many parts of the Highlands where there is good road access. Until recently, poor communications has prevented communities in the petroleum project area in Southern Highlands growing coffee.

In anticipation of an improved road network and a shorter connection to a port at Kikori in Gulf Province as a result of the PNG LNG Gas Project, Oil Search has been actively assisting villages to plant coffee so it will be fruiting by the time road construction is complete. For the past five to six years, Oil Search has managed coffee nurseries that have distributed tens of thousands of seedlings to local farmers in the Hides area.

In the Poroma area we have helped establish a 35,000 plant coffee nursery that will sell coffee seedlings at a small cost to some of the local farmers who have expressed interest in growing coffee.

OUR COMMUNITIES CONTINUED

ECONOMIC DEVELOPMENT

WEALTH DISTRIBUTION

One of our core strategic sustainability initiatives for 2011-2015 is benefit streams management (see page 20).

The table below details the financial benefits paid by Oil Search to the PNG Government: the Company makes payments to the state, which is responsible for redistributing funds in accordance with the provisions of the Oil and Gas Act.

| BENEFIT | PAID TO | REDISTRIBUTED TO |
|--|------------------------------------|--|
| Royalties | Department of Petroleum and Energy | Impacted provincial and local level governments, and landowners (of which 40 per cent are direct cash payments to landowners, 30 per cent payments to the Future Generations Trust, 30 per cent to the Community Infrastructure Trust) |
| Development Levies | Treasury | Impacted Provincial Government (70 per cent) and the Special Purposes Authority (30 per cent) for Moran PDLs only |
| TAXES | PAID TO | |
| Petroleum Tax | Internal Revenue Commission | State Revenue* – no defined distribution. 0.75 per cent available to fund infrastructure projects under the Tax Credit Scheme |
| Salary Tax, Stamp Duty and Withholding Tax | Internal Revenue Commission | State Revenue* – no defined distribution |

* State Revenue is used to fund MOA grants, state infrastructure programmes and other commitments to the project areas (UBSA etc).

Of particular interest are those payments from the Company to the state which are redistributed to stakeholders in the project impact area. Oil Search is hopeful that publicly disclosing its payments to the state will promote greater transparency and accountability across the entire distribution stream.

As a major shareholder, the State of Papua New Guinea also receives dividend payments from the Company. These were valued at 21,636,578 Kina in 2010. These payments constitute general revenue for the state and are not redistributed.

| BENEFIT PAYMENT | KINA | |
|--------------------|------------|-------------|
| | 2010 | 1991-2010 |
| Royalties | 47,909,885 | 604,861,016 |
| Development Levies | 17,980,921 | 147,254,805 |

INFRASTRUCTURE

Community Area Planning (CAP) Programme

The development of project impacted communities is assisted by infrastructure projects such as the Oil Search CAP Programme, through which the Company provides assistance to those communities who demonstrate a clear desire to contribute to their own development.

During 2010, contributions made by village communities were matched with material inputs to the value of US\$122,000 which enabled the construction and maintenance of a range of village infrastructure. Developments include houses for primary school teachers, water catchments, churches and aid posts.

Tax Credit Scheme

The established mechanism by which infrastructure delivery is currently achieved, the Tax Credit Scheme (TCS), permits 0.75 per cent of the tax payable by Oil Search to be committed to the delivery of infrastructure projects approved by the PNG Government. The TCS demonstrates the effectiveness of Public Private Partnerships (PPPs), leveraging our project management capacity and expertise and government funding to develop vital infrastructure within PNG.

Other Project Support

In the Hides area, Oil Search works with Barrick Gold, operator of the Porgera gold mine to cooperate on certain CAP and village projects.

Oil Search and the PNG LNG Gas Project Operator, ExxonMobil, continue to work together at all levels of management and field operations with regard to community affairs, infrastructure, project and local development.

LOCAL BUSINESS DEVELOPMENT

Our business development staff assist local representative Lancos, principally those which are contractors to Oil Search. We also provide advice, support and training to smaller enterprises and potential entrepreneurs in the project area.

Advice is available to Lancos on share structuring, governance (auditing, financial management), contractual and statutory compliance and director training. This is achieved through regular discussions with Lanco management and attendance at Lanco Board of Director meetings. Supporting local business development is important as they employ a large number of people, pay dividends to their individual and land group shareholders and engage smaller business groups as sub-contractors.

| LICENCE AREA | COMPANY | INCOME 2010 (KINA) |
|--------------------|----------------------------|-----------------------|
| PDL 1 | Gigira Dev. Corp'n Ltd | 6,346,935.05 |
| | Eurest Gigira Camp | 3,183,242.45 |
| PDL 2&5 | Maka Inv. Corp Ltd | 13,705,147.74 |
| | Hekari Holdings Ltd (KSS) | 5,811,110.18 |
| | Kawaso Ltd | 8,597,013.66 |
| | Yasuku Ltd | 297,721.05 |
| | Trans Wonderland Ltd | 50,286,304.88 |
| PDL 3&4 | Kutubu Catering Ltd | 20,450,170.57 |
| | MUJV | 4,755,747.84 |
| | Gobe Field Eng. Ltd | 5,629,194.53 |
| PL 2 | Gobe Freight Services Ltd | 9,685,804.47 |
| | Gobe Catering Ltd | 4,086,031.59 |
| PL 2 | Kikori Oil Investments Ltd | 9,059,808.14 |
| TOTAL | | 141,894,232.15 |

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CASE STUDY

LOCAL BUSINESS DEVELOPMENT

Trans Wonderland Limited (TWL), the project area Lanco consortium which has the long-haul and in-field road transport contract for Oil Search, had a successful year in 2010. TWL paid an inaugural dividend of 20 per cent of its 2009 audited net profit, a sum of 432,000 Kina, to its Lanco shareholders whilst setting aside 5 per cent for community projects and reinvesting the remaining 75 per cent.

TWL has entered a joint-venture partnership with the Agility group and was successful in winning transport, materials handling and logistics contracts related to PNG LNG Project construction. Having started with only 17 prime movers, TWL has purchased additional equipment and now has 70 prime movers.

OUR FINANCIAL PERFORMANCE*

| | 2006 US\$'M | 2007 US\$'M | 2008 US\$'M | 2009 US\$'M | 2010 US\$'M |
|---|----------------|----------------|----------------|----------------|----------------|
| a) Revenue | | | | | |
| Net Sales from Operations | | | | | |
| Oil Sales | 616.9 | 677.2 | 746.8 | 454.7 | 517.3 |
| Gas and Refined Products Sales | 13.1 | 24.5 | 35.4 | 27.7 | 39.7 |
| Other Field Revenue | 14.5 | 17.0 | 32.1 | 29.8 | 26.5 |
| Other Income | 4.0 | 0.8 | 0.1 | (0.0) | 0.0 |
| Subtotal | 648.5 | 719.6 | 814.3 | 512.2 | 583.6 |
| Revenue from financial investments | | | | | |
| Interest | 24.5 | 30.4 | 13.8 | 5.5 | 6.9 |
| Subtotal | 24.5 | 30.4 | 13.8 | 5.5 | 6.9 |
| Sale of Assets | | | | | |
| Profit on sale of assets | 258.4 | 1.2 | 126.1 | 0.5 | 3.2 |
| Subtotal | 258.4 | 1.2 | 126.1 | 0.5 | 3.2 |
| Total Revenue** | 931.4 | 751.2 | 954.2 | 518.2 | 593.6 |
| b) Operating Costs⁽¹⁾ | | | | | |
| Operating Expenses | 80.9 | 92.6 | 93.4 | 86.4 | 87.5 |
| Royalties and Development Levies | 10.2 | 12.1 | 13.8 | 8.1 | 9.8 |
| Premises and Equipment – operating leases | 3.3 | 3.9 | 4.1 | 3.6 | 4.2 |
| Other Corporate Costs | 25.3 | 27.1 | 28.6 | 20.0 | 20.0 |
| Corporate cost recoveries | (56.4) | (65.1) | (76.6) | (61.4) | (69.3) |
| Total Operating Costs | 63.3 | 70.6 | 63.4 | 56.7 | 52.2 |
| c) Employee⁽²⁾ wages and benefits | | | | | |
| Salary | 23.5 | 27.5 | 27.5 | 25.3 | 31.8 |
| Group employee taxes | 3.0 | 2.9 | 3.5 | 2.6 | 4.8 |
| Total Payroll | 26.5 | 30.4 | 30.9 | 27.8 | 36.6 |
| Post-employment benefits | 2.5 | 2.9 | 2.7 | 2.1 | 2.2 |
| Share-based remuneration | 5.8 | 6.3 | 9.7 | 12.4 | 14.9 |
| Other employee support | 4.7 | 9.7 | 8.6 | 6.3 | 8.1 |
| Total Benefits | 13.0 | 18.9 | 21.0 | 20.7 | 25.2 |
| Total Employee wages and benefits | 39.6 | 49.3 | 51.9 | 48.6 | 61.7 |

| | 2006 US\$'M | 2007 US\$'M | 2008 US\$'M | 2009 US\$'M | 2010 US\$'M |
|--|----------------|----------------|----------------|----------------|----------------|
| d) Payments to providers of capital | | | | | |
| Dividends to all shareholders | 100.7 | 89.6 | 89.4 | 67.4 | 52.1 |
| Total borrowing costs | 2.7 | 7.6 | 7.7 | 8.9 | 7.7 |
| e) Tax payments to government | | | | | |
| Australian Taxes | 3.0 | 4.6 | 2.5 | 1.8 | 2.9 |
| PNG Taxes | 177.3 | 247.9 | 266.6 | 77.6 | 121.6 |
| Total Tax payments | 180.3 | 252.5 | 269.1 | 79.4 | 124.4 |
| f) Community investments | | | | | |
| Charitable donations | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Community Affairs (CA) funding and sponsorship | 0.5 | 0.6 | 0.6 | 0.4 | 0.6 |
| Landowner sponsorship | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 |
| NGO funding ⁽³⁾ | 0.8 | 0.9 | 1.1 | 0.6 | 0.6 |
| OSL community health | 0.5 | 0.8 | 0.9 | 1.0 | 1.5 |
| Total Grants, Donations, Sponsorships | 2.0 | 2.5 | 2.9 | 2.3 | 2.9 |

(1) Excludes employee wages and benefits.

(2) A person who is hired to provide services to Oil Search on a regular basis in exchange for compensation and who does not provide these services as part of an independent business. This includes full time employees and long term contractors.

(3) Includes CDI, WWF and Sustainability Trust Provisions.

* Numbers may not add due to rounding.

** As per GRI definition of Revenue.

More information on Oil Search's financial performance is available in the Annual report. This can be downloaded from our website: www.oilsearch.com

CORPORATE GOVERNANCE

Oil Search's governance structures are designed to best suit our current business and the needs of our stakeholders.

Oil Search firmly believes that the more transparent companies are about their governance practices, the better placed investors will be to make informed investment decisions.

BOARD

Sustainability is a full board responsibility.

The Oil Search Board has nine members comprising seven non-executive directors, the Managing Director, Peter Botten, and General Manager PNG, Gereia Aopi. For details of Oil Search's current Board members, please refer to the Corporate Governance section of the Oil Search website.

When appointing new directors, Oil Search looks for individuals who are leaders in their field and who have a commitment to excellence. Several directors have spent their working lives in the resources sector and this experience is invaluable to Oil Search. Oil Search also looks for directors who have exceptional qualifications or experience in other relevant areas, with a view to ensuring that the Board consists of the best available talent in as many relevant areas as possible.

Prior to being appointed to the Board, directors are required to provide the Chairman with details of their other commitments to make sure that, they will have sufficient time to carry out their Oil Search duties. The skills, experience and relevant expertise of each director in office is detailed in the Directors' Report section of the 2010 Annual Report.

The majority of Oil Search's directors are independent and meet regularly without management present. The Chairman is an independent director and the roles of Chairman and Managing Director are performed by different people.

The independence of directors is assessed regularly. Only a non-executive director (that is, a director who is not a member of management) is considered independent. The Board takes account of all circumstances relevant to a director in determining whether the director is free from any external interest or any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

The Board has established three committees to consider and make recommendations to the Board on various areas of decision-making and control.

Board Committees

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises at least four non-executive directors and meets at least four times each year to make recommendations to the Board on remuneration of executives and directors. This committee considers the appropriate remuneration levels for Board members themselves and makes recommendations to the Board and, if necessary, the shareholders.

Audit Committee

The Audit Committee, comprising at least four non-executive directors, meets at least four times a year and otherwise as directed by the Board. External auditors are invited to attend when appropriate. The Audit Committee assists the Board in fulfilling its corporate governance and oversight responsibilities with relation to financial reporting, accounting policies, internal control systems, external audit functions and the Company's process for managing compliance with laws and regulations.

The committee reviews the half yearly accounts and annual financial statements and makes recommendations to the Board on a variety of issues including the quality and acceptability of the Company's accounting policies, practices and financial reporting disclosures. Among other things the committee also reviews the Company's internal control systems.

Finance and Risk Management Committee

The Finance and Risk Management Committee comprises at least four non-executive directors and one executive director and meets at least three times a year. The Committee assists the Board review policies, processes, practices and reporting systems covering all aspects of the Group's exposure to business and financial risks, except those specifically assigned to other Board committees.

Oil Search aims to empower our shareholders by:

- Communicating effectively with them
- Giving them ready access to balanced and understandable information about the Company and corporate proposals
- Making it easier for them to participate in annual meetings

Oil Search has a Communication Standard designed to promote effective communication with shareholders and encourage their participation at general meetings.

Oil Search's Constitution requires the Chairman of the annual meeting to allow a reasonable time for shareholders at the meeting to question, discuss and comment on the management of the Company.

Oil Search liaises closely with a range of relevant institutions, including the Australian Shareholders Association, and shareholder queries are answered promptly, comprehensively and courteously.

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Board and Executive Remuneration

The remuneration of the Chairman and non-executive directors is set according to their responsibilities and the time spent by those directors in discharging their duties. Regard is also given to the level of remuneration afforded to directors of similar companies. Non-executive directors are not currently entitled to retirement benefits, other than statutory superannuation.

Remuneration packages of senior executives include both short-term and long-term performance based components. Rights granted under the Performance Rights Plan to senior executives are linked to the long-term return to shareholders. Performance Rights only vest following satisfaction of performance hurdles that are designed to maximise shareholder wealth. Further details of the terms and condition of short-term and long-term incentive plans can be found in the Remuneration Report section of the 2010 Annual Report.

There is a formal annual review process for the Board and individual directors. The process involves each director completing a detailed questionnaire covering the performance of the Board as a whole, the performance of the three Board Committees, the individual director's own performance and the performance of the Chairman. The Chairman then meets with each director to review their responses to the questionnaire and to give the director the Chairman's own views on how the director has performed during the year.

Due to two Board resignations and the subsequent appointment of new directors during 2010, the formal annual review process was held over and is scheduled to be completed in early 2011.

Fraud and Corruption

Oil Search's fraud and corrupt conduct assessment considers all of the Company's activities across PNG, MENA and Corporate. This assessment considers corruption by employees on the Company (internal fraud), by employees of the Company on third parties (corporate fraud) and by third parties on the Company (external fraud). The assessment includes corruption by any individual, not just government or NGO officials.

Oil Search does not tolerate corrupt conduct. During 2010 there have been no identified instances of corruption involving employees and government or NGO officials. There have been reported instances of internal fraud or attempted fraud by employees. These have been investigated and, where appropriate, disciplinary action has been taken including termination of employment.

The Company's fraud and corruption policies are contained within the Code of Conduct, and from 2011 onwards, awareness and training sessions in relation to the Code will be conducted annually. Oil Search regularly reviews its fraud and corruption policies in light of internal and external standards and obligations.



Governance Metrics International (GMI)

According to ratings produced by Governance Metrics International on corporate entities in the oil and gas producers market, Oil Search's governance practices have, for the past five years, rated well above the industry average (6.5).

| | GLOBAL RATING | REGIONAL RATING |
|--|---------------|-----------------|
| Overall Rating | 8.5 | 9.5 |
| Board Accountability | 7.5 | 8.0 |
| Financial Disclosure and Internal Controls | 8.0 | 8.5 |
| Shareholder Rights | 7.0 | 8.0 |
| Remuneration | 9.5 | 9.0 |
| Market for Control | 6.5 | 6.5 |
| Corporate Behaviour | 9.0 | 9.5 |

MANAGEMENT STRUCTURES AND SYSTEMS

HSES GROUP STRUCTURE

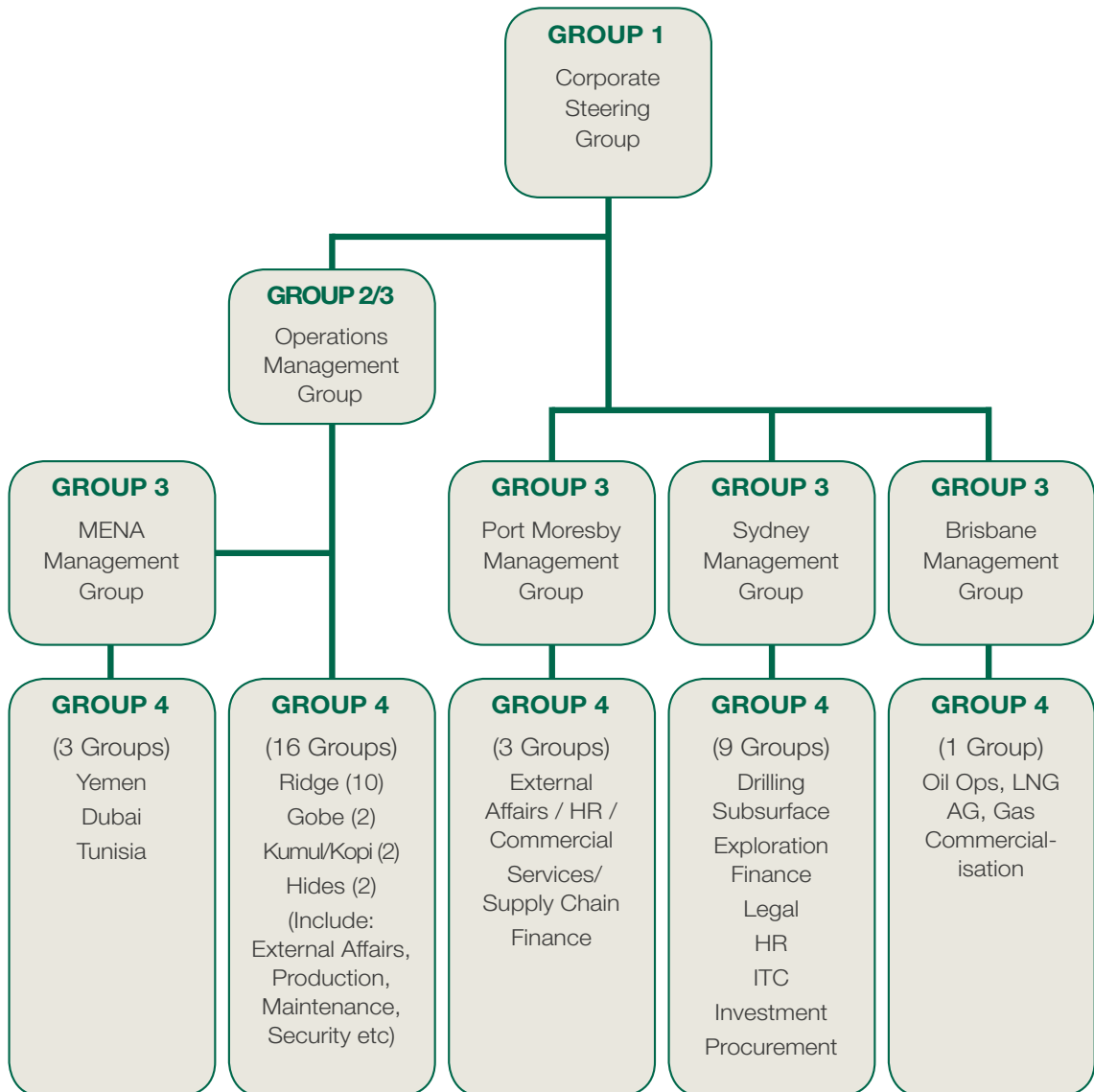
The Oil Search HSES group structure facilitates a balanced approach to Health, Safety, Environment and Security. The groups assist in meeting the Corporate Objectives by ensuring that risks are reduced to the lowest reasonably practicable level for planned activities.

The Oil Search HSES Management Structure is made up of five Groups: Group 1 provides the overriding Oil Search Corporate HSES direction and ensures consistency in approach, plans and objectives across the organisation, while Groups 2 to 5 progressively focus on the management of HSES issues within their area of activity.

The Oil Search HSES Group Structure provides assurance to management that:

- Safety Leadership is ever present
- Everyone is involved in HSES programmes
- KPIs are in place
- Effective HSES management systems are in place
- Corporate strategies are being implemented and measured
- HSES issues and information are communicated throughout the organisation.

The importance of the HSES Group structure is to allow HSES issues to be raised outside of the line management structure and to be elevated quickly through the group levels to senior management attention if required.



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The key components of the Oil Search HSES management system are defined in 16 Standards. These Standards detail the mandatory HSES performance requirements which must be achieved at all Oil Search operations. Activities associated with effective HSES management at Oil Search can be categorised under one or more of these HSES Standards.

HSES STANDARDS

1. Management Leadership and Commitment
2. Organisation, Responsibilities and Resources
3. People, Training and Behaviours
4. Contractor Management
5. Involvement and Communication
6. Working with the Community
7. Documentation and Compliance
8. Risk Management
9. Management of Change
10. Planning, Projects and Commissioning
11. Crisis and Emergency Preparedness
12. Security
13. Operations Management
14. Integrity Monitoring
15. Incident Management
16. Audit and Review



MANAGEMENT STRUCTURES AND SYSTEMS CONTINUED

RISK MANAGEMENT

Oil Search recognises that risk management is an integral part of the oil and gas business. We have an extensive system of risk oversight, management and internal control in place. We conduct an annual review of our risk management policies, which covers the following:

- The process for reporting on the management of material business risks
- Board review of management reporting on material business risks
- Coverage of opportunities for exposure to risk in the risk management network
- External reporting.

Oil Search has policies and standards in place covering the oversight and management of business, operational, compliance and financial risks. These policies and standards are based on managing the risks inherent in our business activities.

Our risk profile incorporates the following areas of exposure:

- Strategic and Business Planning
- Asset and Operations Management
- Governance
- Financial Reporting
- Information Technology
- Community and Landowner Relations
- Health, Safety and Security
- Environmental
- Human Resources.

Oil Search has developed standards and management processes in support of the policies covering each of these areas. Our website contains a summary of these policies, standards and processes.

Management has designed and implemented a risk management and internal control system to manage the Company's material business risks. Management reports to the Finance and Risk Committee of the Board on material business risks at each meeting.

In developing our risk management systems, Oil Search has carefully considered our legal obligations and our responsibilities to various interest groups. We recognise that many groups, including shareholders, employees, customers, suppliers, creditors, consumers, landowners, government authorities and the broader community in which we operate, have a legitimate interest in the Company's risk management policies. Oil Search takes account of those separate interests as appropriate.

Oil Search's risk management framework is based on the internationally accepted "Enterprise Risk Management (ERM) Model" for assessing and managing risk, developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). Oil Search also follows the International Standard for Risk Management (ISO 31000).

We have identified our material business risks and we are actively managing those risks. All material business risks that arise in the course of the Company's activities have clearly defined management ownership and accountability for reporting to the Board.

The Board is responsible for reviewing the Company's policies on risk oversight and management. Minutes of all Finance and Risk Management Committee meetings are reviewed by the full Board. The Chairman of the Board attends committee meetings as an ex officio member. Board members are also invited to attend senior management meetings to observe the risk management process in action.

Oil Search has a full time Assurance and Compliance Manager with responsibility for managing the internal audit function. The Assurance and Compliance Manager:

- Provides independent assurance on the adequacy and effectiveness of the Company's risk management framework, and the completeness and accuracy of risk reporting by management
- Conducts annual risk reviews based on a plan agreed with management and the Audit Committee and the Finance and Risk Committee
- Has access to all members of the management team and the right to seek information and explanations from any staff member or contractor
- Is independent of the external auditor and meets privately with the Chairman of the Audit Committee
- Is invited to attend Audit Committee meetings. The Audit Committee reviews the performance of the Assurance and Compliance Manager and approves his/her appointment and termination.

The Managing Director and Chief Financial Officer are both required to state in writing to the Board that the integrity of the Company's financial statements is based on a sound system of risk management as well as internal compliance and control which implements the Board's policies.

In addition, senior managers are required to report to the Managing Director and to the Chief Financial Officer in writing concerning material business risks and liabilities that are within that senior manager's area of responsibility.

PROCESS SAFETY MANAGEMENT

Integrity Management – Process Safety

Maintaining the integrity of Oil Search-operated facilities in PNG is important to sustain benefits flowing to the community and population as a whole through employment opportunities, royalties and other programmes funded by production revenues.

The process safety management programme initiated in 2009 formalised the documentation and reporting of processes to reduce, monitor and forecast facility degradation and ensure reliability of critical safety devices. These processes include chemical applications to control sulphate reducing bacteria (SRB), non-destructive testing and inspection of flow lines, pipe work and pressure vessels to detect and measure rates of corrosion and erosion, testing and maintenance of pressure relief safety devices and documenting procedures related to the safe operation of process equipment.

Our results for 2010 demonstrate a significant improvement over 2009, evidenced by the eradication of integrity related inspection, testing and maintenance backlogs, a significant reduction in SRB counts and the completion of the targeted number of updated operating procedures.

Integrity Management – Life Extension

Oil Search is operating a declining oil field, and the associated operating facilities are approaching the final quarter of the originally specified 20-25 year design life. As we will soon be transitioning from an oil producer to a gas supplier, we need to consider the suitability of these facilities for another 35 years of operation. Gas, which was previously a by-product, now has significant value, and we need to extend the life of our operating facilities to guarantee the continuous delivery of gas to our customers.

We must adopt an ongoing process of life extension to ensure the capacity and integrity of our operating assets is maintained throughout the life of the gas project. A number of external subject matter experts have undertaken studies to address the specific technical and financial needs associated with life extension. Subject areas addressed included:

- Pressure equipment
- Flowlines and pipelines
- Instrumentation and electrical
- Rotating equipment
- Emergency shut down systems
- Communications systems
- Infrastructure
- Risk management.

The change in operating context requires a change in risk profile, which means that several new risk reduction measures must be taken. Risks associated with degradation and obsolescence of equipment will be addressed through equipment condition assessments and the Oil Search Asset Integrity Management System. A rigorous implementation programme is planned over the next three years to complete this scope of work in readiness for integration with the PNG LNG Project.

SUPPLY CHAIN MANAGEMENT

Procurement and logistics activities within the supply chain can play a significant role in contributing to sustainable development. The Company's procurement spend is significant and presents a considerable opportunity to progress sustainability principles.

A sustainable supply chain involves issues such as:

- Reducing usage by consuming less, sharing, reuse, life extension through improved durability, extended warranties or repair
- Environmental and social impacts associated with the manufacture or production of the product/service
- Transport and logistics associated with production and delivery of the product/service to its point of use/consumption
- Scopes of work and specifications which are "fit for purpose"
- Product design and its subsequent impact through the product lifecycle
- Hazardous material content, including toxicity, storage and disposal options
- Reverse logistics within the supply chain
- Reduced or alternative forms of packaging
- Emissions/pollutants created by the supply chain and during the product/service life cycle

- Energy, utilities and water consumed during the product/service life cycle
- End of life options, including reuse, repair, recycling and disposal
- Developing local manufacturing and supply capabilities
- Socially responsible and ethical behaviour by contractors and suppliers, with ultimate traceability to the manufacturers of the product.

We are working on achieving sustainable procurement and supply chain outcomes within the Company. To be effective, supply chain sustainability must be incorporated into our day-to-day procurement activities and processes. This means placing sustainability alongside other value-for-money considerations such as price, quality, safety and service. This will stimulate and encourage contractors and suppliers to improve the sustainability values of their products and services and drive the development of a market for sustainable products and services.

We will be embarking upon a supply chain efficiency study to assess our existing practices and analyse the key impacts of the supply chain to determine how we can best achieve sustainability and long lasting success across the total, end-to-end supply chain.

A key facet of driving sustainability in procurement is the adoption of a formal "Local Content and Industrial Benefits Policy" for PNG. We are progressively introducing more robust requirements in our Procurement and Contracts activities. We are reviewing, with intent to implement, a draft Sustainable Procurement policy which provides for a Local Content and Industrial Benefits policy component.

The Company is also pursuing accreditation by the Chartered Institute of Purchasing and Supply which will involve an assessment of leading practice sustainability principles.

By integrating sustainability, environmental and social considerations into procurement and supply chain operating decisions, we can contribute to improving environmental and social outcomes for PNG. Integrating sustainable practices and principles into the supply chain in general and procurement in particular is integral in achieving value for money, which is the precept for any effective and efficient supply chain.

STAKEHOLDER ENGAGEMENT OVERVIEW

METHOD OF ENGAGEMENT

SHAREHOLDERS AND INVESTORS

- Annual report and half year shareholder brochure
- ASX releases – half and full year profit results, quarterly production reports, weekly exploration drilling reports (when relevant), and press releases when required
- Half and full year results presentations, webcast live on our website and available in archive form after the event
- Conferences and roadshows in Australia and key financial centres (Asia, UK, US)
- Investor section of corporate website containing press release, presentations, annual reports
- Investor email address for investor inquiries (target to answer within three business days)
- Regular telephone contact with professional investors and sell side brokers

COMMUNITIES

- Village Liaison Officers (25 across project area) essential conduits for two way communication with communities
- Regular visits to villages by Community Affairs staff and business development officers
- Community meetings in village areas convened as necessary to discuss major issues
- Regular visits to villages and community health facilities to carry out malaria prevalence surveys, MCH and immunisations and HIV/AIDS awareness

EMPLOYEES

- Performance Reviews
- Town Hall employee meetings
- Senior PNG local employees meet regularly with the General Manager Operations
- Monthly Health Safety Environment and Security (HSES) meetings
- Toolbox/pre start meetings
- Weekly meetings at different levels of the organisation
- Career development planning

GOVERNMENT

- Regular meetings with council presidents and executives of Special Purpose Authorities (SPA) regarding coordinating of programmes and activities in project areas
- Meetings with provincial health and education advisors to coordinate activities in the project areas
- Regular meetings with management of all LLG/PG/SPA entities regarding oil and gas activities and coordinating of Oil Search and government development activities
- Meetings with National Department of Health in relation to operations of Health Foundation and use of The Global Fund monies
- Meetings with government agencies involved in the regulatory aspects of petroleum exploration and development (DEC)
- Regular meetings with ministers and senior national government bureaucrats on matters of mutual interest

NGOS

- Regular meetings with WWF, CDI and faith-based health services, to discuss programme planning, activities and performance against agreed milestones
- Joint activities such as cooperative activities with CDI in agricultural extension and public health awareness
- Regular meetings with the PNG Chamber of Mines and Petroleum to discuss petroleum industry related matters

SUPPLIERS AND CONTRACTORS

- E-Tendering and Supplier Relationship Management (SRM) software application
- Monthly or quarterly performance reviews
- Site/vendor visits, audits and inspections
- E-Mail, correspondence, conference calls

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| RAISED ISSUES AND CONCERNS | ACTIONS TAKEN TO ADDRESS |
|--|--|
| <ul style="list-style-type: none"> • Greater transparency and reporting desired on Environmental Social and Governance (ESG) issues • Disclosures requested on management of climate change risks and opportunities • Requests for Oil Search to publicly set emission reduction targets • Limited sustainability content on the Company website | <ul style="list-style-type: none"> • Inaugural Annual Sustainability Report published for 2010 • Meetings with and presentations to investors and shareholders on the topic of sustainability • Website update to incorporate a more detailed sustainability section |
| <ul style="list-style-type: none"> • Distribution of benefits • Access to social services (health, water supply, sanitation, education etc) • Access to training, information and support for agricultural cash cropping • Local business development related benefits | <ul style="list-style-type: none"> • Liaise with government and encourage development of effective and transparent benefits streams • Support and development of government and faith-based health services in village areas • Design and implement community development programmes • Support of local Lancos through training, management and investment advice and assistance in contracts negotiations |
| <ul style="list-style-type: none"> • Inflationary effect of PNG LNG Project on the PNG economy causing hardship for families • Training and development • Career progression • Flexibility on allocation of housing and education allowances requested in 2009 | <ul style="list-style-type: none"> • Remuneration keeping pace with inflation • Introduction of a retention scheme in 2009 and refresh in 2010 to recognise the progress of individuals • Development of the “Leading the Oil Search Way” supervisors programme (assisted by canvassing views directly from more senior local employees) • More flexible approach on allocation of educational allowances to be more congruent with PNG culture • Widespread introduction of competency framework |
| <ul style="list-style-type: none"> • Effective provision of basic social services in rural village areas of petroleum licence areas and buffer communities • Cooperation to enable best use of resources • Ensuring awareness of benefits regime, mechanisms and to encourage dialogue with national government • Ensuring best application of international aid donor funding to PNG • Compliance with the technical requirements of applicable petroleum industry and environmental legislation • Awareness of current concerns of Company and community in relation to petroleum developments | <ul style="list-style-type: none"> • Oil Search’s role as a stakeholder is to ensure constructive dialogue about, and effective application of, petroleum development related benefits • Close cooperation with government and State entities such as MRDC and EIC to assist effective coordination of development activities in the project areas • Appointment of specific staff to concentrate on regular effective stakeholder engagement, particularly at the national government level |
| <ul style="list-style-type: none"> • Effective coordination of resources and other operational synergies • Effective coordination of petroleum and other resource industry developers in dealing with the government | <ul style="list-style-type: none"> • Oil Search’s role as a stakeholder is to ensure constructive dialogue about, and effective application of, petroleum development related benefits • Continued support of WWF and CDI programmes in the petroleum project area |
| <ul style="list-style-type: none"> • Invoices slow in reaching Oil Search finance department, leading to payment delays • Goods not promptly routed after being delivered to our consolidators | <ul style="list-style-type: none"> • Purchase order format changed with address for invoicing more prominent • Domestic purchase order routing introduced so expeditors can liaise with freight forwarders, and on sighting delivery dockets and invoices route purchase orders in JDE. This allows accounts payable to process invoices • Purchase orders are linked with quoted prices to avoid invoice discrepancies |

OTHER ASSETS

OPERATIONS IN IRAQ: KURDISTAN

Oil Search (Iraq) Limited (OSIL) acquired its first commercial interests in Kurdistan in 2005 in a non-Operator capacity and was one of the first few companies to enter the region. Since then, OSIL has been involved in the drilling of three wells in two permits as well as seismic acquisition activities.

OSIL started its first operated venture, K42, in 2008 and opened an office in the southern Kurdistan city of Sulaymaniyah.

The K42 area

An extensive and detailed environmental and sociological baseline study was completed prior to operations, documenting the habitation and existing environmental situation in the 532km² permit. The permit lies within the lower foothills of the Zagros Mountains and is dominated by rocky, undulating hills with very little vegetation and for most of the year, limited surface water in its semi-arid climate.

The population of the permit is thought to be less than 500 people. Infrastructure is very poor and a lack of basic services such as water, power, schooling and medical provision prevails. Furthermore, 39 minefields were located in the permit, a legacy of previous conflicts.

Community engagement is paramount

Oil Search has a full time team assigned to community engagement and project implementation. The team comprises both expatriates and locals and operates on many different levels from the farmer in the field to the mayors administering the region and the Asayish (Security Police).

Current Projects

In addition to a US\$10 million contribution to the Kurdistan Regional Government Capacity Building Fund on entry in 2008, ongoing engagement with the local population has highlighted several key projects for initial Oil Search focus.

The main projects to date have been the refurbishment of two medical clinics in the settlements of Zinana and Nojol. The Nojol clinic has received trauma and testing equipment, computers, printers, fridges for storing vaccines along with medical provisions. In addition, a completely new generator has been provided to the facility. The clinic sees a large number of patients each day and Oil Search is investigating the provision of a mobile clinic to operate in the region from this facility. Mobile vaccination teams have visited outlying villages on several occasions and provided various services such as polio vaccinations to local children.

A survey of water sources has also been completed along with water testing and an assessment of power requirements. Educational materials have been delivered to the few schools present in the region along with hardware and refurbishment materials.

.....

Our approach to Community Affairs was developed in our PNG asset and is being exported around the world as we move into new countries

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OTHER ASSETS CONTINUED

OPERATIONS IN YEMEN

Oil Search started operations in Yemen in 2002, and Oil Search (ROY) Limited (OSROY) is currently the Operator of Blocks 3 and 7 in the Shabwah Basin.

When the Company commenced operations it opened an office in the city of Sana'a.

OSROY has established a Community Affairs team that is permanently based in OSROY's area of operations. This team has helped create a relationship with local communities that enables the Company to work largely uninterrupted.

Community Projects

OSROY has undertaken many small projects since commenced working in Blocks 3 & 7.

The OSROY doctor runs a weekly clinic in the township of Shabwah, and works the rest of the time from his clinic in our Community Affairs camp where he provides the community with free access to medical treatment seven days a week. The OSROY doctor has performed over 6,200 consultations in the last two years.

OSROY also assists impacted communities by handing out silver water filters which purify water. To date the Company has provided more than 1,000 of these to families, along with instructions on how they are to be used and maintained. Medical records indicate a reduction in gastrointestinal disease since the commencement of this initiative.

Other community support includes improvements to pumps and plumbing, construction of school rooms and provision of school equipment, and community aided projects where local people have been trained and employed to build water tanks and Kareefs (dams).

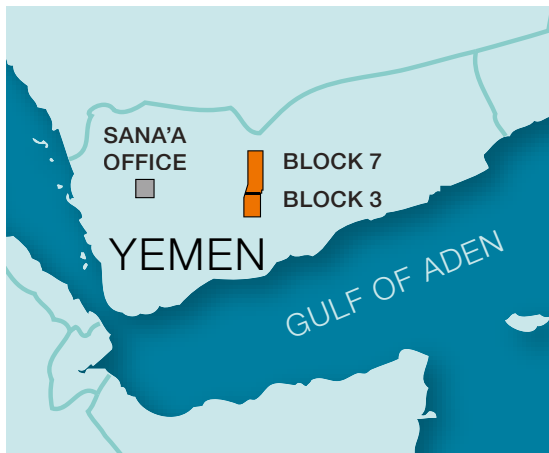
OPERATIONS IN TUNISIA

Oil Search was awarded a 100 per cent interest in its first exploration block in Tunisia, the Tajerouine Permit, in December 2007 and a 25 per cent interest in its second, the Le Kef permit, in January 2008. The Company acquired a seismic survey in 2009, and 2010 was devoted to acquiring seismic data.

Given that Oil Search is in the early phases of exploration in Tunisia, the Company's sustainability initiatives in the region have not been extensive.

As the acquired seismic survey is spread over a huge area with a substantial population, Oil Search has thus far been unable to engage extensively with any one group of people.

The Company has undertaken the usual process of permitting and compensation for land access, and will commence drilling later in 2011. As drilling activities commence Oil Search will be able to focus more exclusively on engagement with those communities located in close proximity to proposed well sites.



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CASE STUDY

SUSTAINABILITY ACTIVITIES IN YEMEN

Water is a precious resource in the desert. Pictured above is a Kareef (dam) built by a community member using OSROY supplied earthmoving equipment. (Northern Block 3)

Medical care and educational support is provided free of charge by Oil Search's Community Affairs Team in Blocks 3 and 7.

GLOSSARY OF TERMS

ADB

Asian Development Bank

APF

Agogo Production Facility

API

American Petroleum Institute

APPEA

Australian Petroleum Production and Exploration Association

BBL/BARREL

The standard unit of measurement for all production and sales – one barrel equals 159 litres or 35 Imperial gallons

BSCF/BCF

Billion standard cubic feet where a billion is defined as 10⁹

BOE

Barrels of oil equivalent – the factor used to convert volumes of different hydrocarbon production to barrels of oil equivalent

Conversion rate used by Oil Search is 6,000 cubic feet of gas is equivalent to 1 barrel of oil

CAP

Community Area Planning

CDI

Community Development Initiative (a local NGO)

CDM

Clean Development Mechanism

CPF

Central Production Facility

DEC

Department of Environment and Conservation

EIA

Environmental Impact Assessment

EMS

Environmental Management System

GHG

Greenhouse Gas

GOR

Gas/oil Ratio

GPF

Gobe Production Facility

GTE

Gas to Electricity

HAZID

Hazard Identification

HiPo

High Potential Incident

HSES

Health Safety Environment and Security

ISO

International Organisation for Standardisation

IPBC

Independent Public Business Corporation

IPIECA

International Petroleum Industry Environmental Conservation Association

IUCN

International Union for Conservation of Nature

LANCOS

Landowner Companies

LBBSA

Local Benefits Sharing Agreements

MCH

Maternal and Child Health

MDGs

Millennium Development Goals

MENA

Middle East North Africa

MMBBL

Million barrels

MMSCF/D

Million standard cubic feet per day

MOA

Memorandum of Agreement

MRDC

Mineral Resources Development Company

OGP

International Association of Oil and Gas Producers

PDL

Petroleum Development Licence

PNG

Papua New Guinea

PSMLI

Process Safety Management Lag

SEISMIC SURVEY

A survey used to gain an understanding of rock formations beneath the earth's surface

STAKEHOLDER MANAGEMENT

The process of managing the expectations of those who have an interest in a project or who will be affected by its activities, outputs, or deliverables

STI

Sexually Transmitted Infection

SUSTAINABLE DEVELOPMENT

Development that meets the needs of the present without compromising the ability of future generations to meet their own needs

TAX CREDIT SCHEME

0.75 per cent of Petroleum Tax payment to PNG National Government can be applied to approved infrastructure construction and maintenance by the Operator

TJ

Terajoules – joules are the metric measurement unit for energy. One terajoule (TJ) is equal to 1 joule x 10¹²

TRIFR

Total Recordable Incident Frequency Rate

UBSA

Umbrella Benefits Sharing Agreement

WHO

World Health Organisation

ABOUT THIS REPORT

Oil Search Limited has a positive record in Sustainability performance, particularly in regards to its Community Affairs activities, and commitment to local sustainable development in Papua New Guinea.

This report endeavours to track not only our company performance, but also the performance and progress of the communities in which we operate. This will better enable us to assess the impacts of our in-country activities, and to identify fundamental barriers to development and progress so that we may work to address them.

This report has been prepared in accordance with Global Reporting Initiative (GRI) Guidelines, and incorporates industry-specific indicators outlined by the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API), as well as indicators reflecting the UN Millennium Development Goals.

REPORT SCOPE

While Oil Search carries out exploration activities in Yemen, Iraq and Tunisia (MENA), and maintains corporate offices in Australia, the sustainability data in this report, unless otherwise stipulated, relates exclusively to our active exploration and production activities in Papua New Guinea.

All production activities in Papua New Guinea for which we are Operator are included in this report. This includes our Associated Gas activities within the PNG LNG project, but does not include the PNG LNG project in its entirety. For any information pertaining to the PNG LNG project, please refer to the official PNG LNG website. Quarterly Environmental and Social Reports can be found at: www.pnglng.com/quarterly_reports/e_s_reports.htm

For an overview of our sustainability activities in MENA please refer to page 86.

DETERMINING MATERIALITY

Materiality was determined both through a process of internal stakeholder engagement and with reference to peer reports and industry-specific guidelines. The API/IPIECA "Oil and Gas Industry Guidance on Voluntary Sustainability Reporting", endorsed by the International Association of Oil and Gas Producers (OGP), was updated in 2010 to focus and simplify the reporting process for companies in this industry. The aspects listed in the API/IPIECA guidelines were all deemed material for Oil Search Operations, as were the GRI indicators corresponding to those aspects (see page 93).

While recognising that certain indicators, such as material use and indirect GHG emissions, are material, we do not have adequate data systems in place to report on them in this year's report. We will be looking to improve our processes for monitoring and recording certain data over the coming year, with a view to reporting on these aspects in the future.

Given our focus on sustainable development in PNG, we also integrated a series of development indicators into our reporting process to monitor the socioeconomic development of our communities in line with the Millennium Development Goals (MDGs). Indicators cover targets associated with the MDGs, as defined by the United Nations Millennium Project. A full list of these targets and indicators can be found on page 97.

GRI APPLICATION LEVEL



Oil Search has prepared this report in accordance with GRI Level B requirements.

EXTERNAL VERIFICATION

Oil Search intends to gain external verification for future Sustainability Reports.

Please note that this report has not been subject to audit. The company believes that the report presents a fair and reasonable overview of the Company's sustainability activities but the Company does not warrant the completeness or accuracy of all the information contained in the report.

CONTACT

For any additional information, or to offer any comments/feedback regarding the content of this report, please contact our Corporate Sustainability Officer on +61 2 8207 8431, or by email at sustainability@oilsearch.com

API/IECA INDEX

| CAT. | ASPECT | INDICATOR | GRI | PAGE | |
|---------------------|--|-----------|---|-----------------|------------------|
| ENVIRONMENT | Climate Change and Energy | E1 | Greenhouse Gas emissions | EN16 – EN20 | 32-35 |
| | | E2 | Energy use | EN3 – EN7 | 30, 12 |
| | | E3 | Alternative energy sources | EN6 | 12 |
| | | E4 | Flared Gas | – | 32-34 |
| | Ecosystem Services | E5 | Biodiversity and Ecosystem services | EN11 – EN15 | 44-45, 72 |
| | | E6 | Fresh water | EN8 – EN9 | 36 |
| | Local environmental impact | E7 | Other air emissions | EN19 – 20 | |
| | | E8 | Spills to the environment | EN23 | 41 |
| | | E9 | Discharges to water | EN21, EN25 | 38-40 |
| | | E10 | Waste | EN22, EN24 | 40-41 |
| HEALTH AND SAFETY | Workforce Protection | HS1 | Workforce Participation | LA6 | 80 |
| | | HS2 | Workforce health | LA8 | 48 |
| | | HS3 | Occupational injury and illness incidents | LA7 | 50 |
| | Product health, safety and environmental risks | HS4 | Product stewardship | EN26 | 10-13, 41 |
| | Process safety and asset integrity | HS5 | Process safety | – | 34, 83 |
| SOCIAL AND ECONOMIC | Community and Society | SE1 | Local community impacts and engagement | SO1 | 14-17, 58-75 |
| | | SE2 | Indigenous peoples | HR9 | 59 |
| | | SE3 | Involuntary resettlement | – | n/a |
| | | SE4 | Social investment | EC8 | 14-19, 54, 58-75 |
| | Local content | SE5 | Local content practices | EC6 | 83 |
| | | SE6 | Local hiring practices | EC7 | 46-47 |
| | | SE7 | Local procurement and supplier development | EC6, EC9 | 74-75, 83 |
| | Human Rights | SE8 | Human rights due diligence | HR3, HR6, HR7 | 46, 54 |
| | | SE9 | Human rights and suppliers | HR 2 | 83 |
| | | SE10 | Security and human rights | HR8 | 53 |
| | Business ethics and transparency | SE11 | Preventing corruption | SO2 – SO4 | 79 |
| | | SE12 | Preventing corruption involving business partners | – | 79 |
| | | SE13 | Transparency of payments to host governments | SO6 | 22-23, 74 |
| | | SE14 | Public advocacy and lobbying | SO5 | 18-23 |
| | Labour practices | SE15 | Workforce diversity and inclusion | LA13, LA14, HR4 | 26, 46, 56 |
| | | SE16 | Workforce engagement | LA2 | 56 |
| | | SE17 | Workforce training and development | LA10 – LA12 | 26, 52-55 |
| | | SE18 | Non-retaliation and grievance system | – | 54 |

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GRI CONTENTS INDEX

| GRI | INDICATOR | PAGE | REPORT | COMMENT |
|--------------------|---|------------------------|---------|--|
| ECONOMIC | | | | |
| EC1 | Direct economic value generated and distributed | 76-77 | | |
| EC2 | Financial Implications and other risks and opportunities due to climate change | 12 | Partial | Financial implications have not been quantified |
| EC3 | Company's defined benefit plan obligations | 56 | | |
| EC4 | Significant financial assistance from government | 74 | | |
| EC5 | Ratios of standard entry level wage compared to local minimum wage | 54 | | |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers | 83 | Partial | "Local Content" practices inherent but no officially defined policy or practice |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community | 46-47 | | |
| EC8 | Development and impact of infrastructure investments and services provided for public benefit | 14-19, 54, 58-75 | | |
| EC9 | Understand and describe significant indirect economic impacts | 20-23, 43, 52 | Partial | More detailed assessment can be found in Annual Socio-Economic Reports (see Company website) |
| ENVIRONMENT | | | | |
| EN3 | Direct energy consumption by primary energy source | 30 | | |
| EN5 | Energy saved – conservation and efficiency improvements | 30 | Partial | Energy efficiency improvements were not quantified |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reduction in energy requirements as a result of these initiatives | 12 | Partial | Reduction in energy requirements not quantified |
| EN8 | Total water withdrawal by source | 36 | Partial | Permitted volumes, not actual |
| EN9 | Water sources significantly affected by withdrawal of water | 36 | | |
| EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | 44 | | |
| EN12 | Significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value | 10, 42-44 | | |
| EN13 | Habitats protected or restored | 10, 44 | | |
| EN14 | Strategies, current actions, and future plans for managing impacts on biodiversity | 10, 44 | | |
| EN16 | Total direct and indirect GHG emissions by weight | 32-35 | Partial | |
| EN18 | Initiative to reduce GHG emissions and reduction achieved | 32-35 | | |
| EN21 | Total water discharge by quality and destination | 38-40 | | |
| EN22 | Total weight of waste by type and disposal method | 40-41 | Partial | Waste measurement varies depending on type – Most waste measured in volume (m ³) |
| EN23 | Total number and volume of significant spills | 41-43 | | |
| EN25 | Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff | 36, 42-44 | | |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations | 26 | | |

GRI CONTENTS INDEX CONTINUED

| GRI | INDICATOR | PAGE | REPORT | COMMENT |
|-------------------------|--|--------|---------|--|
| HUMAN RIGHTS | | | | |
| HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken | 53-54 | Partial | Restricted to security contractors |
| HR3 | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained | 54 | Partial | Time not quantified |
| HR4 | Total number of incidents of discrimination and actions taken | | | None to report |
| HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights | | | None to report |
| HR6 | Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labor | 46 | | |
| HR7 | Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour | 46 | | |
| HR8 | Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations | 53-54 | | |
| HR9 | Total number of incidents of violations involving rights of indigenous people and actions taken | | | None to report |
| LABOUR PRACTICES | | | | |
| LA1 | Total workforce by employment type, employment contract, and region | 46 | | |
| LA2 | Total number and rate of employee turnover by age group, gender, and region | 56 | | |
| LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations | 56 | | |
| LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes | 80 | | |
| LA7 | Rates of injury (IR), occupational diseases (ODR), lost days (LDR), and absenteeism, and number of work-related fatalities by region | 50 | Partial | Only TRIFR reported Others (IR, ODR, LDR etc) are monitored internally but are not reported |
| LA8 | Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases | 48 | | |
| LA9 | Health and safety topics covered in formal agreements with trade unions | | | N/A – There are no trade unions |
| LA11 | Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 52-55 | | |
| LA12 | Percentage of employees receiving regular performance and career development reviews | 52 | | |
| LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity | 46, 56 | | |
| LA14 | Ratio of basic salary of men to women by employee category | 26 | | |

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| GRI | INDICATOR | PAGE | REPORT | COMMENT |
|----------------|---|-----------------|---------|--------------------------------|
| SOCIETY | | | | |
| S01 | Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting | 14-17, 58-75 | | |
| S02 | Percentage and total number of business units analysed for risks related to corruption | 79 | | |
| S03 | Percentage of employees trained in organisation's anti-corruption policies and procedures | 54 | | |
| S04 | Actions taken in response to incidents of corruption | 79 | Partial | Individual cases not specified |
| S05 | Public policy positions and participation in public policy development and lobbying | 18-23 | | |
| S06 | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country | | | None to report |
| S07 | Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes | | | None to report |
| S08 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | 26, 76 | | |

MDG INDEX

- = Included in Sustainability Report – page numbers will be given so they can refer to appropriate section of the report
 F = Will report in Future
 R = Refer to Annual Socioeconomic Report
 X = Not material/relevant

| GOAL | TARGET | INDICATOR | REPORT | COMMENT | |
|---|--|---|-------------------------------------|--|--|
| 1 Eradicate extreme poverty and hunger | 1a Reduce by half the proportion of people living on less than a dollar a day | 1.1 Proportion of population below \$1 (PPP) per day | X | Not relevant. Recognised project area landowners are in receipt of a number of statutory cash and other benefits | |
| | | 1.2 Poverty gap ratio | | | |
| | | 1.3 Share of poorest quintile in national consumption | | | |
| | 1b Achieve full and productive employment and decent work for all, including women and young people | 1.4 Growth rate of GDP per person employed | R | | Project area employment and economic statistics covered in Annual Socioeconomic report (see website) |
| | | 1.5 Employment-to-population ratio | | | |
| | | 1.6 Proportion of employed people living below \$1 (PPP) per day | | | |
| | | 1.7 Proportion of own-account and contributing family workers in total employment | | | |
| | 1c Reduce by half the proportion of people who suffer from hunger | 1.8 Prevalence of underweight children under-five years of age | F | | Monitoring of health and diet to be implemented as part of community health programmes |
| | | 1.9 Proportion of population below minimum level of dietary energy consumption | F | | |
| 2 Achieve universal primary education | 2a Ensure that all boys and girls complete a full course of primary schooling | 2.1 Net enrolment ratio in primary education | <input checked="" type="checkbox"/> | Will begin utilising our health census database to cross check against the school enrolment list p 26 (data) – all ages | |
| | | 2.2 Proportion of pupils starting grade 1 who reach last grade of primary | F | | |
| | | 2.3 Literacy rate of 15-24 year-olds, women and men | <input checked="" type="checkbox"/> | | |
| 3 Promote gender equality and empower women | 3a Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015 | 3.1 Ratios of girls to boys in primary, secondary and tertiary education | <input checked="" type="checkbox"/> | p 26 (data) p 70 (programmes) | |
| | | 3.2 Share of women in wage employment in the non-agricultural sector | R | See Annual Socioeconomic Report (website) | |
| | | 3.3 Proportion of seats held by women in national parliament | X | Not applicable to project area. Programmes for Women's Empowerment: p 69, p 72 | |
| 4 Reduce child mortality | 4a Reduce by two thirds the mortality rate among children under five | 4.1 Under-five mortality rate | <input checked="" type="checkbox"/> | p 26 (data) p 66-68 (programmes) | |
| | | 4.2 Infant mortality rate | <input checked="" type="checkbox"/> | | |
| | | 4.3 Proportion of 1 year-old children immunised against measles | <input checked="" type="checkbox"/> | | |

| GOAL | TARGET | INDICATOR | REPORT | COMMENT | |
|------|--------|--|--------|--|---|
| 5 | 5a | Reduce by three quarters the maternal mortality ratio | 5.1 | Maternal mortality ratio | p 26 (data) p 66-68 (programmes) Figures in this report for Kututu to Kantobo area only. We need to gather data from the rest of the project area |
| | | | 5.2 | Proportion of births attended by skilled health personnel | F Data collection to be undertaken with reference to household surveys and community health centre records |
| | | | 5.3 | Contraceptive prevalence rate | F We have little data on this. Difficult to capture as contraceptive use requires the consent of the husband so women hesitant to discuss |
| | | | 5.4 | Adolescent birth rate | F Monitoring to be implemented as part of community health programmes |
| | 5b | Achieve, by 2015, universal access to reproductive health | 5.5 | Antenatal care coverage (at least one visit and at least four visits) | p 26 (data) Data collection and monitoring to improve with MCH programme (p 66) |
| | | | 5.6 | Unmet need for family planning | F See 5.3 – same applies |
| 6 | 6a | Halt and begin to reverse the spread of HIV/AIDS | 6.1 | HIV prevalence among population | p 26 (data – estimated) p 62-65 (programmes) Estimations will improve as our ante-natal testing (voluntary) expands |
| | | | 6.2 | Condom use at last high-risk sex | F For inclusion in biennial household surveys |
| | | | 6.3 | Proportion of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS | F |
| | | | 6.4 | Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years | X Not relevant in PNG as orphans adopted by extended family and treated as own child |
| | 6b | Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it | 6.5 | Proportion of population with advanced HIV infection with access to antiretroviral drugs | p 26 (data) p 62-65 (programmes) |
| | 6c | Halt and begin to reverse the incidence of malaria and other major diseases | 6.6 | Incidence and death rates associated with malaria | p 26 (data) p 62 (programmes) |
| | | | 6.7 | Proportion of children under five sleeping under insecticide-treated bed nets | X Oil Search implements various vector control strategies – does not consider it beneficial to monitor bed nets specifically (p 62) |
| | | | 6.8 | Proportion of children under five with fever who are treated with appropriate anti-malarial drugs | X Impossible to know based on current community health systems |
| | | | 6.9 | Incidence, prevalence and death rates associated with tuberculosis | F No TB programmes in place as yet, but Oil Search will be developing these in the future |
| | | | 6.10 | Proportion of tuberculosis cases detected and cured under directly observed treatment short course | F |

MDG INDEX CONTINUED

| GOAL | TARGET | INDICATOR | REPORT | COMMENT | | |
|------|--------|---|--------|--|---|--|
| 7 | 7a | Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources | 7.1 | Proportion of land area covered by forest | C | p 44 |
| | | | 7.2 | CO2 emissions, total, per capita and per \$1 GDP (PPP) | X | |
| | | | 7.3 | Consumption of ozone-depleting substances | X | |
| | | | 7.4 | Proportion of fish stocks within safe biological limits | F | Proposed Lake Kutubu studies on fish population will enable us to report on this |
| | 7b | Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss | 7.5 | Proportion of total water resources used | X | Not relevant: abundant rainfall and water resources in project area |
| | | | 7.6 | Proportion of terrestrial and marine areas protected | ✓ | p 44 |
| | | | 7.7 | Proportion of species threatened with extinction | ✓ | p 44 |
| | 7c | Reduce by half the proportion of people without sustainable access to safe drinking water and basic sanitation | 7.8 | Proportion of population using an improved drinking water source | ✓ | p 26 (data) p 72 (programmes) |
| | | | 7.9 | Proportion of population using an improved sanitation facility | ✓ | p 26 (data) p 72 (programmes) |
| | 7d | Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020 | 7.10 | Proportion of urban population living in slums | X | Not relevant to our project area – no urban population |

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| GOAL | TARGET | INDICATOR | REPORT | COMMENT | | | | | |
|--|--------------------------------------|--|--|---|---|---|---|---|--|
| 8 | A global partnership for development | 8a Develop further an open, rule-based, predictable, non-discriminatory trading and financial system Includes a commitment to good governance, development and poverty reduction; both nationally and internationally | 8.1 Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors; gross national income | Public sector focused, therefore not relevant to the scope of our community development activities – However: 8b: In 2006 the UN downgraded PNG's designation of 'developing country' to 'least-developed country' because of protracted economic and social stagnation. By implementing community health and development programmes which are eligible for international donor funding, and assuming responsibility for the coordination of funds donated to other service providers in-country (as Principal Recipient for The Global Fund Round 10 Funding for example) we are facilitating greater aid flow to PNG. 8c: PNG is a Small Island Developing State, and Oil Search is committed to addressing the special needs of the nation by implementing targeted community health and development programmes in alignment with MDGs. Refer to p 14, 18, 58-74 for details | | | | | |
| | | | 8.2 Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation) | | | | | | |
| | | | 8.3 Proportion of bilateral official development assistance of OECD/DAC donors that is untied | | | | | | |
| | | 8b Address the special needs of the least developed countries Includes tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction | 8.4 ODA received in landlocked developing countries as a proportion of their gross national income | | X | | | | |
| | | | 8.5 ODA received in small island developing States as a proportion of their gross national incomes | | | | | | |
| | | | 8.6 Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty | | | | | | |
| | | | 8.7 Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries | | | | | | |
| | | 8c Address the special needs of landlocked developing countries and Small Island Developing States through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the 22nd special session of the General Assembly | 8.8 Agricultural support estimate for OECD countries as a percentage of their gross domestic product | | | X | | | |
| | | | 8.9 Proportion of ODA provided to help build trade capacity | | | | | | |
| | | | 8.10 Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative) | | | | | | |
| | | 8d Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term | 8.11 Debt relief committed under HIPC and MDRI Initiatives | | | | X | | |
| | | | 8.12 Debt service as a percentage of exports of goods and services | | | | | | |
| | | 8e In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries | 8.13 Proportion of population with access to affordable essential drugs on a sustainable basis | | | | | ✓ | p 26 (data) p 60, 68-69 (programmes) |
| | | 8f In cooperation with the private sector, make available the benefits of new technologies, especially information and communications | 8.14 Telephone lines per 100 population | | | | | X | Mobile network very advanced in PNG – telephone lines obsolete |
| | | | 8.15 Cellular subscribers per 100 population | | | | | F | For inclusion in biennial household survey |
| 8.16 Internet users per 100 population | X | | Will begin monitoring once the level of development demands it | | | | | | |

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