25 August 2020

ASX Market Announcements Office
Australian Securities Exchange Limited

Lodged electronically via ASX Online

Oil Search Limited 2020 Half Year Results:

Oil Search Limited attaches the following documents:

- Oil Search Limited 2020 Interim Result Announcement, and
- Appendix 4D

Yours Sincerely,

Stephen Gardiner
Chief Financial Officer

Authorised for release by Oil Search Limited's Board of Directors

Oil Search Limited
Incorporated in
Papua New Guinea
ARBN 055 079 868

Head office
Port Moresby
Papua New Guinea

Sydney office
1 Bligh Street
Sydney NSW 2000
Australia

Mailing address
GPO Box 2442
Sydney NSW 2001
Australia

Tel: +61 2 8207 8400
Fax: +61 2 8207 8500
www.oilsearch.com

Oil Search

2020 FIRST HALF RESULTS

ASX: OSH | ADR: OISHY | PNGX: OSH

US$266M

REPORTED NET LOSS AFTER TAX

Net loss after tax impacted by US$260.2 million non-cash, after-tax impairment on exploration assets in PNG, Hides GTE Project and leases in Alaska.

US$25M

CORE NET PROFIT AFTER TAX

Fall in core NPAT reflected major reduction in realised oil and LNG prices, partially offset by excellent performance from PNG LNG and increase in operated oil production.

US$1.67BN

LIQUIDITY

Liquidity supported by successful equity issue to existing shareholders, raising approximately US$700 million (after transaction costs).

COST OUT

INITIATIVES WELL ADVANCED

Major progress made to cut capital and sustainably reduce operating costs, lower breakeven costs of growth projects and optimise the organisation to enhance resilience.

2020 FIRST HALF RESULTS

Oil Search

FIRST HALF SUMMARY

Six months to 30 June	1H20	1H19	% CHANGE
Total production (mmboe)	**14.66**	**14.13**	***+4%***
Total sales (mmboe)	**13.66**	**13.39**	***+2%***
Average realised oil and condensate price (US$ per barrel)	**35.91**	**65.26**	***(45%)***
Average realised LNG and gas price (US$ per mmBtu)	**8.22**	**9.71**	***(15%)***
Total revenue (US$m)	**625.6**	**776.9**	***(19%)***
Net (loss)/profit after tax (US$m)	**(266.2)**	**161.9**	***(264%)***
Core profit after tax[1] (US$m)	**24.7**	**165.2**	***(85%)***
Operating cash flow (US$m)	**319.0**	**420.8**	***(24%)***
Interim dividend (US cents per share)	**-**	**5.0**	***NM***

[1] Core Profit After Tax (net loss after tax before impairment and the one-off derecognition of certain deferred tax assets) is a non-IFRS measure that is presented to provide a more meaningful understanding of Oil Search's underlying financial performance. It is a non-IFRS financial measure that is derived from the financial statements, which have been subject to review by the Group's auditor.

- **2020 interim results driven by fall in global oil prices, partly offset by sustainable, ongoing cost reduction initiatives**

  2020 first half core net profit after tax[1] fell 85% to US$24.7 million**,** reflecting the sharp drop in commodity prices and higher exploration expense. A non-cash, after-tax impairment of US$260.2 million (US$374.2 million pre-tax) primarily related to PNG exploration assets was recognised which, together with the derecognition of US$30.7 million of deferred tax assets, resulted in a reported net loss after tax for the half of US$266.2 million.

  Average unit production costs for the half were US$10.38 per boe, 20% lower than in the first half of 2019. 2020 first half costs included one-off restructuring charges associated with the recent reorganisation and additional costs incurred from COVID-19 risk mitigation activities. Unit production cost guidance for the 2020 full year has been revised downwards, to US$9.50 – 10.50 per boe, reflecting the initial impact of long-term efficiency and cost optimisation initiatives currently underway across all areas of the business. 2020 first half unit depreciation and amortisation charges were US$12.44 per boe, similar to the first half of 2019.

- **Excellent performance from PNG LNG Project and highest oil production since 2018 PNG Highlands earthquake**

  The PNG LNG Project produced at an annualised rate of 8.7 MTPA for the first half of 2020, the second highest half year production rate achieved by the Project since it commenced operations in 2014.

  PNG operated oil and gas production was 19% higher than in the first half of 2019, with oil production up 48%, benefiting from the start-up of two development wells drilled in 2019 and improved facilities uptime. The strong performance from the oil fields was partially offset by the shut-in of the Hides Gas-to-Electricity (GTE) project in late April, due to the suspension of operations at the Barrick-operated Porgera gold mine.

- **Discussions on LNG expansion in PNG ongoing**

  Following the suspension of formal negotiations between the PNG Government and PRL 3 operator, ExxonMobil, on the P'nyang Gas Agreement in late January, Oil Search held informal exploratory discussions with the Government to understand key issues and identify opportunities for alignment. ExxonMobil has now re-engaged with

the Government, aimed at aligning the parties on terms for the development of the P'nyang field that are fair and balanced for all stakeholders and that consider current global LNG conditions.

Due to COVID-19 restrictions on personnel movements and the sharp fall in oil prices, ExxonMobil demobilised the majority of its expansion project team during the half.

- **Optimisation activities underway in Alaska, targeting material reduction in breakeven and upfront capital costs and optionality to capture value from recent successful exploration program**

Following a decision to delay taking a Final Investment Decision (FID) on the Pikka Unit Development on the Alaskan North Slope, value engineering and optimisation studies commenced to identify opportunities to drive down breakeven costs and reduce upfront capital expenditure. While work is still ongoing, the revised development plan will be based on a phased development approach, which will improve capital efficiency and allow funding for future development phases to be supported by free cash flow.

Phasing the initial development also preserves options to incorporate the excellent results of the 2019/20 winter exploration program, with oil discovered in the primary Nanushuk reservoir in both the northern (Mitquq) and southern (Stirrup) exploration areas. Preliminary evaluation of the well results indicates that discovered and prospective resources in both the Mitquq and Stirrup trends are likely to exceed the minimum threshold required to support future development. Appraisal plans are being prepared to further de-risk the discoveries and the results will be incorporated into the Company's Alaskan development plans.

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

Further to the announcement on 1 July 2020 regarding a major organisational restructure, Oil Search has successfully integrated the new framework into the business. The changes increase the efficiency of the Company without compromising the safety of staff, the reliability of operations or the Company's ability to deliver its growth projects. A team, named 'Pathfinder', has been established to embed performance and set targets across the business, specifically focused on opportunities that increase free cash flow and further reduce unit operating costs.

- **US$700 million equity raise strengthens the balance sheet**

At the end of June 2020, Oil Search had liquidity of US$1.67 billion, including US$831.4 million in cash and US$835.6 million in undrawn credit facilities. The balance sheet was bolstered by a well-subscribed US$700 million (net of transaction costs) capital raise. To provide additional flexibility during the current period of market volatility, the expiry date of US$300 million in short-term loan facilities was successfully extended to 30 June 2021.

- **No 2020 interim dividend due to market conditions.**

In light of the material reduction in core net profit after tax in the first half, a commitment to preserve capital during the current challenging market conditions and the uncertain near-term oil price outlook, the Oil Search Board has decided not to pay a 2020 interim dividend (five US cents per share in the first half of 2019) but will revisit the position on dividends at the end of the year.

COMMENTING ON THE FIRST HALF OF 2020, OIL SEARCH MANAGING DIRECTOR, DR KEIRAN WULFF, SAID:

"The unprecedented challenges due to COVID-19, the consequent disruption to the global economy and the precipitous decline in oil prices in the first half of 2020 have been catalysts for reassessing all areas of Oil Search's business. Without compromising safety or operational performance, we have systematically introduced initiatives to prioritise our activities, sustainably reduce operating costs, reduce current and forward non-core spend and lower breakeven costs

for our in-field development and new growth projects. These programs will enhance the Company's ability to generate strong cash flow and to deliver our world class oil and gas growth assets at lower oil prices.

As part of the drive to reduce our operating cost base, we undertook a transformational reorganisation, benchmarked against local and international peers, resulting in a leaner and more streamlined business. The cost-out program, restructure and efficiency improvements within our operated assets are already reaping rewards from a production and profitability perspective, with unit operating costs 20% lower than in the first half of 2019. Additional opportunities are being developed to further reduce the breakeven costs of our PNG oil fields and we are embedding a culture of continuous improvement, to drive ongoing operating efficiencies, and capital discipline.

Work is well advanced in Alaska to lower the breakeven cost of the Pikka Unit Development and materially reduce the upfront capital expenditure, through an optimised and phased approach to the development. We are incorporating the results from this season's very successful Mitquq and Stirrup exploration drilling program, which have highlighted material upside and enhanced optionality within Oil Search's Alaskan portfolio, into our longer-term Alaskan development plans. These initiatives have added significantly to the attractiveness of our Alaskan portfolio and we will be relaunching the partial divestment process once we have finalised the updated development plans.

Due to the impact of COVID-19 on the global economy, the market window for major new LNG supply has moved back a few years. This delay and the requirement to focus on lowest cost projects has resulted in all major LNG companies globally revisiting the timing and sequencing of new LNG projects. Given the proven world-class performance of PNG LNG, its proximity to markets and relatively low cost, we remain confident in the long-term outlook for our high-quality LNG expansion projects in PNG.

Steps were taken in the first half to strengthen the Company's balance sheet. These included a 40% reduction in 2020 capital expenditure to conserve cash and a US$700 million equity raise to increase available liquidity. We are comfortable that the balance sheet can support the Company's liquidity needs in the event of a prolonged period of lower oil prices.

Our highest priority is always to safeguard the health and wellbeing of our staff, contractors and people within our local communities. Early in the year, well ahead of the imposition of government travel restrictions and the full impact of the pandemic, we implemented a comprehensive COVID-19 management plan to protect our employees and to ensure safe and reliable operational continuity. As a result of our strict controls we have been able to protect our staff and maintain safe and reliable operations. In addition, we have worked closely with the provincial health authorities in our operational areas to assist the PNG Government in combatting the virus. COVID-19 has impacted every aspect of our business and I have been humbled by the commitment of our staff to our Company. Across Oil Search, the team has delivered extraordinary operational and safety performance, ahead of budget and forecasts, despite the challenging conditions.

Over the second half of the year, in addition to continuing the initiatives commenced in the first half, our focus will be on completing the Strategic Review. The review is now well advanced and will incorporate analysis of global and local trends and company-specific risks and opportunities, as well as valuable input from shareholders.

I look forward to updating the market on the status of these projects and the outcomes of the Strategic Review in the fourth quarter of 2020."

Financial performance

Total production for the first half of 2020 was 14.66 million barrels of oil equivalent (mmboe), up 4% on the first half of 2019, reflecting continued strong performance from the PNG LNG Project and the recovery of oil production to the highest level since the 2018 PNG Highlands earthquake. Hydrocarbon sales increased 2% to 13.66 mmboe, lower than production primarily due to the timing of LNG shipments. Due to COVID-19 and the impact on global energy demand,

oil and LNG prices were sharply lower, with realised LNG and gas prices falling 15% and realised oil and condensate prices dropping 45%, resulting in a 19% fall in sales revenue.

Unit production costs for the first half were US$10.38 per boe, 20% lower than in the first half of 2019. The lower unit production costs benefited from higher production and a 17% reduction in the total cost base. Other operating costs of US$45.8 million were down 11%, mainly due to lower royalties reflecting lower commodity prices, reduced third party purchases due to the suspension of operations at Hides GTE and an increase in inventories. Further cost reduction and efficiency initiatives will be progressed in the second half and beyond, with guidance for 2020 full year unit production costs reduced from US$10 – 11 per boe to US$9.50 - 10.50 per boe.

Unit depreciation and amortisation charges for oil and gas assets of US$12.44 per barrel were similar to the first half of 2019. Exploration expense increased from US$24.6 million in the first half of 2019 to US$94.4 million. This included US$27.2 million carried over from 2019 related to the unsuccessful Gobe Footwall well.

Following an assessment of the carrying value of the Company's assets, taking into account the outlook for oil and gas prices and other factors that could impact value realisation, Oil Search recognised a pre-tax impairment charge of US$374.2 million (US$260.2 million after tax). Together with the derecognition of certain deferred tax assets, Oil Search reported a net loss after tax of US$266.2 million. Core profit after tax[1] for the period was US$24.7 million, down from US$165.2 million in 2019.

Oil Search ended the first half with liquidity of US$1.67 billion, including US$831.4 million in cash and US$835.6 million in undrawn corporate facilities. The liquidity position benefited from the completion of a successful equity issue during the period, raising approximately US$700 million (net of transaction costs), with shares issued exclusively to existing shareholders. The Company generated operating cash flow of US$319.0 million during the first half, with cash flow from operations and part of the funds raised by the equity issue used to meet scheduled PNG LNG project finance debt repayments of US$135.9 million and discretionary net repayments of US$80.0 million under the revolving credit facilities. A further US$68.6 million was used to fund the 2019 final dividend of 4.5 US cents per share.

Approximately US$157.3 million was spent on exploration activities during the half, including three successful oil wells in Alaska, completion of drilling of the unsuccessful Gobe Footwall 1 in PNG and seismic activities in the Highlands.

Due to the reduced first half core profit after tax and a focus on preserving capital through this period of oil price weakness and volatility, the Oil Search Board has decided not to pay an interim 2020 dividend. The Board's current dividend policy, which is to pay out between 35% and 50% of annual core profit by way of dividends, remains unchanged but will be reassessed at the end of the year, subject to market conditions over the balance of 2020.

Improved safety performance and response to COVID-19

Oil Search's Total Recordable Incident Rate (incidents per million work hours) (TRIR) in the first half of 2020 was 1.34, a considerable improvement on the 2019 first half and full year TRIR of 2.50 and 1.70, respectively. The improvement in TRIR during the first half was driven by excellent safety performance for drilling and seismic operations in PNG and in the Alaskan winter exploration and road construction program.

No Tier 1 and Tier 2 process safety events were recorded during the first half, compared to three Tier 1 and Tier 2 events in the same period in 2019. Significant work has taken place to ensure that all process safety controls remain effective, despite COVID-19 restrictions and constraints on access to people and equipment.

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[1] *Core Profit After Tax (net loss after tax before impairment and the one-off derecognition of certain deferred tax assets) is a non-IFRS measure that is presented to provide a more meaningful understanding of Oil Search's underlying financial performance. It is a non-IFRS financial measure that is derived from the financial statements, which have been subject to review by the Group's auditor.*

During the first half, 14 environmental incidents (eight in PNG and six in Alaska) were reported, all minor in nature, compared to 16 reported during the first half of 2019. Environmental performance continues to be a focus area across the business, with efforts to improve measurement and reporting to reduce environmental impacts, including greenhouse gas emissions.

In response to the COVID-19 pandemic, several initiatives were introduced. These included the formation of the multi-disciplinary COVID-19 Task Force, focused on business continuity and supporting the Business Units in managing HSES risks associated with the COVID-19 conditions. A three-phase plan was established to support employees, including establishing quarantine zones in the field to protect staff and local communities, fatigue management protocols and risk mitigation for rotational staff. In managing the COVID-19 response, Oil Search remains committed to the safety and wellbeing of staff, contractors and local communities, with substantial work on combatting the virus also taking place in conjunction with local area health authorities.

Strong recovery in operated oil production, offset by shut-in of Hides GTE

Production for the first half of 14.66 million barrels of oil equivalent was 4% higher than the same period in 2019, supported by a strong performance from the PNG LNG Project and higher operated oil production. This was partially offset by the shut-in of the Hides GTE facility due to the suspension of operations at the Barrick-operated Porgera gold mine.

The PNG LNG Project delivered at an annualised rate of 8.7 MTPA during the first half, compared to 8.6 MTPA during the first half of 2019. The increase was due to the decision by the PNG LNG Project operator, ExxonMobil, to defer non-critical turbine maintenance planned for the second quarter of 2020 due to COVID-19 safety protocols and restrictions on personnel movements into PNG. Strong LNG production resulted in a higher number of cargoes sold on the spot market than in the first half of 2019, with approximately 80% of LNG volumes from PNG LNG sold under long and medium-term contracts.

Production from Oil Search operated oil assets in PNG increased approximately 48% on the first half of 2019, reaching the highest rates since operations were impacted by the PNG Highlands earthquake in early 2018. Two development wells drilled in the Moran and Kutubu fields during 2019 were commissioned and provided an early production boost during the first quarter.

In March, due to the impact of COVID-19 and consequent restrictions on personnel movement as well as a reduction in capital expenditure in response to lower oil prices, Oil Search reduced non-critical expenditure across operated assets and cancelled non-essential field activities. This included the suspension of drilling the IDT 26 development well and the deferral of a coiled tubing program. The reduction in activities allowed personnel to focus efforts on increasing the efficiency of the existing production base and undertaking risk reduction projects, including preventative maintenance. The outcome of these activities resulted in increased system reliability and improved compression uptime, a key element of the gas reinjection system. A detailed assessment of oil production opportunities was undertaken during the first half and the coiled tubing program will now commence in 2021, to support the excellent recent production performance from the operated oil fields.

Remediation activities on the NW Moran field, which has been offline since the PNG earthquake in early 2018, commenced during the first half of 2020. Production is expected to recommence in the first quarter of 2021. The field was producing at approximately 2,000 bopd prior to being shut-in and is expected to support operated production volumes into 2021.

In late April, the gas and condensate production from Hides GTE was shut in, resulting in the loss of approximately 3,300 barrels of oil of equivalent per day to Oil Search, due to the suspension of mining and minerals processing operations at the Barrick-operated Porgera gold mine. Oil Search has since commenced care and maintenance activities. The Hides GTE Gas Sales Agreement is due to expire at the end of 2021.

LNG expansion projects in PNG

In late January, formal negotiations between the PNG Government and ExxonMobil (operator of the PRL 3 (P'nyang) joint venture) regarding the P'nyang Gas Agreement were suspended. Oil Search subsequently undertook informal exploratory discussions with the Government, to establish key issues and identify opportunities for alignment. These talks were conducted in a positive environment and were concluded in April. Discussions have since resumed between ExxonMobil and the PNG Government, aimed at aligning the parties on terms for the development of the P'nyang gas field that are fair and balanced for all stakeholders and that consider the global conditions impacting LNG demand.

Technical and commercial activities on the proposed three train LNG expansion at the PNG LNG plant site at Caution Bay slowed during the first half, due to the suspension of formal negotiations on the P'nyang Gas Agreement and the impact of COVID-19 on the movement of personnel.

During the period, Oil Search conducted an internal analysis of the impact of COVID-19 on the outlook for global gas demand. Based on independent data and discussions with potential customers, the Company expects that due to COVID-19, demand for material new LNG supplies in the Asian region will be delayed by a few years compared to pre-COVID-19 estimates. Longer term, strong growth in the demand for cost-competitive, high quality LNG is expected to resume.

Successful 2019/20 exploration program in Alaska increases prospectivity of Oil Search's acreage

Oil Search's 2019/20 exploration drilling program on the Alaskan North Slope was very successful, with hydrocarbon discoveries made in all three penetrations.

The Mitquq 1 exploration well, located approximately nine kilometres (5.6 miles) east of the planned Pikka Unit Development central processing facility, encountered oil and gas within both the primary and secondary objectives, the Nanushuk and Alpine reservoirs, respectively. The Mitquq 1 ST1 appraisal well discovered oil and gas in the same Nanushuk reservoir intersected in Mitquq 1 and was flow tested at a stabilised rate of 1,730 bopd from a single stimulated zone.

The Stirrup 1 well, approximately 12 kilometres (7.5 miles) west of the Horseshoe 1 discovery drilled in 2017, discovered oil in the target Nanushuk reservoir. On test, it flowed 3,520 bopd from a single stimulated zone, one of the highest rates recorded from a Nanushuk single stage stimulation on the North Slope.

Models have been built based on the results of the discovery well tests and the latest seismic data, which have provided increased confidence in the trends. Subject to confirmation through further appraisal drilling, Oil Search believes that the prospective resource volumes at Mitquq and Stirrup are likely to be in excess of the minimum development threshold if produced as a Pikka satellite and as a stand-alone development, respectively.

The results of this year's exploration program are being integrated into development and future exploration plans.

Excellent progress was also made on the early civil works for the Pikka Unit Development during the winter season, which included the first phase of gravel laying across the proposed footprint of the Company's future operations. More than two million cubic yards of gravel was laid for the construction of nearly 19 kilometres (12 miles) of roads and 27 hectares (56 acres) of gravel pads during the winter, with work taking place during the Alaskan summer to rework or "farm" the gravel in final preparation for use. The decision to conduct early works will allow the joint venture to accelerate construction of the Pikka Unit Development once a Final Investment Decision (FID) is made.

Optimisation studies well advanced to reduce breakeven cost of Pikka Unit Development

Following the significant downturn in the oil price in March, Oil Search decided to delay the FID on the Pikka Unit Development. Value engineering and optimisation studies are now underway, focused on reducing the breakeven cost of the project and improving the return on investment even in a low oil price environment.

The initial results from these studies indicate that a phased approach to the development of the Pikka field provides the opportunity to materially lower breakeven and upfront capital costs, as well as delivering the basis for optimally developing the resources within the Pikka Unit and adjacent areas. The first development phase can leverage the recently installed road and pad infrastructure and produce from a single drill site, with subsequent phases producing from additional drill sites. This approach will enhance the commerciality of the project even at lower oil prices and will allow the funding of future development phases to be supported from phase one cash flow, while continuing to deliver significant economic benefits to the State of Alaska and local communities.

Work on optimising the Pikka Unit Development is expected to be completed by the end of 2020.

While there are several parties that remain interested in continuing discussions regarding the sale of 15% of Oil Search's interest in Alaska, current market conditions and uncertainty in oil prices make an optimised divestment of assets challenging at this time. A formal sell-down process will be re-launched in 2021. This will allow the incorporation of the updated development plan, including the revised reduced capital cost, lower breakeven costs and phased development approach, as well as a full analysis of the results of the successful 2019/20 exploration program, to maximise the value of the divestment.

Strong shareholder support for equity raise

In early April, Oil Search announced a 1 for 8 accelerated pro-rata non-renounceable entitlement offer, institutional placement and offer to eligible PNG shareholders at A$2.10 per share (or equivalent price in Kina). The institutional placement and entitlement component raised approximately US$650 million, with shares allocated to existing shareholders only. The underwritten retail component to eligible shareholders raised approximately US$50 million, with a strong take-up rate and applications under the Oversubscription Facility.

Funds from the equity raise have significantly strengthened Oil Search's balance sheet and will provide additional liquidity to meet the Company's ongoing operational needs during a period of volatile oil prices.

Structural changes to drive streamlined business

The organisational restructure, which was announced on 1 July, has been implemented smoothly, with minimal negative impact to operations. The 'Pathfinder' program has also been initiated, with a commitment to deliver further cost reductions and continuous improvement in operations through contract performance management, operational excellence, efficiency enhancement, application of technology and advanced data analytics, and benchmarking for setting continuous cost and operating improvement targets.

The new executive management team is working well following the changes made as part of the restructure, aimed at driving clear and targeted accountability. These changes included the appointment of PNG citizens Leon Buskens to PNG Country Manager and Wayne Kasou to SVP Government Affairs and Advisor to the Managing Director's Office. A key focus for Leon and Wayne is to build on the excellent foundation that Oil Search has developed over many years in PNG, as well as ensure that Oil Search continues to support PNG aspirations and remains aligned with the future direction of PNG being set by its new leaders.

To drive safe, sustainable and profitable operations in PNG, Bart Lismont was appointed EVP of Development and Operations. Bart's key focus is on optimising the performance and footprint of the Company's mature operated oil

business and delivering sustainable cost reductions. Bart has more than 30 years' experience in upstream oil and gas, including as VP, Development for Shell's operated assets outside the Americas.

A key decision made during the first half, which was strongly supported by the Board, was to enhance the Company's commitment to sustainability and ESG. Oil Search has a leading commitment to community and social development which will be expanded to ensure that Oil Search is well placed and clearly committed to incorporating climate change, ESG and social issues in all aspects of its business. Accordingly, Beth White, formerly EVP of the PNG Business Unit, was appointed to the newly created role of EVP Sustainability and Technology. Beth's role includes building on the Company's well-recognised social responsibility foundations and, as part of the Strategic Review, setting Oil Search's long term ESG strategy.

During the half, Oil Search's Chief Financial Officer (CFO), Stephen Gardiner, announced he will be stepping down in February 2021 after nine years in the role and 17 years with the Company. Ayten Saridas has since joined the Company as Chief Financial Officer Designate and the transition of the CFO role has commenced.

Mike Drew continues his role as Company Secretary and EVP Corporate, as well as taking responsibility for the newly created role of Chief Investment Officer, filled by Nicole Beavan, who is leading the Company's Strategic Review. Diego Fettweis has formally been appointed EVP Commercial, having held the role in an acting capacity since late 2019, while Bruce Dingeman's role as EVP, Alaska remains unchanged.

2020 FIRST HALF RESULTS

Oil Search

GUIDANCE FOR THE 2020 FULL YEAR[1,2]

Year to December	2020 Guidance (as at 25 August 2020)	
	Low	**High**
Production		
Oil Search operated (PNG oil and gas)[3,4] (mmboe)	3	4
PNG LNG Project		
LNG (bcf)	*109*	*113*
Power (bcf)	*1.0*	*1.5*
Liquids (mmbbl)	*2.9*	*3.1*
Total PNG LNG Project[3] (mmboe)	**24.5**	**25.5**
Total production (mmboe)	**27.5**	**29.5**
Operating costs		
Production costs (US$ per boe)	9.50	10.50
Other operating costs[5] (US$m)	110	130
Depreciation and amortisation[6] (US$ per boe)	12.00	13.00
Capital costs		
Production (US$m)	55	65
Development (US$m)	135	165
Exploration and evaluation (US$m)	220	250
Other plant and equipment (US$m)	25	35
Power (US$m)	5	15
Total (US$m)	**440[7]**	**530[7]**

1. *Numbers may not add due to rounding.*
2. *Subject to future COVID-19 impacts*
3. *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.*
4. *Includes SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%)*
5. *Includes gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, power expense and corporate administration costs (including business development), expenditure related to hydrocarbon inventory movements and other expenses.*
6. *Relates to oil and gas assets that are depreciated on a unit production basis and excludes assets depreciated on a straight-line basis (including right-of-use assets capitalised under IFRS 16 Leases).*
7. *Total capital expenditure to 30 June 2020 was US$318.7 million.*

2020 FIRST HALF RESULTS

Oil Search

FINANCIAL PERFORMANCE SUMMARY[1]

Six months to 30 June	1H 2020	1H 2019	Δ (%)
Sales data			
PNG LNG Project			
LNG (Billion Btu)	61,265	60,951	*1%*
Domestic Gas (Billion Btu)	403	-	*NM*
Condensate ('000 bbls)	1,204	1,226	*(2%)*
Naphtha ('000 bbls)	157	186	*(16%)*
Total PNG LNG Project sales (mmboe)	**12,117**	**12,030**	***1%***
PNG oil ('000 bbls)	1,167	870	*34%*
Hides GTE			
Gas (Billion Btu)	1,941	2,548	*(24%)*
Condensate & refined products ('000 bbls)	32	42	*(24%)*
Total oil and Hides GTE sales ('000 boe)	**1,543**	**1,364**	***13%***
Total barrels of oil equivalent sold ('000 boe)[2]	**13,659**	**13,394**	***2%***
Average realised oil and condensate price (US$/bbl)[3]	35.91	65.26	*(45%)*
Average realised LNG and gas price (US$/mmBtu)	8.22	9.71	*(15%)*
Financial data (US$ million)			
Revenue from operations	625.6	776.9	*(19%)*
Production costs	(152.1)	(183.2)	*(17%)*
Other operating costs	(45.8)	(51.2)	*(11%)*
Other income	25.1	39.8	*(37%)*
EBITDAX[4]	**452.8**	**582.3**	***(22%)***
Depreciation and amortisation	(213.3)	(205.9)	*4%*
Exploration costs expensed	(94.4)	(24.6)	*284%*
Impairment	(374.2)	(4.7)	*NM*
EBIT[4]	**(229.0)**	**347.1**	***NM***
Net finance costs	(106.9)	(119.3)	*(10%)*
Share of net profits from investments	2.9	-	*NM*
(Loss)/profit before tax	**(333.0)**	**227.9**	***(246%)***
Taxation expense	66.8	(65.9)	*(201%)*
Net (loss)/profit after tax	**(266.2)**	**161.9**	***(264%)***
Core profit after tax[4]	**24.7**	**165.2**	***NM***
Per share data (US cents)			
Basic EPS	**(15.0)**	10.6	***NM***
Diluted EPS	**(15.0)**	10.6	***NM***
Net operating cash flow per share	**15.3**	27.5	*(44.4)*
Interim dividend	**-**	5.0	***NM***

1. *Numbers and percentage moves may not add due to rounding.*
2. *Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time.*
3. *Average realised price for Kutubu Blend, including PNG LNG condensate.*
4. *EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration), EBIT (earnings before interest and tax) and Core profit after tax are non-IFRS measures that are presented to provide a more meaningful understanding of Oil Search's financial performance. The non-IFRS financial information is unaudited but is derived from the financial statements which have been subject to review by the Group's auditor.*

Oil Search

FINANCIAL POSITION[1]

As at	30 Jun 2020	31 Dec 2019	30 Jun 2019
Cash and short-term deposits (US$m) [2]	831.4	396.2	538.3
Debt (US$m)[3]			
PNG LNG financing	2,803.5	2,939.4	3,119.3
Drawn corporate facilities	360.0	440.0	-
Net debt (US$m)	**2,332.1**	**2,983.2**	**2,581.0**
Total liquidity (US$m) [3]	**1,667.0**	**1,151.9**	**1,434.0**

1. *Numbers may not add due to rounding.*
2. *As at 30 June 2020, US$294.5 million was escrowed in PNG LNG Project accounts (31 December 2019: US$232.1 million, 30 June 2019: US$312.7 million).*
3. *Excludes lease liabilities recorded as borrowings. As at 30 June 2020, the Company's corporate facilities totalled US$1.2 billion of which US$360 million had been drawn down and US$4.4 million had been utilised for letters of credit.*

A full analysis of the financial results can be found in the Results and Review of Operations commencing on page 3 of the Directors' Report for the half-year ended 30 June 2020.

2020 FIRST HALF RESULTS

Oil Search

PRODUCTION SUMMARY[1,6]

Six months to 30 June	2020		2019		% Change	
	Gross daily production	Net to OSH	Gross daily production	Net to OSH	Gross daily production	Net to OSH
Gas production	*mmscf/d*	*mmscf*	*mmscf/d*	*mmscf*		
PNG LNG Project						
LNG[2]	1,074	56,709	1,056	55,462	*2%*	*2%*
Gas to power	4	222	6	295	*(25%)*	*(25%)*
Domestic gas	6	295	-	-	*100%*	*100%*
Hides GTE gas[3]	10	1,804	13	2,376	*(24%)*	*(24%)*
SE Gobe gas to PNG LNG[4, 5]	18	731	20	809	*(10%)*	*(10%)*
Total gas	**1,112**	**59,762**	**1,095**	**58,942**	*2%*	*1%*
Oil and liquids production	*bopd*	*mmbbl*	*bopd*	*mmbbl*		
Kutubu	7,969	0.871	7,229	0.786	*10%*	*11%*
Moran	5,421	0.488	1,347	0.121	*302%*	*305%*
Gobe Main	304	0.006	380	0.007	*(20%)*	*(20%)*
SE Gobe	371	0.015	466	0.019	*(20%)*	*(20%)*
Total PNG oil	**14,065**	**1.380**	**9,422**	**0.932**	*49%*	*48%*
Hides GTE liquids[3]	172	0.031	254	0.046	*(32%)*	*(32%)*
PNG LNG liquids	28,971	1.529	30,397	1.596	*(5%)*	*(4%)*
Total liquids	**43,208**	**2.941**	**40,072**	**2.574**	*8%*	*14%*
	boepd	*mmboe*	*boepd*	*mmboe*		
Total production[5]	**261,249**	**14.659**	**254,828**	**14.131**	***3%***	***4%***

1. *Numbers may not add due to rounding. Where required, adjustments are taken in the affected production period.*
2. *Production net of fuel, flare and shrinkage and SE Gobe wet gas.*
3. *Hides GTE production is reported on a 100% basis for gas and associated liquids purchased by the Hides (GTE) Project Participant (Oil Search 100%) for processing and sale to the Porgera power station. Sales gas volumes are inclusive of approximately 2% unrecovered process gas.*
4. *SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.*
5. *Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time.*
6. *Field volumes differ slightly from those reported in the second quarter report due to a minor revision in allocation between fields.*

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

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

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

2020 FIRST HALF RESULTS

Oil Search

For more information regarding this report, please contact:

Investors:

Ann Diamant

Senior Vice President, Investor Relations

Tel: +612 8207 8440

Mob: +61 407 483 128

Chris Morbey - Investor Relations Manager

Tel: +612 8238 8468

Mob: +61 448 151 450

Email: chris.morbey@oilsearch.com

Media:

Matthew Park – Vice President, Communications and Media

Tel: +612 8238 8882

Mob: +61 400 539 302

Email: matthew.park@oilsearch.com

Presentation and Webcast

Oil Search will be holding a presentation for analysts and fund managers at 11.00 am AEST today, 25 August 2020. The presentation will be webcast live over Oil Search's website. To listen to the webcast, please log on to www.oilsearch.com. If you experience any technical difficulties, please call: +61 2 8280 6000.

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

DISCLAIMER

This report contains some forward-looking statements which are subject to particular risks associated with the oil and gas industry. Actual outcomes could differ materially due to a range of operational, cost and revenue factors and uncertainties including oil and gas prices, changes in market demand for oil and gas, currency fluctuations, drilling results, field performance, the timing of well workovers and field development, reserves depletion, fiscal and other government issues and approvals and the impact of COVID-19.

This ASX announcement was authorised for release by Oil Search's Board of Directors

Appendix 4D

This information should be read in conjunction with the consolidated Financial Report for the half-year ended 30 June 2020.

Results for announcement to the market

	% Change	Half-year ended 30 June 2020 US$'000	Half-year ended 30 June 2019 US$'000
Revenue from ordinary activities	*lower 19*.5%	**625,589**	776,941
(Loss) / Profit from ordinary activities after tax attributable to members	*lower* 264.4%	**(266,179)**	161,931
(Net loss) / Net profit for the half-year attributable to members	*lower* 264.4%	**(266,179)**	161,931

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

Dividends

	Half-year ended 30 June 2020 US cents	Half-year ended 30 June 2019 US cents
Interim dividend paid per security [1]	**nil**	5.00

Net tangible assets

	30 June 2020 US$	30 June 2019 US$
Net tangible asset backing per ordinary security	**1.81**	2.14

Details of entities over which control was gained or lost

There were no acquisitions or disposals of controlled entities during the half-year ended 30 June 2020.

Details of joint ventures

	Percent ownership interest held at the end of the period	
	30 June 2020 %	30 June 2019 %
Papua New Guinea Liquefied Global Natural Gas Company LDC	**29**	29
NiuPower Limited	**50**	50
NiuEnergy Limited	**50**	50

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

Oil Search

Condensed Consolidated Financial Report for the half-year ended 30 June 2020

Contents

Directors' report

The Directors submit their report for the financial half-year ended 30 June 2020.

DIRECTORS

The names of the Directors of the Company in office during the half-year and up to the date of this report are below:

Non-executive Directors

- Mr Richard J Lee, AM, BEng (Chem) (Hons), MA (Oxon), FAICD (Chairman)
- Dr Bakheet S Al Katheeri, PhD, BASc, MSc, Executive MBA (Hons)
- Sir Kostas G Constantinou, OBE
- Ms Susan M Cunningham, BA Geol & Geog
- Dr Eileen J Doyle, BMath (Hons), MMath, PhD, FAICD
- Ms Fiona E Harris, BCom, FCA (Aust), FAICD
- Dr Agu J Kantsler, BSc (Hons), PhD, GAICD, FTSE
- Sir Mel P Togolo, CBE, BEcon (Hons), MA (Econ), MA (Geography)

Executive Directors

- Dr Keiran Wulff, PhD, BASc (Managing Director) appointed 25 February 2020
- Mr Peter R Botten, AC, CBE, BSc, ARSM, (Managing Director) ceased 25 February 2020

GROUP SECRETARY

Mr Michael Drew, LL.B (Hons)

RESULTS AND REVIEW OF OPERATIONS

Overview

The first half of 2020 was a period of unprecedented challenges due to COVID-19 and the consequent disruption to the global economy. More specifically, oil and gas prices fell sharply due to the impact of COVID-19 on the global demand for oil, and geopolitical developments resulting in a large oversupply of oil in the market.

The Company's top priority has been to safeguard the health and wellbeing of staff, contractors and people within our local communities. In response to the COVID-19 pandemic, several initiatives were introduced including the formation of the multi-disciplinary COVID-19 Task Force, focused on business continuity and supporting the Business Units in effectively managing HSES risks associated with the COVID-19 conditions.

In response to the low oil price, Oil Search has taken steps to enhance the Group's resilience to prolonged lower oil prices without compromising its ability to progress growth projects when conditions allow, including reducing planned capital spend for 2020 by approximately 40%, reducing all discretionary spend, including travel which has been restricted since the outbreak of COVID-19, raising approximately US$700 million through an equity issue, extending the expiry date of US$300 million of bilateral short term facilities to 30 June 2021, and commencing various other cost reduction initiatives.

Despite the challenging operating conditions and restrictions on personnel movements, the Group's safety record for the first half of 2020 was excellent across all areas and the PNG oil field operations performed above expectations. Combined with continued strong production from the PNG LNG Project, Oil Search delivered higher production volumes in the first half of 2020 compared to the first half of 2019, despite the shut-in of the Hides Gas-to-Electricity (GTE) project during the period due to the suspension of operations at the Porgera gold mine.

Oil Search

Directors' report *(continued)*

Summary of Financial Performance

For the half-year ended 30 June	2020	2019	% change
Production and Sales Data			
Production (mmboe[1])	14.66	14.13	+3.8
Sales (mmboe)	13.66	13.39	+2.0
Average realised oil and condensate price (US$/bbl[2])	35.91	65.26	-45.0
Average realised LNG and gas price (US$/mmBtu[3])	8.22	9.71	-15.3
Financial Data ($US million)			
Revenue	625.6	776.9	-19.5
Production costs	(152.1)	(183.2)	-17.0
Other operating costs	(45.8)	(51.2)	-10.5
Other income	25.1	39.8	-36.9
EBITDAX[4]	**452.8**	**582.3**	**-22.2**
Depreciation	(213.3)	(205.9)	+3.6
Exploration costs expensed	(94.4)	(24.6)	+283.7
Impairment expense	(374.2)	(4.7)	*NM**
Net finance costs	(106.9)	(119.3)	-10.4
Share of net profit from investment in joint ventures	2.9	-	*NM**
(Loss) / profit before tax	**(333.0)**	**227.9**	**-246.1**
Tax benefit/(expense)	66.8	(65.9)	-201.4
Net (loss) / profit after tax	**(266.2)**	**161.9**	**-264.4**
Impairment expense (post tax)	260.2	3.3	*NM**
Derecognition of deferred tax assets	30.7	-	*NM**
Core profit after tax[4]	**24.7**	**165.2**	-85.0
Net debt[5]	**2,332.1**	**2,581.0**	**-9.6**

Note: Numbers may not add due to rounding.
**NM: Not meaningful*

Overall Result

The COVID-19 pandemic has had a significant impact on the results of the Group for the first half of 2020, largely through reduced average realised prices, the non-cash impairment expense of US$374.2 million (pre-tax), and the derecognition of certain deferred tax assets of US$30.7 million, resulting in a reported net loss after tax of US$266.2 million. Despite the challenging conditions, the Group delivered a core profit after tax[4] of US$24.7 million.

Production and Revenue

Total production in the first half of 2020 was 14.66 mmboe, 3.8% higher than the first half of 2019, reflecting the strong performance from the PNG LNG Project and operated oil production achieving a post-earthquake high.

Total revenue of US$625.6 million was 19.5% lower than the first half of 2019, predominantly driven by lower average realised oil and condensate prices that were partially offset by higher hydrocarbon sales volumes.

LNG delivered volumes for the first half of 2020 were 61,265 billion Btu consisting of the delivery of 54 cargoes (1H 2019: 55 cargoes). Total liquid volumes delivered for the first half of 2020 totalled 2.56 mmbbl, 10.2% higher than for the corresponding period.

[1] mmboe = million barrels of oil equivalent. Gas volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale.
[2] bbl = barrel of oil.
[3] mmBtu = million (10^6) British thermal units.
[4] EBITDAX (earnings before interest, tax, depreciation, impairment and exploration costs expensed) and Core Profit after tax (net loss/profit after tax before impairment and the one-off derecognition of certain deferred tax assets) are non-IFRS measures that are presented to provide a more meaningful understanding of Oil Search's underlying financial performance. These non-IFRS financial measures are derived from the financial statements, which have been subject to review by the Group's auditor.
[5] Net debt represents total borrowings, excluding lease liabilities, less cash and cash equivalents.

Directors' report *(continued)*

The average oil and condensate price realised during the half year was US$35.91 per barrel, 45% lower than the first half of 2019, reflecting the significant decline in global oil prices as a consequence of the impact of COVID-19 on demand for oil and geopolitical events resulting in an oil oversupply.

The average price realised for LNG and gas sales declined 15.3% to US$8.22 per mmbtu, a better outcome than the liquids pricing due to an approximate two to three-month lag between the spot oil price and LNG contract prices. The Group did not establish any oil-linked hedges during the period and remains unhedged to oil price movements.

Other revenue, which consists mainly of electricity, naphtha sales and infrastructure tariffs, decreased marginally to US$14.2 million in the first half of 2020 from US$14.6 million over the corresponding period in 2019, predominantly due to lower naphtha sales partially offset by increased electricity sales.

Rig and camp lease revenue decreased to US$2.3 million representing lower rig utilisation in the first half of 2020 over the corresponding period in 2019 (US$7.2 million).

Production and other operating costs

Production costs decreased by 17.0% to US$152.1 million in the first half of 2020, mainly due to higher well workover activity and higher PNG LNG maintenance costs in the first half of 2019 and various cost reductions undertaken in 2020 in response to the decline in oil prices. No offsetting insurance recoveries for earthquake remediation work were recognised for the PNG Oil and Gas assets in the first half 2020, and these are pending further assessment by the insurers.

	Production costs	
US$ million	**1H2020**	**1H2019**
PNG LNG	83.9	93.6
PNG Oil and Gas	68.2	89.6
	152.1	**183.2**

Coupled with higher production volumes in 2020, unit production costs on a per barrel of oil equivalent (boe) basis decreased by 20%, from US$12.97 in the first half of 2019 to US$10.38 in the first half of 2020.

Other operating costs in the first half 2020 of US$45.8 million were 10.5% lower than the first half of 2019, predominantly due to an increase in hydrocarbon inventories on hand at end June 2020, a decrease in royalties as a consequence of the decline in oil prices, lower gas purchases for the Hides Gas to Electricity (GTE) project due to the suspension of mining activities at the Porgera mine, partially offset by an increase in site restoration costs that were expensed in the period.

Depreciation

The increase in depreciation of US$7.4 million to US$213.3 million for the first half of 2020 was mainly driven by higher production volumes. On a per boe produced basis, the average depreciation rate for the producing assets in the first half of 2020 was US$12.44 (1H 2019: US$12.51).

Other income

Other income of US$25.1 million in the first half of 2020 was 36.9% lower than the first half of 2019, due to the recognition of insurance receipts and a one-off adjustment relating to the release of a provision in the prior period.

Exploration costs expensed

In line with Oil Search's successful efforts accounting policy, all costs associated with unsuccessful drilling, seismic work and other support costs related to exploration activity were expensed during the half-year and resulted in a pre-tax charge of US$94.4 million (1H 2019: US$24.6 million). This included a US$43.4 million expense relating to the Gobe Footwall well costs. The remaining exploration costs

expensed during the first half of 2020 consisted of seismic acquisition, geological, geophysical and general administration expenses in PNG and Alaska.

Impairment expense

In accordance with the relevant accounting standards and after taking into account the potential longer-term impact of prevailing economic conditions, the outlook for oil and gas prices, and the current status of other factors that could impact on value realisation, a pre-tax impairment expense of US$374.2 million (US$260.2 million after tax) was recognised in the condensed statement of comprehensive income for the six-month period ended 30 June 2020 (refer to note 7).

This included US$364.7 million pre-tax relating to the impairment of various exploration and evaluation assets (predominantly in PNG) which were assessed as having reduced priority in the Company's portfolio due to lower prospectivity or sub-optimal economics, and a US$9.5 million pre-tax impairment relating to the Hides GTE project driven by the uncertainty relating to the resumption of production following the suspension of mining activities at the Porgera mine in PNG.

Net finance costs

Net finance costs of US$106.9 million in the first half of 2020 were 10.4% lower than the prior comparable period, impacted by lower US interest rates on PNG LNG debt, partially offset by an increase in interest expense on corporate facilities.

Taxation

The tax benefit on the loss before tax for the first half of 2020 was US$66.8 million, compared to a tax expense of US$65.9 million in the corresponding period. This resulted in an effective tax rate of 20.1%, lower than the prior comparable period rate, primarily due to the derecognition of certain deferred tax assets totalling US$30.7 million.

Summary of Financial Position

Investment expenditure

Investment expenditure for the first half of 2020 totalled US$318.7 million. The categories of investment expenditure for the period were:

US$ million	30 June 2020
Exploration and evaluation	157.3
Development	
Pikka Unit Development	89.8
PNG LNG Project	27.4
Producing assets	26.4
Other plant and equipment	14.1
Biomass	3.7
Total investment expenditure	**318.7**

Exploration and evaluation expenditure for the first half of 2020 was largely driven by the winter drilling campaign on the Alaskan North Slope focused on the Mitquq and Stirrup wells, which were plugged and abandoned as planned after successfully discovering oil, and the Gobe Footwall well in PNG which failed to discover commercial hydrocarbons and was also plugged and abandoned.

Development expenditure during the period included the Alaska civil works programme to connect the proposed Pikka Unit Development to the existing North Slope infrastructure and engineering and optimisation studies aimed at reducing the breakeven of the project to ensure it is economically robust in a lower oil price environment. Development expenditure also included Oil Search's share of PNG LNG Project development costs for the Angore development of US$27.4 million.

Directors' report *(continued)*

Producing asset expenditures totalled US$26.4 million for the first half of 2020 and largely related to risk reduction capital works activities.

Other plant and equipment expenditures of US$14.1 million predominantly related to the Group's Enterprise Resource Planning project and US$3.7 million of expenditure on FEED activities for the Group's Biomass project.

Net debt

As at 30 June 2020, Oil Search had cash and cash equivalents of US$831.4 million and gross debt of US$3,163.5 million, excluding lease liabilities of US$399.2 million.

Oil Search had net debt (total borrowings excluding lease liabilities, less cash) of US$2,332.1 million as at 30 June 2020, which was US$651.1 million lower than the net debt position of US$2,983.2 million as at 31 December 2019.

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

	US$ million
Net debt at 31 December 2019	**2,983.2**
Net repayment	
PNG LNG Project finance facility	(135.9)
Corporate facilities	(80.0)
Increase in cash balances	(435.2)
Net movement in 1H2020	**(651.1)**
Net debt at 30 June 2020	**2,332.1**

Note: Numbers may not add due to rounding.

Oil Search remained in a sound liquidity position at 30 June 2020, with cash of US$831.4 million, including US$294.5 million in PNG LNG escrow accounts, and US$835.6 million available under the Group's corporate revolving facilities.

Summary of Cash flows

Half-year to 30 June (US$ million)	2020	2019	% change
Net receipts	429.1	554.8	-22.7
Net interest paid	(103.3)	(120.9)	-14.6
Tax paid	(6.9)	(13.2)	-47.7
Operating cash flow	**319.0**	**420.7**	**-24.2**
Net investing cash flow	(277.1)	(170.3)	+62.7
Net financing cash flow	393.3	(312.7)	*NM**
Net cash inflow/(outflow)	**435.2**	**(62.2)**	*NM**

Note: Numbers may not add due to rounding.
**NM: Not meaningful*

Operating cash inflows decreased largely due to lower average realised liquid prices, partially offset by higher volumes sold and lower payments to suppliers in line with lower production costs.

Higher investing cash outflows were largely driven by higher development activities in the period (mainly progress on the Pikka development in Alaska).

The increase in cash inflows from financing activities were largely due to the equity raise (see below), partially offset by higher debt repayments made during the first half of 2020.

Directors' report *(continued)*

Equity raise

During the first half of 2020, the Group successfully completed an accelerated pro-rata non-renounceable entitlement offer, an institutional placement and an offer to eligible PNG shareholders at A$2.10 per share, raising US$698.2 million (approximately A$1,140 million) after transaction costs. The fully underwritten institutional placement component was significantly oversubscribed, with shares allocated to existing shareholders only, while the underwritten retail component was also almost fully subscribed by shareholders, with applications (including over subscriptions) from approximately half of eligible retail shareholders.

SUBSEQUENT EVENTS

There were no material events subsequent to 30 June 2020 and up until the authorisation of the financial report for issue, that have not been disclosed elsewhere in the financial report.

Since 30 June 2020 there has been an escalation in the number of identified COVID-19 cases in PNG but at the date of this report there has been no material impact on the Company's operations that has not already been disclosed.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

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

Signed in accordance with a resolution of the directors.

……

RJ LEE AM

Chairman

……

K WULFF

Managing Director

Sydney, 24 August 2020

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

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

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

The Directors
Oil Search Limited
Level 22,
1 Bligh Street
Sydney NSW 2000

24 August 2020

Dear Directors,

Oil Search Limited

I am pleased to provide the following declaration of independence to the directors of Oil Search Limited and its controlled subsidiaries.

As lead audit partner for the review of the financial statements of Oil Search Limited and its controlled subsidiaries for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA) in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Strydom

Jacques Strydom
Partner
Chartered Accountants

Oil Search

Condensed consolidated statement of comprehensive income for the half-year ended 30 June 2020

	Note	Half-year ended 30 June 2020 $'000	Half-year ended 30 June 2019 $'000
Revenue	3	**625,589**	776,941
Cost of sales	4	**(361,609)**	(399,194)
Gross profit		**263,980**	377,747
Other income	5	**25,128**	39,793
Other expenses	6	**(143,945)**	(65,719)
Impairment expense	7	**(374,207)**	(4,694)
(Loss) / Profit from operating activities		**(229,044)**	347,127
Net finance costs	8	**(106,879)**	(119,263)
Share of net profit of investments in joint ventures		**2,907**	-
(Loss) / Profit before income tax		**(333,016)**	227,864
Income tax benefit/(expense)	9	**66,837**	(65,933)
Net (loss) / profit after tax		**(266,179)**	161,931
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		**2,587**	(700)
Total comprehensive (loss) / income for the period		**(263,592)**	161,231
		cents	cents
Basic earnings per share	10	**(14.97)**	10.63
Diluted earnings per share	10	**(14.97)**	10.58

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

Oil Search

Condensed consolidated statement of financial position as at 30 June 2020

	Note	30 June 2020 $'000	31 December 2019 $'000
Current assets			
Cash and cash equivalents		**831,439**	396,232
Receivables		**134,763**	272,087
Inventories		**133,115**	104,038
Prepayments		**15,643**	19,867
Total current assets		**1,114,960**	792,224
Non-current assets			
Prepayments		**81,084**	81,450
Receivables		**71,739**	67,939
Exploration and evaluation assets	12	**2,709,485**	2,998,021
Oil and gas assets	13	**6,272,719**	6,124,358
Other plant and equipment	13	**472,389**	488,300
Investments in joint ventures		**57,350**	54,443
Deferred tax assets		**1,135,651**	966,118
Total non-current assets		**10,800,417**	10,780,629
Total assets		**11,915,377**	11,572,853
Current liabilities			
Payables		**243,764**	337,022
Provisions		**26,214**	28,523
Borrowings		**770,748**	654,513
Current tax payable		**62,024**	100,663
Total current liabilities		**1,102,750**	1,120,721
Non-current liabilities			
Payables		**9,918**	10,331
Provisions		**906,106**	688,395
Borrowings		**2,791,880**	3,140,069
Deferred tax liabilities		**1,481,389**	1,354,926
Total non-current liabilities		**5,189,293**	5,193,721
Total liabilities		**6,292,043**	6,314,442
Net assets		**5,623,334**	5,258,411
Shareholders' equity			
Share capital	14	**3,856,615**	3,158,390
Reserves		**(201)**	(1,719)
Retained earnings		**1,766,920**	2,101,740
Total shareholders' equity		**5,623,334**	5,258,411

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

Oil Search

Condensed consolidated statement of cash flows for the half-year ended 30 June 2020

	Half-year ended 30 June 2020 $'000	Half-year ended 30 June 2019 $'000
Cash flows from operating activities		
Receipts from customers and third parties	**732,527**	877,660
Payments to suppliers and employees	**(239,064)**	(292,378)
Interest received	**5,949**	9,150
Finance costs paid	**(109,269)**	(130,076)
Income tax paid	**(6,868)**	(13,168)
Payments for exploration and evaluation - seismic, G&A, G&G	**(50,749)**	(21,126)
Payments for site restoration	**(13,570)**	(9,286)
Net cash from operating activities	**318,956**	420,776
Cash flows from investing activities		
Payments for other plant and equipment	**(16,230)**	(15,725)
Payments for exploration and evaluation	**(117,104)**	(114,071)
Payments for development assets	**(119,291)**	(9,301)
Payments for producing assets	**(23,854)**	(25,554)
Payments for power assets	**-**	(4,882)
Loan to third party in respect of exploration and evaluation	**(604)**	(729)
Net cash used in investing activities	**(277,083)**	(170,262)
Cash flows from financing activities		
Dividend payments	**(68,641)**	(129,501)
Loan provided to third party	**(604)**	(729)
Proceeds from issue of share capital	**713,486**	-
Transaction costs associated with share issue	**(15,261)**	-
Purchase of treasury shares	**(2,923)**	-
Repayment of borrowings	**(490,879)**	(304,264)
Proceeds from borrowings	**275,000**	130,000
Lease payments / other financing costs	**(16,844)**	(8,255)
Net cash from / (used in) financing activities	**393,334**	(312,749)
Net increase / (decrease) in cash and cash equivalents	**435,207**	(62,235)
Cash and cash equivalents at the beginning of the period	**396,232**	600,557
Cash and cash equivalents at the end of the period	**831,439**	538,322

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

Condensed consolidated statement of changes in equity for the half-year ended 30 June 2020

Consolidated	Share capital $'000	Foreign currency translation reserve $'000	Reserve for treasury shares $'000	Employee equity compensation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2020	**3,158,390**	**(21,247)**	**6,535**	**12,993**	**2,101,740**	**5,258,411**
Dividends provided for or paid	-	-	-	-	(68,641)	(68,641)
Total comprehensive income for the period						
Net (loss) after tax for the period	-	-	-	-	(266,179)	(266,179)
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	2,587	-	-	-	2,587
Total comprehensive income for the period	-	2,587	-	-	(266,179)	(263,592)
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	10,243	(10,243)	-	-
Employee share-based remuneration	-	-	-	1,854	-	1,854
Shares issued for the share purchase plan	-	-	-	-	-	-
Purchase of treasury shares	-	-	(2,923)	-	-	(2,923)
Ordinary shares issued	713,486	-	-	-	-	713,486
Costs associated with shares issue	(15,261)	-	-	-	-	(15,261)
Total transactions with owners	698,225	-	7,320	(8,389)	-	697,156
Balance at 30 June 2020	**3,856,615**	**(18,660)**	**13,855**	**4,604**	**1,766,920**	**5,623,334**
Balance at 1 January 2019	**3,152,443**	**(19,162)**	**2,969**	**10,745**	**2,018,623**	**5,165,618**
Impact of change in accounting policy (adoption of IFRS 16 *Leases*)	-	-	-	-	(23,447)	(23,447)
Restated balance at 1 January 2019	**3,152,443**	**(19,162)**	**2,969**	**10,745**	**1,995,176**	**5,142,171**
Dividends provided for or paid	-	-	-	-	(129,501)	(129,501)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	161,931	161,931
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	(700)	-	-	-	(700)
Total comprehensive income for the period	-	(700)	-	-	161,931	161,231
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	9,513	(9,513)	-	-
Employee share-based remuneration	-	-	-	5,357	-	5,357
Issue of treasury shares	5,947	-	(5,947)	-	-	-
Trust distribution	-	-	-	-	(57)	(57)
Total transactions with owners	5,947	-	3,566	(4,156)	(57)	5,300
Balance at 30 June 2019	**3,158,390**	**(19,862)**	**6,535**	**6,589**	**2,027,549**	**5,179,201**

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

1 Significant accounting policies

(a) Corporate information

Oil Search Limited (the 'Company' or 'Oil Search') is incorporated in Papua New Guinea (PNG). The condensed consolidated interim financial report for the half-year ended 30 June 2020 comprises Oil Search Limited and its controlled entities (together, 'the Group').

The condensed consolidated interim financial report was authorised for issue by the Board of Directors on 24 August 2020 and is presented in United States Dollars (US$).

(b) Basis of preparation

The condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 has been prepared in accordance with Accounting Standard IAS 34 *Interim Financial Reporting*.

This condensed consolidated interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX and PNGX Listing Rules.

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

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

Key accounting considerations related to COVID-19

The impact of COVID-19 and the current economic environment has been considered in the preparation of this condensed consolidated interim financial report.

As a result of COVID-19 and the significant decline in oil price in first half of 2020, the Group has assessed the carrying value of all its assets including exploration and evaluation assets, oil and gas assets, other plant and equipment and deferred tax assets. Following the completion of this assessment the Group has recognised a pre-tax impairment expense of US$374.2 million in the statement of comprehensive income (note 7) and derecognised US$30.7 million of deferred tax assets as a one-off item.

2 Segment reporting

(a) Information about reportable segments

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

PNG Business Unit (PNG BU)

The PNG BU includes exploration, development, production and sale of hydrocarbons and abandonment activities from the Group's interest in operated and non-operated assets in PNG. In addition, this segment also includes investments in power generation assets, forestry assets and ownership of drilling rigs in PNG.

Alaska Business Unit (Alaska BU)

The Alaska BU includes exploration, evaluation and development of hydrocarbons in the United States of America.

Centre

Comprises corporate activities needed to shape, safeguard and service the business units and the Group.

(b) Segment information provided to the executive management team

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

	PNG BU		Alaska BU		Centre		Total	
$'000	**30 June 2020**	**30 June 2019**	**30 June 2020**	**30 June 2019**	**30 June 2020**	**30 June 2019**	**30 June 2020**	**30 June 2019**
External revenues	**625,406**	776,784	**-**	-	**183**	157	**625,589**	776,941
Costs of production	**(145,574)**	(189,318)	**-**	-	**-**	-	**(145,574)**	(189,318)
Selling and distribution costs	**(15,475)**	(15,070)	**-**	-	**(275)**	(739)	**(15,750)**	(15,809)
Rig operating costs	**(384)**	(835)	**-**	-	**-**	-	**(384)**	(835)
Corporate	**-**	-	**(751)**	(2,934)	**(16,153)**	(15,478)	**(16,904)**	(18,412)
Foreign currency gains/(losses)	**4,194**	1,931	**977**	196	**(4,273)**	(1,142)	**898**	985
Power costs expensed	**(382)**	(1,574)	**-**	-	**-**	-	**(382)**	(1,574)
Other income	**13,894**	20,020	**3,146**	1,524	**8,088**	18,249	**25,128**	39,793
Profit on disposal of assets	**28**	-	**-**	-	**-**	-	**28**	-
Other expenses	**(19,111)**	(6,451)	**(132)**	(136)	**(599)**	(2,883)	**(19,842)**	(9,470)
EBITDAX[1]	**462,596**	585,487	**3,240**	(1,350)	**(13,029)**	(1,836)	**452,807**	582,301
Depreciation	**(203,088)**	(196,302)	**(2,992)**	(2,555)	**(7,197)**	(7,066)	**(213,277)**	(205,923)
Exploration costs expensed	**(60,597)**	(15,692)	**(33,770)**	(8,701)	**-**	(164)	**(94,367)**	(24,557)
Impairment	**(363,617)**	(4,694)	**(10,590)**	-	**-**	-	**(374,207)**	(4,694)
EBIT	**(164,706)**	368,799	**(44,112)**	(12,606)	**(20,226)**	(9,066)	**(229,044)**	347,127
Net finance costs	**(92,914)**	(112,387)	**(150)**	(8)	**(13,815)**	(6,868)	**(106,879)**	(119,263)
Share of net profit of investments in joint ventures	**2,907**	-	**-**	-	**-**	-	**2,907**	-
(Loss)/ Profit before income tax							**(333,016)**	227,864
Income tax benefit /(expense)							**66,837**	(65,933)
Net (loss) / profit after tax							**(266,179)**	161,931
Investment expenditure[2]								
Exploration and evaluation assets[3]	**(46,509)**	(78,831)	**(110,751)**	(451,280)	**-**	(164)	**(157,260)**	(530,275)
Oil and gas assets - development and production	**53,774)**	(38,634)	**(89,804)**	-	**-**	-	**(143,578)**	(38,634)
Other plant and equipment	**(3,960)**	(7,400)	**(397)**	(1,871)	**(13,454)**	(7,381)	**(17,811)**	(16,652)
	(104,243)	(124,865)	**(200,952)**	(453,151)	**(13,454)**	(7,545)	**(318,649)**	(585,561)

[1] EBITDAX (earnings before interest, tax, depreciation, impairment and exploration costs expensed) is a non-IFRS measure that is presented to provide a more meaningful understanding of Oil Search's financial performance.

[2] In the comparative period the difference between investment expenditure above and asset additions in Note 12 relates to the recognition of lease assets from the adoption of IFRS 16 *Leases* from 1 January 2019.

[3] During the half year 2019 period, the Group exercised the Armstrong option to double its interests in the Pikka Unit, Horseshoe Block and other exploration leases in Alaska, for US$450 million. In conjunction with exercising the Armstrong option, Oil Search and Repsol entered into arrangements to align ownership interests resulting in a net contribution to Oil Search of US$64.4 million.

Geographical segments

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

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

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

	Revenue		Non-current assets[1]	
$'000	**Half-year ended 30 June 2020**	**Half-year ended 30 June 2019**	**30 June 2020**	**31 December 2019**
PNG	**625,406**	776,784	**8,213,811**	8,556,705
USA	**-**	-	**1,183,050**	999,311
Australia	**183**	157	**119,506**	114,898
Other	**-**	-	**148,399**	143,597
Total	**625,589**	776,941	**9,664,766**	9,814,511

(1) Non-current assets exclude deferred tax assets of $1,135.7 million (2019: $966.1million).

	Half-year ended 30 June 2020 $'000	**Half-year ended 30 June 2019 $'000**
3 Revenue		
Revenue from Contracts with Customers		
Liquefied natural gas sales	**505,464**	595,435
Oil and condensate sales	**85,948**	138,360
Gas sales	**17,690**	21,386
Other revenue	**14,194**	14,572
	623,296	769,753
Drilling rig and camp lease revenue	**2,293**	7,188
Total revenue	**625,589**	776,941
4 Cost of sales		
Costs of production:		
Production costs	**(152,105)**	(183,215)
Royalties and levies	**(4,087)**	(7,965)
Gas purchases	**(7,438)**	(11,555)
Inventory movements	**23,809**	17,012
Other costs of production	**(5,753)**	(3,595)
	(145,574)	(189,318)
Selling and distribution costs	**(15,750)**	(15,809)
Rig operating costs	**(384)**	(835)
Depreciation:		
Oil and gas assets	**(182,412)**	(176,865)
Transport and logistics	**(16,285)**	(13,158)
Rig assets	**(1,204)**	(3,209)
Total cost of sales	**(361,609)**	(399,194)

		Half-year ended 30 June 2020 $'000	Half-year ended 30 June 2019 $'000
5 Other income			
Capital cost recoveries (including from leased assets)		**23,919**	22,746
Provisions written back		**-**	7,585
Insurance receipts relating to prior year		**-**	5,836
Other		**1,209**	3,626
		25,128	39,793
6 Other expenses			
Corporate		**(16,904)**	(18,412)
Exploration costs expensed		**(94,367)**	(24,557)
Power costs expensed		**(382)**	(1,574)
Depreciation		**(13,376)**	(12,691)
Profit on disposal of assets		**28**	-
Foreign currency gain		**898**	985
Other expenses		**(19,842)**	(9,470)
Total other expenses		**(143,945)**	(65,719)
7 Impairment expense			
Exploration and evaluation assets	12	**(364,733)**	(4,694)
Oil and Gas assets	13	**(9,474)**	-
Total impairment expense		**(374,207)**	(4,694)
8 Net finance costs			
Interest income		**9,445**	12,698
Borrowing costs		**(89,979)**	(104,779)
Finance charge on lease liabilities		**(18,674)**	(19,029)
Unwinding of discount on site restoration		**(7,671)**	(8,153)
Net finance costs		**(106,879)**	(119,263)

9 Income tax expense

	Half-year ended 30 June 2020 $'000	Half-year ended 30 June 2019 $'000
The major components of tax expense are:		
Current tax expense	**(9,656)**	(23,635)
Adjustments for current tax of prior periods	**328**	-
Deferred tax benefit / (expense)	**76,165**	(42,298)
Income tax benefit / (expense)	**66,837**	(65,933)
Reconciliation of income tax expense to prima facie tax payable:		
(Loss) / Profit before tax	**(333,016)**	227,864
Tax benefit / (expense) at PNG rate of 30%	**99,904**	(68,360)
Additional profits tax payable	**-**	(115)
Effect of differing tax rates across tax regimes	**989**	(250)
	100,893	(68,725)
Tax effect of items not tax deductible or assessable:		
Non-deductible expenditure	**(2,431)**	(1,622)
Non-assessable income	**1,174**	4,046
Adjustments for current tax of prior periods	**328**	-
Derecognition of deferred tax (assets)/liabilities	**(33,127)**	368
Income tax expense	**66,837**	(65,933)
Deferred tax benefit / (expense) recognised in net loss/profit for each type of temporary difference:		
Exploration and development	**(11,538)**	(125,292)
Other assets	**2,098**	26,093
Provisions and accruals	**47,057**	24,717
Other items	**(3,265)**	4,048
Tax losses	**61,991**	28,136
Tax credits	**(20,178)**	-
Deferred tax benefit / (expense)	**76,165**	(42,298)

10 Earnings per share

	Half-year ended 30 June 2020 cents	Half-year ended 30 June 2019 cents
Basic earnings per share	**(14.97)**	10.63
Diluted earnings per share	**(14.97)**	10.58
	No.	**No.**
Weighted average number of ordinary shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:		
Basic earnings per share	**1,778,380,164**	1,523,902,434
Employee share rights	**-**	2,459,788
Employee performance rights	**-**	3,708,437
Diluted earnings per share	**1,778,380,164**	1,530,070,659

	Half-year ended 30 June 2020 $'000	Half-year ended 30 June 2019 $'000

11 Dividends paid or proposed

Unfranked[1] dividends in respect of the half-year, proposed subsequent to the period end:		
Ordinary dividend	**-**	76,237
	-	76,237
Unfranked [1] dividends paid during the period in respect of the previous period:		
Ordinary dividend	**68,641**	129,501
	68,641	129,501

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

	Half-year ended 30 June 2020 $'000	Balance at 31 December 2019 $'000

12 Exploration and evaluation assets

At cost	**3,726,547**	3,650,351
Accumulated impairment	**(1,017,062)**	(652,330)
	2,709,485	2,998,021
Balance at start of period	**2,998,021**	2,344,818
Additions	**157,260**	700,010
Exploration costs expensed	**(94,367)**	(47,260)
Changes in restoration obligations	**6,604**	10,485
Impairment expense	**(364,733)**	(5,865)
Net exchange differences	**6,700**	(4,167)
Balance at end of period	**2,709,485**	2,998,021

Impairment of exploration and evaluation assets

As a result of the reduction in forecast oil prices, the strategic review currently underway, and in line with the Company's commitment to prioritising capital allocation, a number of exploration and evaluation assets in PNG have been identified as being of reduced priority due to lower prospectivity or sub-optimal economics. Given there is no current intention to pursue activities on these assets, and in line with *IFRS* 6 *Exploration for and evaluation of mineral resources*, the full net book value of these exploration assets have been impaired.

In addition, exploration leases in Alaska which are scheduled to be relinquished have also been impaired.

A total impairment expense of US$364.7 million pre-tax was recognised for the half-year ended 30 June 2020.

12 Exploration and evaluation assets (continued)

Licence / Lease	Segment	Impairment expense $'000
APDL 11	PNG BU	108,095
PRL 8	PNG BU	50,909
PPL 244	PNG BU	43,087
PPL 233	PNG BU	41,794
PRL10	PNG BU	41,001
PRL 9	PNG BU	23,602
PRL 39	PNG BU	18,905
PRL 14	PNG BU	13,933
PPL 277	PNG BU	7,732
PPL 374	PNG BU	2,175
PPL 375	PNG BU	2,175
PPL 569	PNG BU	621
PPL 504	PNG BU	114
Kachemach, Antigua, and Atlas B (KAA)	Alaska BU	10,590
		364,733

13 Property, plant and equipment

	Oil and gas			Other plant and equipment			
	Development	Producing	Total	Transport & logistics	Rigs	Corporate	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2020							
At cost	**276,178**	**6,188,427**	**6,464,605**	**262,506**	**18,354**	**222,394**	**503,254**
Accumulated depreciation and impairments	**-**	**(191,886)**	**(191,886)**	**(16,285)**	**(1,204)**	**(13,376)**	**(30,865)**
	276,178	**5,996,541**	**6,272,719**	**246,221**	**17,150**	**209,018**	**472,389**
Balance at 1 January 2020	**123,907**	**6,000,451**	**6,124,358**	**262,506**	**18,217**	**207,577**	**488,300**
Additions	**117,206**	**26,372**	**143,578**	**-**	**137**	**17,674**	**17,811**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Changes in restoration obligations	**35,065**	**161,604**	**196,669**	**-**	**-**	**-**	**-**
Impairment	**-**	**(9,474)**	**(9,474)**	**-**	**-**	**-**	**-**
Net exchange differences	**-**	**-**	**-**	**-**	**-**	**(2,857)**	**(2,857)**
Depreciation	**-**	**(182,412)**	**(182,412)**	**(16,285)**	**(1,204)**	**(13,376)**	**(30,865)**
Balance at 30 June 2020	**276,178**	**5,996,541**	**6,272,719**	**246,221**	**17,150**	**209,018**	**472,389**
2019							
At cost	123,907	9,297,562	9,421,469	316,034	94,192	351,506	761,732
Accumulated depreciation and impairment	-	(3,297,111)	(3,297,111)	(53,528)	(75,975)	(143,929)	(273,432)
	123,907	6,000,451	6,124,358	262,506	18,217	207,577	488,300
Balance at 1 January 2019	65,818	6,174,749	6,240,567	113,936	19,644	115,188	248,768
Adjustment for change in accounting policy	-	-	-	159,252	-	70,953	230,205
Restated opening balance	65,818	6,174,749	6,240,567	273,188	19,644	186,141	478,973
Additions	45,039	81,108	126,147	18,762	3,897	49,754	72,413
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(4,000)	(4,000)
Changes in restoration obligations	13,050	98,713	111,763	-	-	-	-
Net exchange differences	-	-	-	-	-	505	505
Depreciation	-	(354,119)	(354,119)	(29,444)	(5,324)	(24,823)	(59,591)
Balance at 31 December 2019	123,907	6,000,451	6,124,358	262,506	18,217	207,577	488,300

13 Property, plant and equipment (continued)

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

	Other plant and equipment		
	Transport & logistics	**Corporate**	**Total**
	$'000	**$'000**	**$'000**
Balance at 1 January 2020	**262,506**	**71,925**	**334,431**
Lease arrangements entered into during the period	-	-	-
Depreciation expense	(16,285)	(4,183)	(20,468)
Net exchange differences	-	(3,235)	(3,235)
Balance at 30 June 2020	**246,221**	**64,507**	**310,728**

The expense recognised in the income statement for short term and low value leases for the year totalled $9.0 million.

Carrying Value Assessment of oil and gas assets

As a result of COVID-19 and the significant decline in oil and gas prices, the Group has assessed the carrying value of all its Oil and Gas assets as at 30 June 2020. Oil and Gas assets are assessed for impairment on a cash-generating unit ("CGU") basis by calculating the recoverable amount with reference to the discounted future cash flows. Oil and Gas producing assets comprise two CGUs (i) Hides GTE CGU, and (ii) the PNG Integrated CGU (PNG LNG and operated oil assets).

Hides GTE CGU

Given the uncertainty relating to the resumption of production following the recent suspension of mining at the Porgera Project, the recoverable value of the Hides GTE CGU has been deemed to be nil and as such an impairment of the full net book value of US$9.5 million has been recognised as at 30 June 2020.

PNG Integrated CGU

The Group has assessed that the recoverable amount of the PNG Integrated CGU remains higher than the carrying value.

In determining the recoverable amount of the PNG Integrated CGU, estimates have been made regarding the present value of future cash flows. These estimates require significant management judgement and are subject to risk and uncertainty, and hence changes in economic conditions can also affect the assumptions used and the rates used to discount future cash flow estimates.

For impairment purposes only, the recoverable amount of the PNG Integrated CGU was determined using the following key assumptions:

- Proved and Probable (2P) reserves.
- Long term inflation rate of 2.5%.
- Post-tax discount rate of 9.0%.
- Oil price assumptions are derived from the Group's outlook of short and long-term supply and demand factors. LNG and Gas prices realised are predominantly linked to the oil price. The oil prices used for the PNG Integrated CGU were as follows, expressed in real terms:

	2020	**2021**	**2022**	**2023**	**2024**	**2025**
US$/bbl	30	44	53	57	60	63

13 Property, plant and equipment (continued)

For the PNG Integrated CGU, given major sources of estimation uncertainty at 30 June 2020, a reasonably possible change of +/- 1% to the discount rate would lead to an approximate +/- US$430 million variance to the recoverable amount of the CGU.

Separately, a reasonably possible change of +/- 10% to the long-term oil price in real terms (2024 onwards) would lead to an approximate +/- US$630 million variance to the recoverable amount of the CGU.

These possible changes, or combination of changes to assumptions, may trigger a requirement to recognise an impairment of the PNG Integrated CGU.

	Balance at 30 June 2020 $'000	Balance at 31 December 2019 $'000
14 Share capital		
Issued 2,077,850,664 (2019: 1,524,746,985) Ordinary shares, fully paid (no par value)	**3,856,615**	3,158,390

15 Subsequent events

There were no material events subsequent to 30 June 2020 and up until the authorisation of the financial report for issue, that have not been disclosed elsewhere in the financial report.

Since 30 June 2020 there has been an escalation in the number of identified COVID-19 cases in PNG but at the date of this report there has been no material impact on the Company's operations that has not already been disclosed.

Directors' Declaration

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

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

(i) give a true and fair view of the consolidated entity's financial position as at 30 June 2020, and its performance for the half-year ended on that date; and

(ii) comply with International Financial Reporting Standards; and

(iii) comply with the reporting requirements of the Australian Securities Exchange Listing Rules; and

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

This declaration has been made after receiving unqualified declarations from the Managing Director and the Chief Financial Officer, that are consistent with requirements under section 295A of the *Australian Corporations Act 2001*, for the half-year ended 30 June 2020.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

.....

RJ LEE AM

Chairman

.....

K WULFF

Managing Director

Sydney, 24 August 2020

Deloitte.

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

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

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

Deloitte Touche Tohmatsu

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

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

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

We have reviewed the accompanying half-year financial report of Oil Search Limited (the "Company"), which comprises the condensed consolidated statement of financial position as at 30 June 2020, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 23.

Director's Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with International Financial Reporting Standards (including the interpretations of the International Financial Reporting Interpretations Committee) and the *Papua New Guinea Companies Act 1997 (amended 2014)* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with International Financial Reporting Standards (including the interpretations of the International Financial Reporting Interpretations Committee) and the *Papua New Guinea Companies Act 1997 (amended 2014);* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and its performance for the half-year ended on that date; and complying with International Accounting Standard IAS 34 *Interim Financial Reporting* and the *Papua New Guinea Companies Act 1997 (amended 2014)*. As the auditor of Oil Search Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA). We confirm that the independence declaration, which has been given to the directors of Oil Search Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us to believe that the half-year financial report of Oil Search Limited is not in accordance with the Papua New Guinea Companies Act 1997 (amended 2014), including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard IAS 34 *Interim Financial Reporting*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jacques Strydom
Partner
Chartered Accountants
Registered Company Auditor in Australia
Sydney, 24 August 2020

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Benjamin Lee
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby, 24 August 2020