SECOND QUARTER REPORT FOR THE PERIOD ENDED 30 JUNE 2019

16 JULY 2019

ASX: OSH | ADR: OISHY | POMSOX: OSH

GROWTH PROJECTS PROGRESSING

	QUARTER END			HALF YEAR		
	2Q 2019	1Q 2019	% CHANGE	1H 2019	1H 2018	% CHANGE
Total production (mmboe)	6.9	7.2	*-5%*	14.1	10.2	*+38%*
Total sales (mmboe)	6.7	6.7	*+1%*	13.4	9.8	*+37%*
Total revenue (US$m)	378.9	398.1	*-5%*	777.0	557.8	*+39%*

- **PNG LNG Project records strong performance despite scheduled downtime for maintenance**

  Total production for the second quarter of 2019 was 6.9 mmboe. This included 6.2 mmboe from the PNG LNG Project, net to Oil Search, which produced at an annualised rate of 8.4 MTPA during the period. This was well above nameplate capacity, despite 13 days of reduced production rates due to scheduled maintenance activities. Together with oil field production, total production for the first half of 2019 was 14.1 mmboe, 38% higher than in the same period of 2018, which was impacted by the major Highlands earthquake.

- **New Government in PNG**

  In June, the Hon James Marape was sworn in as the new Prime Minister of PNG, following the resignation of Peter O'Neill. Comprehensive briefings to the Prime Minister and his newly appointed Ministerial Team have taken place. Oil Search is working closely with the new Government to ensure that the development of additional LNG capacity in PNG, underpinned by gas resources from Elk-Antelope, the existing PNG LNG Project fields and P'nyang, is delivered in a timely manner, maximising benefits to all stakeholders.

- **Gas Agreement for Papua LNG Project signed, LNG expansion progressing towards FEED**

  As reported in the 2019 first quarter report, a landmark Gas Agreement for the Papua LNG Project was signed in early April and the Project continued to advance towards Front End Engineering and Design (FEED) entry, including the commencement of tendering activities for FEED phase engineering studies. Pre-FEED work on the downstream and the Associated Gas Expansion (AGX) Project also progressed during the quarter, while discussions regarding the P'nyang Gas Agreement were ongoing.

- **Letter of Intent (LOI) signed between PRL 3 joint venture and Santos, with all other commercial agreements ready to be executed**

  During the quarter, the commercial agreements that govern the Papua LNG Project's access to the PNG LNG Project site and infrastructure were completed and are ready for execution. In addition, a LOI which delivers a similar ownership structure between the PRL 3 and PNG LNG joint ventures was signed, ensuring alignment ahead of FEED entry for the proposed three-train expansion.

- **Federal Record of Decision (ROD) and US Army Corps of Engineers permit granted for Pikka Unit Nanushuk development project in Alaska**

  The receipt of the ROD was a significant milestone for the Pikka Unit Nanushuk development project, marking the conclusion of a four-year consultative process to create a development plan which minimises the project's environmental footprint and optimises the benefits for the local communities.

- **Major value increase underpins decision to exercise Armstrong option, align with Repsol**

  On 28 June, Oil Search 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 the option exercise, Oil Search and Repsol entered into arrangements to align ownership interests across their shared Alaskan portfolio and signed a new Joint Operating Agreement.

- **Organisation redesign lays the foundation for next phase of growth**

  In June, Oil Search concluded a detailed organisation redesign, aimed at preparing the Company for the next phase of growth, as it progresses towards FEED entry on the LNG expansion projects in PNG and the initial Pikka Unit development in Alaska. The Company now has the optimal organisational structure and resources to execute and deliver its major growth projects, which have the potential to more than double production by the middle of the next decade.

- **Strong financial position**

  At 30 June, Oil Search had liquidity of US$1.44 billion, comprising US$538.3 million in cash and US$900 million in credit facilities. A further US$300 million of corporate credit lines is in the process of being finalised, to provide additional flexibility ahead of the Alaskan option payment, which will complete in late August.

COMMENTING ON THE 2019 SECOND QUARTER RESULT, OIL SEARCH MANAGING DIRECTOR, PETER BOTTEN, SAID:

"The Company delivered total production of 6.9 mmboe for the 2019 second quarter, taking total production for the first half of 2019 to 14.1 mmboe, compared to 10.2 mmboe in the earthquake-impacted first half of 2018.

The PNG LNG Project produced at an average annualised rate of 8.4 MTPA during the second quarter and 8.6 MTPA for the first half of the year. Second quarter production rates were impacted by a 13-day period of rate reduction in late May/early June, while scheduled plant maintenance took place. No further major maintenance is planned for the plant, which has now been producing safely and reliably for five years, over the remainder of 2019. Of the 28 LNG cargoes that were delivered during the period, 26 were sold under long and mid-term contracts, with two sold on the spot market.

Oil and liquids production of 1.2 mmbbl was impacted by compression system and other outages at both the Agogo and Central Processing Facilities, together with community-related issues involving reinstatement of production from the remote North West Moran field following last year's earthquake.

Total revenue for the quarter was US$378.9 million, taking total revenue for the first half of 2019 to US$777.0 million, 39% higher than in the corresponding period of last year. The average realised oil and condensate price in the quarter rose 10% to US$68.67 per barrel, reflecting an increase in global oil prices, while the average realised LNG and gas price declined 8%, to US$9.30/mmBtu, reflecting weaker oil prices in the first quarter of 2019."

New Government in PNG

"In June, the Hon James Marape was sworn in as the new Prime Minister of PNG, leading a strong Coalition Government. We would like to congratulate Mr Marape and his new Ministerial Team on their appointments.

In recent weeks, Oil Search and our joint venture partners, ExxonMobil and Total, have met with the Prime Minister and various members of the Government, including the new Minister for Petroleum, Kerenga Kua, and have provided briefings on key LNG project development matters. PNG has an excellent track record of fiscal stability, offering a predictable operating environment which has brought significant investment into the resource sector. We remain confident that this will continue. This year, Oil Search is celebrating its 90th year since incorporation and, as PNG's largest investor, we look forward to maintaining our strong working partnership with the PNG Government and remain committed to assisting in the social and economic development of PNG, now and into the future."

Progress made on new LNG development, with Papua LNG Project Gas Agreement signed

"As previously reported, in early April a Gas Agreement was signed between the PRL 15 Joint Venture and the PNG Government. This Agreement, the culmination of many months of negotiations with the PNG Government, delivers a range of new benefits to the Government and landowners, while ensuring that the Papua LNG Project remains competitive in an increasingly crowded global LNG market. Key features of the agreement include:

- An additional 2% tax on production.
- A Domestic Market Obligation of up to 5%, ensuring that a significant volume of competitive, fixed-price gas is available for local use, particularly to improve the availability and cost of electricity in PNG.
- An enhanced National Content Plan, which will build local workforce and business participation in a material way during the construction and future operation of the Project.
- A deferred payment mechanism for the Government's share of past costs, which will now be paid from production, easing the up-front financial contribution associated with its equity back-in to the Project.

Following execution of the Gas Agreement, the contractor selection and engineering contracting process for the upstream development commenced.

During the quarter, pre-FEED work continued on the integrated downstream facilities. Key areas of focus included finalising the design basis, progressing permitting and regulatory approval strategies and moving towards completing the National Content Plan. In addition, pre-FEED work took place on the AGX project, operated by Oil Search. The development concept was selected and recommended to the PNG LNG Operator for approval by the Joint Venture, while basic engineering progressed in preparation for FEED award. At P'nyang in PRL 3, early project definition studies continued, focused on the Gas Conditioning Plant.

As part of handover activities, the new Government Leadership Team has indicated its desire to review the Papua LNG Gas Agreement. Oil Search is ready to support Total, the operator of Papua LNG, and the Government on this review, as required. Discussions regarding a Gas Agreement for the development of the P'nyang gas field in PRL 3 commenced early in the quarter and are expected to resume on completion of the review of the Papua LNG Gas Agreement. The Papua LNG Gas Agreement, which was signed by all joint venture parties as well as the Government, was a key pre-requisite for entering the FEED phase of the Papua LNG Project, while signing a Gas Agreement for the P'nyang field is a requirement for launching the FEED phase of the proposed three-train LNG downstream development."

Commercial agreements for LNG expansion ready to be executed

"During the quarter, the PRL 15 Joint Venture finalised a suite of agreements which will support the Papua LNG Project taking the next step towards development, including those related to PNG LNG Project site and facility access. A new PRL 15 Joint Venture Agreement which will govern, among other aspects, the development and operating phase of the Papua Project, has been executed, while three integration agreements relating to Papua LNG's access to the PNG LNG Project site and infrastructure are ready to be executed, pending the review of the Papua LNG Gas Agreement and completion of the P'nyang Gas Agreement between the State and the PRL 3 Joint Venture. This will allow the Papua LNG, PNG LNG and P'nyang joint ventures to enter FEED for the integrated development, which will attract significant investment into PNG.

In addition, in May the PRL 3 joint venture participants signed a binding letter of intent with Santos, whereby Santos will purchase a 14.32% equity interest in the licence from existing participants, resulting in a similar ownership structure for the PRL 3 and PNG LNG Project joint ventures. This greater alignment will facilitate the planned development of the P'nyang field through PNG LNG Project infrastructure, which will generate significant capital and operating cost savings, benefiting all stakeholders.

Oil Search's LNG equity marketing team continued its engagement with potential buyers regarding its equity share of LNG from PNG expansion during the quarter. We are seeing strong interest for supply from PNG expansion given the high-quality product available from these projects."

Oil field optimisation programme underway

"During the quarter, Oil Search continued its in-field work-over and drilling campaign, designed to mitigate the decline rate and extend the life of our mature oil fields in PNG.

The IDT 21 well at Kutubu was brought online in late April, while workovers of the M4 and M9 wells at Moran were completed in June. Both Moran wells are expected to come online in the third quarter. The rig is currently drilling a planned side-track well, Moran X, from the M15 well, targeting oil in the south-east part of the field. This will be followed by the Usano development well, UDT S, scheduled to commence drilling in the third quarter of 2019."

PNG exploration and appraisal activity

"Since the completion of flow-testing early in the second quarter, the successful Muruk 2 appraisal well has been shut-in to enable pressure build-up in the well. Downhole pressure readings are being monitored and the data gathered over the coming months will assist the Company in updating its contingent resource volume estimates. A new phase of seismic acquisition over Muruk and the adjacent Karoma prospect is currently planned to commence in the fourth quarter of 2019, providing additional data for structural mapping.

The second phase of a 2D seismic survey over licences in the Eastern Foldbelt of the Onshore Papuan Basin continued during the quarter. The survey is expected to conclude in the third quarter of 2019 and this data, together with information gathered in the first 330 kilometre phase, will be used to help mature potential future drilling prospects located near planned Papua LNG infrastructure."

Exercise of Armstrong Option and alignment with Repsol in Alaska

"As previously announced, Oil Search has exercised the Armstrong option to double its interests in the Pikka Unit, Horseshoe Block and other exploration leases, for US$450 million. Following the success of the Pikka Unit drilling campaign and strong progress on the development plan, the option presented an excellent opportunity for the Company to increase its exposure to these world class oil assets, underscored by likely future material resource upgrades and exciting exploration potential.

In addition to the option exercise, we have strengthened our alignment with Repsol by undertaking a series of transactions which will result in Oil Search and Repsol holding 51% and 49%, respectively, across all co-owned leases, realising US$64 million net to Oil Search.

With the benefit of an improved alignment with Repsol, we plan to divest a portion of our Alaska portfolio in the first half of 2020, ahead of a Final Investment Decision for the initial phase of the Pikka Unit Nanushuk development, retaining approximately a 35% interest in our core Alaskan acreage. This schedule, which will follow the anticipated material resource upgrade resulting from 2018/19 drilling and the results from the 2019/20 exploration and appraisal season, will enable Oil Search to maximise the value of the sell-down.

Following the recent drilling campaign and discussions with an adjacent operator, we have revised our development plan for the Pikka Unit. We are now targeting first production of 30,000 barrels of oil per day (bopd) in 2022, with production from the full-scale development, targeting 120,000 bopd, commencing in 2024. We believe this revised, phased development approach strengthens the project by allowing the incorporation of learnings from the early development phase, the results from two additional winter drilling seasons, detailed reservoir modeling and updated 3D seismic. Additionally, the phased development plan allows for the generation of early cash flows, that can be used to help fund the full-scale development.

Following the receipt of the Federal Record of Decision in late May, supporting the proposed infrastructure and environmental plan, Oil Search is on track to enter FEED for the initial Pikka Unit development in the second half of 2019.

With increased North Slope interests, stronger alignment with Repsol and a maturing development plan for the Pikka Unit, the Company is well positioned for long-term growth and success in Alaska."

Organisation redesign – building Oil Search's future

"Oil Search has recently completed a detailed organisation redesign, aimed at laying the foundations for the next chapter of growth, as the Company advances towards FEED entry for major expansion projects in PNG and Alaska. The restructure includes the formation of two Business Units, in PNG and Alaska, to give greater accountability and control to those regions, and a leaner Centre, to provide governance and assurance and drive technical excellence.

As part of the redesign, two new Executive Vice Presidents have been appointed. Dale Rollins has joined to lead the PNG Business Unit. Dale has more than 30 years' technical and operational experience, including country leadership roles in Nigeria and Russia. Bart Lismont, who has more than 30 years' experience in upstream oil and gas, will lead the newly created Technology and Value Assurance Group, formed to strengthen the Company's capabilities in opportunity maturation, project execution, safe and reliable operations and technology and innovation. Bart brings extensive project development experience across the full project lifecycle and has worked in several locations, including Gabon, Malaysia and Nigeria. In addition, John Kurz has been appointed as Chief Operating Officer of the PNG Business Unit. John also has extensive upstream oil and gas experience, most recently as Vice President of Operations and Deputy General Manager for BP overseeing operating activities in Iraq's Rumaila oil field, the world's third largest producing oil field.

We believe the Company is now well positioned for our talented and dedicated workforce to deliver our value-accretive growth projects, which have the potential to more than double the Company's production by the middle of the next decade."

Inquiry into 2014 UBS loan to PNG Government

"In late June, the Prime Minister, the Hon James Marape, announced that a Commission of Inquiry will be formed to investigate all aspects of the loan that was made by UBS to the PNG Government to acquire Oil Search shares in 2014. While Oil Search was not involved in, or a party to, the UBS loan, and no allegations have been made against Oil Search or Oil Search officers, we welcome the inquiry."

Factors affecting the 2019 first half and full year results

"The 2019 first half results are scheduled to be released to the market on Tuesday 20 August.

Production costs are expected to be between US$12 - 13 per boe for the half year and US$11 - 12 per boe for the 2019 full year. The increase on prior guidance reflects higher earthquake recovery work than previously anticipated and delayed booking of insurance recoveries. Full year normalised unit production costs, excluding the financial impact of the earthquake, are expected to be between US$9 - 10 per boe. Other operating costs are anticipated to be US$54 - 57 million for the first half and US$135 - 145 million for the full year. The first half depreciation and amortisation rate is expected to be US$12 - 13 per boe, in line with the revised full year guidance range.

US$24.6 million of exploration and evaluation expenditure, primarily related to PPL 475 and PPL 476 seismic, Alaska exploration activity and other geological, geophysical and general and administration expenses in PNG, is expected to be expensed in the first half.

Net finance costs will be in the order of US$117 - 121 million for the first half of 2019, consisting primarily of PNG LNG Project borrowing costs. The effective tax rate is expected to be in the range of 29 - 33%.

Based on performance to date, production guidance for the 2019 full year is 28 - 31 mmboe.

Total capital expenditure for the full year is expected to be between US$500 and $610 million, excluding the US$450 million Alaska option exercise cost. This is lower than previous guidance, largely reflecting revised timings for FEED entry for LNG expansion in PNG and development activity on the Angore field.

All the above guidance is subject to the finalisation of the financial statements, Board review and the half year review by the Company's auditor."

2019 FULL YEAR GUIDANCE[1]

Year to December	PREVIOUS GUIDANCE	2019 GUIDANCE
Production		
Oil Search operated (PNG oil and gas)[2,3] (mmboe)	4.0 – 5.5	3.2 – 4.4
PNG LNG Project		
LNG (bcf)	106 – 113	110 – 115
Power (bcf)	0.7 – 1.4	0.7 – 1.1
Liquids (mmbbl)	3.1 – 3.6	3.1 – 3.5
Total PNG LNG Project[2] (mmboe)	24 – 26	25 – 26
Total production (mmboe)	**28.0 – 31.5**	**28 – 31**
Operating costs		
Production costs (US$ per boe)[6]	9.00 – 10.00	11.00 – 12.00
Other operating costs[4] (US$m)	150 – 160	135 – 145
Depreciation and amortisation (US$ per boe)	11.50 – 12.50	12.00 – 13.00
Investment expenditure		
Production (US$m)	95 - 115	95 – 115
Development – oil and gas (US$m)	145 - 170	110 – 135
Exploration and evaluation (US$m)[5]	235 - 285	225 - 275
Other plant and equipment (US$m)	55 - 65	50 – 60
Power (US$m)	15 - 20	20 – 25
Total (US$m)	**545 – 655**	**500 – 610**

1. Numbers may not add due to rounding.
2. Gas volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale.
3. Includes SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%).
4. Includes gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, power expense, corporate administration costs (including business development), expenditure related to inventory movements and other expenses.
5. Excludes Alaska and option exercise costs of US$450 million.
6. Guidance includes the total financial impact of earthquake remediation.

PRODUCTION SUMMARY[1]

	QUARTER END			HALF YEAR		FULL YEAR
	JUN 2019	MAR 2019	JUN 2018	JAN-JUN 2019	JAN-JUN 2018	DEC 2018
PNG LNG Project[2]						
LNG (mmscf)	**27,312**	28,150	21,382	**55,462**	38,942	96,826
Gas to power (mmscf)	**140**	155	173	**295**	333	674
Condensate ('000 bbls)	**704**	735	617	**1,439**	1,091	2,678
Naphtha ('000 bbls)	**78**	79	63	**157**	113	276
Total PNG LNG Project (mmboe)	**6.164**	**6.364**	**4.907**	**12.528**	**8.905**	**22.071**
PNG crude oil production ('000 bbls)						
Kutubu	**374**	412	356	**786**	749	1,633
Moran	**33**	88	0	**121**	137	310
Gobe Main	**3**	3	4	**7**	7	15
SE Gobe	**9**	10	6	**19**	14	35
Total oil production ('000 bbls)	**419**	513	366	**932**	906	1,993
SE Gobe gas to PNG LNG (mmscf)[3]	**397**	412	192	**809**	712	1,400
Hides GTE Refinery Products[4]						
Sales gas (mmscf)	**1,019**	1,356	412	**2,376**	1,331	4,000
Liquids ('000 bbls)	**20**	26	8	**46**	28	83
Total oil, condensate and naphtha (mmbbl)	**1.221**	**1.353**	**1.054**	**2.574**	**2.138**	**5.030**
Total LNG and gas (mmscf)	**28,868**	**30,073**	**22,160**	**58,942**	**41,318**	**102,899**
Total barrels of oil equivalent ('000 boe)[5]	**6,882**	**7,249**	**5,399**	**14,131**	**10,239**	**25,206**

1. Numbers may not add due to rounding.
2. Production net of fuel, flare, shrinkage and SE Gobe wet gas.
3. SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.
4. 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.
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.

SALES SUMMARY[1]

	QUARTER END			HALF YEAR		FULL YEAR
	JUN 2019	**MAR 2019**	**JUN 2018**	**JAN-JUN 2019**	**JAN-JUN 2018**	**DEC 2018**
Sales data PNG LNG PROJECT						
LNG (Billion Btu)	**31,407**	29,544	20,313	**60,951**	42,720	111,008
Condensate ('000 bbls)	**573**	653	593	**1,226**	1,048	2,635
Naphtha ('000 bbls)	**95**	91	80	**186**	140	295
PNG oil ('000 bbls)	**391**	479	350	**870**	865	1,923
HIDES GTE						
Gas (Billion Btu)[2]	**1,092**	1,456	442	**2,548**	1,426	4,286
Condensate & refined products ('000 bbls)[3]	**17**	25	7	**42**	27	82
Total barrels of oil equivalent sold ('000 boe)[4]	**6,741**	6,652	4,647	**13,394**	9,766	25,022
Financial data (US$ million)						
LNG and gas sales	**302.2**	314.6	183.4	**616.8**	398.3	1,160.1
Oil and condensate sales	**66.9**	71.4	68.9	**138.4**	137.8	326.0
Other revenue[5]	**9.8**	12.0	10.5	**21.8**	21.6	49.7
Total operating revenue	**378.9**	398.1	262.8	**777.0**	557.8	1,535.8
Average realised oil and condensate price (US$ per bbl)[6]	**68.67**	62.35	72.55	**65.26**	71.45	70.65
Average realised LNG and gas price (US$ per mmBtu)	**9.30**	10.15	8.83	**9.71**	9.02	10.06
Cash (US$m)	**538.3**	789.5	412.1	**538.3**	412.1	600.6
Debt (US$m)[7]						
PNG LNG financing	**3,119.3**	3,293.6	3,459.7	**3,119.3**	3,459.7	3,293.6
Corporate revolving facilities[8]	**-**	130.0	-	**-**	-	-
Net debt (US$m)	**2,581.0**	2,634.1	3,047.6	**2,581.0**	3,047.6	2,693.0

1. Numbers may not add due to rounding.
2. Relates to gas delivered under the Hides GTE Gas Sales Agreement.
3. Relates to refined products delivered under the Hides GTE Gas Sales Agreement or sold in the domestic market and condensate.
4. Gas and LNG sales 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 and asset specific heating values. Minor variations to the conversion factors may occur over time.
5. Other revenue consists largely of rig lease income, infrastructure tariffs and electricity, refinery and naphtha sales.
6. Average realised price for Kutubu Blend including PNG LNG condensate.
7. Excludes lease liabilities recorded as borrowings.
8. As at 30 June 2019, the Company's corporate revolving facilities totaled US$900 million.

PRODUCTION PERFORMANCE[1]

	QUARTER END JUN 2019		QUARTER END MAR 2019		% CHANGE	
	Gross daily production	Production net to OS	Gross daily production	Production net to OSH	Gross daily production	Total q-on-q production net to OSH
Gas production	**mmscf/d**	**mmscf**	**mmscf/d**	**mmscf**		
PNG LNG Project						
LNG[2]	**1,035**	**27,312**	1,078	28,150	-4%	-3%
Gas to power	**5**	**140**	6	155	-10%	-9%
SE Gobe gas to PNG LNG[3]	**20**	**397**	21	412	-5%	-4%
Hides GTE gas[4]	**11**	**1,019**	15	1,356	-26%	-25%
Total gas	**1,071**	**28,868**	**1,120**	**30,073**	**-4%**	**-4%**
Oil and liquids production	**bopd**	**mmbbl**	**bopd**	**mmbbl**		
Kutubu	**6,843**	**0.374**	7,620	0.412	-10%	-9%
Moran	**731**	**0.033**	1,969	0.088	-63%	-62%
Gobe Main	**374**	**0.003**	387	0.003	-3%	-2%
SE Gobe[3]	**449**	**0.009**	482	0.010	-7%	-6%
Total PNG oil	**8,397**	**0.419**	**10,458**	**0.513**	-20%	-18%
Hides GTE liquids[4]	**221**	**0.020**	287	0.026	-23%	-25%
PNG LNG liquids	**29,617**	**0.782**	31,185	0.814	-5%	-4%
Total liquids	**38,235**	**1.221**	**41,930**	**1.353**	**-9%**	**-10%**
	boepd	**mmboe**	**boepd**	**mmboe**		
Total production[5]	**248,206**	**6.882**	**261,524**	**7.249**	**-5%**	**-5%**

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. SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.
4. 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.
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.

2019 second quarter production net to Oil Search was 6.9 million barrels of oil equivalent (mmboe), comprising the following:

- LNG produced at the PNG LNG plant, net of SE Gobe sales, fuel, flare and shrinkage, of 27,312 mmscf.
- Gas produced for domestic market power generation of 140 mmscf.
- PNG LNG liquids production of 0.78 mmbbl, comprising condensate produced during gas processing at the Hides Gas Conditioning Plant (HGCP) and naphtha at the PNG LNG plant.
- Oil Search-operated production of 0.71 mmboe, comprising 0.42 mmbbl of PNG oil field production, 0.22 mmboe of gas and liquids production from the Hides GTE Project and 0.08 mmboe of gas exported to the PNG LNG Project from the SE Gobe field. The operated fields produced at an average rate of 14,642 barrels of oil equivalent per day (gross), including 1,777 mmscf (gross) of SE Gobe gas exports.

Total production from the PNG LNG Project, net to Oil Search, was 6.2 mmboe. An average of 137 mmscf/day of gas was supplied to the Project by Oil Search from the Associated Gas (Kutubu and Gobe Main) and SE Gobe fields, representing approximately 12% of the total gas delivered to the LNG plant.

Production from the Kutubu complex declined 9% over the period, largely due to compression system outages at both the Agogo and Central Processing Facilities and the continued outage of the North West Moran wells due to community-related issues following the earthquake last year. Production from the Moran field was 62% lower than the previous quarter, mainly reflecting a temporary shut-in of the Moran wells during the quarter, while compression and seal systems at the Agogo Processing Facility were being repaired following the earthquake last year. Reservoir pressures responded positively to the reinstatement of gas injection in late May, with production resuming in early June.

The Hides GTE facility was shut down for 27 days in April and June, due to vandalism of power lines between the Barrick power generation facility and the Porgera mine site. This resulted in a production decline of 25% during the quarter.

EXPLORATION AND APPRAISAL ACTIVITY

Gas

PNG Highlands

Following the conclusion of flow testing in mid-April, the Muruk 2 appraisal well in PDL 9 was shut-in and downhole pressure gauges were installed to monitor the build-up of pressure. The pressure readings in the coming months will assist in evaluating the contingent resources volumes within the Muruk field, which is expected to be completed in the fourth quarter of 2019.

Forelands / Gulf

In the Eastern Foldbelt of the Onshore Papuan Basin, Oil Search made progress on the second phase of a 2D seismic acquisition programme, covering approximately 215 kilometres over PPLs 475 and 476. This second phase, which is expected to be completed in the third quarter of 2019, aims to mature prospects identified by the first 330 kilometre survey, for potential future drilling. The programme is being conducted by Oil Search on behalf of ExxonMobil.

Oil

Alaska

In late June, Oil Search exercised its right to acquire Armstrong Energy LLC and GMT Exploration Company LLC's remaining 25% and 37.5% interests in the Pikka Unit and Horseshoe area, respectively, as well as a further 37.5% interest in the Hue Shale leases and 25.5% interest in other exploration areas, for US$450 million.

Concurrent with the option exercise, Oil Search and Repsol entered into a series of arrangements to align ownership interests across their shared North Slope portfolio. Oil Search will transfer a 24% interest in the Horseshoe leases to Repsol, while purchasing 51% interest in leases acquired by Repsol in the 2017 lease round, located immediately east of the Horseshoe area, largely within the prospective Nanushuk trend. This will result in Oil Search and Repsol holding 51% and 49%, respectively, across all co-owned leases, for a net payment of US$64.3 million from Repsol to Oil Search. Oil Search remains the operator of all leases in the shared portfolio.

Following the option exercise and the alignment of interests with Repsol, interests in the various leases are as follows:

Phase	Before OSH option exercise				After OSH option execution				After alignment with Repsol			
Lease Category	Pikka Unit	Horse shoe	Other exploration	Hue Shale	Pikka Unit	Horse shoe	Other exploration	Hue Shale	Pikka Unit	Horse shoe[1]	Other exploration[2]	Hue Shale
Oil Search	25.50%	37.50%	25.50%	37.50%	51.00%	75.00%	51.00%	75.00%	51.00%	51.00%	38.76%	75.00%
Armstrong / GMT Exploration	25.50%	37.50%	49.50%	62.50%	-	-	24.00%	25.00%	-	-	24.00%	25.00%
Repsol	49.00%	25.00%	25.00%	-	49.00%	25.00%	25.00%	-	49.00%	49.00%	37.24%	-

1) Sale of 24% interest at US$2.87 million per % point. Sale proceeds of US$68 million
2) Sale of 12.24% interest at cost. Sale proceeds of US$2 million

Following the successful 2018/19 drilling season, detailed reservoir and resource modelling undertaken to date has increased the Company's confidence of a material upgrade in resource estimates above the 500 mmbbl (gross) acquisition case, for the Pikka Unit Nanushuk reservoir and satellite fields. Once this analysis has been completed, revised resource estimates will be validated through a rigorous assurance process.

Evaluation and remapping of the Nanushuk trend has high-graded the Horseshoe and East Pikka areas as being highly prospective for tie-ins to the Pikka development, or potentially as a standalone development for the Horseshoe Block. To test the potential resource upside within both areas, preparations are underway to finalise appraisal and drilling opportunities for the 2019/20 winter drilling season.

As previously disclosed, Oil Search and Repsol have revised their base development plan for the Pikka Unit, now targeting first production of 30,000 bopd in 2022, utilising adjacent processing facilities, followed by full scale production of 120,000 bopd in 2024. Discussions with nearby operators for further cooperation and the sharing of facilities are maturing well and are expected to conclude prior to FEED entry, which is targeted for the third quarter of 2019.

DRILLING CALENDAR[1]

Subject to joint venture and government approvals, the 2019 drilling programme is as follows:

WELL	WELL TYPE	LICENCE	OSH INTEREST	TIMING
PNG				
Moran X	Development	Moran Unit	49.5%	Drilling ahead
Gobe Footwall	Exploration	PDL 4	TBA	4Q19
UDT S	Development	PDL 2	60.0%	3Q19
UDT H	Development	PDL 2	60.0%	1Q20

1. Well locations and timing subject to change.

❖ FINANCIAL PERFORMANCE

Sales revenues

During the quarter, 31,407 billion Btu of LNG from the PNG LNG Project (net to Oil Search) was sold, 6% higher than sales volumes in the first quarter of 2019. A total of 28 LNG cargoes were delivered, comprising 21 cargoes sold under long term contract, five under mid-term sale and purchase agreements and two on the spot market, compared to 27 cargoes sold in the previous quarter. Two cargoes were on the water at the end of the period, compared to three at the end of the first quarter of 2019. Oil, condensate and naphtha sales volumes for the period totaled 1.06 mmbbl, 13% lower than liquid sales in the previous quarter. Three cargoes of Kutubu Blend and three naphtha cargoes were sold during the period, the same as in the first quarter.

The average oil and condensate price realised during the quarter was US$68.67 per barrel, 10% higher than the previous quarter, reflecting a stronger period for global oil prices. The average price realised for LNG and gas sales decreased 8% to US$9.30/mmBtu, reflecting the approximate three-month lag between the spot oil price and LNG contract prices. The Company did not undertake any hedging transactions during the period and remains unhedged.

Total sales revenue from LNG, gas, oil and condensate for the quarter declined 4% to US$369.1 million. Other revenue, comprising rig lease income, infrastructure tariffs, electricity, refinery and naphtha sales, declined from US$12.0 million to US$9.8 million.

Capital management

At 30 June 2019, Oil Search held liquidity of US$1.44 billion, comprising US$538.3 million in cash (US$789.5 million at the end of the first quarter) and US$900 million in undrawn corporate credit facilities (US$670.7 million at the end of the first quarter of 2019).

During the quarter, the Company repaid US$130 million drawn under its revolving credit facilities, made a scheduled PNG LNG Project finance principal repayment of US$174.3 million and funded its exploration and appraisal programmes in PNG and Alaska.

Oil Search ended the period with US$3.12 billion of debt outstanding (US$3.42 billion at the end of the first quarter of 2019), all of which related to the PNG LNG project finance facility.

In late June, an additional US$300 million of corporate credit facilities were arranged, subject to obtaining standard PNG regulatory approvals, to provide additional financial flexibility ahead of the Alaskan option payment of US$450 million, which will complete in late August. The additional credit lines have a term of one year, to cover the period until the planned sell down of Alaskan equity, and will take the Company’s total amount of undrawn bank facilities to US$1.2 billion, prior to the payment of the option consideration. Revised ownership agreements executed with Repsol in the second quarter will result in the receipt of US$64.3 million in the third quarter of 2019.

Capital expenditure

During the quarter, Oil Search spent US$515.7 million on exploration and evaluation activities, of which US$450 million related to the exercise of the Company’s option to acquire additional lease interests in Alaska. Other key items of exploration and evaluation expenditure comprised US$17.7 million spent on pre-FEED and other activities for LNG expansion, US$14.3 million on the Muruk 2 appraisal well, US$4.8 million on the second phase of seismic acquisition in the Eastern Foldbelt and US$3.0 million related the Company’s 2018/19 Alaska North Slope appraisal drilling programme.

US$12.2 million of exploration costs were expensed, mainly comprising seismic acquisition costs and geological, geophysical and general and administration expenses.

Development expenditure for the second quarter totaled US$9.1 million, including US$6.8 million related to the PNG LNG Project and US$2.3 million on Biomass. Expenditure on producing assets was US$14.3 million, mainly attributable to the IDT 21 workover and Moran X side track, while expenditure on other property, plant and equipment was US$6.2 million.

❖ SUMMARY OF INVESTMENT EXPENDITURE AND EXPLORATION AND EVALUATION EXPENSED[1]

	QUARTER END			HALF YEAR		FULL YEAR
	JUN 2019	MAR 2019	JUN 2018	JAN-JUN 2019	JAN-JUN 2018	DEC 2018
Investment Expenditure						
Exploration & Evaluation						
PNG	**41.9**	37.1	49.1	**79.0**	88.2	231.0
USA	**473.7**	47.9	8.8	**521.6**[4]	425.9[4]	483.5[4]
MENA	**0.2**	-	0.2	**0.2**	1.0	0.3
Total Exploration & Evaluation	**515.7**	85.1	58.1	**600.7**	515.1	714.8
Development						
PNG LNG	**6.8**	4.1	12.0	**10.9**	17.2	36.8
Biomass	**2.3**	1.9	3.4	**4.2**	5.8	10.7
Total Development	**9.1**	6.0	15.4	**15.1**	23.0	47.5
Production	**14.3**	13.4	1.8	**27.7**	6.8	21.7
PP&E	**6.2**	6.3	8.2	**12.5**	16.3	51.4
Total	**545.3**	110.8	83.4	**656.0**	561.2	835.4
Exploration & Evaluation Expenditure Expensed[2,3]						
PNG	**7.7**	8.0	4.4	**15.7**	9.2	51.8
USA	**4.3**	4.4	1.9	**8.7**	2.0	14.3
MENA	**0.2**	-	0.2	**0.2**	1.1	0.3
Total current year expenditures expensed	**12.2**	12.4	6.4	**24.6**	12.3	66.4
Prior year expenditures expensed	**-**	-	-	**-**	-	-
Total	**12.2**	12.4	6.4	**24.6**	12.3	66.4

1. Numbers may not add up due to rounding.
2. Exploration costs expensed includes unsuccessful wells, exploration seismic and certain costs related to administration costs and geological and geophysical activities. Costs related to permit acquisitions, the drilling of wells that have resulted in a successful discovery of potentially economically recoverable hydrocarbons and appraisal and evaluation of discovered resources are capitalised.
3. Numbers do not include expensed business development costs of US$2.1 million in the second quarter of 2019 (US$1.1 million in the first quarter of 2019).
4. Includes Alaska acquisition costs upon exercising the Armstrong / GMT option for US$450 in second quarter of 2019 (2018: Includes initial Alaska acquisition costs of US$415 million).

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.

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