



2019 FULL YEAR RESULTS

ASX: OSH | ADR: OISHY | PNGX: OSH

HIGHLIGHTS

US\$312_M

NET PROFIT AFTER TAX

Net profit after tax was US\$312.4 million, 8% lower than in 2018, largely due to the fall in global energy prices.

US\$752_M

OPERATING CASH FLOW

Operating cash flow of US\$752.4 million was used to help fund PNG LNG project debt repayments, dividends and appraisal and pre-FEED activities for the Company's growth projects in PNG and Alaska.

US\$1.2_{BN}

LIQUIDITY

At the end of 2019, the Company had US\$1.2 billion in liquidity, comprising US\$396 million in cash and US\$756 million in undrawn credit facilities. Net debt totalled US\$3.0 billion.

4.5 US CENTS

FINAL DIVIDEND PER SHARE

A final dividend of 4.5 US cents per share was announced, taking total dividends for 2019 to 9.5 US cents per share, compared to 10.5 US cents in 2018. This represented a 46% payout ratio.

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HIGHLIGHTS (CONTINUED)

Year to 31 December	2019	2018	% CHANGE
Total production (mmboe)	27.9	25.2	+11%
Total sales (mmboe)	27.8	25.0	+11%
Average realised oil and condensate price (US\$ per barrel)	62.86	70.65	-11%
Average realised LNG and gas price (US\$ per mmBtu)	9.58	10.06	-5%
Total revenue (US\$m)	1,584.8	1,535.8	+3%
Net profit after tax (US\$m)	312.4	341.2	-8%
Operating cash flow (US\$m)	752.4	854.6	-12%
Total dividend (US cents per share)	9.5	10.5	-10%

◆ **2019 full year net profit was US\$312.4 million, 8% lower than net profit in 2018. Key drivers were as follows:**

- An 11% increase in hydrocarbon sales, with 2018 production impacted by the Highlands earthquake.
- An 11% decline in realised oil and condensate prices and 5% lower realised LNG and gas prices, reflecting weaker global energy prices.
- 27% higher depreciation and amortisation charges, due to the increase in production and the impact of applying the new IFRS 16 *Leases* accounting standard.
- A 29% drop in exploration costs expensed, reflecting lower exploration spend in PNG.

◆ **A 2019 final unfranked dividend of 4.5 US cents per share was declared**

Including the 2019 interim dividend of 5.0 US cents per share, the 2019 total dividend was 9.5 US cents per share, compared to the 2018 full year dividend of 10.5 US cents per share.

◆ **LNG expansion in PNG delayed**

Good progress was made during 2019 on the technical and commercial aspects of the proposed three-train LNG expansion in PNG and on the Papua LNG Gas Agreement, which was endorsed by the new PNG Government leadership team in September. However, as previously announced, the PNG State Negotiating Team and the PRL 3 Operator, ExxonMobil, could not agree on appropriate terms for the development of the P'nyang field and formal discussions were suspended on 31 January 2020. Since then, both ExxonMobil and Total have indicated their support for renewed discussions with the Government, as all project proponents, including Oil Search, believe that the existing proposed three-train development is the most efficient way to develop Papua LNG and P'nyang and creates the most value for stakeholders, including the PNG Government and the people of PNG. Once the P'nyang Gas Agreement is signed, the project participants are largely ready to progress into the FEED phase. Oil Search is encouraging all parties to continue discussions and finalise acceptable terms.

◆ **Successful activities in Alaska deliver 46% increase in gross 2C oil resource**

Material progress was made in Alaska over 2019 across all areas. The Company's inaugural drilling programme in Alaska was completed without any recordable injuries, within budget, and the information gathered from the wells, together with the incorporation of other data acquired over the year, helped drive a 46% increase in gross 2C

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resources in the Pikka Unit development, to 728 million barrels (371 million barrels net). Front-end engineering and design (FEED) activities on the Pikka Unit Development commenced in early 2020. The construction of gravel roads and well pads to support the early production system and the full field development is now underway as part of the 2019/20 winter season field programme.

The potential material upside in resources in Alaska has been demonstrated by the early results of the Alaskan 2019/20 winter drilling programme, with the discovery of oil in both the primary and secondary objectives in the Mitquq 1 exploration well. The hydrocarbon column encountered in the Nanushuk and Alpine C reservoirs is materially thicker than pre-drill expectations. A side-track, Mitquq 1 ST1, has been drilled into the Nanushuk reservoir and will be flow tested to determine well deliverability, with results expected to be available in early April. The Stirrup 1 exploration well, located 32 kilometres south-west of the Pikka Unit, has also encountered indications of oil in the Nanushuk reservoir. Evaluation of cores and logs acquired is underway and preparations to flow test the well have commenced.

◆ Resource increase on Alaska and Muruk success

Total 2P and 2C oil and condensate reserves and resources rose 96% over 2019. This was driven largely by a 244 million barrel increase in 2C oil resources in Alaska, reflecting the material resource upgrade in the Pikka Unit and the exercise of the Armstrong/GMT option, which doubled the Company's interest in the Pikka Unit and other leases to 51%. Total 2P and 2C gas resources ended 2019 largely unchanged, at 6,737 bcf, despite production of 114 bcf over the year, due to gas additions at Muruk and within the PNG LNG Project Associated Gas fields.

Based on 2019 production of 27.9 mmboe, Oil Search has a 1P Reserves life of 15 years, a 2P Reserves life of 17 years and a 2P Reserves and 2C Resources life of 60 years.

◆ Development activity success to support oil field production

Oil Search drilled two development wells and conducted workovers on three wells within the Kutubu and Moran fields in 2019. These wells have been brought onstream and are contributing strongly. An additional development well, IDT26, will spud in March, which, if successful, will boost Kutubu production rates in the second half of the year.

◆ Balance sheet and liquidity

Total liquidity at 31 December was \$1.15 billion. Gearing at the end of 2019 (based on net debt to net debt plus shareholders' funds) was 36%, while the interest cover ratio (EBITDAX/ interest expense) in 2019 was a healthy 4.8 times.

◆ Guidance update

Capital expenditure for 2020 is highly dependent on whether a P'nyang Gas Agreement is signed and the timeframe to enter FEED on the three-train integrated LNG development in PNG. On the basis that FEED entry occurs in 2020, capital expenditure is expected to be in the range of US\$710 – 845 million. The wide range reflects the current uncertainty on the specific timing of FEED entry. Production and operating cost guidance remains unchanged from that provided in the 2019 fourth quarter report, released on 28 January 2020.

◆ Ongoing recognition in 2019 for operating sustainably

In September 2019, Oil Search's assets were assessed to be within the top quartile of projects with the lowest exposure to climate change transition risk by Carbon Tracker's "Paris Aligned Investment Report", which evaluates oil and gas investment required under different climate change scenarios. The Company was also recognised as a leader in socio-economic contributions in Strive Philanthropy's GivingLarge Report for 2019 and has qualified for inclusion in the Sustainability Yearbook 2020, published by S&P Global in collaboration with RobecoSAM, with the Company's sustainability performance ranked in the top 15% of its industry. Among other indices, Oil Search remained a constituent of the FTSE4Good Index Series following the December 2019 index review.



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Oil Search

COMMENTING ON THE 2019 FULL YEAR RESULTS, OIL SEARCH MANAGING DIRECTOR, PETER BOTTEN, SAID:

Financial results

“Oil Search reported net profit after tax of US\$312.4 million for 2019, which was 8% lower than the net profit in 2018. Despite downtime while damage to the offshore liquids loading buoy was repaired and scheduled maintenance that took place at the PNG LNG plant site, total production was 11% above the prior year, which was impacted by the Highlands earthquake. This was driven by an excellent performance from PNG LNG, which produced at the highest rate since the Project came onstream in 2014.

111 LNG cargos were sold, compared to 99 in 2018, of which 100 were sold under contract and 11 on the spot market. In addition, 14 cargoes of Kutubu Blend and 11 of naphtha were shipped during the year. Higher product sales were partially offset by lower sales prices, reflecting the downturn in global energy markets. The average realised oil and condensate price fell 11% to US\$62.86/bbl, while the average realised LNG and gas price declined 5%, to US\$9.58/mmBtu, resulting in total revenue of US\$1.58 billion, 3% higher than in 2018.

Unit production costs, which comprise upstream, export system and LNG liquefaction costs, increased from US\$11.51 per boe to US\$12.48 per boe. The increase reflected the cost of repairs to the offshore liquids loading facility, increased oil field work programmes and lower operated-field insurance recoveries for earthquake remediation work. Other operating costs were US\$157.4 million, compared to US\$145.4 million in 2018, up mainly due to higher royalties and gas purchases, in line with increased production. Unit amortisation charges increased slightly, from US\$12.40 per boe in 2018 to US\$12.67 per boe.

During 2019, Oil Search's total investment expenditure was US\$870.7 million. This included US\$450 million to exercise the Armstrong/GMT option, which doubled our interests in the key Alaskan assets, with a further US\$250 million spent on exploration and evaluation activities, including pre-FEED costs for the LNG expansion project in PNG and the Pikka Unit Development in Alaska. Over the year, the Company repaid US\$354.2 million in PNG LNG project finance debt and paid US\$205.7 million to shareholders by way of dividends. These, and our capital expenditures, were funded from operating cash flow of US\$752.3 million, as well as drawdowns from cash and corporate credit facilities.

During the year the Company arranged US\$300 million of short-term corporate credit facilities, increasing total facilities to US\$1.20 billion, of which US\$755.7 million was available at year end. Oil Search ended the year with liquidity of US\$1.15 billion, while net debt at the end of 2019 was US\$2.98 billion, representing a gearing ratio (net debt to net debt plus shareholders' funds) of 36%.”

2019 final dividend of 4.5 US cents per share, full year payout ratio of 46%

“The Board has approved the payment of a final unfranked dividend of 4.5 US cents per share, compared to the 2018 final dividend of 8.5 US cents per share. The total dividend payment for the year, of 9.5 US cents per share represents a dividend payout ratio of 46%, which is at the upper end of the Board's dividend policy range, to return between 35% and 50% of net profit after tax to shareholders.”

Safety performance

“During 2019, activities took place in a number of operationally challenging regions, including seismic acquisition in the Eastern Foldbelt, drilling of Muruk 2 in the Highlands of PNG, offshore diving activities in the Gulf of Papua and completion of the inaugural two-well drilling programme on Alaska's North Slope.

Despite being the Company's first drilling campaign on the North Slope in Alaska, the two-rig, four reservoir penetration programme was successfully completed, with no recordable injuries or high potential (HiPo) incidents. In addition, the PNG Business Unit drilling team completed a recordable injury-free year and was recognised with the Oil Search Board

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of Directors' Safety Award at the 2019 PNG Safety Summit, an initiative that acknowledges and rewards excellence in safety performance. Unfortunately, there were eight recordable injuries relating to the PNG seismic programme, three marine-related incidents and several incidents resulting from contractor management and supervision issues. As a result, while there was a marked improvement in the second half compared to the TRIR during the first half of 2019 of 2.50, the Total Recordable Injury Rate (TRIR) increased from 1.58 in 2018 to 1.70 in 2019.

In response to the increase in TRIR, during 2019 Oil Search undertook the following:

- Revised our Company Life Saving Rules to align with International Association of Oil and Gas Producers (IOGP) industry best practice guidelines.
- Developed improved governance processes for land transportation, marine and aviation activities.
- Reinforced our processes to ensure we maximise lessons learnt from any incidents.

Oil Search's HiPo incident frequency rate (events with potentially fatal consequences) fell from 1.11 in 2018 to 0.72, reflecting our commitment to minimising exposure from high risk activities.

The Company recorded one Tier 1 and four Tier 2 process safety events (PSEs) during the year, with two of the Tier 2 PSEs related to 'return to service' activities in the production facilities following the earthquake. Due to the increase in number of PSEs during the second quarter, a Process Safety Taskforce was established to drive improvement, with positive results seen in the second half of the year."

LNG expansion in PNG delayed

"During 2019, key commercial agreements for the proposed three-train integrated LNG expansion in PNG were essentially completed, while pre-FEED engineering work and the basis of design for the downstream facilities and Papua LNG upstream facilities was substantially matured. In addition, the Papua LNG Gas Agreement, signed in April and subsequently reviewed by the new PNG Government leadership team, was endorsed in September, with ten legislative changes passed in October. The P'nyang Gas Agreement is the key outstanding issue required to move into the FEED phase of the integrated development.

Disappointingly, despite lengthy discussions with the PNG Government's State Negotiating Team, agreement on appropriate terms for the P'nyang Gas Agreement was not reached and formal talks were suspended on 31 January 2020. Since that time, both ExxonMobil and Total (as operators of PRL 3 and Papua LNG, respectively) have indicated their continued support for the existing three-train integrated development. The project proponents, including Oil Search, strongly believe that the optimal way of developing both the P'nyang field and the Papua LNG Project is through the integrated development, which creates substantial value for all stakeholders. We are supportive of ongoing dialogue with the PNG Government, aimed at reaching a P'nyang Gas Agreement that is balanced and fair for the State and Provincial Governments, landowners and the people of PNG, while still allowing the developers to earn an appropriate return on our investment. Pending completion of the P'nyang Gas Agreement, the projects are largely ready to move into the FEED phase.

Oil Search is working closely with our partners and the PNG Government, to help facilitate re-engagement on the P'nyang Gas Agreement and ensure that the integrated three-train development proceeds into FEED in a timely manner. The lower capital and operating costs of an integrated three train LNG expansion provides efficiencies and synergies for the benefit of all stakeholders. Consequently, Oil Search is focused on exploring options to reach a mutually acceptable agreement before giving serious consideration to other development alternatives.

Joint venture meetings are planned over the next month to discuss ways forward."

Alaska North Slope – progressing the Pikka Unit Development

“Substantial progress was made in Alaska during 2019, our second year of operations in the State. Successful drilling and other activities during the year culminated in a 46% upgrade in gross 2C resource estimates, to 728 mmbbls (371 million barrels net) within the approved core Pikka Unit development area. This does not include the nearby satellites or the Horseshoe area.

Following the receipt in May of the positive Record of Decision by the United States Army Corps of Engineers for the Pikka Unit Development EIS, a landmark Land Use Agreement was negotiated and agreed with the local native community Kuukpiik Corporation. This focused on ensuring community concerns were addressed and provided long term, sustainable benefits and opportunities for the communities while also confirming the implementation of measures to protect subsistence lifestyle, culture and the environment. Approval for the development re-zoning was also obtained from the North Slope Borough towards the end of the year.

While undergoing the regulatory and community approval processes, the Joint Venture undertook extensive pre-FEED, capital optimisation and basis of design work for the Pikka Unit Development. Independent value and risk assurance reviews also took place, resulting in further optimisations to the project, and negotiations with nearby operators regarding facilities sharing and cooperation commenced.

The Project commenced FEED activities in early 2020, with the Final Investment Decision targeted to take place in the second half of the year. Gravel laying operations for infrastructure required to support the Pikka Unit Development are now underway. During the 2019/20 winter season, the Company’s planned development work includes laying more than 1.1 million cubic metres of gravel for the construction of more than 18 kilometres of gravel roads and 27 hectares of gravel pads for the ND-B drill site, processing facility and operations centre and building a 59-metre bridge.

Based on the optimisation and other work that has taken place, together with the material resource potential close to the proposed Pikka Unit facilities, which has been further highlighted by the Mitquq oil discovery, we have decided to modify the development schedule slightly. The revised schedule will provide the opportunity to further optimise the full field development plan, including allowing for the completion of module fabrication in the yard rather than in the harsh conditions on the North Slope and ensuring that there are sufficient tie-in points to accommodate the development of satellites, such as Mitquq. The early production system is still expected to commence production in late 2022, while the full field development is now anticipated to come onstream in the first half of 2025.

The early results from the 2019/20 winter season two-well exploration programme have been encouraging, with the Mitquq 1 exploration well, located nine kilometres east of the planned Pikka Unit processing facility, encountering oil in both the primary and secondary objectives. A side-track from the Mitquq 1 wellbore, Mitquq 1 ST1, located 550 metres from the original Nanushuk penetration, has penetrated the Nanushuk reservoir as expected and test equipment is being mobilised to site, with a flow test expected to commence in the coming weeks. Preliminary results of the test, which will establish well deliverability, are expected in early April. Further evaluation and appraisal will be required to understand the potential for this area, with a forward programme to be determined following the winter drilling season.

The second exploration well, Stirrup 1, located in the Horseshoe area, 32 kilometres south-west of the Pikka Unit, has encountered the Nanushuk reservoir, with indications of oil. Preparations are underway to flow test the well. The Stirrup results will help determine whether there are sufficient resources in the Horseshoe area to underwrite a standalone processing facility or whether the resources in the area are better developed as a satellite to the proposed Pikka Unit processing facilities.

The process to divest up to 15% of our existing 51% interest in the Pikka Unit and adjacent exploration leases has commenced, utilising investment bank, Scotiabank, and we are pleased with the initial level of interest. Oil Search will retain operatorship of all areas following the divestment. We expect to make the results from the current exploration drilling programme available to interested parties in the second quarter of 2020 and are targeting finalisation of the sell-down early in the second half of the year.”

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Successful PNG oil field programme to continue in 2020

"The successful workover and in-fill drilling programme in the Moran and Kutubu fields in 2019 will continue in 2020 with the IDT 26 development well in the Kutubu field, which is expected to spud in March. During the second half of the year, a coil tubing programme is planned, targeting cost effective and incremental production increases from the Moran and Agogo fields. Further potential in-field work is being evaluated, dependent on oil prices and other capital commitments."

Exploration and appraisal activity in PNG

"In late 2019, Oil Search commenced drilling the Gobe Footwall 1 exploration well (Oil Search 65.5%) in PDL 4, targeting a footwall structure immediately west of the Gobe Main field. In January 2020, the well reached the target lagifu and Toro reservoirs, which both proved to be water bearing. The well is currently being plugged and abandoned.

At present, no further exploration drilling is planned for PNG in 2020. Exploration activity will be focused on the acquisition of seismic around Muruk in the Highlands, over the Eastern Foldbelt/Onshore Gulf, aimed at maturing gas leads and prospects close to the Papua LNG planned infrastructure, and in the offshore Deep-water Gulf. It is likely that exploration activities will be limited to current commitments only, until the PNG Government's proposed review of the oil and gas fiscal regime is completed and any revised terms are known."

Reserves and Resources at end 2019

"Oil Search's total booked 2P (proved and probable) oil reserves and 2C (contingent) oil resources nearly doubled over 2019, increasing from 253 million barrels (mmbbl) to 497 mmbbl. This was primarily due to the booking of 243.6 mmbbl of additional 2C oil resources in Oil Search's Alaskan Pikka Unit, following the 46% upgrade in gross 2C resources to 728 mmbbl (371 million barrels net) announced in December 2019. The Pikka Unit resource upgrade resulted in an increase in the 2C oil resource of 116.1 mmbbl, with an additional 127.5 mmbbl added relating to the exercise of the Armstrong/GMT option in June 2019, which doubled our interest in the Pikka Unit to 51%.

As previously highlighted, the booked 2C resources in Alaska only relate to the current Pikka Unit development plan and exclude other discovered resources both inside and outside the Pikka Unit. In addition, the early results from the two-well exploration programme currently underway in Alaska have been very encouraging, with the Mitquq exploration well, located east of the Pikka Unit in Alaska, discovering oil in both the primary and secondary objectives. A flow test of Mitquq 1 ST1 is expected to commence in the coming weeks, which, if successful, could result in potential further resource additions in Alaska.

Total 2P gas reserves and 2C contingent gas resources at the end of 2019 were largely unchanged, at 6,737 billion cubic feet (bcf), despite the production of 114 bcf of gas over the year. This reflected increased gas bookings at Muruk and within the PNG LNG Project Associated Gas fields.

Based on data gathered to date, our estimate of the gross 1C resource for Muruk has increased 249% to 453 bcf and gross 2C gas resources have risen 23% to 843 bcf. While Muruk 2 extended the lateral extent of the reservoir materially, the reservoir at the Muruk 2 location was encountered deeper than expected, limiting the increase in the 2019 2C resource booking. We have recently commenced a 2D seismic survey over Muruk and adjacent leads and prospects, with approximately 100 kilometres of data planned to be acquired. The results will supplement seismic data acquired in 2017 and enhance structural definition. This, combined with Muruk 2 core analysis, continued monitoring of the post well-test pressure build up and reservoir modelling, will allow us to further refine our assessment of volumes.

As Muruk 1 is located only 20 kilometres from the nearest Hides producing well, the current resource range has the potential to underwrite commercial production through the PNG LNG Project.

Following the receipt of a draft recertification report of PNG LNG Project resources from Netherland, Sewell & Associates, Inc., net 1P gas reserves in the PNG LNG Project increased by 50.3 bcf and net oil and condensate 1P

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reserves rose by 4.5 mmbbl. 2P reserves for most of the PNG LNG fields remained unchanged, except for reserves upgrades in the Moran and Kutubu complex fields, resulting in the addition of 8.8 bcf of gas and 3.9 mmbbl of oil and condensate net to Oil Search.

Based on 2019 production of 27.9 mmboe, Oil Search has a 1P Reserves life of 15 years, a 2P Reserves life of 17 years and a 2P Reserves and 2C Resources life of 60 years.”

For further detail, please refer to the Oil Search 2019 Reserves and Resources Statement.

Power developments in PNG

“The Port Moresby power station, a 50:50 joint venture between Oil Search and Kumul Petroleum, is currently supplying 32 MW of power to the Port Moresby electricity grid, using gas sourced from the PNG LNG Project. Supply is expected to ramp-up to the power station’s full 58 MW capacity during 2020, following the recent completion of a new 80 MW transmission line linking the power station to the grid.

During 2019, FEED commenced on Oil Search’s PNG Biomass project, a proposed 30 MW renewable power plant which will use dedicated sustainable forestry plantations located close to Lae to generate electricity for the Ramu Grid. A Final Investment Decision is targeted to be made on the project in mid-2020. The project is in the process of validation and registration under the Gold Standard for the Global Goals and has the potential to develop approximately four million tonnes of CO₂ carbon offsets over its life.”

Operating responsibly

“Following the release in 2018 of our first Climate Change Resilience Report, prepared under TCFD guidelines, in 2019 Oil Search assessed physical climate change risks, to better understand the physical risks of climate change to our assets and project area communities. We have incorporated the results of the Physical Climate Change Risk Assessment into the design decisions for future projects. In addition, knowledge obtained in the study was shared with the PNG Government’s Climate Change Development Authority and we have initiated a joint project to improve understanding and community resilience through targeted climate change adaptation projects.

During the third quarter of 2019, Carbon Tracker’s “Paris Aligned Investment Report”, which evaluates oil and gas investment required under different climate change scenarios, including a “Paris aligned” scenario, was released. The Company’s assets were independently verified to be within the top quartile of projects with the lowest exposure to climate change transition risk. This supported the analysis under Oil Search’s 2018 Climate Change Resilience Report that found that the Company’s portfolio remains resilient under the 2°C scenario.

In addition to the Carbon Tracker report, Oil Search’s efforts to operate in a sustainable manner continue to be recognised, as follows:

- Included in the Dow Jones Sustainability Index (DJSI) World index for the third consecutive year and in the DJSI Australia index for the seventh year.
- Included in the FTSE4Good Index for the fifth consecutive year
- Included in the STOXX Global ESG Leader Index, which is based on ESG indicators provided by Sustainalytics, for the fifth year.
- For the fifth year, included in the Vigeo World 120 Index, which assess companies that demonstrate the highest level of assurance for their ability to integrate ESG objectives and manage related risks.
- Included in the Ethibel EXCELLENCE Investment Register, for companies that perform better than average in their sector in corporate social responsibility.



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- Achieved a 'Leading' rating in the Australian Council of Superannuation Investors' annual review of ESG reporting by ASX200 listed companies
- Recognised as a leader in socio-economic contributions in Strive Philanthropy's GivingLarge Report for 2019
- Included in the Sustainability Yearbook 2020, published by S&P Global in collaboration with RobecoSAM, with the Company's sustainability performance ranked in the top 15% of its industry.

We recognise that investor and stakeholder interest in climate change has increased significantly and will continue to grow. We understand the challenges, but also the opportunities that the future energy transition presents for Oil Search. As such, climate change and how the Company positions itself as energy transition evolves will be key elements of Oil Search's 2020 strategic review."

Outlook for 2020

"This is my final report as Managing Director of Oil Search and I am extremely proud of the Company's achievements over the past 25 years. While 2019 has proven to be a challenging year, I am confident that the new Managing Director, Dr Keiran Wulff, with the support of the Board and management team, has the skills and experience required to continue to lead the Company to further success in both Papua New Guinea and Alaska.

Globally, the energy industry is in transition, with increasing focus on the challenges of meeting climate change targets and reducing consumption of fossil fuels. While utilisation of gas in a transitioning world remains key, the LNG market is currently well supplied. The strategy to contract most of our excess PNG LNG volumes under medium-term SPAs has proven to be very sensible and has protected the Company's earnings from weakness in LNG spot prices.

We remain committed to the development of the three-train integrated Papua LNG and P'nyang expansion projects in PNG, which we, and our partners, believe is in the best interests of all stakeholders, including the State and provincial governments, landowners and citizens of Papua New Guinea. The PRL 3 Joint Venture partners are aligned in wishing to achieve a fair and equitable agreement with the PNG Government for the P'nyang development, so we can progress into the FEED phase. The recent COVID-19 outbreak has dampened short term demand for LNG from China, but we expect this to be a temporary phenomenon. We are confident in our ability to secure LNG offtake agreements once we resume discussions with potential Asian buyers, due to the attractiveness of LNG from PNG.

2020 will be a pivotal year for Oil Search in Alaska, as the Company continues to mature its acreage and progresses the Pikka Unit Development through the FEED phase. The exciting initial results from the Mitquq 1 exploration well have de-risked several opportunities between the Pikka Unit Development and the Pikka East Block, all of which are within tie-back distance to the proposed Pikka Unit infrastructure. Preliminary results from the Stirrup 1 exploration well are also encouraging, with oil shows seen in the Nanushuk. Cores and logs are currently being evaluated and a comprehensive well testing programme is planned, with results expected in early April.

2020 production is expected to be between 27.5 to 29.5 mmbob. This is after planned maintenance at PNG LNG, which will take place in the second quarter. The upper end of the range is contingent on the success of the oil field optimisation programme, with promising results achieved to date, and regaining access and completing earthquake remediation work at NW Moran, which has been shut-in since the 2018 earthquake due to community issues unrelated to Oil Search.

I want to thank shareholders for their support over the past 27 years, 25 years of which I have served as Managing Director. It has been a fantastic journey seeing Oil Search grow from a small, A\$200 million exploration company to the largest operator in PNG, a key participant in the world-class PNG LNG Project and a major player in the reinvigoration of production on the North Slope of Alaska. I believe that Oil Search, over that time, has become a leader in corporate social responsibility, working closely with Governments and communities in Papua New Guinea and now Alaska. Over the years, reinvesting production revenues back into Papua New Guinea has brought our shareholders many rewards and has also given us a platform to play a part in the social development of the country. The responsibility we have to our shareholders, for whom we work, is clearly core to the way we do business at Oil Search. However, as PNG's

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biggest company, we also believe we need to actively address, together with Government and others, the social needs of our communities and the country as a whole. Through the Company and the Oil Search Foundation, we have developed programmes that deliver core infrastructure, build capacity within the health systems in Hela, Southern Highlands and Gulf Provinces, train our staff and communities, address gender-based violence and women's empowerment, promote sustainable business development opportunities and deliver literacy programmes for children, to name a few. Success in these programmes helps make our business in PNG sustainable in the long-term as well as being clearly the right moral thing to do. This culture is embedded in our workforce and it will be a lasting legacy following my departure.

As with all companies, Oil Search has had its successes and failures over the years. However, I believe the Company has a tremendous platform of people, skills and resources to increase stakeholder value, in a responsible and sustainable way, for many years to come."

PETER BOTTEN, AC, CBE

Managing Director

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2020 GUIDANCE ¹

Year to December	2019 ACTUAL	2020 GUIDANCE
Production		
Oil Search operated (PNG oil and gas) ^{2,3} (mmboe)	3.0	3 - 5
PNG LNG Project		
LNG (bcf)	110.8	108 - 110
Power (bcf)	0.6	1 - 2
Liquids (mmbbl)	3.2	2.9 - 3.2
Total PNG LNG Project ² (mmboe)	25.0	24 - 25
Total production (mmboe)	27.9	27.5 - 29.5
Operating costs		
Production costs (US\$ per boe)	12.48	11 - 12
Other operating costs ⁴ (US\$m)	157.4	130 - 150
Depreciation and amortisation ⁵ (US\$ per boe)	12.67	12 - 13
Investment expenditure (US\$m)		
Production expenditure (PNG)	81.0	120 - 140
Development ⁶		
PNG	45.0	70 - 90
Alaska	-	120 - 140
Total development expenditure	45.0	190 - 230
Exploration and evaluation		
PNG	159.9	120 - 130
Alaska	160.6	220 - 240
Alaska Option exercise	450.0	-
Repsol farm-down (net)	(70.5)	-
Total exploration and evaluation expenditure	700.0	340 - 370
Other plant and equipment (US\$m)	35.8	55 - 65
Power (US\$m)	8.8	5 - 40
Total (US\$m)	870.7	710 - 845

- Numbers may not add due to rounding.
- 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.
- Includes SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%).
- 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.
- Relates to oil and gas assets that are depreciated on a unit of production basis and excludes assets that are depreciated on a straight-line basis (including right-of-use assets capitalised under IFRS 16 Leases).
- Excludes any capitalised borrowing costs.

Forecast production and operating costs are unchanged from guidance issued in January 2020 in the 2019 fourth quarter report.

Production capital costs in 2020 include one development well (IDT 26) in the Kutubu field and well workovers to enhance production. Development expenditures are expected to be between US\$190 million and US\$230 million, related to the Pikka Unit Development and Angore field development activities.

Exploration and evaluation expenditures of between US\$340 million and US\$370 million include the Gobe Footwall well in PNG, the Mitquq and Stirrup exploration wells in Alaska, seismic programmes in PNG and Alaska and pre-FEED and FEED activities for both LNG expansion and the Pikka Unit Development, with the wide range reflecting uncertainty on FEED entry timing.



2019 FULL YEAR RESULTS

Oil Search

Other plant and equipment include costs related to the implementation of Phase 2 of a Company-wide Enterprise Resource Planning system.

FINANCIAL PERFORMANCE SUMMARY¹

Year to 31 December	2019	2018	%change
Sales data			
PNG LNG PROJECT			
LNG (Billion Btu)	124,589	111,008	+12%
Condensate ('000 bbls)	2,913	2,635	+11%
Naphtha ('000 bbls)	343	295	+16%
PNG oil ('000 bbls)	1,723	1,923	-10%
HIDES GTE			
Gas (Billion Btu)	5,460	4,286	+27%
Condensate & refined products ('000 bbls)	103	82	+26%
Total barrels of oil equivalent sold ('000 boe) ²	27,785	25,022	+11%
Average realised oil and condensate price (US\$/bbl) ³	62.86	70.65	-11%
Average realised LNG and gas price (US\$/mmBtu)	9.58	10.06	-5%
Financial data (US\$ million)			
Revenue from operations	1,584.8	1,535.8	+3%
Production costs	(348.7)	(290.0)	+20%
Other operating costs	(157.4)	(145.4)	+8%
Other income	67.2	9.6	+600%
EBITDAX ⁴	1,145.9	1,110.0	+3%
Depreciation and amortisation	(413.7)	(326.1)	+27%
Exploration costs expensed	(47.2)	(66.7)	-29%
EBIT ⁴	685.0	717.2	-4%
Net finance costs	(231.0)	(209.9)	+10%
Impairment	(5.9)	-	NA
Share of net profit from investments in joint ventures	0.6	-	NA
Profit before tax	448.7	507.4	-12%
Taxation expense	(136.3)	(166.2)	-18%
Net profit after tax	312.4	341.2	-8%
Net operating cash flow	752.4	854.6	
Per share data (US cents)			
Basic earnings per share	20.50	22.4	-8%
Diluted earnings per share	20.41	22.3	-8%
Net operating cash flow per share	49.3	56.1	-12%
Interim dividend	5.0	2.0	+150%
Final dividend	4.5	8.5	-47%
Total dividend for the year	9.5	10.5	-10%

1. Numbers and percentages may not add due to rounding.

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

3. Average realised price for Kutubu Blend, including PNG LNG condensate.

4. EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration) and EBIT (earnings before interest and tax) are non-IFRS measures that are presented to provide a more meaningful understanding of Oil Search's financial performance. The non-IFRS financial information is unaudited but is derived from the financial statements which have been subject to review by the Group's auditor.

2019 FULL YEAR RESULTS



FINANCIAL POSITION (US\$M)¹

As at	31 Dec 2019	30 Jun 2019	31 Dec 2018
Cash and short-term deposits ²	396.2	538.3	600.6
Debt (PNG LNG financing)	(2,939.4)	(3,119.3)	(3,293.6)
Corporate facilities	(440.0)	-	-
Net debt³	(2,983.2)	(2,581.0)	(2,693.0)
Total liquidity⁴	1,151.9	1,434.0	1,500.6

1. Numbers may not add due to rounding.
2. As at 31 December 2019, US\$232.1 million was escrowed in PNG LNG Project accounts (30 June 2019: US\$312.7 million, 31 December 2018: US\$308.6 million).
3. Excludes lease liabilities presented as 'Borrowings' in the Statement of Financial Position.
4. As at 31 December 2019, US\$755.7 million of corporate facilities were undrawn.

A full analysis of the financial results can be found in the Operating and Financial Review commencing on page 5 of the Directors' Report for the year ended 31 December 2019.

PRODUCTION SUMMARY¹

Year to 31 December	2019		2018		% change	
	Gross daily production	Net to OSH	Gross daily production	Net to OSH	Gross daily production	Net to OSH
	<i>mmscf/d</i>	<i>mmscf</i>	<i>mmscf/d</i>	<i>mmscf</i>		
Gas production						
PNG LNG Project						
LNG ²	1,046	110,768	915	96,826	+14%	+14%
Gas to power	6	598	6	674	-11%	-11%
Hides GTE gas ³	14	5,088	11	4,000	+27%	+27%
SE Gobe gas to PNG LNG ^{4,5}	18	1,470	17	1,400	+5%	+5%
Total gas	1,084	117,923	949	102,899	+14%	+15%
Oil and liquids production						
	<i>bopd</i>	<i>mmbbl</i>	<i>bopd</i>	<i>mmbbl</i>		
Kutubu	6,353	1.392	7,451	1.633	-15%	-15%
Moran	730	0.132	1,715	0.310	-57%	-57%
Gobe Main	368	0.013	400	0.015	-8%	-8%
SE Gobe	411	0.033	432	0.035	-5%	-5%
Total PNG oil	7,862	1.571	9,998	1.993	-21%	-21%
Hides GTE liquids ³	264	0.096	228	0.083	+16%	+16%
PNG LNG liquids	29,824	3.157	27,900	2.954	+7%	+7%
Total liquids	37,950	4.825	38,126	5.030	-	-4%
	<i>bopd</i>	<i>mmboe</i>	<i>bopd</i>	<i>mmboe</i>		
Total production⁵	250,491	27.947	224,231	25.206	+12%	+11%

1. Prior period comparatives updated for subsequent changes
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.

2019 FULL YEAR RESULTS



Reserves and Resources Summary ⁽¹⁾

As at 31 December	2019	2018	% change	Key drivers
1P Reserves:				
Gas (bcf)	1,874	1,937	-3%	Increases in all PNG LNG fields as assessed by NSAI's 2019 draft report, reducing uncertainty in the PNG LNG resource base, offset by 2019 production
Oil and condensate (mmbbl)	53.9	54.1	0%	
2P Reserves				
Gas (bcf)	2,102	2,209	-5%	Increases in the Associated Gas fields (Moran, Gobe and Kutubu), as assessed by NSAI's draft report, offset by 2019 production
Oil and condensate (mmbbl)	67.1	68.0	-1%	
2C Resources				
Gas (bcf)	4,635	4,533	+2%	Increase in resources in Muruk following preliminary analysis of data from the Muruk 2 appraisal well
Oil and condensate (mmbbl)	430.0	185.5	+132%	Increase in Pikka Unit resource following 2018/19 appraisal drilling programme and exercise of the Armstrong / GMT option
Total 2P Reserves and 2C Resources				
Gas (bcf)	6,737	6,742	0%	
Oil and condensate (mmbbl)	497.0	253.5	+96%	Successful appraisal programme in Alaska and exercise of the Armstrong/GMT option, doubling interest to 51% in the Pikka Unit

1 Numbers may not add due to rounding.

Please see the 2019 Reserves and Resources Statement for full details.

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.

2019 FULL YEAR RESULTS



Key Dates in 2020

Event	Dates*
Ex-dividend date for 2019 final dividend	Tuesday 3 March 2020
Record date for 2019 final dividend	Wednesday 4 March 2020
Last day to receive director nominations	Wednesday 11 March 2020
Release of 2019 Annual Report	Thursday 26 March 2020
Payment of 2019 final dividend	Thursday 26 March 2020
Release of 2020 1 st Quarter results	Tuesday 21 April 2020
89th Annual Meeting	Friday 1 May 2020
Release of 2020 2 nd Quarter results	Tuesday 21 July 2020
Release of 2020 half year results	Tuesday 25 August 2020
Ex-dividend date for 2020 interim dividend	Tuesday 1 September 2020
Record date for 2020 interim dividend	Wednesday 2 September 2020
Payment of 2020 interim dividend	Tuesday 22 September 2020
Release of 2020 3 rd Quarter results	Tuesday 20 October 2020
End of Financial Year	Thursday 31 December 2020

* Dates are subject to change

2019 FULL YEAR RESULTS



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

Presentation and Webcast

Oil Search will be holding a presentation for analysts and fund managers at 11.00 am AEDT today, 25 February 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 and fiscal and other government issues and approvals.

Appendix 4E

This preliminary final report is provided to the ASX under ASX Listing Rule 4.3A

This information should be read in conjunction with the consolidated Financial Report for the year ended 31 December 2019

Results for announcement to the market

		Year ended 31 December 2019 US\$'000	Year ended 31 December 2018 US\$'000
	% Change		
Revenue from ordinary activities	up 3.2%	1,584,808	1,535,761
Profit from ordinary activities after tax attributable to members	down 8.4%	312,420	341,202
Net profit for the year attributable to members	down 8.4%	312,420	341,202

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

Dividends

	Year ended 31 December 2019 US cents	Year ended 31 December 2018 US cents
Final dividend paid per security ¹	4.50	8.50
Interim dividend paid per security ¹	5.00	2.00

Net tangible assets

	Year ended 31 December 2019 US\$	Year ended 31 December 2018 US\$
Net tangible asset backing per ordinary security	2.19	2.37

Details of entities over which control was gained or lost

There were no acquisitions or disposals of controlled entities during the year ended 31 December 2019.

Details of joint ventures

	Percent ownership interest held at the end of the period	
	31 December 2019 %	31 December 2018 %
Papua New Guinea Liquefied Natural Gas Global 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 part of the dividends represent conduit foreign income. The record date for determining entitlements to the dividends is 4 March 2020.

Consolidated Financial Report for the year ended 31 December 2019

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Directors' Report

The directors submit their report for the financial year ended 31 December 2019.

DIRECTORS

The names, details and shareholdings of the directors of the Company in office during or since the end of the financial year are included in this report.

Mr Richard J Lee

Independent Chairman

AM, BEng (Chem) (Hons), MA (Oxon), FAICD (70 years)

Mr Lee joined the Board on 9 May 2012 and was appointed Chairman on 28 February 2013. Mr Lee has extensive resource banking and international commercial experience. His previous senior executive roles include 16 years with CSR Limited and 9 years in the position of Chief Executive Officer of NM Rothschild Australia Limited. He was the former Chairman of Ruralco Holdings Limited and Salmat Limited, Deputy Chairman of Ridley Corporation Limited and a director of Newcrest Mining Limited, CSR Limited and Wesfarmers General Insurance Limited. Mr Lee was also Chairman of the Australian Institute of Company Directors. *Ordinary shares fully paid: 96,829.*

Mr Peter R Botten

Managing Director

AC, CBE, BSc, ARSM (65 years)

Mr Botten was appointed Managing Director on 28 October 1994, having previously filled both exploration and general manager roles in the company since joining in 1992. He has extensive worldwide experience in the oil and gas business, previously holding various senior technical and managerial positions in a number of listed and government owned organisations. Mr Botten is a director of AGL Energy and is on the Executive Committee of the Australia PNG Business Council. He is Chairman of the Hela Provincial Health Authority and the National Football Stadium Trust in Port Moresby. Mr Botten is a former President of the Papua New Guinea Chamber of Mines and Petroleum. Mr Botten was awarded Companion of the Order of Australia in the Australia Day 2019 honours list for eminent service to Australia-Papua New Guinea relations, particularly in the oil and gas industry, and to social and economic initiatives. *Ordinary shares fully paid: 2,625,296; Performance Rights: 1,107,884; Restricted shares: 480,936.*

Dr Bakheet S Al Katheeri

Non-Executive Director

PhD, BASc, MSc, Executive MBA (Hons) (45 years)

Dr Al Katheeri joined the Board on 26 March 2018. Dr Al Katheeri has been the Chief Executive Officer of Mubadala Petroleum since March 2017. Prior to his appointment as CEO, he held the positions of Chief Growth Officer, responsible for all Mubadala Petroleum's new business development and mergers and acquisitions activity and Chief Operating Officer, overseeing both operated and non-operated assets, and United Arab Emirates (UAE) gas supply. Before joining Mubadala Petroleum, Dr Al Katheeri had a long career with Abu Dhabi National Oil Company. Dr Al Katheeri is a member of a number of industry Boards and committees in the UAE. *Ordinary shares fully paid: nil.*

Sir Kostas G Constantinou

Independent Non-Executive Director

OBE (62 years)

Sir Kostas joined the Board on 16 April 2002. He is a prominent business figure in Papua New Guinea, holding a number of high-level public sector and private sector appointments. Sir Kostas is Chairman of various companies, including Bank of South Pacific Limited, Air Niugini, Airways Hotel and Apartments Limited, Lamana Hotel Limited and Lamana Development Limited. He is a director of Alotau International Hotel, Heritage Park Hotel in Honiara, Gazelle International Hotel in Kokopo, Taumeasina Island Resort in Samoa, Good Taste Company in New Zealand and Loloata Island Resort Limited in Papua New Guinea. Sir Kostas is also Vice Chairman of the Employers Federation of Papua New Guinea, Honorary Consul for Greece and Cyprus in Papua New Guinea, and Trade Commissioner for Solomon Islands to Papua New Guinea. *Ordinary shares fully paid: 10,000.*

Ms Susan M Cunningham

Independent Non-Executive Director

BA Geol & Geog (64 years)

Ms Cunningham joined the Board on 26 March 2018. She has more than 35 years of oil and gas industry experience including senior executive roles at Amoco, Statoil, Texaco, and Noble Energy, where her last role was Executive Vice President responsible for EHSR (Environment, Health, Safety and Regulatory), global exploration and business innovation. Ms Cunningham is also a director of Enbridge Inc. Recently Ms Cunningham was an advisor for Darcy Partners, a research company connecting oil and gas companies with emerging technologies. Ms Cunningham served on the Board of the Offshore Technology Conference (OTC) from 2003 to 2008 and was Chair of the OTC from 2009 to 2011. She was also a director of Cliffs Natural Resources Inc from 2005 to 2014. *Ordinary shares fully paid: nil.*

Dr Eileen J Doyle

Independent Non-Executive Director

BMath (Hons), MMath, PhD, FAICD (65 years)

Dr Doyle joined the Board on 18 February 2016. Dr Doyle's career spans the building materials, infrastructure, industrials and logistics sectors, including senior operational roles at BHP Limited and CSR Limited and culminating in her appointment as CEO of CSR's Panel's Division. She is a director of Boral Limited, Hunter Angels Trust and SWOP Analytics. She has previously served on a number of other Boards, including as Deputy Chairman CSIRO and Chairman of Port Waratah Coal Services and director of GPT Group Limited and the Knights Rugby League Pty Ltd. *Ordinary shares fully paid: 36,050.*

Ms Fiona E Harris

Independent Non-Executive Director
BCom, FCA (Aust), FAICD (59 years)

Ms Harris re-joined the Board on 1 January 2017, after previously serving as a director from March 2013 to December 2015. Ms Harris has over twenty years of experience as a non-executive director, including on a number of internationally-focused listed energy and natural resources companies, and is a former WA State President and National Board Member of the Australian Institute of Company Directors. Ms Harris is currently a non-executive director of listed entity BWP Trust. In the past three years she was also a non-executive director of Infigen Energy Limited. Prior to commencing her career as a non-executive director, Ms Harris was a partner at chartered accountants KPMG, working in Perth, San Francisco and Sydney. *Ordinary shares fully paid: 31,961.*

Dr Agu J Kantsler

Independent Non-Executive Director
BSc (Hons), PhD, GAICD, FTSE (68 years)

Dr Kantsler joined the Board on 19 July 2010. Dr Kantsler worked with Woodside Petroleum, where he was Executive Vice President Exploration and New Ventures from 1995 to 2009 and Executive Vice President Health, Safety and Security from 2009 to 2010. Before joining Woodside Petroleum, Dr Kantsler had extensive experience with the Shell Group of Companies working in various exploration roles in Australia and internationally. Dr Kantsler has been a director of Forte Consolidated Limited and Savcor Group Limited. He was a director of the Australian Petroleum Production and Exploration Association for 15 years, where he chaired several committees and was Chairman from 2000 to 2002. Dr Kantsler was a member of the Australian Government's Council for Australian Arab Relations from 2003 to 2009. He is a former President of the Chamber of Commerce and Industry, WA and a former director of the Australian Chamber of Commerce and Industry. He is Managing Director of Transform Exploration Pty Ltd. *Ordinary shares fully paid: 45,736.*

Sir Mel P Togolo

Independent Non-Executive Director
CBE, BEcon (Hons), MA (Econ), MA (Geography) (73 years)

Sir Mel joined the Board on 1 October 2016. He has more than 25 years' experience in the mining industry. He is currently the PNG Country Manager for Nautilus Minerals and prior to that was the head of corporate affairs at Placer Dome Niugini Limited. Sir Mel serves on Boards both in PNG and overseas, including the Board of Panamex Singapore Holdings Limited, Heritage Park Hotel and Loloata Island Resort. He has previously served on the Boards of a number of leading PNG companies, including NASFUND. He was a founding member of the Business Council of Papua New Guinea and was the President of that Council for more than six years. He was awarded Knight Bachelor in the 2018 Queen's Birthday Honours for service to economic development, in particular in the mining and petroleum sectors, and to the community. *Ordinary shares fully paid: nil.*

GROUP SECRETARY

Mr Michael Drew

Group Secretary and EVP Corporate & General Counsel
LL.B (Hons) (51 years)

Mr Drew joined Oil Search in 2014 and has over 24 years' international oil & gas experience, including leadership roles based in Russia, Canada, UK and US. He began his legal career in private practice at Linklaters, London. In 2001, Mr Drew joined BP PLC and, in 2010, he was appointed Associate General Counsel BP responsible for global upstream businesses. He holds a Bachelor of Law LL.B (Hons) and is admitted to practice in Australia and England and Wales. Mr Drew was appointed as the Group Secretary of Oil Search in August 2019 assuming this role and responsibilities from Mr Stephen Gardiner, Chief Financial Officer. *Ordinary shares, fully paid: nil; Performance Rights: 198,959; Restricted shares: 82,133.*

RESULTS AND REVIEW OF OPERATIONS

The Oil Search Limited Group ('the Group') delivered a consolidated net profit of US\$312.4 million (2018: US\$341.2 million) for the year, after providing for income tax of US\$136.3 million (2018: US\$166.2 million).

Further details on the Group's operating and financial performance can be found in the 'Operating and Financial Review' on page 5.

DIVIDENDS

Subsequent to balance date, the directors approved the payment of a final unfranked dividend of US 4.5 cents per ordinary share (2018: US 8.5 cents final dividend) to ordinary shareholders in respect of the financial year ended 31 December 2019. The due date for payment is 24 March 2020 to all holders of ordinary shares on the Register of Members on 4 March 2020. The Company's dividend reinvestment plan will remain suspended for the final dividend. Dividends paid and declared during the year are recorded in note 10 to the financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the exploration for oil and gas fields and the development and production of such fields. This is carried out as both the operator and non-operator participant in the exploration, development and production of hydrocarbons.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, there were no significant changes in the nature of the activities or the state of affairs of the Group other than those referred to in the financial statements and notes thereto.

LIKELY FUTURE DEVELOPMENTS

Refer to the 'Operating and Financial Review' on page 5 for details on likely developments and future prospects of the Group.

ENVIRONMENTAL DISCLOSURE

The Group materially complies with all environmental laws and regulations and aims to operate at a high industry standard for environmental compliance. The Group has instituted appropriate environmental management systems and processes in support of this aim.

The Group has provided for costs associated with the restoration of sites in which it holds a participating interest.

The Group did not experience any reportable incidents in PNG. The Group experienced four minor incidents that were reported to regulatory authorities in relation to Group's operations in the USA. The Group did not incur any fines for environmental infringements.

CORPORATE INFORMATION

Oil Search Limited is a Company limited by shares and is incorporated and domiciled in Papua New Guinea. The Group had 1,607 employees as at 31 December 2019 (2018: 1,410). Oil Search Limited is listed on the ASX and PNGX.

SHARE BASED PAYMENT TRANSACTIONS

There were 1,485,180 share rights (2018: 983,042) granted under the Employee Share Rights Plan. There were 1,463,836 performance rights (2018: 1,833,601) granted under the Performance Rights Plan and 561,823 restricted shares (2018: 640,174) granted under the Restricted Share Plan during the year.

As at 31 December 2019, there were 2,913,524 share rights (2018: 2,206,192), 3,963,856 performance rights (2018: 3,924,765) and 1,188,420 restricted shares (2018: 1,300,928) granted over ordinary shares exercisable at various dates in the future, subject to meeting applicable performance hurdles, and at varying exercise prices (refer to note 22 for further details).

COMMITTEES OF THE BOARD

The Committees of the Board and their membership of directors during the year ended 31 December 2019 were:

Audit and Financial Risk Committee: Ms FE Harris (Committee Chair), Dr BS Al Katheeri¹, Sir KG Constantinou, Ms SM Cunningham², Dr EJ Doyle, and Sir MP Togolo. Mr RJ Lee is an ex-officio member of this Committee.

Corporate Actions Committee: Mr RJ Lee (Committee Chair), Mr PR Botten, Ms FE Harris and Dr AJ Kantsler.

Health, Safety and Sustainability Committee: Dr EJ Doyle (Committee Chair), Dr BS Al Katheeri, Ms SM Cunningham and Dr AJ Kantsler. Mr RJ Lee is an ex-officio member of this Committee.

People and Nominations Committee: Dr AJ Kantsler (Committee Chair), Dr BS Al Katheeri¹, Sir KG Constantinou, Ms SM Cunningham², Ms FE Harris and Sir MP Togolo. Mr RJ Lee is an ex-officio member of this Committee.

Project and Technology Committee: Dr BS Al Katheeri¹ (Committee Chair), Ms SM Cunningham², Dr EJ Doyle³ and Dr AJ Kantsler⁴. Mr RJ Lee is an ex-officio member of this Committee.

Independent Committee Members

The Board may appoint independent committee members to certain Committees, with the objective of providing suitably qualified PNG citizens with the opportunity to contribute to the effective functioning of the relevant Committee, while receiving training and exposure to the Company's governance practices. While independent committee members, do not count for quorum purposes and do not have a vote, they are encouraged to contribute to the discussions and decision making of the Committee. The independent committee members do not serve as members of the Oil Search Board.

The independent committee members during the year were:

Mr Richard L Kuna, BBus, CPA, Audit Partner, KTK Accountants and Advisors and President of CPA Papua New Guinea. Mr Kuna was appointed as an independent committee member of the People and Nominations Committee on 1 October 2018.

Ms Mary E Johns, LL.B, Company Secretary, Bank of South Pacific Limited. Ms Johns was appointed as an independent committee member of the Audit and Financial Risk Committee on 1 October 2018.

Ms Winifred K Amini, MBus, BSc CS, AAICD, Head of Projects at Kina Bank. Ms Amini was appointed as an independent committee member of the Audit and Financial Risk Committee on 1 October 2018.

Mrs Jennifer M Baing-Waiko, BAppSc (Fisheries), AAICD. Ms Baing-Waiko was appointed as independent committee member of the Health, Safety and Sustainability Committee on 1 October 2018.

Mr Ganjiki D Wayne, LLB (Hons, UPNG), LLM (Dist, London), AAICD, Principal with Kessadale Lawyer and Founder/Speaker with Attitude Plus. Mr Wayne was appointed as an independent committee member of the Health, Safety and Sustainability Committee on 1 October 2018.

Mr Des W Yaninen, BBus, PGDipFin, CPA, MPNGID, AAICD, Chief Executive Officer at NDB Investments Limited. Mr Yaninen was appointed as an independent committee member of the People and Nominations Committee on 1 October 2018.

¹ Dr BS Al Katheeri ceased to be a member of the Audit and Financial Risk Committee on 11 July 2019. He became Chair and member of the Project and Technology Committee and a member of the People and Nominations Committee on 11 July 2019.

² Ms SM Cunningham became a member of the Audit and Financial Risk Committee and the Project and Technology Committee on 11 July 2019. She ceased to be a member of the People and Nominations Committee on 11 July 2019.

³ Dr EJ Doyle became a member of the Project and Technology Committee on 11 July 2019.

⁴ Dr AJ Kantsler became a member of the Project and Technology Committee on 11 July 2019.

ATTENDANCES AT BOARD AND COMMITTEE MEETINGS

The number of Board and Committee meetings held during the year and the attendance by each director (and Committee member) are set out in the table below.

Directors	Directors' Meetings	Audit & Financial Risk	Health, Safety & Sustainability	People & Nominations	Project & Technology	Corporate Actions
Number of meetings held	8	4	4	5	1	2
Number of meetings attended						
BS Al Katheeri	7/8	2/2	4/4	3/3	1/1	-
PR Botten	8/8	-	-	-	-	2/2
KG Constantinou	7/8	3/4	-	4/5	-	-
SM Cunningham	8/8	2/2	4/4	2/2	1/1	-
EJ Doyle	8/8	4/4	4/4	-	1/1	-
FE Harris	7/8	4/4	-	5/5	-	2/2
AJ Kantsler	8/8	-	4/4	5/5	1/1	2/2
RJ Lee	8/8	4/4	4/4	5/5	1/1	2/2
MP Togolo	8/8	4/4	-	5/5	-	-


Note: There were changes in Committee memberships for the Audit and Financial Risk Committee and the People and Nominations Committee to accommodate the membership of the Project and Technology Committee. Details on Committee memberships during 2019 are disclosed in the Committees of the Board section of this report.

This Report is made in accordance with a Resolution of the Directors of the Company.



.....
RJ LEE

Chairman



.....
PR BOTTEN

Managing Director

Sydney, 24 February 2020

OPERATING AND FINANCIAL REVIEW

1. FINANCIAL OVERVIEW

1.1 Summary of Financial Performance

Year ended 31 December	2019	2018	% change
Production and Sales Data			
Production (mmboe ¹)	27.95	25.21	+11
Sales (mmboe)	27.79	25.02	+11
Average realised oil and condensate price (US\$/bbl ²)	62.86	70.65	-11
Average realised LNG and gas price (US\$/mmBtu ³)	9.58	10.06	-5
Financial Data (US\$ million)			
Revenue	1,584.8	1,535.8	+3
Production costs	(348.7)	(290.0)	+20
Other operating costs	(157.4)	(145.4)	+8
Other income	67.2	9.6	+600
EBITDAX⁴	1,145.9	1,110.0	+3
Depreciation and amortisation	(413.7)	(326.1)	+27
Exploration costs expensed	(47.2)	(66.7)	-29
Impairment	(5.9)	-	NA
Net finance costs	(231.0)	(209.9)	+10
Share of net profit from investments in joint ventures	0.6	-	NA
Profit before tax	448.7	507.4	-12
Taxation	(136.3)	(166.2)	-18
Net profit after tax	312.4	341.2	-8
Net debt	2,983.2	2,693.0	+11

Note: Numbers may not add due to rounding.

Production and Revenue

Oil Search's total net production in 2019 of 27.95 million barrels of oil equivalent (mmboe) was 11% higher than net production of 25.21 mmboe in 2018, which was impacted by the PNG Highlands earthquake in late February 2018 and resulted in a complete production shut-in of both the PNG LNG project and operated facilities.

Total revenue of US\$1,584.8 million was 3% higher than the prior year, in line with the higher hydrocarbon sales volumes, partially offset by lower average realised prices reflecting weaker global oil prices in 2019. The average price realised for LNG and gas sales decreased by 5%, compared to the prior year, to US\$9.58/mmBtu. The average realised oil and condensate price for 2019 was US\$62.86 per barrel, 11% lower than the prior year. The Group remained unhedged to oil price movements in 2019.

LNG delivered sales volumes totalled 124,589 billion Btu in 2019, 12% higher than in the prior year, with the delivery of 111 LNG cargoes (2018: 99 cargoes). Liquids volumes delivered in 2019 totalled 5.08 million barrels (mmbbl), 3% higher than the 4.94 mmbbl delivered in 2018.

Other revenue, consisting mainly of rig revenue, electricity, refinery and naphtha sales, and infrastructure tariffs, decreased to US\$43.0 million in 2019 from US\$49.7 million in 2018.

Production and other operating costs

Production costs increased by 20% from US\$290.0 million in 2018 to US\$348.7 million in 2019. This was mainly driven by higher work programmes in the oil fields, repairs to the offshore liquids loading facility, and ongoing earthquake remediation activities pending assessment for insurance recoveries. As a result of higher costs and production curtailment resulting from damage to the offshore liquids loading facility, production costs on a per barrel of oil equivalent (boe) basis increased from US\$11.51 per boe in 2018 to US\$12.48 per boe in 2019.

US\$ million	Production costs	
	2019	2018
PNG LNG	179.9	171.0
PNG oil and gas	168.8	119.0
	348.7	290.0

Other operating costs in 2019 of US\$157.4 million, were US\$12.0 million higher than the prior year. This was mainly due to higher royalties, gas purchases, brownfield studies for PNG LNG expansion, higher corporate expenditures and lower value of hydrocarbon stock at hand at the end of 2019, partially offset by a decrease in lease costs as a result of adopting IFRS 16 Leases from 1 January 2019.

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 (10⁶) British thermal units.

⁴ EBITDAX (earnings before interest, tax, depreciation/amortisation, non-core activities, impairment and exploration) is a non-IFRS measure presented to provide a more meaningful understanding of the performance of Oil Search's operations. The non-IFRS financial information is derived from the financial statements which have been subject to audit by the group's auditor.

Other income

Other income of US\$67.2 million in 2019 was US\$57.6 million higher than the prior year, predominantly due to recoveries from JV partners relating to assets capitalised under IFRS 16 Leases, the recognition of PNG LNG insurance recoveries for earthquake remediation costs incurred in the prior year, and a one-off adjustment in 2019 relating to the release of a prior year provision.

Depreciation and amortisation

Depreciation and amortisation increased from US\$326.1 million in 2018 to US\$413.7 million in 2019. The increase of US\$87.6 million was driven by higher production volumes in 2019 and higher depreciation and amortisation for right-of-use assets recognised from 1 January 2019 in line with the requirements of IFRS 16 Leases. On a cost per boe produced basis, the average amortisation rate for the production assets in 2019 was US\$12.67, compared to the 2018 rate of US\$12.40.

Exploration costs expensed

In line with the Group'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 year and resulted in a pre-tax charge of US\$47.2 million (2018: US\$66.7 million). The exploration costs expensed during the year included seismic acquisition and geological, geophysical and general administration expenses in PNG and Alaska.

Further details on exploration activities during the year are included in Section 2 'Overview of operations'.

Net finance costs

Net finance costs of US\$231.0 million in 2019 were US\$21.1 million higher than the prior year and were impacted by higher debt drawn from the corporate facilities in the period and higher financing charges due to the recognition of additional leased assets under IFRS 16 Leases.

Taxation

Tax expense on statutory profit in 2019 was US\$136.3 million, compared to US\$166.2 million in 2018. This resulted in an effective tax rate of 30.4% for 2019, against an effective tax rate of 32.8% in 2018.

1.2 Summary of Financial Position

Investment expenditure

Total investment expenditure for 2019 was US\$870.7 million driven by the Company's investment in major growth opportunities, including pre-FEED activities for the Group's LNG expansion projects in Papua New Guinea and the exercise of an option to acquire additional Alaskan assets on 28 June 2019. The components of investment expenditure for the year were:

US\$ million	2019	2018
Exploration and evaluation ¹	700.0	714.8
Development		
PNG LNG Project	45.0	36.8
Biomass	8.8	10.7
Producing assets	81.0	21.7
Other plant and equipment ²	35.8	51.4
Total investment expenditure	870.7	835.4

Exploration and evaluation expenditure for 2019 totalled US\$700.0 million (2018: US\$714.8 million), comprising US\$159.9 million (2018: US\$231.0 million) and US\$539.8 million (2018: US\$483.5 million) of expenditures in PNG and the USA respectively. Major programmes in PNG during 2019 included US\$64.6 million of pre-FEED activity for the PRL 15 and PRL 3 expansion projects, US\$57.8 million on PDL 9 and PDL 4 appraisal and exploration drilling and US\$13.8 million on seismic acquisition activities for Eastern Foldbelt licences. Expenditures incurred in Alaska of US\$539.8 included US\$450.0 million to acquire additional equity upon exercise of the Armstrong option, appraisal drilling costs incurred in early 2019, and seismic acquisition and preparatory works for exploration drilling that commenced in December 2019.

Development expenditure for 2019 was US\$53.8 million (2018: US\$47.5 million). This included Oil Search's share of PNG LNG Angore development costs of US\$45.0 million and US\$8.8 million incurred on progressing the Biomass project.

Expenditure on producing assets totalled US\$81.0 million in 2019 (2018: US\$21.7 million) and largely comprised the successful completion of two development wells at Moran and PDL 2, as well as sustaining capital expenditure for PNG LNG and PNG oil and gas assets.

The decrease in other plant and equipment expenditure from US\$51.4 million in 2018 to US\$35.8 million in 2019 was mainly driven by the phasing of implementation costs for the Company's new Enterprise Resource Planning system.

¹ Includes Alaska acquisition costs of US\$450.0 million (2018: 415.4) and exploration costs expensed during the year of US\$47.2 million (2018: US\$66.7 million).

² Excludes right of use assets capitalised as other plant and equipment under IFRS 16 Leases.

Net debt

At 31 December 2019, Oil Search had net debt (total borrowings excluding lease liabilities, less cash) of US\$2,983.2 million, a US\$290.2 million increase on the prior year net debt position of US\$2,693.0 million, largely due to the all-cash acquisition of licence interests in Alaska. A reconciliation of the movement in net debt between year-end balance dates is as follows:

	US\$ million
Net debt at 31 December 2018	2,693.0
Net repayment – PNG LNG Project finance facility	(354.2)
Net drawdown - corporate facilities	440.0
Decrease in cash balances	204.3
Net movement in 2019	290.2
Net debt at 31 December 2019	2,983.2

At 31 December 2019, the Group had US\$2,939.4 million and US\$440 million of debt outstanding under the PNG LNG Project finance and corporate credit facilities respectively.

Oil Search remained in a sound liquidity position at 31 December 2019, with cash of US\$396.2 million, including US\$232.1 million in PNG LNG escrow accounts, and US\$755.7 million available under the Group's corporate facilities. In late June 2019, the Company arranged for an additional US\$300.0 million of corporate credit facilities with a one year term, increasing its total corporate credit facilities to US\$1,200 million.

1.3 Operating cash flows

Year to 31 December (US\$ million)	2019	2018	% change
Net receipts	1,005.0	1,129.9	-11
Net interest paid	(220.0)	(190.4)	+16
Tax paid	(32.7)	(84.9)	-62
Operating cash in flow	752.4	854.6	-12
Net investing cash outflow	(813.3)	(811.0)	+3
Net financing cash outflow	(143.4)	(458.3)	-69
Net cash outflow	(204.4)	(414.7)	-51

Note: Numbers may not add due to rounding.

Operating cash flow decreased by 12% to US\$752.4 million in 2019, impacted by the lower average realised hydrocarbon prices in 2019, higher production costs and amounts due from joint venture partners.

During 2019, Oil Search's net investing cash flow included expenditures of:

- US\$650.6 million on exploration and evaluation (US\$647.6 million in 2018);
- US\$78.6 million of capital investment on production activities (US\$26.2 million in 2018);
- US\$39.5 million on hydrocarbon developments (US\$36.9 million in 2018);
- US\$36.4 million on other plant and equipment (US\$56.4 million in 2018); and
- US\$6.3 million on payments made in respect of power assets (US\$41.7 million in 2018).

The Group distributed US\$205.7 million to shareholders by way of the 2018 final dividend and the 2019 interim dividend during the year. During 2019, borrowings of US\$354.2 million (2018: US\$331.9 million) were repaid under the PNG LNG Project finance facility, in accordance with the repayment schedule.

1.4 Reserves and Resources

As at 31 December 2019, the Company's Proved Reserves (1P) were 53.9 million barrels (mmbbl) oil and condensate, down from 54.1 mmbbl in 2018 and 1,874.1 billion cubic feet (bcf) gas, down from 1,937.1 bcf in 2018.

The Company's total Proved and Probable Reserves (2P) plus Contingent Resources (2C) for oil and condensate were 497.0 mmbbl, up 96% compared to 2018. The movement reflected the addition of 243.6 mmbbl of Alaskan Pikka Unit oil to 2C Contingent Resources after incorporating the results of the Pikka appraisal wells and the increase in the Company's equity following the exercise of the Armstrong/GMT option. There was also an addition of 4.5 mmbbl of PNG LNG condensate to 1P and 3.9 mmbbl of PNG LNG condensate to 2P reserves, following the receipt of a draft recertification report by NSAI. These additions were partially offset by net production of 4.7 mmbbl and minor changes to the Gobe Main and SE Gobe field 2P oil Reserves.

Total Proved and Probable Reserves (2P) plus Contingent Resources (2C) for gas were 6,737.0 bcf, down 0.1% from 2018. The movements reflected an additional 37.1 bcf of 2C gas at Muruk, incorporating preliminary results from the Muruk 2 appraisal well results, as well as the addition of 50.3 bcf of 1P, 8.8 bcf of 2P and 65.2 bcf of 2C gas after the NSAI draft recertification report. Those increases were offset by net production of 113.7 bcf, as well as minor changes to the SE Gobe field 2P gas Reserves.

Further details will be included in the 2019 Reserves and Resources Statement, released to the market together with the 2019 Annual Report.

2. OVERVIEW OF OPERATIONS

Established in 1929, Oil Search is a Papua New Guinean (PNG) oil and gas exploration, development and production company.

The Company operates all of PNG's producing oil fields and the Hides Gas-to-Electricity Project. It also has a 29% interest in the PNG LNG Project, a world class liquefied natural gas (LNG) development, operated by ExxonMobil PNG Limited.

In 2019, Oil Search produced a total 27.9 million barrels of oil equivalent (mmbbl) from the PNG LNG Project and the Company's PNG operated oil and gas assets. Production was impacted between August and October due to reduced rates of liquids loading following the detection of damage to one of the mooring chains at the Oil Search-operated offshore liquids loading facility in the Gulf of Papua. Repair work on the damaged chain and preventative maintenance on the remaining five chains, was completed in October.

Despite the curtailment of production due to the mooring chain issue and planned plant maintenance, the PNG LNG Project produced at a record annual rate of 8.5 MTPA in 2019, 23% above nameplate capacity. 111 cargoes of LNG were sold to markets in Asia. Oil Search-operated oil and gas production was 6% lower than in 2018, reflecting natural field decline and compression system outages at the Agogo and Central Processing Facilities related to the Highlands earthquake in 2018, as well as the temporary curtailment of production resulting from the mooring chain issue.

In 2019, Oil Search and its joint venture partners continued to work on the proposed three-train LNG expansion project in PNG. Key commercial agreements to support downstream integration and participant alignment with the PNG LNG Project were largely completed.

A landmark Gas Agreement was executed for the Papua LNG Project in April 2019. Following a change to the PNG Government leadership team in May, a review of this agreement took place. In September, the PNG Government validated the terms of the Papua LNG Gas Agreement. This allowed negotiations to recommence on the terms for the PRL 3 (P'nyang) Gas Agreement. Unfortunately, agreement on appropriate terms for the P'nyang Gas Agreement was not reached and formal talks were suspended on 31 January 2020. The project proponents believe that the optimal way of developing the P'nyang field is through the integrated development, which creates substantial value for all stakeholders. It is anticipated that discussions will recommence in 2020, aimed at reaching a P'nyang Gas Agreement that is balanced and fair for the State and people of PNG, while still allowing the developers to earn an appropriate return.

In Alaska, Oil Search made good progress on the proposed Pikka Unit Development. The Company completed its maiden North Slope appraisal drilling programme safely in April, with the two rig/two well programme comprising four reservoir penetrations achieving its objectives. Over the year, the Pikka Unit development plan was optimised and all necessary environmental and Government permits, including the Record of Decision from the US Army Corps of Engineers, were received. Towards the end of the year, analysis of the drilling results, combined with data from adjacent wells, 3D seismic remapping and detailed reservoir modelling, led to a 46% increase in 2C gross contingent oil resources compared to Oil Search's original acquisition case.

In June, Oil Search decided to exercise its option with Armstrong Energy LLC (Armstrong) and GMT Exploration Company (GMT), thereby doubling its interest in its key Alaskan assets.

Oil Search and its joint venture partner, Repsol, commenced FEED for the engineering works in December 2019 and began construction of gravel roads and well pads to support the development. First oil is targeted for late 2022 through an early production system (EPS), followed by full field production in 2025.

2.1 Production Activities

2.1.1 PNG LNG Project (29%, non-operator)

The PNG LNG Project produced 25.0 mmbbl net to Oil Search in 2019, comprising 100.8 bcf of LNG and 3.2 mmbbl of liquids. Gross LNG production from the Project was 8.5 MT, 14% higher than in 2018 and 23% above nameplate capacity, the highest annual production achieved since the Project commenced operations in 2014. Record production was achieved despite scheduled downtime in the second quarter and the temporary curtailment of production volumes in the third quarter, due to the mooring buoy issue.

In 2019, 111 LNG cargoes were exported, with 81 sold under long-term contract, 19 sold under mid-term sale and purchase agreements and 11 cargoes sold on the spot market. 14 cargoes of Kutubu Blend and 11 cargoes of naphtha were also sold.

In April 2019, the PNG LNG Project operator, ExxonMobil, contracted the final medium-term tranche of LNG volumes on offer to Unipet Singapore Pte Ltd, committing to supply approximately 0.45 MTPA of LNG over four years from 2019 to 2023. Completion of this agreement increased total PNG LNG volumes contracted under medium and long-term agreements to approximately 7.9 MTPA.

2.1.2 Operated oil and gas production

Kutubu (PDL 2 – 60.0%, operator)

Gross production from the Kutubu complex in 2019 averaged 6,353 bopd, down 15% from 2018 levels.

Lower production reflected natural field decline, combined with the curtailment of Kutubu production and the shut-in of the Agogo field from late August to mid-October due to the mooring buoy issue. The production of liquids from the PNG LNG Project was prioritised during this period, as required under the contractual obligations with the PNG LNG Project. Production was progressively brought back up to full rates over the fourth quarter of 2019.

Moran (49.5%, based on PDL 2 – 60.0%, PDL 5 – 40.7% and PDL 6 – 71.1%, operator)

Gross production from Moran in 2019 averaged 730 bopd, down 57% from 2018 levels.

The Moran field was shut-in for 202 days, primarily to preserve reservoir pressure given extended high compression outages at the Agogo Processing Facility. Production resumed late in the fourth quarter, following the completion of maintenance work on the compressors and the removal of production restrictions relating to the mooring buoy issue.

In late December, Oil Search and NW Moran landowners reached an agreement allowing Oil Search to access the site after it was restricted following the 2018 earthquake due to tribal conflicts within the area that were unrelated to the Company's activities. This will allow Oil Search to undertake repairs related to the 2018 earthquake. Subject to ongoing access and the successful completion of repairs, the Company expects production from the NW Moran area to be brought back on-stream in the second half of 2020.

Gobe Main (PDL 4 - 10%, operator) and SE Gobe (PDL 3 - 36.4% and PDL 4 - 10%, operator)

In 2019, gross production from the Gobe Main field declined 8% to 368 bopd, while production from the SE Gobe field was 5% lower, at 411 bopd, reflecting natural field decline.

Production from both fields benefitted from stable operations at the Gobe Processing Facility during the year. Scheduled maintenance was successfully completed in July, with production from both fields shut in for 10 days during this period.

In 2019, 21.0 bcf of gas (gross) was supplied to the PNG LNG Project from the Gobe Main and SE Gobe fields, compared to 17.9 bcf (gross) in 2018.

Hides Gas to Electricity (GTE) Project – 100%, operator (PDL 1 – 16.7%)

The Hides GTE Project produced 5.1 bcf of gas in 2019, 27% higher than in 2018, and 96,338 barrels of liquids, up 16% on 2018 levels, as production volumes recovered from the 2018 earthquake. However, three unscheduled interruptions occurred during the year due to vandalism of the power lines between the Barrick-operated electrical generation facility and the Porgera Joint Venture mine site. Operations were also shut in for five days due to the mooring buoy issue.

2019 Production Summary ^{1, 2}

Year to 31 December	2019		2018		% change	
	Gross daily production (bopd)	Net to OSH (mmbbl)	Gross daily production (bopd)	Net to OSH (mmbbl)	Gross daily production	Net to OSH
Oil Production						
Kutubu	6,353	1.392	7,451	1.633	-15%	-15%
Moran	730	0.132	1,715	0.310	-57%	-57%
Gobe Main	368	0.013	400	0.015	-8%	-13%
SE Gobe	411	0.033	432	0.035	-5%	-6%
Total PNG Oil	7,862	1.571	9,998	1.993	-21%	-21%
PNG LNG Project Liquids	29,824	3.157	27,900	2.954	+7%	+7%
Hides Liquids⁴	264	0.096	228	0.083	+16%	+16%
Total Liquids	37,950	4.825	38,126	5.030	0%	-4%
Gas production						
	mmscf/d	mmscf	mmscf/d	mmscf		
PNG LNG Project LNG	1,046	110,768	915	96,826	+14%	+14%
PNG LNG Gas to Power	6	598	6	674	0%	-11%
Hides Gas Production⁴	14	5,088	11	4,000	+27%	+27%
SE Gobe Gas to PNG LNG	18	1,470	17	1,400	+6%	+5%
Total Gas	1,084	117,923	949	102,900	+14%	+15%
	boepd	mmboe	Boepd	mmboe		
Total Production³	250,491	27.947	224,231	25.206	+12%	+11%

1. Prior period comparatives updated for subsequent changes.

2. Numbers may not add due to rounding.

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. This reflects the energy content of the Company's gas reserve portfolio. Minor variations to the conversion factors may occur over time.

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 include approximately 2% unrecovered process gas.

2.2 Gas Development

Work on the proposed expansion of LNG capacity in PNG continued during 2019. The integrated development comprises the construction of three new LNG trains adjacent to the two existing LNG trains at the PNG LNG plant site. Two of the new trains will be dedicated to the Papua LNG Project and supplied with gas from the Elk/Antelope fields in PRL 15, while one train is planned to utilise gas from the existing PNG LNG Project fields and the P'nyang gas field in PRL 3.

Pre-FEED work was largely completed on the proposed 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. Upstream, pre-FEED work advanced for PRL 15 and the development concept for accelerated gas supply from existing PNG LNG Project fields was selected and approved by the PNG LNG Joint Venture and basic engineering progressed. At P'nyang in PRL 3, early project definition studies, primarily focused on the Gas Conditioning Plant, took place.

In April 2019, the PRL 15 (Papua LNG) Joint Venture and the PNG Government signed a Gas Agreement for the development of the Papua LNG Project. This agreement, the outcome of many months of negotiations, delivered a range of new benefits to the Government and landowners, while ensuring that the Papua LNG Project remains competitive in the global LNG market. The contractor selection and engineering contracting process for the upstream development commenced shortly afterwards. Following a change in the PNG Government leadership team in May, the newly appointed Cabinet, led by Prime Minister James Marape, commenced a review of the Papua LNG Gas Agreement as part of its handover activities. The Government upheld the Gas Agreement in early August, however, shortly after announced a further review of certain terms of the Agreement. Negotiations between the PNG Cabinet and Total, the operator of the Papua LNG Project, concluded in September, with the Government validating the terms of the Agreement as originally executed in April. Ten key legislative changes required under the Agreement were passed by the PNG Parliament in mid-October, with further legislative changes scheduled to occur in 2020.

Discussions between the PRL 3 Operator, ExxonMobil and the State, which had made good progress early in 2019, resumed on the P'nyang Gas Agreement in the fourth quarter of 2019. Unfortunately, despite intense negotiations, appropriate terms could not be agreed and formal negotiations were suspended on 31 January 2020. Since then, the project participants have indicated their support for renewed discussions with the Government, as the existing proposed three-train development is the most efficient way to develop Papua LNG and P'nyang and creates the most value for stakeholders, including the PNG Government and the people of PNG. Once the P'nyang Gas Agreement is signed, the project participants are largely ready to progress into the FEED phase. Oil Search anticipates that discussions will recommence in 2020, aimed at finalising terms that are acceptable to both the State and the developers.

During the year, key commercial agreements supporting the integration of Papua LNG with existing PNG LNG Project infrastructure were essentially completed. These included a new PRL 15 Joint Venture Operating Agreement and various other agreements to facilitate integrated operations.

In addition, the PRL 3 (P'nyang) Joint Venture signed a binding Letter of Intent (LOI) with Santos, broadly aligning ownership between the PRL 3 and PNG LNG joint ventures prior to the development of the P'nyang gas field. Under the LOI, Oil Search will sell 1.65% (pre-State back-in) of its equity holding in PRL 3 to Santos, for a total consideration of US\$21.6 million. If the integrated three train development proceeds, the fully termed Sales and Purchase Agreement (SPA) is expected to be executed ahead of FEED entry for the three-train development.

2.3 PNG Exploration and appraisal activities

NW Highlands

The Muruk 2 appraisal well in PDL 9 (Oil Search – 24.4%), which commenced drilling in 2018, reached a total depth of 3,820 metres in early 2019, after intersecting gas in the target Toro Sandstone reservoir. Testing confirmed the presence of gas on the same pressure gradient as Muruk 1 ST3, with the well flowing at a maximum rate of 16.5 million standard cubic feet per day (mmscf/d) on a 52/64" choke, similar to the 16 mmscf/d equipment-constrained rate recorded at Muruk 1 ST3. Flow rates were limited by drilling-induced formation damage, caused by mud and fluid losses into the reservoir.

Muruk 2 is located 12 kilometres northwest of the original Muruk 1 discovery well and was designed to reduce structural and reservoir uncertainty and prove up the extent of resource volumes within the Muruk field. Following the conclusion of well testing in April, pressure gauges were installed down-hole and the well was plugged and abandoned, with the pressure build-up monitored. Based on reservoir modelling, flow rates and pressure responses gathered to date, Oil Search estimates gross 1C, 2C and 3C contingent recoverable gas resources of 455, 842 and 3,059 bcf (116, 214 and 777 bcf respectively on a net basis) for the Muruk field.¹

Oil Search commenced a 2D seismic survey across PDL 1, PDL 9, PPL 402 and PPL 545. The survey, covering approximately 100 kilometres over Muruk and adjacent prospects, will supplement seismic data acquired over the region in 2017. The seismic data, combined with Muruk 2 core analysis, continued monitoring of the post well-test pressure build up and reservoir modelling, will allow the Company to further refine its assessment of volumes. Due to the proximity of Muruk to existing Hides infrastructure, the current resource range has the potential to be sufficient to underwrite commercial production through the PNG LNG Project.

Central Foldbelt

In late 2019, Oil Search commenced drilling the Gobe Footwall 1 exploration well (Oil Search 65.5%) in PDL 4, targeting a footwall structure immediately west of the Gobe Main field. In January 2020, the well reached the target lagifu and Toro reservoirs, which both proved to be water wet, which was recognised, pre-drill, as a key risk. The well was subsequently plugged and abandoned.

Eastern Foldbelt / Onshore Gulf

During the year, Oil Search completed the second phase of 2D seismic acquisition covering approximately 200 kilometres over PPLs 475 and 476 (Oil Search – 25%) in the Eastern Foldbelt and Onshore Gulf, on behalf of the operator, ExxonMobil.

The survey followed up leads generated from the first 330 kilometre survey acquired in 2018. Provisional interpretation of the new data acquired has highlighted several interesting features, meriting further investigation. Additional surveys are being planned for late 2020, to further mature prospects, which lie close to the planned Papua LNG infrastructure, for a potential future drilling campaign.

¹Best estimate - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Deep-water Gulf

Preparations took place in 2019 for a 3D seismic survey which Oil Search plans to acquire over its deep-water exploration portfolio in the first half of 2020. This followed the positive interpretation of an extensive 2D dataset acquired in 2017. Results from the 3D survey will constrain several large prospects defined by the initial 2D survey and help de-risk potential future drilling prospects.

2.4 Power

In February 2019, Niu Power Ltd, an entity held 50:50 by Oil Search and Kumul Petroleum, completed the construction of a 58 MW gas-fired power station in Port Moresby, with commissioning activities finalised in early April. In late 2019, a production licence was granted to the power station by the PNG Government and operations have since commenced.

The power station, which is located adjacent to the PNG LNG plant, receives all its source gas from the PNG LNG Project and is capable of supplying approximately 75% of Port Moresby's base power requirements at full capacity. At the end of the year, the plant was producing approximately 10 MW and is expected to reach its full dispatch load of 58 MW in 2020, following recent completion of a new 80 MW transmission line linking the power station to the grid.

During 2019, FEED commenced on Oil Search's PNG Biomass Project, a proposed 30 MW power plant which will use dedicated sustainable forestry plantations located close to Lae to generate electricity for the Ramu Grid. A Financial Investment Decision is targeted to be made on the project in mid-2020. If it proceeds, the Biomass Project will be the first utility-scale renewable power generation project in PNG.

2.5 Alaska

In April, Oil Search successfully completed its inaugural 2018/2019 appraisal drilling programme in Alaska. The campaign comprised drilling two vertical wells, Pikka B and Pikka C, each with an associated sidetrack, allowing for four Nanushuk reservoir penetrations. The Pikka B appraisal well was designed to constrain the resource potential in the southern part of the field, while Pikka C was intended as a "proof of concept" development-type well, aimed at reducing uncertainty on well deliverability, as well as constraining resources in the northern area.

Pikka B, which spudded in late December 2018, was drilled through the Nanushuk reservoir to a total depth of 1,476 metres and 146 metres of cores were cut in the vertical section. A sidetrack, Pikka B ST1, was drilled at a 71-degree angle to a depth of 2,621 metres and 91 metres of oil saturated cores were acquired. The sidetrack was tested and achieved stabilised flow rates of 2,410 barrels of oil per day (bopd), restricted by equipment limitations, with productivity calculations indicating that an unimpeded flow rate of 3,800 bopd could have been achieved.

Pikka C spudded in late January 2019 and was drilled through the Nanushuk formation to a depth of 1,601 metres. A sidetrack, Pikka C ST1, was kicked off from 978 metres and was drilled to a total depth of 2,772 metres. Flow testing took place over six stimulation stages, with rates stabilising at 860 bopd, restricted by downhole blockages. Higher peak rates were established when unloading the well and subsequent modelling of downhole geological properties indicated the potential for much higher flow rates. Both Pikka B and Pikka C were plugged and abandoned, as planned.

Following the completion of appraisal drilling, detailed reservoir modelling was undertaken incorporating data from the two Pikka wells, information acquired through data trades from wells adjacent to the Pikka Unit and reprocessed 3D seismic data sets, as well as additional rock and fluid sampling carried out to improve the Company's understanding of oil recovery mechanisms. This work resulted in a 46% increase in gross recoverable 2C oil resources to 728 million barrels for the Pikka Unit, validated by independent reserves auditor, Ryder Scott. The increase in Oil Search's ownership and estimated resources resulted in a net increase in booked 2C contingent resources of 192%, from 127 million barrels to 371 million barrels.

Substantial progress was made on the Pikka Unit development plan over the year, with the development optimised to reduce risk and maximise value. The revised plan comprises a two-phase development, including an Early Production System (EPS) and the Full Field Development (FFD). The EPS is targeted to commence in late 2022 at rates of up to 30,000 barrels of oil per day (bopd). Processing of the oil will take place at facilities owned by an adjacent operator. The EPS will allow key learnings to be incorporated into the FFD design. The FFD includes the construction of a new standalone central processing facility and associated infrastructure, with production from more than 50 wells, each paired with a water injector well. Production from the FFD is projected to commence in 2025 at a plateau production rate of up to 135,000 bopd.

In May 2019, Oil Search received a permit and Record of Decision (ROD) for the Pikka Unit Development from the United States Army Corps of Engineers, approving the Company's proposed infrastructure and environmental plan. Prior to finalising its plans, the Company worked closely with indigenous communities to help identify and address potential effects of the project on their activities and way of life and amended the development plan accordingly. In December, the North Slope Borough Assembly approved Oil Search's Master Plan for the project and amended zoning maps required for the construction of Pikka Unit Development infrastructure.

In early 2020, Front-End Engineering and Design for the engineering works commenced and construction of gravel roads and well pads to support the EPS and the full field development began as part of the 2019/20 winter season field programme. The Company is targeting a Final Investment Decision for the development in the second half of 2020.

Based on the positive results from the appraisal drilling campaign and progress on the proposed Pikka Unit Development plan, in June Oil Search elected to exercise its US\$450 million Armstrong/GMT option, doubling the Company's interests in the Pikka Unit, Horseshoe Block and surrounding exploration acreage. In conjunction with the option exercise, Oil Search and joint venture partner Repsol aligned ownership interests across their shared Alaskan assets. This resulted in a net payment of US\$64.3 million from Repsol to Oil Search, with the Company retaining a 51% interest in the Pikka Unit and all co-owned leases.

In late 2019, Oil Search acquired 80,000 acres of new lease tracts under the State of Alaska's December 2019 Lease Sale. The leases surround the Lagniappe area, south-east of Deadhorse and are expected to be issued in mid-2020.

In late 2019, Oil Search commenced the 2019/2020 winter programme with construction of the ice roads to the Pikka East and Horseshoe Block drilling sites. The Mitquq 1 exploration well in Pikka East, located approximately nine kilometres (six miles) from the planned Nanushuk Central Processing Facility, commenced drilling on 25 December. In early 2020, the well encountered oil in both the primary (Nanushuk) and secondary (Alpine C) objectives, with 60 metres of net oil pay and 10 metres of net gas pay identified. The well will be flow-tested in 2020 to establish deliverability.

The Stirrup 1 exploration well in the Horseshoe Block commenced drilling in late January 2020. Stirrup is a key well to help determine whether there are sufficient resources in the Horseshoe Block to underwrite a standalone processing facility.

Towards the end of 2019, a process to divest up to 15% of the Company's 51% interest in the Pikka Unit and adjacent exploration leases commenced, utilising investment bank, Scotiabank. The sale is targeted to be finalised in the second half of 2020.

3. BUSINESS STRATEGY AND OUTLOOK

3.1 Business Strategy

During 2019, Oil Search focused on delivering the key strategic objectives established in the 2018 Strategy Refresh, including:

- Optimising the value of existing Oil Search oil and gas assets by drilling two value accretive development wells and maintaining safe, reliable and sustainable operations.
- Progressing plans to commercialise the proposed three-train LNG expansion development in PNG.
- Maturing exploration prospects in PNG through a significant seismic acquisition campaign and drilling the nearfield exploration Gobe Footwall well aimed at extending Gobe field life.
- Maintaining Oil Search as a leading corporate citizen in PNG and promoting a stable operating environment.
- Progressing plans to commercialise the Pikka Unit Development in Alaska, preparing to drill two exploration targets and continuing equity sell-down activities.
- Strengthening engagement with the Company's key stakeholders in Alaska, including local communities and the Government.
- Optimising capital and liquidity management to support continued investment and reward shareholders.
- Enhancing organisational capabilities to deliver the Company's strategic commitments.

3.2 Outlook

In 2020, Oil Search plans to continue to deliver against the objectives described above with focus across the following key areas:

Deliver major hydrocarbon development programmes

- Provide any assistance required by operator ExxonMobil to re-engage with the PNG Government and negotiate a P'nyang Gas Agreement that is fair and balanced for the Project proponents and the State.
- Work with the Papua LNG and PRL 3 project partners to progress into the FEED phase of the proposed three-train expansion.
- Progress Pikka Unit Development FEED activities and achieve a final investment decision by the end of 2020.
- Undertake a partial sell-down of equity interests in core North Slope development areas on value accretive terms.

Prioritise the exploration portfolio

- Acquire seismic in the Muruk region, Eastern Foldbelt and Deep-water offshore licence areas.
- Complete Alaskan exploration drilling activities before the end of the winter season and assess potential avenues for commercialisation.

Optimise value from producing assets

- Meet gas delivery obligations from operated fields to the PNG LNG Project and operate the liquids export system efficiently and reliably.
- Optimise oil production by undertaking a coil tubing programme at Kutubu and Moran and drill a development well at Kutubu.
- Complete earthquake remediation programmes and maximise insurance recoveries where possible.

In early 2020, Oil Search commenced a group-wide strategic review targeted at resetting the Company's strategic objectives. The review will focus on the following:

- Oil Search's long-term vision, strategic focus and path for delivering superior shareholder returns.
- Proactive management of risk to deliver the potential in the PNG assets.
- Ensuring sustainable, environmentally responsible, profitable operations and flawless project execution.
- Position Oil Search to be solution-oriented as global trends and ESG considerations evolve and a model for the energy and investment community.

3.3 Material business risks

The scope of the Group's operations, the nature of the oil and gas industry and external economic considerations mean that a range of factors may impact results. Material business risks that could impact Oil Search's results and performance are described below.

These risks are not the only risks that may affect the Group. Additional risks and uncertainties not presently known to management or that management currently believe not to be material may also affect Oil Search's business.

External and stakeholder risks

Legislative and regulatory risk

Oil Search has interests in international jurisdictions and therefore the business is subject to various national and local laws and regulations in those jurisdictions. Non-compliance can lead to regulatory or legal actions and can impact the status of licenses or operatorship. Retention of licences can also be impacted when Government development expectations are unmet. Changes in government policy, the fiscal regime, regulatory regime or the legislative framework could impact the Group's business, results from operations, asset valuation or financial condition and performance. The PNG Government's consideration of a Production Sharing Agreement regime is a current example of these risks.

The possible extent of such changes that may affect the Group's business activities cannot be predicted with any certainty. The effects of any such actions may result in, amongst other things, increased costs, whether in the nature of capital or operating expenses, taxes (direct and indirect), or domestic market obligations through delays or the prevention of the Group to be able to execute certain activities.

Companies in the oil and gas industry may be subject to paying direct and indirect taxes, royalties and other imposts in addition to normal company taxes. The Group's profitability may be affected by changes in government taxation and royalty policies or in the interpretation or application of such policies.

In addition to changes in existing tax laws, risk is also embedded in the interpretation or application of existing tax laws, especially where specific guidance is unavailable or has not been tested in the relevant tax jurisdiction.

Political, community and other stakeholders

The countries in which Oil Search has interests expose the organisation to different degrees of political and commercial risk. The overall socio-political environment in which Oil Search operates, the profitability of particular operating assets and the safety of people may be adversely impacted by political instability, land ownership disputes, ongoing benefits delivery delays, and community issues as well as war, civil unrest and terrorism.

Community incidents occurred in PNG in 2018, and, whilst progress was made with communities in which Oil Search operates, limiting disruption in 2019, a heightened threat continues into 2020. This exposure changes as the external conditions evolve and as Oil Search enters new licenses or exits existing areas, regions and countries, as well as through different stages of the asset lifecycle, including major projects. Oil Search's ability to acquire, retain and gain full value from assets may also be affected by a number of political and social issues such as differing political agendas and decision making, environmental and social policy and the impact of bribery and corruption. Further, the media, non-government organisations and other activists may play an increasing role at local, national and international levels influencing political policy, societal perception and community actions or otherwise impacting the organisation's reputation.

Oil Search operates under its Stakeholder Engagement standards and policies which require transparent, open, pro- active communication and cooperation between the Company and government at all levels. Oil Search operates dedicated teams to manage government relations, which amongst other things, are targeted towards minimising risk that could arise out of potential fiscal, tax, resource investment, infrastructure access or regulatory and legal changes. Oil Search also has in place a comprehensive corruption prevention framework.

Oil Search strives to minimise any negative impact of the Group's operations on local society, culture and environment while contributing to local community and economic development so as to leave a positive legacy. The Group spends considerable time, effort and expense in working with government and communities, led by a dedicated Stakeholder Engagement team working in conjunction with Oil Search's Security team. The Health, Safety and Sustainability Committee provides oversight of the strategies and processes adopted by management and monitors the Group's performance and exposures in these areas.

Human rights

The Group may face risks related to the potential impacts of actions of both public and private security forces, interactions with and the use of land associated with subsistence-based and/or indigenous communities and the work practices of suppliers and contractors. The Group's human rights risk profile is updated regularly. Operational governance groups oversee the Company's management of human rights risks as they relate to security providers and suppliers more broadly. The Company continues to strengthen its human rights management framework by embedding appropriate procedures, and by providing supporting tools including focused training programmes.

Climate Change

The Group is exposed to a number of climate change-related risks. Material climate-related risks include: changes in demand for our products due to regulatory and technological changes (transitional risk); increases in operating costs of assets due to carbon-pricing policies or other market mechanisms; physical damage to assets or interruption to operations from climatic changes and extreme weather events; restrictions on capital deployment to carbon intensive industries; and reputational damage driven by stakeholder activism and changing societal expectations. The occurrence of any of these risks could result in asset impairment, lost revenue and damage to brand value, amongst other things.

The Company undertakes climate scenario analysis to test resilience to various transition related risks and uses an internal carbon price to assess potential cost impacts from the introduction of emissions-based market mechanisms. Technical design for major capital works projects are also required to consider the potential physical impacts on a range of climate outcomes. The Group's Climate Policy details the Company's expectations and commitments to assessing, responding and reporting climate change risks, implications and management approach.

Joint venture risk

Oil Search derives significant revenues and growth through joint venture arrangements. The use of joint ventures is common in the oil and gas industry and usually exists through all stages of the oil and gas lifecycle. Joint venture arrangements, amongst other things, can serve to mitigate the risks associated with exploration success and capital intensive programmes. However, failure to establish alignment between joint venture participants and with Government, negligence or competency levels of joint venture operators, or the failure of joint venture partners to meet their commitments and share of costs and liabilities, could have a material impact on the Group's business or reputation.

The Group manages joint venture risk through its careful joint venture partner selection (when applicable), stakeholder engagement and relationship management, and by representation project assurance reviews. Commercial and legal agreements are also in place across all joint associations which bind the joint venture participants to certain responsibilities and obligations.

The external and stakeholder risks outlined above are overseen by the Board and various Board Committees, depending on the nature of the risk and its relevance to that Committee.

Financial and Liquidity risks

Pricing risk

Oil Search's business is heavily dependent on prevailing market prices for its products, primarily oil and gas. Changes in the prices of these commodities will impact the Group's revenue and cash flows. There are a number of macroeconomic factors that influence oil pricing, over which Oil Search has no control.

Oil Search has executed long and mid term sales and purchase agreements for the supply and sale of the majority of its LNG production with pricing mechanisms established under these agreements. Standard provisions are included in the long-term LNG contracts to review prices at a given point in time, with the review outcomes potentially impacting on the Group's revenue and cash flows.

The Group's financial risk management strategy to address commodity price risk is outlined in note 28 in the financial statements. The Group's Audit and Financial Risk Committee is responsible for reviewing the policies, processes, practices and reporting systems covering the Group's exposure to financial risks.

Future operating and capital cost requirements

Future operating and capital cost requirements may be impacted by multiple external and internal factors, many of which have been identified elsewhere through this section.

Unexpected changes to future cost profiles could result in Oil Search's cash requirements being over and above its available liquidity. To the extent that the Group's operating cash flows and debt facilities are insufficient to meet its requirements for ongoing operations and capital expenditure, Oil Search may need to seek additional funding, sell assets or defer capital expenditure. If Oil Search is unable to obtain additional funding on acceptable terms in these circumstances, its financial condition and ability to continue operating may be affected.

The Group's financial risk management strategy to address liquidity risk is outlined in note 28 in the financial statements. The Group also institutes regular short, medium and long- term forecasts to assess any implications for future liquidity and profitability.

Operational risks

Production

Oil and gas producing assets may be exposed to production decreases or stoppages, which may be the result of facility shut-downs, mechanical or technical failure, well, reservoir or other subsurface impediments, safety breaches, natural disasters and other unforeseeable events. A significant failure to meet production targets could compromise the Group's production and sales deliverability obligations, impact operating cash flows through loss of revenue and/or from incurring additional costs needed to reinstate production to required levels.

Health, safety and environmental

Oil and gas producing, and exploration operations are also exposed to industry operational safety risks including fire, explosions, blow-outs, pipe failures, as well as transport and occupational safety incidents. Major environmental risks include accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. The occurrence of any of these risks could result in substantial losses to the Group due to injury or loss of life; damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; cleanup responsibilities; regulatory investigation and penalties or suspension of operations. Damages occurring to third parties as a result of such risks may also give rise to claims against the Group.

The Group's Health, Safety, Environment and Security (HSES) Policy details the Company's commitment to achieving incident free operations through the provision of effective HSES management across all of its operations and worksites. The Policy is implemented via a number of underpinning procedures, steering groups and incentive measures to ensure high standards of HSES management are maintained. In addition, the Group's drilling, production, processing, refining and export activities in PNG operate under an environmental management system that is certified as ISO 14001 compliant.

In addition, the PNG highlands were subject to a major earthquake in February 2018 and Oil Search's infrastructure and facilities sustained some damage, with remediation work to reinstate the damaged assets ongoing. The unresolved damage escalates both the production and safety/environmental risks as a consequence.

The Group manages the above described operational risks through a variety of means including: strict adherence to its operating standards, procedures and policies; staff competency development and training programmes and through the effective use of a Group-wide risk management system to ensure that the Group's operational controls are continuously improved. In addition, the Group has insurance programmes in place that are consistent with good industry practice. The Group's Health, Safety and Sustainability Risk Committee is responsible for reviewing the policies, processes, practices and reporting systems covering the Group's exposure to operational risks.

Cyber security

The integrity, availability and reliability of data within Oil Search's information technology systems may be subject to intentional or unintentional disruption. Given the level of increasing sophistication and scope of potential cyber attacks, these attacks may lead to significant breaches of security which could jeopardise the sensitive information and financial transactions of the Group.

The Group has implemented physical and logistical controls, policies, processes and procedures, supported by an external specialist to manage its cyber security. The Group has recently implemented a Project and Technology Committee with responsibility for monitoring the Group's technology strategy and projects, including the Group's exposure to technology and cyber security risks.

Reserves and resources

Decline and replacement

Oil Search, like any oil and gas company, is subject to reserves depletion and its impact on organisational value. Oil Search aims to replace and grow its reserve and resource base via exploration and commercial activities. The longer term health of the business will depend on the quality and size of its current asset and opportunity portfolio and the investment decisions it makes over many years.

Oil and gas exploration is a speculative endeavor and each prospect/investment carries a degree of risk associated with the discovery of hydrocarbons in commercial quantities, which can be more challenging in a volatile commodity price environment. The value of exploration and development assets can be affected by a number of different factors including, amongst other things, macro-economic and socio-political conditions, changes to reserves estimates, the composition of oil and gas reserves, unforeseen project difficulties and other operational issues. Similarly, the economic value of the Group's individual producing assets declines as oil and gas is produced and assets transition to abandonment. Oil Search's future production profitability is subject to both subsurface and commodity price uncertainties but is also highly dependent on how Oil Search manages and maximises the value of the production business over this period.

The Group's Board and management's investment review committee oversee all significant investment decisions, each of which are subject to economic and risk analysis and assurance activities at specific gates, in line with the Group's management system. Further, the Group also employs significant exploration, drilling and development teams who regularly monitor the Group's prospects inventory and exploration plan, and lead activities to identify and develop the Group's reserves. For producing assets, the Group has a life-of-asset planning process which guides the long-term management of operated producing assets.

Estimates

Underground oil and gas reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which are valid at a certain point in time may alter significantly or become uncertain when new oil and gas reservoir information becomes available through additional drilling or reservoir engineering over the life of the field. As reserve and resource estimates change, development and production plans may be altered in a way that may affect the Group's operations and/or financial results.

Additionally, oil and gas reserves and resources assume that the Group continues to be entitled to production licences over the fields and that the fields will be produced until the economic limit of production is reached. If any production licences for fields are not renewed or are cancelled, estimated oil and gas reserves and resources may be materially impacted.

The Group employs the appropriate internal expertise to estimate reserves and resources and to prepare the Annual Reserves Statement in compliance with the ASX listing rules. In addition, material proven (1P) and proven and probable (2P) oil and gas field reserves are periodically certified by independent auditors.

Project development and execution risk

To achieve continual growth, Oil Search and its partners commit significant capital to the initiation, development and delivery of major projects. A number of factors influence the successful delivery of large-scale projects thereby rendering them exposed to commercial, political, engineering, execution and operational risk amongst others. Oil Search has a number of significant projects across its PNG and Alaskan business units at various stages of maturity with each project presenting its own set of substantial risks that may ultimately affect the Company's value.

In line with the Group's Opportunity Delivery Framework, the Group has a defined process, for both operated and non-operated projects, by which it develops and executes capital projects under the oversight and guidance of its project value assurance team and dedicated project managers. The Group's Board and management's investment review committee oversee all significant investment decisions for these projects, each of which are subject to economic and risk analysis and assurance activities at specific gates within the Opportunity Delivery Framework. The Group has recently implemented a Project and Technology Committee with responsibility for monitoring the Group's project portfolio, including the Group's exposure to project risks.

Remuneration Report

Introductory Letter from Dr Agu Kantsler, Chair of the People and Nominations Committee

Dear Fellow Shareholders,

On behalf of the Board, I am pleased to present Oil Search Limited's 2019 Remuneration Report.

The purpose of this introductory letter is to summarise responses to feedback on the 2018 report, changes to Executive KMP reporting structures during 2019, key remuneration outcomes for 2019, and explain how those outcomes are aligned with company performance.

Upon review, your Board is confident that Oil Search's remuneration strategy and practices were appropriate and that they:

- ensured alignment between shareholders and executives;
- provided a clear link between performance and remuneration outcomes; and
- ensured remuneration outcomes which are consistent with Oil Search's long-term strategic objectives and which incentivise the delivery of long-term sustainable shareholder wealth.

Response to feedback on the 2018 remuneration report

Some stakeholders expressed support for capping the upper limit that can be achieved for each Executive KMP STI scorecard measure. This would mean that overachievement on one measure could theoretically result in a maximum STI payment, even if threshold performance levels were not achieved on other scorecard measures.

The Board resolved to adopt a change to the STI scorecard methodology by agreeing to cap each of the two major elements of the scorecard. This change has been applied to the 2019 STI scorecard and will also be implemented for the FY 20 performance period. The capping of individual performance measures will be considered as part of the ongoing remuneration review during FY 20.

Other feedback expressed a preference for a non-binding vote on the remuneration report. Although this is not required for companies incorporated in Papua New Guinea, the Board resolved to address this after trialing the FY19 remuneration report to meet Australian as well as Papua New Guinea compliance standards and considering shareholder feedback on this new report format. Hence, we will not submit this report to a vote this year. We are reviewing the remuneration framework and policies as part of an overall strategic review of the Company coinciding with the appointment of a new Managing Director in February 2020. On completion of this work, we will seek further shareholder feedback through a resolution which will be put to the Annual Meeting in 2021.

Changes in management structure

As part of Managing Director succession planning, it was decided to streamline the organisation structure. Subsequently, human resources, stakeholder relations and legal services were subsumed under one Executive Vice President (EVP) position reporting to the Managing Director. In addition, the technical services function was incorporated into a broader Technology and Value Assurance function overseen by an EVP, in part as a result of the company preparing to invest in two major new development projects. As a consequence, the number of executive KMP positions reduced during 2019 from 8 to 7. This did not significantly impact individual remuneration in the year.

A new Board committee, Chaired by Dr Bakheet Al Katheeri, has been established to provide Board oversight of activities within the Technology and Value Assurance space.

Changes to KMP fixed remuneration during 2019

Senior Management received modest increases in fixed remuneration during 2019 (generally 3.5%), and this was broadly in line with the salary review budget approved for other Australian based employees.

Grants of LTI 2019

Grants to executive KMP, including the Managing Director, were made in May 2019. Performance conditions and grant terms were unchanged from the prior period.

In recognition of the appointment of Keiran Wulff as the Chief Executive Officer Designate on 30 September 2019 and what this entailed for his engagement in financial and operational Managing Director transitional planning for FY2020, an additional and incremental LTI grant was made in October 2019 to Dr Wulff on the same terms and conditions applicable to earlier 2019 KMP LTI grants. Dr Wulff's Total Fixed Remuneration was increased to A\$1,250,000 with the increase delivered via a grant of Restricted Shares which vest on 1 April 2020, subject to further trading restriction under the Minimum Shareholding Policy.

Short Term Incentive outcome for 2019

The significant earthquake which occurred in the PNG Highlands in February 2018 continued to have an impact on both operated and non-operated production during 2019. Operationally, Oil Search achieved better than target personal and process safety performance but suffered further production and financial performance shortfalls arising from a CALM buoy mooring line fault. While investigations are yet to be finalised, the Board is satisfied that the fault lay outside of management influence and control, that their decision to prioritise safety ahead of production was entirely appropriate and that their production recovery efforts were better than anticipated. In addition, non-operated production was adversely impacted by maximum daily production being restricted to licence limits during part of December.

Growth initiatives were executed well, so that 2C resources exceeded our most optimistic forecasts. Over the recently ended five year Strategy Period Oil Search's 2C resources grew from 666 MMboe¹ at the end of 2014 to 1,202 MMboe at the end of 2019 – a 181% increase.

¹Gas volumes converted to boe at 6000 scf/boe based on industry standard conversion rates. Note that Oil Search uses 5100 scf/boe for the PNG LNG gas reserves because of their high energy density.

Consistent with prior years, the Board reviewed the scorecard results for consideration of discretion. The review took into account the conditions under which the results were obtained and whether the scorecard adequately reflected how well management responded to any unexpected factors to ensure that the interests of shareholders and employees were appropriately aligned and balanced. As a result of these deliberations, the Board, while fully appreciating the success of management for 2C reserves growth, capped the Growth component contribution to the STI pool, but increased some elements of the Operations component to better recognise management's response to events outside of their control, their prioritization of safety, and the rapid return to production once the underlying issues were identified and addressed.

These adjustments when combined have resulted in an overall STI outcome for 2019 of 60% of Opportunity. Consistent with prior years, 50% of STI outcomes for KMP executives are awarded in the form of Restricted Shares which are subject to a further two-year deferral period.

Vesting of Long-Term Incentive awards from 2017

Performance Rights granted under the 2017 Long Term Incentive awards were tested based on Total Shareholder Return ("TSR") performance over the period 1 January 2017 to 31 December 2019.

Oil Search's TSR was in the lower quartile for the ASX50 peer group and in the second quartile against the international Oil & Gas peer group.


This resulted in 41.67% of the 2017 Performance Rights vesting.

LNG expansion project incentive

No payments vested in regard to the LNG expansion project, as project sanction was not given. The incentive remains on foot.

In conclusion, 2019 was a difficult year for production operations whereas the Company continued to build its 2C resources position and establish a solid basis for production growth in coming years. The 2020 year will be a year of transition, with a new Managing Director and the development of a new long term strategy for the company. The remuneration framework for 2021 and beyond will reflect the new priorities for the company emerging from this strategic review.

Thank you for taking time to review our Remuneration Report and we look forward to welcoming you to our 2020 Annual Meeting.



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Dr Agu Kantsler

Chair, People and Nominations Committee

Remuneration Report Overview

The directors of Oil Search Limited present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 31 December 2019. The Report forms part of the Directors' Report and has been prepared and audited in accordance with the Section 300A of Australian Corporations Act 2001. Although it is not a requirement for PNG companies to prepare, Oil Search has voluntarily complied with Section 300A of the Australian Corporations Act 2001 to ensure it meets best practice remuneration reporting and practices for ASX listed companies.

Key Management Personnel

Key management personnel (KMP) covered in this report are detailed below:

Non-Executive Directors and Executive Directors (see page 1 for details of each director).

Name	Position	Term as KMP
Mr Rick Lee AM	Chairman	Full year
Mr Peter Botten AC, CBE	Managing Director	Full year
Dr Bakheet Al Katheeri	Non-executive director	Full year
Sir Kostas Constantinou OBE	Non-executive director	Full year
Ms Susan Cunningham	Non-executive director	Full year
Dr Eileen Doyle	Non-executive director	Full year
Ms Fiona Harris	Non-executive director	Full year
Dr Agu Kantsler	Non-executive director	Full year
Sir Melchior Togolo CBE	Non-executive director	Full year

Other key management personnel

Name	Position	Term as KMP
Mr Michael Drew	Executive Vice President Corporate & General Counsel	Full year
Mr Stephen Gardiner	Chief Financial Officer	Full year
Mr Bart Lismont	Executive Vice President Technology & Value Assurance	From 7 August 2019
Mr Ian Munro	Executive Vice President Portfolio Management, Gas and Marketing	Full year
Ms Elizabeth (Beth) White	Executive Vice President Gas Project Delivery	Full year
Dr Keiran Wulff	Executive Vice President & President Alaska and CEO Designate	Full year

Former Key Management Personnel

Mr Gereia Aopi CBE	Executive General Manager Stakeholder Engagement	Until 31 May 2018
Mr Paul Cholakov	Executive General Manager Technical Services	Until 1 July 2019
Dr Julian Fowles	Executive General Manager PNG Business Unit	Until 7 November 2018
Mr Michael Herrett	Executive General Manager Human Resources, Health & Administration	Until 1 July 2019

Remuneration Governance

The People and Nominations Committee (the Committee) provides advice and recommendations to the Board regarding human resources matters.

The Committee's responsibilities include, *inter alia*:

- Ensuring the Company has coherent People and Culture and remuneration policies and practices informed by market best practice which are observed, and which enable it to attract, retain and motivate the talent necessary to create value for shareholders;
- providing advice and recommendations to the Board regarding the skills needed and available to the Board to discharge its duties and add value to the Group;
- considering and recommending to the Board, plans and candidates for Non-Executive Director and senior executive succession;
- fairly and responsibly rewarding directors having regard to the responsibilities of the Board and fee levels in an appropriate peer group, while observing that no element of Board fees are performance related;
- reviewing and overseeing the implementation of the Group Code of Conduct;
- reviewing and overseeing the key processes employed to identify and develop key talent across the Group;
- fairly and responsibly rewarding executives and other employees having regard to the performance of the Group, the general pay environment and the individual performance of each executive and employee;
- overseeing the establishment and monitoring of strategies to promote diversity and inclusion, setting objectives on diversity and reviewing achievements against those objectives; and
- considering indicators of organisational culture and identifying material or systemic issues or cultural concerns arising under People and Culture processes.

A copy of the charter of the Committee is available on Oil Search's website in the Corporate Governance section.

Members of the Committee during 2019 were:

- Dr Agu Kantsler – Independent Non-executive Director (Chairman);
- Dr Bakheet Al Katheeri – Independent Non-executive (from 11 July 2019);
- Sir Kostas Constantinou OBE – Independent Non-executive Director;
- Ms Fiona Harris – Independent Non-executive Director;
- Sir Melchior Togolo CBE – Independent Non-executive Director;
- Ms Susan Cunningham – Independent Non-executive Director (to 11 July 2019);
- Mr Richard Kuna – Outside Independent Appointee; and
- Mr Desmond Yaninen – Outside Independent Appointee.

Oil Search Board Chairman Mr Rick Lee attends all Committee meetings in an ex-officio capacity.

Mr Richard Kuna and Mr Desmond Yaninen were appointed on 1 October 2018 as independent members of the Committee. While not a member of the Board, an independent member is expected to contribute fully to the effective functioning and execution of duties and responsibilities of the relevant Board committees. The rationale for these appointments is twofold: to draw on the experiences and capabilities of highly talented PNG citizens as the Company continues to invest for the future in PNG, and equally important, to provide the appointees with the unique opportunity to experience and participate in governance processes of PNG's largest and most successful listed company. This is aligned with Oil Search's aim of enhancing the pool of capable, well-rounded business leaders in PNG.

At the Committee's invitation the Managing Director and other relevant managers attend meetings in an advisory capacity and co-ordinate the work of external, independent advisors as requested. All executives are excluded from any discussions impacting their own remuneration.

Under its Charter, the Committee must meet at least three times a year. The Committee formally met five times during 2019. The Committee also met informally on a number of occasions to progress issues on foot and consider other matters as they arose.

The Committee engages external advisors as required. External advisers provide information on market remuneration levels and mix, market trends, incentives and performance measurement, governance, taxation and legal compliance.

None of the Committee's engagements were for work which constituted remuneration recommendations for the purposes of the Australian *Corporations Act 2001* and findings were reported directly to the Committee or the Board.

Executive Remuneration

Remuneration Strategy

The objectives of the Oil Search remuneration policy are to:

- Attract, retain and motivate the talent necessary to create value for shareholders;
- Reward Executives and other employees fairly and responsibly, having regard to the performance of Oil Search, the competitive environment and the individual performance of each employee;
- Ensure a continual focus on safe and reliable operations;
- Ensure alignment between shareholders and executives;
- Provide a clear link between performance and remuneration outcomes;
- Ensure remuneration outcomes are consistent with Oil Search's long-term strategic objectives and the delivery of long-term shareholder wealth creation; and
- Comply with all relevant legal and regulatory provisions.

Oil Search's approach to remuneration is based upon "Reward for Performance" and remuneration is differentiated based on various measures of corporate, business unit/function and individual performance.

The remuneration framework is structured to promote long-term sustainable growth of the Company by the delivery of a significant portion of remuneration in equity, aligning the senior leadership team with shareholders. The outcomes of the remuneration framework help the Company achieve its vision to generate top quartile returns for shareholders through excellence in socially responsible oil and gas exploration and production.

Table 1 Company Performance

Year Ended 31 December	2015	2016	2017	2018	2019
Net profit/(loss) after tax (US\$m)	(39.4)	89.8	302.1	341.2	312.4
Diluted Earnings per share (US cents)	(2.59)	5.89	19.77	22.32	20.41
Dividends per share (US cents)	10.0	3.50	9.50	10.50	9.50
Share Closing price ⁽¹⁾	A\$6.70	A\$7.17	A\$7.79	A\$7.16	A\$7.25
Oil Search Three Year TSR (AUD) ⁽²⁾	6.1%	(12.7%)	(6.9%)	8.4%	9.4%

(1) The closing price of Oil Search shares is taken on the last day of the financial year. The closing share price at the start of the five-year period (31 December 2014) was \$7.89.

(2) The TSR has been calculated by an independent external consultant and is based on share price increases and dividends paid on the shares over the three-year period up to and including 31 December of the year they are reported against.

Remuneration Framework

Oil Search's Executive KMP remuneration structure for 2019 comprised four elements:

- Total Fixed Remuneration (TFR);
- Short-Term Incentive (STI);
- Long-Term Incentive (LTI); and
- Other benefits in line with local practices e.g. insurances and foreign service premium where appropriate

Total Fixed Remuneration (TFR)

Remuneration information is derived from relevant remuneration surveys conducted by independent third parties.

TFR includes Company superannuation contributions and other salary sacrificed benefits. For Executive KMP, TFR is targeted between median and the 62.5th percentile of the reference group, depending on the international marketability and mobility of the executive concerned. Executives may choose to salary package items such as motor vehicles or additional superannuation contributions; however, any costs arising from Fringe Benefits Tax (FBT) on salary packaged items are borne by the executive.

An annual TFR review budget, agreed by the Board each year, is used to adjust TFR paid to individuals to ensure that their fixed remuneration remains competitive for their specific skills, competence, and value to the Company.

Short-Term Incentive (STI)

Executive KMP have the opportunity to earn an annual STI which is based on a percentage of his or her TFR. The STI percentage increases with seniority to ensure a higher proportion of remuneration is "at risk" for senior employees.

Annual Executive KMP performance is set and assessed through a balanced scorecard which includes a range of key measures that directly affect shareholder value and are clearly linked to the Oil Search Strategic Plan.

The overall STI pool available is capped at 100% of the aggregate STI maximum opportunity for all employees. At the end of the year, the Board approves an overall STI pool based on the level of achievement against the hurdles that were determined at the start of the year.

Each scorecard metric is weighted according to its importance, and is assessed quantitatively.

At the start of each year, the Board determines the hurdles and minimum, target and maximum levels of performance which form the STI scorecard.

The target levels of performance set by the Board are challenging and are driven by the annual budget and longer-term strategic plan including resource replacement objectives.

It is possible that the actual achievement level could exceed the maximum set for each measure. This was considered highly improbable, except for the 5-year reserves growth measure set for the period 2015 to 2019. In measuring results across the 5-year period, actual results on each measure were not capped in the belief that overachievement should be recognised if it contributed to overall shareholder value or employee safety outcomes significantly in excess of maximum expectations. In response to stakeholder feedback, the mechanism in 2020 will cap the contributions of each category to its defined maximum, even if achievement is above this maximum.

The Board has discretion, having regard to recommendations from the People and Nominations Committee, to adjust the final size of the STI pool after due consideration of the Oil Search overall business performance and scorecard outcomes, including clawing back previous awards where appropriate, or permitting an award to pay out at maximum.

For Executive KMP the STI provides a maximum incentive opportunity of 180% of TFR for the Managing Director and 100% of TFR for other Executive KMP. Table 2 discloses the vesting scales for the STI:

Table 2 – Short Term Incentive vesting scale

Opportunity	STI outcome as a % of TFR	
	Managing Director	Other Executive KMP
Threshold	0%	0%
Target	90%	50%
Maximum	180%	100%

Payments from threshold to maximum opportunity are on a straight-line basis consistent with the level of performance attained. The target pay-out under the STI provides for a payment of 50% of the maximum opportunity.

For all Executive KMP, 50% of their STI award is paid in cash and the other 50% is converted to restricted shares. The restricted shares are held in Trust on behalf of the employee and vest on 1 January two years after the end of the performance period to which the award relates, providing the executive remains employed with Oil Search. Any dividends payable on restricted shares issued as the deferred component of an executive's STI award are paid to the executive.

Table 3 – Short Term Incentive scorecard measures

Category	Measure	Performance and Reward Alignment	Weighing
Operational	Safety	Rewards a continuous focus on safe and reliable operations measured through a combination of lagging (Total Recordable Injury Rate, Process Safety Events) and leading (Safety Critical Maintenance Tasks and Well Integrity Assurance) indicators.	10%
	Production	Rewards the achievement of the operated and non-operated production volumes - the largest contributors to short term financial performance.	20%
	Costs	Rewards achievement of incurring below budget controllable field and corporate costs as well as Oil Search net share of PNG LNG controllable costs.	20%
	EBITDAX	Rewards achievement of profitability of the business against budget.	5%
Growth measures	2C Gas Resources	Rewards the discovery or acquisition of new 2C gas resources, providing the resources required to undertake major gas projects or expansions. Gas Resource additions are recognised in a phased approach over three years to smooth recognition and to provide additional opportunity to appraise and therefore increase the confidence in the size of the resource discovered.	15%
	2C Oil Resources	Rewards the discovery or acquisition of new 2C oil resources, increasing the scale of the company's oil producing activities. 2C Oil Resource additions are recognised in a phased approach over three years to smooth recognition and to provide additional opportunity to appraise and therefore increase the confidence in the size of the resource discovered.	15%
	Strategic and growth initiatives	Rewards the delivery of milestones that ensure the progressive achievement of strategic plan objectives.	15%

2019 Equity Plans

Deferred STI – Restricted Share Plan

Name of plan	Deferred STI - Restricted Shares.
Years of grant	2019 STI, 2018 STI and 2017 STI.
Participants	All Executive KMP.
Instruments issued	Restricted Shares.
Maximum value of equity to be granted	50% of the STI awarded.
Vesting	2 years from performance period end.
Acquisition of shares	Restricted shares are issued by the company and held by the participant subject to the satisfaction of the vesting conditions.
Treatment of dividends	Restricted Shares have voting and dividend rights.
Restriction on hedging	Hedging of entitlements by executives is not permitted.
Forfeiture	Any unvested Restricted Shares will be forfeited by participants who are considered by the Board to have acted fraudulently, dishonestly or are in breach of their obligations to the Company.
Cessation of Employment	Board discretion for restricted shares to remain on foot in cases of death, disability, total and permanent disablement, bona fide redundancy or other reason determined by the Board. If a participant ceases employment for any other reason all unvested restricted shares are forfeited.
Change of control	Vesting is subject to board discretion, taking into account service to the change in control.

Performance Rights

Participants	All Executive KMP and senior managers.	
Years of grants	2017, 2018, and 2019.	
Instruments issued	Performance Rights (PRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of pre-determined performance hurdles within defined time restrictions.	
Maximum value of equity to be granted	100% of TFR for the Managing Director and 60% of TFR for other Executive KMP.	
Performance period	Three years.	
Performance measurement date	31 December.	
PRs vest	In May following the performance measurement date.	
Performance conditions	<p>There are three equally weighted performance conditions based on relative total shareholder return (TSR) as follows:</p> <ul style="list-style-type: none"> • The ASX 50 (excluding property trusts and non-standard listings) (1/3); and • The constituents of the Standard & Poor's Global 1200 Energy Index (S&P Global 1200 Energy Index): <ul style="list-style-type: none"> ○ Measured in a US dollar base for Oil Search and each constituent company (1/3); ○ Measured in the local currency of the country of main listing for Oil Search and each constituent company (1/3). 	
Vesting Scale	<p>Oil Search TSR ranking</p> <p><50th percentile</p> <p>50th percentile</p> <p>Above 50th and below 75th</p> <p>75th percentile and above</p>	<p>Percentage of PRs that qualify for vesting</p> <p>0%</p> <p>50%</p> <p>Pro-rata so that 2% of PRs vest for every 1 percentile increase between the 50th percentile and the 75th percentile</p> <p>100%</p>
Acquisition of PRs and shares	PRs are issued by the company and held by the participant subject to the satisfaction of the vesting conditions. The number of rights held may be adjusted pro-rata, consistent with ASX adjustment factors for any capital restructure.	
Treatment of dividends	PRs do not have voting rights or accrue benefits.	
Restriction on hedging	Hedging of entitlements by executives is not permitted.	
Lapsing of Rights	Any unvested Performance Rights will lapse where participants are considered by the Board to have acted fraudulently, dishonestly or are in breach of their obligations to the Company.	
Cessation of Employment	Board discretion for performance rights to remain on foot in cases of death, disability, total and permanent disablement, bona fide redundancy or other reason determined by the Board. If a participant ceases employment for any other reason all unvested performance rights lapse.	
Change of control	Vesting is subject to board discretion, taking into account performance to the date of change in control.	

Long Term Incentives

The purpose of the Long-Term Incentive delivered through equity plans is to align executive and employee accountability and remuneration with the long-term interests of shareholders by rewarding the delivery of sustained performance over the long term.

Each permanent employee, including Executive KMP, can participate in the Oil Search Long Term Incentive Plan if they have demonstrated an acceptable level of personal performance. The Long-Term Incentive for Senior employees, including Executive KMP, is delivered via the Performance Rights Plan described above. The Long-Term Incentive for other employees is delivered via Share Rights described below.

Share Rights (General Employee Share Plan)

Share Rights are rights to receive Oil Search shares at the end of the three-year vesting period subject to continued employment at the vesting date. The number of Share Rights, and therefore the number of shares which will be delivered on the vesting date, is determined at the grant date.

None of the current Executive KMP is participating in this plan.

Retention and Sign-on Awards of Share Rights

In order to assist the Company in attracting and retaining key executives and other employees, the Company may issue Share Rights. Shares Rights vest after the employee has completed a specified period of future service with the Company and no additional performance conditions apply.

Unless the Board otherwise determines, unvested Share Rights will be forfeited when a participant ceases employment before the vesting date. Share Rights do not attract voting rights or dividends.

Retention awards are rare and made only where the Board determines that a significant retention risk exists. Sign on awards are made only in certain cases for senior new hires, where awards of Share Rights are made in lieu of equity forgone with previous employers.

None of the current Executive KMP holds Share Rights.

Remuneration outcomes for 2019

Table 4 below sets out the 'Realised Remuneration' of Executive KMP for 2018 and 2019 in Australian dollars. It is included to complement the Statutory Remuneration disclosures (in US dollars) to better illustrate the remuneration received by Executives over time as Oil Search benchmarks remuneration in Australian dollars.

In Table 4, Fixed Remuneration represents the level of base pay, superannuation and expatriate allowances paid to the Executive. The Cash Short Term Incentive is the cash component of the STI earned by the Executive in respect of the year (even though it is paid to the Executive in the March following the year) and represents 50% of the total STI earned. Deferred STI vesting in the year shows the value on the vesting date (31 December) of restricted shares awarded under the Deferred Short Term Incentives from two years prior.

The Long Term Incentive vesting in the year is the proportion of PRs that were granted three years prior and have met the relative TSR performance measures as at 31 December. The value has been determined at the measurement date and the PRs vest in the following May.

While this disclosure is non-statutory it has been audited.

Table 4 – Realised Remuneration Executive Key Management Personnel Remuneration (Australian Dollars)

KMP	Year	Fixed Remuneration	Cash Short Term Incentive in respect of year	Deferred STI vesting in year	Long Term Incentive vesting in year	Total
Peter Botten Managing Director	2019	2,656,006	1,282,366	1,625,013	-	5,563,385
	2018	2,283,414	1,890,667	1,782,936	516,557	6,473,574
Michael Drew EVP Corporate & General Counsel	2019	735,383	235,625	60,357	-	1,031,365
	2018	698,356	321,244	-	25,513	1,045,113
Stephen Gardiner Chief Financial Officer	2019	889,063	253,500	357,450	-	1,500,013
	2018	828,353	400,095	305,197	115,340	1,648,985
Bart Lismont ⁽¹⁾ EVP Technology & Value Assurance	2019	345,928	96,000	-	-	441,928
Ian Munro EVP Portfolio Management, Gas & Marketing	2019	762,355	195,609	346,523	-	1,304,487
	2018	759,648	331,966	299,985	114,536	1,506,135

KMP	Year	Fixed Remuneration	Cash Short Term Incentive in respect of year	Deferred STI vesting in year	Long Term Incentive vesting in year	Total
Elizabeth White EVP Gas Project Delivery	2019	736,006	238,875	-	-	974,881
	2018	681,345	329,090	-	21,486	1,031,921
Keiran Wulff ⁽²⁾ Executive Vice President & President Alaska and CEO Designate	2019	1,283,199	308,180	368,419	-	1,959,798
	2018	1,019,654	390,094	338,047	121,778	1,869,573

(1) Remuneration for Mr Lismont is for the period from 7 August 2019 to 31 December 2019.

(2) Remuneration for Dr Wulff included a Foreign Service Premium whilst his role was based in Anchorage. It does not include the additional fixed pay salary sacrificed into restricted shares following his appointment as CEO Designate on 1 October 2019.

For all remuneration reporting stated in US Dollars, the exchange rates set out in Table 5 have been used:

Table 5 – Exchange rates used in the remuneration tables where disclosure is in US Dollars

EXCHANGE RATE	2018	2019
AUD/USD	0.7059	0.7005
PGK/USD	0.2970	n/a

Table 6 sets out the remuneration of Executive KMP for the 2019 Financial Year and has been prepared in accordance with the requirements of Section 300A of the Australian Corporations Act 2001 and associated accounting standards.

Table 6 – Executive Key Management Personnel Remuneration (US\$)

USD	Year	Short Term			Post-employment	Long Term	Equity ⁽⁶⁾		Other	Total	% Performance Related
		Salaries fees and allowances ⁽¹⁾	Non-Monetary benefits ⁽²⁾	Short Term Incentive ⁽³⁾	Company contribution to super ⁽⁴⁾	Long Service Leave accrual ⁽⁵⁾	Perform. Rights	Restricted Shares	Sign on / termination benefits		
Peter Botten ⁽¹⁰⁾ Managing Director	2019	1,860,532	330,406	898,297	14,547	75,463	1,275,840	1,401,893	-	5,856,979	61%
	2018	1,710,458	277,848	1,334,527	14,322	52,733	1,074,905	1,452,630	-	5,917,423	65%
Michael Drew EVP Corporate & General Counsel	2019	515,136	6,545	165,055	15,953	46,562	214,166	239,401	-	1,202,818	51%
	2018	503,390	-	226,750	16,255	-	146,652	46,788	-	939,835	45%
Stephen Gardiner Chief Financial Officer	2019	622,789	1,393	177,577	14,547	12,722	269,046	289,037	-	1,387,111	53%
	2018	580,050	-	282,407	14,322	16,152	226,529	275,983	-	1,395,443	56%
Bart Lismont ⁽⁷⁾ EVP Technology & Value Assurance	2019	242,323	-	67,248	-	-	3,978	-	-	313,549	23%
	2018	-	-	-	-	-	-	-	-	-	-
Ian Munro EVP Portfolio Management Gas & Marketing	2019	534,029	-	137,024	15,019	10,553	249,887	244,878	-	1,191,390	53%
	2018	511,357	-	234,318	15,268	47,816	213,561	254,271	-	1,276,591	55%
Elizabeth White EVP Gas Project Delivery	2019	515,572	-	167,332	14,547	15,257	193,956	176,394	-	1,083,059	50%
	2018	491,612	-	232,288	14,322	11,697	125,456	58,632	-	934,007	45%
Keiran Wulff ⁽⁸⁾ Executive Vice President & President Alaska and CEO Designate	2019	898,881	171,032	215,880	14,520	-	267,772	392,403	-	1,960,488	45%
	2018	882,779	230,467	275,348	14,322	-	227,076	218,558	-	1,848,550	39%
Former Executive KMP⁽⁹⁾											
Gerea Aopi EGM Stakeholder Engagement	2019	-	-	-	-	-	-	-	-	-	-
	2018	151,310	65,489	-	23,104	(217,011)	64,187	239,861	263,771	590,711	51%
Paul Cholakos EGM Technical Services	2019	268,994	73,926	-	10,869	5,066	119,043	355,695	787,390	1,620,984	29%
	2018	531,335	143,101	224,859	14,322	10,572	216,324	247,404	-	1,387,917	50%
Julian Fowles EGM PNG Business Unit	2019	-	-	-	-	-	-	-	-	-	-
	2018	993,561	-	-	20,823	(77,639)	181,534	252,146	138,386	1,508,811	29%
Michael Herrett EGM Human Resources	2019	243,923	7,982	-	11,920	5,377	101,277	336,067	599,041	1,305,586	33%
	2018	456,263	-	212,479	14,953	8,600	184,029	219,044	-	1,095,368	56%

(1) Includes salaries, allowances, expatriate allowances and movements in annual leave accruals.

(2) Includes the grossed up FBT value of benefits subject to FBT provided to an employee in the year that the FBT is payable.

(3) STI is based on the year that the performance period relates to, regardless of when paid and excludes the 50% which is deferred into Oil Search Shares under the Restricted Share Plan, which is captured in the Restricted Shares data in the Equity section.

(4) Superannuation is the contributions made to an approved superannuation fund.

(5) Long service leave accrual is based on the relevant legislation.

(6) Equity is the expensed value of all Performance Rights or Restricted Shares as calculated under IFRS 2 Share-Based Payments.

(7) Remuneration for Mr Lismont is for the period from 7 August 2019 to 31 December 2019.

(8) Remuneration for Dr Wulff included a Foreign Service Premium whilst his role was based in Anchorage. The Restricted Shares column includes relevant portion of the additional salary received as Restricted Shares following his appointment as CEO Designate on 1 October 2019.

(9) The relevant periods for Former Executive KMP are detailed in the section headed Key Management Personnel.

(10) As detailed in the 1 October 2019 ASX announcement regarding his successor, Mr Botten will receive a lump sum on his retirement equal to six months of Total Fixed Remuneration. An accrual of AU\$328,423 (US\$230,060) has been recognised during 2019 and the total amount of the lump sum will be disclosed as a termination benefit in the 2020 Remuneration Report. Additionally, Mr Botten is obliged not to engage in certain activities which compete with Oil Search for 12 months after his retirement date and will receive an aggregate payment of AU\$2,374,751 (US\$1,663,513) (being 12 months Total Fixed Remuneration), paid monthly, in consideration for complying with post-employment restraint obligations. The total amount of the monthly payments attributable to each of FY20 and FY21 will be disclosed in the 2020 and 2021 Remuneration Reports.

Table 7 – Analysis of STI earned

KMP	Included in remuneration (US\$)	% of maximum STI Opportunity	Cash	Deferred⁽¹⁾
Directors				
Peter Botten	1,796,594	60%	898,297	898,297
Executives				
Michael Drew	330,111	65%	165,055	165,055
Stephen Gardiner	355,154	60%	177,577	177,577
Bart Lismont	134,496	60%	67,248	67,248
Ian Munro	274,049	50%	137,024	137,024
Elizabeth White	334,664	65%	167,332	167,332
Keiran Wulff	431,760	65%	215,880	215,880

⁽¹⁾ 50% of the STI is deferred via the allocation of Restricted Shares that will vest on 1 January 2022.

STI Balance Scorecard Outcome

Measure	Weighting	2019 Outcome	Outcome Commentary
Operational Measures (55%)			
Safety	10%	●	Achievement for the Safety measure was close to target. The Personal Safety element was close to the target level of performance and leading Process Safety indicators were above target. The overall outcome was close to target.
Production	20%	●	Production for operated assets did not meet threshold impacted by the CALM buoy and earthquake restoration activities. Production for non-operated assets was between target and stretch. Overall achievement for the Production measure was close to target.
Costs	20%	●	Achievement of the operated asset Costs did not meet threshold. Costs associated with non-operated assets were just below threshold. Both impacted by earthquake restoration and CALM buoy costs. Overall the cost measure was between threshold and target.
EBITDAX	5%	○	Achievement of the EBITDAX measure was below threshold driven by lower volume and higher production costs impacted by CALM buoy and earthquake recovery remediation costs.
Growth Measures (45%)			
2C Gas Resources	15%	●	The Gas Resource discovery measure has been beyond stretch for several years and there was a further increase in the current period relating to Muruk. Under the phased approach to recognising resource additions for Short Term Incentive purposes, the outcome continues to exceed stretch
2C Oil Resources	15%	●	The Oil Resource discovery measure has been beyond stretch for the last two years and there was a large addition in the current period relating to Alaska. Under the phased approach to recognising resource additions for Short Term Incentive purposes, the outcome continues to exceed stretch
Strategic and growth initiatives	15%	●	Achievement on the strategic and growth initiatives was between target and stretch reflecting achievement of key milestones in Alaska, diversity and inclusion, and climate change.

- No achievement (below threshold)
- B/w threshold and target
- Close to target
- B/w target and stretch
- At or beyond stretch

LTI Outcome

Table 8 shows the outcome of the LTI granted in 2017 against the relative TSR performance metrics.

Table 8 – Analysis of LTI vesting

Relevant Executive KMP	LTI Measure – Relative TSR	Performance Outcome	% Weighting	% of LTI tranche that vested
Peter Botten	ASX 50 Peer Group	9.43% TSR in AUD Ranked 14.6 th percentile	33.3%	Nil
Michael Drew	S&P Global 1200 Energy Index Peer Group (USD)	-0.3% TSR in USD Ranked 52.8 th percentile	33.3%	55.6%
Stephen Gardiner				
Ian Munro	S&P Global 1200 Energy Index Peer Group (Local Currency)	9.43% TSR in AUD Ranked 59.7 th percentile	33.3%	69.4%
Elizabeth White				
Keiran Wulff				
Overall				41.67%

Key terms of Executive KMP employment contracts

Table 9 sets out for the contractual provisions for current Executive KMP.

Table 9 – contractual provisions for current Executive KMP

Executive KMP	Contract duration	Notice period Company	Notice period Employee	Termination provision
Peter Botten Managing Director	Terminates 25 August 2020	Not applicable*	Not applicable*	18 months TFR**
Other Executive KMP	On-going	6 months	6 months	4 weeks per year of service (minimum 8, maximum 52)

* This reflects the latest contractual arrangement with Mr Botten after both his termination date and the appointment of his successor were determined and the notice period is no longer valid.

** Represents six months TFR as a termination benefit and an aggregate payment of 12 months TFR paid monthly, in consideration for complying with post-employment restraint obligations.

Executive Equity Ownership

Prior year equity grants to Executive KMP still on foot from other equity plans

2018 LNG Expansion Incentive (Cash and equity)

Name of plan	LNG Expansion Incentive.
Year of grant	2018.
Participants	All Executive KMP and senior managers.
Instruments issued	Performance Rights 75%, cash 25%.
Maximum value of equity to be granted	90% of TFR for the Managing Director and 50% of TFR for other Executive KMP.
Performance period	Vesting quantum reflects timing of Final Investment Decision; rights convert to shares after a further 2 years.
Performance measurement date	Variable, on achievement of scorecard objectives up to 3 years from grant.
PRs vest	Two years after investment sanction is achieved.
Performance conditions	See table below.
Vesting scale	Dependent upon achievement of performance requirements.
Acquisition of share rights	<p>PRs are issued by the company and held by the participant subject to the satisfaction of the vesting conditions. The number of rights held may be adjusted pro-rata, consistent with ASX adjustment factors for any capital restructure.</p> <p>If the PRs vest, executives can exercise them to receive shares. Such shares are normally acquired on-market.</p>
Treatment of dividends	PRs do not have voting rights or accrue benefits.
Restriction on hedging	Hedging of entitlements by executives is not permitted.
Terminating executives	Incentives remain on foot unless an executive resigns or is terminated by the company for cause.
Change of control	Vesting is subject to board discretion, taking into account performance to the change in control.

Performance conditions for the LNG Incentive Plan

Scope of Accountability	Deliverables	Metrics centred on:
Delivery of Oil Search investment sanction pre-requisites	Equity and project financing	<ul style="list-style-type: none"> Funding arrangements with financiers Construction risk management
	LNG Sales and purchase agreements	<ul style="list-style-type: none"> Equity marketing arrangements in place Shipping arrangements
	Commercial agreements	<ul style="list-style-type: none"> Integration agreements negotiated
	FEED execution and licencing for AGX	<ul style="list-style-type: none"> AGX FEED studies delivered on schedule Licencing variations (as required)
Support Operators to achieve their investment sanction pre-requisites	Engineering, design and contracting	<ul style="list-style-type: none"> Environmental approvals Delivery of FEED studies Delivery of development plan
	Reserves	<ul style="list-style-type: none"> Certification of project reserves
	Licencing	<ul style="list-style-type: none"> Obtaining required project licences Licence variations (as required)
	Project financing	<ul style="list-style-type: none"> Funding arrangements with financiers Construction risk management
	Commercial agreements	<ul style="list-style-type: none"> Integration agreements negotiated

Executive KMP Share and Other Equity Holdings

Minimum Shareholding Requirements

Effective from 1 January 2018 the Company introduced a Minimum Shareholding Policy to increase alignment with the interests of Oil Search shareholders by imposing a requirement that Executive KMP build over time, and then maintain, a minimum shareholding of Oil Search shares.

The minimum shareholding is set as a fixed number of Oil Search shares. This fixed number will be reviewed from time to time by the Board.

The minimum shareholding is calculated by reference to the Oil Search share price and (i) the annual TFR for the Managing Director and (ii) half of the average annual TFR for the other Executive KMP.

Table 10 summarises the current applicable Minimum Shareholding required under this Policy.

Table 10– Minimum Shareholding requirements

Individual covered by this Policy	Minimum Shareholding (number of shares)
Managing Director	320,000
Executive KMP	52,500

The Policy operates by restricting the disposal of relevant Oil Search Shares acquired under the Company's Long Term Incentive Plans. It does not require the Managing Director or Executive KMP to whom it applies to "top-up" the minimum holding threshold by buying Oil Search shares on market.

Exceptions to the Policy are permitted (i) to the extent that a disposal is reasonably necessary to enable statutory obligations (for example relating to tax) to be met arising from the operation of an Oil Search equity-based incentive scheme or (ii) if approved by the Board (or its delegate) at its sole discretion. All Oil Search shares held by the individual will count towards the satisfaction of the Minimum Shareholding threshold including shares owned through a trust or superannuation fund or otherwise held for the benefit of the individual.

Table 11: Movements in Share and other Equity Holdings for Executive KMP

KMP	Ordinary shares			Restricted shares			Performance rights		
	Balance at 1 January 2019	Net change	Balance at 31 December 2019	Balance at 1 January 2019	Net change	Balance at 31 December 2019	Balance at 1 January 2019	Net change	Balance at 31 December 2019
Peter Botten	2,347,330	277,966	2,625,296	530,660	(49,724)	480,936	1,148,084	(40,200)	1,107,884
Michael Drew	2,984	(2,984)	-	51,854	30,279	82,133	160,996	37,963	198,959
Stephen Gardiner	483,749	50,345	534,094	101,769	(2,046)	99,723	241,010	(6,100)	234,910
Bart Lismont	-	-	-	-	-	-	-	22,958	22,958
Ian Munro	-	-	-	92,830	(8,731)	84,099	226,143	(8,543)	217,600
Elizabeth White	77,934	-	77,934	25,740	39,727	65,467	140,964	40,958	181,922
Keiran Wulff	65,799	40,949	106,748	103,377	22,051	125,428	240,448	485	240,933
Former KMP									
Gerea Aopi	511,687	n/a	n/a	86,841	(47,930)	38,911	64,716	(43,590)	21,126
Paul Cholakos	366,326	n/a	n/a	89,572	(10,980)	78,592	229,075	(151,185)	77,890
Julian Fowles	166,020	n/a	n/a	91,289	(50,385)	40,904	96,375	(55,229)	41,146
Michael Herrett	129,020	n/a	n/a	79,969	(5,705)	74,264	194,880	(128,606)	66,274

No options were granted by the Company nor exercised in 2019.

The net change in Ordinary Shares follows from the vesting of Restricted Shares granted in 2017 and detailed in Table 13. For current KMP the following disposals occurred: Mr Drew sold 11,485 shares; Mr Munro sold 48,806 shares; and Dr Wulff sold 10,941 shares to meet US withholding tax obligations.

Table 12– Details of movements of Performance Rights and LNG Expansion Incentive Rights during 2019

Movements during the year

	Grant Date	Balance at 1 Jan 2019	Rights Granted	Rights Exercised	Rights Lapsed	Balance at 31 Dec 2019	% vested in the year	% forfeited in the year	Financial Year of Vesting
Directors									
Peter Botten	16/05/2016	326,900	-	-	(326,900)	-	-	100%	2019
	22/05/2017	315,000	-	-	-	315,000	-	-	2020
	21/05/2018	302,200	-	-	-	302,200	-	-	2021
	21/06/2018	203,984	-	-	-	203,984	-	-	2021 ⁽¹⁾
	21/05/2019	-	286,700	-	-	286,700	-	-	2022
Total		1,148,084	286,700	-	(326,900)	1,107,884			
Executives									
Michael Drew	16/05/2016	14,537	-	-	(14,537)	-	-	100%	2019
	22/05/2017	56,300	-	-	-	56,300	-	-	2020
	21/05/2018	55,500	-	-	-	55,500	-	-	2021
	21/06/2018	34,659	-	-	-	34,659	-	-	2021 ⁽¹⁾
	21/05/2019	-	52,500	-	-	52,500	-	-	2022
Total		160,996	52,500	-	(14,537)	198,959			
Stephen Gardiner	16/05/2016	67,300	-	-	(67,300)	-	-	100%	2019
	22/05/2017	66,800	-	-	-	66,800	-	-	2020
	22/05/2018	65,800	-	-	-	65,800	-	-	2021
	21/06/2018	41,110	-	-	-	41,110	-	-	2021 ⁽¹⁾
	21/05/2019	-	61,200	-	-	61,200	-	-	2022
Total		241,010	61,200	-	(67,300)	234,910			
Bart Lismont	20/10/2019		22,958			22,958			
	Total		22,958			22,958			
Ian Munro	16/05/2016	65,243	-	-	(65,243)	-	-	100%	2019
	22/05/2017	62,900	-	-	-	62,900	-	-	2020
	21/05/2018	60,300	-	-	-	60,300	-	-	2021
	21/06/2018	37,700	-	-	-	37,700	-	-	2021 ⁽¹⁾
	21/05/2019	-	56,700	-	-	56,700	-	-	2022
Total		226,143	56,700	-	(65,243)	217,600			
Elizabeth White	16/05/2016	12,242	-	-	(12,242)	-	-	100%	2019
	22/05/2017	40,808	-	-	-	40,808	-	-	2020
	21/05/2018	54,100	-	-	-	54,100	-	-	2021
	21/06/2018	33,814	-	-	-	33,814	-	-	2021 ⁽¹⁾
	21/05/2019	-	53,200	-	-	53,200	-	-	2022
Total		140,964	53,200	-	(12,242)	181,922			
Keiran Wulff	16/05/2016	69,365	-	-	(69,365)	-	-	100%	2019
	22/05/2017	66,900	-	-	-	66,900	-	-	2020
	21/05/2018	64,100	-	-	-	64,100	-	-	2021
	21/06/2018	40,083	-	-	-	40,083	-	-	2021 ⁽¹⁾
	21/05/2019	-	61,400	-	-	61,400	-	-	2022
	1/10/2019	-	8,450	-	-	8,450	-	-	
Total		240,448	69,850	-	(69,365)	240,933			
Former KMP									
Gerea Aopi	16/05/2016	43,590	-	-	(43,590)	-	-	100%	2019
	22/05/2017	21,126	-	-	-	21,126	-	-	2020
Total		64,716	-	-	(43,590)	21,126			
Paul Cholakos	16/05/2016	66,087	-	-	(66,087)	-	-	100%	2019

	Grant Date	Balance at 1 Jan 2019	Rights Granted	Rights Exercised	Rights Lapsed	Balance at 31 Dec 2019	% vested in the year	% forfeited in the year	Financial Year of Vesting
	22/05/2017	63,700	-	-	(19,110)	44,590	-	30%	2020
	21/05/2018	61,100	-	-	(38,493)	22,607	-	63%	2021 ⁽¹⁾
	21/06/2018	38,188	-	-	(27,495)	10,693		72%	2021
	Total	229,075	-	-	(151,185)	77,890			
Julian Fowles	16/05/2016	55,229	-	-	(55,229)	-	-	100%	2019
	22/05/2017	31,801	-	-	-	31,801	-	-	2020
	21/05/2018	9,345	-	-	-	9,345	-	-	2021
	Total	96,375	-	-	(55,229)	41,146			
Michael Herrett	16/05/2016	56,203	-	-	(56,203)	-	-	100%	2019
	22/05/2017	54,200	-	-	(16,260)	37,940	-	30%	2020
	21/05/2018	52,000	-	-	(32,760)	19,240	-	63%	2021 ⁽¹⁾
	21/06/2018	32,477	-	-	(23,383)	9,094	-	72%	2021
	Total	194,880	-	-	(128,606)	66,274			

⁽¹⁾ Awards vest two years after achievement of Financial Sanction of the Papua LNG Project and the PNG LNG Expansion Project pursuant to the LNG Expansion Incentive approved by shareholders at the 2018 Annual Meeting.

Table 13 – Details of movements of Restricted Shares – two years' service contingent from grant date

Movements during the year

	Grant Date	Balance at 1 Jan 2019	Restricted Shares Granted	Restricted Shares Vested	Restricted Shares Forfeited	Balance at 31 Dec 2019	% vested in the year	% forfeited in the year	Financial Year of Vesting
Directors									
Peter Botten	19/05/2017	277,966	-	(277,966)	-	-	100%	-	2019
	21/05/2018	252,694	-	-	-	252,694	-	-	2020
	21/05/2019	-	228,242	-	-	228,242	-	-	2021
Total		530,660	228,242	(277,966)	-	480,936			
Executives									
Michael Drew	19/05/2017	8,501	-	(8,501)	-	-	100%	-	2019
	21/05/2018	43,353	-	-	-	43,353	-	-	2020
	21/05/2019	-	38,780	-	-	38,780	-	-	2021
Total		51,854	38,780	(8,501)	-	82,133			
Stephen Gardiner	19/05/2017	50,345	-	(50,345)	-	-	100%	-	2019
	21/05/2018	51,424	-	-	-	51,424	-	-	2020
	21/05/2019	-	48,299	-	-	48,299	-	-	2021
Total		101,769	48,299	(50,345)	-	99,723			
Ian Munro	19/05/2017	48,806	-	(48,806)	-	-	100%	-	2019
	21/05/2018	44,024	-	-	-	44,024	-	-	2020
	21/05/2019	-	40,075	-	-	40,075	-	-	2021
Total		92,830	40,075	(48,806)	-	84,099			
Elizabeth White	21/05/2018	25,740	-	-	-	25,740	-	-	2020
	21/05/2019	-	39,727	-	-	39,727	-	-	2021
Total		25,740	39,727	-	-	65,467			
Keiran Wulff	19/05/2017	51,890	-	(51,890)	-	-	100%	-	2019
	21/05/2018	51,487	-	-	-	51,487	-	-	2020
	21/05/2019	-	47,092	-	-	47,092	-	-	2020
	20/10/2019	-	26,849	-	-	26,849	-	-	2021
Total		103,377	73,941	(51,890)	-	125,428			
Former KMP									
Gerea Aopi	19/05/2017	47,930	-	(47,930)	-	-	-	-	2019
	21/05/2018	38,911	-	-	-	38,911	-	-	2020
Total		86,841	-	(47,930)	-	38,911			
Paul Cholakos	19/05/2017	49,437	-	(49,437)	-	-	100%	-	2019
	21/05/2018	40,135	-	-	-	40,135	-	-	2020
	21/05/2019	-	38,457	-	-	38,457	-	-	2021
Total		89,572	38,457	(49,437)	-	78,592			
Julian Fowles	19/05/2017	50,385	-	(50,385)	-	-	-	-	2019
	21/05/2018	40,904	-	-	-	40,904	-	-	2020
Total		91,289	-	(50,385)	-	40,904			
Michael Herrett	19/05/2017	42,044	-	(42,044)	-	-	100%	-	2019
	21/05/2018	37,925	-	-	-	37,925	-	-	2020
	21/05/2019	-	36,339	-	-	36,339	-	-	2021
Total		79,969	36,339	(42,044)	-	74,264			

Non-Executive Director Remuneration

Remuneration Policy

Remuneration for Non-Executive Directors is determined by reference to relevant external market data and takes into consideration the level of fees paid to directors of other Australian corporations of similar size and complexity to Oil Search, the scale of its international activities and the responsibilities and work requirements of Board members. Remuneration for Non-Executive Directors is subject to the aggregate limit of A\$3 million in any calendar year which was set by shareholders at the 2019 Annual Meeting.

Fees for Non-Executive Directors are fixed and are not linked to the financial performance of the Company. Non-Executive Directors are not entitled to retirement benefits.

Table 14 sets out the fee structure which has applied since 1 January 2019. The Project & Technology Committee was established in July 2019.

Table 14 – Annual Board and Committee Fees Payable to Non-Executive Directors in Australian dollars

Position	Annual Fee
Chairman of the Board ⁽¹⁾	A\$550,000
Non-Executive Directors other than the Chairman	A\$190,000
Additional fees	
Chairman Audit and Financial Risk Committee	A\$49,500
Chairman Health, Safety and Sustainability Committee	A\$49,500
Chairman People and Nominations Committee	A\$49,500
Chairman Project & Technology Committee	A\$24,750
Member Audit and Financial Risk Committee	A\$25,500
Member Health, Safety and Sustainability Committee	A\$25,500
Member People and Nominations Committee	A\$25,500
Member Project & Technology Committee	A\$12,750

(1) The fees paid to the Chairman of the Board are inclusive of any Committee Fees.

Each Australian and PNG based Non-Executive Director also receives a travel allowance of A\$35,000 per annum to compensate for the time spent travelling to Papua New Guinea and Australia to attend Board and Committee Meetings and for time spent on field trips to the Company's operations. Non-Executive Directors based further afield receive a travel allowance of A\$45,000 per annum.

In addition to Board and Committee fees, Non-Executive Directors are entitled to be reimbursed for all reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, Committees or shareholders or while engaged on Oil Search business.

Table 15 shows the annual component of remuneration for Non-Executive Directors in line with their respective committee memberships.

Table 15 – Annual Components of Board Committee Fees for Non-Executive Directors in Australian dollars

Director	Base Annual Fee AU\$	Audit & Financial Risk AU\$	Health, Safety & Sustainability AU\$	People & Nominations AU\$	Project & Technology Risk AU\$	Travel Allowance AU\$
Rick Lee	550,000	-	-	-	-	35,000
Bakheet Al Katheeri	190,000	-	25,500	25,500	24,750	45,000
Kostas Constantinou	190,000	25,500	-	25,500	-	35,000
Susan Cunningham	190,000	25,500	25,500	-	12,750	45,000

Director	Base Annual Fee AU\$	Audit & Financial Risk AU\$	Health, Safety & Sustainability AU\$	People & Nominations AU\$	Project & Technology Risk AU\$	Travel Allowance AU\$
Eileen Doyle	190,000	25,500	49,500	-	12,750	35,000
Fiona Harris	190,000	49,500	-	25,500	-	35,000
Agu Kantsler	190,000	-	25,500	49,500	12,750	35,000
Melchior Togolo	190,000	25,500	-	25,500	-	35,000

There are no performance-based plans for Oil Search Non-Executive Directors. All Fee amounts indicated above represent annual fees and therefore do not correspond with the following table 16 which indicates actual fees paid.

On 11 July 2019: Dr Al Katheeri joined the People & Nominations Committee and ceased to be a member of the Audit & Financial Risk Committee; and Ms Cunningham joined the Audit & Financial Risk Committee and ceased to be a member of the People & Nominations Committee.

Table 16 – Oil Search Limited Non-Executive Directors Remuneration (US\$)

US\$	Year	Short Term			Post-Employment	Long Term	Equity	Other	Total
		Salaries fees and allowances	Non-Monetary benefits	Short Term Incentive	Company contribution to super	Long Service Leave accrual		Sign on / termination benefits	
Non-Executive Directors									
Rick Lee	2019	409,793	-	-	-	-	-	-	409,792
	2018	384,865	-	-	-	-	-	-	384,865
Bakheet Al Katheeri ⁽¹⁾	2019	201,788	-	-	-	-	-	-	201,788
	2018	133,654	-	-	-	-	-	-	133,654
Kostas Constantinou	2019	193,338	-	-	-	-	-	-	193,338
	2018	173,245	-	-	-	-	-	-	173,245
Susan Cunningham ⁽¹⁾	2019	201,087	-	-	-	-	-	-	201,087
	2018	131,753	-	-	-	-	-	-	131,753
Eileen Doyle	2019	210,894	-	-	-	-	-	-	210,894
	2018	185,462	-	-	-	-	-	-	185,462
Fiona Harris	2019	210,150	-	-	-	-	-	-	210,150
	2018	190,756	-	-	-	-	-	-	190,756
Agu Kantsler	2019	210,894	-	-	-	-	-	-	210,894
	2018	182,992	-	-	-	-	-	-	182,992
Melchior Togolo	2019	193,338	-	-	-	-	-	-	193,338
	2018	173,816	-	-	-	-	-	-	173,816

¹Dr Al Katheeri and Ms Cunningham were appointed to the Oil Search Board on 26 March 2018.

Effective from 1 January 2018 the Company introduced a Minimum Shareholding Policy to increase alignment with the interests of Oil Search shareholders by imposing a requirement that Non-Executive Directors build over time, and then maintain, a minimum shareholding of Oil Search shares.

The minimum shareholding is set as a fixed number of Oil Search shares. This fixed number will be reviewed from time to time by the Board.

The minimum shareholding is calculated by reference to the Oil Search share price and the annual base fee received by Non-Executive Directors.

Table 17 summarises the current applicable Minimum Shareholding required under this Policy.

Table 17 – Minimum Shareholding requirements

Individual covered by this Policy	Minimum Shareholding (number of shares)
Chairman of the Board	75,000
Other Non-Executive Directors	25,000

Table 18– Non-Executive Director shareholdings

Director	Balance at 1 January 2019	Net movement during 2019	Balance at 31 December 2019
Bakheet Al Katheeri	-	-	-
Kostas Constantinou	-	10,000	10,000
Susan Cunningham	-	-	-
Eileen Doyle	36,050	-	36,050
Fiona Harris	31,961	-	31,961
Agu Kantsler	45,736	-	45,736
Rick Lee	96,829	-	96,829
Melchior Togolo	-	-	-

24 February 2020

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

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 audit of the financial statements of Oil Search Limited and its controlled subsidiaries for the financial year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (IESBA) in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants

Statements of comprehensive income for the year ended 31 December 2019

	Note	Consolidated		Parent	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	3	1,584,808	1,535,761	-	-
Cost of sales	4	(833,770)	(698,262)	-	-
Gross profit		751,038	837,499	-	-
Other income	5	67,169	9,579	205,746	114,273
Other expenses	6	(139,143)	(129,836)	(8,126)	(7,495)
Profit/(loss) from operating activities		679,064	717,242	197,620	106,778
Net finance (costs)/income	7	(230,961)	(209,850)	228	(166)
Share of net profit from investments in joint ventures	27	627	-	-	-
Profit before income tax		448,730	507,392	197,848	106,612
Income tax (expense)/benefit	8	(136,310)	(166,190)	(3,532)	1,630
Net profit after tax		312,420	341,202	194,316	108,242
Other comprehensive income					
<i>Items that may be reclassified to profit or loss:</i>					
Foreign currency translation differences for foreign operations		(2,085)	(2,005)	-	-
Total comprehensive income for the year		310,335	339,197	194,316	108,242
		Cents	Cents		
Basic earnings per share	9	20.50	22.39		
Diluted earnings per share	9	20.41	22.32		

The statements of comprehensive income should be read in conjunction with the accompanying notes.

Statements of financial position as at 31 December 2019

		Consolidated		Parent	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current assets					
Cash and cash equivalents	21(a)	396,232	600,557	-	-
Receivables	11	272,087	228,705	792	57,150
Inventories	12	104,038	90,428	-	-
Prepayments		19,867	12,302	1,504	826
Current tax receivable		-	-	1,352	1,352
Total current assets		792,224	931,992	3,648	59,328
Non-current assets					
Other assets	13	81,450	83,416	-	-
Other financial assets	14	67,939	59,408	-	-
Exploration and evaluation assets	15	2,998,021	2,344,818	117,067	112,153
Oil and gas assets	16	6,124,358	6,240,567	-	-
Other plant and equipment	16	488,300	248,768	-	-
Investments in subsidiaries	27	-	-	3,319,803	2,764,803
Investments in joint ventures	27	54,443	3,958	-	-
Deferred tax assets	8	966,118	760,964	24,547	28,489
Total non-current assets		10,780,629	9,741,899	3,461,417	2,905,445
Total assets		11,572,853	10,673,891	3,465,065	2,964,773
Current liabilities					
Payables	17	337,022	326,484	499,805	1,157
Provisions	18	28,523	19,317	-	228
Borrowings	19	654,513	356,739	-	-
Current tax payable		100,663	68,433	-	-
Total current liabilities		1,120,721	770,973	499,805	1,385
Non-current liabilities					
Payables	17	10,331	23,394	-	-
Provisions	18	688,395	569,694	11,924	10,389
Borrowings	19	3,140,069	3,068,035	-	-
Deferred tax liabilities	8	1,354,926	1,076,177	6	-
Total non-current liabilities		5,193,721	4,737,300	11,930	10,389
Total liabilities		6,314,442	5,508,273	511,735	11,774
Net assets		5,258,411	5,165,618	2,953,330	2,952,999
Shareholders' equity					
Share capital	20	3,158,390	3,152,443	3,158,390	3,152,443
Reserves	20	(1,719)	(5,448)	13,495	7,681
Retained earnings/(losses)		2,101,740	2,018,623	(218,555)	(207,125)
Total shareholders' equity		5,258,411	5,165,618	2,953,330	2,952,999

The statements of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows for the year ended 31 December 2019

		Consolidated		Parent	
		2019	2018	2019	2018
	Note	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities					
Receipts from customers and third parties		1,632,493	1,570,768	-	-
Dividends received		-	-	205,746	114,273
Payments to suppliers and employees		(568,994)	(360,999)	(7,656)	(9,885)
Interest received		17,561	14,884	430	-
Borrowing costs paid		(237,562)	(205,273)	-	(45)
Income tax paid		(32,659)	(84,940)	-	-
Payments for exploration and evaluation - seismic, G&A, G&G		(40,663)	(63,150)	(44)	(35)
Payments for site restoration		(17,822)	(16,658)	-	-
Net cash from operating activities	21(b)	752,354	854,632	198,476	104,308
Cash flows from investing activities					
Payments for other plant and equipment		(36,401)	(56,404)	-	-
Payments for exploration and evaluation		(650,686)	(647,617)	(3,809)	(28,408)
Payments for oil and gas development assets		(39,540)	(36,945)	-	-
Payments for producing assets		(78,648)	(26,211)	-	-
Payments for power assets		(6,282)	(41,653)	-	-
Investment in subsidiaries		-	-	(555,000)	(470,000)
Advances made to third party in respect of investing activities		(1,750)	(2,167)	-	-
Net cash used in investing activities		(813,307)	(810,997)	(558,809)	(498,408)
Cash flows from financing activities					
Dividend payments		(205,746)	(114,273)	(205,746)	(114,273)
Purchase of treasury shares		-	(8,239)	-	(8,239)
Contributions received for employee share schemes		2,287	4,246	-	-
Repayment of borrowings		(1,064,200)	(331,901)	-	-
Proceeds from borrowings		1,150,000	-	-	-
Loan provided to third party		(1,750)	(2,167)	-	-
Establishment fee on credit facility		-	(3,759)	-	-
Lease payments		(23,963)	(2,231)	-	-
Loans from/(to) related entities		-	-	566,079	516,612
Net cash (used in)/from financing activities		(143,372)	(458,324)	360,333	394,100
Net decrease in cash and cash equivalents		(204,325)	(414,689)	-	-
Cash and cash equivalents at the beginning of the year		600,557	1,015,246	-	-
Cash and cash equivalents at the end of the year	21(a)	396,232	600,557	-	-

The statements of cash flows should be read in conjunction with the accompanying notes.

Statements of changes in equity for the year ended 31 December 2019

Consolidated	Share capital \$'000	Foreign currency translation reserve \$'000	Reserve for treasury shares \$'000	Employee equity compensation reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2018	3,152,443	(17,157)	3,663	7,060	1,791,745	4,937,754
Dividends provided for or paid	-	-	-	-	(114,273)	(114,273)
Total comprehensive income for the year						
Net profit after tax for the year	-	-	-	-	341,202	341,202
<i>Other comprehensive income:</i>						
Exchange differences on translation of foreign operations	-	(2,005)	-	-	-	(2,005)
Total comprehensive income for the year	-	(2,005)	-	-	341,202	339,197
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	7,545	(7,545)	-	-
Employee share-based remuneration	-	-	-	11,230	-	11,230
Purchase of treasury shares	-	-	(8,239)	-	-	(8,239)
Trust distribution	-	-	-	-	(51)	(51)
Total transactions with owners	-	-	(694)	3,685	(51)	2,940
Balance at 31 December 2018	3,152,443	(19,162)	2,969	10,745	2,018,623	5,165,618
Balance at 1 January 2019	3,152,443	(19,162)	2,969	10,745	2,018,623	5,165,618
Impact of change in accounting policy (Note 29)	-	-	-	-	(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	-	-	-	-	(205,746)	(205,746)
Total comprehensive income for the year						
Net profit after tax for the year	-	-	-	-	312,420	312,420
<i>Other comprehensive income:</i>						
Exchange differences on translation of foreign operations	-	(2,085)	-	-	-	(2,085)
Total comprehensive income for the year	-	(2,085)	-	-	312,420	310,335
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	9,513	(9,513)	-	-
Employee share-based remuneration	-	-	-	11,761	-	11,761
Shares issued for the share purchase plan	5,947	-	(5,947)	-	-	-
Trust distribution	-	-	-	-	(110)	(110)
Total transactions with owners	5,947	-	3,566	2,248	(110)	11,651
Balance at 31 December 2019	3,158,390	(21,247)	6,535	12,993	2,101,740	5,258,411

The statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of changes in equity for the year ended 31 December 2019 (continued)

Parent	Share capital \$'000	Amalgam- ation reserve \$'000	Reserve for treasury shares \$'000	Employee equity compensation reserve \$'000	Retained earnings/ (losses) \$'000	Total \$'000
Balance at 1 January 2018	3,152,443	(2,990)	6,283	1,398	(201,095)	2,956,039
Dividends provided for or paid	-	-	-	-	(114,273)	(114,273)
Total comprehensive income for the year						
Net profit after tax for the year	-	-	-	-	108,242	108,242
Total comprehensive income for the year	-	-	-	-	108,242	108,242
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	7,545	(7,545)	-	-
Employee share-based remuneration	-	-	-	11,230	-	11,230
Purchase of treasury shares	-	-	(8,239)	-	-	(8,239)
Net exchange differences	-	-	-	(1)	1	-
Total transactions with owners	-	-	(694)	3,684	1	(2,991)
Balance at 31 December 2018	3,152,443	(2,990)	5,589	5,082	(207,125)	2,952,999
Balance at 1 January 2019	3,152,443	(2,990)	5,589	5,082	(207,125)	2,952,999
Dividends provided for or paid	-	-	-	-	(205,746)	(205,746)
Total comprehensive income for the year						
Net profit after tax for the year	-	-	-	-	194,316	194,316
Total comprehensive profit for the year	-	-	-	-	194,316	194,316
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	9,513	(9,513)	-	-
Employee share-based remuneration	-	-	-	11,761	-	11,761
Shares issued for the share purchase plan	5,947	-	(5,947)	-	-	-
Net exchange differences	-	-	-	-	-	-
Total transactions with owners	5,947	-	3,566	2,248	-	11,761
Balance at 31 December 2019	3,158,390	(2,990)	9,155	7,330	(218,555)	2,953,330

The statements of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements

1 Significant accounting policies

Oil Search Limited (the 'parent entity' or 'Company') is incorporated in Papua New Guinea (PNG). The consolidated financial report for the year ended 31 December 2019 comprises the parent entity and its controlled entities (together, 'the Group').

The financial statements were authorised for issue by the Board of Directors on 24 February 2020.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the PNG Companies Act 1997. The financial statements have been prepared under the historical cost convention.

(i) Issued standards adopted during year

The Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods that begin on or after 1 January 2019. The Group amended its accounting policy as a result of adopting IFRS 16 *Leases*.

The transition approach and the impact of adopting IFRS 16 *Leases* is described in note 29. Note 1(l) details the accounting policy applied.

There have been no other new standards or amendments that were mandatory for adoption for the year ended 31 December 2019.

(ii) New accounting standards not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2019 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the financial years commencing 1 January 2020.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Oil Search Limited and its controlled subsidiaries, after elimination of all inter-company transactions.

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

(iii) Joint arrangements

Exploration, development and production activities of the Group are primarily carried on through joint arrangements with other parties. Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined that they comprise investments in joint operations.

Joint operations

The Group has accounted for its direct rights and obligations by recognising its share of jointly held assets, liabilities, revenues and expenses of each joint operation. These have been incorporated in the financial statements under the appropriate headings. Details of the joint operations are set out in note 27.

Joint venture

The Group has accounted for its investments in joint ventures under the equity method of accounting with these investments initially recognised at cost. The Group's investment in the joint venture, profit and loss and movements in other comprehensive income are adjusted to recognise the Group's corresponding share of the post-acquisition profits or losses and movements in other comprehensive income of the investee. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of that entity.

(c) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated and parent financial statements are presented in United States dollars, which is Oil Search Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other expenses.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

(d) Revenue recognition

Revenue is recognised when the performance obligation is satisfied by transferring a promised good or service to a customer. An asset or service is transferred when the customer obtains control of that asset or service. When a performance obligation is satisfied, the amount of revenue recognised is the amount of the transaction price that is allocated to that performance obligation. Where part or all of the transaction price is variable, revenue is recognised only to the extent that it is highly probable that a significant reversal of revenue will not occur. Revenue for the Group's main products is recognised as follows:

Liquefied natural gas

Performance obligations are satisfied when the control of LNG is transferred to the customer when the product is loaded on board the offtake vessel or offloaded from the vessel, depending on the contractual terms of the cargo. Sales made under long term contracts are subject to take or pay arrangements and represent the delivery of a series of distinct but substantially the same goods consecutively over a period of time. A contract liability may arise under these contracts if delivered quantities are less than contracted quantities.

The initial transaction price for LNG sales is calculated using a provisional price at the date the customer takes control of the product. The difference between the provisional and the final transaction price is recognised at the point when the final price is determined.

Credit terms for LNG sales are between 8-10 days.

Oil and condensate

Performance obligations are satisfied when the control of oil and condensate is transferred to the customer at the despatch point to the offtake vessel. The transaction price for oil and condensate sales may not be finalised at the date the customer takes control of the product. In such cases, a provisional transaction price is used until a final transaction price can be determined. The difference between the provisional and the final transaction price is recognised at the point when the final price is determined.

Credit terms for crude and condensate cargoes are 30 days.

Gas

Performance obligations are satisfied when control of the gas is transferred to the customer at the gas delivery point.

Credit terms are between 20-30 days.

Dividend income

Dividend income from controlled entities is recognised as other income in the statement of comprehensive income when the dividends are declared, and from other parties as the dividends are received or receivable.

(e) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the borrower's outstanding borrowings during the year used to develop the qualifying asset.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

(f) Share-based remuneration

The fair value at grant date of equity-settled, share-based compensation plans is charged to the statement of comprehensive income over the period for which the benefits of employee services are to be derived. The corresponding accrued employee entitlement is recorded in the employee equity compensation reserve. The fair value of the awards is calculated using an option pricing model which considers a number of factors. Where awards are forfeited because non-market vesting conditions are not satisfied, the expense previously recognised is proportionately reversed. At each statement of financial position date, the entity revises its estimates of the number of awards that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

Where shares in Oil Search Limited are acquired by on-market purchases prior to settling vested entitlements, the cost of the acquired shares is carried as treasury shares and deducted from equity. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(g) Income tax

The current tax payable or receivable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability or asset for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Tax benefits transferred between Group companies are transferred under normal commercial arrangements, with consideration paid equal to the tax benefit of the transfer.

(h) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined as follows:

- materials, which include drilling and maintenance stocks, are valued at the cost of acquisition; and
- petroleum products, comprising extracted crude oil and condensate, LNG and refined products stored in tanks, pipeline systems and aboard vessels are valued using the full absorption cost method.

(i) Exploration and evaluation assets

Exploration and evaluation expenditures are accounted for under the successful efforts method.

Exploration licence acquisition costs are initially capitalised. For exploration and appraisal wells, costs directly associated with drilling and evaluating the wells are initially capitalised pending an assessment of whether economically recoverable hydrocarbons have been discovered or whether expenditures are expected to be recouped by sale. All other exploration and evaluation costs are expensed as incurred.

Capitalised exploration costs are reviewed at each reporting date to determine whether there is an indication of impairment, generally on a licence-by-licence basis. Impairment indicators include:

- the exploration licence has expired and is not expected to be renewed;
- exploration and appraisal activities have not led to the discovery of economically recoverable reserves and no further activity on the licence is planned;
- sufficient information exists to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Where such indicators exist, an impairment test is performed – see accounting policy (m).

When an oil or gas field has been approved for development, the accumulated exploration and evaluation costs are transferred to Oil and Gas Assets - Assets in Development.

Where an ownership interest in an exploration and evaluation asset is exchanged for another, the transaction is recognised by reference to the carrying value of the original interest. Any cash consideration paid, including transaction costs, is accounted for as an acquisition of exploration and evaluation assets. Any cash consideration received, net of transaction costs, is treated as a recoupment of costs expensed in the relevant year, with any excess consideration received accounted for as a reduction to the previously capitalised amounts. If the consideration received is in excess of current year expense and capitalised amounts, the excess is recorded as a gain on disposal of non-current assets.

(j) Oil and gas assets

Assets in development

When the technical and commercial feasibility of an undeveloped oil or gas field has been demonstrated and approval of commercial development occurs, the field enters its development phase. The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When the committed development expenditure programs are completed and production commences, these costs are subject to amortisation.

Producing assets

The costs of oil and gas assets in production include past exploration and evaluation costs, past development costs and the ongoing costs of continuing to develop reserves for production and to expand, replace, acquire or improve plant and equipment and any associated land and buildings. These costs are subject to amortisation.

Amortisation of oil and gas assets

Amortisation is calculated using the units of production method for an asset or group of assets from the date of commencement of production. Depletion charges are calculated using the units of production method over the life of the estimated Developed, Proven plus Probable ("2P") reserves for an asset or group of assets.

Restoration costs

Site restoration costs are capitalised within the cost of the associated assets and the provision is stated in the statement of financial position at total estimated present value. These costs are based on judgements and assumptions regarding removal dates, technologies, and industry practice. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The costs of restoration are brought to account in the statement of comprehensive income through depreciation of the associated assets over the economic life of the projects with which these costs are associated. The unwinding of the discount is recorded as an accretion charge within finance costs.

(k) Other plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and impairment. Any gain or loss on the disposal of assets is determined as the difference between the carrying value of the asset at the time of disposal and the proceeds from disposal, and is included in the results of the Group in the year of disposal.

Depreciation

Depreciation on plant and equipment, excluding rigs, is calculated on a straight-line basis so as to generally write-off the cost of each fixed asset over its estimated useful life on the following basis:

Transport and Logistics	4% - 33%
Corporate plant and equipment	14% - 33%

The depreciation on rigs is computed using drilling days based on a ten year drilling life.

(l) Leases

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

- use an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- obtain substantially all of the economic benefits of the asset throughout the period of use; and
- direct the use of the asset thereby changing how the asset is used and the purpose for which it is deployed. The right to direct the use of the asset will also exist if the Group:
 - has the right to operate the asset; or
 - designed the asset in a way that predetermines its deployment and purpose.

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

(i) Leased assets

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

(ii) Lease Liabilities

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

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

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

(m) Impairment of assets

The carrying amounts of all assets, other than inventory, certain financial assets and deferred tax assets, are reviewed at each reporting date to determine whether there is an indication of impairment. Where such an indication exists, an estimate of the recoverable amount is made.

For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

Expected future cash flows are the basis for determining the recoverable amount, however, market values are also referenced where appropriate.

An impairment loss is recognised in the statement of comprehensive income when the carrying amount of an asset or its CGU exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(n) Employee benefits

Provision is made for long service leave and annual leave estimated to be payable to employees on the basis of statutory and contractual requirements. The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(o) Investments and other financial assets

(i) Investments

Investments in subsidiaries are accounted for at cost in the parent entity financial statements.

(ii) Other financial assets

All other financial assets are initially recognised at the fair value of consideration paid. Subsequently, all financial assets are measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are assessed for indicators of impairment through the use of an expected credit loss model. The expected credit loss (ECL) model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk upon initial recognition of the financial assets.

In other words, it is not necessary for a credit event to have occurred before credit losses are recognised.

The Group assesses on a forward-looking basis, the expected credit losses associated with its financial assets. The loss allowance for a financial instrument is measured at an amount equal to the lifetime ECL if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to a 12 month ECL horizon.

A simplified approach is used for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances. For trade receivables, the simplified approach requires expected lifetime losses to be recognised from initial recognition of receivables. Given the credit quality of the Group's customers, which are investment grade or backed by letters of credit, and that there has been no historical credit loss experience for trade receivables, no additional loss allowance was recognised.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss or capitalised against a qualifying project over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Critical accounting estimates and assumptions

In applying the Group's accounting policies, management regularly evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from those judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below.

Impairment of assets

The Group assesses whether oil and gas assets are impaired on a semi-annual basis. This requires review of the indicators of impairment and/or an estimation of the recoverable amount of the cash-generating unit to which the assets belong. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. Market values are also referenced where appropriate. The carrying value of oil and gas properties, exploration and evaluation and other plant and equipment is disclosed in notes 15 to 16.

Restoration obligations

The Group estimates the future removal and restoration costs of oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances the removal of these assets will occur many years in the future. The estimates of future removal costs are made considering relevant legislation and industry practice and require management to make judgements regarding the removal date, the extent of restoration activities required and future removal technologies. For more detail regarding the policy in respect of provision for restoration refer to note 1(j).

The carrying amount of the provision for restoration is disclosed in note 18.

Reserve estimates

The estimated reserves are management assessments and take into consideration reviews by an independent third party, Netherland Sewell and Associates and Ryder Scott Company, L.P., under the Company's reserves audit program which requires an external audit of each material producing field every three years, as well as other assumptions, interpretations and assessments.

These include assumptions regarding commodity prices, exchange rates, discount rates, future production and transportation costs, and interpretations of geological and geophysical models to make assessments of the quality of reservoirs and their anticipated recoveries. Changes in reported reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in expected future cash flows. Reserves are integral to the amount of depreciation, depletion and amortisation charged to the statement of comprehensive income and the calculation of inventory. Reserves estimation conforms with guidelines prepared by the Society of Petroleum Engineers and the Australian Securities Exchange Listing Rules.

Exploration and evaluation

The Group's policy for exploration and evaluation expenditure is discussed in note 1(i). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

The carrying amount of exploration and evaluation assets is disclosed in note 15.

Classification of joint arrangements

Exploration, development and production activities of the Group are conducted primarily through arrangements with other parties. Each arrangement has a contractual agreement which provides the participating parties rights to the assets and obligations for the liabilities of the arrangement. Under certain agreements, more than one combination of participants can make decisions about the relevant activities and therefore joint control does not exist. Where the arrangement has the same legal form as a joint operation but is not subject to joint control, the Group accounts for its interest in accordance with the contractual agreements by recognising its share of jointly held assets, liabilities, revenues and expenses of the arrangement.

The Group's interest in joint operations is disclosed in note 27(b). The Group's interest in other arrangements with same legal form as a joint operation but that are not subject to joint control are disclosed in note 27(d).

Deferred taxes

The calculation of the Group's tax charge involves a degree of estimation and judgement in respect of certain items for which the ultimate tax determination is uncertain. The Group recognises deferred tax assets only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. In making this assessment, a forecast of future taxable profits is made, based on revenues, future production profiles, commodity prices and costs. Assumptions are also made in respect of future tax elections that may be utilised between tax ring fences and in respect of the ongoing success of the Group's exploration and appraisal program.

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.

In 2019, the Group amended its reportable segments to reflect the creation of a multi-business unit structure following on from the Group's organisation re-design implemented in the year. The new operating model consists of two fully enabled business units, being the PNG BU and the Alaska BU, each comprising specific assets, departments and disciplines. The comparative balances have been restated to reflect the updated reportable segments.

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 capital expenditure on exploration and evaluation assets, oil and gas assets, and property, plant and equipment.

\$'000	PNG BU		Alaska BU		Centre		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
External revenues	1,584,386	1,535,155	-	-	422	606	1,584,808	1,535,761
Costs of production	(407,532)	(326,275)	-	-	-	-	(407,532)	(326,275)
Selling and distribution costs	(34,462)	(51,523)	-	-	(1,526)	(1,131)	(35,988)	(52,654)
Rig operating costs	(1,363)	(1,147)	-	-	-	-	(1,363)	(1,147)
Corporate	-	-	-	-	(37,597)	(31,571)	(37,597)	(31,571)
Foreign currency (losses)/gains	(1,116)	(706)	249	-	(1,081)	(1,864)	(1,948)	(2,570)
Power costs expensed	(969)	(4,182)	-	-	-	-	(969)	(4,182)
Profit on disposal/sale of assets	889	260	-	-	-	-	889	260
Other income	37,712	7,776	2,815	-	26,642	1,803	67,169	9,579
Other expenses	(21,384)	(15,511)	-	-	(186)	(1,691)	(21,570)	(17,202)
EBITDAX	1,156,161	1,143,847	3,064	-	(13,326)	(33,848)	1,145,899	1,109,999
Depreciation and amortisation	(395,024)	(318,186)	(4,599)	-	(14,087)	(7,908)	(413,710)	(326,094)
Exploration costs expensed	(24,417)	(52,093)	(22,473)	(14,254)	(370)	(316)	(47,260)	(66,663)
Impairment	(4,694)	-	(1,171)	-	-	-	(5,865)	-
EBIT	732,026	773,568	(25,179)	(14,254)	(27,783)	(42,072)	679,064	717,242
Net finance costs	(206,430)	(202,599)	(103)	42	(24,428)	(7,293)	(230,961)	(209,850)
Share of investment in joint ventures	627	-	-	-	-	-	627	-
Profit before income tax							448,730	507,392
Income tax expense							(136,310)	(166,190)
Net profit after tax							312,420	341,202
Investment expenditure								
Exploration and evaluation assets	159,894	230,967	539,776	483,517	340	312	700,010	714,796
Oil and gas assets - development and production	126,147	58,520	-	-	-	-	126,147	58,520
Other plant and equipment	13,088	12,773	6,208	7,445	25,271	41,829	44,567	62,047
	299,129	302,260	545,984	490,962	25,611	42,141	870,724	835,363

2 Segment reporting (continued)

Geographical segments

The Group operates primarily in Papua New Guinea, 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 information on the basis of geographical segments, segment revenue and segment assets are based on the location of operating activity.

\$'000	Revenue		Non-current assets ⁽¹⁾	
	2019	2018	2019	2018
PNG	1,584,386	1,535,155	8,556,705	8,305,847
USA	-	-	999,311	477,169
Australia	422	606	114,898	64,603
Other	-	-	143,597	133,316
Total	1,584,808	1,535,761	9,814,511	9,980,935

(1) Non-current assets exclude deferred taxes of \$966.1 million (2018: \$760.9 million).

Major customers

There are five customers with revenue exceeding 10% of the Group's total sales revenue.

Revenue from one customer represents approximately \$227.2 million or 14% of the Group's total revenue (2018: \$240.0 million, 16%).

Revenue from one customer represents approximately \$253.1 million or 16% of the Group's total revenue (2018: \$240.6 million, 16%).

Revenue from one customer represents approximately \$297.5 million or 19% of the Group's total revenue (2018: \$257.7 million, 17%).

Revenue from one customer represents approximately \$190.8 million or 12% of the Group's total revenue (2018: \$157.3 million, 10%).

Revenue from one customer represents approximately \$159.9 million or 10% of the Group's total revenue (2018: \$186.7 million, 12%).

3 Revenue

	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Liquefied natural gas sales	1,201,388	1,124,929	-	-
Oil and condensate sales	295,506	326,007	-	-
Gas sales	44,961	35,144	-	-
Other revenue	29,702	36,318	-	-
	1,571,557	1,522,398	-	-
Drilling rig and camp lease revenue	13,251	13,363	-	-
Total revenue	1,584,808	1,535,761	-	-

4 Cost of sales

	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Costs of production:</i>				
Production costs	(348,742)	(290,027)	-	-
Royalties and levies	(15,098)	(13,207)	-	-
Gas purchases	(22,888)	(16,911)	-	-
Other costs of production	(15,514)	(5,657)	-	-
Inventory movements	(5,290)	(473)	-	-
	(407,532)	(326,275)	-	-
Selling and distribution costs	(35,988)	(52,654)	-	-
Rig operating costs	(1,363)	(1,147)	-	-
<i>Depreciation and amortisation</i>				
Oil and gas assets	(354,119)	(309,979)	-	-
Transport and logistics	(29,444)	(7,051)	-	-
Rig assets	(5,324)	(1,156)	-	-
Total cost of sales	(833,770)	(698,262)	-	-

5 Other income

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cost recoveries (including from leased assets)	47,262	5,334	-	-
Insurance receipts relating to prior year	8,737	-	-	-
Provisions written back	7,585	-	-	-
Dividend	-	-	205,746	114,273
Other	3,585	4,245	-	-
	67,169	9,579	205,746	114,273

6 Other expenses

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Corporate ⁽¹⁾	(37,597)	(31,571)	(7,314)	(5,881)
Exploration costs expensed	(47,260)	(66,663)	(44)	(35)
Power costs expensed	(969)	(4,182)	-	-
Impairment	(5,865)	-	-	(563)
Depreciation	(24,823)	(7,908)	-	-
Profit on disposal/sale of assets	889	260	-	-
Other expenses	(21,570)	(17,202)	(768)	(1,016)
Foreign currency gain/(loss)	(1,948)	(2,570)	-	-
Total other expenses	(139,143)	(129,836)	(8,126)	(7,495)

⁽¹⁾ Includes business development costs of \$5.5 million (2018: \$2.0 million) on a consolidated basis.

7 Net finance costs

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Interest income	24,342	19,405	430	-
Finance charge on lease liabilities	(38,004)	(17,700)	-	-
Borrowing costs	(201,419)	(196,014)	-	(45)
Unwinding of discount on site restoration	(15,880)	(15,541)	(202)	(121)
Net finance (costs)/income	(230,961)	(209,850)	228	(166)

8 Income tax

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
The major components of tax expense are:				
Current tax expense	(47,487)	(29,392)	-	-
Adjustments for current tax of prior periods	(2,188)	(9,641)	(18)	(7)
Deferred tax (expense)/benefit	(86,635)	(127,157)	(3,514)	1,637
Income tax (expense)/benefit	(136,310)	(166,190)	(3,532)	1,630

8 Income tax (continued)

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Reconciliation of income tax expense to prima facie tax payable:				
Profit/(loss) before tax	448,730	507,392	197,848	106,612
Tax at PNG rate of 30%	(134,619)	(152,218)	(59,354)	(31,984)
Additional Profits Tax payable	(2,099)	(6,767)	-	-
Effect of differing tax rates across tax regimes	(436)	(1,341)	-	-
	(137,154)	(160,326)	(59,354)	(31,984)
Tax effect of items not tax deductible or assessable:				
(Under)/over provisions in prior periods	(2,188)	(9,641)	(17)	(7)
Non-deductible expenditure	(4,881)	(3,556)	(235)	(495)
Non-assessable income	4,777	1,559	61,724	34,282
Reinstatement of deferred tax assets	3,101	5,774	(5,650)	(166)
Exempt dividends	35	-	-	-
Income tax (expense)/benefit	(136,310)	(166,190)	(3,532)	1,630
Deferred tax (expense)/benefit recognised in net profit/(loss) for each type of temporary difference:				
Exploration, development and production	(171,939)	(153,389)	(141)	136
Other assets	7,362	2,323	-	-
Provisions and accruals	35,573	(7,386)	521	34
Other items	(19,341)	1,025	(8)	-
Tax losses recognised	61,710	30,270	(3,886)	1,467
Deferred tax (expense)/benefit	(86,635)	(127,157)	(3,514)	1,637
	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets				
Temporary differences:				
Exploration, development and production	246,514	227,597	20,970	20,879
Other assets	2,815	6,251	-	-
Provisions	214,610	219,834	3,577	3,185
Other differences	140,916	6,260	-	-
Tax losses recognised	101,022	46,088	-	4,425
Tax credits	260,241	254,934	-	-
	966,118	760,964	24,547	28,489
Deferred tax liabilities				
Temporary differences:				
Exploration, development and production	1,205,674	1,024,674	-	-
Prepayments and receivables	1,158	1,412	-	-
Other assets	148,034	41,930	-	-
Other differences	60	8,161	6	-
	1,354,926	1,076,177	6	-

9 Earnings per share

	Consolidated 2019 cents	2018 cents
Basic earnings per share	20.50	22.39
Diluted earnings per share	20.41	22.32
	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	1,524,330,095	1,523,631,192
Employee share rights	2,988,868	1,764,126
Employee performance rights	3,551,037	3,549,532
Diluted earnings per share	1,530,870,000	1,528,944,850

Basic earnings and diluted earnings per share have been calculated on a net profit after tax of \$312.4 million (2018: \$341.2 million). There are 2,988,868 share rights (2018: 1,764,126) and 3,551,037 performance rights (2018: 3,549,532) which are dilutive potential ordinary shares and are therefore included in the weighted average number of shares for the calculation of diluted earnings per share. In 2019, the Restricted Share Plan Trust held 14,469 (2018: 4,953) Oil Search Limited shares that may be used to settle dilutive potential ordinary shares which were taken into account in the calculation of diluted earnings per share.

10 Dividends paid or proposed

	Consolidated 2019 \$'000	2018 \$'000	Parent 2019 \$'000	2018 \$'000
Unfranked ⁽¹⁾ dividends in respect of the year, proposed subsequent to the year end:				
Ordinary dividend ⁽²⁾	68,614	129,509	68,614	129,509
	68,614	129,509	68,614	129,509
Unfranked ⁽¹⁾ dividends paid during the year:				
Ordinary – previous year final	129,509	83,800	129,509	83,800
Ordinary – current year interim ⁽³⁾	76,237	30,473	76,237	30,473
	205,746	114,273	205,746	114,273

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

⁽²⁾ On 24 February 2020, the Directors declared a final unfranked dividend of US 4.5 cents per ordinary share for the current year (2018: US 8.5 cents final dividend) to be paid on 24 March 2020. The proposed final dividend for 2019 is payable to all holders of ordinary shares on the Register of Members on 4 March 2020 (record date). The proposed final dividend has not been included as a liability in these financial statements.

⁽³⁾ On 19 August 2019, the Directors declared an interim unfranked dividend of US 5 cents per ordinary share (2018: US 2 cent interim dividend), paid to the holders of ordinary shares on 24 September 2019.

11 Receivables

	Consolidated 2019 \$'000	2018 \$'000	Parent 2019 \$'000	2018 \$'000
Current				
Trade debtors ⁽¹⁾⁽²⁾	146,352	151,372	-	-
Other debtors ⁽¹⁾	125,735	77,333	792	-
Amounts due from subsidiary entities ⁽³⁾	-	-	-	57,150
	272,087	228,705	792	57,150

⁽¹⁾ During 2019, no current receivables have been determined to be impaired and no related impairment loss has been charged to the statement of comprehensive income (2018: nil).

⁽²⁾ Credit sales are on payment terms between 8 and 30 days.

⁽³⁾ Receivables from related entities are payable on call.

12 Inventories

	Consolidated 2019 \$'000	2018 \$'000	Parent 2019 \$'000	2018 \$'000
Current				
Materials and supplies	97,319	77,416	-	-
Petroleum products	6,719	13,012	-	-
	104,038	90,428	-	-

13 Other Assets

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Non-current				
Deposits	1,100	860	-	-
Prepayments - other	4,787	8,743	-	-
Prepayments made to third party ⁽¹⁾	75,563	73,813	-	-
	81,450	83,416	-	-

⁽¹⁾ Refer to note 14 Other financial assets for further explanation.

14 Other financial assets

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Non-current				
Loan receivable	67,939	59,408	-	-

The loan receivable and non-current prepayments made to a third party relate to cash advanced by Oil Search to an Exploration and Production (E&P) company under a farm-in arrangement in respect of an exploration licence containing discovered oil resources and reflect the nature of the funding arrangement. The farm-in remains subject to government approvals and confidentiality. Interest on the loan is calculated at the lesser of 10% per annum or LIBOR plus 7.5%. The loan receivable is payable out of future production cash flows from the licence. The future classification of non-current prepayments to the third party is subject to either government approval for Oil Search to farm-in to the exploration licence or the exercise of an option permitting Oil Search to acquire an equity interest in the issued share capital of the E&P company.

The asset is not past due or impaired at the end of the reporting period.

15 Exploration and evaluation assets

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
At cost	3,650,351	2,991,283	140,859	135,945
Less impairment	(652,330)	(646,465)	(23,792)	(23,792)
	2,998,021	2,344,818	117,067	112,153
Balance at start of year	2,344,818	1,672,352	112,153	83,543
Additions ⁽¹⁾	700,010	714,796	3,854	28,684
Exploration costs expensed	(47,260)	(66,663)	(44)	(350)
Impairment	(5,865)	-	-	-
Changes in restoration obligations	10,485	26,387	1,104	276
Net exchange differences	(4,167)	(2,054)	-	-
Balance at end of year	2,998,021	2,344,818	117,067	112,153

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

Exploration and evaluation assets include \$1,920.3 million (2018: \$1,556.9 million) of licence acquisition costs that are classified as intangible assets.

16 Property, plant and equipment

	Consolidated Oil and gas			Consolidated Other plant and equipment			
	Development	Producing	Total	Transport and logistics ¹	Rigs	Corporate	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019							
At cost	123,907	9,297,562	9,421,469	316,034	94,192	351,506	761,732
Accumulated amortisation, 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
	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
Amortisation and 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
2018							
At cost	65,818	9,117,741	9,183,559	138,020	90,295	234,294	462,609
Accumulated amortisation, depreciation and impairment	-	(2,942,992)	(2,942,992)	(24,084)	(70,651)	(119,106)	(213,841)
	65,818	6,174,749	6,240,567	113,936	19,644	115,188	248,768
Balance at 1 January 2018	28,961	6,506,782	6,535,743	120,987	18,703	66,011	205,701
Additions	36,797	21,723	58,520	-	2,097	59,950	62,047
Transfers	60	(60)	-	-	-	-	-
Disposals	-	-	-	-	-	(8)	(8)
Changes in restoration obligations	-	(43,717)	(43,717)	-	-	(78)	(78)
Net exchange differences	-	-	-	-	-	(2,779)	(2,779)
Amortisation and depreciation	-	(309,979)	(309,979)	(7,051)	(1,156)	(7,908)	(16,115)
Balance at 31 December 2018	65,818	6,174,749	6,240,567	113,936	19,644	115,188	248,768

¹Previously referred to as Marine assets.

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

	Other plant and equipment \$'000		
	Transport & logistics ¹	Corporate	Total
Right-of-use-assets recognised upon transition	159,252	70,953	230,205
Right-of-use-assets pertaining to finance leases at transition date	113,936	-	113,936
Balance at 1 January 2019	273,188	70,953	344,141
Lease arrangements entered into during the period	18,762	8,388	27,150
Depreciation expense	(29,444)	(6,690)	(36,134)
Net exchange differences	-	(726)	(726)
Balance at 31 December 2019	262,506	71,925	334,431

¹Previously referred to as Marine assets.

The expense recognised in the income statement for short term and low value leases for the year totalled \$18.1 million.

17 Payables

	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current				
Payables and accruals ⁽¹⁾	337,022	321,536	1,003	1,157
Deferred lease liability	-	4,948	-	-
Amounts due to subsidiary entities	-	-	498,802	-
	337,022	326,484	499,805	1,157
Non-current				
Other payables	10,331	10,294	-	-
Deferred lease liability	-	13,100	-	-
	10,331	23,394	-	-

⁽¹⁾ Trade creditors are normally settled on 30 day terms.

18 Provisions

		Consolidated		Parent	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current					
Employee entitlements	(i)	10,786	7,570	-	-
Site restoration	(ii)	17,737	11,556	-	228
Other provisions		-	191	-	-
		28,523	19,317	-	228
Non-current					
Employee entitlements	(i)	12,524	11,836	-	-
Site restoration	(ii)	675,871	557,332	11,924	10,389
Other provisions		-	526	-	-
		688,395	569,694	11,924	10,389

(i) Movement in employee entitlements provision

	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at start of year	19,406	18,860	-	-
Additional provision recognised	10,014	6,395	-	-
Provision utilised	(6,110)	(5,849)	-	-
Balance at end of year	23,310	19,406	-	-

The provisions represent amounts due to employees in respect of entitlements to annual leave and long service leave accrued under statutory obligations applicable in Australia, PNG and Alaska. These amounts are payable in the normal course of business, either when leave is taken or on termination of employment.

(ii) Movement in site restoration provision

	Consolidated		Parent	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at start of year	568,888	594,157	10,617	10,892
Change in provision	126,662	(19,808)	1,105	(396)
Provision utilised	(17,822)	(16,658)	-	-
Excess provision released	-	(4,344)	-	-
Unwinding of discount	15,880	15,541	202	121
Balance at end of year	693,608	568,888	11,924	10,617

These provisions are related to the estimated costs of restoring wells, facilities and infrastructure at the end of the economic life of the Group's producing assets and for the restoration of wells drilled for exploration and evaluation activities.

19 Borrowings

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current				
Lease liability	32,286	2,539	-	-
Corporate facilities ⁽¹⁾	300,000	-	-	-
Secured loan from joint operation ⁽¹⁾	322,227	354,200	-	-
	654,513	356,739	-	-
Non-current				
Lease liability	382,939	128,678	-	-
Corporate facilities ⁽¹⁾	140,000	-	-	-
Secured loan from joint operation ⁽¹⁾	2,617,130	2,939,357	-	-
	3,140,069	3,068,035	-	-

⁽¹⁾ Details regarding borrowings are contained in Note 28(f).

20 Share capital and reserves

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Issued 1,524,746,985 (2018: 1,523,631,192)				
Ordinary shares, fully paid (no par value)	3,158,390	3,152,443	3,158,390	3,152,443
Reserves at the end of the year				
Foreign currency translation reserve	(21,247)	(19,162)	-	-
Amalgamation reserve	-	-	(2,990)	(2,990)
Reserve for treasury shares	6,535	2,969	9,155	5,589
Employee equity compensation reserve	12,993	10,745	7,330	5,082
	(1,719)	(5,448)	13,495	7,681

- ⁽ⁱ⁾ The foreign currency translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than US Dollars.
- ⁽ⁱⁱ⁾ The amalgamation reserve was used to record the retained earnings of entities amalgamated into the parent entity in 2006.
- ⁽ⁱⁱⁱ⁾ The reserve for treasury shares is used to record the cost of purchasing Oil Search Limited shares by the Restricted Share Plan Trust and the issue of shares to settle vested share-based obligations.
- ^(iv) The employee equity compensation reserve is used to record the share-based remuneration obligations to employees in relation to Oil Search Limited ordinary shares as held by the Employee Options and Rights Share Plans and Share Appreciation Rights Share Plans, which have not vested as at the end of the year.

21 Statement of cash flows

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
(a) Cash and cash equivalents				
Cash at bank and on hand ⁽¹⁾⁽²⁾	370,689	429,336	-	-
Share of cash in joint operations	13,543	9,221	-	-
Interest-bearing short-term deposits	12,000	162,000	-	-
	396,232	600,557	-	-

⁽¹⁾ Includes \$232.1 million (2018: \$308.6 million) escrowed in the PNG LNG Project account. Refer to Note 28 for further details.

⁽²⁾ Includes \$12.0 million (2018: \$12.0 million) in a debt service reserve account held with Australia & New Zealand Banking Group Limited, as required by the \$600 million revolving facility agreement.

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
(b) Reconciliation of cash flows from operating activities				
Net profit/(loss) after tax	312,420	341,202	194,316	108,242
Add/(deduct):				
Share of net profit from investments in joint ventures	(627)	-	-	-
Impairment expense	5,865	-	-	563
Stock obsolescence and disposal of assets	-	(260)	-	-
Depreciation and amortisation	413,710	326,095	-	-
Unwinding of site restoration discount	15,880	15,542	202	121
Employee share-based remuneration	11,761	11,229	-	-
Exchange (gain)/losses - unrealised	466	1,521	-	-
Movement in tax provisions	117,175	79,086	3,948	(2,806)
Increase in receivables	(63,677)	(80,375)	(677)	(2,995)
(Increase)/decrease in inventories	(13,610)	7,801	-	-
(Decrease)/increase in payables	(56,766)	147,989	687	1,854
Decrease in current and non-current assets	2,581	6,496	-	-
Increase/(decrease) in provisions	7,176	(1,694)	-	(671)
	439,934	513,430	4,160	(3,934)
Net cash from operating activities	752,354	854,632	198,476	104,308

(c) Changes in liabilities and financial assets from financing activities

Consolidated	2018	Cash (outflows) / inflows	Other changes	2019
	\$'000	\$'000	\$'000	\$'000
Liabilities with cash flows from financing activities				
Borrowings	3,293,557	(354,200)	-	2,939,357
Corporate facilities	-	440,000	-	440,000
Lease liabilities	131,217	(25,119)	309,127	415,225
	3,424,774	60,681	309,127	3,794,582
Financial assets with cash flows from financing activities				
Contribution receivable for employee share scheme	(4,374)	2,287	-	(2,087)
Loan receivable	(59,408)	(1,750)	(6,781)	(67,939)
	(63,782)	537	(6,781)	(70,026)
Parent				
Financial assets with financing activities cash flows				
Loans (to)/from related entities	(57,150)	8,348	-	(48,802)
	(57,150)	8,348	-	(48,802)

21 Statement of cash flows

(c) Changes in liabilities and financial assets from financing activities (continued)

Consolidated	2017	Cash (outflows) / inflows	Other changes	2018
	\$'000	\$'000	\$'000	\$'000
Liabilities with cash flows from financing activities				
Borrowings	3,625,458	(331,901)	-	3,293,557
Lease liabilities	133,448	(2,231)	-	131,217
	<u>3,758,906</u>	<u>(334,132)</u>	<u>-</u>	<u>3,424,774</u>
Financial assets with cash flows from financing activities				
Contribution receivable for employee share scheme	(4,565)	4,246	(4,055)	(4,374)
Loan receivable	(52,045)	(2,167)	(5,196)	(59,408)
	<u>(56,610)</u>	<u>2,079</u>	<u>(9,251)</u>	<u>(63,782)</u>
Parent				
Financial assets with financing activities cash flows				
Loans (to)/from related entities	(582,243)	516,612	8,481	(57,150)
	<u>(582,243)</u>	<u>516,612</u>	<u>8,481</u>	<u>(57,150)</u>

22 Employee benefits and share-based payments

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Salaries and short-term benefits	187,214	147,509	-	-
Post-employment benefits	6,358	4,961	-	-
Employee share-based payments	11,761	11,229	-	-
Total	<u>205,333</u>	<u>163,699</u>	<u>-</u>	<u>-</u>

Employee Share Rights

Share Rights are granted for \$nil consideration. A Share Right is a right to an allocation of ordinary shares in Oil Search Limited (at no cost) subject to continued employment at the vesting date. On the vesting date, the number of Share Rights that have vested will be automatically exercised and converted to ordinary shares in Oil Search Limited.

There are currently 1,090 (2018: 975) participants in the Employee Share Rights.

22 Employee benefits and share-based payments (continued)

	Grant date	Share price at grant date	Fair value	Exercise date	Exercise price	Balance as at 1 Jan 2019	Granted during year	Forfeited during year	Exercised during year	Balance at 31 Dec 2019	Balance at 1 Jan 2018	Granted during year	Forfeited during year	Exercised during year	Balance at 31 Dec 2018	Avg. share price at date of exercise
2019	21-Oct-19	A\$7.16	A\$6.82	20-May-22	A\$ nil	-	35,698	-	-	35,698	-	-	-	-	-	-
2019	21-Oct-19	A\$7.16	A\$6.95	21-May-21	A\$ nil	-	63,644	-	-	63,644	-	-	-	-	-	-
2019	21-Oct-19	A\$7.16	A\$7.07	22-May-20	A\$ nil	-	39,202	-	-	39,202	-	-	-	-	-	-
2019	20-May-19	A\$7.70	A\$7.29	20-May-22	A\$ nil	-	1,297,008	(35,577)	-	1,261,431	-	-	-	-	-	-
2019	7-May-19	A\$7.44	A\$7.16	21-May-21	A\$ nil	-	2,186	-	-	2,186	-	-	-	-	-	-
2019	7-May-19	A\$7.44	A\$7.03	21-May-22	A\$ nil	-	2,186	-	-	2,186	-	-	-	-	-	-
2019	7-May-19	A\$7.44	A\$7.16	21-May-21	A\$ nil	-	2,623	-	-	2,623	-	-	-	-	-	-
2019	7-May-19	A\$7.44	A\$7.03	21-May-22	A\$ nil	-	2,623	-	-	2,623	-	-	-	-	-	-
2019	13-Feb-19	A\$7.91	A\$7.64	1-Dec-20	A\$ nil	-	5,616	(5,616)	-	-	-	-	-	-	-	-
2019	13-Feb-19	A\$7.91	A\$7.50	1-Dec-21	A\$ nil	-	5,616	-	-	5,616	-	-	-	-	-	-
2019	13-Feb-19	A\$7.91	A\$7.58	16-May-20	A\$ nil	-	6,943	-	-	6,943	-	-	-	-	-	-
2019	13-Feb-19	A\$7.91	A\$7.44	16-May-21	A\$ nil	-	6,943	-	-	6,943	-	-	-	-	-	-
2019	13-Feb-19	A\$7.91	A\$7.58	21-May-21	A\$ nil	-	7,446	-	-	7,446	-	-	-	-	-	-
2019	13-Feb-19	A\$7.91	A\$7.44	21-May-22	A\$ nil	-	7,446	-	-	7,446	-	-	-	-	-	-
2018	18-Oct-18	A\$8.56	A\$8.24	12-Sep-20	A\$ nil	7,833	-	-	-	7,833	-	7,833	-	-	7,833	-
2018	18-Oct-18	A\$8.56	A\$8.40	12-Sep-19	A\$ nil	7,833	-	-	(7,833)	-	-	7,833	-	-	7,833	A\$7.30
2018	18-Oct-18	A\$8.56	A\$8.26	23-Jul-20	A\$ nil	19,518	-	-	-	19,518	-	19,518	-	-	19,518	-
2018	18-Oct-18	A\$8.56	A\$8.42	23-Jul-19	A\$ nil	19,518	-	-	(19,518)	-	-	19,518	-	-	19,518	A\$6.95
2018	18-Oct-18	A\$8.56	A\$8.26	12-Jul-20	A\$ nil	3,000	-	-	-	3,000	-	3,000	-	-	3,000	-
2018	18-Oct-18	A\$8.56	A\$8.43	12-Jul-19	A\$ nil	3,000	-	-	(3,000)	-	-	3,000	-	-	3,000	A\$7.40
2018	18-Oct-18	A\$8.56	A\$8.43	1-Jul-19	A\$ nil	2,500	-	-	(2,500)	-	-	2,500	-	-	2,500	A\$7.15
2018	18-Oct-18	A\$8.56	A\$8.19	1-Jan-21	A\$ nil	8,350	-	(8,350)	-	-	-	8,350	-	-	8,350	-
2018	18-Oct-18	A\$8.56	A\$8.35	1-Jan-20	A\$ nil	8,350	-	(8,350)	-	-	-	8,350	-	-	8,350	-
2018	18-Oct-18	A\$8.56	A\$8.05	21-May-21	A\$ nil	27,770	-	-	-	27,770	-	27,770	-	-	27,770	-
2018	21-May-18	A\$8.50	A\$7.89	1-Mar-22	A\$ nil	25,000	-	-	-	25,000	-	25,000	-	-	25,000	-
2018	21-May-18	A\$8.50	A\$8.04	1-Mar-21	A\$ nil	25,000	-	-	-	25,000	-	25,000	-	-	25,000	-
2018	21-May-18	A\$8.50	A\$8.20	1-Mar-20	A\$ nil	25,000	-	-	-	25,000	-	25,000	-	-	25,000	-
2018	21-May-18	A\$8.50	A\$8.28	1-Sep-19	A\$ nil	5,800	-	-	(5,800)	-	-	5,800	-	-	5,800	A\$6.54
2018	21-May-18	A\$8.50	A\$8.45	1-Sep-19	A\$ nil	5,800	-	-	(5,800)	-	-	5,800	-	(5,800)	-	A\$6.54
2018	21-May-18	A\$8.50	A\$8.01	21-May-21	A\$ nil	798,769	-	(73,381)	-	725,388	-	816,540	(17,771)	-	798,769	-
2018	7-Mar-18	A\$7.12	A\$6.94	18-May-20	A\$ nil	4,375	-	-	-	4,375	-	4,375	-	-	4,375	-
2017	8-Aug-17	A\$6.52	A\$6.31	22-May-20	A\$ nil	2,266	-	-	-	2,266	2,266	-	-	-	2,266	-
2017	22-May-17	A\$7.38	A\$7.14	22-May-20	A\$ nil	653,427	-	(49,040)	-	604,387	688,090	-	(34,663)	-	653,427	-
2016	16-May-16	A\$6.70	A\$6.61	17-May-19	A\$ nil	535,002	-	-	(535,002)	-	593,294	-	(58,292)	-	535,002	A\$7.75

22 Employee benefits and share-based payments (continued)

Share Rights were priced using a binomial option pricing model with the following inputs:

	2019	2018	2017	2016	2015
Volatility	24.00%	32.00%	28.00%	30.00%	30.00%
Dividend yield	1.85%	1.98%	1.10%	0.70%	2.20%
Risk-free interest rate	1.23%	2.19%	1.76%	1.57%	2.10%

Performance Rights Plan

An employee Performance Rights Plan was established in 2004, under which selected employees of the Group are granted rights over ordinary shares of Oil Search Limited. Vesting of the awards depends on Oil Search's Total Shareholder Return (TSR) performance over a three-year period relative to peer groups of companies. The peer groups are:

- the ASX50 (excluding property trusts and non-standard listings); and
- the constituents of the Standard and Poor's Global Energy Index in both US dollar base currency and separately in local currency to exclude the impact of foreign exchange.

For performance rights granted from 2017 onwards, the portion of awards tested against Global Energy Index increased from 50% to 66% while the portion of the awards tested against the ASX 50 decreased from 50% to 33%. To determine the level of vesting of the awards, Oil Search's TSR over the three-year performance period is ranked against the TSR of each company in the peer groups over the same period.

For each peer group, if Oil Search's TSR performance is:

- below median, that is the 50th percentile, no performance rights will vest;
- at the median, 50% of the performance rights granted will vest;
- greater than median and less than the 75th percentile, the number of performance rights that vest will increase on a straight line basis from 50% to 100% of the total number of performance rights comprised in that part of the award; or
- equal to or greater than the 75th percentile, the number of performance rights that vest will be 100% of the total number of PRs comprised in that part of the award.

The rights are granted for nil consideration and are granted in accordance with guidelines approved by shareholders at the Annual Meeting in 2004. The rights cannot be transferred and are not quoted on the Australian Securities Exchange. There are currently 67 (2018: 56) employees participating in the Performance Rights Plan.

	2019	2019	2018	2018	2017	2016
Grant date	21 Oct 2019	20 May 2019	21 Jun 2018	21 May 2018	22 May 2017	16 May 2016
Share price at grant date	A\$7.16	A\$7.70	A\$8.50	A\$8.50	A\$7.38	A\$6.75
Fair value	A\$3.24	A\$3.83	A\$8.50	A\$5.23	A\$4.68	A\$3.59
Exercise date	20 May 2022	20 May 2022	Note 1	21 May 2021	22 May 2020	17 May 2019
Exercise price	A\$ nil	A\$ nil	A\$ nil	A\$ nil	A\$ nil	A\$ nil
Number of rights						
Balance at 1 January 2019	-	-	462,015	1,269,935	1,100,711	1,092,104
Granted during year	107,471	1,356,365	-	-	-	-
Forfeited during year	(30,575)	(68,170)	(50,878)	(118,752)	(64,266)	(1,092,104)
Exercised during year	-	-	-	-	-	-
Balance at 31 December 2019	76,896	1,288,195	411,137	1,151,183	1,036,445	-
Average share price at date of exercise	-	-	-	-	-	-
Balance at 1 January 2018	-	-	-	-	1,184,700	1,127,316
Granted during year	-	-	500,935	1,332,666	-	-
Forfeited during year	-	-	(38,920)	(62,731)	(83,989)	(35,212)
Exercised during year	-	-	-	-	-	-
Balance at 31 December 2018	-	-	462,015	1,269,935	1,100,711	1,092,104
Average share price at date of exercise	-	-	-	-	-	-
	2019	2018	2017	2016		
Volatility	24%	32%	28%	30%		
Dividend yield	1.85%	1.98%	1.1%	0.70%		
Risk-free interest rate	1.23%	2.19%	1.76%	1.57%		

Note 1: Awards vest two years after achievement of Financial Sanction of the Papua LNG Project and the PNG LNG Expansion Project

22 Employee benefits and share-based payments (continued)

Restricted Share Plan

An employee Restricted Share Plan was established in 2007 where selected employees of the Group are granted restricted shares of Oil Search Limited.

Restricted shares are granted under the plan in two situations. Firstly, they were granted as a way of retaining key management and other employees, and, secondly, by way of a mandatory deferral of a portion of a selected participant's short-term incentive award. Awards under the Restricted Share Plan are structured as grants of restricted shares for nil consideration. Restricted shares are held on behalf of participants in trust, subject to the disposal restrictions and forfeiture conditions, until release under the terms of the Plan and in accordance with guidelines approved by shareholders at the Annual Meeting in 2007. There are currently 11 (2018: 12) employees participating in the Restricted Share Plan.

Restricted shares were priced at the closing share price at the grant date.

Executives	2019	2019	2018	2018	2017	2016
Grant date	1 Oct 2019	20 May 2019	21 May 2018	21 May 2018	19 May 2017	12 Jul 2016
Share price at grant date	A\$7.19	A\$7.70	A\$8.50	A\$8.50	A\$7.25	A\$6.80
Exercise date	1 Apr 2020	1 Jan 2021	1 July 2020	1 Jan 2020	1 Jan 2019	10 Jul 2019
Exercise price	A\$ nil	A\$ nil	A\$ nil	A\$ nil	A\$ nil	A\$ nil
Number of shares						
Balance at 1 January 2019		-	13,577	626,597	627,304	33,450
Granted during year	26,849	534,974	-	-	-	-
Forfeited during year		-	(13,577)	-	-	-
Vested during year		-	-	-	(627,304)	(33,450)
Balance at 31 December 2019	26,849	534,974	-	626,597	-	-
Balance at 1 January 2018	-	-	-	-	627,304	33,450
Granted during year	-	-	13,577	626,597	-	-
Balance at 31 December 2018	-	-	13,577	626,597	627,304	33,450

23 Key management personnel remuneration

Directors' and executive remuneration

Remuneration paid or payable, or otherwise made available, in respect of the financial year, to all directors and executives of Oil Search Limited, directly or indirectly, by the Company or any related party:

	Directors⁽¹⁾		Executives	
	2019	2018	2019	2018
	\$	\$	\$	\$
Short-term benefits	4,920,517	5,096,175	8,121,876	7,012,364
Long-term benefits	75,463	(164,278)	171,000	17,198
Post-employment benefits	14,547	37,426	111,922	124,587
Share-based payments	2,677,733	2,834,583	6,130,733	3,156,987
Termination benefits	-	263,771	1,386,431	138,386
	7,688,260	8,067,677	15,921,962	10,449,522

⁽¹⁾ Includes salaries, allowances and other benefits for the Managing Director.

24 Key management personnel transactions

The directors and other key management personnel of Oil Search Limited during the year to 31 December 2019 and their interests in the shares of Oil Search Limited at that date were:

Directors	No. of ordinary shares		No. of performance rights ⁽¹⁾		No. of restricted shares ⁽¹⁾	
	2019	2018	2019	2018	2019	2018
Mr Peter Botten	2,625,296	2,347,330	1,107,884	1,148,084	480,936	530,660
Sir Kostas Constantinou	10,000	-	-	-	-	-
Dr Eileen Doyle	36,050	36,050	-	-	-	-
Ms Fiona Harris	31,961	31,961	-	-	-	-
Dr Agu Kantsler	45,736	45,736	-	-	-	-
Mr Richard Lee	96,829	96,829	-	-	-	-
Sir Melchior Togolo	-	-	-	-	-	-
Ms Susan Cunningham	-	-	-	-	-	-
Dr Bakheet Al Katheeri	-	-	-	-	-	-
Mr Gereia Aopi ⁽²⁾	-	511,687	21,126	64,716	38,911	86,841
Other key management personnel						
Mr Paul Cholakos ⁽³⁾	-	366,326	77,890	229,075	78,592	89,572
Dr Julian Fowles ⁽⁴⁾	-	166,020	41,146	96,375	40,904	91,289
Mr Stephen Gardiner	534,094	483,749	234,910	241,010	99,723	101,769
Mr Michael Herrett ⁽³⁾	-	129,020	66,274	194,880	74,264	79,969
Mr Ian Munro	-	-	217,600	226,143	84,099	92,830
Dr Keiran Wulff	106,748	65,799	240,933	240,448	125,428	103,377
Mr Michael Drew	-	2,984	198,959	160,996	82,133	51,854
Ms Elizabeth White	77,934	77,934	181,922	140,964	65,467	25,740
Mr Bart Lismont	-	-	22,958	-	-	-

⁽¹⁾ Refer to note 22 for key terms.

⁽²⁾ Resigned as a director effective 31 May 2018.

⁽³⁾ Resigned as an executive effective 1 July 2019.

⁽⁴⁾ Resigned as an executive effective 7 November 2018.

Sir Kostas Constantinou holds positions in other entities that may result in him having control or joint control over those entities. The Group transacted with four of these entities in the reporting period. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

Consolidated	Transactions value year ended 31 December	
	2019 \$'000	2018 \$'000
Airways Hotel and Apartments Limited ⁽¹⁾	251	504
Airways Residence Limited ⁽¹⁾	6	42
Alotau International Hotel ⁽¹⁾	4	62
Lamana Hotel Port Moresby ⁽¹⁾	740	22

⁽¹⁾ The Group acquired hotel, conference facility and accommodation services in PNG from Airways Hotel and Apartments Limited, Airways Residence Limited, Alotau International Hotel and Lamana Hotel Port Moresby, companies of which Sir KG Constantinou is a Director.

All services acquired were based upon normal commercial terms and conditions.

25 Commitments

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Expenditure commitments				
Capital expenditure commitments	142,637	175,644	3,545	16,109
Other expenditure commitments	89,800	112,399	-	-
	232,437	288,043	3,545	16,109

26 Auditor's remuneration

	Consolidated		Parent	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Amounts paid or due and payable in respect of:				
Audit and review of the Group's financial report	389	361	139	101
Other services	214	33	-	-
	603	394	139	101

The audit fees are paid in Australian dollars and are translated at 0.6953 (2018: 0.7452).

27 Subsidiaries and interests in joint arrangements

(a) Subsidiaries

	Ownership interest % 2019	Ownership interest % 2018	Country of Incorporation
Parent entity			
Oil Search Limited			PNG
Consolidated entities			
Oil Search (Middle Eastern) Limited	100	100	British Virgin Is.
Oil Search (Iraq) Limited	100	100	British Virgin Is.
Oil Search (Libya) Limited	100	100	British Virgin Is.
Oil Search (Tunisia) Limited	100	100	British Virgin Is.
Oil Search (Newco) Limited	100	100	British Virgin Is.
Oil Search (Gas Holdings) Limited	100	100	PNG
Oil Search (Tumbudu) Limited	100	100	PNG
Oil Search Highlands Power Limited	100	100	PNG
Markham Valley Power Limited	100	100	PNG
Oil Search (PNG) Limited	100	100	PNG
Oil Search (Drilling) Limited	100	100	PNG
Oil Search (Exploration) Inc.	100	100	Cayman Is.
Oil Search (LNG) Limited	100	100	PNG
Oil Search Finance Limited	100	100	British Virgin Is.
Oil Search Power Holdings Limited	100	100	PNG
Markham Valley Biomass Limited	100	100	PNG
Oil Search Foundation Limited ⁽¹⁾	100	100	PNG
Papuan Oil Search Limited	100	100	Australia
Oil Search (Uramu) Pty Limited	100	100	Australia
Oil Search (USA) Inc.	100	100	USA
Oil Search (Alaska) LLC	100	100	USA
Oil Search Limited Retention Share Plan Trust	100	100	Australia
Pac LNG Investments Limited	100	100	PNG
Pac LNG Assets Limited	100	100	PNG
Pac LNG International Limited	100	100	PNG
Pac LNG Overseas Limited	100	100	PNG
Pac LNG Holdings Limited	100	100	PNG

⁽¹⁾ Oil Search Foundation Limited is Trustee of the Oil Search Foundation Trust, a not-for-profit organisation established for charitable purposes in PNG. This Trust is not controlled by Oil Search and is not consolidated within the Group.

27 Subsidiaries and interests in joint arrangements (continued)

(b) Interests in joint operations

The principal activities of the following joint operations, in which the Group holds an interest, are for the exploration, production and transportation of crude oil and natural gas. The Group's interests in joint operations are as follows:

(i)	Exploration licences	Principal place of business	% Interest	
			2019	2018
	PPL 339 ⁽³⁾	PNG	35.00	37.50
	PPL 374	PNG	40.00	40.00
	PPL 375	PNG	40.00	40.00
	PPL 487	PNG	37.50	37.50
	PPL 395 ⁽⁴⁾	PNG	-	37.50
	PPL 507	PNG	37.50	37.50
	PRL 3 ⁽¹⁾	PNG	38.51	38.51
	PRL 9 ⁽³⁾	PNG	45.11	45.11
	PPL 474	PNG	25.00	25.00
	PPL 475	PNG	25.00	25.00
	PPL 476	PNG	25.00	25.00
	PRL39	PNG	25.00	25.00
	PPL 569	PNG	50.00	-
	Antigua ⁽³⁾	USA	38.76	25.50
	Atlas A ⁽³⁾	USA	38.76	25.50
	Atlas B ⁽³⁾	USA	38.76	25.50
	Grizzly ⁽³⁾	USA	51.00	51.00
	Harrison Bay ⁽³⁾	USA	38.76	25.50
	Kachemach ⁽³⁾	USA	38.76	25.50
	East of Hue Area ⁽²⁾⁽³⁾	USA	50.00	-
	Thetis ⁽³⁾	USA	51.00	25.50
	Horseshoe ⁽³⁾	USA	51.00	37.50
	Hue Shale ⁽³⁾	USA	75.00	37.50
	Pikka Unit ⁽³⁾	USA	51.00	25.50
(ii) Production assets and other arrangements				
	PNG LNG Project	PNG	29.00	29.00
	Papua New Guinea Liquefied Natural Gas Global Company LDC	Bahamas	29.00	29.00

⁽¹⁾ Subject to regulatory approval.

⁽²⁾ US licences acquired in 2019.

⁽³⁾ Operated by an Oil Search Group entity.

⁽⁴⁾ Licence relinquished during the year.

(c) Interests in joint ventures

NiuPower Limited	PNG	50.00	50.00
NiuEnergy Limited	PNG	50.00	50.00

The Group's share of joint venture entities' results, assets and liabilities are as follows:

	2019 \$'000	2018 \$'000
Revenue	2,666	-
Expenses	(2,039)	(185) ⁽¹⁾
Net profit/(loss) for the year/period	627	(185)
Current assets	7,736	4,059
Non-current assets	48,974	1,866
Total assets	56,710	5,925
Current liabilities	(1,564)	(1,891)
Non-current liabilities	(703)	(76)
Total liabilities	(2,267)	(1,967)
Group's share of joint venture entities' net assets at reporting date	54,443	3,958

⁽¹⁾ Share of net loss from joint venture entities for financial year 2018 was included in other expenses in statement of other comprehensive income.

(d) Interests in other arrangements

The Group participates in arrangements with other parties that have the same legal form as a joint operation but are not subject to joint control (as described in note 1(q)). The Group's interests in these arrangements are as follows:

		Principal place of business	% Interest 2019	2018
(i) Production assets and other arrangements				
	Hides gas-to-electricity project ⁽¹⁾	PNG	100.00	100.00
	PDL 2 Kutubu ⁽¹⁾	PNG	60.05	60.05
	South East Mananda ⁽¹⁾	PNG	72.27	72.27
	Moran Unit ⁽¹⁾	PNG	49.51	49.51
	South East Gobe Unit ⁽¹⁾	PNG	22.34	22.34
	Gobe Main ⁽¹⁾	PNG	10.00	10.00
	Kutubu pipeline system ⁽¹⁾	PNG	60.05	60.05
(ii) Exploration licences				
	APDL 11 (PPL 219) ^{(1) (2)}	PNG	71.25	71.25
	APPL623 (PPL 233) ^{(1) (2)}	PNG	100.00	100.00
	PPL 504 ⁽¹⁾	PNG	100.00	100.00
	APRL41 (PPL 244) ^{(1) (2)}	PNG	100.00	100.00
	PPL 545 ⁽¹⁾	PNG	40.00	40.00
	APPL608 (PPL 277) ⁽²⁾	PNG	100.00	100.00
	PPL 548 ⁽¹⁾	PNG	100.00	100.00
	PPL 595 ⁽¹⁾	PNG	100.00	100.00
	PPL 385 ⁽¹⁾	PNG	-	100.00
	PPL 402 ⁽¹⁾	PNG	37.50	37.50
	PRL 8 ⁽¹⁾	PNG	60.71	60.71
	PRL 10 ⁽¹⁾	PNG	100.00	100.00
	PRL 14 ⁽¹⁾	PNG	62.56	62.56
	PRL 15	PNG	22.84	22.84

⁽¹⁾ Operated by an Oil Search Group entity.

⁽²⁾ Subject to Regulatory approval.

28 Financial and capital risk management

Financial risk exposures arise in the course of the day-to-day operating activities of the Group, primarily due to the impact of oil price movements on revenue items and exchange rate and interest rate impacts on expenditure and statement of financial position items. The management of borrowings, cash and counter-parties for liquefied natural gas, oil, condensate and gas sales also create liquidity and credit risk exposures. Monetary assets and liabilities denominated in currencies that are different to the Group's functional currency may also give rise to translation exposures.

The Group's overall approach to financial risk management is to enter into hedges using derivative financial instruments only in circumstances where it is necessary to ensure adequate cash flow to meet future financial commitments. Financial risk management is undertaken by Group Treasury and risks are managed within the parameters of the Board approved Financial Risk Management Procedure.

(a) Foreign exchange risk

The Group's revenue and major capital obligations are predominantly denominated in US dollars (US\$).

The Group's residual currency risk exposure mainly originates from two different sources:

- Administrative and business development expenditures incurred at the corporate level in Australian dollars (A\$); and
- Operating and capital expenditures incurred by the Group in relation to its PNG operations in Papua New Guinea kina (PGK) and A\$.

The Group is not exposed to material translation exposures as the majority of its assets and liabilities are denominated in US\$.

Foreign exchange risk management

The Group manages its exposure to foreign exchange rate volatility by matching the currency of its cost structure to its US\$ revenue stream. Transaction exposures are netted off across the Group to reduce volatility and avoid incurring the dealing spread on transactions, providing a natural hedge. The residual operating cost exposures, primarily in A\$, are recurring in nature and therefore no long-term hedging is undertaken to minimise the profit and loss impact of these exposures.

Cash flows related to joint ventures where Oil Search is the operator are managed independently to the Group's corporate exposures, reflecting the interests of joint arrangement partners in the operator cash flows. The operator's A\$ and PGK requirements are bought on the spot market where required. Where these currencies are purchased in advance of requirements, A\$ and PGK cash balances do not exceed three months' requirements.

As at 31 December 2019, there were no foreign exchange hedge contracts outstanding (2018: nil).

No currency sensitivity analysis is provided as there were no derivative financial instruments in place to hedge residual foreign exchange exposure.

28 Financial and capital risk management (continued)

(b) Interest rate risk

The Group is exposed to interest rate movements directly through borrowings and investments in each of the currencies of its operations. Surplus cash is invested in accordance with Board approved credit counterparty limits, based on minimum credit ratings, and managed to ensure adequate liquidity is maintained. Whilst some cash is held in PGK and A\$, the Group's primary exposure is to US interest rates.

Interest rate risk management

Interest rate risk is managed on a Group basis at the corporate level. Some of the Group's borrowings are on a fixed interest rate basis as shown in the table below. Limits on the proportion of fixed interest rate exposure are applied and interest rates may be fixed for a maximum term of four years or the remaining life of floating term debt facilities, whichever is the longer. In addition cash held in deposit by the Group at floating interest rates provide a natural hedge against interest rate risk.

As at 31 December 2019, there was no interest rate hedging in place (2018: nil). Cash was invested in short-term instruments with an average maturity of 1 to 3 months.

Interest rate sensitivity

The sensitivity analysis below has been determined based on exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year.

At the reporting date, if interest rates had been 25 basis points (2018: 25 basis points) higher or lower and all other variables were held constant, the Group's net profit after tax would decrease/increase by \$4.5 million (2018: \$5.0 million).

At the reporting date, if interest rates had been 25 basis points (2018: 25 basis points) higher or lower and all other variables were held constant, the Parent entity's net profit after tax would increase/decrease by nil (2018: nil).

Consolidated

		Fixed interest rate maturing in:				Total carrying amount in the statement of financial position
Financial Instruments	Floating Interest Rate \$'000	1 year or less \$'000	1-5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	\$'000
2019						
Financial assets						
Cash and cash equivalents	384,232	12,000	-	-	-	396,232
Trade debtors	-	-	-	-	146,352	146,352
Other debtors	-	-	-	-	125,735	125,735
Loan receivable	67,939	-	-	-	-	67,939
Non-current deposits	-	-	-	-	-	-
Total financial assets	452,171	12,000	-	-	272,087	736,258
Financial liabilities						
Payables and accruals	-	-	-	-	337,022	337,022
Other payables	-	-	-	-	10,331	10,331
Finance leases	-	32,286	106,562	276,377	-	415,225
Corporate facilities	440,000	-	-	-	-	440,000
Secured loan from Joint operations	2,389,403	-	-	549,954	-	2,939,357
Total financial liabilities	2,829,403	32,286	106,562	826,331	347,353	4,141,935
2018						
Financial assets						
Cash and cash equivalents	438,557	162,000	-	-	-	600,557
Trade debtors	-	-	-	-	151,372	151,372
Other debtors	-	-	-	-	77,333	77,333
Loan receivable	59,408	-	-	-	-	59,408
Non-current receivables	-	-	-	-	860	860
Total financial assets	497,965	162,000	-	-	229,565	889,530
Financial liabilities						
Payables and accruals	-	-	-	-	321,536	321,536
Other payables	-	-	-	-	10,294	10,294
Finance leases	-	2,539	14,222	114,456	-	131,217
Secured loan from Joint operations	2,677,332	-	-	616,225	-	3,293,557
Total financial liabilities	2,677,332	2,539	14,222	730,681	331,830	3,756,604

28 Financial and capital risk management (continued)

(b) Interest rate risk (continued)

Parent	Floating Interest Rate \$'000	Fixed interest rate maturing in:			Non- interest bearing \$'000	Total carrying amount in the statement of financial position \$'000
		1 year or less \$'000	1-5 years \$'000	More than 5 years \$'000		
Financial Instruments						
2019						
Financial assets						
Other receivable	-	-	-	-	792	792
Total financial assets	-	-	-	-	792	792
Financial liabilities						
Payables and accruals	-	-	-	-	1,003	1,003
Amounts due to subsidiary entities	-	-	-	-	498,802	498,802
Total financial liabilities	-	-	-	-	499,805	499,805
2018						
Financial assets						
Amounts due from subsidiary entities	-	-	-	-	57,150	57,150
Total financial assets	-	-	-	-	57,150	57,150
Financial liabilities						
Payables and accruals	-	-	-	-	1,157	1,157
Total financial liabilities	-	-	-	-	1,157	1,157

(c) Commodity price risk

The Group has exposure to commodity price risk associated with the production and sale of oil, condensate, natural gas and liquefied natural gas.

Commodity risk management

The Group does not seek to limit its exposure to fluctuations in oil prices; rather the central aim of oil price risk management is to ensure the Group's financial position remains sound and that the Group is able to meet its financial obligations in the event of low oil prices. Hedge cover targets are determined through detailed modelling of the Group's position under various oil price scenarios. Any hedging programmes entered into will ensure that maturities are spread over time and there are maximum hedge cover levels that apply to future years. This avoids the Group being forced to price a significant proportion of its exposure in an unfavourable oil price environment.

In the normal course of business, sales are made under long-term LNG contracts. Standard provisions are included in these LNG contracts to review prices at a given point in time. Where the new pricing formula is not agreed by the time the contract enters a price review period, revenue is recognised at the amount to which the Group expects to be entitled.

Under the PNG LNG Project financing arrangements there are restrictions relating to hedging activities that may be undertaken. Permitted hedging instruments as defined in the financing agreements, which must be non-recourse to the participant's Project interest and the Project property.

As at 31 December 2019, there was no oil price hedging in place (2018: nil). No commodity price sensitivity analysis is required as there was no hedging in place.

(d) Credit risk

The Group has exposure to credit risk if counterparties are not able to meet their financial obligations to the Group. The exposure arises as a result of the following activities:

- Financial transactions involving money market, surplus cash investments and derivative instruments;
- Direct sales of liquefied natural gas, oil, condensate and gas;
- Other receivables; and
- Loan receivable.

Credit risk management

Global credit limits have been established across all categories of financial transactions. These limits are based on the counterparties' credit rating as issued by Standard and Poor's.

The Group markets Kutubu crude oil, blended with PNG LNG condensate, on behalf of the Joint Lifting Consortium, primarily selling this product to investment grade counterparties. Sales to non-investment grade counterparties are secured by letters of credit from investment grade banks.

An option agreement and a share pledge agreement are held as security for the third-party loan receivable balance, permitting Oil Search Limited to acquire an equity interest in the issued share capital of the borrower (Note 14).

At 31 December 2019 there was no significant concentration of credit risk exposure to any single counterparty (2018: nil).

28 Financial and capital risk management (continued)

The extent of the Group's credit risk exposure is identified in the following table:

	Note	Consolidated		Parent	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current					
Cash at bank and on hand	21(a)	370,689	429,336	-	-
Share of cash in joint operations	21(a)	13,543	9,221	-	-
Interest-bearing short-term deposits	21(a)	12,000	162,000	-	-
Receivables	11	272,087	228,705	792	57,150
		668,319	829,262	792	57,150
Non-current					
Other assets - receivables	13	1,100	860	-	-
Loan receivable	14	67,939	59,408	-	-
		69,039	60,268	-	-

(e) Liquidity risk

The Group has exposure to liquidity risk if it is unable to settle financial transactions in the normal course of business and if new funding and refinancing cannot be obtained as required and on reasonable terms.

Liquidity risk management

The Group manages liquidity risk by ensuring it has sufficient funds available to meet its financial obligations on a day-to-day basis and to meet any unexpected liquidity needs in the normal course of business. The Group's policy is to maintain surplus immediate cash liquidity together with committed undrawn lines of credit for business opportunities and unanticipated cash outflows.

The Group also seeks to ensure maturities of committed debt facilities are spread over time to minimise the Group's exposure to risk on the cost or availability of funds should the refinancing requirement coincide with unexpected short-term disruption or adverse fund-raising conditions in the capital markets. In order to avoid an exposure to any particular source of external funding the Group acknowledges the benefits of diversification of funding sources and where possible, aims to source its funds from a range of lenders, markets and funding instruments.

The table below shows the Group's non-derivative financial liabilities in relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount \$'000	Contractual cash flows			
		Total \$'000	Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000
Non-derivative financial liabilities					
2019					
Payables and accruals	337,022	337,022	337,022	-	-
Other payables	10,331	10,331	10,331	-	-
Corporate facilities	440,000	459,267	308,060	151,207	-
Secured loan from joint operation	2,939,357	3,456,554	462,432	2,196,125	797,997
Lease liabilities	415,225	779,496	66,378	262,353	450,765
Total	4,141,935	5,042,670	1,184,223	2,609,685	1,248,762
2018					
Payables and accruals	321,536	321,536	321,536	-	-
Other payables	10,294	10,294	10,294	-	-
Secured loan from joint operation	3,293,557	4,128,171	539,103	2,249,950	1,339,118
Lease liabilities	131,217	325,151	19,931	79,724	225,496
Total	3,756,604	4,785,152	890,864	2,329,674	1,564,614

Working capital

As at 31 December 2019, the Group's current liabilities exceed current assets by \$328.5 million (31 December 2018: current assets exceeded current liabilities by \$161.0 million), primarily as a result of a decision to draw down short term corporate facilities during the year as these facilities had lower interest rates compared to the longer term facility rates.

As at 31 December 2019, the parent company's current liabilities exceed current assets by \$496.2 million (31 December 2018: current assets exceeded current liabilities by \$57.9 million), primarily as a result of current payables to subsidiary entities of \$498.8 million.

The Group has prepared a cash flow forecast for the period to March 2021, which includes a number of assumptions, including that the Group will enter FEED, reach FID and receive proceeds from a farm down of its interest in the Pikka development in Alaska. The Group continues to generate strong operational cash flows and, as at 31 December 2019, Oil Search has access to committed, un-drawn bank facilities of \$755.7 million (31 December 2018: \$900.0 million). The un-drawn bank facilities have maturity dates beyond 31 December 2020. The Group continually monitors the working capital position, and expects to be able to manage its cash flows by, amongst other means, controlling uncommitted expenditure to ensure that adequate liquidity is maintained, and all obligations are satisfied as and when they fall due.

28 Financial and capital risk management (continued)

(f) Financing facilities

Corporate facilities

(i) Syndicated revolving credit facility

The Group entered into a five year non-amortising syndicated financing facility effective 22 June 2017 for US\$600 million which was undrawn at 31 December 2019. As part of the terms and conditions of this new facility, Oil Search (PNG) Limited has provided a charge over the Debt Service Reserve Account and Offshore Receivable Account held in Singapore with Australia & New Zealand Banking Group Limited.

(ii) Bilateral facilities

In December 2018, Oil Search entered into three new US\$100 million bilateral revolving credit facilities, totalling US\$300 million, with three major banks- Commonwealth Bank of Australia, Mizuho Bank Limited and Sumitomo Mitsui Banking Corporation. The new facilities each have a five-year term and will expire in December 2023. They replace the two US\$125 million bilateral facilities that expired in December 2018. As part of the terms and conditions of this new facility, Oil Search (PNG) Limited has provided a charge over the Debt Service Reserve Account and Offshore Receivable Account held in Singapore with Australia & New Zealand Banking Group Limited.

In September 2019, the group also arranged an additional US\$300.0 million of bilateral facilities with a one year term expiring in September 2020. The facilities are on an unsecured basis and without the requirement for political risk insurance.

Secured loan from joint operation

Papua New Guinea Liquefied Natural Gas Global Company LDC, a limited duration company incorporated under the laws of the Commonwealth of the Bahamas (the "Borrower") was organised to conduct certain activities of the PNG LNG Project outside of PNG, including the borrowing and on-lending to the Project participants of the Project Finance Debt Facility, and the purchase and re-sale of PNG LNG Project liquids and LNG. The Borrower is owned by each Project participant in a percentage equal to its interest in the PNG LNG Project (the Oil Search Limited Group interest at 31 December 2019 is 29.0% (December 2018: 29.0%)). Oil Search (LNG) Limited and Oil Search (Tumbudu) Limited are the Group's participants in the PNG LNG Project (the "OSL Participants").

Interest and principal on the Project Finance Debt Facility is payable on specified semi-annual dates, which commenced in June 2015, with the principal being repayable over 11.5 years based on a customised repayment profile and with 6.5 years remaining on the facility as at 31 December 2019.

The liquids and LNG sales proceeds from the PNG LNG Project are received into a sales escrow account from which agreed expenditure obligations and debt servicing are firstly made and, subject to meeting certain debt service cover ratio tests, surpluses are distributed to the Project participants.

The Borrower granted to the security trustee for the Project Finance Debt Facility:

- a first-ranking security interest in all of its assets, with a few limited exceptions;
- a fixed and floating charge over existing and future funds in the offshore accounts; a deed of charge (and assignment) over the sales contracts, LNG charter party agreements, rights under insurance policies, LNG supply and sales commitment agreements, on-loan agreements and the sales, shipping and finance administration agreements, collectively known as "Borrower Material Agreements"; and
- a mortgage of contractual rights over Borrower Material Agreements.

The OSL Participants have granted the security trustee for the Project Finance Debt Facility a security interest in all their rights, titles, interests in and to all of their assets, excluding any non-PNG LNG Project assets. The Company, as the shareholder in the OSL Participants, has provided the security trustee for the Project Finance Debt Facility a share mortgage over its shares in the OSL Participants.

The Project Finance Debt Facility is subject to various covenants and a negative pledge restricting further secured borrowings, subject to a number of permitted lien exceptions. Neither the covenants nor the negative pledge have been breached at any time during the reporting period.

Financial Completion for the PNG LNG Project was achieved on 5 February 2015. From that date, the completion guarantee that was provided by the Company for its share of the Project Finance Debt Facility was released. The Company has not provided any other security.

(g) Capital management

The Group manages its capital to ensure that entities in the consolidated Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

This involves the use of corporate forecasting models which facilitate analysis of the Group's financial position, including cash flow forecasts to determine the future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements.

(h) Fair values

All financial assets and financial liabilities are initially recognised at the fair value of consideration paid or received, net of transaction costs as appropriate, and subsequently carried at amortised cost. The fair values of financial assets and liabilities approximate their carrying amounts.

29 Transition approach and impact of adopting IFRS 16 Leases

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

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

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

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

(a) Adjustments to the Statement of Financial Position at 1 January 2019

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

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

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

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

30 Events occurring after the reporting period

Subsequent to balance date, the Directors declared an unfranked final dividend of US\$4.5 cents per share, to be paid on 24 March 2020. The proposed final dividend for 2019 is payable to all holders of ordinary shares on the Register of Members on 4 March 2020.

There were no other significant events after balance date.

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 31 December 2019, and its performance for the year ended on that date; and
 - (ii) comply with International Financial Reporting Standards; and
 - (iii) the attached financial statements and notes thereto 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 year ended 31 December 2019.

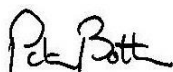
Signed in accordance with a resolution of the Directors.

On behalf of the Directors



.....
RJ LEE

Chairman



.....
PR BOTTEN

Managing Director

Sydney, 24 February 2020

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial report of Oil Search Limited and its subsidiaries (the "Group") and the financial statements of Oil Search Limited (the "Company") which comprise the statements of financial position as at 31 December 2019, the statements of comprehensive income, the statements of cash flows and the statements of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- (i) the accompanying financial statements give a true and fair view of the Group and the Company's financial positions as at 31 December 2019 and of their performance for the year ended on that date 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
- (ii) proper accounting records have been kept by the Group and the Company.

Basis for Opinions

We conducted our audits in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and the Company in accordance with the auditor independence requirements of the International Ethics Standards Board for Accountants (IESBA) *Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We have no interest in the Group or the Company or any relationship other than that of the auditor of the Group and the Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Applicable to The Group	
Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying Value of Exploration and Evaluation Assets</p> <p>The carrying value of Exploration and Evaluation assets at 31 December 2019 is \$2,998 million. Refer note 15 for further details. The Group's accounting policy in respect of Exploration and Evaluation assets is outlined in note 1(i).</p> <p>The assessment as to whether there are indicators of impairment requires management to exercise significant judgement including in respect of the right of tenure, and where relevant, the likelihood of licence renewal or extension, the success of exploration and appraisal activities including drilling and geological and geophysical analysis and the Group's intention to proceed with a future work programme for a licence.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> evaluating and testing the key controls management has in place to analyse and identify indicators of impairment for Exploration and Evaluation assets. evaluating the status of licences and, where applicable, obtaining evidence of the lodged applications for licence renewals or extensions and assessing on a case by case basis, the reasonableness of management's expectation that the licence will be extended upon their expiry, as well as the right of tenure. obtaining, for each material licence, an understanding of the exploration and appraisal activity undertaken during the year and the results of that activity. In doing this, we participated in meetings with key operational and finance staff. obtaining evidence of the ongoing exploration and appraisal activity, including the future intention for each material licence, by referencing to the allocation of future budgeted expenditures. corroborating the results of exploration and appraisal activities to market announcements. evaluating the appropriateness of the disclosures in note 15.
<p>Carrying Value of Producing and Development Assets</p> <p>The carrying value of Producing and Development assets at 31 December 2019 is \$6,124 million. Refer note 16 for further details.</p> <p>The assessment of the carrying value of Producing and Development assets requires management to exercise judgement in identifying indicators of impairment (including significant adverse changes in oil and gas prices, costs or reserve estimates) for the purpose of determining the recoverable amount.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> evaluating and testing the key controls management have in place to identify indicators of impairment for Producing and Development assets. in conjunction with our valuation specialists, challenging management's oil and gas price assumptions against external data to determine whether they indicate that there has been a significant change with an adverse effect on the recoverable amount. comparing actual operating costs for Producing and Development assets during the year to budget to determine whether they indicate that there has been a significant change with an adverse effect on the recoverable amount.

	<ul style="list-style-type: none"> • comparing field and plant production performance during the year against budget to determine whether they indicate that there has been a significant change with an adverse effect on the recoverable amount. • assessing reserve estimates adopted by the Group during the year to determine whether they indicate there has been a significant change with an adverse effect on the recoverable amount. This included holding discussions with management's internal experts to understand field operational performance in the year, and any significant reserve upgrades or downgrades. • evaluating the appropriateness of the disclosures in note 16.
<p>Accounting for Income Tax</p> <p>The income tax expense for the year ended 31 December 2019 is \$136 million and the balances of deferred tax assets and deferred tax liabilities at 31 December 2019 are \$966 million and \$1,355 million respectively. Refer note 8 for further details.</p> <p>Tax applicable to hydrocarbon exploration and production activities in Papua New Guinea is based on tax ring-fencing, on a licence-by-licence basis.</p> <p>Judgement is required to determine the application of tax legislation, as well as to assess the recoverability of deferred tax assets.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • evaluating and testing the key controls over the allocation of costs to ring-fences and preparation of tax calculations. • in conjunction with our tax specialists, challenging management's judgments regarding the application of tax legislation. • evaluating the utilisation of tax carrying values and related deferred tax assets, by reference to forecasts of future taxable income at a ring-fenced asset level. This included evaluating whether the assumptions included in management's forecasts were consistent with board approved assumptions and prevailing PNG tax legislation. • assessing the impact on current and deferred tax of changes to local tax laws enacted during the year. • assessing tax returns and tax reconciliations for compliance with local tax laws. • reconciling opening tax carrying values to tax returns lodged with tax authorities. • evaluating the appropriateness of the disclosures in note 8.

Applicable to The Parent Only	
Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying Value of Exploration and Evaluation Assets</p> <p>The carrying value of Exploration and Evaluation assets at 31 December 2019 is \$117 million. Refer note 15 for further details. The Company's accounting policy in respect of Exploration and Evaluation assets is outlined in note 1(i).</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • evaluating and testing the key controls management has in place to analyse and identify indicators of impairment for Exploration and Evaluation assets.

<p>The assessment as to whether there are indicators of impairment requires management to exercise significant judgement including in respect of the right of tenure, and where relevant, the likelihood of licence renewal or extension, the success of exploration and appraisal activities including drilling and geological and geophysical analysis and the Company's intention to proceed with a future work programme for a licence.</p>	<ul style="list-style-type: none"> • evaluating the status of licences and, where applicable, obtaining evidence of the lodged applications for licence renewals or extensions and assessing on a case by case basis, the reasonableness of management's expectation that the licence will be extended upon their expiry, as well as the right of tenure. • obtaining, for each material licence, an understanding of the exploration and appraisal activity undertaken during the year and the results of that activity. In doing this, we participated in meetings with key operational and finance staff. • obtaining evidence of the ongoing exploration and appraisal activity, including the future intention for each material licence, by referencing to the allocation of future budgeted expenditures. • corroborating the results of exploration and appraisal activities to market announcements. • evaluating the appropriateness of the disclosures in note 15.
<p>Carrying Value of Investments in Subsidiaries</p> <p>The Company has investments in subsidiaries at 31 December 2019 of \$3,320 million. Refer to note 27 for further details.</p> <p>The assessment of the recoverable amount of investments in subsidiaries requires management to exercise judgement in respect of the performance of the underlying assets held in each of the subsidiaries.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> • evaluating management's assessment of indicators of impairment for investments at 31 December 2019, including: <ul style="list-style-type: none"> ◦ for subsidiaries which include assets that are producing oil and/or gas or generating other income, comparing the carrying value of the investment to the net assets of the subsidiaries. ◦ for subsidiaries that primarily hold Exploration and Evaluation assets, evaluating management's assessment of whether indicators of impairment (including the Company's intention to proceed with a future work programme for a licence, the right of tenure, and where relevant, the likelihood of licence renewal or extension, and the success of exploration and appraisal activities, including drilling and geological and geophysical analysis) exist for the underlying Exploration and Evaluation assets. • evaluating the appropriateness of the disclosures in note 27.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this independent auditor's report, and the following additional documents which will be included in the annual report: 2019 Highlights, Letter from Richard Lee, Chairman, Update from Peter Botten, Managing Director, Letter from Keiran Wulff, Chief Executive Officer Designate, Financial Overview, Production, Gas Development, PNG Exploration and Appraisal, Alaska North Slope, Promoting a Stable Operating Environment, Strengthened Organisational Capability, 2019 Reserves Report, Licence Interests, Licence Interest Map, Board and Corporate Governance, Shareholder Information, Ten-year Summary Table, Glossary, Corporate Directory and About Oil Search, which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the 2019 Highlights, Letter from Richard Lee, Chairman, Update from Peter Botten, Managing Director, Letter from Keiran Wulff, Chief Executive Officer Designate, Financial Overview, Production, Gas Development, PNG Exploration and Appraisal, Alaska North Slope, Promoting a Stable Operating Environment, Strengthened Organisational Capability, 2019 Reserves Report, Licence Interests, Licence Interest Map, Board and Corporate Governance, Shareholder Information, Ten-year Summary Table, Glossary, Corporate Directory and About Oil Search, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the ability of the Group and the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 38 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Oil Search Limited for the year ended 31 December 2019, has been prepared in accordance with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company have voluntarily presented the Remuneration Report which has been prepared in accordance with the requirements of section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with International Standards on Auditing.



DELOITTE TOUCHE TOHMATSU



Matthew Donaldson
Partner
Chartered Accountants
Registered Company Auditor in Australia
Sydney, 24 February 2020



DELOITTE TOUCHE TOHMATSU



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