

# FIRST QUARTER REPORT FOR THE PERIOD ENDED 31 MARCH 2020

21 APRIL 2020



ASX: OSH | ADR: OISHY | PNGX: OSH

	1Q 2020	4Q 2019	% CHANGE
Total production (mmboe)	7.37	7.01	+5%
Total sales (mmboe)	6.87	7.92	-13%
Total revenue (US\$m)	359.4	446.7	-20%

## HIGHLIGHTS

- Production increased 5%, supported by a continued strong performance from PNG LNG, which produced at an annualised rate of 8.7 MTPA, and a 43% increase in operated production.
- Total revenue impacted by a 13% fall in sales, due to timing of shipments, and 20% lower oil prices.
- Oil discovered at Mitquq and Stirrup in Alaska, with flow rates above expectations.
- 2020 full year investment expenditure reduced by approximately 40% and US\$700 million equity raise announced in early April, materially strengthening the balance sheet.
- Oil Search is well placed to withstand a prolonged period of oil price weakness and advance its growth projects when market conditions improve.

## COMMENTS FROM THE MANAGING DIRECTOR, DR KEIRAN WULFF:

*"The first quarter of 2020 has been one of the most volatile periods in history for Oil Search and the global oil and gas industry in general. The COVID-19 pandemic, limiting movement of personnel and equipment, the fall in oil demand and the substantial drop in oil prices have created unprecedented challenges. The Company has taken swift steps to ensure that we are in the strongest position possible to weather a potentially protracted period of global disruption.*

*We recognised early in the quarter the potential for incidences of Coronavirus to escalate globally. In February, we formed a dedicated COVID-19 Taskforce charged with minimising the impacts of the virus on the Company's people and operations. I would like to commend our Taskforce and all operations personnel and their families who supported the Company's actions, for the swift implementation of our business continuity protocols. These actions have materially reduced the potential for exposure of our employees, contractors and local communities to COVID-19 and, to date, have enabled production and liquids export to continue as normal. As a result, Oil Search reported strong 2020 first quarter production, 5% higher than the prior quarter, supported by a 43% increase in Oil Search-operated production and steady PNG LNG output. Total revenue of US\$359.4 million was impacted by a 20% fall in the average realised oil and condensate price and a 4% drop in the LNG and gas price, as well as lower LNG shipments due to timing of cargoes.*

*In response to the steep decline in global oil prices in March, the Company undertook decisive action to strengthen its balance sheet and increase liquidity. Investment expenditure for 2020 has been reduced by approximately 40%, by either suspending or deferring discretionary activities not related to safety, value or reliability. In early April, Oil Search announced an entitlement offer, an institutional placement and an offer to eligible PNG shareholders to raise a total of up to approximately US\$700 million. The placement and institutional component of the entitlement offer, raising US\$650 million, were completed on 8 April, with the placement significantly oversubscribed and shares allocated only to existing shareholders. The retail entitlement and PNG components of the raising are expected to be completed in early and late-May, respectively.*

*While the Company is now in a robust position to withstand a sustained period of low oil prices, we are undertaking further measures to drive down breakeven costs across our business, targeting a reduction in production costs of US\$1–2/boe, and to enhance our capital management programs. This will ensure we are in a good position to progress our world-class growth projects in Papua New Guinea and Alaska when market conditions improve."*

## PRODUCTION AND SALES<sup>1</sup>

	QUARTER END			FULL YEAR
	MAR 2020	DEC 2019	MAR 2019	DEC 2019
PNG LNG Project ('000 boe) <sup>2</sup>	6,354	6,295	6,364	24,994
PNG oil production ('000 bbls)	645	337	513	1,571
Other production ('000 boe) <sup>3</sup>	373	374	373	1,382
<b>Total production ('000 boe)<sup>4</sup></b>	<b>7,372</b>	<b>7,006</b>	<b>7,249</b>	<b>27,947</b>
<b>Total sales ('000 boe)</b>	<b>6,873</b>	<b>7,920</b>	<b>6,471</b>	<b>27,785</b>

## REVENUE<sup>1</sup>

	QUARTER END			FULL YEAR
	MAR 2020	DEC 2019	MAR 2019	DEC 2019
LNG and gas sales	293.5	336.5	314.6	1,246.3
Oil and condensate sales	57.6	99.2	71.4	295.5
Other revenue <sup>5</sup>	8.2	11.1	12.0	42.9
<b>Total operating revenue</b>	<b>359.4</b>	<b>446.7</b>	<b>398.1</b>	<b>1,584.8</b>
Average realised oil and condensate price (US\$ per bbl) <sup>6</sup>	49.51	61.71	62.35	62.86
Average realised LNG and gas price (US\$ per mmBtu)	9.08	9.47	10.15	9.58

## FINANCIAL DATA<sup>1</sup>

	QUARTER END			FULL YEAR
	MAR 2020 <sup>8</sup>	DEC 2019	MAR 2019	DEC 2019
Cash (US\$m)	670.6	396.2	789.5	396.2
Debt (US\$m) <sup>7</sup>				
PNG LNG financing	2,939.4	2,939.4	3,293.6	2,939.4
Corporate revolving facilities	715.0	440.0	130.0	440.0
<b>Net debt (US\$m)</b>	<b>2,983.8</b>	<b>2,983.2</b>	<b>2,634.1</b>	<b>2,983.2</b>

- Numbers may not add due to rounding.
- Production net of fuel, flare, shrinkage and SE Gobe wet gas.
- SE Gobe gas sold to PNG LNG, Hides GTE gas and liquids.
- Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time.
- Other revenue consists largely of rig lease income, infrastructure tariffs and electricity, refinery and naphtha sales.
- Average realised price for Kutubu Blend including PNG LNG condensate.
- Excludes lease liabilities recorded as borrowings. As at 31 March 2020, the Company's corporate revolving facilities totalled US\$1.2 billion, of which US\$715 million had been drawn down and US\$4.4 million had been utilised for letters of credit.
- Pre-capital raising, which was launched in April 2020.

## 2020 FIRST QUARTER SUMMARY

**Production:** 2020 first quarter production net to Oil Search was 7.37 million barrels of oil equivalent (mmboe), up 5% from the fourth quarter of 2019. The PNG LNG Project contributed 6.35 mmboe, while Oil Search-operated fields produced 1.02 mmboe, including 0.65 mmbbl from the PNG oil fields, 91% higher than the prior quarter, 0.31 mmboe of gas and liquids production from the Hides GTE Project and 0.07 mmboe of gas exported to the PNG LNG Project from the SE Gobe field.

**Sales:** Total hydrocarbon sales were 6.87 mmboe, lower than production primarily due to the timing of LNG shipments. Total sales revenue from LNG, gas, oil and condensate for the quarter declined 19% to US\$351.1 million, reflecting lower realised oil and LNG prices and product sales volumes. Other revenue, comprising rig lease income, infrastructure tariffs, electricity, refinery and naphtha sales, declined from US\$11.1 million to US\$8.2 million.

**Pricing:** The average oil and condensate price realised during the quarter was US\$49.51 per barrel, 20% lower than in the previous quarter, reflecting the steep decline in global oil prices from early March. The average price realised for LNG and gas sales decreased 4% to US\$9.08 per mmBtu, significantly less than the drop in oil prices due to the two-to-three month lag between the spot oil price and LNG contract prices. The Company did not undertake any hedging transactions during the period and remains unhedged.

**Liquidity:** At 31 March 2020, Oil Search had liquidity of US\$1.15 billion, comprising US\$670.6 million in cash (US\$396.2 million at the end of the prior quarter) and US\$480.6 million in undrawn corporate credit facilities. Oil Search ended the period with US\$3.65 billion of debt outstanding, of which US\$2.94 billion related to the PNG LNG project finance facility and US\$715.0 million to corporate credit facilities. Cash outflows during the quarter included a dividend payment of US\$68.6 million.

**Equity raising:** In early April, Oil Search launched an accelerated pro-rata non-renounceable entitlement offer, an institutional placement and an offer to eligible PNG shareholders, to raise a total of up to approximately US\$700 million (equivalent of up to approximately A\$1,160 million). The placement and the institutional component of the entitlement offer, raising approximately US\$650 million, was completed on 8 April. The placement was significantly oversubscribed, with shares allocated only to existing shareholders. The underwritten retail component of the entitlement offer, which is expected to raise approximately US\$50 million, is now open and is expected to close on 27 April. The offer to PNG shareholders on substantially the same terms as the entitlement offer also is now open and will close on 22 May. Following the capital raising, the Company will have end-March pro-forma liquidity of US\$1.85 billion and net debt of US\$2.28 billion. The Company intends to use the funds raised to strengthen the balance sheet and increase liquidity, so that Oil Search can withstand a prolonged period of low oil prices.

**LNG expansion:** Formal negotiations between ExxonMobil, on behalf of the P'nyang co-venturers, and the PNG Government on the P'nyang Gas Agreement were suspended in late January. Discussions have resumed with the State, aimed at reaching an agreement that is fair and balanced for all stakeholders. This agreement is required before the LNG expansion project can move into the FEED phase. Oil Search remains committed to progressing the three-train integrated expansion project, a highly cost-effective development, at the appropriate time.

**Alaskan exploration:** In Alaska, the Mitquq 1, Mitquq 1 ST1 and Stirrup 1 exploration wells all discovered oil. The flow test results from Mitquq 1 ST1 and Stirrup wells exceeded expectations and have provided valuable information that will be evaluated over the remainder of the year and incorporated into an optimisation study of the proposed Pikka Unit Development.

**Pikka Unit Development:** Due to the oil price fall, the Company announced that the Final Investment Decision (FID) on the Pikka Unit Development on the Alaska North Slope, previously expected in the second half of 2020, has been deferred. Work will continue on optimising the development and incorporating the results of the recent successful drilling. Progression to FID on the Pikka Unit Development will be dependent on an improvement in market conditions. While

formal marketing activities relating to the planned sell-down of a 15% interest in the project have been suspended, the Company is continuing discussions with parties that had expressed interest prior to the oil price fall.

**Coronavirus Preparations:** Oil Search established a multi-disciplinary COVID Task Force in February, to prepare comprehensive plans to mitigate the potential impact of the virus on the health and wellbeing of the Company's staff, contractors and the local community and to support business continuity for production from Oil Search's operated assets. During the quarter, the Company commenced a series of measures, including suspending discretionary activities, demobilising non-essential staff from the field, implementing revised field rotations for expatriate staff, establishing quarantine zones in the field and isolating business essential personnel, increasing medical and field supplies and introducing infectious disease protocols. ExxonMobil, as operator of the PNG LNG Project, has implemented similar measures, consistent with recommendations from the PNG Government, the global health authorities and ExxonMobil practices.

## 2020 FULL YEAR GUIDANCE

### PRODUCTION

Subject to any COVID-19 related impact, production guidance for 2020 presently remains unchanged at 27.5 – 29.5 mmboe, comprising approximately 24 – 25 mmboe from the PNG LNG Project and approximately 3 – 5 mmboe from Oil Search-operated assets.

### OPERATING AND OTHER COSTS

Oil Search has taken steps to reduce corporate overheads, including reducing the headcount across Sydney and Alaska by more than 100 and implementing salary cuts at the Board, executive and senior management level. In addition, a systematic review is underway to further reduce operating and corporate costs and improve the productivity of the operated assets. The Company is targeting a US\$1–2/boe reduction in production costs in 2020, before any one-off restructure costs, from approximately US\$11.5/boe to US\$9.5–10.5/boe. ExxonMobil, operator of the PNG LNG Project, has also advised it is planning to reduce costs in response to market conditions.

### INVESTMENT EXPENDITURE

Year to December 2020	PREVIOUS GUIDANCE (25 February 2020)	CURRENT GUIDANCE (18 March 2020)
<b>Investment expenditure (US\$m)</b>		
Production expenditure (PNG)	120 - 140	55 – 65
Development		
<i>PNG</i>	70 - 90	25 – 35
<i>Alaska</i>	120 - 140	110 – 130
<b>Total development expenditure</b>	<b>190 - 230</b>	<b>135 – 165</b>
Exploration and evaluation		
<i>PNG</i>	120 - 130	70 – 80
<i>Alaska</i>	220 - 240	150 – 170
<b>Total exploration and evaluation expenditure</b>	<b>340 - 370</b>	<b>220 – 250</b>
Other plant and equipment (US\$m)	55 - 65	25 – 35
Power (US\$m)	5 - 40	5 – 15
<b>Total (US\$m)</b>	<b>710 – 845</b>	<b>440 – 530</b>

During the first quarter, investment expenditure was US\$226.1 million, including US\$118.2 million spent on exploration and evaluation activities and US\$85.2 million on development (see page 10 for details).

In response to the oil price fall in March, Oil Search undertook a comprehensive review of its planned activities over the balance of 2020. Apart from work programs required to ensure ongoing reliable and safe operations, the Company has suspended or deferred all discretionary activities within its control, including:

➤ **Production expenditure**

- ◆ Suspension of IDT 26 development well in the Kutubu field.
- ◆ Deferral of coiled tubing and well workover program within Oil Search-operated oil fields.
- ◆ Deferral of the rebuild of the refinery at Kutubu, damaged in the 2018 earthquake.

➤ **Development expenditure**

- ◆ Pikka Unit Development Early Production System long lead items put on hold and the Final Investment Decision deferred.
- ◆ Suspension of LNG expansion pre-FEED activities, with 2020 expenditures expected to be modest even if terms on the P'nyang Gas Agreement are finalised and the joint ventures move into the FEED phase.

➤ **Exploration and evaluation expenditure**

- ◆ Deferral of the majority of exploration activities, including planned seismic acquisition programs that have not yet commenced.

As a result of the measures taken, 2020 full year investment expenditure guidance has been reduced by approximately US\$300 million. Forecast capital expenditure going forward from April 2020 is expected to be in the range of US\$200 – 300 million, to be spent on the following:

- Completion of the abandonment of the Gobe Footwall well, finalisation of deepwater seismic acquisition and partial completion of seismic acquisition in the PNG Highlands prior to demobilising crews.
- Continuing to progress negotiations on the P'nyang Gas Agreement and maintain LNG expansion licence commitments.
- Optimisation engineering for the Pikka Unit Development and completion of the 2020 early works program.
- Maintaining other licence commitments in PNG and Alaska.

**PNG**
**PRODUCTION<sup>1</sup>**

	QUARTER END			FULL YEAR
	MAR 2020	DEC 2019	MAR 2019	DEC 2019
<b>PNG LNG Project production<sup>2</sup></b>				
LNG (mmscf)	28,281	27,970	28,150	110,768
Gas to power (mmscf) <sup>3</sup>	92	137	155	598
Domestic gas (mmscf)	122	-	-	-
Condensate ('000 bbls)	694	710	735	2,852
Naphtha ('000 bbls)	73	74	79	305
<b>Total PNG LNG Project Production ('000 boe)<sup>4</sup></b>	<b>6,354</b>	<b>6,295</b>	<b>6,364</b>	<b>24,994</b>
<b>Oil Search-operated production</b>				
<b>Oil production</b>				
Kutubu	431	317	412	1,392
Moran	203	9	88	132
Gobe Main	3	3	3	13
SE Gobe	8	7	10	33
<b>Total oil production ('000 bbls)</b>	<b>645</b>	<b>337</b>	<b>513</b>	<b>1,571</b>
<b>Hides GTE<sup>5</sup></b>				
Sales gas (mmscf)	1,435	1,376	1,356	5,088
Liquids ('000 bbls)	25	25	26	96
<b>SE Gobe gas to PNG LNG (mmscf)<sup>6</sup></b>	<b>340</b>	<b>403</b>	<b>412</b>	<b>1,470</b>
<b>Total operated production ('000 boe)</b>	<b>1,018</b>	<b>711</b>	<b>885</b>	<b>2,953</b>
<b>Total production ('000 boe)<sup>4</sup></b>	<b>7,372</b>	<b>7,006</b>	<b>7,249</b>	<b>27,947</b>

1. Numbers may not add due to rounding.
2. Production net of fuel, flare, shrinkage and SE Gobe wet gas.
3. Gas to power had previously been accounted for as losses within the PNG LNG Plant.
4. Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time.
5. Hides GTE production is reported on a 100% basis for gas and associated liquids purchased by the Hides (GTE) Project Participant (Oil Search 100%) for processing and sale to the Porgera power station. Sales gas volumes are inclusive of approximately 2% unrecovered process gas.
6. SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.

Total 2020 first quarter production from the PNG LNG Project, net to Oil Search, was 6.35 mboe, representing an annualised production rate of 8.7 MTPA, up from 8.5 MTPA in the prior quarter.

In early 2020, the PNG LNG joint venture commenced domestic gas sales to supply the 58-megawatt Port Moresby gas-fired power station, operated by NiuPower Ltd.

Net production from the Oil Search-operated PNG assets of 1.02 mmbœ was 43% higher than the previous quarter, which had been impacted by the mooring system failure at the Kumul Marine Terminal. Oil production increased 91%, with the Moran and Agogo fields benefiting from the reinstatement of pressure support following commencement of high-pressure compression at the Agogo Processing Facility.

In addition, start-up of the M15 ST2 and UDT 15 development wells in the Moran and Kutubu fields, both drilled in 2019, contributed to the lift in production. Moran 15 ST2, a 750 metre step-out from Moran 15 ST1, has extended the Moran field, validating the pre-drill model. Commissioning was completed and the well commenced production in late 2019 at a rate of approximately 1,800 barrels of oil per day (bopd). Pressure testing at the UDT 15 well confirmed communication with the Usano East gas injector well, necessary for pressure support and optimal oil recovery. The well commenced production in early January at rates of approximately 1,400 bopd from the primary production zones.

The Hides GTE facility operated reliably during the period, despite minor rate reductions due to demand-side issues.

The IDT 26 development well was spudded in early March but was suspended shortly afterwards, in response to both the escalating COVID-19 global pandemic and the sharp correction in global oil markets.

## SALES<sup>1</sup>

	QUARTER END			FULL YEAR
	MAR 2020	DEC 2019	MAR 2019	DEC 2019
<b>PNG LNG Project sales</b>				
LNG (Billion Btu)	<b>30,617</b>	34,043	29,544	124,589
Domestic gas (Billion Btu)	<b>152</b>	-	-	-
Condensate ('000 bbls)	<b>604</b>	1,086	653	2,913
Naphtha ('000 bbls)	<b>64</b>	93	91	343
<b>Total PNG LNG Project Sales ('000 boe)<sup>2</sup></b>	<b>6,033</b>	<b>7,854</b>	<b>6,537</b>	<b>27,685</b>
<b>Oil Sales ('000 bbls)</b>	<b>544</b>	494	479	1,723
<b>Hides GTE</b>				
Gas (Billion Btu) <sup>3</sup>	<b>1,543</b>	1,478	1,456	5,460
Liquids ('000 bbls)	<b>22</b>	38	25	103
<b>Total oil and GTE sales ('000 boe)</b>	<b>840</b>	<b>822</b>	<b>789</b>	<b>2,897</b>
<b>Total sales ('000 boe)<sup>2</sup></b>	<b>6,873</b>	<b>7,920</b>	<b>6,471</b>	<b>27,785</b>

1. Numbers may not add due to rounding.

2. Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time relates to gas delivered under the Hides GTE Gas Sales Agreement.

3. Relates to refined products delivered under the Hides GTE Gas Sales Agreement or sold in the domestic market and condensate.

27 LNG cargoes were delivered to offtakers during the quarter, comprising 24 cargoes sold under contract (including three under mid-term sale and purchase agreements) and three on the spot market, compared to 30 cargoes sold in the previous quarter. Two cargoes were on the water at the end of the period, the same as at the end of the fourth quarter of 2019, with a build-up in LNG inventory at the end of the quarter due to timing of shipments. Two naphtha cargoes were delivered during the quarter, compared to three in the prior quarter. Three full and one partial cargo of Kutubu Blend were sold during the quarter, compared to five in the prior period.

## EXPANSION ACTIVITIES

In late January, negotiations between ExxonMobil, operator of PRL 3 (P'nyang), and the PNG Government were suspended as the parties were unable to agree on the key terms relating to the development of the P'nyang field. Subsequently, discussions have continued with the State, with the aim of agreeing terms that are fair and balanced for all stakeholders.

Technical discussions relating to the PRL 15 (Papua LNG) component of the LNG expansion project continued through the quarter. The remaining technical pre-FEED engineering work is being curtailed and FEED contract negotiations have been put on hold, pending the completion of the P'nyang Gas Agreement. In addition, technical and social activities have been temporarily suspended due to operational challenges related to the COVID-19 crisis.

Due to the impact of COVID-19 and the inability to conduct face-to-face meetings, marketing activities for equity LNG volumes under the expansion project have been scaled back. It is expected that these activities will resume fully when there is greater certainty on the progress of LNG expansion activities.

## EXPLORATION AND EVALUATION

In mid-March, Oil Search and its joint venture partners decided to suspend the 2D seismic survey covering approximately 100 kilometres across PDL 1, PDL 9, PPL 402 and PPL 545 in the PNG Highlands, which commenced in the fourth quarter of 2019. The Company is finalising the acquisition of data on one seismic line, after which the seismic crew and equipment will be demobilised.

During the quarter, the Company completed drilling the Gobe Footwall 1 exploration well. The well was drilled to a total depth of 4,370 metres and penetrated the targeted Toro and Iagifu reservoirs, as planned. The reservoirs were logged and pressure readings acquired. Both reservoirs were water bearing, with minor oil shows. The well was subsequently plugged and abandoned.

Going forward, Oil Search plans to limit exploration activities in PNG to current commitments until market conditions improve and the PNG Government's proposed review of the oil and gas fiscal regime is completed.

## NORTH SLOPE, ALASKA

### EXPLORATION AND EVALUATION

During the quarter, after discovering oil in the primary Nanushuk reservoir, the Mitquq 1 exploration well was drilled into the secondary Alpine C objective. The well encountered 16 metres (52 feet) of net hydrocarbon pay within the Alpine C formation, comprising ten metres (31 feet) of net oil pay and six metres (21 feet) of net gas pay. A comprehensive suite of wireline logs, pressure data and hydrocarbon samples were collected prior to the wellbore being plugged back, to allow for the drilling of a side-track (Mitquq 1 ST1) to appraise the Mitquq 1 Nanushuk discovery.

In late February, Mitquq 1 ST1 intersected the Nanushuk formation and encountered approximately 52.5 metres (172 feet) of net hydrocarbon pay, including a nine metre (29 feet) gas cap. The wellbore was logged and cored and in late March a flow test was conducted with a single-stage stimulation. The test included a clean-up, flow period and a six-day pressure build-up, with the well achieving a stabilised rate of 1,730 bopd.

The Stirrup 1 exploration well, located approximately 12 kilometres west of the 2017 Horseshoe-1 discovery well and 35 kilometres southwest of the proposed Pikka Unit Development, spudded in late January. The well successfully penetrated the Nanushuk reservoir and encountered an oil column with net pay of 23 metres (75 feet). The wellbore was cored, perforated through a single-stage stimulation and shut-in for six-days to enable pressure build-up prior to testing. The well flowed at a stabilised rate of 3,520 bopd, one of the highest flow rates achieved on the North Slope from a Nanushuk single-stage stimulation of a vertical well.

Both wells were successfully plugged and abandoned as planned, with the rigs and crews safely demobilised from the site.

This concluded the Company's second North Slope drilling program, which was completed safely and efficiently despite very challenging conditions.

The success of the 2019/20 Alaskan exploration program is encouraging and has improved Oil Search's understanding of the geology and potential productivity of the prolific Nanushuk play that underlies the Company's portfolio of leases on the North Slope.

### **DEVELOPMENT ACTIVITIES**

Strong progress was made on this season's civil works program to connect the proposed Pikka Unit Development to existing North Slope infrastructure.

By the end of the first quarter, more than 1.4 million cubic metres (1.8 million cubic yards) of gravel had been laid to build 19 kilometres (11.5 miles) of roads and 27 hectares (56 acres) of well pads. Winter activities required to be completed for environmental and permitting purposes are expected to be finalised by the end of April, after which all crew and equipment will be demobilised.

As previously announced, given current market conditions, Oil Search has decided to delay the FID date for the Pikka Unit Development. The additional time will allow further value engineering and optimisation of the development to take place, with a focus on reducing the breakeven of the project, and the results of the Mitquq and Stirrup wells to be integrated into future planning. While further appraisal will be required, these new discoveries may represent low cost tie-back options to the proposed Pikka Unit Development or potential standalone developments. Both discoveries have the potential to create substantial long-term value for Oil Search shareholders, as well as having positive implications for the prospectivity of the Company's acreage.

**SUMMARY OF EXPENDITURE<sup>1</sup>**

	QUARTER END			FULL YEAR
	MAR 2020	DEC 2019	MAR 2019	DEC 2019
<b>Investment Expenditure</b>				
Exploration & Evaluation				
PNG	28.7	54.9	37.1	159.9
USA	89.5	61.4	47.9	539.8 <sup>4</sup>
MENA	-	-	-	0.3
Total Exploration & Evaluation	118.2	116.3	85.1	700.0
Development				
PNG LNG	16.3	20.9	4.1	45.0
Pikka Unit Development	68.9	-	-	-
Total Development	85.2	20.9	4.1	45.0
Production	11.6	21.1	13.4	81.0
PP&E	9.3	14.8	6.3	35.8
Biomass	1.8	2.0	1.9	8.8
<b>Total</b>	<b>226.1</b>	<b>175.2</b>	<b>110.8</b>	<b>870.7</b>
<b>Exploration &amp; Evaluation Expenditure Expensed<sup>2,3</sup></b>				
PNG	20.4	2.1	4.4	24.4
USA	30.9	8.4	8.0	22.5
MENA	-	-	-	0.3
Total current year expenditures expensed	51.2	10.6	12.4	47.2
Prior year expenditures expensed	27.2	-	-	-
<b>Total</b>	<b>78.4</b>	<b>10.6</b>	<b>12.4</b>	<b>47.2</b>

1. Numbers may not add due to rounding.

2. Exploration costs expensed includes unsuccessful wells, exploration seismic and certain costs related to administration costs and geological and geophysical activities. Costs related to permit acquisitions, the drilling of wells that have resulted in a successful discovery of potentially economically recoverable hydrocarbons and appraisal and evaluation of discovered resources are capitalised.

3. Numbers do not include expensed business development costs of US\$0.3 million in the first quarter of 2020 (US\$1.2 million in the fourth quarter of 2019).

4. Includes US\$450 million Alaska acquisition costs on exercising the Armstrong / GMT Option, net of US\$70.5 million farm-down proceeds.

## **GAS/LNG GLOSSARY AND CONVERSION FACTORS USED<sup>1,2</sup>**

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

1. Minor variations in conversion factors may occur over time, due to changes in gas composition.

2. Conversion factors used for forecasting purposes only.

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*This ASX announcement was authorised for release by the Oil Search Board of Directors*

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