Oil Search

WISDOM
Inspires

CELEBRATING 90 YEARS

ANNUAL REPORT 2019

WISDOM *Inspires*

OPPORTUNITY

With a history of more than 90 years in Papua New Guinea, Oil Search has developed a deep understanding of the people, culture and environment of this remarkable country.

It is this understanding that leads to wisdom. The wisdom to pioneer exploration and development activities and drive the social and economic advancement of a nation.

It is this wisdom that enabled us to recognise the significant development opportunities on the Alaskan North Slope, where we seek to replicate our proven model and maximise stakeholder value.

OPPORTUNITY *Inspires*

INNOVATION

Our proven ability to operate in the remote and challenging terrain of the PNG Highlands, where strong logistical skills are vital, has been a key factor behind our success. This expertise is now being applied in the arctic conditions of the Alaskan North Slope, with a highly successful inaugural drilling programme completed in 2019.

To further strengthen these capabilities, in 2019, Oil Search formed the Technology and Value Assurance Group to drive innovation and the adoption of new technologies, which will be incorporated into our major new developments in PNG and Alaska.


INNOVATION
Inspires

PROGRESS

Knowledge acquired over the past 90 years has enabled us to progress the best opportunities Papua New Guinea has to offer, positioning us as the country's most active explorer and largest investor.

From the first gas discoveries in the 1930s to the development of the PNG LNG Project, the nation's largest infrastructure development, Oil Search has always been at the forefront of progressing opportunities that drive stakeholder value.

Our Alaskan acquisition provides Oil Search with a leading position in an exciting new oil play, which is expected to revitalise the oil industry in Alaska.

PROGRESS

Inspires

RESPONSIBILITY

Oil Search has an unwavering commitment to being a responsible development partner, creating shared value for all stakeholders and delivering positive social and development outcomes.

Operating in some of the most remote and environmentally sensitive regions in the world, we are committed to minimising environmental impacts.

Through our ongoing social development programmes and initiatives, we seek to improve the lives of people in the areas in which we operate. We believe this is vital for maintaining operating stability and ensuring the Company's long-term success.

In 2019, we were honoured to be recognised in Strive Philanthropy's GivingLarge Report, as a corporate leader for our socio-economic contributions to PNG.

RESPONSIBILITY *Inspires*

WHO WE ARE

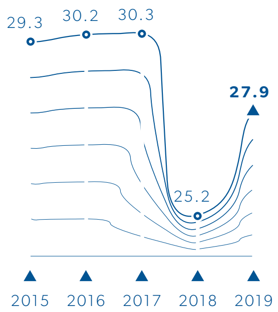
Oil Search
90 years wise

With world-class projects, major growth potential in PNG and Alaska and a highly prospective exploration portfolio, supported by a dedicated workforce that will rise to any challenge - our future is bright.

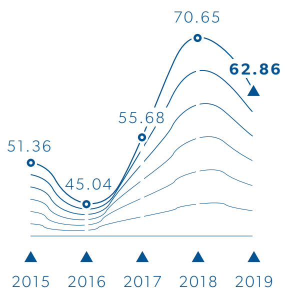
WISDOM *Inspires* PROGRESS

2019 HIGHLIGHTS

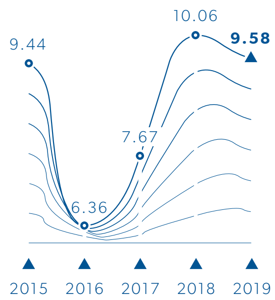
PRODUCTION (MMBOE)



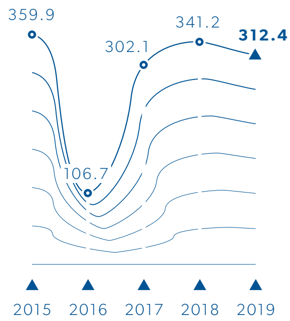
AVERAGE REALISED OIL AND CONDENSATE PRICE (US$ PER BARREL)



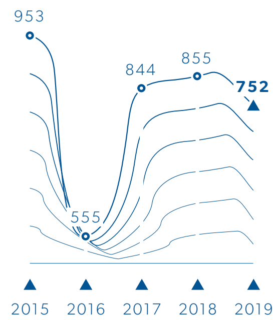
AVERAGE REALISED LNG AND GAS PRICE (US$ PER MMBTU)



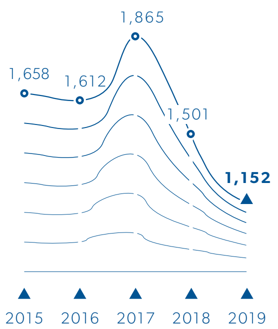
CORE PROFIT[1] (US$ MILLION)



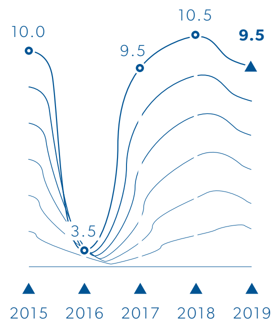
OPERATING CASH FLOW (US$ MILLION)



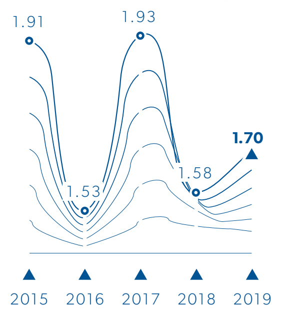
LIQUIDITY (US$ MILLION)



DIVIDEND PER SHARE (US CENTS)



TOTAL RECORDABLE INCIDENT RATE (PER MILLION HOURS WORKED)



[1] Core profit (net profit after tax before significant items) is a non-IFRS measure that is 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.

▶ **OPEN** TO SEE MORE 2019 HIGHLIGHTS

PNG LNG PRODUCED 8.5 MT GROSS

Highest annual production since Project start-up

MID TERM SPA SIGNED WITH UNIPEC

Total contracted volumes for the PNG LNG Project now approximatley 7.9 MTPA

111 PNG LNG CARGOES DELIVERED

100 LNG sold under contract, 11 on spot market

LANDMARK GAS AGREEMENT

Signed for the Papua LNG Project

SUCCESSFUL WORKOVER AND INFILL DRILLING IN PNG

Will help offset oil field natural decline

>200 KM OF SEISMIC ACQUIRED

Over Onshore Gulf and Eastern Foldbelt regions of PNG

SOCIO-ECONOMIC CORPORATE LEADER

Recognised in Strive Philanthropy's 2019 GivingLarge report as a leader for our contributions to PNG

FIRST ALASKAN DRILLING PROGRAMME

Completed within budget with no recordable injuries

46% UPGRADE IN PIKKA UNIT RESOURCES

728 mmbbl of gross 2C contingent oil resources booked (371 mmbbl net)

ARMSTRONG ENERGY/ GMT OPTION EXERCISED

Doubled interest in the Pikka Unit, Horseshoe area and surrounding lease areas

WISDOM *Inspires*

PERSPECTIVE

LETTER FROM THE CHAIRMAN
RICHARD LEE

Dear Shareholders,

2019 was a mixed year for Oil Search. Major strides forward were made in Alaska and the PNG LNG Project produced at record levels. However, progress of our world-class LNG expansion in PNG stalled, while operated oil production continued to be challenged.

Total production for the year was 27.9 mmboe, 11% higher than 2018. This was driven by an excellent performance from the PNG LNG Project, partially offset by downtime following damage to the offshore liquids loading buoy and delays in fully reinstating oil field production following the 2018 earthquake. Weaker realised oil and LNG prices, combined with higher production costs, resulted in a net profit after tax of US$312 million, 8% lower than in 2018. The Company declared a total dividend of 9.5 US cents per share, representing a dividend payout ratio of 46%.

In PNG, several major milestones were achieved for the integrated three-train LNG expansion projects. However, progress towards a FEED decision was delayed, with ExxonMobil and the PNG Government unable to reach an acceptable outcome on the P'nyang Gas Agreement. Formal negotiations were suspended in January 2020. While disappointing, we and our partners remain committed to reaching an equitable solution with the State, given that the integrated three-train development represents by far the most efficient way to develop the P'nyang field and the Papua LNG Project, creating substantial value for all stakeholders.

In contrast, major advances were achieved in Alaska. Information from our inaugural Alaskan drilling programme, combined with data from adjacent permits, 3D seismic mapping and detailed reservoir modelling, led to a 46% upgrade in gross 2C contingent oil resources for the Pikka Unit Development. In addition, we strengthened alignment with our partner Repsol, secured a key Land Use Agreement with the local community representative, obtained re-zoning approvals required to start construction and doubled our interests in key leases through the exercise of the Armstrong Energy/GMT option. In January 2020, we commenced FEED activities for the Pikka Unit Development. The Company is targeting first oil through an early production system in 2022, with the full field development expected onstream in 2025.

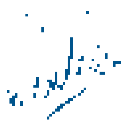
The Company has undergone major organisational changes in the past year. In June, we completed an organisational redesign, to equip the Company with the right talent, experience and resources to deliver our growth ambitions in PNG and Alaska. This included the formation of PNG and Alaskan business units, to provide greater autonomy to these regions, as well as a new Technology and Value Assurance group, to drive innovation and strengthen our project execution capabilities.

After 25 years as Oil Search's Managing Director, Mr Peter Botten retired on 25 February 2020. Under Peter's leadership, we have grown into a leading oil and gas company, with world-class production, an extensive exploration portfolio and major growth potential. Just as important, Peter is a passionate believer in companies giving back to the communities in which they work and delivering social and economic change. He led numerous initiatives that have permanently impacted the lives of Papua New Guineans. The Board is extremely grateful for his commitment and dedication over his time as Managing Director.

Following a comprehensive global search process, which considered highly qualified internal and external candidates, the Board unanimously selected Dr Keiran Wulff to lead the Company through its next phase of growth. Keiran has more than 30 years of international oil and gas experience, including 20 years at Oil Search, with a deep involvement in PNG. He presided over our operations in the Middle East, led the acquisition of Chevron's PNG assets in 2003 and, most recently, pioneered our entry into the Alaskan North Slope, building a world-class team in Anchorage.

The Board is confident that Keiran has the skills, experience and values required to lead the Company through the current challenges and deliver further success in both PNG and Alaska. One of his first tasks in 2020 will be to drive a Company-wide strategic review, which will focus on Oil Search's long-term vision and strategic focus, while recognising that the global energy market is evolving. A major component of the review will be on how to position Oil Search for both the challenges and new opportunities that energy transition will bring, while retaining the Company's vision to generate top quartile returns for shareholders and ensuring sustainable and responsible operations.

I would like to thank our employees for their dedication, our shareholders for their continued support and my fellow Board members for their counsel and guidance through another challenging year. Finally, I would like to congratulate Peter on an outstanding career and look forward to working closely with Keiran on the next phase of Oil Search's development.



Richard Lee, AM
CHAIRMAN

WISDOM *Inspires*

FOCUS

UPDATE FROM THE MANAGING DIRECTOR PETER BOTTEN

This is my final Annual Report update as Managing Director of Oil Search. 2019 was one of the more challenging years I have experienced in my 28-year career with the Company, 25 of which were in the Managing Director role. While Oil Search achieved strong progress in Alaska and several important milestones were reached on the LNG expansion projects in PNG, it is disappointing that we did not enter FEED for the three-train integrated LNG development during the year, as planned. We remain committed to progressing this development, which is the most economic and efficient way of developing the large volumes of gas in Elk-Antelope (Papua LNG) and P'nyang.

Production continued to recover over 2019 from the impacts of the February 2018 PNG Highlands earthquake. Total production increased 11% to 27.9 mmboe, supported by record volumes from the PNG LNG Project, which was achieved despite scheduled maintenance in the second quarter and reduced production rates in the third quarter while repairs were made to the mooring buoy at the offshore liquids loading facility. Operated production was weaker than in the prior year, primarily due to continued facilities outages following the earthquake and a temporary curtailment in output resulting from the mooring buoy issue. Despite higher overall production in 2019, the Company's net profit fell 8% to US$312.4 million, reflecting weaker global oil and gas prices and higher production costs.

SAFETY PERFORMANCE

During 2019, Oil Search undertook many activities in operationally challenging regions, including completing drilling the Muruk 2 well in the PNG Highlands, seismic acquisition in the Eastern Foldbelt, offshore diving activities in the Gulf of Papua and the completion of a drilling programme on the Alaskan North Slope.

Pleasingly, our first drilling campaign in Alaska was completed with no recordable injuries or high potential incidents, an excellent achievement for our newly-formed team in the region. In addition, the PNG Business Unit drilling team completed a recordable injury-free year. Unfortunately, there were eight recordable injuries relating to the PNG seismic programme, three marine-related incidents and several other incidents involving contractor management and supervision. This resulted in an increase in the Total Recordable Injury Rate from 1.58 in 2018 to 1.70.

While we are aware of the risks associated with operating and exploring in challenging terrains, it is our goal to deliver zero recordable injuries, focusing on the safety of our staff and contractors across all our operations. Several initiatives were undertaken to address our weaker safety performance, including a mid-year safety summit in PNG and the introduction of improved governance processes for land transportation, marine and aviation activities.

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

The Company recorded one Tier 1 and four Tier 2 process safety events, up from zero and three, respectively, in 2018. Two of the Tier 2 events related to "return to service" operations following the earthquake. A Process Safety Taskforce was established during the year to drive improvements in this key area of our operations.

LNG EXPANSION IN PNG

During 2019, Oil Search and our partners continued to work on the planned three-train integrated LNG expansion projects in PNG. Much of the pre-FEED engineering work and commercial agreements required to progress into the FEED phase of the development was completed during the year.

In April, a major milestone was reached when the PNG Government, led by the then Prime Minister, the Hon. Peter O'Neill, and the operator of the Papua LNG Project, Total SA, reached agreement on the Papua LNG Gas Agreement. Following a change in the Government leadership team in May, the new Prime Minister, the Hon. James Marape, initiated a full review of the Agreement. In September, the original Agreement, which included material additional benefits to the country, including a competitively priced domestic market obligation, a deferred payment mechanism to fund past costs and a new production levy, was endorsed.

ExxonMobil, operator of the P'nyang Joint Venture, recommenced negotiations with the State on the P'nyang Gas Agreement in late 2019. Unfortunately, agreement on appropriate terms could not be reached and formal negotiations were suspended on 31 January 2020. Under the final terms proposed by the State, the project rate of return would have been approximately the same as our cost of capital and the project would not have been able to attract sufficient project finance.

We believe the most efficient way to develop the P'nyang field and the Papua LNG Project is through the integrated three-train development, whereby material construction and operating synergies are achieved by utilising existing PNG LNG infrastructure. In the current lower oil and LNG price environment, with many competing proposed LNG developments, it is imperative that focus is maintained on ensuring the most economical development plan as possible.

Despite the recent setback, we are encouraging continued dialogue with the PNG Government on the P'nyang Gas Agreement. We are committed to achieve an agreement that is both fair to the people of PNG while still allowing the developers to earn an appropriate return on their investment. Delivering an agreement that is balanced is essential to ensuring long term operating stability for the development. Once the P'nyang Gas Agreement is finalised, the joint venture partners are largely ready to commence the FEED phase of the development, which will have a material impact on the PNG economy, benefiting all stakeholders.

MAJOR MILESTONES ACHIEVED IN ALASKA

Our Alaskan business unit made substantial progress in 2019, with FEED activities commencing on the Pikka Unit Development in early 2020 and a Final Investment Decision targeted to be made in the second half of 2020. The development comprises an early production system, with production of approximately 30,000 barrels of oil per day (bopd) from late 2022, followed by a full field development producing up to 135,000 bopd commencing in 2025. The development is underpinned by independently certified gross 2C contingent resources of 728 mmbbl within the permitted Pikka Unit development area, which is 46% higher than our estimate when we acquired our initial interest. These estimates exclude

other resources in nearby satellites and in the Horseshoe area, which are presently the subject of a separate resource review.

During the year, Oil Search received the Federal Record of Decision from the US Army Corps of Engineers, approving the Pikka Unit development plan, obtained key community support and achieved re-zoning allowing development activities to commence. Gravel laying operations for key infrastructure, including roads and well pads, is now underway.

The Company commenced its 2019/20 winter season drilling programme in late 2019, with the Mitquq 1 exploration well. Located less than 10 kilometres from the planned Pikka Unit central processing facility, the well discovered oil in both the primary Nanushuk and secondary Alpine C objectives. The presence of the Nanushuk reservoir in this location is extremely encouraging and has materially upgraded several prospects located between the Pikka Unit and the Mitquq area.

The Stirrup 1 exploration well, located south of the Pikka Unit and adjacent to the Horseshoe 1 discovery, has also encountered oil shows within the target Nanushuk reservoir. The well results will help determine whether resources in this area are best developed through a standalone central processing facility or as satellites to the Pikka Unit processing facilities.

In June, the Company exercised its US$450 million Armstrong Energy/GMT option, doubling our interest in the Pikka Unit, Horseshoe area and surrounding exploration lease areas to 51%. The process to divest up to 15% of our interest, to both mitigate development risk and realise cash, has commenced, with positive market interest. Oil Search will retain operatorship of all lease areas following the divestment. The sell-down is targeted to be finalised in the second half of the year.

PNG EXPLORATION ACTIVITY

In early 2019, the Company completed the Muruk 2 appraisal well in the North West Highlands of PNG. Information gathered from the well resulted in a 249% and 23% increase in our estimates of gross 1C and 2C resources, respectively, within the field. The current resource has the potential to underwrite future commercial production, given its proximity to existing PNG LNG infrastructure. We have commenced a 2D seismic programme across Muruk and surrounding prospects. This data, combined with further reservoir modelling, will help us to further refine our assessment of resources in the Muruk field and mature adjacent leads and prospects.

In late 2019, we commenced drilling the Gobe Footwall exploration well, targeting a footwall structure west of the Gobe Main field. The well encountered the primary Iagifu and Toro targets, which unfortunately proved to be water bearing.

PNG remains an attractive country to explore and we believe we have a highly prospective exploration portfolio, covering the most attractive areas in PNG - the Eastern Foldbelt, North West Highlands and Onshore Gulf regions. However, near term, Oil Search will limit its exploration activity within the country until the PNG Government has completed its proposed review of the Oil and Gas Act and any changes in fiscal terms are known. Positively, the Company has limited commitments within the existing portfolio, affording us the flexibility to allocate capital to the highest value prospects only, focusing on those opportunities which have the potential to add material gas, either for PNG LNG Project backfill or to underwrite future LNG expansion trains, and on oil prospects located close to or within existing oil developments.

NEW ORGANISATION STRUCTURE LAYS FOUNDATIONS FOR THE NEXT CHAPTER OF GROWTH

A key highlight for 2019 was the full implementation of our Company-wide organisation redesign, undertaken to strengthen our capabilities as we progress our major growth projects in PNG and Alaska. This included establishing two separate business units for PNG and Alaska, giving the units greater empowerment and accountability, as well as the formation of a Technology and Value Assurance Group, to bolster our project execution capabilities in the challenging environments in which we will operate.

Following the redesign, we believe our talented and dedicated workforce

is well-placed to deliver our operational and growth ambitions, which will position Oil Search for long-term success in both PNG and Alaska.

OPERATING RESPONSIBLY

Almost two years on from the 7.5 magnitude earthquake which devastated the PNG Highlands, we continue to provide long term assistance to impacted communities, focusing on the restoration of health facilities and vital infrastructure. In conjunction with the Oil Search Foundation, among the many initiatives undertaken in 2019, Oil Search delivered and installed more than 100 water tanks in churches, schools and hospitals in the Hela Province, installed numerous containerised aid posts in remote and severely affected communities, supported the re-build of the Kutubu Secondary School and continued restoration work on multiple health facilities.

Oil Search has always had an unwavering commitment to the communities in which we operate. In 2019, we were honoured to be recognised in Strive Philanthropy's 2019 GivingLarge Report, as corporate leader for our socio-economic contributions and commitment to PNG.

We were pleased to announce that NiuPower commenced production from its 58 MW gas-fired power plant in late December, which is fuelled by gas from the PNG LNG Project. NiuPower Ltd is a jointly held entity between Oil Search and Kumul Petroleum and this initiative underscores our commitment to supporting the PNG Government's objective of delivering low cost power to 70% of the population by 2030.

In Alaska, Oil Search continued to build and strengthen its key relationships with the Nuiqsut, Utqiagvik and other North Slope communities, laying the foundations for long-term engagement in the region. In collaboration with nearby operators and community organisations, we helped fund the delivery of outboard boat motors to the marine Search and Rescue team in Nuiqsut, advanced plans for the development of a boat ramp on the Colville River to support subsistence fishing activities and sponsored several sports programmes to promote healthy lifestyles.

FAREWELL

It has been a tremendous honour to have led Oil Search over the past 25 years. I would like to thank all our dedicated employees, both past and present, whom I've had the privilege of working alongside and the Board, for their ongoing counsel and enduring support. I would also like to express my appreciation to our shareholders for their long-standing commitment to the Company. It has been a fantastic journey to see Oil Search grow from a small explorer to a prominent oil and gas operator, leading exploration programmes in challenging terrains, participating in the development of the world-class PNG LNG Project and more recently, evolving to be a major player in the development of oil resources on the Alaskan North Slope.

A key differentiator of our success has been our proven ability to create shared value for all stakeholders. We are uniquely intertwined with the communities in which we operate and are committed to delivering not just economic but also social improvements. Oil Search has become a leader in corporate social responsibility. When I look back on my tenure as Managing Director, it is programmes such as delivering core infrastructure, building capacity within the health system, addressing gender-based violence and delivering literacy programmes for children, that I will remain most proud.

While bidding farewell as Managing Director, I am delighted that my association with Oil Search will continue with my roles as Chairman of the Oil Search Foundation and the Hela Provincial Health Authority and Member of the Australian PNG Business Council Executive Committee.

In closing, I would like to wish our new Managing Director, Dr Keiran Wulff, the very best for the future. Keiran has been a close friend and colleague for more than 30 years and I am confident that, with the support of the Board and management team, he has the necessary skills and experience to lead this great company through its next phase of growth and will deliver continued success for all Oil Search's stakeholders, including shareholders and the citizens of both Papua New Guinea and Alaska.

Peter Botten, CBE AC
MANAGING DIRECTOR

WISDOM *Inspires*

NEW LEADERSHIP

LETTER FROM KEIRAN WULFF

I am truly honoured to have been appointed as Oil Search's next Managing Director and to succeed Peter Botten, who has successfully led Oil Search for the last 25 years to become the extraordinary and world-class company it is today.

After 30 years of working extensively in PNG, the Middle East, North Africa, Australasia and North America, I possess a deep understanding of our two main operating environments in Papua New Guinea and Alaska, as well as having a global perspective. I joined Oil Search in 1993 as a geologist and lived in PNG. During the initial years we undertook extensive studies across the entire country and built the acreage position that supports our world-class LNG assets today. I am fortunate to have held numerous technical, managerial and operating roles with Oil Search, including the role of Chief Operating Officer following our acquisition of Chevron's PNG assets in 2003, President of Middle East and, most recently, President of our Alaskan operations, where we are building a high quality, experienced team and pursuing a major oil development.

Oil Search has a genuinely world-class asset base, excellent growth opportunities and a proven ability to create shared value. This will ensure we are well positioned to succeed in an era where social responsibility and environmental sustainability are fundamental for the global energy industry.

At Oil Search, our unique commitment to social responsibility is embedded deeply into the Company's DNA. I am committed to building on this corporate ethos and creating a model that sets us apart in terms of socially responsible project delivery in a sustainable and environmentally responsible energy world. We are also focused on evolving with the rapidly changing energy investment environment and providing real solutions to decarbonisation and the provision of cheap energy in areas without reliable power.

We recently commenced a comprehensive strategic review that will guide Oil Search for the next 10 years. The review is focused on delivering full value from our existing asset base, targeting bottom quartile cost production and ensuring the Company is well placed to continue to attract investors and finance, as well as be a partner of choice for companies and the investment community.

While the industry has its fair share of challenges, we are well placed to meet and exceed our shareholders' expectations and the responsibilities for the energy industry that lie ahead.

Keiran Wulff
MANAGING DIRECTOR DESIGNATE

FINANCIAL OVERVIEW

FINANCIAL PERFORMANCE

Oil Search reported net profit after tax of US$312.4 million in 2019, 8% lower than in the prior year.

Revenue increased 3% to US$1,584.8 million, supported by an 11% increase in production, which recovered from the PNG Highlands earthquake in 2018 and benefitted from a record performance by the PNG LNG Project. This was partially offset by the impact of weaker global energy prices. Realised LNG and gas prices fell 5% to US$9.58 per mmBtu, with spot LNG prices remaining under pressure from an oversupplied market and LNG contract pricing impacted by weaker global oil prices. Realised oil and condensate prices fell 11%, to US$62.86 per barrel.

Total unit production costs rose 8% to US$12.48 per boe, reflecting an increase in costs within Oil Search's operated oil fields due to higher work programmes in the oil fields, repairs to the offshore liquids loading facility and ongoing earthquake remediation activities pending assessment for insurance recoveries. Unit production costs at PNG LNG fell 7% to US$7.20 per boe, with costs spread over higher production as operations recovered following the 2018 earthquake. Other operating costs increased 8% to US$157.4 million, reflecting higher royalties, gas purchases and inventory movements.

Unit depreciation increased 3% to US$12.67 per barrel, largely driven by recognition of depreciation and amortisation on right of use assets,

FINANCIAL PERFORMANCE SUMMARY

Year to 31 December

	2018	2019	CHANGE
Revenue (US$ million)	1,536	1,585	+3%
EBITDAX[1] (US$ million)	1,110	1,146	+3%
Depreciation and amortisation (US$ million)	(326)	(414)	+27%
EBIT[1] (US$ million)	717	685	-4%
Net finance costs (US$ million)	(210)	(231)	+10%
Tax (US$ million)	(166)	(136)	-18%
Net profit after tax (US$ million)	341	312	-8%
EPS (US cents)	22.4	20.5	-8%
DPS (US cents)	10.5	9.5	-10%

1 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.

in line with the revised IFRS 16 (Leases) accounting standard.

The Company expensed US$47.2 million of exploration and evaluation expenditure during 2019, comprising seismic acquisition and general, geological, geophysical and administration expenses in PNG and Alaska. This was down 29% on the prior year, with the costs of successful appraisal drilling on the Pikka Unit in Alaska capitalised.

The net finance charge for 2019 of US$231.0 million was 10% higher than in 2018, largely due to higher drawn debt through the year, following the payment of US$450 million on the exercise of the Alaskan option, as well as the recognition of lease liabilities, in line with the IFRS 16 (Leases) accounting standard.

The effective tax rate was 30.4% compared with 32.8% in 2018, primarily due to lower additional profits tax for PNG oil fields.

CASH FLOWS

Operating cash flow was US$752.4 million in 2019, 12% lower than in 2018. A 4% increase in receipts from customers and third parties was offset by 58% higher supplier payments. This reflected changes in working capital as well as the costs associated with oil field workovers and drilling, repair costs on the damaged mooring buoy chain and earthquake recovery costs.

Capital expenditure was similar to 2018, at US$870.7 million. This included US$450 million paid on the exercise of the Armstrong Energy/GMT Option, doubling the Company's interests across its Alaskan portfolio, following the purchase of the initial interests for US$400 million in 2018. Other major capital expenditures during 2019 included:

- Pre-FEED activities on the LNG expansion project in PNG and the Pikka Unit Development in Alaska.
- Drilling of the Muruk appraisal and Gobe Footwall exploration wells and seismic acquisition in the Eastern Foldbelt and Onshore Gulf in PNG.
- Appraisal of the Pikka Unit in Alaska during the 2018/19 winter drilling season and preparatory work for the Mitquq and Stirrup exploration wells which are being drilled in the 2019/20 season.
- First phase implementation costs for the new group-wide Enterprise Resource Planning system.

LIQUIDITY AND CAPITAL MANAGEMENT

Over the year, the Company's total debt increased slightly, from US$3.29 billion to US$3.38 billion (excluding lease liabilities), of which US$2.94 billion related to borrowings under the PNG LNG project financing facility and the balance drawn down from corporate facilities. Net debt was US$2.98 billion at the end of 2019, compared to US$2.69 billion in 2018. This represented gearing (net debt over net debt plus shareholders' funds) of 36% (excluding lease liabilities).

To support the funding of Oil Search's US$450 million option exercise in Alaska, a one-year US$300 million corporate credit facility was arranged in late June. This brought total corporate facilities to US$1.2 billion, of which US$755.7 million were undrawn at the end of the year. Together with cash of US$396.2 million, Oil Search ended the year with US$1.15 billion in liquidity, compared to US$1.50 billion at the end of 2018.

GROWTH PRIORITIES AND FUNDING

Despite the suspension of talks between the operator, ExxonMobil, and the PNG Government on the P'nyang Gas Agreement, Oil Search remains committed to progressing the integrated three-train LNG expansion in PNG. In addition, the Company is making strong progress on the Pikka Unit Development in Alaska.

These growth opportunities are expected to be funded with a combination of debt and cash contributions. Discussions are underway with potential new lenders with Oil Search targeting debt funding of 60-70% of project costs. The cash component of development costs is expected to be funded from existing liquidity sources, cashflows from operations and funds realised from the proposed sell-down of up to a 15% interest in the Alaskan assets.

Oil Search's financial capacity is highly dependent on oil prices and Oil Search regularly assesses whether downside protection is required. At 31 December 2019, the Company remained unhedged.

DIVIDENDS

Oil Search declared a final unfranked 2019 dividend of 4.5 US cents per share, which, together with the 5.0 US cents per share interim dividend,resulted in a total 2019 dividend of 9.5 US cents per share. This represents a payout ratio of 46%, towards the upper end of the Company's 35 - 50% dividend payout policy.

2020 OUTLOOK

Oil Search's key financial objectives for 2020 are as follows:

- Mature project financing options for the LNG expansion development, in conjunction with the Company's joint venture partners.
- Complete a suitable financing plan for the Pikka Unit Development in Alaska.
- Maximise the value of the Company's partial sell-down of its Alaskan North Slope assets.
- Rationalise capital spend, focusing on the highest quality exploration prospects, including opportunities which have the potential to improve the economics of existing and planned LNG infrastructure.
- Continue to actively manage costs to maximise profitability and operating cash flows.

PRODUCTION

Total production in 2019 was 27.9 mmboe, 11% higher than in 2018, which was impacted by the 7.5 magnitude PNG Highlands earthquake. The increase was achieved despite ongoing earthquake recovery work and unplanned downtime while repairs were made to the offshore liquids loading facility, with production supported by a record performance from the PNG LNG Project.

PNG LNG PROJECT

PRODUCTION

The PNG LNG Project contributed 25.0 mmboe (net) to Oil Search in 2019, comprising 21.8 mmboe of liquefied natural gas (LNG) and 3.2 mmboe of liquids (condensate and naphtha).

Gross LNG production for the year totalled 8.5 million tonnes (MT). This was the highest annual production since the Project came onstream in 2014 and 23% above the 6.9 MTPA nameplate capacity. The strong performance was achieved despite a partial shut-in for scheduled maintenance in the second quarter and a short curtailment of production during the third quarter due to damage to the Oil Search-operated offshore liquids loading facility in the Gulf of Papua (refer to page 26).

The ExxonMobil-operated Hides field contributed 88% of the gas delivered to the LNG plant in Port Moresby. The balance was supplied from the Oil Search-operated Associated Gas fields (Kutubu and Gobe Main) and SE Gobe, which provides third party gas to the Project. These fields delivered gas at an average rate of 130.9 million standard cubic feet per day (mmscf/d) during 2019.

9.8 mmbbl (26,940 bbl/d) of gross condensate from the PNG LNG Project was processed and transported through the Oil Search-operated liquids handling facilities.

PNG OIL AND GAS PRODUCTION

FINAL MID-TERM TRANCHE OF PNG LNG VOLUMES CONTRACTED WITH UNIPEC

The final tranche of medium-term volumes on offer from PNG LNG was contracted to Unipec Singapore Pte Ltd (Unipec) in April, with the Project committing to supply approximately 0.45 MTPA over four years commencing in 2019.

This is in addition to the two mid-term contracts signed with PetroChina and BP in 2018 and takes total mid-term contract volumes to 1.3 MTPA.

Approximately 7.9 MTPA from the Project is now being sold under long and medium-term contracts, representing more than 90% of LNG production.

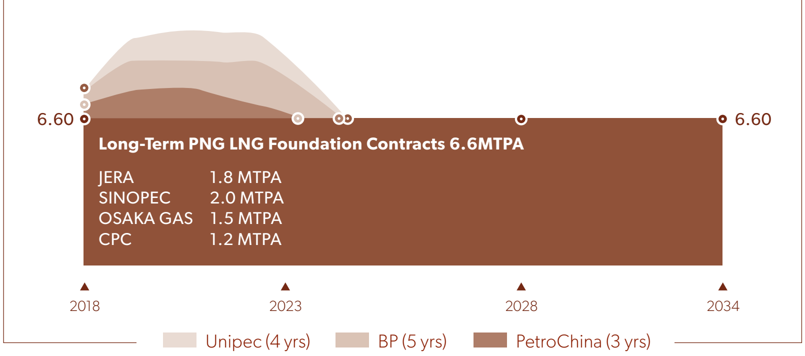
RECORD GROSS PNG LNG PROJECT SALES IN 2019

111
LNG CARGOES
100 sold under contract, 11 on spot market

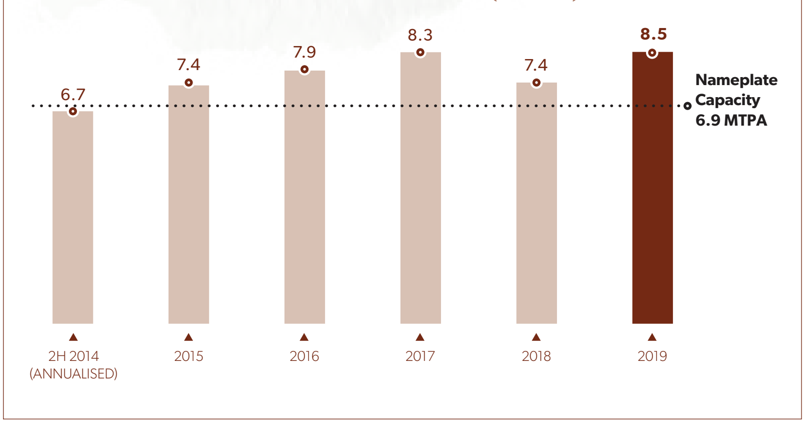
19
KUTUBU BLEND CARGOES
Comprising operated oil production and Project condensate

11
NAPHTHA CARGOES

PNG LNG CONTRACTED VOLUMES (MTPA)



PNG LNG PROJECT PRODUCTION RATE (MTPA)



The PNG LNG Project achieved record production of 8.5 MT (gross) in 2019

PNG LNG PROJECT PARTICIPANTS	% INTEREST
ExxonMobil (operator)	33.2
Oil Search	29.0
Kumul Petroleum (PNG Government)	16.8
Santos	13.5
JX Nippon	4.7
MRDC (PNG Landowners)	2.8

PNG LNG PROJECT BENEFITS DISTRIBUTION

Following the completion of the Landowner Benefits Identification (LOBID) process across most of the licence areas in 2018, during 2019 the PNG LNG Project partners worked closely with the PNG Government to complete LOBID for two outstanding areas (PDLs 1 and 7).

Ministerial determinations for both licences were gazetted in March 2019 and good progress has been made with the election of Directors and Chairpersons who will represent the identified landowner groups in assisting with the benefits distribution process. LOBID for the few outstanding licence areas is expected to be finalised in the near-term.

OPERATED OIL AND GAS PRODUCTION

Oil Search's net production from operated PNG oil and gas fields was 2.95 mmboe, 6% lower than in the previous year.

Net production from the Kutubu fields fell 15% from 2018 levels. Production was impacted by several planned and unplanned outages at the Central Processing Facility during the first half of the year, a curtailment of production to accommodate repair work of the mooring buoy chain and natural field decline.

Production from the Moran field was 57% lower than the prior year, with output impacted by major repairs at the Agogo Production Facility following the 2018 earthquake, resulting in several wells being taken offline to maintain reservoir pressure. The Moran field was shut in due to the mooring buoy damage, with production resuming late in the fourth quarter.

Repairs to facilities and wellpads in the NW Moran region, which were damaged by the earthquake, were not possible during the year due to tribal conflicts in the area, unrelated to Oil Search activities. Oil Search is targeting the resumption of production from NW Moran late in the second half of 2020, subject to being able to access the area safely and complete necessary repairs.

Gobe Main and SE Gobe production declined 8% and 5%, respectively, as the fields approach the end of their life. The SE Gobe field contributed 1.5 bcf (net) of gas to PNG LNG during the year.

The Hides GTE project, 100% owned by Oil Search, produced 5.1 bcf of gas and 96,338 barrels of liquids, up 27% and 16%, respectively, as production recovered from the 2018 earthquake. This was despite the facility being shut in for 27 days in April and June due to vandalism of the power line between the Barrick-operated power generation facility and the Porgera mine site. Negotiations to extend the Hides GTE contract with the Porgera Joint Venture, which is due to expire in 2021, have commenced.

PNG OIL FIELD OPTIMISATION STRATEGY

Oil Search has had encouraging initial results from its multi-year strategy aimed at maximising oil recovery from its maturing oil fields, prior to the commencement of the Accelerated Gas Expansion (AGX) project in the mid-2020s.

The workover of the IDT 21 well at Kutubu was completed in the first quarter and brought online in April. The rig was then mobilised to the Moran field, successfully completing workovers of the M9 ST4 and M4 (gas injector) wells, which commenced oil production and gas injection, respectively, late in the year, following the resumption of loading at the offshore liquids loading facility.

Following the Moran workovers, a sidetrack of the M15 ST1 well, towards the south-east of the field, was successfully drilled and intersected oil within the Toro and Digimu sands. Production commenced in December, with initial flow rates of approximately 2,000 bopd.

OFFSHORE LIQUIDS LOADING BUOY REPAIRS

In late August, the mooring buoy at the Oil Search-operated offshore liquids loading facility at the Kumul Marine Terminal in the Gulf of Papua was observed to be listing. Further inspection identified that a section of one of the six chains, which stabilise the buoy during ship docking and loading, was damaged. While a replacement chain was sourced, for safety reasons, the Company restricted liquids export operations, loading only on an ebb tide and in suitable weather conditions. As a result, due to the limited availability of onshore storage, Oil Search temporarily shut-in liquids production from the Kutubu and Moran oil fields and the PNG LNG Project operator, ExxonMobil, reduced Project production rates for a short period of time, with priority access to ullage and loading given to PNG LNG condensate.

During October, the damaged section of chain was replaced. As a precaution, sections of the remaining five chains were also replaced, to mitigate the risk of any potential future chain failures.

Export restrictions were lifted fully in late October, with Moran and Kutubu wells progressively returned to service over November and December.

The swift and efficient response by Oil Search's recovery team resulted in the field impact being minimised and production being restored well ahead of initial expectations.

The final well of the programme, the Usano (UDT 15) in-fill development well, successfully encountered oil within the Toro sands, with production commencing in early 2020 at very encouraging rates.

Further drilling and workover opportunities have been identified, including the IDT 26 development well in the Kutubu field, which will be drilled in the first half of 2020.

POWER DEVELOPMENTS IN PNG

PNG BIOMASS

Oil Search's PNG Biomass project is a renewable energy and sustainable development project in the Markham Valley in Morobe Province. It is designed to provide domestic low-emission renewable energy to the Ramu Grid through an inclusive economic growth model that empowers local communities.

Since entry into the Markham Valley in 2011, PNG Biomass has placed communities and landowners at the core of its operations to ensure they can benefit from the project. For Oil Search, it underpins its commitment to the sustainable development of PNG.

The development comprises a 30 MW power plant, utilising integrated and dedicated sustainable forestry plantations in the Markham Valley to generate electricity for the Ramu Grid. Basic engineering work commenced in May 2019. FEED phase tendering for major equipment will occur shortly, with a Final Investment Decision targeted for 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 CO_2 carbon offsets over its life.

PORT MORESBY POWER STATION

NiuPower Ltd, an entity held 50:50 by Oil Search and Kumul Petroleum, completed the construction and commissioning of the 58 MW Port Moresby gas-fired power station in March 2019. The power station, which is located adjacent to the PNG LNG facility and fuelled by gas sourced from the PNG LNG Project, achieved a world-class safety performance during implementation.

In the fourth quarter of 2019, NiuPower was granted a generation licence by the PNG Government, allowing for the commencement of power sales to PNG Power Limited. The power station is currently supplying approximately 32 MW to the Port Moresby electricity grid, with distribution expected to increase to the 58 MW capacity during 2020, following the recent completion of a new 80 MW transmission line from the power station to the grid.

OPERATED OIL AND GAS FIELD PARTNERS*

% INTERESTS	KUTUBU (PDL 2)	MORAN (PDL 2, PDL 5 AND PDL 6)	GOBE MAIN (PDL 3 AND PDL 4)	SE GOBE (PDL 3 AND PDL 4)
Oil Search	60%	49.5%	10%	22.3%
ExxonMobil	14.5%	26.8%	14.5%	7.7%
Barracuda Limited (Santos)	–	–	–	7.5%
Merlin Petroleum Company (JX Nippon)	18.7%	8.3%	73.5%	39.1%
Southern Highlands Petroleum Co (JX Nippon)	–	–	–	18.8%
Kumul Petroleum (PNG Government)	–	11.3%	–	–
Landowner interests	6.8%	4.1%	2.0%	4.6%
	100%	**100%**	**100%**	**100%**

*Numbers may not add due to rounding.

2019 PRODUCTION SUMMARY[1]

Year to 31 December	2019	2018	% Change
GAS PRODUCTION	mmscf	mmscf	
PNG LNG Project LNG[2]	110,768	96,826	+14
PNG LNG Gas to Power[3]	598	674	-11
Hides GTE Gas Production[4]	5,088	4,000	+27
SE Gobe Gas to PNG LNG[5]	1,470	1,400	+5
Total Gas	**117,923**	**102,899**	**+15**
OIL AND LIQUIDS PRODUCTION	mmbbl	mmbbl	
Kutubu	1.39	1.63	-15
Moran	0.13	0.31	-57
Gobe Main	0.01	0.02	-8
SE Gobe	0.03	0.04	-5
Total Oil	**1.57**	**1.99**	**-21**
PNG LNG Project liquids	3.16	2.95	+7
Hides GTE liquids[4]	0.10	0.08	+16
Total liquids	**4.83**	**5.03**	**-4**
TOTAL PRODUCTION[6]	mmboe	mmboe	
	27.95	**25.21**	**+11**

1. Numbers may not add due to rounding.
2. Production net of fuel, flare, shrinkage and SE Gobe wet gas.
3. Gas to power has previously been accounted for as losses within the PNG LNG Plant.
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.
5. SE Gobe wet gas reported at inlet to plant, including fuel, flare and naphtha.
6. 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.

At full capacity, the plant can supply approximately 75% of Port Moresby's daily average electricity requirements and is the lowest cost hydrocarbon fuelled source of power in the region. Importantly, the facility, powered by natural gas, provides a significantly cleaner energy supply than the heavy oil and diesel currently used for the majority of Port Moresby's power generation needs.

This initiative underscores the Company's commitment to the PNG Government's strategic priority to deliver competitively priced power to more than 70% of the population by 2030.

SAFETY PERFORMANCE

The PNG Business Unit drilling team achieved a recordable injury-free year which was a pleasing result. However, unfortunately the Company had eight recordable injuries relating to the PNG seismic programme, three marine-related incidents and several other incidents involving contractor management and supervision. This drove an increase in the Total Recordable Injury Rate (TRIR) from 1.58 to 1.70 in 2019.

Numerous initiatives were undertaken to address the weaker safety performance, including a mid-year safety summit in PNG and improved governance processes of land transportation, marine and aviation activities.

The Company recorded one Tier 1 and four Tier 2 process safety events (PSEs) during the year, up from zero and three respectively in 2018. Two of the Tier 2 events related to 'return to service' operations 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. During the second year of operations on the Alaska North Slope, no PSEs were recorded in Alaska.

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

2020 OUTLOOK

- Maintain focus on safe and reliable operations, minimising downtime, maximising throughput and improving both personal and process safety.
- Mature the oil field optimisation programme, including drilling the IDT 26 development well in the Kutubu field in 2020.
- Undertake a coil tubing programme to increase production and achieve greater well reliability.
- Complete repairs to earthquake-damaged flowlines and well pads at NW Moran, subject to the status with the local communities.

PRODUCTION GUIDANCE FOR 2020

Oil Search's 2020 full year production is anticipated to be in the range of 27.5 – 29.5 mmboe.

PNG LNG production rates in 2020 will be impacted by major scheduled maintenance at both the Hides Gas Conditioning Plant and the LNG plant in Port Moresby, with further major maintenance work at the LNG plant scheduled for 2021.

The Company expects operated oil and gas production to increase in 2020. Output will benefit from contributions from the workover and infill wells drilled in 2019 and planned activities in 2020, which are anticipated to mitigate natural field decline. Subject to access to the NW Moran area and repairs to damaged facilities and wellpads, production from this area is expected to recommence in late 2020.

2020 PRODUCTION GUIDANCE[1]

Oil Search-operated PNG oil and gas (mmboe)[2,3]	3 – 5
PNG LNG Project:	
LNG (bcf)	108 – 110
Power (bcf)	1 – 2
Liquids (mmbbl)	2.9 – 3.2
Total PNG LNG Project (mmboe)[2]	24 – 25
Total production (mmboe)	**27.5 – 29.5**

1. Numbers may not add due to rounding.
2. Gas volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale.
3. Includes SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%).

GAS DEVELOPMENT

During 2019, Oil Search and its joint venture partners continued to progress the proposed approximately 8 MTPA, three-train integrated LNG expansion projects in PNG. Several major milestones were achieved, but, disappointingly, agreement was not reached with the State on terms for the P'nyang Gas Agreement. Oil Search believes the development of P'nyang through the three-train development is the optimal outcome and is encouraging ongoing dialogue with the State.

OVERVIEW

The PNG LNG Project, PRL 15 (Papua) and PRL 3 (P'nyang) joint ventures have dedicated the last three years to maturing a three-train brownfield LNG expansion in PNG. The development concept includes the construction of three new LNG trains, with a total capacity of approximately 8 MTPA, located on the PNG LNG plant site, thereby utilising existing downstream infrastructure. Extensive studies have confirmed that this is the most efficient way of expanding LNG capacity in PNG. It will deliver significant construction and operating cost savings that will benefit all stakeholders, including the Government and people of PNG. Two trains will source gas from the Elk-Antelope (Papua LNG) fields and one train will be supplied with gas initially from the existing PNG LNG fields (supported by the Oil Search-operated AGX project), prior to the commencement of gas production from the P'nyang field.

During 2019, key commercial terms between the Papua LNG and PNG LNG joint venture partners were largely finalised, including the payment mechanism for Papua LNG to utilise the existing PNG LNG downstream infrastructure. In April, agreement was also reached with the PNG Government on the Papua LNG Gas Agreement, which provided material extra benefits to the State. Following a change to the Government leadership team in May, the new PNG Cabinet, led by Prime Minister, the Hon. James Marape, conducted a review of the Papua LNG Gas Agreement. In September, the terms of the original agreement were validated. Negotiations on the P'nyang Gas Agreement, which will allow the three-train expansion to proceed, then resumed.

SOURCE OF GAS FOR NEW LNG CAPACITY

Unfortunately, despite lengthy talks, an agreement could not be reached on the appropriate split of value and benefits of the P'nyang development, with the State's proposed terms resulting in a sub-economic return for the project proponents. Negotiations on the P'nyang Gas Agreement were subsequently suspended by the State on 31 January 2020.

The expansion joint venture partners believe that developing the P'nyang field through the proposed three-train development is the optimal development outcome for all stakeholders. Oil Search is encouraging ongoing dialogue with the PNG Government, aimed at finalising P'nyang Gas Agreement terms that deliver an equitable split of project value.

COMPLETION OF PAPUA GAS AGREEMENT

In April 2019, the PRL 15 Joint Venture and PNG Government signed a milestone gas agreement for the Papua LNG Project with the PNG Government, led by then Prime Minister, the Hon. Peter O'Neill.

The Papua LNG Gas Agreement, which comprises the fiscal arrangements and other key terms and conditions that will apply to the development, was finalised after more than 12 months of detailed negotiations. The agreement provided a range of additional benefits to the State, including:

- An additional 2% tax on production.
- A Domestic Market Obligation (DMO) of up to 5%, ensuring gas from the Papua LNG fields will be available for local consumption at a competitive fixed price.
- An enhanced National Content plan, to drive the socio-economic development of local communities impacted by the project.
- A deferred payment mechanism to support funding of the Government's share of past development costs. This will ease the upfront financial burden associated with the Government option to acquire a 22.5% interest in the Papua LNG Project.

Following a change in the PNG Government leadership team in late May, the newly appointed Cabinet, led by Prime Minister, the Hon. James Marape, commenced a review of the Papua LNG Gas Agreement. The review was completed in September, with the PNG Cabinet validating the agreement signed by the O'Neill Government in April. Ten legislative changes required by the Papua LNG Gas Agreement were passed by the PNG Parliament in October, with further amendments planned to be made in 2020.

The FEED contractor selection for the upstream component of the Papua LNG development commenced shortly after the Gas Agreement was ratified and competitive bids were received.

TERMS FOR P'NYANG GAS AGREEMENT YET TO BE FINALISED

Following completion of the State's review of the Papua LNG Gas Agreement terms, discussions resumed with the PNG Government's State Negotiating Team on the P'nyang Gas Agreement. Despite intense negotiations, led by operator, ExxonMobil, agreement could not be reached with the PNG Government on the appropriate balance of value and benefits distribution for the project. Under the terms proposed by the PNG Government, Oil Search would not generate a rate of return above its cost of capital and the project would be unable to secure sufficient project finance. Formal negotiations on the P'nyang Gas Agreement were suspended at the end of January 2020.

Oil Search remains open to ongoing dialogue with the PNG Government during 2020. The Company is hopeful that terms for the P'nyang field can be agreed, to deliver an outcome that is fair and reasonable for the State, landowners and the people of PNG, while ensuring that P'nyang is an investable and financeable project for the joint venture. Oil Search is committed to achieving a fair and responsible balance, to ensure the long-term viability of the project.

COMMERCIAL AGREEMENTS ADVANCED

During 2019, the PRL 15 Joint Venture advanced all the key commercial agreements required for the three-train LNG expansion:

- A Joint Venture Operating Agreement, governing the development and operating phase of the Papua LNG Project, was executed.
- Three agreements - the Facilities Access Agreement, Downstream Operations and Cooperation Agreement and Cost Sharing Agreement - which collectively underpin Papua LNG's access to existing PNG LNG Project infrastructure, were largely completed.
- Negotiations advanced on a Lifting and Tank Balancing agreement between the respective Joint Ventures. This agreement regulates LNG cargo liftings for the two existing LNG trains and the planned new trains, including ship scheduling and resourcing.

The PRL 3 (P'nyang) Joint Venture signed a binding Letter of Intent with Santos, under which Santos will acquire a 14.32% equity interest in PRL 3 from existing participants, including a 1.65% interest from Oil Search (pre-State back in) for US$21.6 million. This delivers a similar ownership structure in PRL 3 and the PNG LNG Joint Venture, strengthening alignment between the parties.

PRE-FEED WORK WELL ADVANCED

In addition to the substantial engineering and other pre-FEED work that took place during the year, the basis of design for the integrated three-train downstream facilities and Papua LNG upstream facilities was largely completed, while permitting and regulatory approval strategies were matured.

Substantial work also took place on environmental and social studies in PRL 15, with an Environmental Impact Statement submitted to the PNG Conservation and Environmental Protection Authority at the end of 2019.

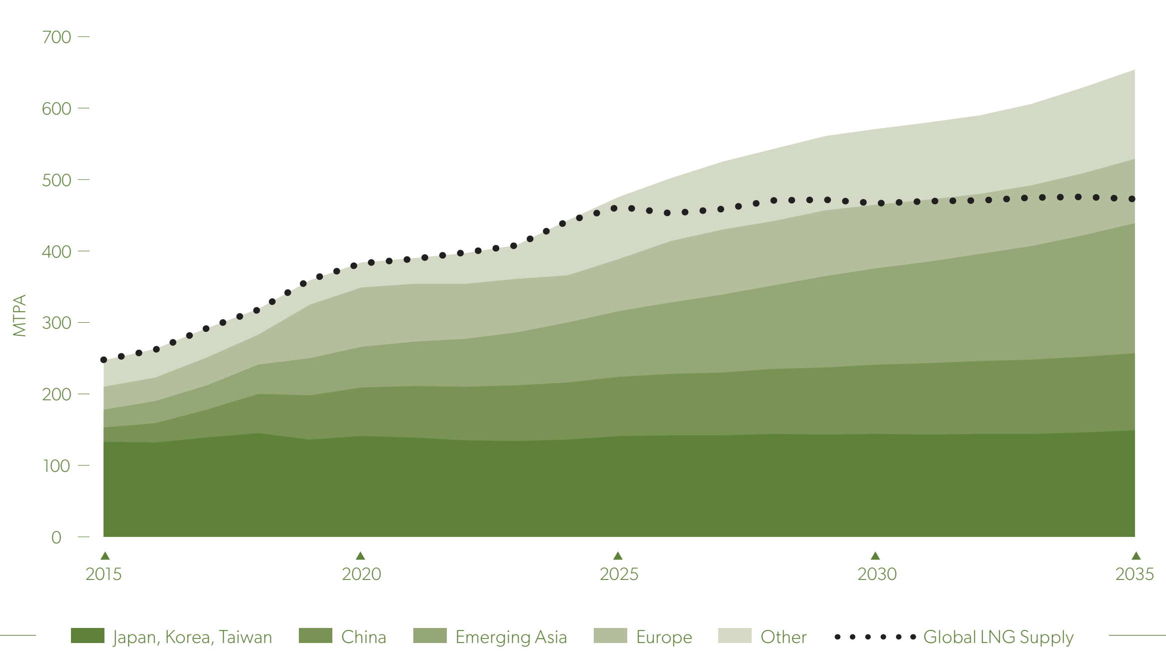
At PRL 3, early project definition studies took place. In addition, pre-FEED work was largely completed on the Associated Gas Expansion project (AGX). This project, operated by Oil Search, will increase the capacity of the CPF and APF facilities and enable the early tie-in of the APF to the PNG LNG infrastructure. This will allow gas delivery from the Kutubu, Agogo and Moran fields to be accelerated to the PNG LNG/P'nyang expansion train, ahead of the development of the P'nyang field. As a low-cost source of gas, the AGX project allows for capital optimisation and strengthens the economics of the PNG LNG/P'nyang LNG train and returns to the PNG Government. Following an extensive screening process, the preferred AGX development concept for FEED entry was selected, while subsurface and facilities engineering work continued in preparation for FEED award. This included the technical design of additional wells and workovers on the Kutubu, Agogo and Moran fields, together with required upgrades at both the CPF and APF to achieve higher processing capacity.

LNG MARKETING ONGOING

Oil Search continued to engage with LNG customers for its approximately 1.8 MTPA equity share of LNG from the proposed new LNG trains. Interest from established end-users, international oil and gas companies and traders remains strong due to the PNG LNG Project's distinctive value proposition as a reliable producer and seller of high heating value LNG suitable for Asian reticulation networks. This point of difference has increased as the global supply of rich LNG has declined as a proportion of total supply. LNG from PNG also benefits from competitive shipping economics into North Asian markets and a lower delivery risk profile, avoiding shipping pinch points such as the Panama Canal and the Straits of Hormuz. Notably, the central theme of the Japanese Government's Ministry of Economy, Trade and Industry (METI) Producer – Consumer Conference in 2019 focused on reducing Japan's reliance on energy products from the Middle East.

Buyers regard Oil Search as a new, independent supplier in a dynamic LNG market, increasingly influenced and dominated by a small number of large national and international oil companies. At a time of increasing portfolio sales, buyers and end-users support Oil Search as a point-to-point seller of rich LNG from Papua LNG and the PNG LNG expansion train.

LNG DEMAND OUTLOOK



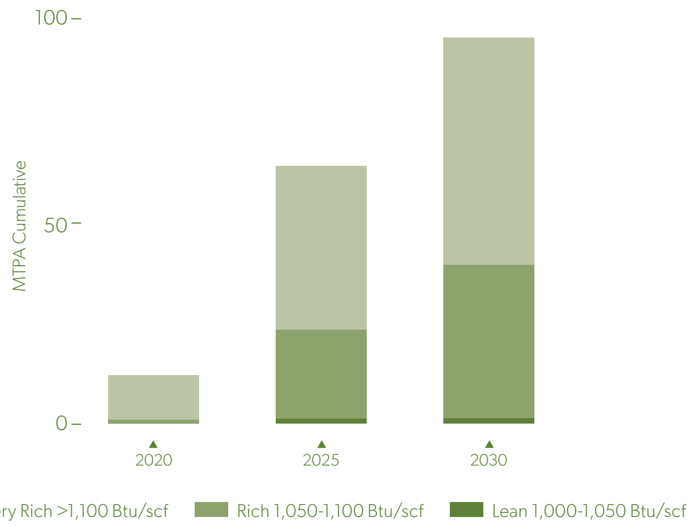
NOTES: Data interpreted from IHS Markit.
Global LNG supply includes projects that are operational and under construction.

LNG MARKET OUTLOOK

The LNG market continued to grow in 2019, with demand increasing by 13% on the previous year, to 360 MT. In the Asian region, government policies continued to incentivise the switch to gas.

Increasing demand spurred record investment in LNG infrastructure in 2019, with 70 MTPA of new LNG capacity sanctioned, led by new developments in the US, Russia and Mozambique. Traditionally, projects have secured long-term contracts to underpin their Final Investment Decisions. However, in 2019, 37 MTPA of new LNG capacity was sanctioned without associated long-term contracts in place. This paradigm shift, where producers take open volume and price risk to position themselves favourably for anticipated future demand, is evidence of LNG's increasing commoditisation. It also highlights the market's confidence in the ongoing role of LNG as a baseload and bridging fuel in the global energy complex. A consequence of the larger LNG spot market has been significantly more LNG spot price volatility. In 2019, buyers also endeavoured to increase their reliance on spot procurement, particularly when spot LNG prices dipped below long-term oil-linked contract prices.

EXPIRING NORTH ASIAN CONTRACTS



NOTE: Data interpreted from IHS Markit.

Looking forward, it is anticipated that environmental drivers will support the continued growth of LNG demand, which is forecast to increase by more than 4% per annum through to 2030. Consequently, it is expected that additional liquefaction capacity of approximately 110 MTPA (above those projects currently operational and under construction) will be required by 2030. In addition, approximately 90 MTPA of contracts with North Asia[1] will expire by 2030. Approximately 55 MTPA of these contracts are from projects with declining reserves of very rich LNG. Oil Search expects this supply is unlikely to be recontracted with existing suppliers or, if it is, it will be at lower volumes.

While competition remains strong, with multiple proposed LNG projects already sanctioned or poised to enter FEED, the LNG expansion projects in PNG remain uniquely positioned to capture markets, due to PNG's strong track record of reliable delivery of high heating value gas and its proximity to Asian buyers.

2020 OUTLOOK

- Agree terms for the P'nyang Gas Agreement with the PNG Government, execute all commercial agreements and enter the FEED phase of the proposed three-train LNG expansion.
- Continue to engage with LNG buyers for Oil Search's equity share of LNG from the LNG expansion projects and enter into Heads of Agreement on LNG offtake.

[1] North Asia = Japan, South Korea, China and Taiwan

PNG EXPLORATION AND APPRAISAL

After four years of strategic acquisitions and farm-ins, in 2019, Oil Search focused on maturing its PNG exploration portfolio. The Company drilled two exploration/appraisal wells in the NW Highlands and Central Foldbelt and acquired more than 200 kilometres of seismic, making it by far the most active explorer in PNG over the year.

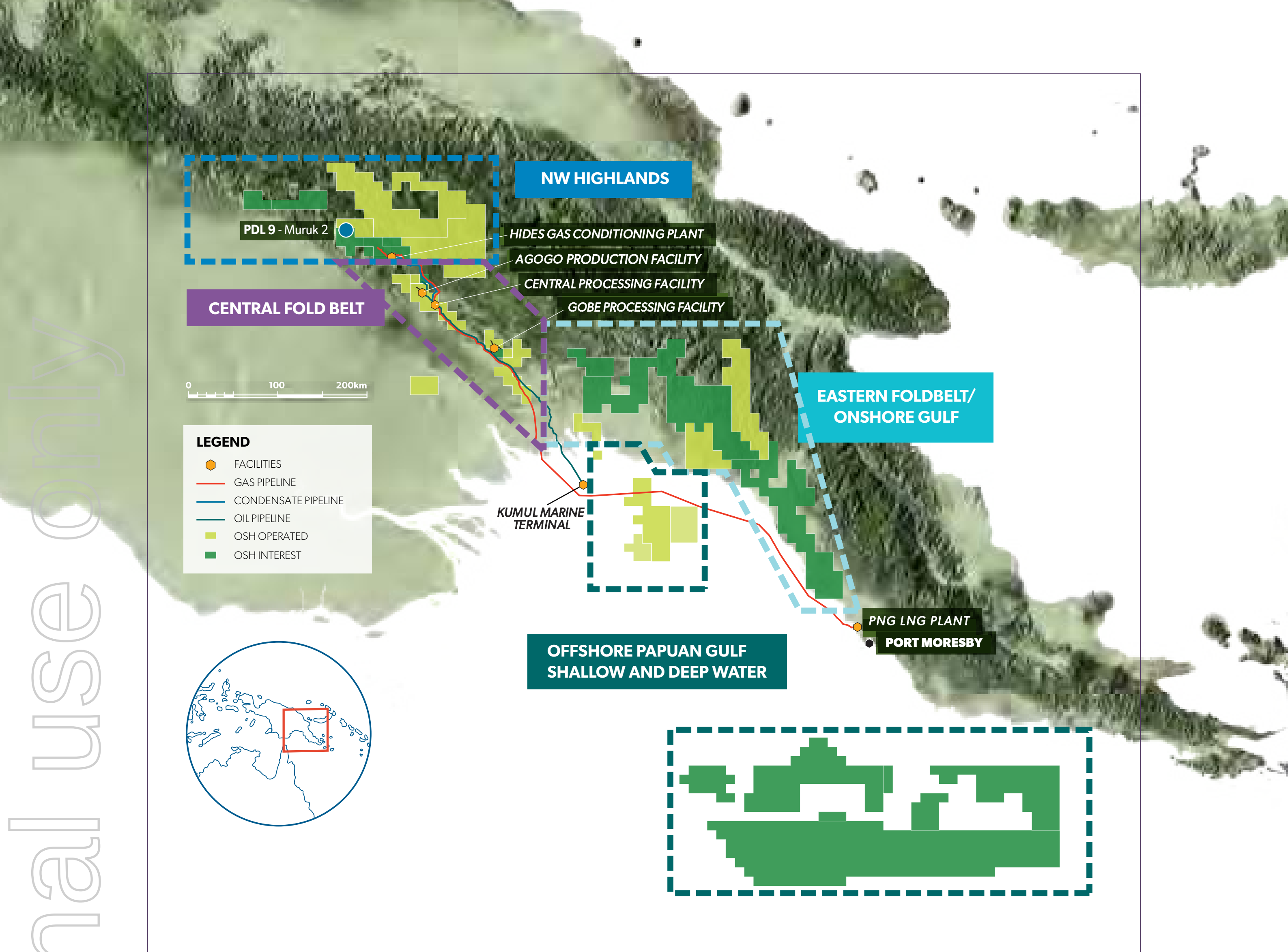
PNG EXPLORATION PORTFOLIO

Oil Search's exploration portfolio in PNG is concentrated in four highly prospective areas – the NW Highlands, Central Foldbelt, Eastern Foldbelt/Onshore Gulf and the Deep-water Gulf.

The Company estimates its licences hold significant volumes of gas, condensate and oil yet to be discovered. Most of the leads and prospects in its acreage are extensions of proven hydrocarbon plays, increasing the chance of geological success. In addition, the majority of the Company's prospect inventory is strategically located near existing and planned LNG infrastructure, ensuring that even modest discoveries have the potential to be commercially viable.

Oil Search's exploration strategy is to prioritise activities that create the most value. As such, the Company is targeting, at the appropriate time, gas opportunities which have the potential to add material backfill gas for existing LNG facilities and those that strengthen LNG expansion economics or can underpin additional LNG trains. In addition, subject to the oil price, investments are being made in activities designed to extend the production life of the Company's maturing oil fields and consequently defer abandonment costs. Limited permit commitments within the Company's portfolio allow Oil Search the flexibility to allocate capital to the highest quality prospects.

Near-term activities are likely to be lower than in previous years, until the PNG Government's proposed review of the Oil and Gas Act is completed.



OIL SEARCH'S EXPLORATION PORTFOLIO IN PNG HAS SIGNIFICANT HYDROCARBON POTENTIAL

2019 EXPLORATION ACTIVITIES

NW HIGHLANDS

During the year, the Muruk 2 appraisal well in PDL 9 (Oil Search 24.4%), which commenced drilling in November 2018, was completed. The objective of the well, located 12 kilometres northwest of the Muruk 1 gas discovery in PPL 402 (Oil Search 37.5%), was to reduce structural and reservoir uncertainty and prove up the extent of resource volumes within the Muruk field.

Muruk 2 discovered gas with a similar chemical composition to Muruk 1. Pressure and well testing proved that Muruk 2 is in communication with Muruk 1. However, the reservoir at the Muruk 2 location was encountered deeper than expected. Testing of flow rates was impacted by drilling-induced damage caused by mud and fluid losses into the reservoir.

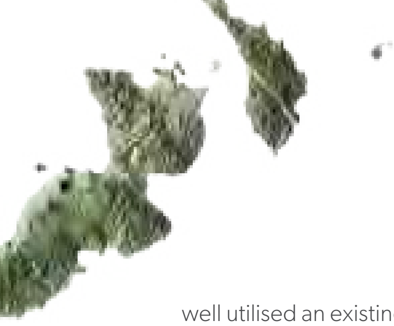
Based on the flow results, reservoir modelling and pressure build up data gathered to date, Oil Search estimates that gross 1C and 2C contingent recoverable gas resources for the Muruk field are 453 and 843 bcf, respectively (114 and 211 bcf, respectively, on a net basis). Gross 1C contingent resources have increased by 249% compared to initial estimates following the drilling of Muruk 1 in early 2017, while the gross 2C contingent gas resources have increased by 23%.

The Company recently commenced a 2D seismic survey over the field and adjacent prospects, with approximately 100 kilometres of data planned to be acquired in 2020. The survey will supplement seismic data acquired in 2017 and enhance structural definition. This data will assist the Company to better assess in-place resources.

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, either to support the PNG LNG Project or an additional LNG train.

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. To minimise capital outlay, the



well utilised an existing well pad in the Gobe Main field, following a deviated pathway around the hanging wall to the footwall.

The objective of the well was to deliver near term, value accretive production through the existing Gobe facilities, extending the production life of the Gobe field and deferring abandonment activities.

In early 2020, the well successfully intersected the target Toro and Iagifu reservoirs as planned. However, based on analysis of samples, pressure readings and logs acquired, both reservoirs were found to be water bearing, with minor oil shows.

Additional exploration prospects have been identified adjacent to existing oil production facilities. The timing of the drilling of these prospects will be further assessed in 2020, in line with the Company's capital allocation strategy.

EASTERN FOLDBELT/ ONSHORE GULF

In mid-2019, Oil Search completed the second phase of a 2D seismic acquisition programme, spanning 220 kilometres over PPLs 475 and 476, located in the Eastern Foldbelt/ Onshore Gulf. The seismic was undertaken on behalf of the operator, ExxonMobil, and follows promising leads generated from the first 330 kilometre survey acquired over these licences in 2018.

Provisional interpretation of the data acquired has highlighted several encouraging features, meriting further investigation. Additional seismic will be acquired, to mature identified leads and prospects located near the proposed Papua LNG infrastructure. Subject to the results, the data will help the joint venture define an exploration drilling schedule.

DEEP-WATER GULF

During 2019, further work took place on interpreting the extensive 2D seismic data acquired over Oil Search's deep-water exploration acreage in 2017. A 3D seismic survey over the area commenced in the first quarter of 2020, which will constrain several large prospects defined by the initial 2D survey.

2020 OUTLOOK

- Complete 2D seismic acquisition in the NW Highlands and commence Eastern Foldbelt seismic acquisition.
- Mature the Eastern Foldbelt prospect inventory to prepare for a potential future drilling programme.
- Further mature the Central Foldbelt portfolio.
- Acquire and interpret deep-water 3D seismic and assess the potential for future drilling.

ALASKA NORTH SLOPE

In early 2019, Oil Search completed its inaugural Alaskan appraisal drilling programme. A detailed analysis of data gathered over the year resulted in a 46% increase in gross 2C oil resources. Following this material upgrade and with all necessary government and community approvals in place, Front-end Engineering and Design (FEED) activities on the Pikka Unit Development commenced in early 2020, with a Final Investment Decision targeted for the second half of 2020.

INAUGURAL ALASKAN DRILLING PROGRAMME SUCCESSFULLY COMPLETED

In April 2019, Oil Search concluded its first Alaskan North Slope appraisal drilling programme. The two-rig, two well drilling campaign in the Pikka Unit was completed without any recordable injuries and within budget, a commendable result given the challenging Arctic conditions and short winter drilling season.

The Company drilled two wells, Pikka B and Pikka C, each comprising a vertical hole and a side-track. All four reservoir penetrations intersected hydrocarbons within the targeted Nanushuk Formation.

The objectives of the Pikka B appraisal well were to improve resource definition in the southern end of the fairway and establish reservoir deliverability. The well successfully intersected hydrocarbons in the thickest Nanushuk reservoir section encountered to date within the Pikka Unit. The well flowed at a stabilised rate of 2,410 bopd, with testing restricted by equipment limitations.

Pikka C was aimed at reducing uncertainty of reservoir deliverability in the northern part of the field. The well was designed as a prototype for future development learnings and included six stimulation stages in a 1,158 metre (3,800-foot) lateral section. The well achieved a stabilised flow rate of 800 bopd. While the reservoir characteristics at Pikka C well were broadly in line with pre-drill expectations, the flow test was impacted by technical issues. Lessons learned from the well have been incorporated into the 2019/20 drilling programme.

Having achieved the programme's key objectives, both wells were plugged and abandoned, with the rigs safely demobilised.


N320MH

"Pikka B appraisal well, located on the Alaska North Slope."

MAJOR RESOURCE UPGRADE

During 2019, Oil Search evaluated the data gathered from the two Pikka wells drilled in the 2018/19 appraisal drilling programme and information obtained through data trades from wells adjacent to the Pikka Unit. In addition, new reservoir maps resulting from the merging and reprocessing of several 3D seismic data sets were integrated into Oil Search's reservoir models. The new data provided clearer images of the Nanushuk reservoir across the Pikka Unit and an improved understanding of oil recovery mechanisms.

This work underpinned a material increase in Oil Search's estimate of the contingent resources in the Pikka Unit Development, which was reviewed and validated by Ryder Scott Company, L.P., an independent resource expert.

Ryder Scott's certified 2C contingent recoverable oil resources are 371 million barrels net to Oil Search, or 728 million barrels on a gross basis. The certified gross 2C contingent resource is 46% higher than Oil Search's estimate of gross 2C contingent resources when the Company acquired the interest in late 2017.

The revised resource estimates are based on the current Pikka Unit development plan and do not include several reservoirs within the Pikka Unit and field extensions outside the Unit that may be developed, or other discovered resources that potentially could be tied into the development in the future. Work has commenced on the evaluation of these additional resources.

46%
upgrade in gross 2C contingent oil resources for the Pikka Unit, certified by independent auditor, Ryder Scott.

MAJOR PROGRESS ON PIKKA UNIT DEVELOPMENT

In addition to the material resource upgrade, substantial progress was made on the Pikka Unit development plan over the year.

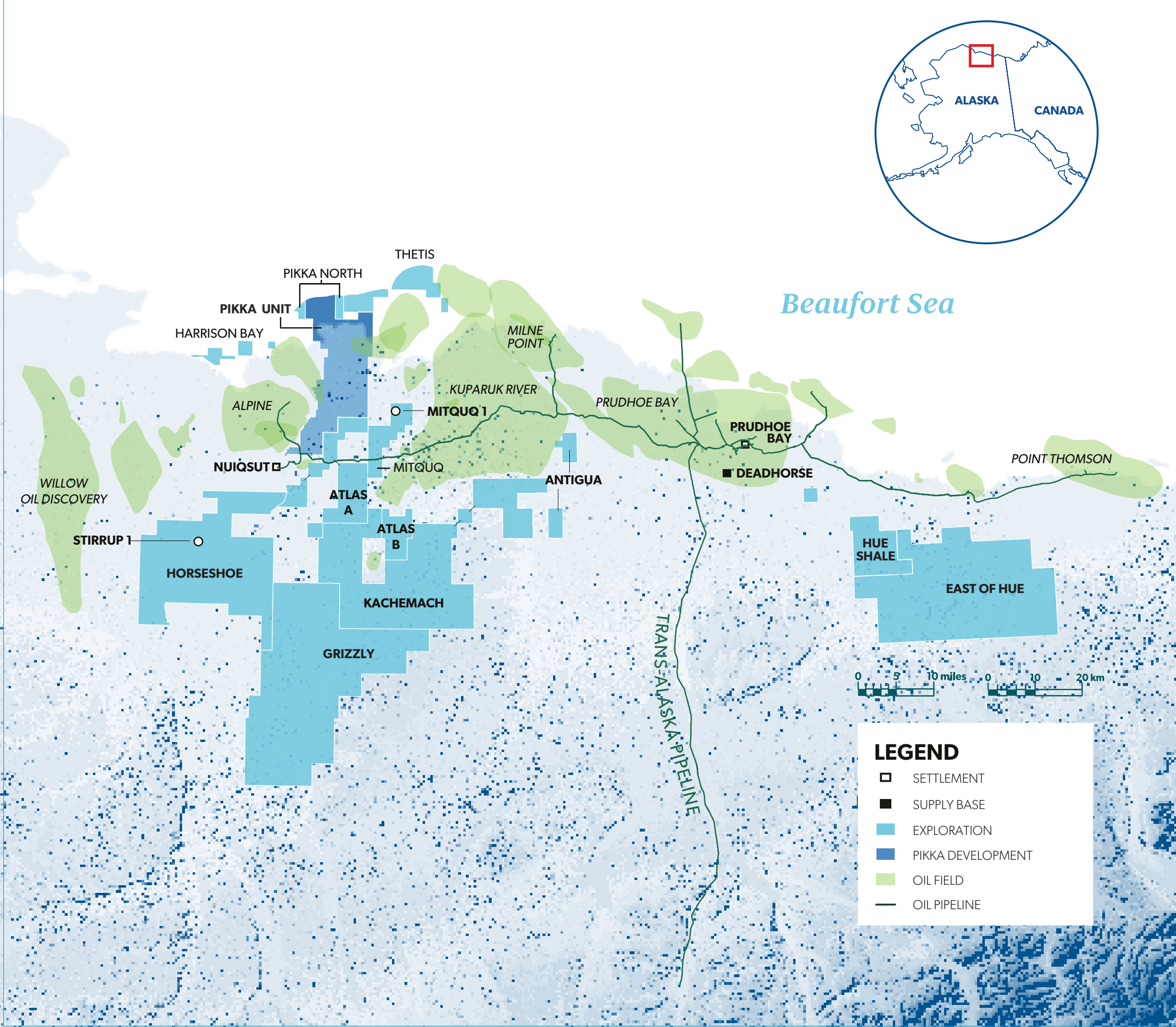
In May 2019, Oil Search received a permit and Record of Decision (ROD) for the Pikka Unit development from the United States Army Corps of Engineers. The ROD confirmed support for the Company's proposed infrastructure and environmental plan and marked a significant step forward for the project.

The granting of the permit represented the conclusion of a multi-year evaluation process and completion of an Environmental Impact Statement. Prior to finalising its development plan, the Company worked closely with the communities of Nuiqsut and Utqiagvik, to help identify and address potential effects of the project on their communities and way of life. As a result, more than 20 amendments were made to the original project plan prior to its final submission.

The approved development plan includes the following:

- Up to three drill sites for production and injection wells.
- A central processing facility.
- An operations centre with a camp plus office, warehouse and maintenance facilities.
- Approximately 40 kilometres (25 miles) of roads.
- Two bridges.
- Approximately 56 kilometres (35 miles) of pipeline rights of way.

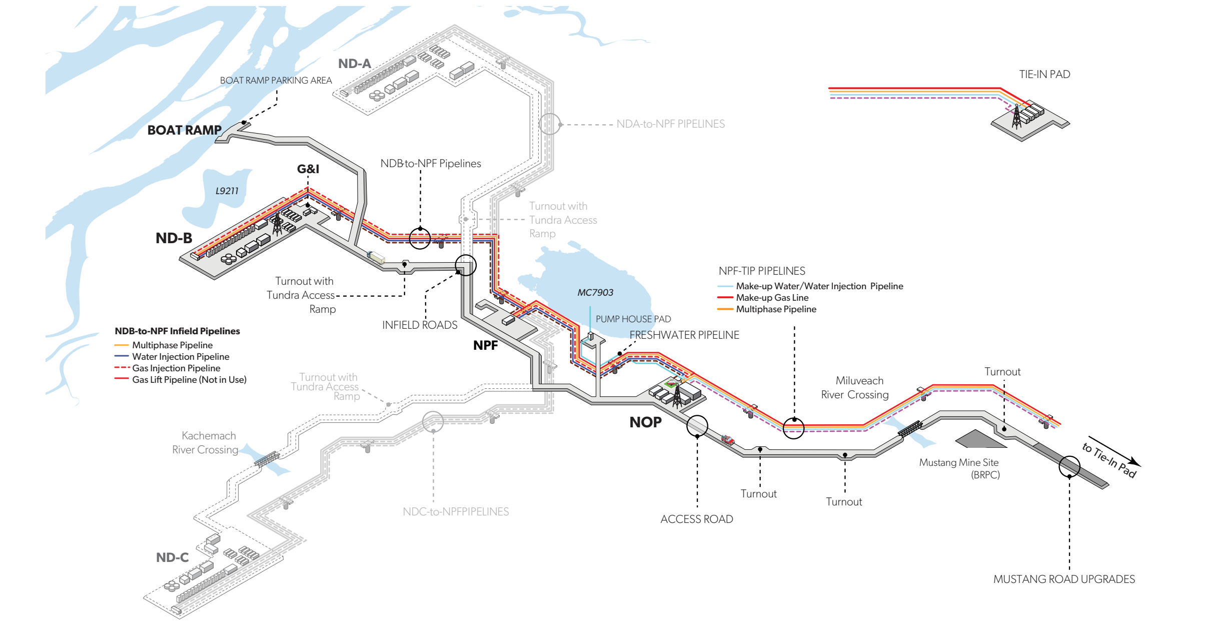
ALASKA NORTH SLOPE LEASE POSITION



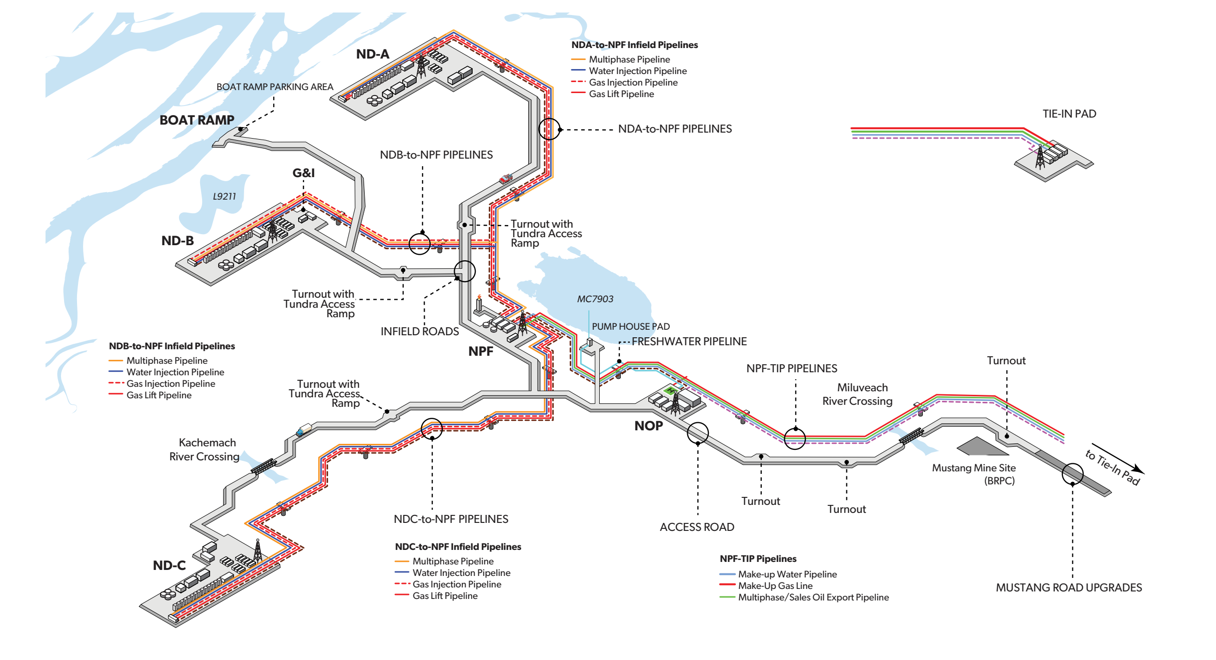
During the year, Oil Search revised the Pikka Unit development plan to enhance value and reduce risk. The Company undertook a major value engineering exercise, with several key design optimisations incorporated into the planned development. The Pikka Unit Development is now targeting initial production in late 2022 from an Early Production System (EPS) at rates of up to 30,000 barrels of oil per day (bopd) from the Pikka ND-B drill site. The planned full field development (FFD) includes the construction of a new standalone central processing facility and associated infrastructure, with more than 100 wells from three drill sites. Production from the FFD is projected to commence in 2025 with a plateau production rate of up to 135,000 bopd. The phased development approach will allow the Company to incorporate learnings from the EPS, in particular optimising drilling and well completions, into the FFD.

In December, the North Slope Borough Assembly approved Oil Search's Master Re-zoning Plan for the project and amended zoning maps to allow for construction of Pikka gravel roads and pads.

EARLY PRODUCTION SYSTEM



FULL FIELD DEVELOPMENT



BUILDING ALASKAN CAPABILITY

Oil Search continued to build a world-class team of staff and contractors in Alaska during 2019, to support the delivery of the Pikka Unit Development and ongoing exploration activity. By the end of 2019, the Alaskan team had grown to 127 employees and 32 direct contract workers, a 160% increase from the prior year, with significant prior experience operating on the North Slope.

In April 2019, Oil Search engaged a third party to conduct a review of the Alaska Business Unit's organisational design, to ensure the business is fit-for-purpose and compares well relative to other high performing companies. The aim was to ensure that the full potential of the talent that exists within the business is realised, that the Business Unit's structure is flexible and scalable and that it is able to execute to a consistently high standard. Additionally, assurance was required that the organisation was ready for the Pikka Unit Development FID and capable of delivering an industry-leading major project.

The review process was executed over an eight-week period and included multiple interviews, workshops and benchmarking.

Based on an analysis of the data gathered from the review, several optimisation opportunities were identified and implemented. Oil Search believes that the Alaska Business Unit is well positioned to deliver the Pikka Unit Development and the many additional growth opportunities identified.

Signing ceremony for the Land Use Agreement with Kuukpik Corporation

MOVING INTO FEED

In early 2020, Oil Search and partner Repsol commenced Front-end Engineering and Design (FEED) activities on the Pikka Unit Development. The Joint Venture plans to use best practices and apply the latest technologies to develop the field, including employing high resolution petrophysics, geophysics, static and dynamic reservoir models, water flood and miscible gas enhanced oil recovery (EOR) at start-up to maximise recovery. Oil Search is also assessing the use of AI/machine learning for production optimisation. All facilities will be designed to minimise the environmental footprint and ensure safe and reliable operations in the remote area where the field is located. The Company will continue to evaluate further enhancements, to optimise long term recovery and operational efficiency.

EXERCISE OF THE ARMSTRONG/ GMT OPTION AND ALIGNMENT OF INTERESTS WITH REPSOL

In June 2019, based on the encouraging drilling results and major progress on the Pikka Unit development plan, Oil Search elected to exercise the US$450 million Armstrong Energy/GMT option, doubling its interest in the Pikka Unit, Horseshoe area and surrounding exploration lease areas. In conjunction with exercising the option, Oil Search and Repsol agreed to align interests across their shared Alaskan portfolio. The option exercise and re-alignment of interests has resulted in Oil Search holding 51% and Repsol 49% in co-owned leases, ensuring the two companies are commercially aligned.

To mitigate financial and operational risk, Oil Search plans to divest up to a 15% interest in its Alaskan assets in 2020. The Company has engaged Scotiabank to assist with the sell-down, with positive initial interest from the market. The divestment is targeted to take place once results from the 2019/20 drilling season are known and is expected to be finalised in the second half of 2020.

INCREASING ALASKAN FOOTPRINT

During the year, leases covering 3,575 acres immediately adjacent to the northern boundary of the Pikka Unit, that Oil Search successfully bid for in the 2018 Alaska Lease round, were formally issued by the State of Alaska. In line with existing agreements, a share in these leases was offered to, and accepted by, Repsol. In addition, through pre-existing commercial agreements, Oil Search acquired interests and became operator of the leases Repsol successfully bid on east of the Pikka Unit, covering more than 17,000 acres. The joint venture commenced drilling a high potential exploration well, Mitquq 1, on this acreage in late 2019.

In late 2019, Oil Search was the successful bidder on 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 complement the Company's existing high-quality portfolio on the North Slope. The leases are expected to be formally issued in mid-2020.

2019/20 WINTER PROGRAMME

The Company's second Alaska winter season programme began in November 2019, with the commencement of construction of approximately 322 kilometres (200 miles) of ice roads to support exploration drilling and construction activities.

On 25 December, the Company spudded the Mitquq 1 exploration well within the Pikka East area, approximately 10 kilometres (6 miles) east of the proposed Pikka Unit processing facility. In January, the well penetrated the primary Nanushuk objective, with preliminary analysis of data collected indicating a saturated, porous, 60 metre net hydrocarbon column. A 16 metre net hydrocarbon column was found in the secondary objective, the Alpine C. Testing to determine well deliverability is expected to take place in early April 2020. Mitquq has the potential to be a high value tie-back to the planned Pikka infrastructure, adding low-cost barrels to the Pikka Unit Development.

The Stirrup 1 exploration well, which lies approximately 32 kilometres (20 miles) south-west of the Pikka Unit, spudded in late January 2020. The Stirrup well intersected the Nanushuk reservoir with indications of oil. The well will be flow tested with results expected in early April 2020. Stirrup will help determine whether there are sufficient resources in the Horseshoe area to underwrite a stand-alone processing facility or whether the resources in the area are best developed as a satellite to the proposed Pikka processing facilities.

In late December, gravel laying operations commenced for the road to the Pikka ND-B well pad and other early civil works required for the Pikka Unit Development. Planned 2019/20 development work includes the construction of more than 18 kilometres (11 miles) of gravel roads, 56 acres of gravel pads and a 59 metre (192-foot) bridge.

STAKEHOLDER ENGAGEMENT

One of Oil Search's core objectives is to create shared value in the areas in which it operates, to ensure the long-term wellbeing and sustainability of communities near its operations. Community engagement, environmental protection and compliance are of the utmost importance for the Company.

In 2019, Oil Search continued to build and strengthen its relationships with the Nuiqsut, Utqiagvik and other Alaskan communities. The Company collaborated with local community organisations and neighbouring operators to deliver events and activities supporting local youth, economic development and capacity building. Activities included the delivery of outboard boat motors to the Search and Rescue team in Nuiqsut, progressing plans for development of a boat ramp to support subsistence fishing activities on the Colville River and sponsorship of cross-country skiing and basketball camps to promote healthy lifestyles. Additionally, Oil Search participated in the Nuiqsut health and job fair and sponsored internships in collaboration with the Alaska Native Science and Engineering Program and Alaska Clean Seas, a non-profit emergency response cooperative.

In late 2019, the Company secured a key Land Use Agreement with Kuukpik Corporation, the Village corporation and business representative for the community of Nuiqsut. The agreement helps to ensure the Pikka Unit Development progresses in a balanced and environmentally responsible manner, respecting the lifestyles of the people of Nuiqsut and Alaska Native population. It underpins the long-term relationships between Oil Search and the local communities of the North Slope and lays the foundation from which both parties can benefit environmentally and economically.

2020 OUTLOOK

- Maintain focus on safety and the environment.
- Test the Mitquq and Stirrup exploration wells and integrate the results into plans and preparation for the 2020/21 drilling season.
- Progress the Pikka Unit Development to FID and continue to advance other key activities, including:
  - Completion of the planned 2020 gravel lay for pads, roads and bridges to support the development.
  - Preparation for a second season of gravel lay for three winter seasons of pipeline and related infrastructure construction.
  - Preparation for a continuous development drilling programme, starting with a single rig.
- Manage the Alaskan portfolio by divesting up to 15% of the Company's 51% interest.
- Build on relationships with North Slope stakeholders by demonstrating Land Use Agreement compliance and continued constructive engagement with North Slope communities.
- Prioritise portfolio prospects and acreage positions to enable further growth of the Alaska business.

STABLE OPERATING ENVIRONMENT

COMMITMENTS THAT CHANGE LIVES

Ensuring a stable environment by operating responsibly has underpinned Oil Search's success for 90 years. During 2019, the Company drew on decades of knowledge, experience and relationship-building to continue making meaningful contributions in communities where it operates.

Oil Search aspires to be at the forefront of working with local communities and sustainable development, to be a responsible corporate citizen and to deliver value to communities. As well as maintaining a stable operating environment, this approach is a powerful way to improve social and economic conditions in the areas where we operate and provide sustainable benefits to communities.

STRONG HEALTH SYSTEMS

Since 1992, Oil Search, working directly with and through the Oil Search Foundation (OSF), has helped PNG project area communities to access health services. Given the lack of public health services in rural and remote areas, this is an important investment that aligns with local needs and assists with preserving operational stability. In 2019, the Company supported OSF with a US$15 million contribution towards multiple services, including funding doctors' salaries and providing medical equipment.

Historically, Oil Search has contributed significantly to expanding and upgrading health services infrastructure in PNG. During 2019, the Company delivered critical infrastructure, such as new X-ray units, and renovated earthquake-damaged health facilities. Through OSF, Oil Search also supported the refurbishment of tuberculosis (TB) diagnostic and treatment facilities. Altogether, 343 people completed TB treatment courses in 2019, a 37% increase from 2018.

As in previous years, OSF partnerships expanded the reach of health services. The ongoing partnership with Rotarians Against Malaria to improve malaria prevention and treatment, helped to maintain low malaria rates in project area communities. The Foundation's long-term collaboration with Marie Stopes PNG resulted in national targets for family planning services in all three target provinces being exceeded.

In October, OSF launched an Accelerated Immunisation project with the new Gulf Public Health

Authority (PHA) and partners WHO and UNICEF. OSF will manage this project, working with the PHA to improve vaccination rates for children aged under five years.

Since it began operation in 2011, OSF has built strong, collaborative and transparent partnerships with PHAs that support sustainable government health services and improve health indicators. OSF directors chair the governance bodies of Hela and Southern Highlands PHAs. This support enabled them to remain in the year's top ten PHAs despite having severely earthquake-damaged facilities. The Gulf PHA was launched in July 2019 and is also chaired by the OSF.

Another OSF partnership, Wok Bung Wantaim, further improved public and community health. Working with the PNG and Australian Governments and other donors, OSF assisted local communities achieve a number of objectives. These included meeting polio and measles vaccination targets and assisting PHAs with increased budget appropriations, executive training, facility upgrade funding and service level agreements.

Oil Search also provides medical support directly to members of the community in PNG by providing access to on-site clinics, including emergency medivacs or patient transfer to primary health care facilities, if required. These services are a critical lifeline to isolated communities. In 2019, 3,651 community members, including members of employees' families, were treated at an Oil Search clinic and 96 medical evacuations or transfers occurred.

IMPROVED EDUCATIONAL OPPORTUNITIES

Supporting education is a long-term focus for Oil Search and OSF as it contributes to sustainably improving local employment prospects and living standards.

Launched in partnership with Buk bilong Pikinini, the number of OSF-funded early childhood literacy libraries grew to three in 2019, with the newest library in Fugwa in the Hela Province completed in October. Through attendance at these libraries in 2019, 148 children learned to read.

OSF completed the full implementation of its scholarship programme during the year. This offers opportunities to develop leadership skills through structured training, mentoring and work placements and focuses on medicine, nursing, community health, midwifery, education and business and financial management.

In 2019, 25 students completed their academic year through OSF scholarships. Nine 2018 scholarship recipients who graduated as medical doctors in early 2019 took up residencies in Provincial Hospitals across PNG.

RAISED FSV AWARENESS

PNG experiences high levels of family and sexual violence (FSV). Oil Search works with OSF to help raise awareness of FSV and to ensure families have access to information and support so they can address this issue and lead positive change.

During 2019, a baseline Oil Search employee survey showed a reasonably high level of FSV or domestic violence awareness and a high interest in learning about how to seek help. The survey results will assist OSF to tailor staff training and awareness programmes.

In 2019, OSF supported the provision of FSV training to police and village court officials on dealing with family violence within the law. OSF also provide awareness sessions for employees of companies subscribed to the Bel isi PNG initiative.

Foundation funding enabled Hela PHA's Family Support Centre (FSC) to expand its essential work with FSV survivors by supporting a counsellor and Health Extension Officer, and two Public Health Officers to run community awareness and training sessions. As a result, Hela FSC experienced a 100% increase in new clients every month from April onwards, with 1,250 new clients accessing these services in 2019.

Oil Search and OSF aim to create positive change through the Champions of Change initiative. In 2019, 34 employees accessed small grant funding, information and toolkits to drive change in their communities around topics such as natural disaster preparedness and local FSV. This was a 90% increase on 2018.

MAXIMISED OPPORTUNITIES FOR LOCAL BUSINESS

Oil Search aims to engage with local communities to maximise the involvement of local businesses in opportunities arising from its operations.

In 2019, it conducted two workshops with 16 PNG landowner companies (Lancos) servicing Oil Search operating areas, to discuss performance and share experiences and challenges.

In Alaska, Oil Search continued developing a local business strategy to maximise value and opportunities for Kuukpik suppliers as well as residents of Nuiqsut and the North Slope of Alaska. During the year, Oil Search conducted contractor workshops and facility visits to discuss Oil Search's values and processes and manage opportunities and processes collaboratively.

EXTENSIVE DISASTER RECOVERY

Oil Search and OSF provided nearly 80% of all first responder aid to local communities after the 2018 earthquake in the PNG Highlands. In 2019, the Company focused on recovery and rehabilitation in partnership with OSF, governments, business partners, donors and communities.

Rebuilding homes, re-establishing schools and small businesses and restoring water supplies were prioritised. The myriad projects ranged from renovating damaged health and educational facilities to installing containerised aid posts and providing 100 water tanks.

EXPERIENCE MATTERS

Responding effectively to a community catastrophe requires specialist skills and expertise and, after 90 years, Oil Search is well-placed to lead such efforts. The Company and OSF provided comprehensive earthquake recovery support to local communities in PNG during 2019.

One example is Yalanda, a small Southern Highlands village where six villagers died, many were injured and more than 600 people were relocated. Assisted by NGO and government partners, the support from Oil Search and OSF included:

- Conducting health and environmental assessments and delivering basic health services.
- Installing water tanks, constructing rainwater catchments and repairing pit latrines.
- Distributing food.
- Providing temporary shelter kits, building tools and training.
- Conducting health awareness campaigns.
- Helping the Provincial Government and PHA to restore education and health services.
- Assisting with enterprise development and infrastructure rebuilding.

EXPANDED PUBLIC INFRASTRUCTURE

Oil Search contributed to the socio-economic development of PNG in 2019 by supporting regional infrastructure development such as roads, hospital and school redevelopments and other projects, in line with the PNG Government's national development priorities.

These developments were funded under the Infrastructure Tax Credit Scheme (ITCS) and the National Infrastructure Tax Credit Scheme (NITCS). Implementation guidelines for this scheme are currently under discussion within the PNG Government. Some ITCS projects are on hold until this process is completed.

Major projects progressed

In 2019, we progressed infrastructure projects worth an estimated US$6 million, including:

- Kupiano Hospital redevelopment: Completed an administration and a power generation building, laundry and shower blocks. We also began building general, maternity, outpatient and emergency wards, which are scheduled for completion in 2020.
- Komo-Ajakaiba road and bridges: Completed five river crossings, including two bridges, two culverts and one causeway. We expect this project to be completed in early 2020.
- Mendi police housing: Began working on police housing in Mendi, Southern Highlands Province, which includes 20 houses and two single-person barracks. This project is scheduled for completion in 2020.

In addition to the ITCS, Oil Search also supported OSF in delivering more than US$4.5 million of infrastructure. This included completing nurses' accommodation and a kitchen mess at Hela Hospital, starting work on an Accident and Emergency Building at Hela and constructing the Kikori Literacy Library.

ASSESSING PHYSICAL CLIMATE RISKS

Oil Search recognises that its assets, supply chains and project area communities are exposed to the future physical impacts of climate change. The Company committed to completing a Physical Climate Change Scenario and Risk Assessment (PSRA) in the 2017 Oil Search Climate Change Resilience Report, which was completed in 2019.

Phase 1 involved exploring the availability of climate data and the uncertainty inherent in climate models and identifying the key geographic climate change risks for PNG and the North Slope of Alaska. Phase 2 involved testing the identified geographic climate change risks with internal stakeholders, to assess potential impacts on Company assets, supply chains and communities. Phase 3 considered ways to embed the PSRA findings into future design decisions.

The analysis demonstrated that under a high emission scenario, a changing climate is unlikely to have a material impact on Oil Search's PNG assets or production. In Alaska, a high emission scenario has been considered as part of asset design.

While Oil Search's operational assets may be resilient, the communities surrounding them may be more exposed to climate change risk. More than 90% of households in Oil Search project area communities depend on subsistence living. They are vulnerable to natural disasters or incremental changes caused by climate change, such as higher incidences of malaria, floods and landslides. These could increase threats to human settlements and related ecosystems and infrastructure, especially where water, sanitation and health care are already poor quality.

COMMUNITY CLIMATE ADAPTATION

Oil Search is committed to helping communities to adapt to climate change. In 2018, it signed a Memorandum of Understanding with the PNG Climate Change and Development Authority (CCDA) to collaborate on climate adaptation projects in PNG. Assessment and planning for the first project – a small Southern Highlands community agriculture, food and water security programme – began in 2019.

Oil Search is working with the CCDA to develop a climate vulnerability assessment tool, to help identify critical climate change risks impacting these communities and the potential adaptation opportunities. The tool will be used as part of the Company's normal community assessment programmes and key learnings will inform a plan that identifies, conceptualises and designs adaptation initiatives.

In 2019, OSF held a summit with PNG agriculture experts to present preliminary PSRA findings and discuss different climate change scenarios and risks. With this new information, experts can develop agriculture solutions that are robust under a range of climate change pathways.

HUMAN RIGHTS PROTECTION

Respect for human rights and the desire to do no harm underpin Oil Search's commitment to sustainable development and our approach to operating responsibly.

Responsible supply chain (RSC) management is a key part of Oil Search's commitment to operating in alignment with the UN Guiding Principles on Business and Human Rights and its response to the Australian Government's Modern Slavery Act (see Oil Search's 2019 Modern Slavery Statement).

By adopting and improving RSC management processes, Oil Search aims to promote and protect the wellbeing of supply chain workers, local communities and the environment. This approach mitigates operational risk and builds trust with stakeholders.

During 2019, the focus was on improving internal alignment, awareness and ownership of key RSC management objectives and progressing development of core RSC elements. These included convening the Company-wide Responsible Sourcing Steering and Working Groups, clarifying our RSC

PHYSICAL CLIMATE CHANGE SCENARIO AND RISK ASSESSMENT (PSRA)

PHASE 1	PHASE 2	PHASE 3
GEOGRAPHIC RISK SCREENING FOR PNG AND ALASKA	ASSESS RISKS FOR EXISTING ASSETS, SUPPLY CHAINS AND COMMUNITIES	EMBED FINDING INTO FUTURE DESIGN DECISIONS

expectations and performance standards, preparing data to conduct supply chain mapping and developing an RSC supplier risk framework.

3,055
hours training on VPSHR to security personnel

0
security-related human rights incidents recorded

A new Company-wide external stakeholder grievance management procedure was developed, using insights from the 2018 grievance management review. A grievance management system is being rolled out in PNG. This will improve the oversight and consistency of stakeholder issues management from receipt to resolution.

The Company-wide Human Rights Risk Assessment was completed in 2019 and showed that security in PNG continues to be a human rights priority. During 2019, Oil Search conducted briefings and formal training sessions with public and private security providers to integrate the Voluntary Principles on Security and Human Rights (VPSHR) into Company security practices (see the Oil Search 2019 VPSHR Report).

In 2019, Oil Search again participated in the Global Compact Network Australia Modern Slavery Community of Practice and the IPIECA Social Responsibility, Human Rights and Supply Chain Working Groups, as well as the VPSHR Plenary. These forums provide valuable opportunities to discuss human rights, modern slavery and supply chain challenges with industry peers and contribute to tools and guidance.

2019 RECOGNITION

- Named in Strive Philanthropy's GivingLarge Report as a leader for socio-economic contributions to PNG.
- Achieved 'Leading' rating in Australian Council of Superannuation Investors' annual review of ESG reporting by ASX 200 companies.
- Qualified for inclusion in SAM's Sustainability Yearbook 2020, with Oil Search's performance within the top 15% of its industry.

2020 OUTLOOK

- Continue to work with the PNG Climate Change Development Authority on ways to strengthen community resilience to changes in climate.
- Support the Oil Search Foundation to further literacy, education and health outcomes in Hela, Southern Highlands and Gulf Provinces.
- Progress responsible sourcing supplier risk assessment and performance standards and procedures.

STRENGTHENED ORGANISATIONAL CAPABILITY

LAYING THE FOUNDATIONS FOR FUTURE GROWTH

One of the key reasons Oil Search's business has been successful for nine decades is its ability to align how it operates with changing market conditions and new opportunities. In 2019, a detailed organisation redesign broadened the Company's capabilities and aligned them with ambitious growth plans in PNG and Alaska, capable of contributing significant production growth by the mid-2020s.

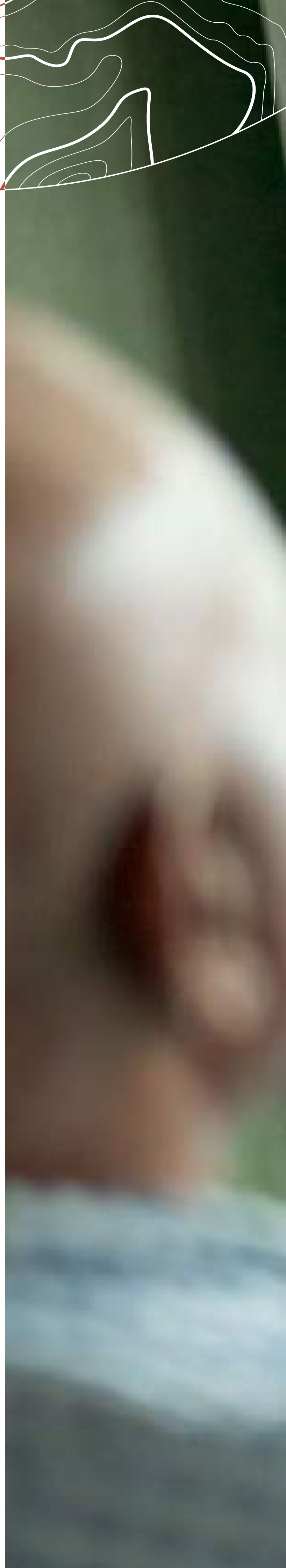
By establishing separate fully-enabled business units for PNG and Alaska, each with its own Chief Operating Officer, the redesign gave the two business units greater empowerment and accountability. This supports timely, well-informed decision-making and align to the Company's core values: Responsible, Diversity, Respect, Caring, Excellence, Integrity and Passion.

GROWTH-FOCUSED STRUCTURE

The redesign included establishing a Technology and Value Assurance Group, which will support the next phase of growth by bolstering project execution capabilities and the ability to leverage value-creating technologies. The newly created Board Project and Technology Committee will provide appropriate levels of Board support.

The multi-business unit structure is headed by a streamlined and refreshed Executive Leadership Team with clearer accountabilities, ensuring appropriate levels of corporate oversight while supporting improved performance and local accountability.

As well as reviewing Oil Search's business structure, the redesign identified an opportunity to enhance leadership bench-strength to support the Company's growth strategy. This led to several new hires, role expansions, lateral moves and promotions, including 14 external appointments and 15 internal appointments at Vice-President level and above. The changes expanded the Company's leadership skills and capabilities, strengthened our senior talent pipeline and introduced fresh ideas.



In Alaska, Oil Search launched three cross-functional empowerment teams in January 2019, to promote team spirit, empowerment and innovation across the business. Through these teams, leadership development opportunities were provided to three high potential employees.

DIVERSE AND INCLUSIVE WORKPLACE

39%
increase in the number of women in senior leadership roles since 2015

Since 2018, when the 2020 Diversity and Inclusion (D&I) Strategy was introduced, Oil Search has focused its D&I efforts on gender diversity, PNG citizen development and an inclusive workplace. This focus continued in 2019, including a refresh of the D&I Policy to ensure it remained updated.

Several popular and well-established development programmes supported the Company's D&I goals, by enriching the leadership capacity of women and citizen employees across the organisation to deliver a pipeline of appropriately qualified, skilled and diverse people at all levels.

Half our high potential employees are PNG citizens. In place since 2016, the Citizen DevelopmentProgramme (CDP) has provided them with clear development and employment pathways.

A key CDP development during the year was launching a scholarship programme in November for young PNG citizens with demonstrated potential. It focused on early identification and attraction of technical and leadership talent in skills shortage areas such as Science, Technology, Engineering and Mathematics (STEM). Implemented by Oil Search in partnership with the Oil Search Foundation (OSF) and launched in November 2019, the programme supported STEM teaching at secondary and university levels through funding and resources.

Another development was building a local coaching team with the appointment of full time PNG citizen coaches, responsible for supporting the development of CDP participants.

Achieving gender diversity objectives can be challenging due to the time it takes to develop leadership capability and the under-representation of females in the oil and gas industry, particularly for technical roles where STEM qualifications are necessary.

Nearly one third of our high potential employees are female. Another targeted diversity and inclusion initiative, Leading Our Way for Women, continued to support women in 2019 by maximising female representation in succession plans. The programme has strong senior leader sponsorship and an active alumni community. Participants have benefited from an intensive development experience, with their managers and senior leaders involved to promote greater understanding and empathy for the development barriers women face and how best to address them. The programme combines cohorts from PNG and Australia and has enhanced cultural understanding and cemented constructive networks across the business. Since it began, 11 programme participants have progressed into new or more senior roles.

Cumulatively, 67% of our leadership roles in PNG are held by PNG citizens, and we continue to make progress towards our 2020 goal of 73%.

In addition, the percentage of females in senior management increased from 23% in 2018 to 25%.

PROTECTING EMPLOYEE HEALTH

Oil Search aims to create a healthy workplace by helping to protect employees' physical and mental health. Several gender-based health programmes during 2019 helped to create awareness around common health issues, and how to ensure general health and wellbeing at work and home.

DELIVERING AGAINST DIVERSITY AND INCLUSION TARGETS

FOCUS AREA	2020 GOAL	2019 RESULTS	STATUS
Gender diversity	At least 30% female Executive Vice Presidents on the Executive Leadership Team by 2020	14%	Progressing, action plans in place
	30% female representation at Senior Manager level by 2020	25%	Progressing, action plans in place
	50% female representation in graduate intakes 2018-2020	83%	Progressing, action plans in place
Citizen development	73% PNG citizens in leadership roles in the PNG by 2020	67%	Progressing, action plans in place
Inclusive workplace	Consistently improve Inclusion Index results compared to the 2017 baseline	NA*	Progressing, action plans in place

* Employee survey to be undertaken in the first half of 2020.

CREATING CAREER PATHWAYS

83%
of 2020 graduate intake are female

At the end of 2019, Oil Search had carried out a number of initiatives that will benefit the wider industry and local communities as well as the Company, by helping develop clear pathways to employment for local people.

In PNG, Oil Search partnered with the OSF to deliver a scholarship programme which provides resources and student opportunities at secondary and university levels, including:

- Science resources for secondary schools in local community areas.
- Comprehensive pre-employment technician training for trainees from the local communities.
- Internships and final year scholarships for engineering students.

There is a focus on the early identification and attraction of local technical and leadership talent.

In Alaska, Oil Search partnered with leading education and industry training organisations to commence a number of initiatives aimed at fostering career opportunities for local and regional community members. These included industry-based awareness and education programmes at Trapper School in Nuiqsut, internships at Alaska Clean Seas and at Oil Search in Anchorage, as well as support for programmes executed through and in partnership with the University of Alaska. In late 2019, Oil Search partnered with local area operators to host an annual job fair in Nuiqsut, providing a key opportunity to capture interest in short-term and longer-term job opportunities.

>500
employees attended domestic violence awareness sessions

>800
employees attended men's and women's health awareness sessions

Building on the success of the Better Mental Health training programme in 2018, during 2019 the Company provided onsite counselling services by qualified psychologists to support mental health issues at Port Moresby, Sydney and PNG field-based locations. A number of employees used these services for topics ranging from workplace stress to change management and personal distress.

> 300
senior managers completed Coaching Our Way, including in Anchorage and the field in PNG

As part of the Company's ongoing focus on combatting Family and Sexual Violence (FSV), employees were offered training to increase their domestic violence awareness and knowledge and given information to help with management and action.

LEADERSHIP DEVELOPMENT

As Oil Search enters a new phase of growth, developing future-focused, inclusive and innovative people leaders is essential. During 2019, several leadership development programmes improved skills, capabilities and the talent pipeline across different organisational levels.

During 2019, design and development for a new Technical Leadership Framework began, to build and enhance technical capability and help Oil Search to better attract, develop and retain talent in core technical disciplines. The framework aims to improve employee engagement by recognising the value of technical capability and provide opportunities for development through a technical career stream.

As in previous years, the Coaching Our Way programme equipped Oil Search's leaders to create an engaging work environment and enhance the employee experience through recognition, development, learning and growth. So far, the programme has been delivered to more than 300 senior managers, managers and supervisors. Following its proven success in Sydney and Port Moresby, in 2019 it was expanded into Oil Search's Anchorage and PNG field teams.

The recruitment process for the three-year Graduate Development Program, which includes job placements, was improved during 2019 and attracted a strong pool of 2,011 applicants. Following the assessment process, 12 graduates were recruited for the 2020 GDP intake. A record percentage of female graduates was selected for the 2020 intake – 83% of all candidates compared to 46% for 2019. Oil Search also strengthened engagement with the PNG University of Technology, a key source of engineering talent in PNG. Its Heads of Departments toured Oil Search field facilities and met with early-career and experienced engineers to understand work-based requirements.

Oil Search's Competence Assurance Programme (CAP) complements the technical career framework and develops the technical capability of our facility operations workforce. Under this programme, competency profiles and an assessment approach underpin all stages of technician development. As part of the CAP, the apprentice programme was redesigned using a renewed selection methodology, with the first year occurring at a world-class oil and

JOURNEY TO OPERATIONAL EXCELLENCE

A collaboration between Oil Search and specialist consultants, Nambawan Operational Excellence is an Oil Search PNG transformation initiative that is building deep operational excellence capability, reducing risk and improving process efficiency and productivity. Overseen by the Nambawan Steering Committee, the overall aim is to ensure the PNG BU is safer and more productive.

Since early 2019, a dedicated Nambawan team has been working with the PNG business to focus on actions that will realise high-value opportunities in 2020 and beyond.

These include improving compressor availability, to increase production and revenue, and deploying robust business process frameworks that support achieving Oil Search's short and long-term goals and enable sustainable business improvement.

The Nambawan initiative has identified several high-gain opportunities, including:

- Building leadership capabilities through senior leader and area transformation.
- Creating and implementing integrated business management processes with a rolling 24-month plan.
- Strengthening process safety management.
- Developing and deploying a clear Maintenance and Reliability Strategy.
- Making project processes more robust.
- Developing supply chain management capabilities.

The leadership training modules deliver a shared understanding of what operations excellence looks like and the leadership practices required to achieve it, including leading and managing change, managing business performance, courageous conversations, coaching and feedback and Oil Search values and behaviours.

gas training facility. The CAP currently covers 434 people – about one third of the total workforce.

CODE OF CONDUCT

In July 2019, the Corporations Act 2001 expanded its requirements to provide greater protections for whistle-blowers. Oil Search therefore developed a Whistle-blower Policy, which became effective on 21 October 2019.

This was one of several policies that were refreshed during the year to ensure we continued to meet good governance expectations. The others were our Share Trading, Corruption Prevention and Public Disclosure Policies.

In 2019, all Oil Search employees underwent mandatory training on the Code of Conduct through scenario-based online training modules. This was further supported by face-to-face training to encourage discussion and create awareness about the options available for speaking out.

We investigate all reported and suspected breaches of our Code of Conduct. Following appropriate investigations, 29 matters were substantiated and resulted in disciplinary action, including coaching and training, records of discussion, written warnings and termination of employment. The breaches related to conflict of interest, harassment and bullying, fraud, theft, breach of policy or procedures and health, safety, environment and security.

Eight reports were made through our whistle-blower hotline. These related to allegations of discrimination, conflict of interest, harassment and non-compliance with Company policy. After thorough and independent investigation, four were found to be unsubstantiated and four were substantiated. All these whistle-blower cases have been closed out in accordance with our whistle-blower investigation process.

2020 OUTLOOK

- Continue to work towards 2020 D&I objectives.
- Undertake a D&I Strategy refresh.
- Continue our investment in developing emerging female and citizen talent.
- Implement the new technical career framework, including a competency assessment and development process.

2019 RESERVES AND RESOURCES STATEMENT

Over 2019, Oil Search's total booked 2P (Proved and Probable) oil Reserves and 2C (Contingent) oil Resources nearly doubled, increasing from 253 million barrels (mmbbl) to 497 mmbbl. Total 2P gas Reserves and 2C gas Resources at the end of 2019 were largely unchanged, at 6,737 billion cubic feet (bcf). 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.

Oil Search's total 2P Reserves plus 2C Resources increased by 17% during 2019, driven by a material upgrade to resources in Alaska as well as increased bookings at Muruk and the PNG LNG Project Associated Gas fields.

The information gathered through the inaugural 2018/19 Alaskan appraisal drilling programme, together with the incorporation of other data acquired over the year, resulted in a 46% lift in gross 2C oil Resources, to 728 million barrels, which has been certified by independent resource auditor, Ryder Scott Company, L.P. (Ryder Scott). When combined with the doubling of Oil Search's working interest in the Pikka Unit through the exercise of the Armstrong Energy/GMT option, the Company's 2C booked oil Resources in the Pikka Unit rose by 291%. The booked 2C Resources in Alaska only relate to the current Pikka Unit development plan and do not include several other reservoirs within the Pikka Unit, field extensions outside the Unit and other discovered resources that may be developed. The Company will continue to assess these areas during 2020, with revised Resource estimates expected to be released later in the year.

Preliminary results from the exploration wells being drilled in Alaska in the 2019/20 season are also encouraging. The Mitquq exploration well, located east of the Pikka Unit in Alaska, discovered oil in both the primary and secondary objectives. The well intersected 60 metres of net hydrocarbon pay in the Nanushuk reservoir and 16 metres of net hydrocarbon pay in the Alpine C reservoir, both materially thicker than pre-drill estimates. A side-track from the Mitquq well bore penetrated the Nanushuk reservoir and will be flow tested. If successful, there is potential further Resource upside in Alaska.

The Stirrup 1 well in the Horseshoe area, south-west of the Pikka Unit, also encountered oil in the target Nanushuk reservoir and will be flow tested.

In PNG, based on the flow results, reservoir modelling and pressure responses gathered to date from the Muruk 2 well. Oil Search estimates that gross 1C and 2C gas Resources for the Muruk field are 453 and 843 bcf respectively (114 and 211 bcf, respectively, on a net basis). Gross 1C Contingent Resources are 249% higher than those estimated following the drilling of Muruk 1 in early 2017, with the data gathered increasing the Company's confidence level in the Resource. Oil Search's current estimate of gross 2C gas Resources increased by 23%. Further seismic will be acquired over Muruk in 2020 and additional core work is ongoing, which will enhance the Company's knowledge of the structure and reduce uncertainties. Resource estimates for Muruk are currently being reassessed and will be updated once this additional data has been evaluated.

Following receipt of the draft recertification report of PNG LNG Project Resources by independent auditor Netherland Sewell & Associates, Inc. (NSAI), 1P gas Reserves in the PNG LNG Project increased by 50.3 bcf and oil and condensate 1P Reserves rose by 4.5 mmbbl. This reflected increased certainty in the Project Resource following three years of stable production since the last audit. 2P Reserves also increased, by 8.8 bcf of gas and 3.9 mmbbl of oil and condensate, reflecting upgrades in the Moran and Kutubu complex fields.

The Reserves and Resource base at the end of 2019 provides a very strong platform for the Company and underpins current production and the growth opportunities in PNG and Alaska.

OIL AND GAS RESERVES

At 31 December 2019, the Company's 1P Reserves were 53.9 mmbbl of oil and condensate and 1,874.1 bcf of gas. 2P Reserves were 67.1 mmbbl of oil and condensate and 2,101.9 bcf of gas.

The key changes in 1P and 2P Reserves since 31 December 2018, which are summarised in Tables 1 and 2, are as follows:

- Reserves at 31 December 2019 have been adjusted for net production of 4.7 mmbbl of oil and condensate and 113.7 bcf of gas[1].
- Oil and gas associated with the PNG LNG Project has increased, after receipt of the draft recertification results from NSAI in 2019. The increases in 1P Reserves reflect higher certainty after three years of stable production since the previous assessment.
- There have been no changes to the estimated ultimate recovery (EUR) for oil in the Kutubu, Agogo, and Moran fields. Reserves are based on the NSAI 2017 recertification and, in both the 1P and 2P categories, reflect the year-end 2018 position less 2019 production volumes.
- There have been minor reductions to the Gobe Main oil booking, while remaining SE Gobe oil and gas Reserves have been moved to Contingent Resources. This reflects revised Operator forecasts, which incorporate changes to production and economic assumptions since the last external audit in 2015.
- There were minor additions to the Hides GTE 1P Reserve booking, reflecting updates to the 2019 gas nomination calculations under the Hides Gas Sales Agreement.

Developed and undeveloped Reserves are shown in Table 3. Undeveloped gas and condensate Reserves are related to the PNG LNG Project, where the construction of additional infrastructure is required prior to the commencement of gas export, consistent with the approved development plan. This infrastructure is not currently required, as the developments on-line are providing sufficient gas volumes to meet the LNG facility's capacity.

Undeveloped oil Reserves are associated with oil fields supplying gas to the PNG LNG Project (Agogo and Moran). These fields require further investment to supply gas to PNG LNG, which is planned for 2024 under the existing PNG LNG agreements. As such, the portion of oil production associated with late life production is captured as undeveloped Reserves.

1 Note that these production figures are based on Oil Search's net 16.67% share of PDL 1 Hides GTE production.

CONTINGENT RESOURCES

At the end of 2019, the Company's 2C Contingent Resources comprised 4,635.1 bcf of gas, up from 4,533.0 bcf at the end of 2018, and 430.0 mmbbl of oil and condensate, up from 185.5 mmbbl.

The key changes in 2C Contingent Resources since 31 December 2018, which are summarised in Tables 1 and 2, are as follows:

- The addition of 243.6 mmbbl of 2C oil Resource in Oil Search's Alaskan North Slope assets, which have been certified by independent auditor, Ryder Scott. This is attributable to:
  - The addition of 127.5 mmbbl following exercise of the option to acquire an additional 25.5% equity in the Pikka Unit.
  - The addition of 116.1 mmbbl resulting from further technical data obtained from the Pikka B, Pikka B ST1, Pikka C and Pikka C ST1 appraisal wells.
- The addition of 65.2 bcf gas and 0.2 mmbbl condensate in the PNG LNG Project, following receipt of the draft report on the recertification by independent auditor, NSAI.
- The addition of 37.1 bcf gas and 0.7 mmbbl condensate at Muruk, after initial interpretation of the results from successful appraisal drilling at Muruk 2.
- Minor movements in Contingent Resources at Gobe Main and SE Gobe, associated with production beyond economic life based on the updated forecasts for these fields.

RESERVES AND RESOURCES

As highlighted in Table 4, at the end of 2019, Oil Search's total 2P oil and condensate Reserves and 2C Contingent Resources were 497.0 mmbbl, up from 253.5 mmbbl at the end of 2018. The Company's total 2P gas Reserves and 2C Contingent Resources were 6,737.0 bcf, largely unchanged from 6,742.2 bcf at the end of 2018.

PIKKA UNIT, ALASKA NORTH SLOPE – INCREASE IN BOOKED 2C OIL RESOURCES

During 2019, significant new Pikka Unit geologic and engineering data was gathered and analysed. This included drilling, completion, petrophysical and well test data from the Pikka B, Pikka B ST1, Pikka C and Pikka C ST1 wells, as well as information obtained from wells adjacent to the Pikka Unit through data trades. Several 3D seismic data sets, which provided clearer images of the reservoir distribution, were also merged, reprocessed and incorporated into new reservoir simulation models. The reprocessed seismic tied consistently to all wells across, and adjacent to, the Pikka Unit area. Additional rock and fluid sample testing and other engineering analyses were performed to better understand oil recovery mechanisms.

This data has been incorporated into Oil Search's reservoir models, to provide an updated estimate of the Contingent Resources for the Pikka Unit Development. The results of Oil Search's internal studies were validated by independent consultant, Ryder Scott, in December 2019. Ryder Scott has estimated 2C oil Resources of 371.1 mmbbl (727.6 mmbbl on a gross basis).

Note that these Resources are based on the current Pikka Unit development plan only and do not include several other reservoirs within the Pikka Unit and field extensions outside the Unit that could be drilled from the existing planned well pads. They also exclude other discovered hydrocarbons that could potentially be tied into a larger Pikka development. Work has commenced on the evaluation of these additional Resources, which will be the subject of a separate independent Resource assessment.

In June 2019, Oil Search exercised its option to acquire additional working interests from Armstrong Energy and GMT, increasing the Company's interest in the Pikka Unit from 25.5% to 51%.

These Resources are considered contingent on future appraisal results, development studies and project commerciality.

PNG LNG – INCREASE IN BOOKED 1P AND 2P RESERVES AND 2C RESOURCES

During 2019, NSAI was engaged by the PNG LNG Project Operator, ExxonMobil, to reassess Resources in the PNG LNG Project fields where significant development and production activity has occurred since their last detailed field certification in 2016. Oil Search participated extensively in the recertification exercise and, in particular, assisted the certifier with the assessment of the Associated Gas fields.

For each field examined, NSAI assessed the original gas-in-place (OGIP) and estimated ultimate recoveries (EUR) to subsequently determine the portfolio OGIP and EUR estimates. Three additional years of PNG LNG field production performance, well deliverability and compositional modelling were also considered. An independent flow stream model was used to determine probabilistic production forecasts. Note that NSAI only undertook a technical assessment and did not conduct any review of project economics or Reserves.

In its draft report, received in December 2019, NSAI concluded that the 1C OGIP has increased for all the PNG LNG fields assessed, with additional production and pressure information reducing uncertainty. For most of the PNG LNG fields, 2C OGIP was largely unchanged from the 2016 assessment, except for the Associated Gas fields (Moran, Gobe and Kutubu complex), where new information has resulted in an increase in both 1C and 2C OGIP.

Oil Search has elected to use the estimates from NSAI's draft report of PNG LNG OGIP Resources as the basis for the Company's 2019 Reserves and Resources Statement. Resource estimates, after historical production and allowance for fuel, flare and shrinkage, have been adjusted for economic limit using Oil Search's corporate assumptions.

This has resulted in increases to 1P oil and condensate Reserves of 4.5 mmbbl and a 50.3 bcf increase in 1P gas Reserves. 2P Reserves have also increased, by 3.9 mmbbl of oil and condensate and 8.8 bcf of gas, while 2C Resources have increased by 0.2 mmbbl and 65.2 bcf.

The Contingent Resources associated with PNG LNG are those beyond the economic limit, calculated using Oil Search 2019 corporate economic assumptions. These are considered to remain contingent on the confirmation of a commercially viable future development project and the negotiation of, and commitment to, future gas sales contracts.

MURUK – INCREASE IN BOOKED 1C AND 2C CONTINGENT RESOURCES

Following the successful Muruk 2 appraisal well completed in early 2019, Oil Search's preliminary estimate of gross 1C gas Resources has increased by 249% to 453 bcf, reflecting an increased confidence in the production potential of the field, while gross 2C gas Resources have risen by 23% to 843 bcf. As a result, additional 2C Contingent Resources of 37.1 bcf of gas and 0.7 mmbbl of condensate have been booked in the Muruk field at Oil Search's net equity.

The Muruk 2 well demonstrated a significant increase in lateral connectivity, compared to the Resources booked after drilling Muruk 1. However, the reservoir at the Muruk 2 location was encountered deeper than expected, limiting the increase in the 2019 2C Resource booking. A 2D seismic survey has commenced 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 the Company to further refine the assessment of Muruk volumes.

The Muruk Resource is considered to remain contingent on several factors, including the requirement for additional technical studies, a commercially viable development project and future gas sales contracts.

GOVERNANCE AND 2020 AUDIT PLAN

The governance arrangements for the reporting of hydrocarbon Reserves and Resources are based on Oil Search's Resource Management and Audit Process (RMAP), which at the end of 2019, consists of the following:

- A Technical Reserves Committee (TRC), which assesses all proposed changes and additions to the Company's Reserves and Resources database, using advice and contributions from peer review and subject matter experts, where appropriate.
- The TRC reports to the Reserves Operating Committee (ROC), consisting of senior management from technical and commercial disciplines, for the sanction of changes proposed by the TRC.
- Final statements are subject to review and endorsement by the Audit and Financial Risk Committee prior to approval by the Board.

Oil Search's Reserves and Resources are still reported subject to PRMS 2007. During 2020 the Reserve and Resource bookings will be updated to reflect PRMS 2018. At the same time, RMAP will be updated to reflect Oil Search's new business structure, as well as any changes required to adhere to PRMS 2018 and/or any updates to ASX Chapter 5.

Oil Fields

Under the Company's Reserves Management and Audit Process, operated oil fields are subject to independent audit every three years, or alternative intervals under some circumstances (for example, where anticipated changes may or may not be material). The Kutubu and Moran fields were audited at year-end 2017 by independent auditor, NSAI. As such, an external audit in 2020 would normally be considered. However, this audit has been deferred until 2021 due to:

- The potential for changes to gas delivery requirements from the Associated Gas fields, which are being evaluated through 2020 and may impact ultimate oil recovery.
- Ensuring that recent wells drilled in Moran and Usano have sufficient production and pressure data history to ensure their impact is appropriately captured by an external auditor.
- Ensuring that the fields producing to the APF are fully returned to service after the 2018 earthquake.

The Gobe oil fields were audited in 2015, also by NSAI. In 2018, an external audit was deferred, due to the low oil Reserves associated with these fields. The requirement for external audit of the Gobe oil fields was assessed under the Company's Reserves Management and Audit Process in 2019 and the decision made to again defer audit of these fields in 2020. Note that the Gobe Main gas Resources were examined by NSAI as part of the PNG LNG re-certification during 2019.

PNG LNG PROJECT

A recertification exercise was undertaken in 2019 on the PNG LNG Project Resources by NSAI, and a draft report was issued in December 2019. The requirements for further external audit will be assessed in 2020.

PRL 15

Two separate audits of the Resources at Elk-Antelope were undertaken by NSAI and GCA in 2016 as part of the First PAC Certification. These audits were updated by the same auditors in 2017 to include the results of Antelope 7 for Oil Search internal purposes. There is no requirement for further audit in 2020.

The Second PAC Certification will occur one year after delivery of the first commercial LNG cargo.

MURUK

An independent certification of the Muruk field may occur in 2020, subject to the results of in-depth modelling incorporating the results of the Muruk 1 and 2 wells.

OTHER GAS FIELDS

Following the successful Kimu 2 and Barikewa 3 appraisal wells and pending further internal technical work, independent certification of one or both fields may be undertaken if required to support progression of a viable development concept to commercialisation.

ALASKA – PIKKA UNIT

External audit of the Pikka Unit Resources was obtained in 2019. Further external assessment of other discovered resources, including the recent discovery of oil at the Mitquq 1 well, may be carried out in 2020.

TABLE 1: 2019 OIL AND CONDENSATE RESERVES AND RESOURCES RECONCILIATION WITH 2018

PROVED OIL AND CONDENSATE RESERVES (MILLION BARRELS)

LICENCE/FIELD	END 2018 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2019 RESERVES
PDL 2 – KUTUBU	11.3	1.4	–	–	9.9
PDL 2/5/6 – MORAN UNIT	6.1	0.1	–	–	6.0
PDL 4 – GOBE MAIN	0.0	0.0	0.0	–	0.0
PDL 3/4 – SE GOBE	0.0	0.0	0.0	–	–
PDL 1 – HIDES GTE	–	–	–	–	–
PNG LNG PROJECT	36.7	3.2	4.5	–	38.0
TOTAL	**54.1**	**4.7**	**4.5**	**–**	**53.9**

PROVED AND PROBABLE OIL AND CONDENSATE RESERVES (MILLION BARRELS)

LICENCE/FIELD	END 2018 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2019 RESERVES
PDL 2 – KUTUBU	16.6	1.4	–	–	15.2
PDL 2/5/6 – MORAN UNIT	9.6	0.1	–	–	9.5
PDL 4 – GOBE MAIN	0.0	0.0	0.0	–	0.0
PDL 3/4 – SE GOBE	0.1	0.0	-0.0	–	–
PDL 1 – HIDES GTE	–	–	–	–	–
PNG LNG PROJECT	41.6	3.2	3.9	–	42.3
TOTAL	**68.0**	**4.7**	**3.8**	**–**	**67.1**

2C CONTINGENT OIL AND CONDENSATE RESOURCES (MILLION BARRELS)

LICENCE/FIELD	END 2018 2C RESOURCES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2019 2C RESOURCES
PNG LNG PROJECT FIELDS OIL AND CONDENSATE	1.6	–	0.2	–	1.8
OTHER PNG OIL AND CONDENSATE	56.4	–	0.7	–	57.1
ALASKA OIL AND CONDENSATE	127.5	–	116.1	127.5	371.1
TOTAL	**185.5**	**–**	**116.9**	**127.5**	**430.0**

TABLE 2: 2019 GAS RESERVES AND RESOURCES RECONCILIATION WITH 2018

PROVED GAS RESERVES (BILLION STANDARD CUBIC FEET)

LICENCE/FIELD	END 2018 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2019 RESERVES
PDL 2 – KUTUBU	–	–	–	–	–
PDL 2/5/6 – MORAN UNIT	–	–	–	–	–
PDL 4 – GOBE MAIN	–	–	–	–	–
PDL 3/4 – SE GOBE	1.1	1.5	0.3	–	–
PDL 1 – HIDES GTE	2.6	0.9	0.0	–	1.7
PNG LNG PROJECT	1,933.4	111.3	50.3	–	1,872.4
TOTAL	**1,937.1**	**113.7**	**50.7**	**–**	**1,874.1**

PROVED AND PROBABLE GAS RESERVES (BILLION STANDARD CUBIC FEET)

LICENCE/FIELD	END 2018 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2019 RESERVES
PDL 2 – KUTUBU	–	–	–	–	–
PDL 2/5/6 – MORAN UNIT	–	–	–	–	–
PDL 4 – GOBE MAIN	–	–	–	–	–
PDL 3/4 – SE GOBE	4.0	1.5	-2.5	–	–
PDL 1 – HIDES GTE	3.1	0.9	–	–	2.2
PNG LNG PROJECT	2,202.3	111.3	8.8	–	2,099.7
TOTAL	**2,209.3**	**113.7**	**6.3**	**–**	**2,101.9**

2C CONTINGENT GAS RESOURCES (BILLION STANDARD CUBIC FEET)

LICENCE/FIELD	END 2018 2C RESOURCES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2019 2C RESOURCES
PNG LNG PROJECT FIELDS GAS	60.0	–	65.2	–	125.2
OTHER PNG GAS	4,473.0	–	36.9	–	4,509.8
ALASKA GAS	–	–	–	–	–
TOTAL	**4,533.0**	**–**	**102.1**	**–**	**4,635.1**

TABLE 3: DEVELOPED AND UNDEVELOPED RESERVES

DEVELOPED RESERVES (NET TO OIL SEARCH)

LICENCE/FIELD	OIL SEARCH INTEREST %	DEVELOPED OIL AND CONDENSATE[3] mmbbl	DEVELOPED GAS[4,5,6] bcf	DEVELOPED OIL AND CONDENSATE[3] mmbbl	DEVELOPED GAS[4,5,6] bcf
RESERVES		**PROVED (1P)**		**PROVED AND PROBABLE (2P)**	
PDL 2 – KUTUBU	60.0%	8.5	–	12.5	–
PDL 2/5/6 – MORAN UNIT	49.5%	4.7	–	7.3	–
PDL 4 – GOBE	10.0%	0.0	–	0.0	–
PDL 3/4 – SE GOBE	22.3%	–	–	–	–
PDL 1 – HIDES GTE	16.7%	–	1.7	–	2.2
OIL FIELDS AND HIDES GTE RESERVES		13.2	1.7	19.8	2.2
PNG LNG PROJECT RESERVES	29.0%	26.3	1,348.3	29.1	1,482.2
SUB-TOTAL DEVELOPED RESERVES		**39.5**	**1,350.1**	**49.0**	**1,484.4**

UNDEVELOPED RESERVES (NET TO OIL SEARCH)

LICENCE/FIELD	OIL SEARCH INTEREST %	UNDEVELOPED OIL AND CONDENSATE[3] mmbbl	UNDEVELOPED GAS[4,5,6] bcf	UNDEVELOPED OIL AND CONDENSATE[3] mmbbl	UNDEVELOPED GAS[4,5,6] bcf
RESERVES		**PROVED (1P)**		**PROVED AND PROBABLE (2P)**	
PDL 2 – KUTUBU	60.0%	1.4	–	2.7	–
PDL 2/5/6 – MORAN UNIT	49.5%	1.3	–	2.2	–
PDL 4 – GOBE	10.0%	–	–	–	–
PDL 3/4 – SE GOBE	22.3%	–	–	–	–
PDL 1 – HIDES GTE	16.7%	–	–	–	–
OIL FIELDS AND HIDES GTE RESERVES		2.7	–	4.9	–
PNG LNG PROJECT RESERVES	29.0%	11.7	524.1	13.2	617.5
SUB-TOTAL UNDEVELOPED RESERVES		14.4	524.1	18.1	617.5
TOTAL DEVELOPED AND UNDEVELOPED RESERVES		**53.9**	**1,874.1**	**67.1**	**2,101.9**

TABLE 4: TOTAL RESERVES AND RESOURCES SUMMARY

RESERVES AND RESOURCES AT 31 DECEMBER 2019[1,2] (NET TO OIL SEARCH)

LICENCE/FIELD	OIL SEARCH INTEREST %	TOTAL OIL AND CONDENSATE[3] mmbbl	TOTAL GAS[4] bcf	TOTAL OIL AND CONDENSATE[3] mmbbl	TOTAL GAS[4] bcf
RESERVES		**PROVED (1P)**		**PROVED & PROBABLE (2P)**	
PDL 2 – KUTUBU	60.0%	9.9	–	15.2	–
PDL 2/5/6 – MORAN UNIT	49.5%	6.0	–	9.5	–
PDL 4 – GOBE	10.0%	0.0	–	0.0	–
PDL 3/4 – SE GOBE[5]	22.3%	–	–	–	–
PDL 1 – HIDES GTE[7]	16.7%		1.7		2.2
OIL FIELDS AND HIDES GTE RESERVES		15.9	1.7	24.8	2.2
PNG LNG PROJECT RESERVES[6]	29.0%	38.0	1,872.4	42.3	2,099.7
SUB-TOTAL RESERVES		53.9	1,874.1	67.1	2,101.9
CONTINGENT RESOURCES[8]		**1C**		**2C**	
PNG LNG PROJECT FIELDS GAS, OIL AND CONDENSATE		–	–	1.8	125.2
OTHER PNG GAS, OIL AND CONDENSATE[9]		–	–	57.1	4,509.8
ALASKA GAS, OIL AND CONDENSATE[10]		–	–	371.1	–
SUB-TOTAL RESOURCES		–	–	430.0	4,635.1
TOTAL RESERVES AND RESOURCES		**53.9**	**1,874.1**	**497.0**	**6,737.0**

NOTES

(1) Numbers may not add due to rounding.

(2) Kutubu and Moran oil fields proved Reserves (1P) and proved and probable (2P) Reserves are as certified by independent auditor Netherland, Sewell & Associates, Inc. (NSAI) in 2017. 1P and 2P PNG LNG Project Reserves are based on Contingent Resources as certified in the 2019 draft report received from independent auditor, NSAI. Gobe Main and SE Gobe 1P and 2P Reserves are based on Oil Search 2019 technical estimates. All Reserves estimations use Oil Search's corporate assumptions to calculate economic limit.

(3) Crude oil, and separator and plant condensates.

(4) For the PNG LNG Project, shrinkage has been applied to raw gas for the field condensate, plant liquids recovery, and fuel and flare.

(5) Although technical volumes remain accessible, SE Gobe is not expected to be cashflow positive from 2020 using current Oil Search corporate economic assumptions. All SE Gobe Reserves have been moved to Contingent Resources, contingent on a change in economic or commercial assumptions.

(6) PNG LNG Project Reserves comprise the Kutubu, Moran, Gobe Main, SE Hedinia, Hides, Angore and Juha fields. Minor volumes associated with proposed domestic gas sales have been included as part of PNG LNG reserves. In addition, third party wet gas sales to the project at the Gobe plant outlet (inclusive of plant condensate) have been included for SE Gobe in 1P and 2P Reserves at the post-sales agreement field interest of 22.34%. SE Gobe estimates for gas are based on Oil Search 2019 technical estimates.

(7) Hides Reserves associated with the GTE Project under existing contract. Production volumes shown in this Reserves report are based on Oil Search's entitlement in PDL 1 (16.67%).

(8) Contingent Resources are quantities of petroleum estimated to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies. There may be a chance that accumulations containing Contingent Resources will not achieve commercial maturity.

(9) Other gas, oil and condensate Resources comprise the Company's other PNG fields including Elk-Antelope, SE Mananda, Juha North, P'nyang, Kimu, Uramu, Barikewa, Iehi, Cobra, Mananda, Flinders and Muruk and may also include Resources beyond the current economic limit of producing oil and gas fields. These gas Resources may include fuel, flare and shrinkage depending on the choice of reference point.

(10) Alaskan gas, oil and condensate Resources comprise the Company's share in Alaskan assets, incorporating the Nanushuk and satellite reservoirs in the Pikka Unit, as certified by Ryder Scott.

This Reserves and Resources statement is based on, and fairly represents, information and supporting documentation that has been prepared by, or under the supervision of, one of the qualified petroleum reserves and resources evaluators listed in the table below. Dr J. Spilsbury-Schakel, a full-time employee of Oil Search Ltd. and qualified petroleum reserves and resources evaluator, has consented to publish this information in the form and context in which it is presented in this statement.

QUALIFIED PETROLEUM RESERVES AND RESOURCES EVALUATORS

NAME	EMPLOYER	PROFESSIONAL ORGANISATION
J. Spilsbury-Schakel	Oil Search Ltd.	SPE, PESA, AAPG
A. Judzewitsch	Oil Search Ltd.	SPE
D. Blazak	Oil Search Ltd.	SPE
J. Rowse	Oil Search Ltd.	SPE, PESA, PESGB
M. Spiby	Oil Search Ltd.	SPE, PESA
M. Ireland	Oil Search Ltd.	SPE, SPEE, PE

QUALIFIED PETROLEUM RESERVES AND RESOURCES EVALUATORS

NAME	EMPLOYER	PROFESSIONAL ORGANISATION
S. Jonsson	Oil Search Ltd.	SPE
S. Hyde	Oil Search Ltd.	SPE
A. Spark	Oil Search Ltd.	SPE

ADDITIONAL NOTES

- The evaluation date for these estimates is 31 December 2019.
- Oil Search's Reserves and Contingent Resource estimates are prepared in accordance with the 2007 Petroleum Resources Management System (PRMS), sponsored by the Society of Petroleum Engineers (SPE).
- The following reference points are assumed:
  - Oil volumes: include both oil and condensate recovered by lease processing. The reference point is at the outlet of the relevant process facility. Volumes are adjusted to stock-tank using field standard conditions.
  - Hides GTE: the custody transfer point at the wellhead.
  - PNG LNG Project: the outlet to the LNG plant.
  - SE Gobe gas: the outlet to the Gobe facility.
  - Fuel, flare and shrinkage upstream of the reference points have been excluded.
- Reserves and Contingent Resources are aggregated by arithmetic summation by category and therefore Proved Reserves may be a conservative estimate due to the portfolio effects of arithmetic summation.
- Reserves and Contingent Resources have been estimated using both deterministic and probabilistic methods.

LICENCE INTERESTS

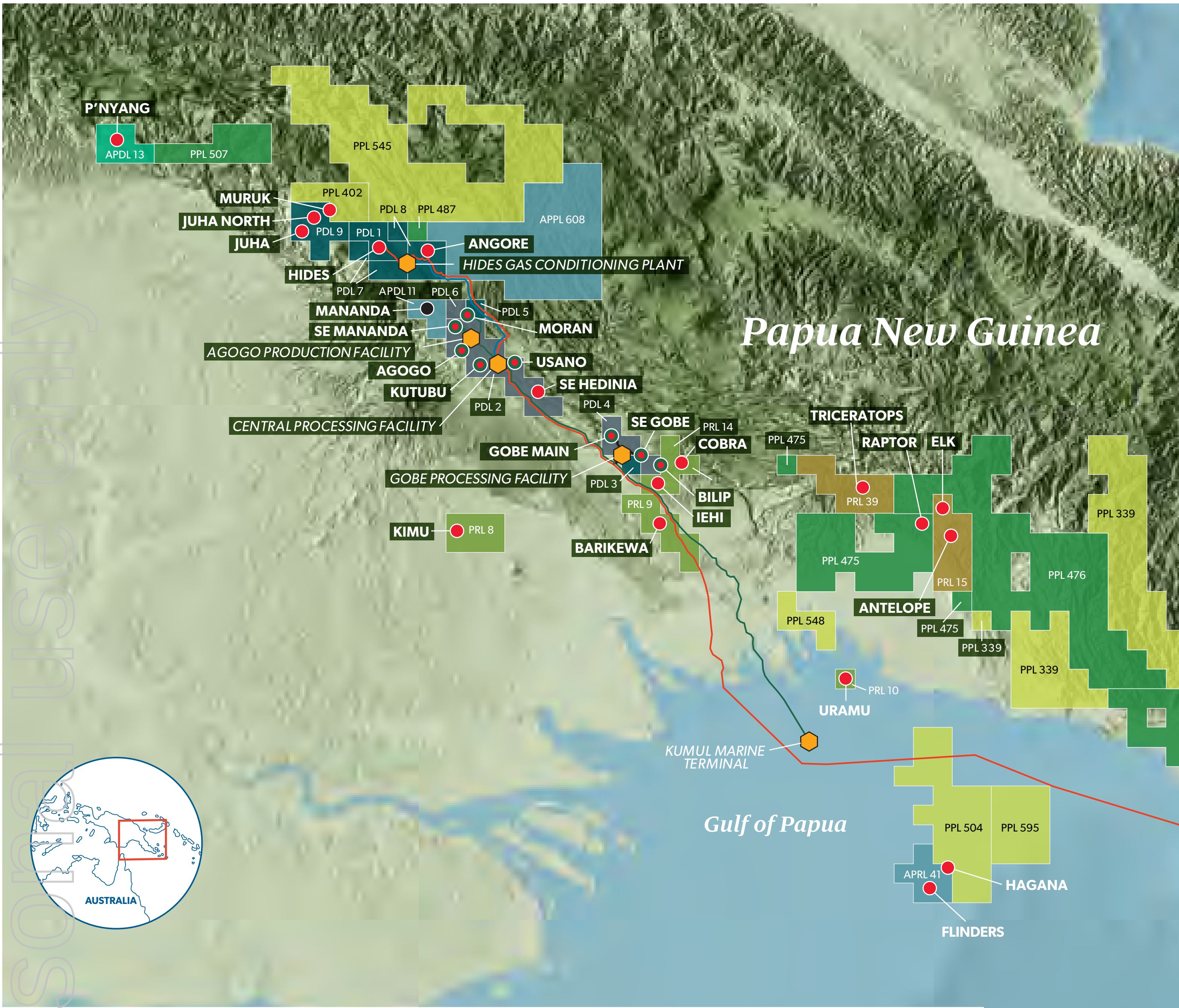
LICENCE INTERESTS AS AT 12 FEBRUARY 2020

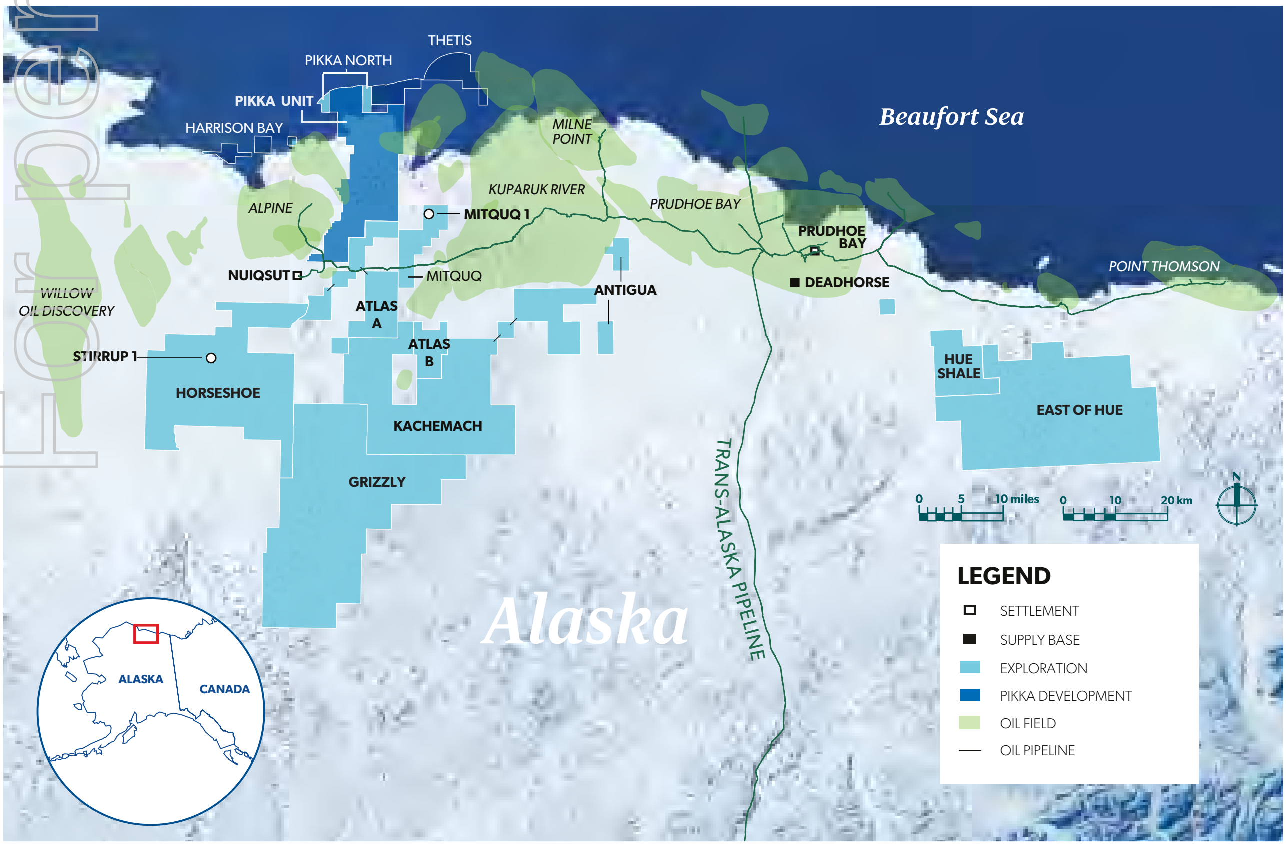
LICENCE	FIELD/PROJECT	OIL SEARCH INTEREST %	OPERATOR
PNG PETROLEUM DEVELOPMENT LICENCES (PDL)			
PDL 1	Hides	16.66	ExxonMobil
PDL 2	Kutubu, Moran	60.05	Oil Search
PDL 2 - SE Mananda JV	SE Mananda	72.27	Oil Search
PDL 3	SE Gobe	36.36	Santos
PDL 4	Gobe Main, SE Gobe	10.00	Oil Search
PDL 5	Moran	40.69	ExxonMobil
PDL 6	Moran	71.07	Oil Search
SE Gobe Unit (PDL 3/PDL 4)		22.34	Oil Search
Moran Unit (PDL 2/PDL 5/PDL 6)		49.51	Oil Search
Hides Gas-to-Electricity Project (PDL 1)		100.00	Oil Search
PDL 7	South Hides	40.69	ExxonMobil
PDL 8	Angore	40.69	ExxonMobil
PDL 9	Juha	24.42	ExxonMobil
APDL 11[1]	Mananda	71.25	Oil Search
APDL 13[2]	P'nyang	38.51	ExxonMobil
PNG LNG PROJECT	PNG LNG Project	29.00	ExxonMobil
PNG PIPELINE LICENCES (PL)			
PL 1	Hides	100.00	Oil Search
PL 2	Kutubu	60.05	Oil Search
PL 3	Gobe	17.78	Oil Search
PL 4	PNG LNG Project	29.00	ExxonMobil
PL 5	PNG LNG Project	29.00	ExxonMobil
PL 6	PNG LNG Project	29.00	ExxonMobil
PL 7	PNG LNG Project	29.00	ExxonMobil
PL 8	PNG LNG Project	29.00	ExxonMobil
PNG PETROLEUM PROCESSING FACILITY LICENCE			
PPFL 2	PNG LNG Project	29.00	ExxonMobil
PNG PETROLEUM RETENTION LICENCES (PRL)			
PRL 8	Kimu	60.71	Oil Search
PRL 9	Barikewa	45.11	Oil Search
PRL 10	Uramu	100.00	Oil Search
PRL 14	Cobra, Iehi	62.56	Oil Search
PRL 15	Elk/Antelope	22.835	Total
PRL 39	Triceratops	25.00	ExxonMobil
APRL 41[3]	Flinders / Hagana	100.00	Oil Search
PNG PETROLEUM PROSPECTING LICENCES (PPL)			
PPL 339[4]		35.00	Oil Search
PPL 374		40.00	ExxonMobil
PPL 375		40.00	ExxonMobil
PPL 402		37.50	Oil Search
PPL 474		25.00	ExxonMobil
PPL 475		25.00	ExxonMobil
PPL 476		25.00	ExxonMobil
PPL 487		37.50	ExxonMobil
PPL 504		100.00	Oil Search
PPL 507		37.50	Exxon Mobil
PPL 545		40.00	Oil Search
PPL 548		100.00	Oil Search
PPL 569		50.00	Exxon Mobil
PPL 595		100.00	Oil Search
APPL 608[5]		100.00	Oil Search
ALASKA, UNITED STATES OF AMERICA[6]			
Antigua[7,8]		38.76	Oil Search
Atlas A[7,8]		38.76	Oil Search
Atlas B[7,8]		38.76	Oil Search
Harrison Bay[7,8]		38.76	Oil Search
Kachemach[7,8]		38.76	Oil Search
Thetis[7]		51.00	Oil Search
Pikka Unit[7]		51.00	Oil Search
Horseshoe Area[7,8]		51.00	Oil Search
Grizzly Area		51.00	Oil Search
Hue Shale Area[7]		75.00	Oil Search
East of Hue Area[9]		50.00	Oil Search

NOTES

1. Pending Ministerial grant.
2. The PDL application submitted by the PRL 3 Joint Venture in respect of the P'nyang field in December 2015 remains pending Ministerial grant.
3. APRL 41 is a topfile application over part of PPL 244. The offer of the licence has been accepted and the licence is pending Ministerial grant.
4. Kina's proposed transfer to Santos of a 20% interest in two separate tranches (a first tranche of 17.11% and a second tranche of 2.89%) remains subject to satisfaction of conditions including regulatory approval.
5. The offer of the Licence has been accepted and the licence is pending Ministerial grant.
6. Includes US Government and State of Alaska leases.
7. In 2019, Oil Search exercised its option to acquire additional interest in each lease from Armstrong Energy, LLC and GMT Exploration Company, LLC.
8. In 2019, Oil Search and Repsol E&P USA Inc. entered into an agreement to align interests at 51% Oil Search ownership interest and 49% Repsol ownership interest across their common leasehold.
9. In 2019, Oil Search acquired a 50% ownership interest in leases acquired by Lagniappe, Alaska, LLC, an Affiliate of Armstrong Oil and Gas, LLC in the 2018 lease sale.

▶ **OPEN** TO SEE LICENCE INTEREST MAP


Papua New Guinea
Gulf of Papua
P'NYANG
APDL 13
PPL 507
PPL 545
PPL 402
MURUK
JUHA NORTH
JUHA
PDL 9
PDL 1
PDL 8
PPL 487
APPL 608
ANGORE
HIDES GAS CONDITIONING PLANT
HIDES
PDL 7
APDL 11
PDL 6
MANANDA
PDL 5
SE MANANDA
MORAN
AGOGO PRODUCTION FACILITY
AGOGO
USANO
KUTUBU
SE HEDINIA
PDL 2
PDL 4
CENTRAL PROCESSING FACILITY
SE GOBE
PRL 14
COBRA
GOBE MAIN
GOBE PROCESSING FACILITY
PDL 3
BILIP
PRL 9
IEHI
KIMU
PRL 8
BARIKEWA
TRICERATOPS
PPL 475
RAPTOR
ELK
PRL 39
PPL 339
PPL 475
PRL 15
PPL 476
ANTELOPE
PPL 548
PPL 475
PPL 339
PPL 339
PRL 10
URAMU
KUMUL MARINE TERMINAL
PPL 504
PPL 595
APRL 41
HAGANA
FLINDERS
AUSTRALIA
PPL 374


Beaufort Sea
Alaska
THETIS
PIKKA NORTH
PIKKA UNIT
HARRISON BAY
MILNE POINT
KUPARUK RIVER
PRUDHOE BAY
ALPINE
MITQUQ 1
PRUDHOE BAY
NUIQSUT
MITQUQ
DEADHORSE
POINT THOMSON
ANTIGUA
WILLOW OIL DISCOVERY
ATLAS A
ATLAS B
STIRRUP 1
HORSESHOE
HUE SHALE
EAST OF HUE
KACHEMACH
GRIZZLY
TRANS-ALASKA PIPELINE
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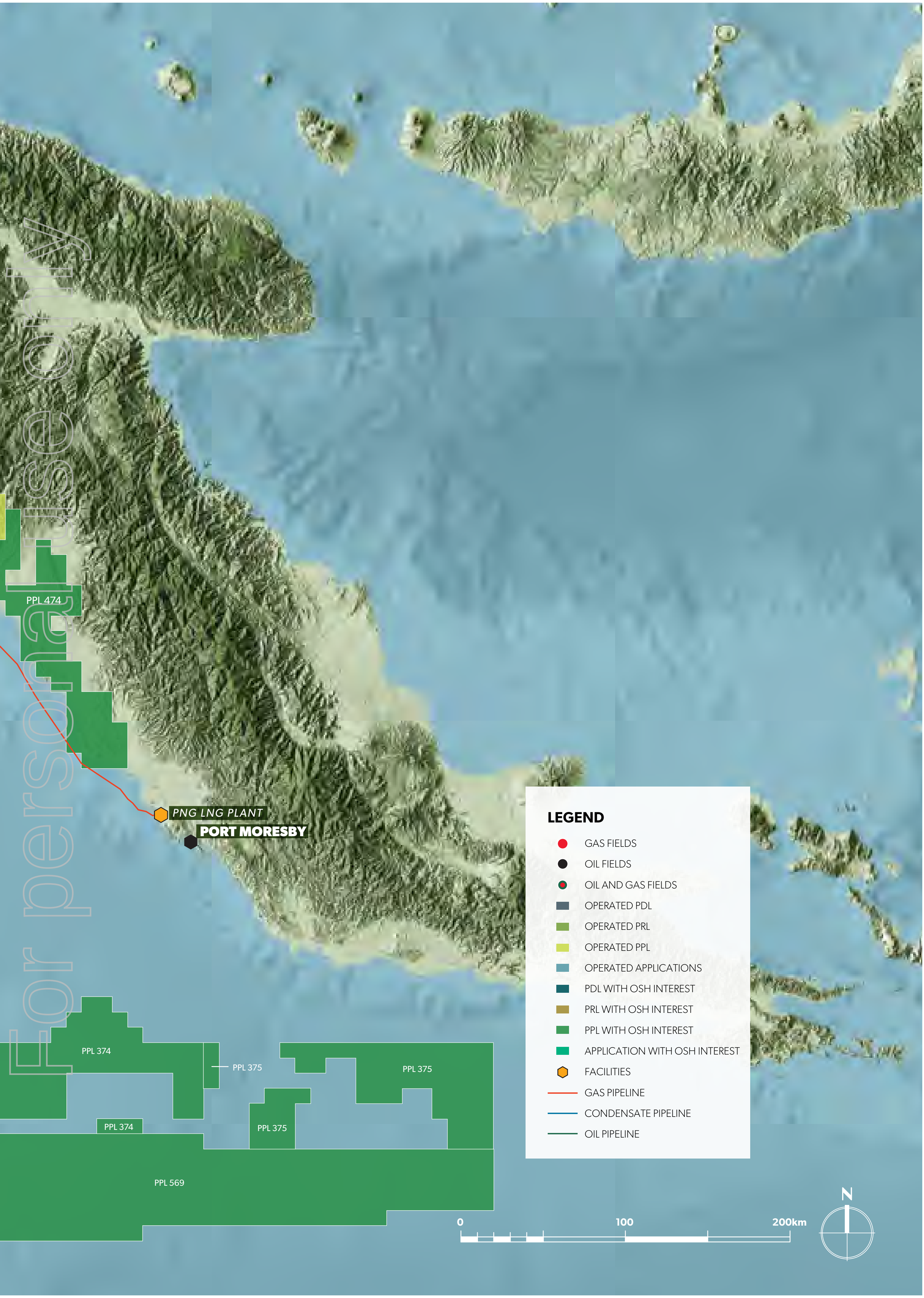
N
LEGEND
SETTLEMENT
SUPPLY BASE
EXPLORATION
PIKKA DEVELOPMENT
OIL FIELD
OIL PIPELINE
ALASKA
CANADA



PPL 474
PNG LNG PLANT
PORT MORESBY
PPL 374
PPL 375
PPL 375
PPL 374
PPL 375
PPL 569
LEGEND
GAS FIELDS
OIL FIELDS
OIL AND GAS FIELDS
OPERATED PDL
OPERATED PRL
OPERATED PPL
OPERATED APPLICATIONS
PDL WITH OSH INTEREST
PRL WITH OSH INTEREST
PPL WITH OSH INTEREST
APPLICATION WITH OSH INTEREST
FACILITIES
GAS PIPELINE
CONDENSATE PIPELINE
OIL PIPELINE
0
100
200km
N

1. Mr RJ Lee (Chairman)
2. Mr PR Botten
3. Dr BS Al Katheeri
4. Sir KG Constantinou
5. Ms SM Cunningham
6. Dr EJ Doyle
7. Ms FE Harris
8. Dr AJ Kantsler
9. Sir MP Togolo

WISDOM *Inspires*

GOVERNANCE

THE BOARD

CORPORATE GOVERNANCE

COMMITMENT TO GOOD GOVERNANCE

The Company is committed to adopting and implementing rigorous corporate governance practices across all aspects of its business. The Company recognises that effective governance arrangements drive informed decision making within the business and contribute to long-term value for shareholders in a socially responsible manner. The Board and its Committees regularly review the Company's governance arrangements to ensure that they continue to align with best practice and support the Board's strategic objectives.

The Company has reported against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the Recommendations) each year since their first release in 2003.

Oil Search's Corporate Governance Statement, which provides details on the corporate governance practices adopted by the Company with reference to the Recommendations, is released on the ASX and also published on its website, www.oilsearch.com. The Company's Code of Conduct, Board and Committee charters, policies and constitution are also available on the website.

The table below provides a summary of the Company's compliance with each of the 3rd edition Recommendations, including the location of relevant disclosures.

	ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS	HOW OIL SEARCH FOLLOWS THE RECOMMENDATIONS
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1	Disclose: • the respective roles and responsibilities of the board and management; • those matters expressly reserved to the board and those delegated to management.	Compliant – disclosed in the Board and Committee charters on the Company's website. Also see the Corporate Governance Statement.
1.2	• Undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director. • Provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	Compliant – see Corporate Governance Statement for a summary of director selection and appointment process. See 2020 Notice of Annual Meeting for information on directors standing for election/re-election.
1.3	Have a written agreement with each director and senior executive setting out the terms of their appointment.	Compliant – see Corporate Governance Statement for details on director and senior executive contracts.
1.4	The Company Secretary should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Compliant – see Board charter on the Company's website.
1.5	Have and disclose: • a diversity policy; • measurable objectives for achieving gender diversity, its progress towards achieving those objectives; • the respective proportions of men and women on the board, in senior executive positions and across the whole organisation.	Compliant – see Diversity and Inclusion Policy on the Company's website. The Company's diversity objectives and progress towards achieving them are disclosed in the Annual Report. A table disclosing the proportions of females on the Board, in senior executive positions and across the organisation is provided in the Corporate Governance Statement.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS		HOW OIL SEARCH FOLLOWS THE RECOMMENDATIONS
PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.6	• Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors. • Disclose whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Compliant – process for performance reviews is disclosed in the Corporate Governance Statement. A performance review was not required in 2019. The next performance review is scheduled for 2020.
1.7	• Have and disclose a process for periodically evaluating the performance of senior executives. • Disclose whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Compliant – process for senior executive performance reviews is disclosed in the Corporate Governance Statement. Senior executive performance reviews were undertaken in 2019.
PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE		
2.1	Have a nomination committee which: • has at least three members, a majority of whom are independent directors; • is chaired by an independent director. Disclose: • the charter of the committee; • the members of the committee; • the number of times the committee met during the reporting period and the individual attendances of the members at those meetings.	Compliant – the People and Nominations Committee has five members, a majority of whom are independent (including Chair). Committee charter is disclosed on the Company's website. Committee members, meetings held and attendances by members are disclosed in the Directors' Report.
2.2	Have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Compliant – Board skills matrix is disclosed in the Corporate Governance Statement.
2.3	Disclose: • the names of directors considered by the Board to be independent; • if a director has an interest, position, association or relationship of the type in Box 2.3 but the Board is of the view that is does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; • the length of service of each director.	Compliant – disclosed in the director independence section in the Corporate Governance Statement.
2.4	A majority of the board should be independent directors.	Compliant – seven of nine directors are independent.
2.5	The chair of the board should be an independent director. The chair should not be the same person as the CEO.	Compliant – the Board Chairman is independent.
2.6	Have a programme for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Compliant – the Company has a comprehensive director induction programme and an ongoing director education programme is provided.
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY		
3.1	Have and disclose a code of conduct for directors, senior executives and employees.	Compliant – see Code of Conduct on the Company's website.
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING		
4.1	Have an audit committee which: • has at least three members, all of whom are non-executive directors, and majority of whom are independent directors; • is chaired by an independent director, who is not the chair of the board. Disclose: • the charter of the committee; • the relevant qualifications and experience of the members; • the number of times the committee met during the reporting period and the individual attendances of the members at those meetings.	Compliant – Audit and Financial Risk Committee has five members, all of whom are non-executive directors and a majority are independent, including the Chair, who is not the Chair of the Board. Committee charter is disclosed on the Company's website. Committee members, qualifications/experience, meetings held and attendances by members are disclosed in the Directors' Report.
4.2	Before the board approves the financial statements for a financial period, it receives from the CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the company and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Compliant – the CEO and CFO declarations are provided to the Board before approving the 2019 half year financial statements and the 2019 full year financial statements.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS		HOW OIL SEARCH FOLLOWS THE RECOMMENDATIONS
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING		
4.3	Ensure that the external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.	Compliant – the Company's auditor, Deloitte Touche Tohmatsu, attended the 2019 Annual Meeting. Shareholders were invited to put questions to the auditor relevant to the audit.
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE		
5.1	Have and disclose a written policy for complying with continuous disclosure obligations under the Listing Rules.	Compliant – see Public Disclosure Policy on the Company's website.
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS		
6.1	Provide information about itself and its governance to investors on its website.	Compliant – detailed disclosures contained on the Company's website.
6.2	Design and implement an investor relations programme to facilitate effective two-way communication with investors.	Compliant – Investor relations programme in operation.
6.3	Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Compliant – disclosed in the Corporate Governance Statement.
6.4	Give security holders the option to receive communications from, and send communications to, the entity and the security registry electronically.	Compliant – security holders have the option to receive communications from and provide communications to the Company electronically.
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK		
7.1	Have a committee or committees to oversee risk, each of which: • has at least three members, a majority of whom are independent directors; • is chaired by an independent director. Disclose: • the charter of the committee; • the members of the committee; • the number of times the committee met during the reporting period and the individual attendances of the members at those meetings.	Compliant in part. The Board has three Committees that oversee risk: • Audit and Financial Risk Committee • Health, Safety and Sustainability Committee • Project and Technology Committee Each Committee's charter (see Company's website) sets out its responsibilities. The membership requirements for each Committee is disclosed in their respective charter and summarised in the Corporate Governance Statement. The Project and Technology Committee's membership requirements do not fully comply with the recommendation – see Corporate Governance Statement. Each Committee's members, meetings held and attendances by members are disclosed in the Directors' Report.
7.2	The board or a committee of the board should: • review the entity's risk management framework at least annually to satisfy itself that it continues to be sound. • disclose, in relation to each reporting period, whether such a review has taken place.	Compliant – the Board reviews the risk management framework at least annually. A review was undertaken in 2019.
7.3	Disclose the structure and role of its internal audit function.	Compliant – disclosed in the Corporate Governance Statement.
7.4	Disclose any material exposure to economic, environmental and social sustainability risks and how these risks are managed.	Compliant – disclosed in the Directors' Report and on the Company's website.
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY		
8.1	Have a remuneration committee which: • has at least three members, a majority of whom are independent directors; • is chaired by an independent director. Disclose: • the charter of the committee; • the members of the committee; • the number of times the committee met during the reporting period and the individual attendances of the members at those meetings.	Compliant – the People and Nominations Committee has five members, a majority of whom are independent (including Chair). Committee charter is disclosed on the Company's website. Committee members, meetings held and attendances by members are disclosed in the Directors' Report.
8.2	Separately disclose the policies and practices regarding the remuneration of non-executive directors and executive directors and other senior executives.	Compliant – see Remuneration Report.
8.3	Have and disclose a policy on whether participants in equity-based remuneration schemes are permitted to enter into transactions which limit the economic risk of participating in the scheme.	Compliant – see Share Trading Policy on the Company's website.

CONSOLIDATED FINANCIAL REPORT

For the year ended 31 December 2019

CONSOLIDATED FINANCIAL REPORT

for the year ended 31 December 2019

DIRECTORS' REPORT

for the year ended 31 December 2019

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 SWOOP 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 and 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 82.

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 82 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 Katheeri[1], Sir KG Constantinou, Ms SM Cunningham[2], 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 Katheeri[1], Sir KG Constantinou, Ms SM Cunningham[2], 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 Katheeri[1] (Committee Chair), Ms SM Cunningham[2], Dr EJ Doyle[3] and Dr AJ Kantsler[4]. 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

1. 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
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
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.

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.

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.

	PRODUCTION COSTS	
US$ MILLION	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.

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

1 Includes Alaska acquisition costs of US$450.0 million (2018: US$415.4 million) 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*.

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 million 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.

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.

For further details, please see the 2019 Reserves and Resources Statement on page 60.

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 (mmboe) 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 activities for the engineering works in early 2020 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 mmboe net to Oil Search in 2019, comprising 111.4 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 Unipec 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]

	2019		2018		% CHANGE	
YEAR TO 31 DECEMBER	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%	-8%
SE Gobe	**411**	**0.033**	432	0.035	-5%	-5%
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 Liquids[4]	**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	-11%	-11%
Hides Gas Production[4]	**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 Production[3]	**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 Iagifu 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 kilometres 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.

1 Best 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 technical issues. 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 activities commenced and construction of gravel roads and well pads to support 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 area 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 selldown 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 External Affairs standards and policies which require transparent, open, pro-active communication and cooperation between the Company, communities and government at all levels. Oil Search operates dedicated teams to manage government and community 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, polices, 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.

DIRECTORS' REPORT

Remuneration Report

INTRODUCTORY LETTER FROM DR AGU KANTSLER

Chair of the People & 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 MMboe[1] at the end of 2014 to 1,202 MMboe at the end of 2019 – a 181% increase.

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.

Dr Agu Kantsler
Chair, People and Nominations Committee

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

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 78 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		
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 Gerea Aopi CBE	Executive General Manager Stakeholder Engagement	Until 31 May 2018
Mr Paul Cholakos	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

	STI OUTCOME AS A % OF TFR	
OPPORTUNITY	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	There are three equally weighted performance conditions based on relative total shareholder return (TSR) as follows: ◊ 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): • 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	Oil Search TSR ranking	Percentage of PRs that qualify for vesting
	<50th percentile	0%
	50th percentile	50%
	Above 50th and below 75th	Pro-rata so that 2% of PRs vest for every 1 percentile increase between the 50th percentile and the 75th percentile
	75th percentile and above	100
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
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$)

		SHORT TERM			POST-EMPLOYMENT	LONG TERM	EQUITY[6]		OTHER		
USD	YEAR	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	TOTAL	% PERFORMANCE RELATED
Peter Botten[10]	**2019**	**1,860,532**	**330,406**	**898,297**	**14,547**	**75,463**	**1,275,840**	**1,401,893**	**–**	**5,856,979**	**61%**
Managing Director	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	**2019**	**515,136**	**6,545**	**165,055**	**15,953**	**46,562**	**214,166**	**239,401**	**–**	**1,202,818**	**51%**
EVP Corporate & General Counsel	2018	503,390	–	226,750	16,255	–	146,652	46,788	–	939,835	45%
Stephen Gardiner	**2019**	**622,789**	**1,393**	**177,577**	**14,547**	**12,722**	**269,046**	**289,037**	**–**	**1,387,111**	**53%**
Chief Financial Officer	2018	580,050	–	282,407	14,322	16,152	226,529	275,983	–	1,395,443	56%
Bart Lismont[7]	**2019**	**242,323**	**–**	**67,248**	**–**	**–**	**3,978**	**–**	**–**	**313,549**	**23%**
EVP Technology & Value Assurance	2018	–	–	–	–	–	–	–	–	–	–
Ian Munro	**2019**	**534,029**	**–**	**137,024**	**15,019**	**10,553**	**249,887**	**244,878**	**–**	**1,191,390**	**53%**
EVP Portfolio Management Gas & Marketing	2018	511,357	–	234,318	15,268	47,816	213,561	254,271	–	1,276,591	55%
Elizabeth White	**2019**	**515,572**	**–**	**167,332**	**14,547**	**15,257**	**193,956**	**176,394**	**–**	**1,083,059**	**50%**
EVP Gas Project Delivery	2018	491,612	–	232,288	14,322	11,697	125,456	58,632	–	934,007	45%
Keiran Wulff[8]	**2019**	**898,881**	**171,032**	**215,880**	**14,520**	**–**	**267,772**	**392,403**	**–**	**1,960,488**	**45%**
Executive Vice President & President Alaska and CEO Designate	2018	882,779	230,467	275,348	14,322	–	227,076	218,558	–	1,848,550	39%
FORMER EXECUTIVE KMP[9]											
Gerea Aopi	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
EGM Stakeholder Engagement	2018	151,310	65,489	–	23,104	(217,011)	64,187	239,861	263,771	590,711	51%
Paul Cholakos	**2019**	**268,994**	**73,926**	**–**	**10,869**	**5,066**	**119,043**	**355,695**	**787,390**	**1,620,984**	**29%**
EGM Technical Services	2018	531,335	143,101	224,859	14,322	10,572	216,324	247,404	–	1,387,917	50%
Julian Fowles	**2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
EGM PNG Business Unit	2018	993,561	–	–	20,823	(77,639)	181,534	252,146	138,386	1,508,811	29%
Michael Herrett	**2019**	**243,923**	**7,982**	**–**	**11,920**	**5,377**	**101,277**	**336,067**	**599,041**	**1,305,586**	**33%**
EGM Human Resources	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 Michael Drew Stephen Gardiner Ian Munro Elizabeth White Keiran Wulff	ASX 50 Peer Group	9.43% TSR in AUD Ranked 14.6th percentile	33.3%	Nil
	S&P Global 1200 Energy Index Peer Group (USD)	-0.3% TSR in USD Ranked 52.8th percentile	33.3%	55.6%
	S&P Global 1200 Energy Index Peer Group (Local Currency)	9.43% TSR in AUD Ranked 59.7th percentile	33.3%	69.4%
			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	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. If the PRs vest, executives can exercise them to receive shares. Such shares are normally acquired on-market.
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	◊ Funding arrangements with financiers
		◊ Construction risk management
	LNG Sales and purchase agreements	◊ Equity marketing arrangements in place
		◊ Shipping arrangements
	Commercial agreements	◊ Integration agreements negotiated
	FEED execution and licencing for AGX	◊ AGX FEED studies delivered on schedule
		◊ Licencing variations (as required)
Support Operators to achieve their investment sanction pre-requisites	Engineering, design and contracting	◊ Environmental approvals
		◊ Delivery of FEED studies
		◊ Delivery of development plan
	Reserves	◊ Certification of project reserves
	Licencing	◊ Obtaining required project licences
		◊ Licence variations (as required)
	Project financing	◊ Funding arrangements with financiers
		◊ Construction risk management
	Commercial agreements	◊ 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

	ORDINARY SHARES			RESTRICTED SHARES			PERFORMANCE RIGHTS		
KMP	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	–	–	2022
	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**			

	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
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	–	–	2022
	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
	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
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 SERVICELEAVE 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

1 Dr 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	**–**	**–**	**–**

AUDITOR'S INDEPENDENCE DECLARATION

for the year ended 31 December 2019

Deloitte.

Deloitte Touche Tohmatsu
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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

		CONSOLIDATED		PARENT	
	NOTE	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					
Items that may be reclassified to profit or loss:					
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	
	NOTE	2019 $'000	2018 $'000	2019 $'000	2018 $'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
Other comprehensive income:						
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**
Other comprehensive income:						
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

PARENT	SHARE CAPITAL $'000	AMALGAMATION 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 REPORTS

for the year ended 31 December 2019

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2 SEGMENT REPORTING (CONTINUED)

(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.

	PNG BU		ALASKA BU		CENTRE		TOTAL	
$'000	**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

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.

	REVENUE		NON-CURRENT ASSETS[1]	
$'000	**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).

2 SEGMENT REPORTING (CONTINUED)

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
Costs of production:				
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)	**–**	–
Depreciation and amortisation				
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 $'000	2018 $'000	2019 $'000	2018 $'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 $'000	2018 $'000	2019 $'000	2018 $'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 $'000	2018 $'000	2019 $'000	2018 $'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 $'000	**2018 $'000**	**2019 $'000**	**2018 $'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
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
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		PARENT	
	2019 $'000	**2018 $'000**	**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		PARENT	
	2019 $'000	**2018 $'000**	**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		PARENT	
	2019 $'000	2018 $'000	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 $'000	2018 $'000	2019 $'000	2018 $'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 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current				
Loan receivable	**67,939**	59,408	**–**	–

The loan receivable and non-current prepayments made to a third party relates 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 2019 $'000	CONSOLIDATED 2018 $'000	PARENT 2019 $'000	PARENT 2018 $'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	**3,853**	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 $'000	PRODUCING $'000	TOTAL $'000	TRANSPORT AND LOGISTICS[1] $'000	RIGS $'000	CORPORATE $'000	TOTAL $'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**

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED OIL AND GAS			CONSOLIDATED OTHER PLANT AND EQUIPMENT			
	DEVELOPMENT $'000	PRODUCING $'000	TOTAL $'000	TRANSPORT AND LOGISTICS[1] $'000	RIGS $'000	CORPORATE $'000	TOTAL $'000
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

(1) Previously 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**

(1) Previously categorised 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	
	NOTE	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 $'000	2018 $'000	2019 $'000	2018 $'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 $'000	2018 $'000	2019 $'000	2018 $'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

		CONSOLIDATED		PARENT	
	NOTE	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Reserves at the end of the year					
Foreign currency translation reserve	(i)	**(21,247)**	(19,162)	**–**	–
Amalgamation reserve	(ii)	**–**	–	**(2,990)**	(2,990)
Reserve for treasury shares	(iii)	**6,535**	2,969	**9,155**	5,589
Employee equity compensation reserve	(iv)	**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

(a) Cash and cash equivalents

	CONSOLIDATED		PARENT	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
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.

(b) Reconciliation of cash flows from operating activities

	CONSOLIDATED		PARENT	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
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				
Increase/(decrease) in provisions	**2,581**	6,496	**–**	–
	7,176	(1,694)	**–**	(671)
Net cash from operating activities	**439,934**	513,430	**4,160**	(3,934)
	752,354	854,632	**198,476**	104,308

21 STATEMENT OF CASH FLOWS (CONTINUED)

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

CONSOLIDATED	2018 $'000	CASH (OUTFLOWS) / INFLOWS $'000	OTHER CHANGES $'000	2019 $'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)**

CONSOLIDATED	2017 $'000	CASH (OUTFLOWS) / INFLOWS $'000	OTHER CHANGES $'000	2018 $'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
	3,758,906	(334,132)	–	3,424,774
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)
	(56,610)	2,079	(9,251)	(63,782)
PARENT				
Financial assets with financing activities cash flows				
Loans (to)/from related entities	(582,243)	516,612	8,481	(57,150)
	(582,243)	516,612	8,481	(57,150)

22 EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

	CONSOLIDATED		PARENT	
	2019 $'000	2018 $'000	2019 $'000	2018 $'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	**205,333**	163,699	**–**	–

22 EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS (CONTINUED)

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.

	GRANT DATE	SHARE PRICE AT GRANT DATE	FAIR VALUE	EXERCISE DATE	EXERCISE PRICE	BALANCE AS AT 1 JAN 2019	GRANTED DURING YEAR
2019	21 Oct 19	A$7.16	A$6.82	20 May 22	A$ nil	–	**35,698**
2019	21 Oct 19	A$7.16	A$6.95	21 May 21	A$ nil	–	**63,644**
2019	21 Oct 19	A$7.16	A$7.07	22 May 20	A$ nil	–	**39,202**
2019	20 May 19	A$7.70	A$7.29	20 May 22	A$ nil	–	**1,297,008**
2019	7 May 19	A$7.44	A$7.16	21 May 21	A$ nil	–	**2,186**
2019	7 May 19	A$7.44	A$7.03	21 May 22	A$ nil	–	**2,186**
2019	7 May 19	A$7.44	A$7.16	21 May 21	A$ nil	–	**2,623**
2019	7 May 19	A$7.44	A$7.03	21 May 22	A$ nil	–	**2,623**
2019	13 Feb 19	A$7.91	A$7.64	1 Dec 20	A$ nil	–	**5,616**
2019	13 Feb 19	A$7.91	A$7.50	1 Dec 21	A$ nil	–	**5,616**
2019	13 Feb 19	A$7.91	A$7.58	16 May 20	A$ nil	–	**6,943**
2019	13 Feb 19	A$7.91	A$7.44	16 May 21	A$ nil	–	**6,943**
2019	13 Feb 19	A$7.91	A$7.58	21 May 21	A$ nil	–	**7,446**
2019	13 Feb 19	A$7.91	A$7.44	21 May 22	A$ nil	–	**7,446**
2018	18 Oct 18	A$8.56	A$8.24	12 Sep 20	A$ nil	**7,833**	–
2018	18 Oct 18	A$8.56	A$8.40	12 Sep 19	A$ nil	**7,833**	–
2018	18 Oct 18	A$8.56	A$8.26	23 Jul 20	A$ nil	**19,518**	–
2018	18 Oct 18	A$8.56	A$8.42	23 Jul 19	A$ nil	**19,518**	–
2018	18 Oct 18	A$8.56	A$8.26	12 Jul 20	A$ nil	**3,000**	–
2018	18 Oct 18	A$8.56	A$8.43	12 Jul 19	A$ nil	**3,000**	–
2018	18 Oct 18	A$8.56	A$8.43	1 Jul 19	A$ nil	**2,500**	–
2018	18 Oct 18	A$8.56	A$8.19	1 Jan 21	A$ nil	**8,350**	–
2018	18 Oct 18	A$8.56	A$8.35	1 Jan 20	A$ nil	**8,350**	–
2018	18 Oct 18	A$8.56	A$8.05	21 May 21	A$ nil	**27,770**	–
2018	21 May 18	A$8.50	A$7.89	1 Mar 22	A$ nil	**25,000**	–
2018	21 May 18	A$8.50	A$8.04	1 Mar 21	A$ nil	**25,000**	–
2018	21 May 18	A$8.50	A$8.20	1 Mar 20	A$ nil	**25,000**	–
2018	21 May 18	A$8.50	A$8.28	1 Sep 19	A$ nil	**5,800**	–
2018	21 May 18	A$8.50	A$8.45	1 Sep 19	A$ nil	**5,800**	–
2018	21 May 18	A$8.50	A$8.01	21 May 21	A$ nil	**798,769**	–
2018	7 Mar 18	A$7.12	A$6.94	18 May 20	A$ nil	**4,375**	–
2017	8 Aug 17	A$6.52	A$6.31	22 May 20	A$ nil	**2,266**	–
2017	22 May 17	A$7.38	A$7.14	22 May 20	A$ nil	**653,427**	–
2016	16 May 16	A$6.70	A$6.61	17 May 19	A$ nil	**535,002**	–

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
–	–	35,698	–	–	–	–	–	–
–	–	63,644	–	–	–	–	–	–
–	–	39,202	–	–	–	–	–	–
(35,577)	–	1,261,431	–	–	–	–	–	–
–	–	2,186	–	–	–	–	–	–
–	–	2,186	–	–	–	–	–	–
–	–	2,623	–	–	–	–	–	–
–	–	2,623	–	–	–	–	–	–
(5,616)	–	–	–	–	–	–	–	–
–	–	5,616	–	–	–	–	–	–
–	–	6,943	–	–	–	–	–	–
–	–	6,943	–	–	–	–	–	–
–	–	7,446	–	–	–	–	–	–
–	–	7,446	–	–	–	–	–	–
–	–	7,833	–	7,833	–	–	7,833	–
–	(7,833)	–	–	7,833	–	–	7,833	A$7.30
–	–	19,518	–	19,518	–	–	19,518	–
–	(19,518)	–	–	19,518	–	–	19,518	A$6.95
–	–	3,000	–	3,000	–	–	3,000	–
–	(3,000)	–	–	3,000	–	–	3,000	A$7.40
–	(2,500)	–	–	2,500	–	–	2,500	A$7.15
(8,350)	–	–	–	8,350	–	–	8,350	–
(8,350)	–	–	–	8,350	–	–	8,350	–
–	–	27,770	–	27,770	–	–	27,770	–
–	–	25,000	–	25,000	–	–	25,000	–
–	–	25,000	–	25,000	–	–	25,000	–
–	–	25,000	–	25,000	–	–	25,000	–
–	(5,800)	–	–	5,800	–	–	5,800	A$6.54
–	(5,800)	–	–	5,800	–	(5,800)	–	A$6.54
(73,381)	–	725,388	–	816,540	(17,771)	–	798,769	–
–	–	4,375	–	4,375	–	–	4,375	–
–	–	2,266	2,266	–	–	–	2,266	–
(49,040)	–	604,387	688,090	–	(34,663)	–	653,427	–
–	(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	**–**	**–**	–	–	–	–

22 EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS (CONTINUED)

	2019	2018	2017	2016
Volatility	**24%**	32%	28%	30%
Dividend yield	**1.85%**	1.98%	1.10%	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.

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:

	NO. OF ORDINARY SHARES		NO. OF PERFORMANCE RIGHTS[1]		NO. OF RESTRICTED SHARES[1]	
DIRECTORS	**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 Gerea 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:

	TRANSACTIONS VALUE YEAR ENDED 31 DECEMBER	
CONSOLIDATED	**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 $'000	2018 $'000	2019 $'000	2018 $'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 $'000	2018 $'000	2019 $'000	2018 $'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	% INTEREST 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

(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.

(II) PRODUCTION ASSETS AND OTHER ARRANGEMENTS	PRINCIPAL PLACE OF BUSINESS	% INTEREST 2019	% INTEREST 2018
PNG LNG Project	PNG	**29.00**	29.00
Papua New Guinea Liquefied Natural Gas Global Company LDC	Bahamas	**29.00**	29.00

(c) Interests in joint ventures

	PRINCIPAL PLACE OF BUSINESS	% INTEREST 2019	% INTEREST 2018
NiuPower Limited	PNG	**50.00**	50.00
NiuEnergy Limited	PNG	**50.00**	50.00

27 SUBSIDIARIES AND INTERESTS IN JOINT ARRANGEMENTS (CONTINUED)

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:

(I) PRODUCTION ASSETS AND OTHER ARRANGEMENTS	PRINCIPAL PLACE OF BUSINESS	% INTEREST 2019	% INTEREST 2018
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.

(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).

28 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

Consolidated

FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS $'000	1-5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST BEARING $'000	TOTAL CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION $'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)

Parent

FINANCIAL INSTRUMENTS	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE MATURING IN: 1 YEAR OR LESS $'000	1-5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST BEARING $'000	TOTAL CARRYING AMOUNT IN THE STATEMENT OF FINANCIAL POSITION $'000
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						
Non-current receivables	–	–	–	–	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.

28 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

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).

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

		CONSOLIDATED		PARENT	
	NOTE	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.

		CONTRACTUAL CASH FLOWS			
NON-DERIVATIVE FINANCIAL LIABILITIES	CARRYING AMOUNT $'000	TOTAL $'000	LESS THAN 1 YEAR $'000	1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
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**

28 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

NON-DERIVATIVE FINANCIAL LIABILITIES	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS TOTAL $'000	LESS THAN 1 YEAR $'000	1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
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.

(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.

28 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

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

for the year ended 31 December 2019

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

Deloitte.

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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.

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Applicable to The Group	
Key Audit Matter	**How the scope of our audit responded to the Key Audit Matter**
Carrying Value of Exploration and Evaluation Assets 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). 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.	Our procedures included, but were not limited to: • 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.
Carrying Value of Producing and Development Assets The carrying value of Producing and Development assets at 31 December 2019 is $6,124 million. Refer note 16 for further details. 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.	Our procedures included, but were not limited to: • 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.

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	• 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.
Accounting for Income Tax 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. Tax applicable to hydrocarbon exploration and production activities in Papua New Guinea is based on tax ring-fencing, on a licence-by-licence basis. Judgement is required to determine the application of tax legislation, as well as to assess the recoverability of deferred tax assets.	Our procedures included, but were not limited to: • 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.

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Applicable to The Parent Only	
Key Audit Matter	**How the scope of our audit responded to the Key Audit Matter**
Carrying Value of Exploration and Evaluation Assets 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). 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.	Our procedures included, but were not limited to: • 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.

Carrying Value of Investments in Subsidiaries
 	
The Company has investments in subsidiaries at 31 December 2019 of $3,320 million. Refer to note 27 for further details.
 	
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.
	Our procedures included, but were not limited to the following:
	
	• evaluating management's assessment of indicators of impairment for investments at 31 December 2019, including:
	    ○ 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

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	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.

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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.

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2019

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 93 to 109 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

SHAREHOLDER INFORMATION

OIL SEARCH LIMITED

ARBN 055 079 868

Distribution of shareholding at 12 February 2020

SIZE OF HOLDING	NUMBER OF HOLDERS	NUMBER OF SHARES	% OF ISSUED CAPITAL
1 – 1,000	19,213	9,194,794	0.60
1,001 – 5,000	17,388	42,360,943	2.78
5,001 – 10,000	3,932	28,246,433	1.85
10,001 – 100,000	2,473	52,902,188	3.47
100,001 and over	157	1,392,042,627	91.30
Total	**43,163**	**1,524,746,985**	**100.00**

At 12 February 2020 there were 1,992 holders of less than a marketable parcel of shares.

20 largest holders of ordinary shares at 12 February 2020

SHAREHOLDER		NUMBER OF SHARES	% OF ISSUED CAPITAL
1.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	492,433,986	32.30
2.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	352,532,495	23.12
3.	AUST EXECUTOR TRUSTEES LTD <IPIC>	196,604,177	12.89
4.	CITICORP NOMINEES PTY LIMITED	126,355,686	8.29
5.	NATIONAL NOMINEES LIMITED	48,340,735	3.17
6.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	40,743,827	2.67
7.	BNP PARIBAS NOMS PTY LTD <DRP>	25,906,777	1.70
8.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	16,482,507	1.08
9.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT–COMNWLTH SUPER CORP A/C>	7,610,094	0.50
10.	UBS NOMINEES PTY LTD	7,233,973	0.47
11.	NATIONAL SUPERANNUATION FUND LIMITED	6,171,998	0.40
12.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	5,120,299	0.34
13.	ARGO INVESTMENTS LIMITED	4,857,300	0.32
14.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED–GSCO ECA	4,302,436	0.28
15.	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	2,702,655	0.18
16.	MR KWOK CHING CHOW + MS PIK YUN PEGGY CHAN	2,475,916	0.16
17.	DJERRIWARRH INVESTMENTS LIMITED	2,441,000	0.16
18.	MR DAVID FOX <THOMAS JOHN BERESFORD WI A/>	2,272,000	0.15
19.	RICE ATLANTIC COMPANY LIMITED <WORLDWIDE ASSETS HOLDING A/C>	1,865,394	0.12
20.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,576,636	0.10
Total		**1,348,029,891**	**88.41**

At 12 February 2020, Oil Search had the following securities on issue:

- 1,524,746,985 ordinary fully paid shares*
- 3,935,166 unlisted Performance Rights
- 1,069,456 Restricted Shares
- 2,910,347 Share Rights

* The trustee for the employee share plan held 38,128 ordinary fully paid shares at 12 February 2020 that are available to satisfy the exercise of employee Performance Rights and Share Rights.

Substantial shareholders at 12 February 2020

SHAREHOLDER	NUMBER OF SHARES	% OF ISSUED CAPITAL
Mubadala Investment Company	196,604,177	12.90
The Capital Group Companies	102,493,244	6.72
FIL Limited	84,326,131	5.53

Information included in the substantial shareholders table is sourced from substantial shareholder notices or the register that the Company maintains in accordance with section 672DA of the Corporations Act 2001, in each case at 12 February 2020.

SHAREHOLDER INFORMATION

The Company's ordinary fully paid shares are listed on the ASX and the PNGX. Shares are also listed in the United States of America, via American Depositary Receipts (ADRs).

VOTING RIGHTS ATTACHED TO ORDINARY SHARES

1. On a show of hands, one vote per member.
2. On a poll, every member present shall have one vote for every share held by them in the Company.

ANNUAL MEETING

Oil Search's 2020 Annual Meeting will be held at the Hilton, Port Moresby, Papua New Guinea on Friday, 1 May 2020, commencing at 9.30 am (Port Moresby time).

2019 FINAL DIVIDEND

The 2019 final dividend will be paid on 24 March 2020 to shareholders registered at the close of business on 4 March 2020.

The dividend will be paid in PNG Kina for those shareholders domiciled in Papua New Guinea, in GB Pounds for those shareholders that have lodged direct credit details requesting a GB credit with the Company's share registry, Computershare, and in Australian dollars for all other shareholders. The exchange rates used for converting the US dollar dividend into the payment currencies are the rates on the record date, 4 March 2020.

The dividend will be unfranked and no withholding tax will be deducted. The Company's dividend reinvestment plan remains suspended.

SHARE REGISTRY

Enquiries

Oil Search's share register is managed by Computershare Investor Services Pty Limited. Please contact Computershare for all shareholding and dividend related enquiries.

Change of shareholder details

Shareholders should notify Computershare of any changes in shareholder details via the Computershare website (www.computershare.com.au) or in writing (fax, email, mail). Examples of such changes include:

- Registered name
- Registered address
- Direct credit payment details
- Dividend payment currency preference

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia

Telephone:
Within Australia: 1300 850 505
Outside Australia: +61 3 9415 4000

Facsimile: +61 3 9473 2500
Email: oilsearch@computershare.com.au
Website: www.computershare.com.au/investor/

AMERICAN DEPOSITARY RECEIPTS PROGRAMME

Bank of New York Mellon
ADR Division
22nd Floor
101 Barclay Street
New York
NY 10286

Telephone:
Within USA: +1 888 269 2377
Outside USA: +1 201 680 6825
Facsimile: +1 212 571 3050 / 3051 / 3052

SHARE CODES

ASX Share Code: OSH
PNGX Share Code: OSH
ADR Share Code: OISHY

OIL SEARCH WEBSITE

A wide range of information on Oil Search is available on the Company's website, at www.oilsearch.com. As well as reviews of Oil Search's Board and senior management team, corporate governance practices, activities and sustainability initiatives, the following information for investors is available:

- Share price information
- Dividend information
- Annual reports
- Sustainability reports
- Quarterly reports
- Press releases
- Profit announcements
- Drilling reports
- Presentations
- Webcasts

Investor information, other than about shareholdings and dividends, can be obtained by sending an email to: investor@oilsearch.com.

KEY DATES AND ANNOUNCEMENTS IN 2019

January	17	Pikka B appraisal well encounters hydrocarbons
	22	Release of 2018 4th Quarter results
	25	Oil Search expands Alaskan exploration lease position
February	19	Release of 2018 Full Year results
		Release of 2018 Reserves and Resources Statement
March	5	Ex–dividend date for 2018 final dividend
	6	Record date for 2018 final dividend
	28	Payment of 2018 final dividend
	28	Release of 2018 Annual Report
April	2	PNG LNG signs SPA with Unipec
	9	Papua LNG Gas Agreement signed
	16	Release of 2019 1st Quarter results
May	10	2019 Annual Meeting
	16	Letter of Intent signed for Santos' proposed farm–in to PRL 3 (P'nyang)
	23	Record of Decision received for Pikka Unit Development
June	28	Alaska update – Exercise of Armstrong Energy/GMT option and realignment of ownership with Repsol
July	15	Oil Search announces new organisational structure to support future growth
	16	Release of 2019 2nd Quarter results
August	5	Update on Papua LNG Project
	15	PNG Government announces its intention to renegotiate the terms of the Papua LNG Gas Agreement
	16	Change of Group Secretary
	20	Release of 2019 Half Year results
	28	Mooring buoy issue update
September	3	Ex–dividend date for 2019 interim dividend
	3	PNG Government validates Papua LNG Gas Agreement
	4	Record date for 2019 interim dividend
	24	Payment of 2019 interim dividend
October	1	Successor to Peter Botten appointed
	22	Release of 2019 3rd Quarter results
	31	Revised share trading policy
November	14	Gobe Footwall 1 exploration well commences drilling
December	18	Pikka Unit Development update
	31	End of Financial Year

2020 FINANCIAL CALENDAR[1]

January	28	Release of 2019 4th Quarter results
February	25	Release of 2019 Full Year results
March	3	Ex–dividend date for 2019 final dividend
	4	Record date for 2019 final dividend
	24	Payment of 2019 final dividend
		Release of 2019 Annual Report
April	21	Release of 2020 1st Quarter results
May	1	2020 Annual Meeting
July	21	Release of 2020 2nd Quarter results
August	25	Release of 2020 Half Year results
September	1	Ex–dividend date for 2020 interim dividend
	2	Record date for 2020 interim dividend
	22	Payment of 2020 interim dividend
October	20	Release of 2020 3rd Quarter results
December	31	End of Financial Year

1. Dates are subject to change.

TEN YEAR SUMMARY

TEN YEAR SUMMARY[1]

INCOME STATEMENT	2019 US$ 000	2018 US$ 000	2017 US$ 000
Revenue	1,584,808	1,535,761	1,446,001
Production costs	(348,742)	(290,027)	(262,813)
Other operating costs	(157,336)	(145,314)	(141,056)
Other income	67,169	9,579	9,969
EBITDAX[2]	**1,145,899**	**1,109,999**	**1,052,101**
Depreciation and amortisation	(413,710)	(326,094)	(380,571)
Exploration costs expensed	(47,260)	(66,663)	(35,928)
Proposed InterOil acquisition	–	–	–
EBIT	**684,929**	**717,242**	**635,602**
Net finance (costs)/income	(230,961)	(209,850)	(194,728)
Share of net profit from investments in joint ventures	627	–	–
Net impairment (losses)/reversals	(5,865)	–	–
Profit before income tax	**448,730**	**507,392**	**440,874**
Income tax expense	(136,310)	(166,190)	(138,782)
Net profit after income tax, significant items	**312,420**	**341,202**	**302,092**
Significant items	–	–	–
Net profit after tax, before significant items	**312,420**	**341,202**	**302,092**
Dividends paid	(205,746)	(114,273)	(99,014)
BALANCE SHEET			
Total assets	11,572,853	10,673,891	10,512,498
Total cash	396,232	600,557	1,015,246
Total debt[3]	3,794,582	3,424,774	3,758,906
Shareholders' equity	5,258,411	5,165,618	4,937,754
OTHER INFORMATION			
Average realised oil and condensate price (US$/bbl)	62.86	70.65	55.68
Average realised LNG and gas price (US$/mmBtu)	9.58	10.06	7.67
Net annual oil and condensate production (mmbbl)	4.83	5.03	7.56
Net annual gas produced for sale (bcf)	117.92	102.90	116.04
Total BOE net annual production (mmboe)	27.95	25.21	30.31
Exploration and evaluation expenditure incurred (US$'000)	700,010	714,796	169,544
Assets in development expenditure incurred (US$'000)	45,039	36,797	30,102
Producing assets expenditure incurred (US$'000)	81,108	21,723	40,654
Operating cash flow (US$'000)	752,354	854,632	843,585
Operating cash flow per ordinary share (US cents)	49.34	56.10	55.40
Diluted EPS (including significant items) (US cents)	20.4	22.3	19.8
Basic EPS (excluding significant items) (US cents)	20.5	22.4	19.8
Ordinary dividend per share (US cents)	9.5	10.5	9.5
Special dividend per share (US cents)	–	–	–
Gearing (%)[4]	36.0%	35.3%	37.0%
Return on average shareholders' funds (%)	8.6%	10.0%	9.1%
Number of ordinary fully paid shares (000's)	1,524,747	1,523,631	1,523,631
EXCHANGE RATES			
Year end A$: US$	0.701	0.705	0.779
Average A$: US$	0.695	0.748	0.767
SOCIAL RESPONSIBILTY			
Total paid to PNG Government (US$'000)	68,672	114,714	62,728
Total invested in sustainable development (US$'000)	35,407	65,882	14,974
Total Recordable Injury Rate (per million hours worked)	1.70	1.58	1.93
Number of significant spills (>100 bbl)	–	–	–
Total greenhouse gas emissions (ktCO_2–e)	598	570	962
Greenhouse gas emissions intensity (ktCO_2–e /mmboe)[5]	45	44	50
Total number of employees	1,607	1,410	1,286
% females in senior management (%)[6]	25	23	22
% PNG nationals in senior management (%)	16	20	23

1. Prior year comparatives have been restated where necessary, in order to achieve consistency with current year disclosures.
2. Earnings before interest, tax, depreciation and amortisation, impairment and exploration.
3. Total debt includes lease liability.

TEN YEAR SUMMARY

2016 US$ 000	2015 US$ 000	2014 US$ 000	2013 US$ 000	2012 US$ 000	2011 US$ 000	2010 US$ 000
1,235,908	1,585,728	1,610,370	766,265	724,619	732,869	583,560
(257,104)	(294,818)	(235,380)	(126,442)	(112,042)	(93,919)	(87,770)
(131,721)	(154,469)	(125,769)	(87,392)	(88,244)	(53,362)	(24,078)
5,120	14,841	7,762	216	45,079	138	3,158
852,203	**1,151,282**	**1,256,983**	**552,647**	**569,412**	**585,726**	**474,870**
(436,702)	(407,753)	(252,671)	(50,201)	(49,457)	(51,307)	(49,874)
(53,164)	(50,889)	(109,132)	(107,424)	(143,970)	(60,633)	(131,188)
18,694	–	–	–	–	–	–
381,031	**692,640**	**895,180**	**395,022**	**375,985**	**473,786**	**293,808**
(195,999)	(185,114)	(129,595)	(15,152)	(4,557)	(658)	(826)
–	–	–	–	–	–	–
–	(399,271)	(180,593)	–	(23,793)	(33,227)	(15,808)
185,032	**108,255**	**584,992**	**379,870**	**347,635**	**439,901**	**277,174**
(95,237)	(147,636)	(231,774)	(174,148)	(171,801)	(237,418)	(91,572)
89,795	**(39,381)**	**353,218**	**205,722**	**175,834**	**202,483**	**185,602**
16,906	399,271	180,593	–	22,796	(33,227)	41,488
106,701	**359,890**	**533,811**	**205,722**	**198,630**	**169,256**	**227,090**
(76,135)	(274,085)	(60,308)	(53,532)	(53,143)	(52,663)	(52,087)
10,126,129	10,342,835	10,727,247	8,421,537	7,102,721	5,702,034	4,370,067
862,748	910,479	960,166	209,661	488,274	1,047,463	1,263,589
4,074,781	4,302,650	4,421,065	4,024,421	2,866,050	1,747,567	929,720
4,725,316	4,709,362	5,025,476	3,421,052	3,208,346	3,017,232	2,798,467
45.04	51.36	99.79	110.73	113.97	116.09	80.19
6.36	9.44	13.94	–	–	–	–
8.58	8.89	7.93	5.82	5.50	5.76	6.77
110.46	103.84	57.87	5.51	5.27	5.56	5.35
30.24	29.25	19.27	6.74	6.38	6.69	7.66
151,761	275,699	1,246,939	293,985	240,615	144,606	175,980
9,611	135,211	502,566	1,214,615	1,492,529	1,286,542	1,139,058
38,250	111,830	105,677	152,600	111,498	129,396	41,850
555,116	952,739	992,304	366,804	196,226	386,193	346,675
36.46	62.57	65.16	27.39	14.75	29.3	26.5
5.9	(2.6)	23.8	15.3	13.2	15.3	14.1
7.0	(2.6)	32.6	15.4	11.5	17.9	11.0
3.5	10.0	8.0	4.0	4.0	4.0	4.0
–	–	4.0	–	–	–	–
40.5%	41.9%	40.8%	52.7%	42.6%	18.8%	–
3.9%	2.2%	8.4%	6.2%	5.6%	7.0%	6.9%
1,522,693	1,522,693	1,522,693	1,343,361	1,334,757	1,325,155	1,312,888
0.724	0.731	0.820	0.895	1.038	1.016	1.016
0.744	0.753	0.903	0.969	1.036	1.032	0.919
68,279	97,843	239,606	234,371	300,229	260,497	183,051
13,934	9,591	7,807	8,170	6,582	6,303	3,200
1.53	1.91	1.97	2.47	2.64	1.85	1.96
–	–	–	–	–	–	–
941	958	830	898	918	1,021	1,105
46	48	55	73	80	85	78
1,206	1,334	1,701	1,515	1,200	1,124	1,041
21	18	15	14	13	10	6
23	21	16	21	22	23	23

4. Net debt/(net debt and shareholders funds). Net debt excludes lease liability presented as "Borrowings" in the Statement of Financial Position.
5. Intensity is calculated by dividing total GHG (scope 1 and 2) emissions by gross total production. Gross production is based on operational control (eg. Total usable hydrocarbon production from Oil Search controlled operations only, as compared to equity based production figures)
6. Includes all senior managers, technical experts and executives.

GLOSSARY

$, $m, $bn
Dollars stated in US dollar terms unless otherwise stated.

1C
Low estimate of contingent resources.

1H, 2H
Halves of the calendar year. 1H (1 January – 30 June), 2H (1 July – 31 December).

1P
Proved reserves.

1Q, 2Q, 3Q, 4Q
Quarters of the calendar year. 1Q (1 January – 31 March), 2Q (1 April – 30 June), 3Q (1 July – 30 September), 4Q (1 October – 31 December).

2C
Best estimate of contingent resources.

2P
Proved and probable reserves.

AGX
Associated Gas Expansion opportunity.

Appraisal well
A well drilled to follow up an oil or gas discovery to evaluate its commercial potential.

barrel/bbl
The standard unit of measurement for oil and condensate production and sales.

bcf/bscf
Billion standard cubic feet, a measure of gas volume.

boe
Barrels of oil equivalent – the factor used to convert volumes of different hydrocarbon products to barrels of oil equivalent. Conversion rate used by Oil Search for gas reserves and production is 6,000 scf = 1 boe up to and including 2013; 5,100 scf = 1 boe thereafter.

bopd
Barrels of oil per day.

Btu
British thermal units, a measure of thermal energy.

Condensate
Hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid when temperature or pressure is reduced. A mixture of pentanes and higher hydrocarbons.

Crude oil
Liquid petroleum as it comes out of the ground. Crude oils range from very light (high in gasoline) to very heavy (high in residual oils). Sour crude is high in sulphur content. Sweet crude is low in sulphur and therefore often more valuable.

Development well
Wells designed to produce hydrocarbons from a gas or oil field within a proven productive reservoir defined by exploration or appraisal drilling.

EBITDAX
Earnings before interest, tax, depreciation/amortisation, impairment and exploration.

EITI
Extractive Industries Transparency Initiative.

ExxonMobil
Subsidiary of the ExxonMobil Corporation.

Farm–in
A contractual agreement to acquire all or part of a working interest in an oil or gas lease from the owner in exchange for fulfilling contractually specified conditions.

FEED
Front End Engineering and Design. Conceptual design prior to detailed design.

FID
Final Investment Decision.

Gearing
Net debt / (net debt and shareholders' funds).

GHG
Greenhouse gas.

Hydrocarbons
Solid, liquid or gas compounds of the elements hydrogen and carbon.

ITCS
Infrastructure Tax Credit Scheme.

JV
Joint venture.

LNG
Liquefied natural gas.

LPG
Liquid petroleum gas.

LTI
Long–term incentive.

GLOSSARY

LTIR
Lost Time Injury Frequency Rate.

MENA
Middle East/North Africa.

mmbbl
Million barrels.

mmBtu
Million British thermal units.

mmscf/d
Million standard cubic feet per day.

MoU
Memorandum of Understanding.

MTPA
Million tonnes per annum (LNG).

Net debt
Total debt less cash and cash equivalents.

OSF
Oil Search Foundation.

PDL
Petroleum Development Licence.

PL
Pipeline Licence.

PNG
Papua New Guinea.

PNG LNG Project operator
ExxonMobil PNG Limited, a subsidiary of Exxon Mobil Corporation (ExxonMobil).

PPFL
Petroleum Processing Facilities Licence.

PPL
Petroleum Prospecting Licence.

PRL
Petroleum Retention Licence.

Seismic survey
A survey used to gain an understanding of rock formations beneath the earth's surface.

scf
Standard cubic feet, a measure of gas volume.

Sidetrack
A secondary wellbore drilled away from the original hole.

STI
Short–term incentive.

tcf
Trillion cubic feet, a measure of gas volume.

TCFD
Task Force on Climate–related Financial Disclosure.

TRIR
Total Recordable Injury Rate.

VPSHR
Voluntary Principles on Security and Human Rights.

Workover
To perform one or more of a variety of remedial operations on a producing well to try to increase production.

Definition of reserves and contingent resources
Oil Search's Reserves and Contingent Resource estimates are prepared in accordance with the 2007 Petroleum Resources Management System, sponsored by the Society of Petroleum Engineers.

Proved reserves
Proved reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved reserves are limited to those quantities of oil and gas which can be expected, with little doubt, to be recoverable commercially at current prices and costs, under existing regulatory practices and with existing conventional equipment and operating methods. Proved (1P) reserves are probabilistically calculated reserves having a 90 per cent confidence level (P90); such reserves have a 90 per cent likelihood of being equalled or exceeded.

Probable reserves
Probable reserves are those reserves which geological and engineering data demonstrate to be potentially recoverable, but where some element of risk or insufficient data prevent classification as proven. Probable reserves are calculated by subtracting proven reserves from those probabilistically calculated reserves having a 50 per cent confidence level (P50). Therefore, "Proved plus Probable" (2P) reserves are defined as those reserves which have a 50 per cent likelihood of being equalled or exceeded.

Contingent resources
The Company's technically recoverable resources for its discovered but uncommercialised oil and gas volumes are classified as contingent resources. 2C denotes the best estimate of contingent resources.

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ABOUT OIL SEARCH

Oil Search was established in Papua New Guinea (PNG) in 1929. It operates all of the country's producing oil fields, has a 29% interest in the PNG LNG Project, operated by ExxonMobil PNG Limited, and holds an extensive exploration portfolio in the NW Highlands, Central Foldbelt/Onshore Gulf and Deep-water Gulf. The Company also has interests in several major undeveloped gas fields, including Elk-Antelope in PRL 15, operated by Total SA, and P'nyang in PRL 3, operated by ExxonMobil. These fields are expected to underpin a proposed three-train, approximately 8 MTPA LNG development, to be constructed on the existing PNG LNG plant site.

In February 2018, Oil Search aquired a world-class portfolio of oil assets on the Alaskan North Slope, USA. These assets offer significant upside potential and complement the Company's high-returning PNG gas portfolio. Oil Search assumed operatorship of the assets in March 2018 and doubled its position in the key leases through the exercise of the Armstrong Energy/GMT Option in 2019. Oil Search commenced FEED activities for the Pikka Unit Development in early 2020, with a Final Investment Decision targeted in the second half of 2020.

Oil Search is listed on the Australian and Port Moresby security exchanges (Share code: OSH) and its ADRs trade on the US Over the Counter market (Share code: OISHY).

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Oil Search

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