SECOND QUARTER REPORT FOR THE PERIOD ENDED 30 JUNE 2020

21 JULY 2020

Oil Search

ASX: OSH | ADR: OISHY | PNGX: OSH

	QUARTER END			HALF YEAR		
	2Q 2020	1Q 2020	%	1H 2020	1H 2019	%
Total production (mmboe)	7.29	7.37	*-1%*	14.66	14.13	*+4%*
Total sales (mmboe)	6.79	6.87	*-1%*	13.66	13.39	*+2%*
Total revenue (US$m)	266.2	359.4	*-26%*	625.6	777.0	*-19%*

HIGHLIGHTS

- **Operated oil production up 14% on the first quarter and at the highest level since the 2018 PNG earthquake.**
- **Continued strong PNG LNG performance, which operated at an annualised rate of 8.8 MTPA, compared to 8.7 MTPA in the first quarter.**
- **Approximately US$700 million capital raising (net of transaction costs) successfully executed, significantly strengthening the balance sheet and raising Oil Search's total liquidity to US$1.67 billion. Shares allocated to existing shareholders only.**
- **Systematic and detailed organisational review completed, focused on supporting sustainable cost reductions and achieving operational efficiencies without compromising safety or reliability. Will result in a reduction in Oil Search's global workforce of approximately 34% by year end.**
- **Capital management and continuous improvement programs across all areas well advanced, with core capabilities in place to deliver growth, when market conditions allow.**
- **Successful two-well Alaskan exploration program completed. Upgraded resource potential close to proposed facilities provides optionality to support the Pikka Unit Development. Value engineering studies underway to drive down breakeven economics.**
- **Maturity of US$300 million of short-term loan facilities extended to 30 June 2021.**

COMMENTS FROM THE MANAGING DIRECTOR, DR KEIRAN WULFF:

"*During the 2020 second quarter, Oil Search made material steps to enhance the Company's resilience to prolonged lower oil prices without compromising its ability to progress growth projects when conditions allow.*

Despite the challenging COVID operating conditions and restrictions on personnel movement, our safety record for the quarter was excellent across all areas and our PNG oil field operations performed above expectations. Combined with continued strong production from the ExxonMobil-operated PNG LNG Project, Oil Search is on track to achieve its production targets in 2020, despite the shut-in of the Hides Gas-to-Electricity (GTE) project during the quarter due to the suspension of operations at the Porgera gold mine.

The results of the 2019/20 Alaskan winter program were very positive, with oil discovered in the Nanushuk and Alpine reservoirs at Mitquq, near existing and proposed infrastructure, and in the Nanushuk reservoir at Stirrup in the Horseshoe area. These results have materially upgraded the ultimate prospectivity and optionality of our Alaskan portfolio and are being integrated into asset appraisal and development plans. Value engineering and optimisation studies, aimed at reducing upfront capital expenditure and ensuring that the Pikka development is cost competitive and commercially viable in a lower price environment, are progressing well.

Following the decisive steps taken in March to reduce 2020 capital expenditure by approximately 40%, in early April we strengthened our balance sheet materially by raising approximately US$700 million through an equity issue. The placement component was significantly oversubscribed and we ensured that all placement shares were allocated to existing shareholders to minimise dilution. We were very pleased that the raise was strongly supported by our shareholders, particularly given market conditions.

In addition to the focus on capital management and operating performance, during the quarter we completed a detailed and systematic analysis aimed at streamlining the organisation. As a result of this work, we have implemented a range of changes that will allow us to drive efficiencies, focus on core activities, achieve sustainable cost reductions, support a continuous improvement performance culture and ensure our operations are globally competitive, without compromising safety or the reliability of our operated assets. The restructuring unfortunately resulted in headcount reductions across all areas of the business, which will total more than a third of the original workforce by year end. Oil Search has ensured all departing staff are well supported with generous termination conditions and post-employment support. While painful, the decisions taken ensure that the Company can not only withstand a prolonged period of oil price weakness but will also have the capability to optimise and deliver our world-class growth opportunities in Papua New Guinea and Alaska when global economic conditions improve. The Oil Search Board and Executive team would like to thank all our staff for their commitment to the Company through this difficult time.

Having made the Company resilient to prolonged lower prices through the actions taken, Oil Search will now focus on completing the Strategic Review, which will help redefine our long-term strategy, taking into account market developments, shareholder expectations and revised commodity price forecasts. Our aims are to simplify and de-risk existing operations, maintain balance sheet strength, prioritise capital expenditure and develop clear pathways to maximise shareholder value. We look forward to updating the market on the outcome of the review in the fourth quarter of 2020."

COVID protocols at Oil Search PNG sites

New flowlines at NW Moran

PRODUCTION AND SALES[1]

	QUARTER END			HALF YEAR		FULL YEAR
	JUN 2020	MAR 2020	JUN 2019	1H 2020	1H 2019	2019
PNG LNG Project ('000 boe)[2]	6,396	6,354	6,164	12,750	12,528	24,994
PNG oil production ('000 bbls)	737	645	419	1,382	932	1,571
Other production ('000 boe)[3]	155	373	298	528	671	1,382
Total production ('000 boe)[4]	**7,288**	**7,373**	**6,882**	**14,660**	**14,131**	**27,947**
Total sales ('000 boe)	**6,786**	**6,873**	**6,741**	**13,659**	**13,394**	**27,785**

REVENUE[1]

	QUARTER END			HALF YEAR		FULL YEAR
	JUN 2020	MAR 2020	JUN 2019	1H 2020	1H 2019	2019
LNG and gas sales (US$m)	229.6	293.5	302.2	523.2	616.8	1,246.3
Oil and condensate sales (US$m)	28.4	57.6	66.9	86.0	138.4	295.5
Other revenue[5] (US$m)	8.2	8.2	9.8	16.5	21.8	42.9
Total operating revenue (US$m)	**266.2**	**359.4**	**378.9**	**625.6**	**777.0**	**1,584.8**
Average realised oil and condensate price (US$ per bbl)[6]	23.05	49.51	68.67	35.91	65.26	62.86
Average realised LNG and gas price (US$ per mmBtu)	7.34	9.08	9.30	8.22	9.71	9.58

FINANCIAL DATA[1]

	QUARTER END			HALF YEAR		FULL YEAR
	JUN 2020	MAR 2020[8]	JUN 2019	1H 2020	1H 2019	2019
Cash (US$m)	831.4	670.6	538.3	831.4	538.3	396.2
Debt (US$m)[7]						
PNG LNG financing	2,803.5	2,939.4	3,119.3	2,803.5	3,119.3	2,939.4
Corporate facilities	360.0	715.0	-	360.0	-	440.0
Net debt (US$m)	**2,332.1**	**2,983.8**	**2,581.0**	**2,332.1**	**2,581.0**	**2,983.2**

1. *Numbers may not add due to rounding.*
2. *Production net of fuel, flare, shrinkage and SE Gobe wet gas.*
3. *SE Gobe gas sold to PNG LNG, Hides GTE gas and liquids.*
4. *Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time.*
5. *Other revenue consists largely of rig lease income, infrastructure tariffs and electricity, refinery and naphtha sales.*
6. *Average realised price for Kutubu Blend including PNG LNG condensate.*
7. *Excludes lease liabilities recorded as borrowings. As at 30 June 2020, the Company's corporate facilities totalled US$1.2 billion, of which US$360 million had been drawn down and US$4.4 million had been utilised for letters of credit.*
8. *Pre-capital raising, which was launched in April 2020.*

2020 SECOND QUARTER SUMMARY

Production: Total production for the second quarter of 2020 was 7.29 million barrels of oil equivalent (mmboe). This included 6.40 mmboe from the PNG LNG Project, which produced at an annualised rate of 8.8 MTPA during the period, and 0.89 mmboe from Oil Search-operated assets. A 14% increase in oil production was offset by a lower contribution from the Hides Gas-to-Electricity (GTE) Project, due to the suspension of production in late April 2020 following the cessation of mining and minerals processing at the Porgera gold mine. Total production for the first half of 2020, net to Oil Search, was 14.66 mmboe, up 4% on the same period in 2019.

Sales: Total hydrocarbon sales for the quarter were 6.79 mmboe, similar to sales in the first quarter of 2020, with four LNG cargoes on the water at the end of the period, worth approximately US$30 million in revenue to Oil Search (two cargoes on the water at the end of the first quarter). Total revenue generated from hydrocarbons declined 27% to US$258.0 million, reflecting the material fall in oil prices and a higher proportion of LNG sold on the spot market. Other revenue, comprising rig lease income, infrastructure tariffs, electricity, refinery and naphtha sales, remained unchanged at US$8.2 million.

Pricing: The average oil and condensate price realised during the second quarter was US$23.05 per barrel, down 53% on the prior quarter. The average realised LNG and gas price fell 19% to US$7.34 per million British thermal units (mmBtu), supported by the two-to-three month lag between oil prices flowing through to LNG contract prices.

Equity raising: During the quarter, Oil Search successfully completed an accelerated pro-rata non-renounceable entitlement offer, an institutional placement and an offer to eligible PNG shareholders at A$2.10 per share (or its equivalent in Kina), raising US$698.2 million (approximately A$1,140 million) after transaction costs. The fully underwritten institutional placement component was significantly oversubscribed, with shares allocated to existing shareholders only, while the underwritten retail component was almost fully taken up, with applications from approximately half of eligible retail shareholders.

Liquidity: At 30 June 2020, Oil Search had liquidity of US$1.67 billion, comprising US$831.4 million in cash and US$835.6 million in undrawn credit facilities. During the quarter, the Company extended the expiry date of its US$300 million of short-term bilateral facilities to 30 June 2021. The capital raise, supported by the facilities extension, has provided Oil Search with the balance sheet flexibility to operate through an extended period of oil price weakness. During the quarter, the Company made net repayments of US$355.0 million under its revolving credit facilities and a scheduled PNG LNG project finance facility principal repayment of US$135.9 million.

LNG expansion: Following the suspension of P'nyang Gas Agreement negotiations between the PNG State and ExxonMobil at the end of January, exploratory informal discussions were held with the PNG State, aimed at reaching alignment on terms that are fair and balanced for all stakeholders. These exploratory discussions were completed in May and the PNG State and ExxonMobil then re-engaged on the P'nyang Gas Agreement. Due to COVID-19 and its impact on oil and gas prices, Total and ExxonMobil have demobilised the majority of their LNG expansion technical and commercial staff.

Pikka Unit Development, Alaska: During the quarter, Oil Search completed its 2019/20 exploration drilling program, with the successful Mitquq and Stirrup wells plugged and abandoned as planned and rig crews safely demobilised from site. In light of the oil price collapse, Oil Search decided to delay a Final Investment Decision on the Pikka Unit Development and commenced work on optimising the development plan. The aim of this work is to deliver a project with breakeven economics that ensure the development is commercially viable in a lower oil price environment and that has materially lower upfront capital requirements. The positive exploration results are also being integrated into future appraisal and development planning activities.

Structural changes implemented: In early July, Oil Search announced the completion of a detailed organisational review and the implementation of significant structural changes, focused on delivering a leaner, more streamlined business. This has resulted in approximately a 34% reduction in the workforce, with cuts across all locations of the Company's operations and the corporate office. Importantly, the changes will not compromise the health and safety of

Oil Search staff, contractors and communities in which the Company operates. The Company has also retained the capabilities required to deliver its high quality growth projects in PNG and Alaska.

Leadership changes: As a result of the organisational review, there have been several changes to Oil Search's leadership team. PNG citizens, Leon Buskens and Wayne Kasou, have been appointed PNG Country Manager and PNG Executive Support and Senior Vice President Government Affairs, respectively. Other changes to the leadership team include Bart Lismont transitioning to Executive Vice President PNG Development and Operations and Beth White to the role of Executive Vice President Sustainability and Technology. The creation of this new role reflects the growing importance of new technologies, sustainability, the environment, social and governance issues. The Company also announced that after eight years as CFO and 16 years with the Company, Stephen Gardiner has decided to step down in February 2021. Ayten Saridas will join Oil Search in mid-August as Chief Financial Officer Designate, transitioning into the CFO role in early 2021.

Coronavirus Update: During the quarter, as well as operating under strict COVID-safe protocols and providing support to the PNG Government in its efforts to combat COVID-19, the Oil Search COVID Task Force continued to monitor and prepare the business for the longer lasting impacts of the COVID-19 pandemic. The Task Force reviewed a range of health and medical initiatives to support the wellbeing of the workforce and has established a three-phase plan aimed at maintaining resilience and sustainable operations, including additional risk mitigation measures to support expatriate staff, updated fatigue management protocols and quarantine arrangements. The workforce in the field remains within strict quarantine zones, to minimise the risk of transmission among the business-critical field teams. The health and safety of people and the communities in which the Company operates remain key priorities for Oil Search, in addition to maintaining safe and reliable operations and protecting PNG LNG assets and production continuity.

2020 GUIDANCE

2020 HALF YEAR GUIDANCE

Oil Search's financial results for the half year to 30 June 2020 will be released to the market on Tuesday 25 August 2020.

Unit production costs in the first half are expected to be approximately US$10.50 per boe, compared to US$12.48 per boe in 2019. This includes approximately US$3.5 million of one-off staff exit costs (net, after allocations and joint venture recoveries) associated with the operations employees who have left the Company following the recent reorganisation and additional costs incurred in managing risk to operations from COVID-19. The fall in unit costs in the first half reflects the material reduction in work programs and associated manpower which were announced in March, as well as higher production volumes in the year to date.

Other operating costs are anticipated to be between US$40 – 50 million for the first half. This is lower than in the same period of 2019, reflecting higher inventory balances at 30 June 2020, a reduction in Hides GTE hydrocarbon purchases and lower royalties driven by the fall in realised oil and gas prices, partly offset by one-off exit costs of approximately US$0.6 million associated with Sydney-based employees who have left the Company in the reorganisation.

Depreciation and amortisation charges are expected to be US$12.00 – 13.00 per boe.

The underlying effective tax rate for the first half of 2020, excluding one-off items such as impairment and the derecognition of deferred tax assets, is expected to be between 28% and 33%.

As already announced, Oil Search expects to recognise a pre-tax, non-cash impairment of US$360 - 400 million (US$250 - 300 million post-tax) in the 2020 interim results. Most of the impairment relates to PNG exploration licences that have been assessed as having reduced priority in the Company's portfolio due to low prospectivity or sub-optimal economics. The Hides GTE plant is expected to be fully impaired due to uncertainties relating to the resumption of production following the closure of the Porgera gold mine. An immaterial impairment will be booked on several exploration leases in Alaska which are planned to be relinquished. All other assets, including producing assets, LNG expansion licences in PNG and the Company's Alaskan development assets, have been reviewed and the carrying value assessed as appropriate, based on current circumstances and economic assumptions. All impairments are subject to review by the external auditors.

2020 FULL YEAR GUIDANCE

	PREVIOUS GUIDANCE (MARCH 2020)	CURRENT GUIDANCE (JULY 2020)
Production		
Oil Search operated (PNG oil and gas) (mmboe)	**3 – 5**	**3 – 4**
PNG LNG Project		
LNG (bcf)	108 – 110	109 – 113
Power (bct)	1 – 2	1.0 – 1.5
Liquids (mmbbl)	2.9 – 3.2	2.9 – 3.1
Total PNG LNG Project (mmboe)	**24 – 25**	**24.5 – 25.5**
Total production (mmboe)	**27.5 – 29.5**	**27.5 – 29.5**
Operating costs		
Unit production costs (US$/boe)	11.00 – 12.00[1]	10.00 – 11.00[2]
Other operating costs (US$ million)	130 - 150	110 – 130[3]
Depreciation and amortisation (US$/boe)	12.00 – 13.00	12.00 – 13.00
Investment expenditure		
Production expenditure (PNG) (US$m)	55 - 65	55 - 65
Development (US$m)	135 – 165	135 – 165
Exploration and evaluation (US$m)	220 – 250	220 – 250
Other plant and equipment (US$m)	25 – 35	25 – 35
Power (US$m)	5 – 15	5 – 15
Total (US$m)	440 – 530	440 – 530

1. *Target US$9.50 – 10.50 per boe excluding one-off impacts of restructuring.*
2. *Includes one-off impact of approximately US$3.5 million of termination costs resulting from the reorganisation.*
3. *Includes one-off impact of approximately US$0.6 million of termination costs resulting from the reorganisation.*

Production guidance for 2020 remains unchanged at 27.5 – 29.5 mmboe. PNG LNG guidance has increased to 24.5 – 25.5 mmboe (previously 24.0 – 25.0 mmboe) due to a strong first half production resulting from the decision to defer maintenance, previously scheduled to take place in May 2020, into 2021. Oil Search-operated production is expected to be in the range of 3 – 4 mmboe (previously 3 – 5 mmboe), with strong oil production offset by the suspension of gas and condensate production at Hides GTE.

Unit production costs, including one-off restructuring costs due to the major reorganisation recently announced, are expected to be between US$10.00 – 11.00 per boe. This reflects the work activity and discretional spend savings realised to date, cost savings expected in the second half from the reorganisation and from further efficiency initiatives underway, offset by the impact of production lost from the Hides GTE Project.

Other operating costs in 2020 are anticipated to be US$110 – 130 million, lower than previous guidance driven by a reduction in hydrocarbon purchases related to Hides GTE and reduced royalties resulting from lower oil and gas prices.

Depreciation and amortisation charges for the full year are expected to be US$12.00 – 13.00 per boe.

During the first half, net Oil Search investment expenditure was US$318.7 million, including US$157.3 million spent on exploration and evaluation activities in PNG and Alaska, US$117.2 million in development activities and US$26.4 million on production (see page 9 for full details on investment activities).

Oil Search's full year 2020 investment expenditure guidance of US$440 - 530 million remains unchanged, with between US$120 – 210 million expected to be incurred in the second half of 2020. Key activities will include:

- Various risk reduction and facilities optimisation activities at the Oil Search-operated oil production facilities.
- PNG LNG Project development activities at Angore.
- Optimisation engineering for the Pikka Unit Development and ongoing summer season early works activities.
- Progressing LNG expansion activities in PNG.

PAPUA NEW GUINEA

PRODUCTION[1]

	QUARTER END			HALF YEAR		FULL YEAR
	JUN 2020	MAR 2020	JUN 2019	1H 2020	1H 2019	2019
PNG LNG Project production[2]						
LNG (mmscf)	28,427	28,283	27,312	56,709	55,462	110,768
Gas to power (mmscf)[3]	130	92	140	222	295	598
Domestic gas (mmscf)	173	122	-	295	-	-
Condensate ('000 bbls)	686	694	704	1,379	1,439	2,852
Naphtha ('000 bbls)	77	73	78	150	157	305
Total PNG LNG Project Production ('000 boe)[4]	**6,396**	**6,354**	**6,164**	**12,750**	**12,528**	**24,994**
Oil Search-operated production						
Oil production ('000 bbls)						
Kutubu	451	431	374	882	786	1,392
Moran	277	203	33	479	121	132
Gobe Main	3	3	3	6	7	13
SE Gobe	7	8	9	15	19	33
Total oil production ('000 bbls)	**737**	**645**	**419**	**1,382**	**932**	**1,571**
Hides GTE[5]						
Sales gas (mmscf)	369	1,435	1,019	1,804	2,376	5,088
Liquids ('000 bbls)	6	25	20	31	45	96
SE Gobe gas to PNG LNG (mmscf)[6]	**391**	**340**	**397**	**731**	**809**	**1,470**
Total operated production ('000 boe)	**892**	**1,018**	**717**	**1,910**	**1,602**	**2,953**
Total production ('000 boe)[4]	**7,288**	**7,373**	**6,882**	**14,660**	**14,131**	**27,947**

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

Total second quarter production from the PNG LNG Project, net to Oil Search, was 6.40 mmboe, representing an annualised production rate of 8.8 MTPA, up from 8.7 MTPA in the prior quarter. The plant benefited from a full quarter of uptime, following the deferral of maintenance at both the Hides Gas Conditioning Plant and the LNG trains in Port Moresby, previously scheduled to take place in May 2020, to 2021.

The PNG LNG joint venture supplied 173 mmscf of gas to the 58-megawatt Port Moresby gas-fired power station, operated by NiuPower Ltd, 43% higher than the first quarter.

Net production from the Oil Search-operated PNG oil assets was 0.74 mmboe, 14% above the previous quarter and the highest quarterly rate achieved since the 2018 PNG Highlands earthquake. The demobilisation of non-business critical personnel from the field due to COVID-19 and a reduction in planned 2020 capital spend led to a major fall in field activities across the Company's operated assets during the period. This allowed personnel to focus on optimising the base operations, system efficiencies and risk reduction projects such as preventative maintenance and prioritised process safety projects. The outcome was increased system reliability and improved compression uptime across the operated oil facilities.

During the quarter, Oil Search continued remediation activities on the NW Moran field, which has been offline since the earthquake halted production in early 2018. Construction work is nearing completion on the new flowlines, while planning and preparations are underway for assessing remediation required for the wells and the well pad surface facilities. The project is currently employing more than 60 staff from the local communities. Production is expected to recommence late in the fourth quarter of 2020.

Hides GTE produced 0.08 mmboe during the quarter, down 74% from the first quarter of 2020. Gas and condensate production was shut-in at the end of April due to the suspension of mining and minerals processing operations at the Porgera gold mine, operated by Barrick (Niugini) Limited. Oil Search has commenced care and maintenance activities at the Hides GTE facility, as there is presently no schedule for the recommencement of operations at Porgera.

SALES[1]

	QUARTER END			HALF YEAR		FULL YEAR
	JUN 2020	**MAR 2020**	**JUN 2019**	**1H 2020**	**1H 2019**	**2019**
PNG LNG Project sales						
LNG (Billion Btu)	30,648	30,617	31,407	61,265	60,951	124,589
Domestic gas (Billion Btu)	252	152	-	403	-	-
Condensate ('000 bbls)	600	604	573	1,204	1,226	2,913
Naphtha ('000 bbls)	93	64	95	157	186	343
Total PNG LNG Project Sales ('000 boe)[2]	**6,083**	**6,033**	**6,140**	**12,117**	**12,030**	**24,993**
Oil Sales ('000 bbls)	622	544	391	1,167	870	1,723
Hides GTE						
Gas (Billion Btu)[3]	397	1,543	1,092	1,941	2,548	5,460
Liquids ('000 bbls)	10	22	17	32	42	103
Total oil and GTE sales ('000 boe)	**703**	**840**	**601**	**1,543**	**1,364**	**2,793**
Total sales ('000 boe)[2]	**6,786**	**6,873**	**6,741**	**13,659**	**13,394**	**27,785**

1. *Numbers may not add due to rounding.*
2. *Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time relates to gas delivered under the Hides GTE Gas Sales Agreement.*
3. *Relates to refined products delivered under the Hides GTE Gas Sales Agreement or sold in the domestic market and condensate.*

27 LNG cargoes were delivered to offtakers during the second quarter (the same as in the first quarter), comprising 21 cargoes sold under contract (including five under mid-term sale and purchase agreements) and six on the spot market. Four Delivered ex Ship (DES) cargoes were on the water at the end of the period, compared to two DES cargoes on the water at the end of the first quarter. This, together with higher tank storage reflecting the timing of shipments, resulted

in a material build in LNG inventory at the end of the quarter. Three naphtha cargoes were delivered during the quarter, compared to two in the prior quarter. Three full and one partial Kutubu Blend cargoes were sold during the quarter, unchanged from the prior period.

LNG EXPANSION ACTIVITIES

Informal exploratory discussions with the State Negotiating Team relating to the PRL 3 (P'nyang) Gas Agreement, aimed at reaching alignment on terms that are fair and balanced for all stakeholders, were completed during the quarter. The PNG State and PRL 3 operator, ExxonMobil, have subsequently re-engaged on the P'nyang Gas Agreement.

EXPLORATION AND EVALUATION

Early in the quarter, Oil Search completed the acquisition of one 2D seismic line across Muruk and the adjacent Karoma structure in the PNG Highlands. Originally, the program had comprised the acquisition of three seismic lines over approximately 100 kilometres but was reduced to a single 22 kilometre line due to COVID-19 and the oil price fall. The crew and equipment were safely demobilised in May and the seismic data is currently being processed.

Due to the challenging market conditions and strict capital prioritisation, Oil Search is presently minimising exploration activities and reviewing its exploration portfolio in PNG.

NORTH SLOPE, ALASKA, USA

EXPLORATION AND EVALUATION

In early April, Oil Search completed its highly successful 2019/20 winter drilling program on the Alaskan North Slope. During the quarter, the Mitquq and Stirrup wells were plugged and abandoned, as planned, and the rig and crews safely demobilised from the sites

The encouraging results from the two wells at Mitquq, east of the Pikka Unit, and the Stirrup well, south of Pikka, have improved the Company's understanding of the geology and potential productivity of the Nanushuk play and have positive implications for the prospectivity of Oil Search's Alaskan acreage.

DEVELOPMENT ACTIVITIES

Following a decision in the first quarter to delay the Final Investment Decision date for the Pikka Unit Development due to market conditions, Oil Search commenced value engineering and optimisation studies, aimed at reducing the breakeven of the project, to ensure it is economically robust in a lower oil price environment, and materially lowering the upfront capital investment. The successful exploration results at Mitquq and Stirrup are also being considered as part of appraisal and overall asset development plans. These studies will continue through the third quarter.

During the second quarter, planning for the summer program took place. Activities included the commencement of hydrology studies, post-season surveying and clean-up activities to ensure the acreage is left in good condition following the winter drilling and civil works program.

SUMMARY OF EXPENDITURE[1]

	QUARTER END			HALF YEAR		FULL YEAR
	JUN 2020	MAR 2020	JUN 2019	1H 2020	1H 2019	2019
Investment Expenditure (US$m)						
Exploration & Evaluation						
PNG	17.8	28.7	41.9	46.5	79.0	159.9
USA	21.3	89.5	473.9[4]	110.8	521.6[4]	539.8[4]
MENA	-	-	0.2	-	0.2	0.3
Total Exploration & Evaluation	39.1	118.2	515.7	157.3	600.7	700.0
Development						
PNG LNG	11.1	16.3	6.8	27.4	10.9	45.0
Pikka Unit Development	20.9	68.9	-	89.8	-	-
Total Development	32.0	85.2	6.8	117.2	10.9	45.0
Production	14.8	11.6	14.3	26.4	27.7	81.0
PP&E	4.8	9.3	6.2	14.1	12.5	35.8
Biomass	1.9	1.8	2.3	3.7	4.2	8.8
Total	**92.6**	**226.1**	**545.3**	**318.7**	**656.0**	**870.7**
Exploration & Evaluation Expenditure Expensed[2,3]						
PNG	13.0	20.4	7.7	33.4	15.7	24.4
USA	2.9	30.9	4.3	33.8	8.7	22.5
MENA	-	-	0.2	-	0.2	0.3
Total current year expenditures expensed	16.0	51.2	12.2	67.2	24.6	47.2
Prior year expenditures expensed	-	27.2	-	27.2	-	-
Total	**16.0**	**78.4**	**12.2**	**94.4**	**24.6**	**47.2**

1. *Numbers may not add due to rounding.*
2. *Exploration costs expensed includes unsuccessful wells, exploration seismic and certain costs related to administration costs and geological and geophysical activities. Costs related to permit acquisitions, the drilling of wells that have resulted in a successful discovery of potentially economically recoverable hydrocarbons and appraisal and evaluation of discovered resources are capitalised.*
3. *Numbers do not include expensed business development costs of US$0.3 million in the second quarter of 2020 (US$0.3 million in the first quarter of 2020).*
4. *Includes US$450 million Alaska acquisition costs on exercising the Armstrong / GMT Option, net of US$70.5 million farm-down proceeds.*

GAS/LNG GLOSSARY AND CONVERSION FACTORS USED[1,2]

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

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

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

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