Oil Search

RISING TO THE CHALLENGE

ANNUAL REPORT 2018

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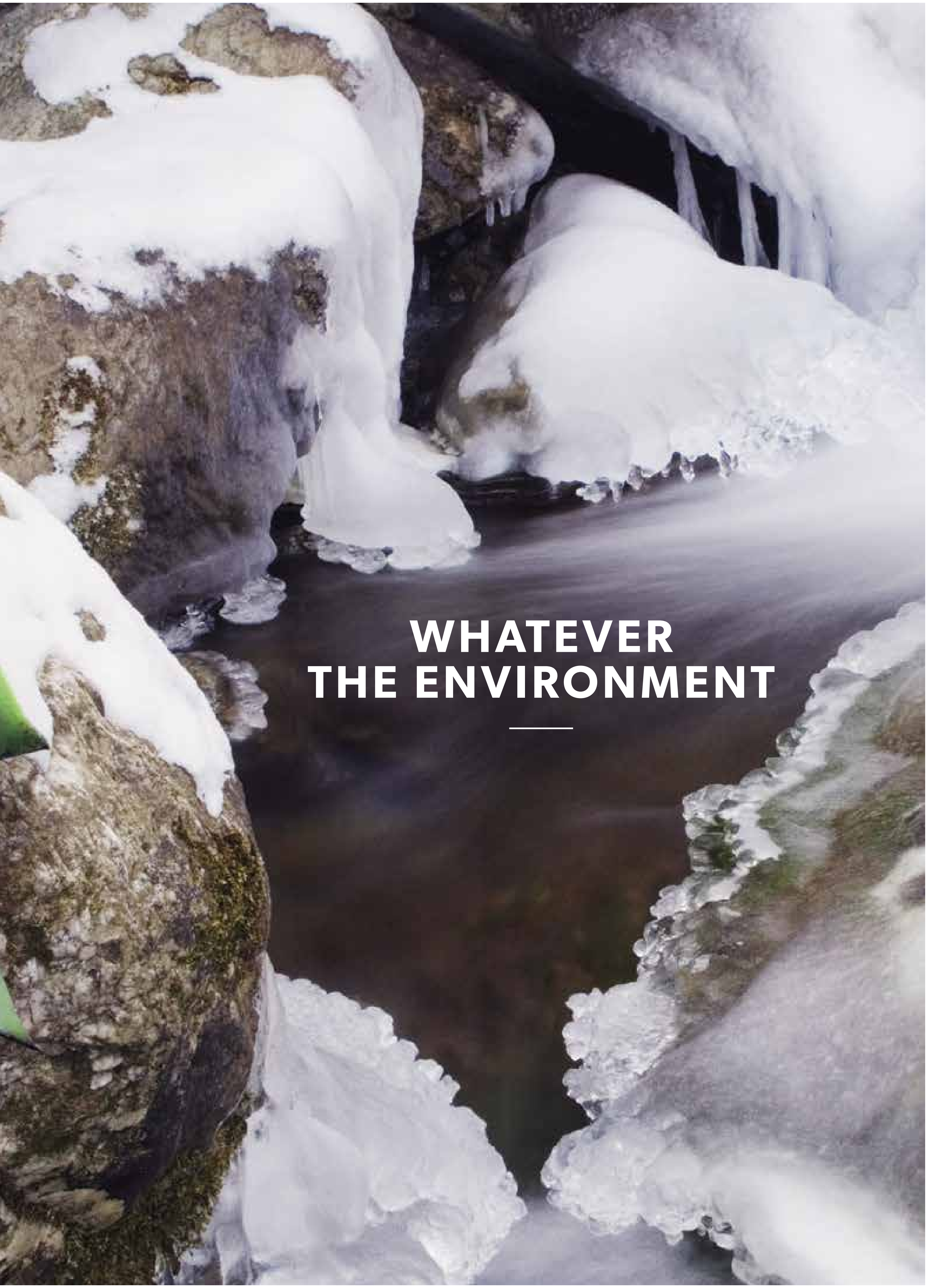

WHATEVER
THE ENVIRONMENT

WHEN NATURAL DISASTERS STRIKE

WE DELIVER

MASSIVE EARTHQUAKE IN PNG HIGHLANDS IMPACTS COMMUNITIES AND OPERATIONS

On 26 February 2018, a 7.5 magnitude earthquake, the largest in nearly 100 years, struck the PNG Highlands, causing much loss of life and damage within our local communities and resulting in the shut-in of all our production. In the immediate aftermath of the earthquake, Oil Search focused on three separate workstreams – providing relief to impacted communities, restoring our operated production and ensuring that 'business as usual' activities, including new LNG developments, continued. As one of the few organisations able to deliver rapid, on-the-ground assistance, Oil Search provided nearly 80% of all First Responder aid to local communities. Despite many challenges, we brought our first operated production back onstream within four weeks of the earthquake. The PNG LNG Project operator, ExxonMobil, used the opportunity while operations were shut-down to undertake debottlenecking and maintenance activities. Consequently, in the second half of 2018, the Project achieved the highest half-yearly production rate since it came onstream in 2014.

Oil Search coordinated the delivery of emergency supplies and provided medical treatment for villages devastated by the PNG Highlands earthquake.

ALIGNMENT REACHED ON NEW LNG DEVELOPMENTS IN PNG

During 2018, broad alignment was reached by Oil Search and its key joint venture partners on the preferred downstream concept for new LNG capacity in PNG. This comprises the construction of three 2.7 MTPA LNG trains at the PNG LNG plant site, two underpinned by the Elk-Antelope fields (Papua LNG Project) and one by the PNG LNG Project fields and P'nyang field. In November, the Papua LNG Project participants signed a Memorandum of Understanding with the PNG Government, which will form the basis for a Gas Agreement that equitably and appropriately allocates benefits and returns from the Papua LNG development among stakeholders. Broad agreement was also reached on commercial terms for the Papua LNG Project to access the PNG LNG plant site. Once finalised, these agreements, together with the P'nyang Gas Agreement, will allow an aligned entry into the FEED phase of the three-train development, which is well positioned to deliver high quality, cost-competitive LNG into the rapidly-growing Asian LNG market.

The proposed development of new LNG capacity in PNG includes the construction of three 2.7 MTPA LNG trains on the existing PNG LNG plant site.


WHEN OPPORTUNITIES ARISE
WE PARTNER

WHEN WE EXPLORE

WE ARE INNOVATIVE

MAJOR DRILLING AND SEISMIC PROGRAMME COMPLETED

Oil Search was the largest investor in oil and gas exploration in PNG in 2018, utilising our proven skills in exploring in extremely challenging, jungle-covered terrain requiring heli-support and complex logistics. We drilled two operated gas appraisal wells, Kimu 2 and Barikewa 3, in the Forelands region, both of which were successful. In the PNG Highlands, we drilled the successful P'nyang South 2 well and commenced drilling Muruk 2, both on behalf of ExxonMobil. In addition, we undertook two major 2D seismic programmes, in the Onshore Gulf, on behalf of ExxonMobil and Total, and in the Gobe area. The data acquired will help mature leads and prospects located near infrastructure for potential future drilling. With an estimated 30 tcf of potential gas resource yet to be found, we continue to be at the forefront of testing new and proven plays in PNG.

The Company's exploration activities take place in some of the most remote and rugged terrain in PNG, requiring helicopter support to transport equipment and supplies.

ACQUISITION OF HIGH QUALITY OIL ASSETS IN ALASKA

In early 2018, we completed the acquisition and became operator of a range of leases on the Alaska North Slope in the US, including a major, undeveloped conventional onshore oil discovery. During the year, we built a multi-disciplinary, highly experienced, Anchorage-based team with material North Slope and international expertise. We also engaged with key stakeholder groups, to develop a greater understanding of the major issues and opportunities in Alaska. At the beginning of 2019, we expanded significantly our lease position on the North Slope, positioning the Company for long-term growth. Utilising the skills developed over many years in PNG, of operating in remote and challenging areas where logistics is critical, in late December we commenced drilling the first of two appraisal wells in the Pikka Unit, with the second spudding in early January. Subject to the results and regulatory approvals, we anticipate entering the FEED phase of this exciting new oil development in 2019.

The acquisition of oil assets on the Alaska North Slope complements Oil Search's existing high-quality PNG gas assets.

WHEN WE ACQUIRE

WE ARE STRATEGIC

WHEREVER WE OPERATE

WE ARE RESPONSIBLE

COMMITTED TO MAINTAINING A STABLE OPERATING ENVIRONMENT

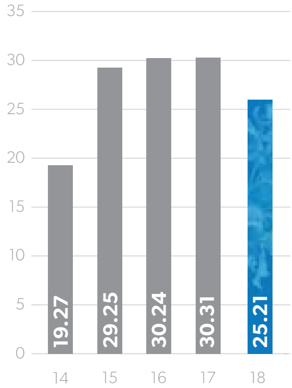
Oil Search has a range of initiatives and programmes reflecting its commitment to operating in a responsible way. As well as our response to the February earthquake, during the year we were a founding partner in the Bel isi PNG initiative, an innovative project where businesses work together collaboratively to address gender-based violence in PNG. We also continued to support the PNG Government to progress the distribution of PNG LNG Project benefits to communities. In line with our commitment to transparency, we were one of the first ASX-listed energy companies to release a TCFD-aligned Climate Change Resilience Report, which demonstrated the resilience of our portfolio in a range of decarbonisation scenarios. In Alaska, following consultation by Oil Search with local communities, the Final Environmental Impact Statement for the proposed Pikka Unit development was issued, highlighting our willingness to engage and respond to community expectations.

Oil Search's long-standing commitment to developing and maintaining genuine relationships has been key to the Company's ongoing success.

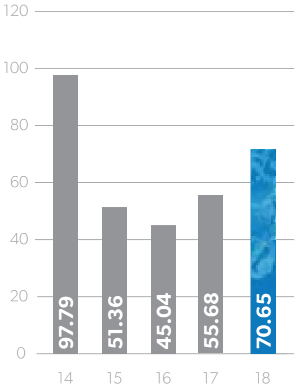
2018

HIGHLIGHTS

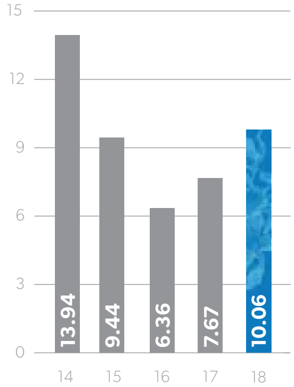
In 2018, Oil Search delivered a net profit after tax of US$341.2m, 13% higher than in 2017. This was a commendable result in light of the temporary shut-in of production following the PNG Highlands earthquake in February 2018.



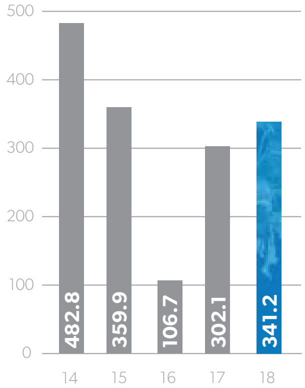
PRODUCTION
(MMBOE)



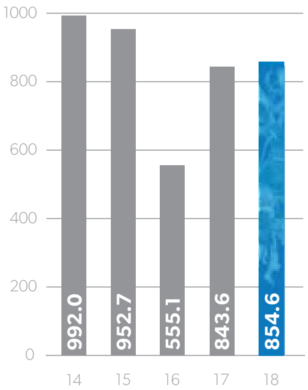
AVERAGE REALISED OIL AND CONDENSATE PRICE
(US$ PER BARREL)



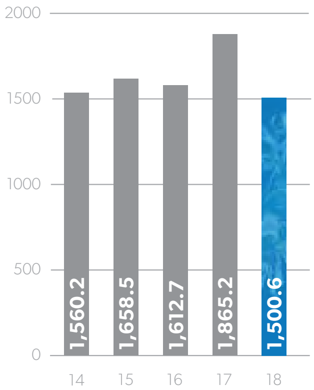
AVERAGE REALISED LNG AND GAS PRICE
(US$ PER MMBTU)



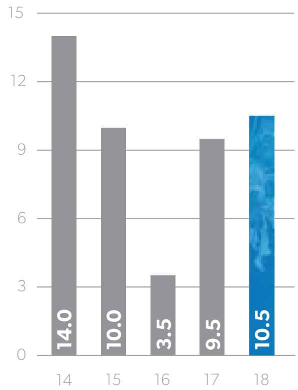
CORE PROFIT[1]
(US$ MILLION)



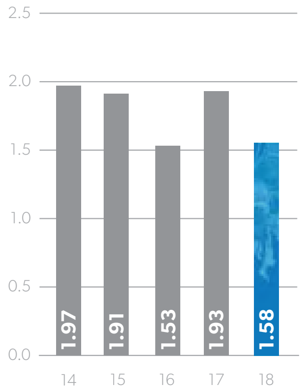
OPERATING CASH FLOW
(US$ MILLION)



LIQUIDITY
(US$ MILLION)



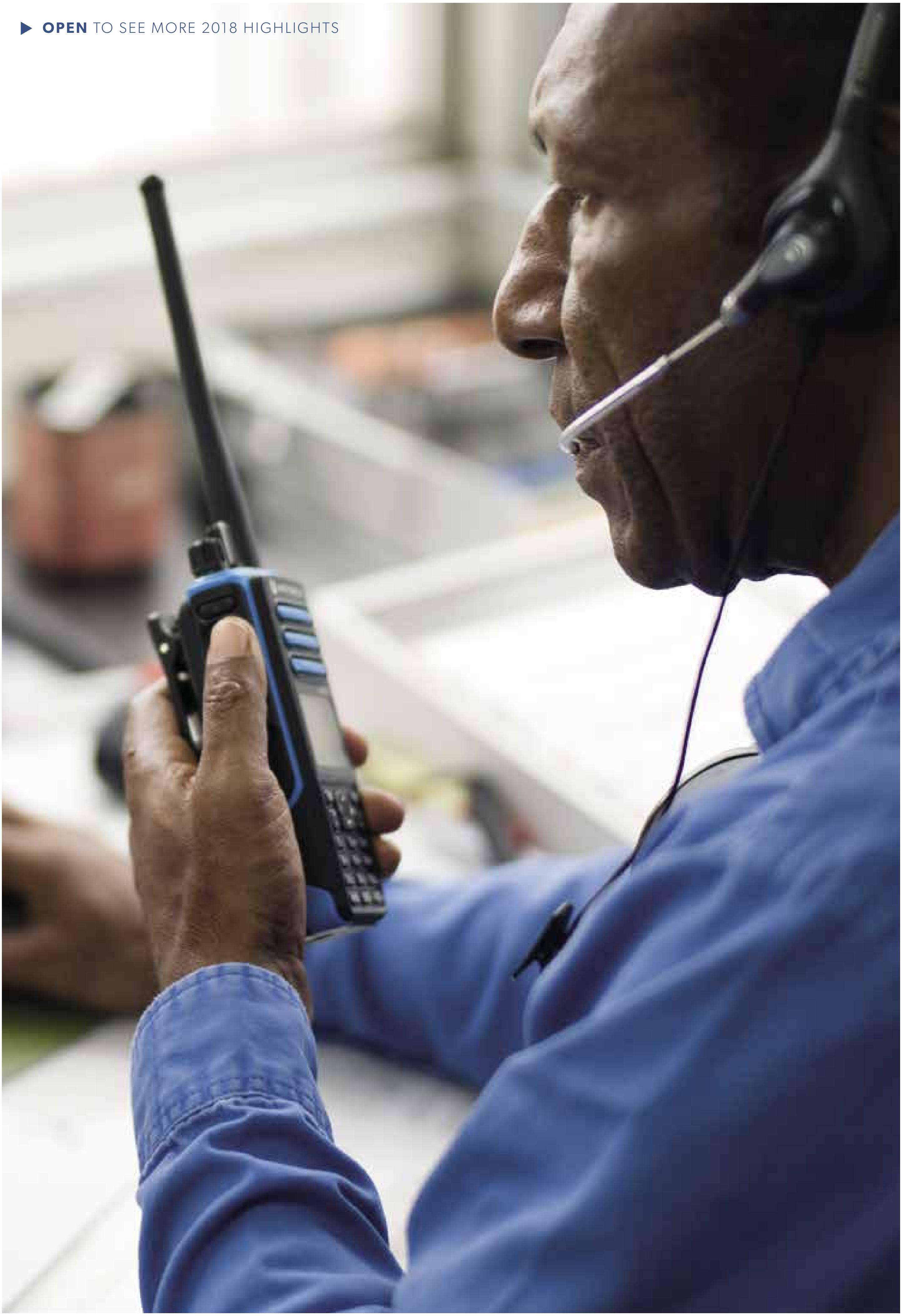
DIVIDEND PER SHARE
(US CENTS)



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 independent auditor.

▶ **OPEN** TO SEE MORE 2018 HIGHLIGHTS



▲13%

NET PROFIT AFTER TAX

Benefitted from higher realised oil and gas prices

▲15%

RESERVES AND RESOURCES

2P + 2C oil and gas Reserves and Resources at highest level in Company history

TWO

MID-TERM SPAs SIGNED

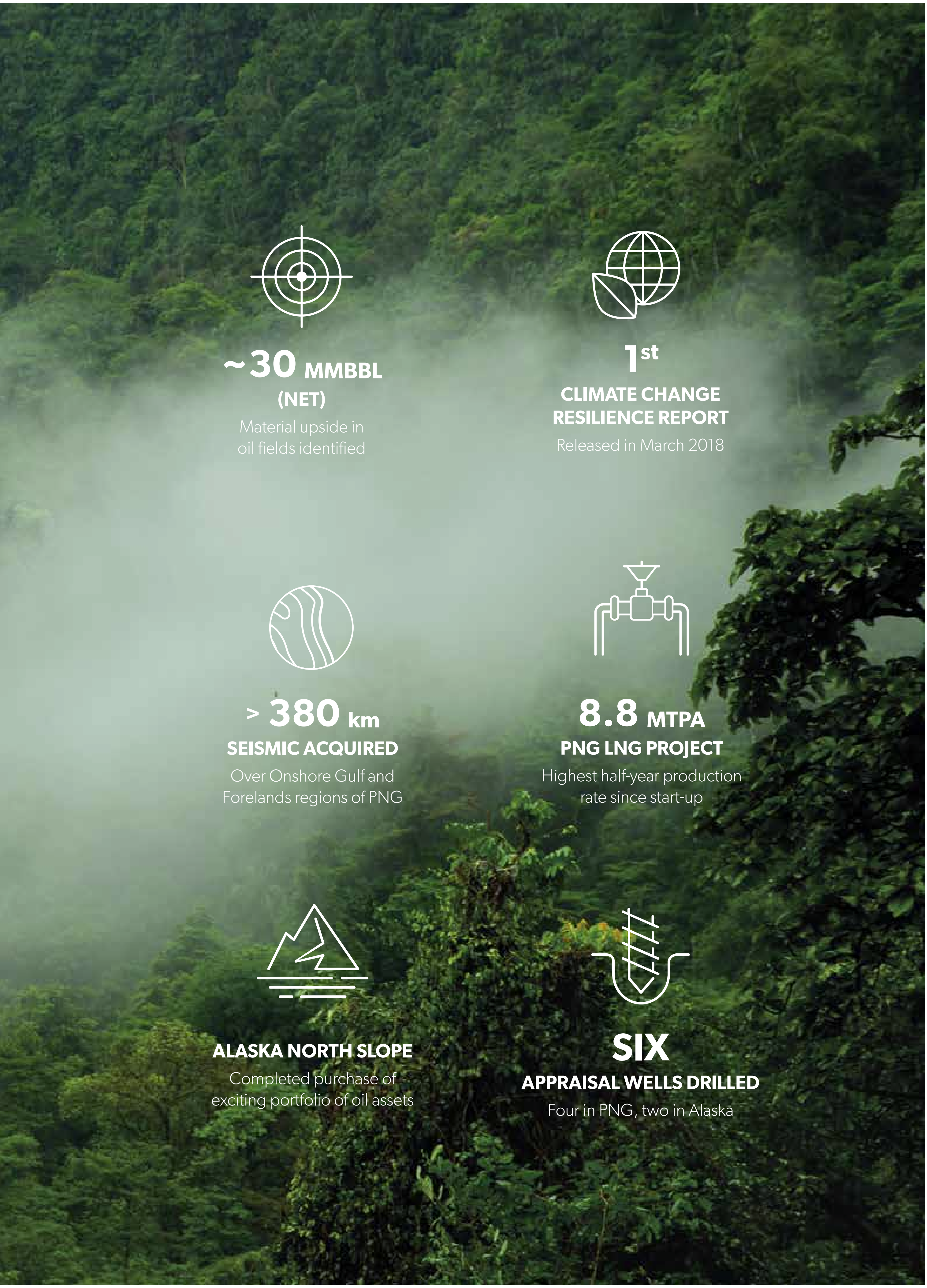
7.5 MTPA contracted under PNG LNG Project

> US$5 million

In cash and kind donated to earthquake relief

ROBUST BALANCE SHEET

Liquidity of US$1.5 billion at end 2018



~30 MMBBL (NET)

Material upside in oil fields identified

1st CLIMATE CHANGE RESILIENCE REPORT

Released in March 2018

> 380 km SEISMIC ACQUIRED

Over Onshore Gulf and Forelands regions of PNG

8.8 MTPA PNG LNG PROJECT

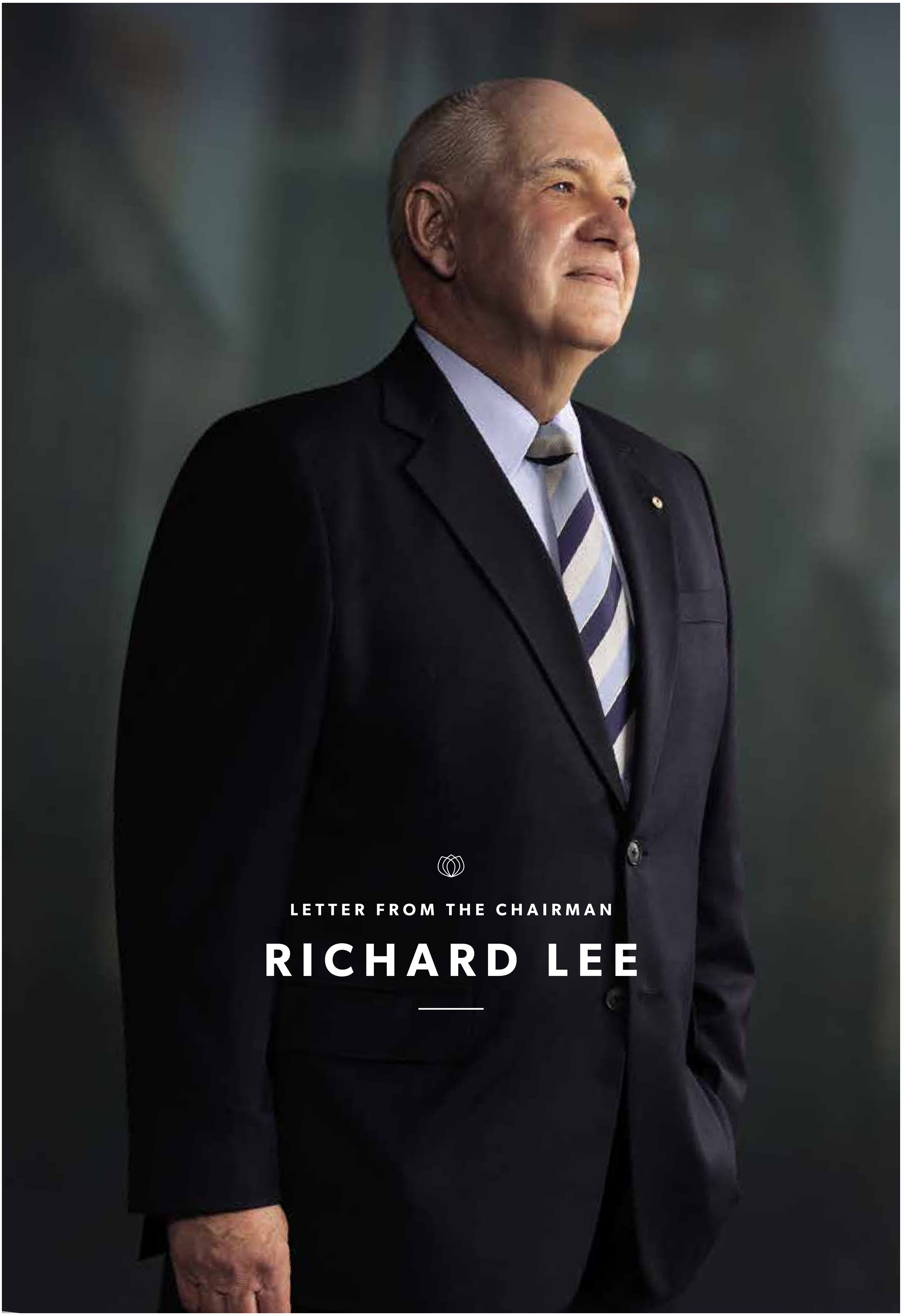
Highest half-year production rate since start-up

ALASKA NORTH SLOPE

Completed purchase of exciting portfolio of oil assets

SIX APPRAISAL WELLS DRILLED

Four in PNG, two in Alaska



LETTER FROM THE CHAIRMAN

RICHARD LEE

Dear Shareholders,

2018 was an unprecedented year for Oil Search.

In February, the PNG Highlands was devastated by a severe earthquake, which resulted in the temporary shut-in of all production and tragically, the loss of many lives within our surrounding communities. In the unfolding crisis, we prioritised ensuring the safety of our people, the protection of the environment and the integrity of our facilities. Due to the efforts of many, we were able to resume safe and reliable operations within a month of the earthquake, with zero incidents and no loss of hydrocarbon containment. In addition, as one of the few organisations in PNG able to provide rapid on-the-ground assistance, Oil Search provided much needed food, water and medical supplies to impacted communities as part of our US$5 million contribution to support relief efforts. One year after the earthquake, the Company, in partnership with the Oil Search Foundation, continues to support the long-term recovery of local communities.

Despite the major interruption to our operations, Oil Search delivered a net profit of US$341 million, 13% higher than in the previous year, and generated a healthy operating cash flow of US$855 million, buoyed by stronger oil and LNG prices. The Company declared a total dividend for 2018 of 10.5 US cents per share, 11% higher than in 2017, representing a dividend payout at the upper end of the Board's stated dividend payment range of between 35% and 50% of core net profit after tax.

Oil Search's activities continued to be guided by our vision to generate top quartile returns for shareholders through excellence in socially responsible oil and gas exploration and production. During the year, significant progress was made on the world class Papua LNG and PNG LNG/P'nyang development projects in PNG and we completed the acquisition of an exciting portfolio of oil assets on the North Slope of Alaska. These high quality growth projects have the potential to double the Company's annual production by the middle of the next decade, delivering significant value to shareholders as well as governments and local communities in PNG and Alaska. As highlighted in the 2018 Climate Change Resilience Report, Oil Search's current and growth assets are highly robust and would continue to generate positive returns to shareholders under a range of decarbonisation scenarios, including a 2°C pathway.

There were several changes to the Oil Search Board in 2018. Gerea Aopi resigned as Executive Director, after 12 years of dedicated service. The Company continues to benefit from Gerea's extensive experience and relationships in PNG in his current role as PNG Country Chairman. Following an extensive international search, we welcomed Ms Susan Cunningham and Dr Bakheet Al Katheeri as non-Executive Directors to the Board. Susan and Bakheet's considerable oil and gas experience complement the Board's skills and will be particularly valuable as we work to deliver LNG expansion in PNG and unlock the value from our assets on the Alaska North Slope.

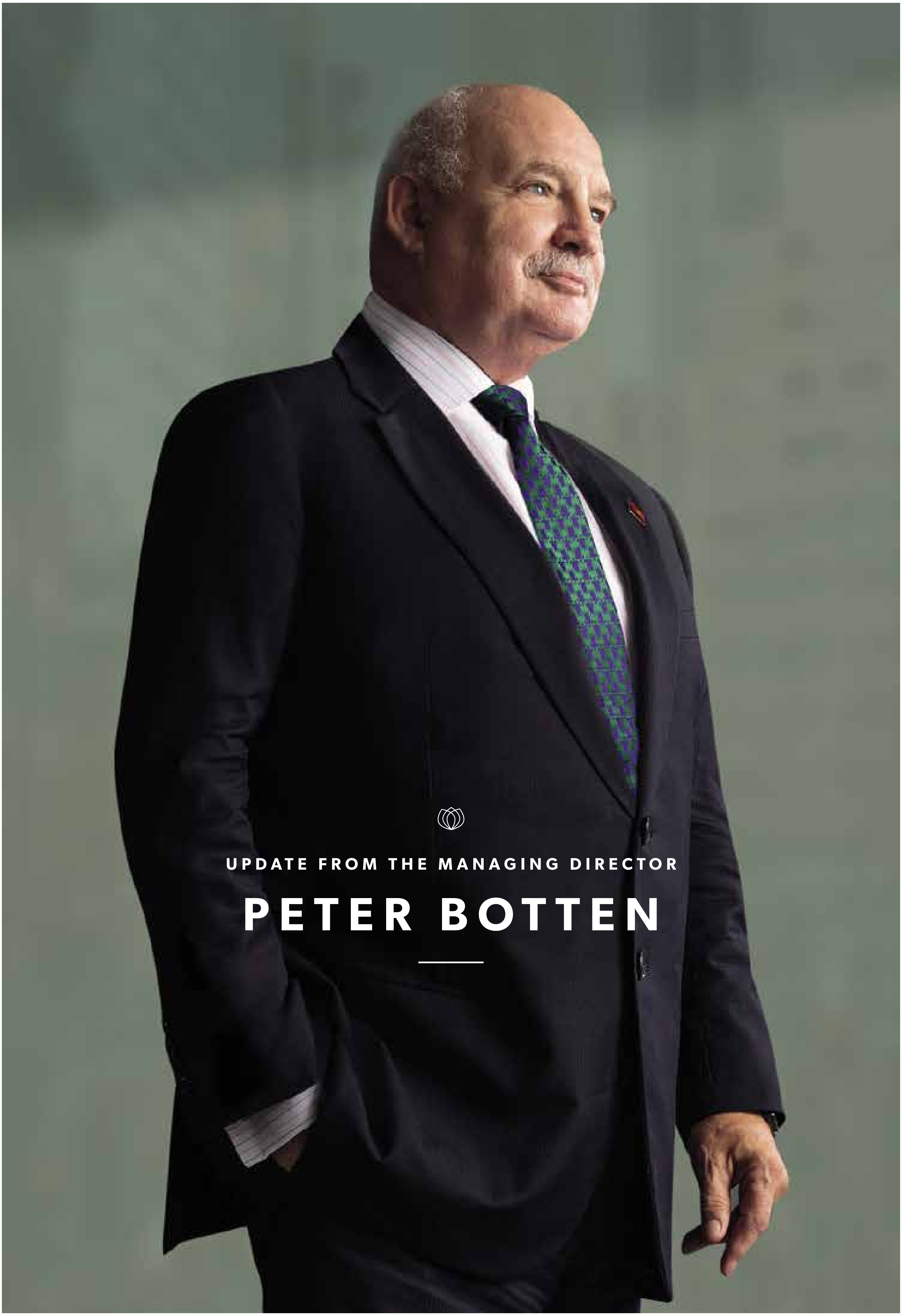
During the year, we increased the number of Independent Members on our Board committees from three PNG citizens to six. The new appointees will gain considerable governance experience and deepen the pool of PNG talent while contributing to the effective functioning of the relevant Board committees with their local knowledge and well-established in-country networks.

A management reorganisation has commenced, to equip the Company with the talent, experience, accountabilities and reporting lines capable of delivering our operational and growth ambitions. As part of this, the Board is well advanced on succession planning and the search for, and assessment of, leadership talent. This includes a structured plan to manage the succession of your Managing Director, Peter Botten, who has led Oil Search for more than 25 years. Peter has committed to guiding the Company through to the final investment decisions for each of our LNG developments, ensuring a smooth transition to new leadership. His deep commitment to PNG and focus on improving social development in-country will continue to support the Company through his role as Chairman of the Oil Search Foundation. The Board will keep shareholders fully informed as the succession process progresses.

In closing, I would like to recognise and thank all Oil Search employees for their outstanding resilience and dedication during what was a very challenging year. Through strong leadership, the Company maintained its focus on operational excellence, safety and sustainability, while also progressing its growth ambitions in PNG and Alaska. I would like to congratulate Peter for his award of the Companion of the Order of Australia, reflecting his commitment to PNG spanning almost 30 years. Thanks also go to my Board colleagues for their support and guidance through a period that tested every fibre of the Company's capacity. Finally, I must acknowledge the long-standing support of our shareholders, who have played an important role in Oil Search's remarkable growth story. As the Company enters its 90th year since incorporation in PNG, it has never been in a better position to continue to provide attractive returns to shareholders into the next decade.

Thank you.

Richard Lee, AM
CHAIRMAN



UPDATE FROM THE MANAGING DIRECTOR

PETER BOTTEN

During 2018, Oil Search experienced one of the most challenging years in the Company's long history. The first half was dominated by the 7.5 magnitude earthquake which struck the PNG Highlands on 26 February. This resulted in the temporary shutdown of all operated production and the PNG LNG Project and brought devastation to surrounding communities and infrastructure. It really is a miracle that none of our staff or contractors were seriously hurt during this event and the many aftershocks.

In the days following the earthquake, we were forced to evacuate approximately 750 staff and contractors from our 24 operating sites across earthquake-devastated areas of the Highlands. However, many of our people stayed at, or returned to site, to shut down our facilities safely, address the challenges of re-establishing water, power and sanitation facilities to our camp infrastructure and to ensure the earliest possible return to safe, sustainable and reliable operations. We also played a critical first responder role within our local communities, which sustained widespread damage including the destruction of houses, gardens, roads, bridges, schools and health facilities. The United Nations estimates that we delivered approximately 80% of total food supplies to affected areas in the first four weeks following the earthquake. Our employees and contractors showed excellent courage and professionalism and went well beyond the call of duty, performing tasks outside their normal roles to protect our people, environment and facilities. I would like to thank them all sincerely for their efforts.

Following an intense period of hard work, operated production recommenced in April, initially from the Kutubu field, while the PNG LNG Project resumed production in May. Due to maintenance and other works undertaken on the PNG LNG Project during the period of downtime, the PNG LNG Project delivered a record half year annualised production rate of 8.8 MTPA, almost

Oil Search delivered approximately 80% of total food supplies to impacted communities in the first four weeks following the earthquake.

30% above nameplate capacity. The strong performance at the PNG LNG Project is expected to be sustainable, underpinned by the Project's strong reserves position, which was upgraded following recertification of the Project fields in 2016. Our operated production continues to ramp up as the remaining facilities that were impacted by the earthquake are returned to service.

Despite a 17% decline in production for the year, Oil Search delivered a net profit of $341 million, 13% higher than the prior year. Stronger global oil and gas prices more than offset lower production and higher production costs relating to earthquake remediation (net of insurance recoveries). The Company also maintained a very tight discipline on capital management, ending the year with a strong balance sheet and liquidity of approximately US$1.5 billion, after repaying PNG LNG project finance debt, paying dividends, completing the Alaska North Slope acquisition and investing in an active exploration and appraisal programme in both PNG and Alaska.

OPERATIONAL AND PROCESS SAFETY

The safety of our people and contractors is paramount in everything we do as a Company. In 2018, the Total Recordable Incident Rate per million work hours fell from 1.93 in 2017, to 1.58 in 2018. While we continue to strive for zero injuries, the downward trend in TRIR was a pleasing result, particularly considering the devastating Highlands earthquake. While the production facilities withstood the tremors well and there was no loss of hydrocarbon containment at any of our operated facilities or at the PNG LNG Project, lessons learnt from the impact of the earthquake on our camps and other infrastructure are now being built into our reconstruction efforts.

Our Lost Time Injury Frequency Rate per million work hours and process safety events performance improved, despite the earthquake and recovery efforts and many challenging work activities conducted during the year. This included two extensive heli-supported seismic acquisition programmes, drilling at Muruk 2 at an altitude of 2,331 metres and the commencement of Alaskan ice road construction.

Disappointingly, the Company's High Potential (HiPo) incident frequency rate (events with the potential to result in serious injury or fatal consequences) rose from 0.68 in 2017 to 1.11 in 2018. Detailed investigation and analysis took place into all these incidents and associated corrective action and prevention programmes were developed, with workshops on safety leadership, planning, risk management and HSE management of contractors planned for 2019.

STRONG GROWTH IN RESERVES AND RESOURCES POSITION

A highlight for the year was the strong growth in the Company's proved and probable reserves (2P) and contingent resources (2C), with 2P and 2C oil and condensate more than doubling, to 253.5 mmbbl, and 2P and 2C gas increasing by 6.3%, to 6.7 tcf. The additions to 2C oil and gas reflected the booking of 127.5 mmbbl of Alaska Pikka Unit oil for the first time and the successful P'nyang South 2 ST1 and Kimu 2 appraisal wells drilled during the year. Importantly, it is likely that a significant portion of the 2C resource increase will be converted to reserves over the next two years, as we proceed to final investment decisions on the development of three new LNG trains in PNG and the Pikka Unit. Oil Search's strong resources position provides an excellent platform for these projects and supports our ability to provide top-tier long-term returns to our shareholders.

PAPUA LNG AND PNG LNG EXPANSION APPROACHING FEED ENTRY

As is the case with many large-scale, complex projects, bringing together all the strands of the proposed development of three new LNG trains in PNG has taken a little longer than we hoped and expected. However, steady progress was made during 2018 with the integrated development, which will result in a close to doubling of LNG capacity in PNG, expected to advance to the FEED phase in 2019.

Early in 2018, broad alignment was reached by Oil Search and its key joint venture partners on the preferred downstream development concept. This comprises the construction of three LNG trains with total capacity of approximately 8 MTPA located at, and integrated with, the existing PNG LNG plant. Two trains will be supplied by gas from the Elk-Antelope fields (Papua LNG) and one train will be underpinned initially by the PNG LNG Project fields and subsequently by the P'nyang field. All three trains will be operated by ExxonMobil, on behalf

ExxonMobil's Andrew Barry and Oil Search Managing Director Peter Botten signing the MOU, November 2018.

of the Papua LNG, PNG LNG and P'nyang joint ventures. Downstream pre-FEED technical work and upstream pre-FEED studies on the Elk-Antelope fields are both close to completion, while upstream work supporting the PNG LNG/P'nyang train, including the Associated Gas Expansion project, is also progressing well.

In November, a Memorandum of Understanding (MoU) was signed between the Papua LNG joint venture and the PNG Government at the Asia Pacific Economic Cooperation meetings held in Port Moresby. The MoU details fiscal arrangements and other key terms, including a Domestic Market Obligation, that will apply to the Papua LNG Project. This is now being translated into a fully-termed Gas Agreement, which is on track to be finalised by the end of March 2019. We believe that the terms agreed result in an equitable and appropriate split of Project value between the developers and the State. The P'nyang Gas Agreement is expected to be signed shortly thereafter.

The conclusion of the Gas Agreements, together with commercial agreements supporting integration, including PNG LNG site and facilities access, will clear the way for an aligned FEED entry in 2019.

In preparation for marketing our equity share of LNG from the Papua LNG Project, in early 2018 we established a highly experienced LNG marketing team based in Tokyo. Engagement with potential buyers has been encouraging, with positive feedback received from high quality LNG customers who are seeking source and seller diversification. The Papua LNG and PNG LNG/P'nyang joint ventures are targeting first LNG deliveries commencing in 2024, when significant additional supply will be required in Asia to meet both new demand and expiring contracts. Buyers are attracted by PNG LNG's strong track record and reputation for the reliable supply of high heating value gas and our highly credentialed global LNG operators, as well as Oil Search's ability to offer point-to-point LNG deliveries from PNG.

EXPLORATION AND APPRAISAL IN PNG

Despite some delays to the programme due to the Highlands earthquake, 2018 was a year of high exploration and appraisal activity. During the year, we drilled two Forelands gas appraisal wells, both of which were successful, completed the P'nyang South 2 ST1 well in the Highlands, which resulted in a major upgrade in 2C resources, and commenced drilling the Muruk 2 well, with positive early results. The gas resources discovered by these wells are expected to help underwrite the Company's near and medium-term growth and provide field phasing optionality.

The Company also acquired approximately 380 kilometres of seismic data, one of the largest seismic programmes ever undertaken in PNG, and expanded its exploration portfolio through a farm-in to four prospective licences adjacent to Elk-Antelope. With an unrivalled acreage position in PNG, which the Company estimates to hold approximately 30 tcf of unrisked gas yet-to-be-found, we are well positioned to supply future LNG trains and provide high-value backfill gas.

PNG OIL FIELD OPPORTUNITIES

In the PNG oil fields, we identified several attractive well and workover opportunities, primarily in Kutubu, Moran, Usano and the Agogo and Hedinia Forelimbs, which can potentially extend the oil production plateau until first gas is produced from LNG expansion. These opportunities, which will be progressively matured and implemented over the 2019-2024 period, could add, in aggregate, approximately 30 mmbbl of highly value-accretive oil to Oil Search. The oil field optimisation programme has recently commenced with a workover in the Kutubu field, which will be followed by two workovers in Moran, with drilling at Moran and Usano planned for the second half of 2019.

MOMENTUM BUILDING IN ALASKA

Since completing the acquisition of world class assets on the Alaska North Slope in February 2018, we have made substantial progress in unlocking value from the initial acquisition and positioning the Company for a long and successful future in Alaska.

Over the year, we have built a highly experienced team in Anchorage, with currently more than 100 employees and several contractors, with diverse backgrounds in the global and local Alaskan oil industry, supporting the operations. Comprehensive planning for the 2018/19 drilling programme began in March, when we assumed operatorship of the assets. We secured two highly reliable rigs, built 40 kilometres of ice-roads and three bridges, which were completed ahead of schedule, and commenced drilling the Pikka B well in late December, followed by the Pikka C well in January 2019. We have been encouraged by the early results out of the appraisal campaign, with Pikka B intersecting the thickest Nanushuk reservoir section seen in the field to date. Both wells have been side-tracked and will be tested to establish flow rates, the volume, thickness and quality of the Nanushuk reservoir and to assist with the selection of the well design that will be used in the proposed Pikka Unit development. Positive results from these two wells could add up to 250 mmbbl to our current 500 mmbbl 2C gross resource.

Since arriving on the North Slope, we have leveraged our strong stakeholder engagement experience gained in PNG to build our Alaskan relationships and have had constructive discussions with the State, our joint venture partners, ConocoPhillips (the adjacent major operator in our region) and local indigenous populations.

In November 2018, we received the Final Environmental Impact Statement for the proposed Pikka Unit Development and expect the Record of Decision in the first half of 2019. We are targeting FEED entry in 2019 and first production in 2023.

Everything we have seen on the Alaska North Slope to date has been encouraging. In early 2019, we built on our existing acreage position through the acquisition of interests in leases covering more than 215,000 gross acres, which have been identified as highly prospective for oil, underwriting our long-term growth in Alaska.

The optimisation of our interests, through the opportunity to exercise the Armstrong US$450 million option to double our interests in the key Alaskan assets and potentially divest part of the interest to a third party, is progressing well. We have had very constructive engagement with several interested parties regarding the opportunity and have been encouraged by the level and quality of interest in these world class assets.

COMMITMENT TO OPERATING IN A RESPONSIBLE WAY

Maintaining a stable operating environment is critical to our long-term success in PNG and now also in Alaska.

One year after the 7.5 magnitude earthquake that devastated the PNG Highlands, Oil Search in partnership with the Oil Search Foundation, continues to provide long-term recovery assistance to impacted communities in the areas of infrastructure and public health. As already mentioned, Oil Search played a critical first responder role, offering its Moro logistical base as an important hub for aid distribution. The Company also contributed approximately US$5 million in cash and kind to support disaster relief efforts, in addition to generous contributions from our staff in both Australia and

Substantial progress has been made in unlocking value from the Alaska acquisition and positioning Oil Search for a long and successful future.

APEC Haus, Port Moresby.

PNG. The Company's relief efforts were recognised through the receipt of the 2018 Platts Global Energy Award for Corporate Social Responsibility and the PNG Chamber of Mines and Petroleum Outstanding Humanitarian Initiative Award at the end of 2018.

During the year, we supported the Oil Search Foundation in its launch of Bel isi PNG, an innovative public-private partnership to address family and sexual violence in PNG. Bel isi PNG provides employees with case management and safe house services and provides business leaders with tools to support change in the workplace and community. We also developed new partnerships focused on engaging the PNG youth, particularly in the Highlands area, where more than 50% of the total population is under 20 years of age. Given our significant operational presence in the Highlands, engagement with young people in this area is a critical part of our future long-term success.

A 58 MW gas-fired power station, constructed by NiuPower Ltd, owned 50:50 by Oil Search and Kumul Petroleum, located next to the PNG LNG plant site, is expected to commence operations in March 2019. This power station, which will provide the lowest cost source of power and a much cleaner alternative to heavy oil and diesel, is expected to supply approximately 75% of the Port Moresby electricity grid. Our participation in power projects such as this is in line with the PNG Government's strategic priority to deliver competitively priced power to more than 70% of the population by 2030.

We continue to support the PNG Government on the distribution of benefits owed to the PNG LNG Project landowner beneficiaries. During 2018, significant progress was made on resolving outstanding issues related to the identification and verification of beneficiaries.

In 2018, PNG hosted, for the first time, the Asia Pacific Economic Cooperation (APEC) meetings, which put the country on the world stage. The completion of APEC Haus, under the Government's National Infrastructure Tax Credit Scheme, provided a world class conference venue for the APEC Economic Leaders' Meeting, showcasing PNG's unique culture to the world. Oil Search took an active role at the APEC Summit, addressing the region's most influential leaders on how responsible investors can thrive by bringing communities along the development pathway. We believe the various APEC events and announcements during 2018 have provided a platform for a number of country changing initiatives.

In Alaska, we started to lay the foundations for long term relationships and partnerships. We used the Environmental Impact Statement process as an opportunity to consult with local communities, to better understand and ensure their comments related to culture, access, subsistence and environment were heard, respected and addressed. We continue to build relationships with all stakeholders on the North Slope, with the focus on securing stakeholder alignment on the forward exploration, appraisal and development programme.

CLIMATE CHANGE

In March 2018, Oil Search released its inaugural Climate Change Resilience Report in accordance with the Financial Stability Board's Task Force on Climate-related Financial Disclosures. Comprehensive climate scenario analysis indicated that the Company's current and growth assets in PNG and Alaska are resilient under a range of scenarios, including a 2°C pathway. The Report also demonstrated that there is a low risk of the Company's assets being stranded in a carbon-constrained world. Pleasingly, our findings were confirmed in July 2018 by Carbon Tracker, which ranked Oil Search in the top quartile of 72 of the largest oil and gas companies globally for resilience to climate change risk. During the year, we also began a Physical Climate Change Scenario and Risk Assessment to understand and quantify direct and indirect physical risks of climate change on our assets, supply chains and project area communities.

HUMAN RIGHTS

During the year, the Company commenced a comprehensive update of its Human Rights Impact Assessment in readiness for the introduction of the Modern Slavery Act in Australia and to include the Alaska business. In March 2019, we will release a Preliminary Modern Slavery Statement providing an overview of our planned approach to contribute to global efforts to eliminate modern slavery.

OUTLOOK FOR 2019

In the 25 years that I have led Oil Search, I believe that our prospects to deliver superior returns to shareholders, in a socially responsible way, have never been better. The projects that are currently progressing will double our current production by the middle of the next decade. This is not production for production's sake. These developments have the potential to provide attractive returns to shareholders in a responsible and moral way, meeting our social objectives in harmony with our climate management undertakings.

In January 2019, I was honoured to receive the Companion of the Order of Australia for service to Australia-PNG relations, PNG business and community. I believe this award is for everyone at Oil Search. My longstanding belief has been that companies cannot operate in isolation from society if they are to generate goodwill, maintain a moral compass and create shared value between community and business. This belief is embedded within Oil Search's vision and culture to generate top quartile returns for shareholders through excellence in socially responsible oil and gas exploration and production. I personally, and Oil Search corporately, remain as committed as ever to continuing to set the standard for private sector contributions to sustainable development and improving the lives of local communities where we operate. There is a compelling moral and business case to play an active role partnering with communities, Governments and other stakeholders for the social and economic development of the countries in which we work. We will continue to do this as part of our core strategies.

Peter Botten, CBE AC
MANAGING DIRECTOR

2019 FOCUS AREAS

Our key focus areas for 2019 include the following:

1. **Safety and environment.** We will work on continuing to improve the Company's focus on personal and process safety, reducing environmental incidents and targeting improvement across all metrics.
2. **Return to pre-earthquake production levels.** Oil field activity will focus on returning the remaining facilities impacted by the earthquake to service, ensuring safe and reliable operations, maximising facility uptime and operational efficiency and optimising production through integrated reservoir, well and facility management. Strong performance by the PNG LNG Project, at rates averaging 8.5 MTPA, is expected to continue, excluding rate reductions for planned maintenance.
3. **Development of new LNG capacity in PNG.** Following the signing of the MoU between the PRL 15 joint venture and PNG Government in November 2018, we aim to finalise the fully-termed PRL 15 Gas Agreement by the end of March 2019. The PRL 3 Gas Agreement for PNG LNG expansion is expected to be signed shortly thereafter, allowing an aligned FEED entry for the three-train LNG development in 2019.
4. **PNG oil field opportunities.** In 2019, Oil Search plans to drill two wells and undertake three workovers as part of a multi-year in-field workover and drilling campaign to mitigate the decline from the mature oil fields.
5. **PNG exploration and appraisal activities.** In the PNG Highlands, we plan to complete drilling and testing the Muruk 2 well, which will help delineate the potential gas resource volumes in the Muruk field.
6. **Alaska North Slope.** We will complete drilling and testing of the Pikka B and C appraisal wells, which could potentially result in up to 250 mmbbl of gross resource additions to the Pikka Unit, and move into FEED on the Pikka development. In addition, we will optimise the value of the Armstrong option.
7. **Stakeholder engagement.** We will enhance stakeholder management in PNG and Alaska through ongoing communication and collaboration with key stakeholders, including our joint venture partners, the Government and local communities.
8. **Maintaining a stable operating environment.** We will continue to implement social programmes, in PNG and in Alaska, that have a positive impact on the communities in which we operate.

FINANCIAL OVERVIEW

In 2018, Oil Search delivered a 13% increase in net profit and a healthy US$855 million in operating cash flow, a solid result given the major PNG Highlands earthquake in February. At year end, the Company held liquidity of US$1.5 billion, after investing US$715 million in exploration and evaluation activities, including the US$415 million acquisition of petroleum interests on the Alaska North Slope. Together with ongoing strong operating cash flows, this liquidity position supports the Company's financial capacity to fund its major growth projects in PNG and Alaska, as well as debt servicing and dividend payments over the period from 2019 to first production from those projects.

FINANCIAL PERFORMANCE

Oil Search reported a 2018 net profit after tax of US341.2 million, 13% higher than the 2017 net profit of US$302.1 million.

The Company benefitted from stronger global energy prices, with the average realised oil and condensate price rising 27% to US$70.65/bbl and the average realised LNG and gas price 31% higher, at US$10.06/mmBtu. This more than offset the 17% reduction in product sales volumes due to the earthquake, resulting in a 6% increase in total revenue, to US$1,535.8 million.

Production costs on a per barrel of oil equivalent (boe) basis increased from US$8.67 per boe in 2017, to US$11.52 per boe in 2018. This reflected the Company's largely fixed cost base spread over lower production, combined with earthquake recovery costs, net of insurance recoveries, and higher maintenance activities to take advantage of production facilities being shut-in post the earthquake. Other operating costs, including selling and distribution costs, royalties and levies, corporate and other expenses totalled US$145.4 million, broadly in line with the previous year.

Unit depreciation and amortisation charges increased 4% to US$12.40 per boe, reflecting a larger proportion of higher unit rate amortisation from PNG LNG Project production in the Company's product mix for the year.

The Company expensed US$66.7 million of exploration costs in 2018, primarily related to seismic acquisition in PNG and Alaska as well as geological, geophysical and general and administration activities. Net finance charges totalled US$209.9 million, 8% higher than 2017 levels, largely reflecting higher US interest rates that applied to the PNG LNG project financing.

The effective tax rate for 2018 was 32.8%, compared with 31.5% in the prior year.

CASH FLOWS

Despite lower production volumes resulting from the earthquake, the Company generated a healthy operating cash flow of US$854.6 million, 1% higher than in 2017, buoyed by stronger realised oil and LNG prices.

Capital expenditure increased by 201% to US$835.4 million, predominantly driven by the expansion of the Company's growth portfolio and an active exploration and appraisal campaign, which resulted in total exploration and evaluation expenditure of US$715 million. This included:

- The acquisition of a high quality oil portfolio on the Alaska North Slope.
- The farm-in to exploration licences in the onshore Gulf of Papua.
- Drilling/preparations to drill four appraisal wells in PNG and two in Alaska.

▲13%
NET PROFIT AFTER TAX

US$1.5BN
LIQUIDITY

▲10.5 US CENTS
TOTAL DIVIDEND PER SHARE

- The acquisition of 380 kilometres of seismic in PNG.
- Pre-FEED activities for proposed LNG developments in PNG.

In addition, the Company commenced the implementation of a new group-wide enterprise resource planning (ERP) system.

LIQUIDITY AND CAPITAL MANAGEMENT

While 2018 was one of the most challenging years in the Company's history, Oil Search finished the year in a robust financial position, with liquidity of US$1.5 billion and only a modest increase in net debt.

The Company successfully refinanced and increased its committed bilateral corporate facilities from US$250 million to US$300 million, with the expiry extended to December 2023. Together with the existing US$600 million syndicated facility expiring in June 2022, the Company had US$900 million in undrawn credit facilities and US$601 million in cash at year end.

Operating cash flow of US$855 million was used to repay US$322 million in PNG LNG project finance debt, fund US$114 million in dividends, complete the Alaska North Slope acquisition and invest in an active exploration and appraisal programme in PNG and Alaska. At the end of 2018, net debt totalled US$2.7 billion, only slightly above a year prior.

FUNDING FOR GROWTH PRIORITIES

Based on the Company's oil price outlook, liquidity of US$1.5 billion and ongoing operating cash flows, Oil Search expects that it will have sufficient financial capacity to fund:

- The Company's equity contribution for its major growth projects:
  - Papua LNG
  - PNG LNG expansion
  - Pikka Unit development.
- Scheduled debt repayments.
- Future dividends in accordance with the Company's dividend policy.

The Company also has a number of levers at its discretion, providing additional balance sheet flexibility should the oil price fall materially below current levels. These include the ability to reduce uncommitted exploration capital expenditure and/or reactivate the Company's dividend reinvestment plan, which was introduced during the construction phase of the PNG LNG Project.

While Oil Search remains comfortable with its liquidity and balance sheet position, it continues to closely monitor its funding capacity, including across a range of oil price and capital expenditure profiles, to ensure the Company will be able to fund its growth priorities and committed expenditures from operating cash flows, existing cash and debt facilities.

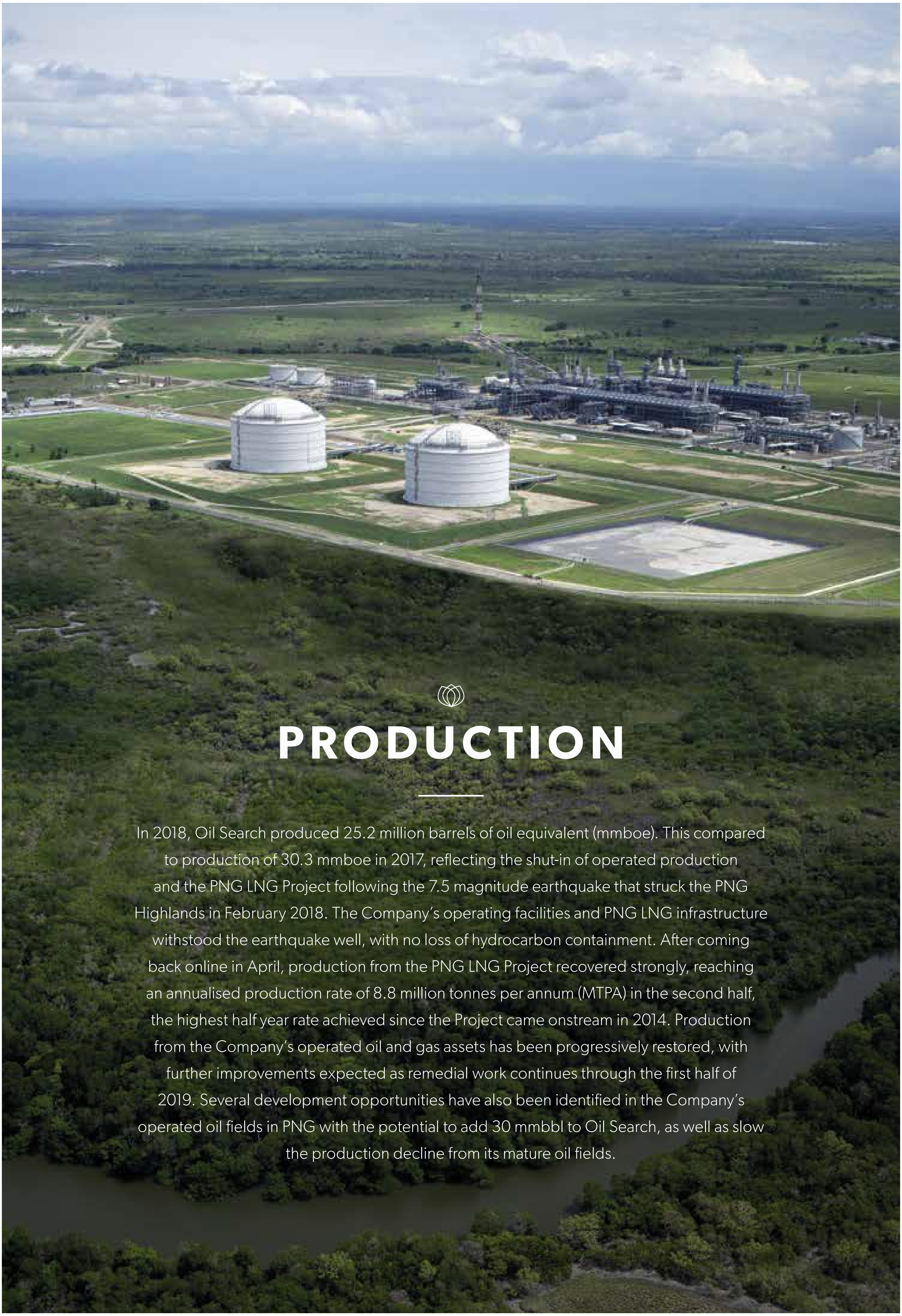
DIVIDEND

A 2018 final unfranked dividend of 8.5 US cents per share was declared, taking the total unfranked dividend for 2018, including the 2.0 US cent per share interim dividend, to 10.5 US cents per share. This represents a dividend payout ratio of 47%, at the upper end of the Company's policy to pay out between 35-50% of net profit after tax.

2019 FOCUS AREAS

During 2019, Oil Search's key financial objectives are as follows:

- Finalise project financing approaches for Papua LNG and PNG LNG expansion with the Company's joint venture partners and commence engagement with prospective lenders on the agreed financing plans.
- Develop a suitable financing plan for the development of the Pikka Unit in Alaska.
- Continue to actively manage costs to maximise profitability and operating cash flows.
- Drive value from the Company's investment in a new ERP system.



PRODUCTION

In 2018, Oil Search produced 25.2 million barrels of oil equivalent (mmboe). This compared to production of 30.3 mmboe in 2017, reflecting the shut-in of operated production and the PNG LNG Project following the 7.5 magnitude earthquake that struck the PNG Highlands in February 2018. The Company's operating facilities and PNG LNG infrastructure withstood the earthquake well, with no loss of hydrocarbon containment. After coming back online in April, production from the PNG LNG Project recovered strongly, reaching an annualised production rate of 8.8 million tonnes per annum (MTPA) in the second half, the highest half year rate achieved since the Project came onstream in 2014. Production from the Company's operated oil and gas assets has been progressively restored, with further improvements expected as remedial work continues through the first half of 2019. Several development opportunities have also been identified in the Company's operated oil fields in PNG with the potential to add 30 mmbbl to Oil Search, as well as slow the production decline from its mature oil fields.

PNG LNG PROJECT

PNG LNG Project production

The PNG LNG Project contributed 22.1 mmboe net to Oil Search production in 2018, comprising 19.1 mmboe of LNG and 3.0 mmboe of liquids (condensate and naphtha).

Gross LNG production for the year was 7.4 MT, only 11% below 2017, a strong result given the production shut-in following the earthquake in February. Production returned to pre-earthquake levels within a month of coming back online, reflecting the world-class design and construction of the Project infrastructure, which enabled it to withstand the earthquake and the numerous aftershocks without any loss of oil or gas containment.

During the period when operations were shut down, planned modifications to the Hides Gas Conditioning Plant and maintenance work on the LNG trains were brought forward. These activities, together with high operating reliability across all Project infrastructure, resulted in record production levels, with an average annualised rate of 8.8 MTPA achieved in the second half of 2018, almost 30% above nameplate capacity. Elevated production rates have been achieved with little additional expenditure, delivering significant incremental value to the Project's joint venture partners, the PNG Government and local landowners. Sustainable production rates of 8.5 – 9.0 MTPA, before normal levels of downtime, are underpinned by the Project's strong reserves position, which was upgraded materially following independent recertification of the PNG LNG Project fields in 2016.

FIVE YEARS WITHOUT LOST TIME INCIDENT

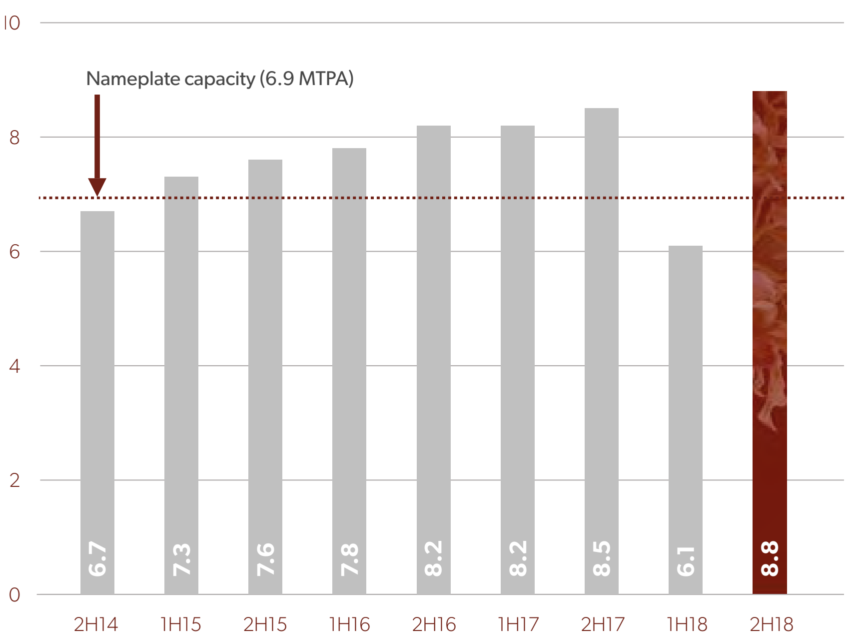
In August 2018, the PNG LNG plant site celebrated five years (equivalent to 13 million work hours) without a lost time incident.

Solid demand for PNG LNG Project gas

Since commencing LNG exports in 2014, the PNG LNG Project has established a reputation as a reliable exporter of high heating value LNG, a specification well suited to Asian gas reticulation networks. The Project also offers geographical diversity and shorter shipping turnaround times compared to other sources of LNG supply for Asian customers. This has resulted in strong demand for the Project's uncommitted production, which has increased significantly since the Project commenced operations in 2014, with 1.5 MT sold on a spot basis in 2018.

In 2018, the Project entered into two mid-term LNG sale and purchase agreements (SPAs) with PetroChina and BP, totalling 0.9 MTPA over five years from 2018 to 2023. These SPAs

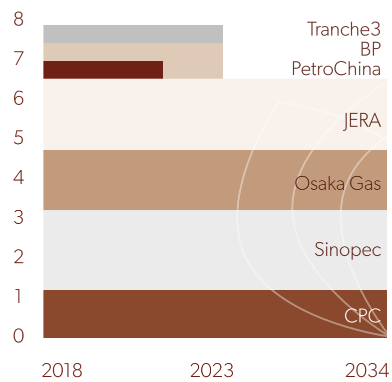
PNG LNG PROJECT ANNUALISED PRODUCTION RATE (MTPA)



With the exception of the first half of 2018, which was impacted by the PNG Highlands earthquake, the PNG LNG Project has consistently performed above nameplate capacity.

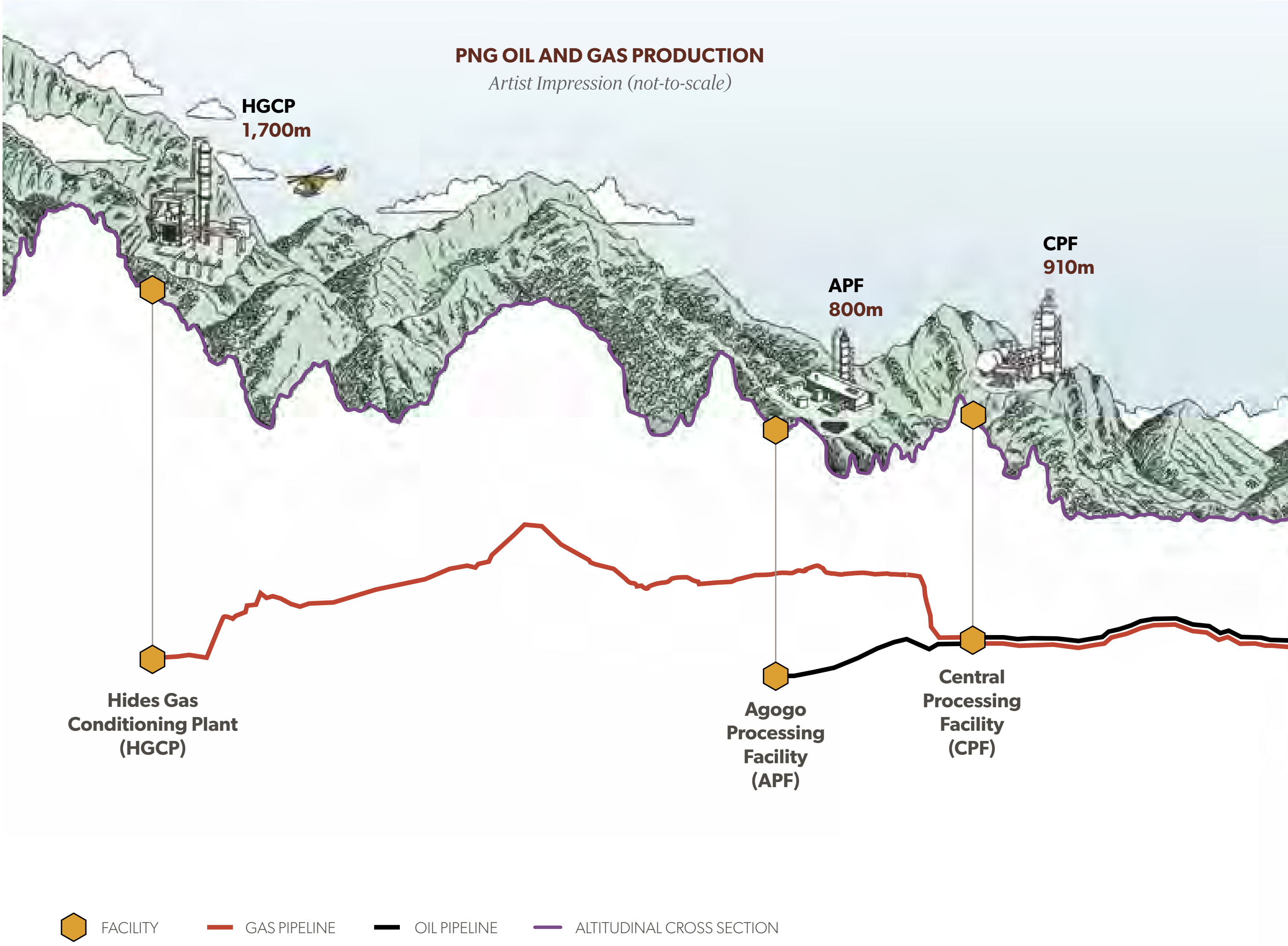
PNG LNG PROJECT PARTICIPANTS	% Interest
ExxonMobil (operator)	33.2
Oil Search	29.0
Kumul Petroleum (PNG Government)	16.8
Santos	13.5
JX Nippon	4.7
MRDC (PNG Landowners)	2.8

PNG LNG
Contracted Volumes (MTPA)



PNG OIL AND GAS PRODUCTION

Artist Impression (not-to-scale)



PNG LNG PROJECT SALES IN 2018

99

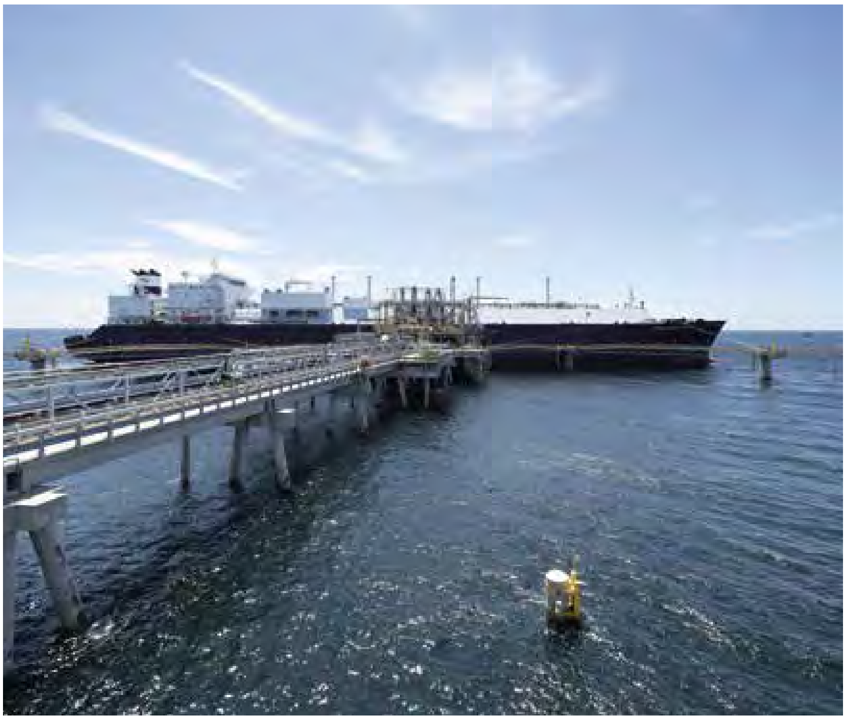
LNG CARGOES SOLD
83 under contract,
16 on spot market

15

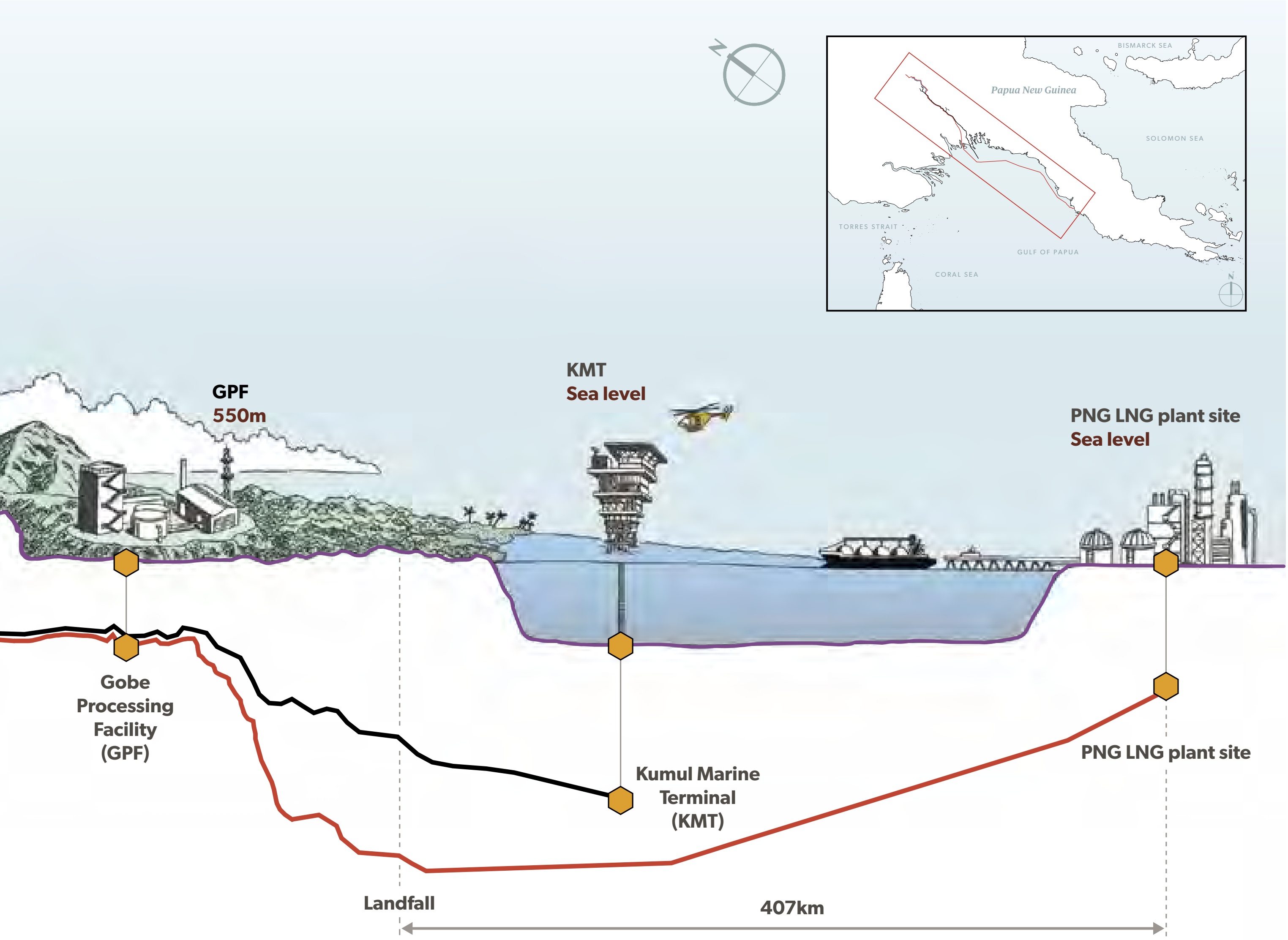
KUTUBU BLEND CARGOES SOLD
Comprising operated oil production and Project condensate

10

NAPHTHA CARGOES SOLD



In November 2018, the PNG LNG Project celebrated the sale of its 450th LNG cargo since coming onstream in 2014.



add to the 6.6 MTPA committed under long-term contracts to JERA and Osaka Gas (Japan), Sinopec (China) and CPC (Taiwan), taking total contracted volumes to approximately 7.5 MTPA. ExxonMobil, on behalf of the PNG LNG Project participants, is continuing to negotiate the sale of a further mid-term tranche of 0.45 MTPA. Oil Search believes the PNG LNG Project now has an appropriate mix of long-term contracts, mid-term contracts and sales on the spot market.

Oil Search-operated PNG LNG Project activities

In 2018, the Oil Search-operated Associated Gas (Kutubu and Gobe Main) and SE Gobe fields delivered gas to the PNG LNG Project at an average rate of 119.5 million standard cubic feet per day (mmscf/day), representing approximately 12% of the total gas delivered to the LNG plant.

The Oil Search-operated condensate handling facilities at the Central Processing Facility (CPF), liquids export pipeline and Kumul Marine Terminal handled 9.2 mmbbl (25,293 bbl/d) of condensate from the PNG LNG Project. Following the February earthquake, Oil Search prioritised the recommencement of gas supply from the oil fields and ensured that the integral parts of the Project infrastructure were ready to receive, store and export PNG LNG liquids ahead of the recommencement of gas production from the Hides Gas Conditioning Plant.

PNG LNG development activities

Construction of the pipeline and surface facilities to tie the Angore field into the PNG LNG processing facilities was temporarily halted in early 2018 due to political and inter-tribal issues. While tie-in work at the HGCP was completed, activities in the Angore field area remain suspended until community tensions in the area subside. The joint venture partners continue to encourage all parties to work together, to ensure issues are worked through in a peaceful and constructive manner.

PNG LNG Project benefits distribution

In 2018, despite the interruption from the earthquake, the PNG Department of Petroleum focused on resuming the landowner identification process and made significant progress in completing phase one, involving the mapping, identification and vetting of various clans. Phase two will involve a process of 'no-objection' to ensure landowners agree with the clan vetting process carried out in phase one. Once complete, the Government will work towards opening bank accounts so payments to vetted beneficiaries can be facilitated. Oil Search continues to provide support to the PNG LNG operator and the Government to complete this process.

PNG Power

In 2018, NiuPower Ltd, which is owned 50:50 by Oil Search and Kumul Petroleum, commenced the construction of a 58 MW gas fired power station, capable of supplying approximately 75% of the average load of the Port Moresby electricity grid. The power station is located adjacent to the PNG LNG plant site, which will contribute 100% of the gas supply.

Construction of the power station was completed in February 2019, with commissioning activities currently underway ahead of first supply expected in March 2019. The power station aims to provide the lowest cost power in Port Moresby, with gas representing a cleaner fuel for power generation than other hydrocarbon sources such as heavy oil and diesel, significantly reducing environmentally harmful sulphur and greenhouse gas emissions.

PNG OPERATED OIL AND GAS PRODUCTION

In 2018, Oil Search-operated production totalled 3.13 mmboe, produced at a gross average rate of 8,589 boepd. This was 47% lower than in 2017, with the decline driven by the shut-in of operations due to the February earthquake. Production progressively ramped up over the balance of the year as remedial work took place and flow lines in remote locations were restored, enabling wells to be brought back online and production to be reinstated. This work is expected to be completed in the third quarter of 2019. Net crude oil production was 1.99 mmbbl, with the Kutubu and Moran fields together contributing 97% of total oil produced. The Hides Gas-to-Electricity Project contributed 0.87 mmboe while SE Gobe sales to the PNG LNG Project were 0.27 mmboe.

Progressive recovery in production following February 2018 earthquake

Production from the Kutubu complex oil fields declined by 38% during the year, reflecting the impact of the Highlands earthquake in February. Production recommenced in late March and rates continued to ramp up over the remainder of the year, as flow lines damaged during the earthquake were repaired and more wells brought online.

Production from the Agogo and Moran fields resumed in the third quarter, though the amount of oil and gas that could be processed was limited by damage to the high-pressure compression systems at the Agogo Processing Facility, which were offline at the end of the year. The compression systems were repaired and brought online in early February 2019.

Oil production from the Gobe Main and SE Gobe fields declined 26% and 38%, respectively. The Gobe oil fields returned to production in late April after earthquake repairs were completed and a planned shutdown for maintenance executed. At SE Gobe, oil and gas production rates remained impacted by damage to flow lines and key wells which remained offline due to the earthquake. The SE Gobe field contributed at a rate of 17 mmscf/day (gross) to the PNG LNG Project during the year.

The Hides Gas-to-Electricity Project produced 4.0 bcf of gas and 83,000 barrels of liquids, 32% and 29% lower, respectively, than 2017 levels.

Remedial work on the Company’s operated fields remains ongoing to reinstate production to pre-earthquake levels. This is expected to continue through the first half of 2019.

Associated Gas Expansion (AGX) opportunity

During 2018, work progressed on the Associated Gas Expansion (AGX) Project. The objective of the project is to increase the capacity of the Oil Search-operated CPF and APF to allow an acceleration in the volume of gas delivered from the Kutubu, Agogo and Moran fields to the PNG LNG Project. This represents a source of cost-effective gas that can front-end supply to the proposed new PNG LNG/P’nyang LNG train for a number of years prior to developing the P’nyang field, optimising the capital spend profile. The project successfully passed through the concept screening phase, with work now taking place on the selection of the development concept.

Numerous concepts were reviewed to assist in understanding the value of AGX to Oil Search and other stakeholders, with studies also taking place collaboratively with the PNG LNG operator on assessing the opportunity and how to manage risks. Several

58 MW gas fired power station expected to supply approximately 75% of Port Moresby’s electricity needs.

RISING TO THE CHALLENGE – EARTHQUAKE RECOVERY FOR OPERATED ASSETS

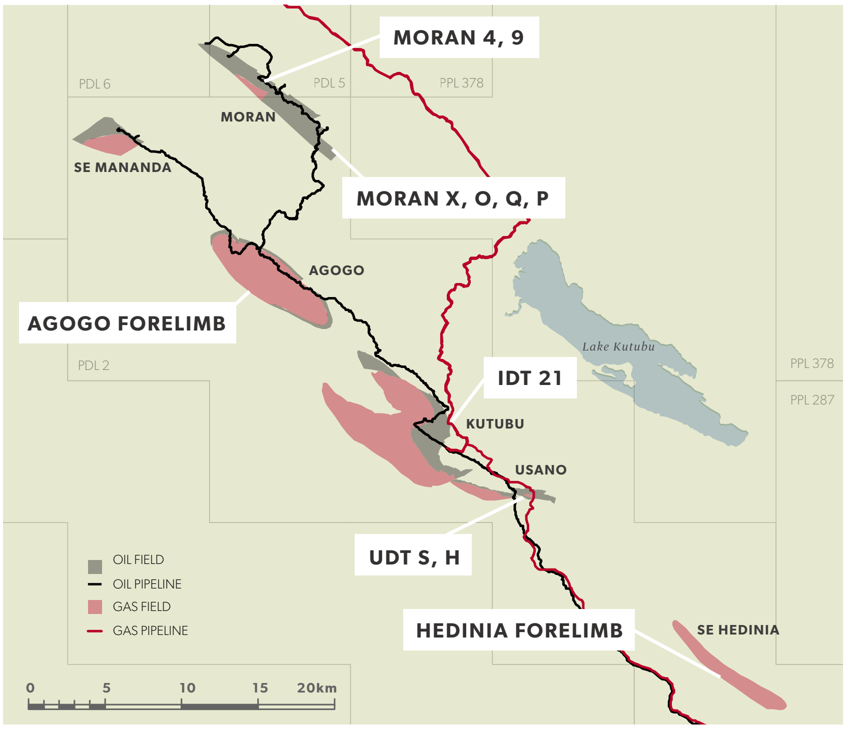
- Evacuated approximately 750 employees and contractors in the first two days after the earthquake.
- Integrity checks conducted across all facilities, pipelines and infrastructure – no loss of hydrocarbon containment.
- Workload split between three teams: relief efforts, remediation and restoration of operated facilities and business as usual.
- Relief and recovery activities undertaken with no incidents incurred.

studies were completed to increase the Company's understanding of its operated fields and assets. In addition, engagement commenced with the Conservation and Environment Protection Authority and the Department of Petroleum regarding approval requirements.

The Company is aiming to reach agreement on the preferred development concept in the second quarter of 2019 to enable a decision on Front-End Engineering and Design entry in mid-2019.

PNG oil field opportunities

During 2018, the Company carried out a major analysis on how to optimise production from its mature and declining oil fields in PNG. A range of new drilling and workover opportunities were identified for implementation over the 2019 to 2024 period, prior to first production from the next three LNG trains. Subject to final investment review and capital prioritisation, if successful, these opportunities have the potential to mitigate the production decline from the mature oil fields over the next five years and add approximately 30 million barrels to Oil Search's oil reserves on a risked basis. The programme commenced with workover activity at Kutubu in the first



PNG oil field opportunities have been identified with the potential to add approximately 30 mmbbl to Oil Search.

OPERATED OIL AND GAS FIELD PARTNERS*

% INTERESTS	KUTUBU (PDL 2)	MORAN (PDL 2 AND PDL 5)	GOBE MAIN (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%
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

2018 PRODUCTION SUMMARY[1]

Year to 31 December	2018	2017	% Change
GAS PRODUCTION	mmscf	mmscf	Net to OSH
PNG LNG Project LNG[2]	96,826	106,266	-9
PNG LNG Gas to Power[3]	674	665	+1
Hides GTE gas production[4]	4,000	5,843	-32
SE Gobe gas to PNG LNG[5]	1,400	3,265	-57
Total Gas	**102,899**	**116,038**	**-11**
OIL AND LIQUIDS PRODUCTION	mmbbl	mmbbl	
Kutubu	1.63	2.63	-38
Moran	0.31	1.27	-76
Gobe Main	0.02	0.02	-26
SE Gobe	0.04	0.06	-38
Total Oil	**1.99**	**3.97**	**-50**
PNG LNG Project liquids	2.95	3.47	-15
Hides GTE liquids[4]	0.08	0.12	-29
Total liquids	**5.03**	**7.56**	**-33**
TOTAL PRODUCTION[6]	mmboe	mmboe	
	25.21	**30.31**	**-17**

1. Numbers may not add due to rounding.
2. Production net of fuel, flare, shrinkage and SE Gobe wet gas.
3. Gas to power had previously been accounted for as losses within the PNG LNG Plant.
4. Hides GTE production is reported on a 100% basis for gas and associated liquids purchased by the Hides GTE Project Participant (Oil Search 100%) for processing and sale to the Porgera power station. Sales gas volumes are inclusive of approximately 2% unrecovered process gas.
5. SE Gobe wet gas reported at inlet to plant, inclusive of 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.

quarter of 2019 and will be followed by workover and drilling activity at Moran and further drilling at Kutubu later in the year. Additional opportunities are currently being assessed for technical and commercial feasibility and could contribute to drilling and workover schedules as early as 2020.

Process safety

Process safety at Oil Search is focused on managing the hydrocarbon loss-of-containment hazards that are associated with drilling and production activities. In 2018, the Company achieved a safe and sustainable return to service after the earthquake. This required the initial shut-in of all facilities, followed by detailed inspection, assessment and fit-for-service testing for wells, pipelines and production facilities before the assets were brought back online.

Despite the significant potential impact of the earthquake, no Tier 1 process safety events (PSEs) occurred. There were three Tier 2 PSEs, none of which were related to the earthquake. During the year, the Company introduced measures such as third-party well control audits, process alarm management and training and competency assurance, to continually improve process safety-related systems and reduce risks related to major hazards.

IMPROVED SAFETY PERFORMANCE

Oil Search's Total Recordable Incident Rate (TRIR) (recordable incidents per million hours worked) decreased by 18%, from 1.93 in 2017 to 1.58 in 2018.

While the Company strives for zero injuries, the downward trend was pleasing given the devastating February 2018 PNG Highlands earthquake. Thanks to the consistent use of safety processes and procedures, the Company's earthquake recovery and response was completed with zero recordable injuries.

2019 FOCUS AREAS

- Improve the focus on personal and process safety, reduce environmental incidents and target improvements in all metrics.
- Target risk reduction projects across all facilities and undertake integrity and maintenance work programmes on the Oil Search-operated liquid export system.
- Complete remedial work required to fully restore operated production to pre-earthquake levels.
- Continue to provide long-term recovery assistance to communities impacted by the earthquake.
- Enter into a mid-term SPA for the sale of the final mid-term tranche of 0.45 MTPA, taking total contracted PNG LNG Project volumes to approximately 7.9 MTPA.
- Achieve community alignment to allow work to restart on the Angore development.
- Select the preferred development concept for the AGX opportunity and enter FEED.
- Undertake workover and drilling activity at Kutubu and Moran to optimise operated production from the PNG oil fields.

Oil Search's 2019 full year production is anticipated to be in the range of 28.0 – 31.5 mmboe, as follows:

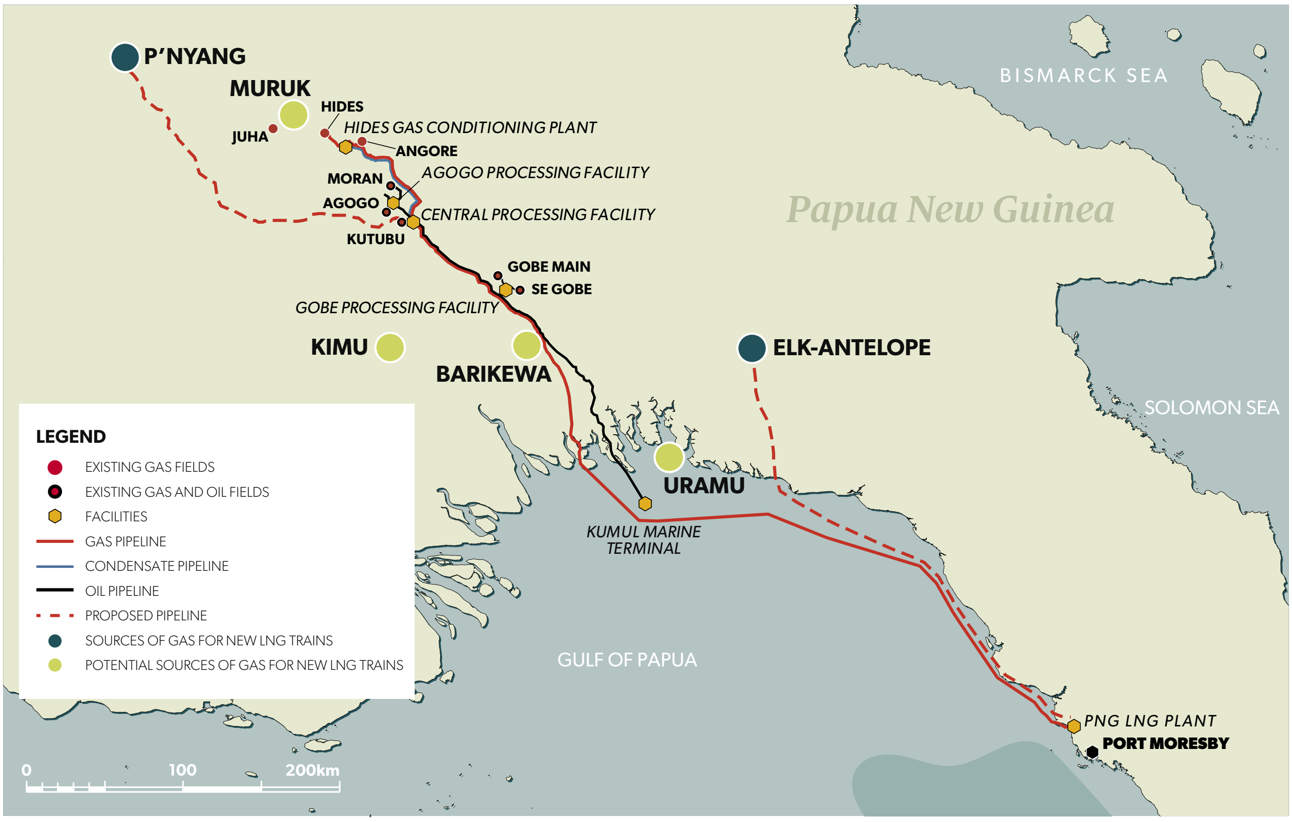
2019 PRODUCTION GUIDANCE[1]	
Oil Search-operated PNG oil and gas (mmboe)[2,3]	4.0 – 5.5
PNG LNG Project:	
LNG (bcf)	106 – 113
Power (bcf)	0.7 – 1.4
Liquids (mmbbl)	3.1 – 3.6
Total PNG LNG Project (mmboe)[2]	24 – 26
TOTAL PRODUCTION (mmboe)	**28.0 – 31.5**

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.

GAS DEVELOPMENT

During 2018, significant progress was made towards the development of additional LNG capacity in PNG, underpinned by gas resources from the Elk-Antelope fields (PRL 15) in the Onshore Gulf and the PNG LNG Project and P'nyang fields (PRL 3) in the North-West Highlands. Broad alignment was reached on the preferred downstream development concept, which comprises three trains with a total capacity of 8 MTPA, to be located at, and integrated with, the existing PNG LNG plant. Discussions on commercial arrangements to enable the integration of the Papua LNG Project (Elk-Antelope) with PNG LNG, pre-Front End and Engineering Design (FEED) downstream studies, upstream pre-FEED work on Elk-Antelope, project financing and LNG marketing also progressed. In November, a Memorandum of Understanding between the PNG Government and the PRL 15 joint venture was signed, outlining the key terms and conditions of the PRL 15 Gas Agreement. The Gas Agreement is targeted to be finalised by the end of March 2019, with a PRL 3 Gas Agreement expected to be completed shortly thereafter, allowing aligned FEED entry decisions to be made on the three LNG trains and the Papua upstream development in 2019.

SOURCE OF GAS FOR NEW LNG CAPACITY



MATERIAL PROGRESS MADE ON DEVELOPMENT OF NEW LNG CAPACITY

In early 2018, Oil Search and its joint venture partners, ExxonMobil and Total, reached broad alignment on the preferred downstream concept for the development of new LNG capacity. This followed the completion in late 2017 of engineering studies on potential development options to process the gas resources from the Elk-Antelope fields and P'nyang field.

The proposed development concept comprises the construction of three LNG trains, with total capacity of approximately 8 MTPA, located on the existing PNG LNG plant site. Two of the trains will be dedicated to the Papua LNG Project, supplied with gas from the Elk-Antelope fields in PRL 15, and one train will be underpinned initially by gas from the existing PNG LNG Project fields and subsequently from the P'nyang field in PRL 3. This represents the most efficient means of expanding LNG capacity in PNG, providing for redundancy across trains, commercial flexibility and the incorporation of the latest technology. Significant capital and operating cost savings can be achieved from sharing infrastructure and construction synergies across both projects, benefiting all stakeholders.

During the year, the commercial arrangements supporting the downstream integration of the Papua LNG Project with the PNG LNG Project, including those related to site and facility access, were broadly agreed. Pre-FEED downstream studies, including engineering work on the design, process and layout optimisation of the three-train development, from the gas inlet to the LNG loading arm, continued in parallel.

In addition, the Total-led PRL 15 joint venture undertook pre-FEED work on the upstream development of the Elk-Antelope fields. The upstream infrastructure for Papua LNG is expected to include:

- One Antelope well-pad, with up to seven wells.
- One Elk well-pad with one well.
- One produced water reinjection well.
- Multiphase gathering system.
- Central Processing Facility and related infrastructure, including acid gas removal unit.
- Export pipelines (gas and condensate), comprising 60 kilometres onshore and 260 kilometres offshore.

The PNG LNG, PRL 15 and PRL 3 joint venture parties met regularly through the year to discuss contracting strategies, project financing and the remaining agreements required to enable integration of the projects.

In the second quarter of 2018, the PNG Government established a State Negotiation Team (SNT) to negotiate gas agreements, including fiscal arrangements and other key terms and conditions, that will apply to the PRL 15 and PRL 3 developments. In November, a Memorandum of Understanding (MoU) was signed between the PRL 15 joint venture and the PNG Government, providing the framework for the PRL 15 Gas Agreement and a timeline for the finalisation of negotiations. This was a major milestone for the Papua LNG Project, with all parties committed to concluding the PRL 15 Gas Agreement, which will include fiscal terms, a Domestic Market Obligation, National Content and other key terms, before the end of March 2019.

Discussions also continued between the PRL 3 joint venture and the SNT. The PRL 3 (P'nyang) Gas Agreement is expected to be finalised shortly after the PRL 15 Gas Agreement, enabling aligned FEED entry decisions to be made on the proposed three train development to be taken shortly afterwards. The current timeline places the development on track to reach a Final Investment Decision in 2020 and first gas deliveries in 2024.

In preparation for moving into the FEED phase, ExxonMobil is making preparations for FEED contracting for the downstream infrastructure, while the operator of Papua LNG, Total, is finalising the contracting strategy for the upstream facilities and pipeline to the PNG LNG plant site.

EQUITY MARKETING OF EXPANSION LNG

In early 2018, Oil Search established a representative office in Tokyo, staffed with a highly experienced LNG team, to support its marketing team in selling its equity share of LNG from the Papua LNG Project. Engagement with potential LNG buyers in key Asian markets has been positive, supported by PNG's established reputation as a reliable producer of high heating value LNG, and the experience of its global LNG operators, ExxonMobil and Total. Potential buyers have also been attracted by Oil Search's unique offering, as a seller of point-to-point LNG from PNG, providing greater certainty of LNG specification.

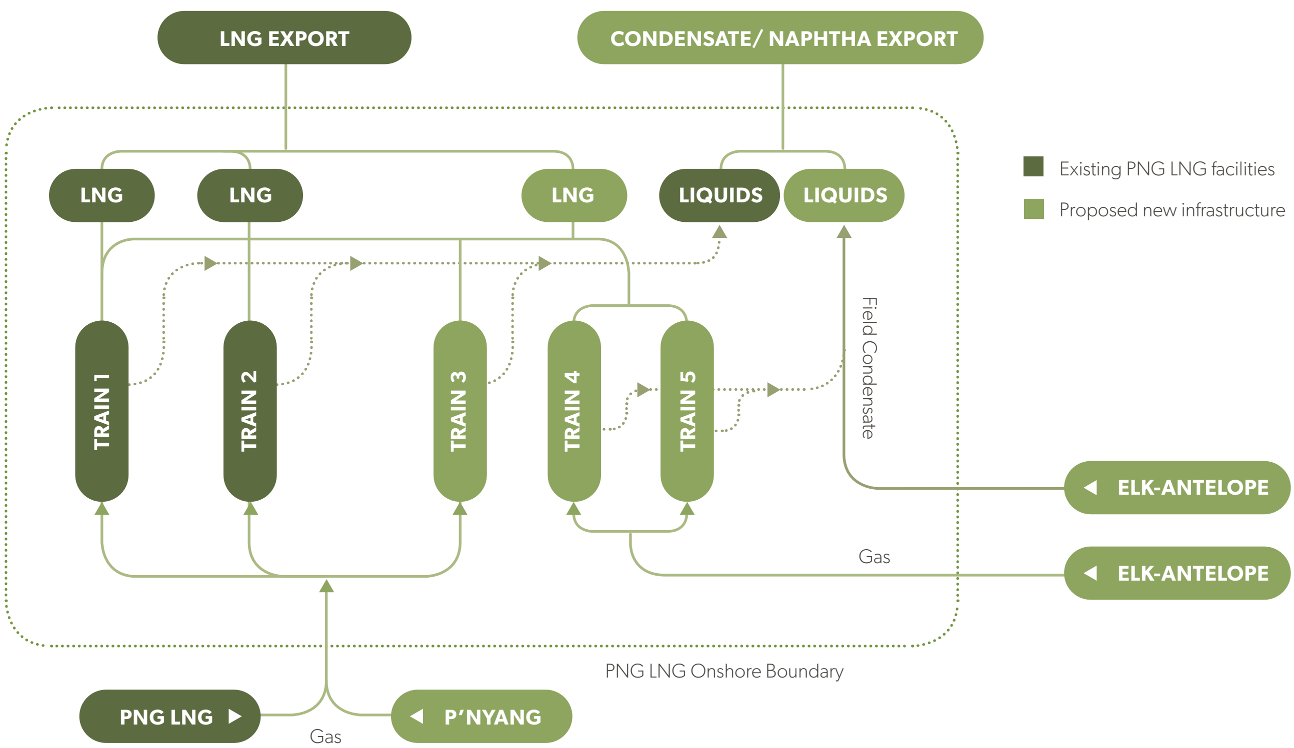
EQUITY PARTICIPANTS[1]

PRL 15 (ELK-ANTELOPE)	
Oil Search	22.8%
ExxonMobil	40.1%
Total	37.1%
TOTAL	100.0%

PRL 3 (P'NYANG)	
Oil Search	38.5%
ExxonMobil	49.0%
Merlin Petroleum Company (JX Nippon)	12.5%
TOTAL	100.0%

1. Gross interests, pre-Government and landowner back-in.

PROPOSED CONFIGURATION AT PNG LNG PLANT SITE



COMPETITIVE ADVANTAGES OF LNG FROM PNG

- Globally competitive production costs, supported by cooperative brownfield expansion.
- High heating value gas, suitable for Asian reticulation networks.
- Geographic proximity to key Asian LNG markets, offering shorter shipping turnaround times.
- Source of geographic and seller diversification for LNG buyers.
- Highly experienced global LNG operators, ExxonMobil and Total, augmented by Oil Search's 90 years of in-country expertise.

The PNG LNG Project has provided PNG with the reputation of being a reliable producer of high heating value LNG.

LNG DEVELOPMENT TIMETABLE, 2019-2024

2019 ▶ .... ▶ .... ▶ **2024**

GAS AGREEMENTS

PNG LNG ACCESS AGREEMENTS

JV OPERATING & INTEGRATION AGREEMENTS

COMPLETE PRE-FEED

LNG OFFTAKE NEGOTIATIONS

COMMENCE FEED
- Papua LNG
- Downstream Expansion
- Supporting Projects

LICENCING AND APPROVALS

EARLY WORKS TENDERING

EARLY WORKS:
- Clearing, early camps, roads

COMPLETE FEED:
- Final cost and schedule
- Construction tendering

PROJECT FINANCING ACTIVITIES

LNG SPAS

FIDs
- Papua LNG
- PNG LNG Downstream
- AGX

CONSTRUCTION:
- Complete infrastructure
- Complete site clearing
- Construction camps
- Site civils
- Plant and pipeline construction
- Drilling new wells
- Tie-ins and testing
- Commissioning

READY FOR START-UP, INTRODUCTION OF HYDROCARBONS

P'NYANG FID

FIRST LNG SHIPMENTS

NOTE:
1. FEED: Front-End Engineering and Design.
2. FID: Final Investment Decision.

RECERTIFICATION OF P'NYANG FIELD

In early 2018, an independent recertification of the P'nyang field's resources was undertaken, incorporating the results of the successful P'nyang South 2 ST1 appraisal well, which proved up an extension to the south-east, as well as additional seismic and core data. This resulted in the tripling of the certified gross 1C gas resource to 3.5 tcf and an increase in 2C gas resource to 4.4 tcf. This is very similar to Oil Search's 2C gas resource estimate of 4.5 tcf for the P'nyang field at the end of 2018.

Combined with gas resources in the Elk-Antelope fields in PRL 15, there is approximately 11 tcf of certified undeveloped 2C gas resource, more than sufficient to underpin the 8 MTPA of proposed additional LNG capacity. Importantly, there is more than 8 tcf of 1C resource, which will greatly assist marketing activities within each venture.

ADDITIONAL LNG CAPACITY UNDERPINNED BY STRONG RESOURCE POSITION

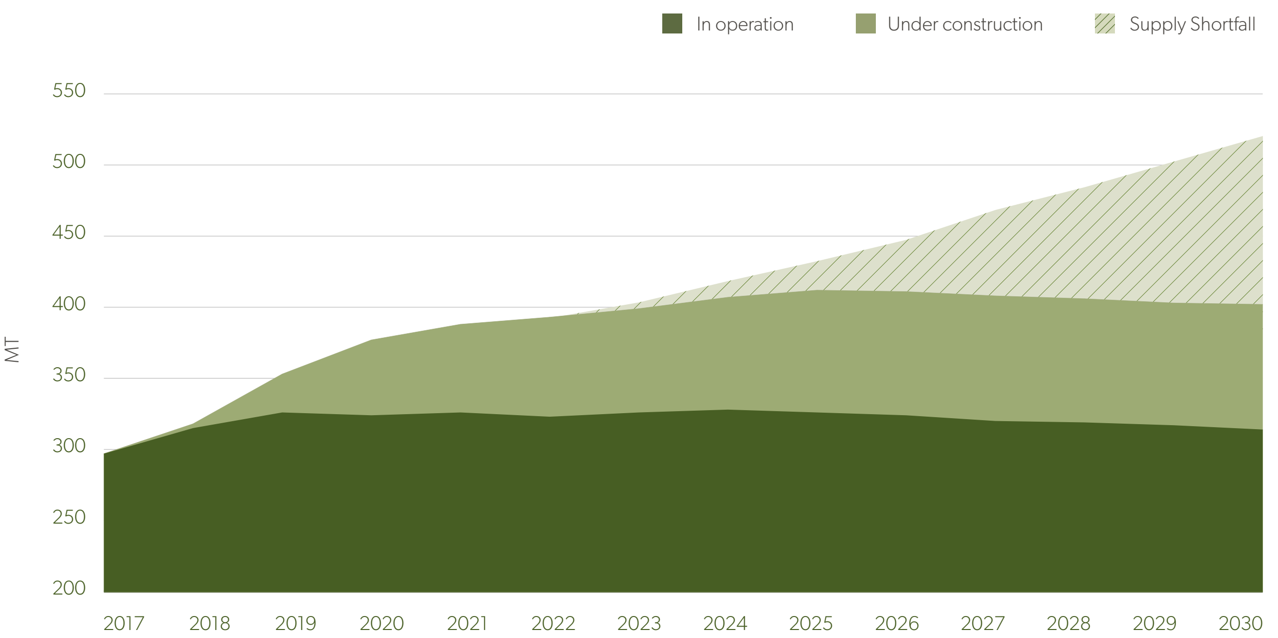
SOURCES OF GAS FOR LNG EXPANSION	1C	2C
Elk-Antelope (OSH 2017 estimate)	5.2	6.7
P'nyang (NSAI 2018)	3.5	4.4
TOTAL	>8	~11

LNG MARKET OUTLOOK

In 2018, global LNG demand increased by 6% year-on-year, reaching a total of 320 MT. China accounted for more than half of global growth, reflecting the Chinese Government's mandated switch from coal to gas-fired boilers, together with new import facilities. This resulted in a 41% increase in Chinese LNG demand, to 54.8 MT, making China the world's second largest LNG importer after Japan, which imported 82 MT in 2018. South Korean imports increased 15% to 44.5 MT due to nuclear outages and a similar Government directive to use gas instead of coal and nuclear energy. Indian imports also reached record levels as new contracts continued to ramp up, while neighbouring Pakistan's imports grew with the commissioning of a second Floating Storage and Regasification Unit (FSRU).

Seven new liquefaction trains in Australia, Cameroon (FLNG), Russia and the United States commenced production in 2018. These, and other trains under construction, will ensure additional LNG supply is available through to the early 2020s, exceeding expected global demand. However, most industry experts forecast that there will be a material supply shortfall from 2022/23 onwards, with global LNG demand expected to grow at 4.5% per annum over the period to 2030. This is driven by China's continued move to displace coal with gas in the residential, commercial and industrial sectors to alleviate air quality issues and South Korea and Taiwan's prioritisation of gas and renewable generation over coal and nuclear. Future demand will also be influenced by stricter emission standards leading to additional utilisation of gas in heavy trucking and marine transport, while the construction of gas pipelines, storage and regasification infrastructure across

GLOBAL LNG SUPPLY AND DEMAND



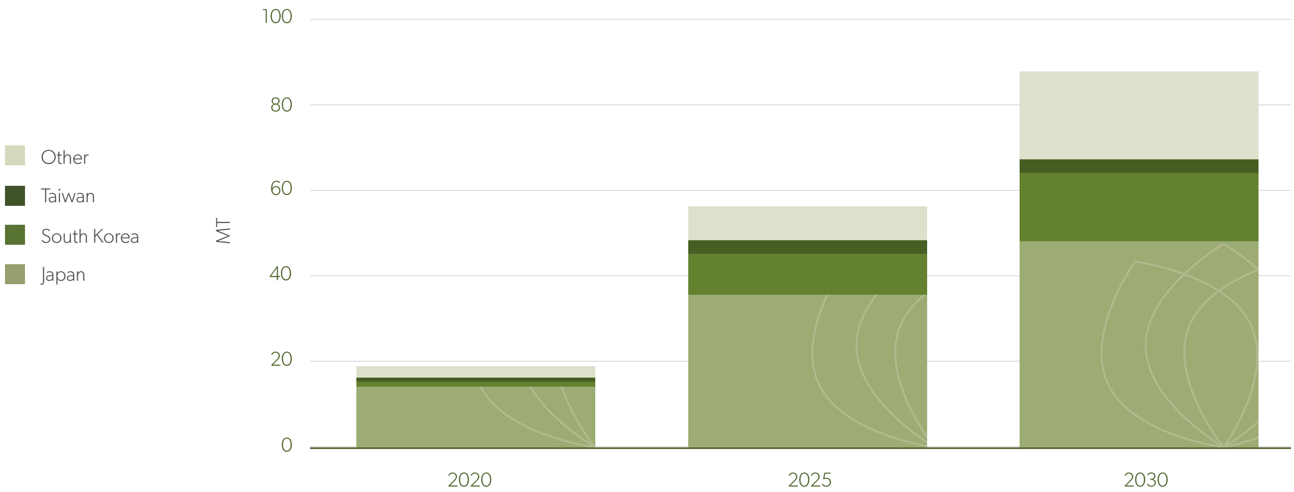
NOTE: Data interpreted from IHS Markit.

China, India and other developing Asian nations will facilitate greater market penetration.

Based on this strong demand growth outlook, as well as approximately 65 MTPA of expiring contracts from Japan, South Korea and Taiwan out to the mid-2020s, it is estimated that approximately 120 MTPA of new LNG capacity will be required by 2030. In 2018, 21 MTPA of new LNG capacity was sanctioned, more than double 2016 and 2017 levels, and it is expected that significant additional capacity will be committed in the next few years to meet further demand growth.

Commitment to LNG expansion in PNG is expected to be made in 2020, with the sanctioning of three additional trains. With its high heating value gas, globally competitive cost base and geographic proximity to key Asian markets, Oil Search believes that new LNG supply from PNG is well positioned. While not all of the many competing LNG projects proposed will progress, Oil Search, its joint venture partners and the PNG Government remain focused on developing the next three LNG trains in PNG in a timely manner.

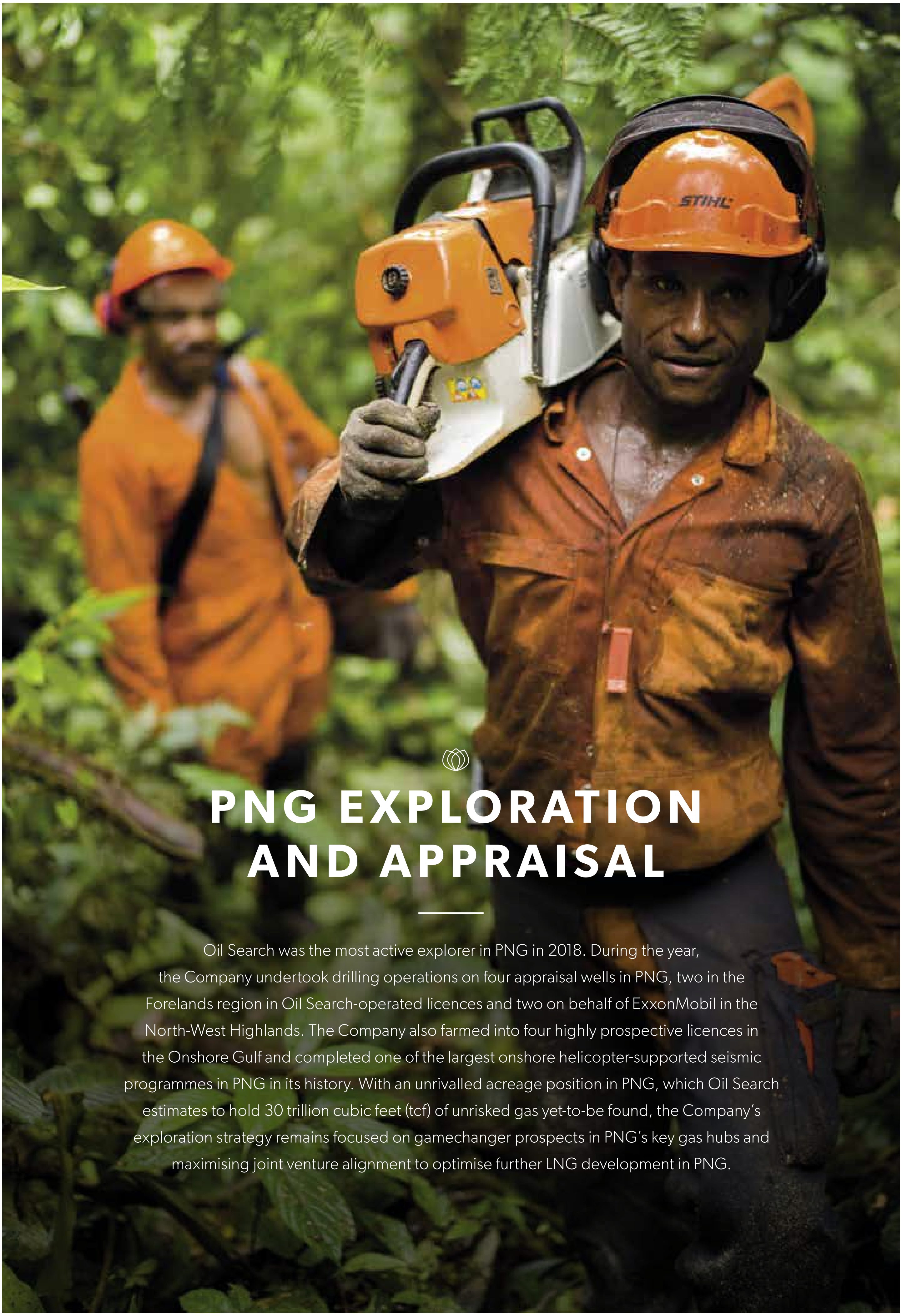
ASIAN CONTRACT EXPIRATIONS



NOTE: Data interpreted from IHS Markit.

2019 FOCUS AREAS

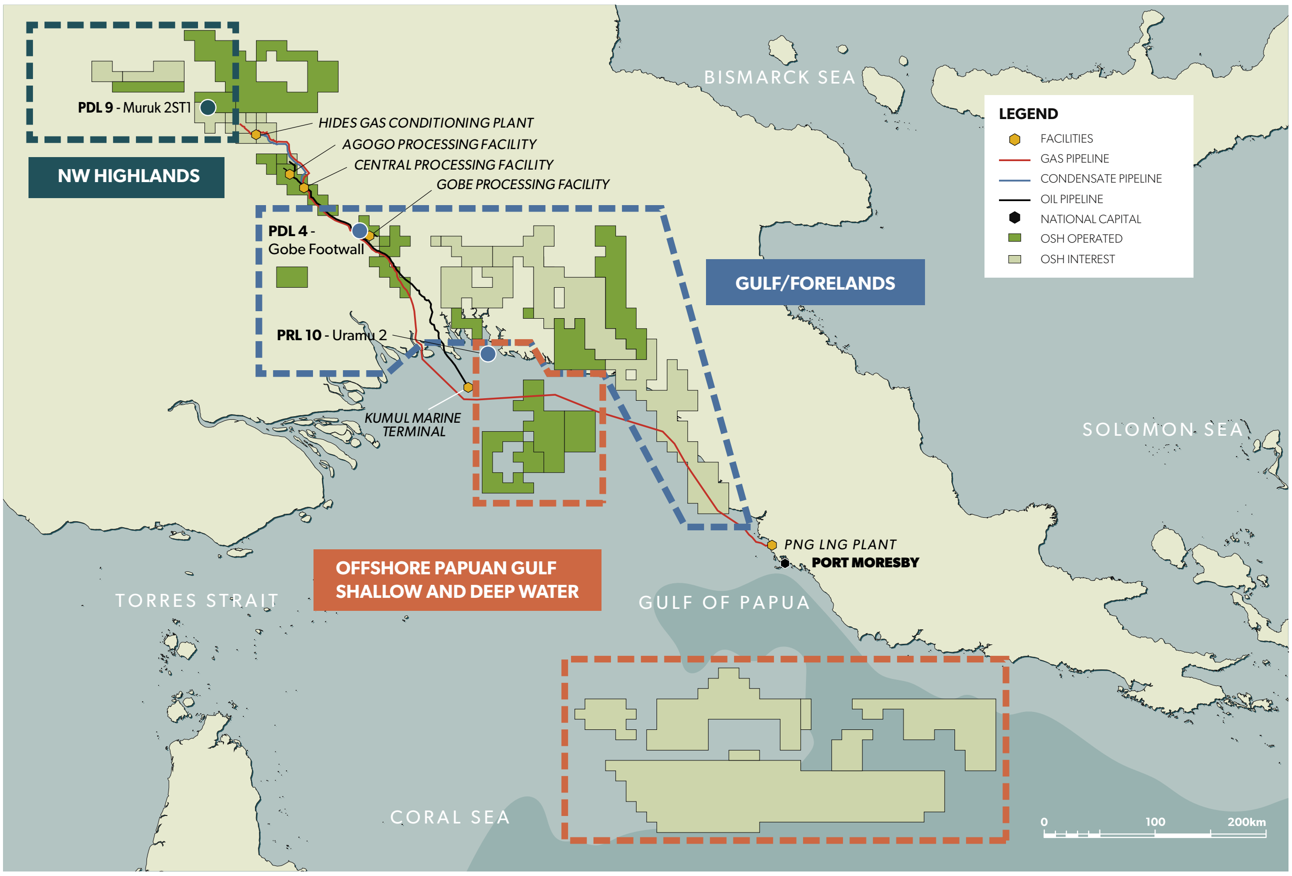
- Finalise and execute the PRL 15 (Papua LNG) and PRL 3 (P'nyang) Gas Agreements between the PNG Government and the PRL 15 and PRL 3 joint ventures, as well as the other commercial and financial agreements required for FEED entry.
- Enter FEED for the three train LNG development at the PNG LNG plant site and the required upstream supply projects,including the Papua LNG upstream development and AGX.
- Progress further early project definition for the P'nyang upstream development.
- Commence early works for the Papua LNG upstream development.
- Commence PNG LNG reserves recertification and PRL 15 resource certification to support marketing and financing.
- Undertake formal negotiations with potential LNG buyers on Oil Search's equity share of LNG from the Papua LNG Project.



PNG EXPLORATION AND APPRAISAL

Oil Search was the most active explorer in PNG in 2018. During the year, the Company undertook drilling operations on four appraisal wells in PNG, two in the Forelands region in Oil Search-operated licences and two on behalf of ExxonMobil in the North-West Highlands. The Company also farmed into four highly prospective licences in the Onshore Gulf and completed one of the largest onshore helicopter-supported seismic programmes in PNG in its history. With an unrivalled acreage position in PNG, which Oil Search estimates to hold 30 trillion cubic feet (tcf) of unrisked gas yet-to-be found, the Company's exploration strategy remains focused on gamechanger prospects in PNG's key gas hubs and maximising joint venture alignment to optimise further LNG development in PNG.

OIL SEARCH'S EXPLORATION PORTFOLIO IN PNG HAS MULTI-TCF POTENTIAL



PNG EXPLORATION PORTFOLIO UPDATE

Since 2016, Oil Search has significantly expanded its acreage position in PNG, focusing on four key areas – the North-West Highlands, Onshore Gulf/Forelands, Shallow Water Offshore Gulf and Deepwater Offshore Gulf - which the Company believes are the most prospective for hydrocarbons, particularly gas. Oil Search estimates that its current acreage holds approximately 30 tcf of gross unrisked gas yet to be found.

Most of the prospects and leads are contained in reservoirs and traps that are already proven hydrocarbon plays and are located close to existing or planned infrastructure, increasing the likelihood that a discovery will be commercially viable. The majority are also in acreage held by Oil Search and its LNG joint venture partners, ensuring greater alignment on future development decisions. Several multi-tcf prospects that potentially could support an additional LNG train have been identified in the Company's acreage. Given the requirement for gas to backfill existing and planned LNG capacity, even modest discoveries, of less than 500 bcf, could be commercially attractive developments and could be used to optimise the sequence of gas field development in PNG.

While PNG is largely a gas province, there is also oil potential, primarily in areas adjacent to the existing oil fields operated by Oil Search, where even small volumes are likely to be commercial. Some of the large gas features also may contain material volumes of condensate.

During 2018, Oil Search, together with its joint venture partners, worked on maturing and de-risking its prospect inventory, through seismic acquisition and technical studies, and on developing a long-term evaluation and drilling programme. Based on the current exploration portfolio, Oil Search plans to drill approximately two exploration and/or appraisal wells per year over the next five years, commencing in the second half of 2019, to support the Company's long-term growth objectives.

MOST ACTIVE EXPLORER IN PNG IN 2018:

- Undertook drilling operations on four appraisal wells.
- Farmed into four licences.
- Acquired 380 kilometres of seismic data.

Muruk 2, located 2,331 metres (7,648 feet) above sea level in the NW Highlands of PNG, commenced drilling in November 2018.

EXPLORATION ACTIVITIES

North-West (NW) Highlands

During the year, preparations to drill the Muruk 2 appraisal well in PDL 9 (Oil Search – 24.4%), which were temporarily interrupted by the Highlands earthquake, were completed and drilling commenced in November 2018 by Oil Search, on behalf of the operator, ExxonMobil.

The well penetrated the target Toro reservoir in January 2019. A number of cores were cut in the reservoir and the well was subsequently deepened. An extensive logging programme was conducted which confirmed the presence of hydrocarbons. The forward plan is to conduct an extended well test over the Toro reservoir interval.

Located approximately 11 kilometres north-west of the Muruk 1 gas discovery well, the Muruk 2 results will help constrain the potential resource volumes in the field by defining the extent of the gas bearing structure and determining the gas:water contact. Given its proximity to existing infrastructure at Hides, with the nearest producing well only 20 kilometres away, Muruk could provide a valuable source of gas either for an additional LNG train or as backfill gas for the PNG LNG Project.

A 2D seismic programme covering approximately 100 kilometres over Muruk and an adjacent prospect, which was interrupted by the 2018 earthquake, is being planned for acquisition in late 2019/early 2020. This will supplement seismic data acquired in this region in 2017 and help mature prospects identified along the Hides-P'nyang trend for potential future drilling. Due to the proximity of these prospects to existing and planned infrastructure, they offer optionality for sourcing gas to support the PNG LNG Project or further LNG development.

As discussed on page 36, the P'nyang South 2 ST1 appraisal well in PRL 3 (Oil Search – 38.5%) was also drilled by Oil Search, on behalf of the operator, ExxonMobil, and reached total depth in early January 2018. The well, which encountered gas in good-quality Toro and Digimu sands, confirmed the extension of the P'nyang field to the south-east. A recertification of the field's gas resources by Netherland, Sewell & Associates, Inc. (NSAI) took place in early 2018, utilising results from this well and other new data, resulting in a material increase in NSAI estimates for both 1C and 2C gross resources, to 3.5 tcf and 4.4 tcf, respectively. The newly certified 2C resource estimate is similar to Oil Search's gross 2C resource estimate of 4.5 tcf (see Reserves and Resources section on pages 62-69 for further detail).

GULF AND FORELANDS

In 2018, significant exploration and appraisal activity took place in the Gulf and Forelands regions of PNG. These areas were not impacted by the earthquake and activity continued without interruption.

In the Forelands, the Company drilled two appraisal wells, Kimu 2 in PRL 8 (Oil Search – 60.7%, operator) and Barikewa 3 in PRL 9 (Oil Search – 45.1%, operator). Both wells successfully intersected gas in their target reservoirs, with excellent reservoir quality observed. Following the successful Kimu 2 appraisal well, an additional 186.7 bcf (net) of 2C gas has been assigned to the Kimu field. Evaluation of the data from both wells, including cores, logs and well test data and an update on the subsurface interpretation continues and is expected to be completed in early 2019. This will assist in delineating the resource base of these fields and the optimal route for potential commercialisation.

In the Onshore Gulf, the Company completed the acquisition of a 25% interest in four highly prospective licences, PPLs 474, 475 and 476 and PRL 39, located adjacent to the Elk-Antelope fields in PRL 15 (Oil Search – 22.835%) from ExxonMobil. The acquisition has enhanced the Company's exploration acreage in PNG and increased joint venture alignment in the highly prospective Onshore Gulf hub.

The Company is also evaluating drilling a well into the Gobe Footwall, commencing in the second half of 2019. The prospect, over which seismic was successfully acquired in late 2018, is immediately west of the Gobe Main field and can be drilled from an existing Gobe pad. In the event of success, the field could be tied into existing infrastructure and assist with extending field life.

OFFSHORE PAPUAN GULF

Following encouraging results in 2017 from the reprocessing of existing 3D seismic data over the Shallow Water Gulf licences, in 2018, Oil Search completed further seismic reprocessing to establish the acreage's prospectivity. The Company also completed the acquisition of a gravity gradiometry and magnetics survey over these licences. Together, this information will help identify targets for potential future drilling.

Studies also took place on the Uramu discovery in PRL 10 (Oil Search – 100%, operator) in the Shallow Water Offshore Gulf, to ascertain its viability for appraisal drilling.

Kimu 2, PRL 8, PNG Forelands.

In the Deepwater Gulf, evaluation of 2D seismic data continued and identified prospects were risked, ranked and prioritised. Acquisition of 3D seismic is planned in early 2020 to mature prospects further, subject to joint venture approval. As a result of this assessment, the Company farmed into an additional deepwater block, PPL 569, operated by ExxonMobil during the year.

Oil Search believes there are material and potentially multi-tcf gas structures in the Offshore Papuan Gulf. Given its proximity to infrastructure, any discoveries could be tied into the existing PNG LNG plant site for development.

SEISMIC DATA ACQUISITION

In 2018, Oil Search successfully acquired approximately 380 kilometres of 2D seismic over the Onshore Gulf and Forelands regions of PNG, one of the largest onshore helicopter-supported seismic programmes in PNG in the Company's history.

In the Onshore Gulf, the Company completed the first phase of a 2D seismic programme, comprising 330 kilometres over PPLs 474 and 475 and PRL 39 on behalf of the operator, ExxonMobil, and over Total-operated PRL 15. Based on positive results from preliminary processing of this data, in late 2018, the Company commenced a second phase, comprising approximately a 250-kilometre seismic programme which is expected to complete by mid-2019. Data from these surveys will help to mature identified leads and prospects located near planned Papua LNG infrastructure for potential future drilling.

A 50-kilometre seismic programme over PDL 4 and PRL 14 was also completed in the Forelands. Seismic data will help the Company assess the potential of the Gobe Footwall exploration prospect for potential drilling in the second half of 2019 and further constrain the Iehi gas discovery.

ONSHORE GULF SEISMIC PROGRAMME – SNAPSHOT

- 330 kilometres of 2D seismic acquired.
- Helicopter-supported in tropical jungle terrain.
- 1 million hand-cut treads nailed down for bridging.
- 11 months to complete.
- At peak:
  - 750 people in the field
  - 32 field crews/camps
  - Six helicopters.

FIRST ALL-FEMALE GEOSCIENTIST TEAM IN THE FIELD

In 2018, the Company's first all-female geoscientist team completed a field trip to the seismic operations being undertaken in Gobe, located in the PNG Forelands. Participants came from Oil Search's Port Moresby and Sydney offices.

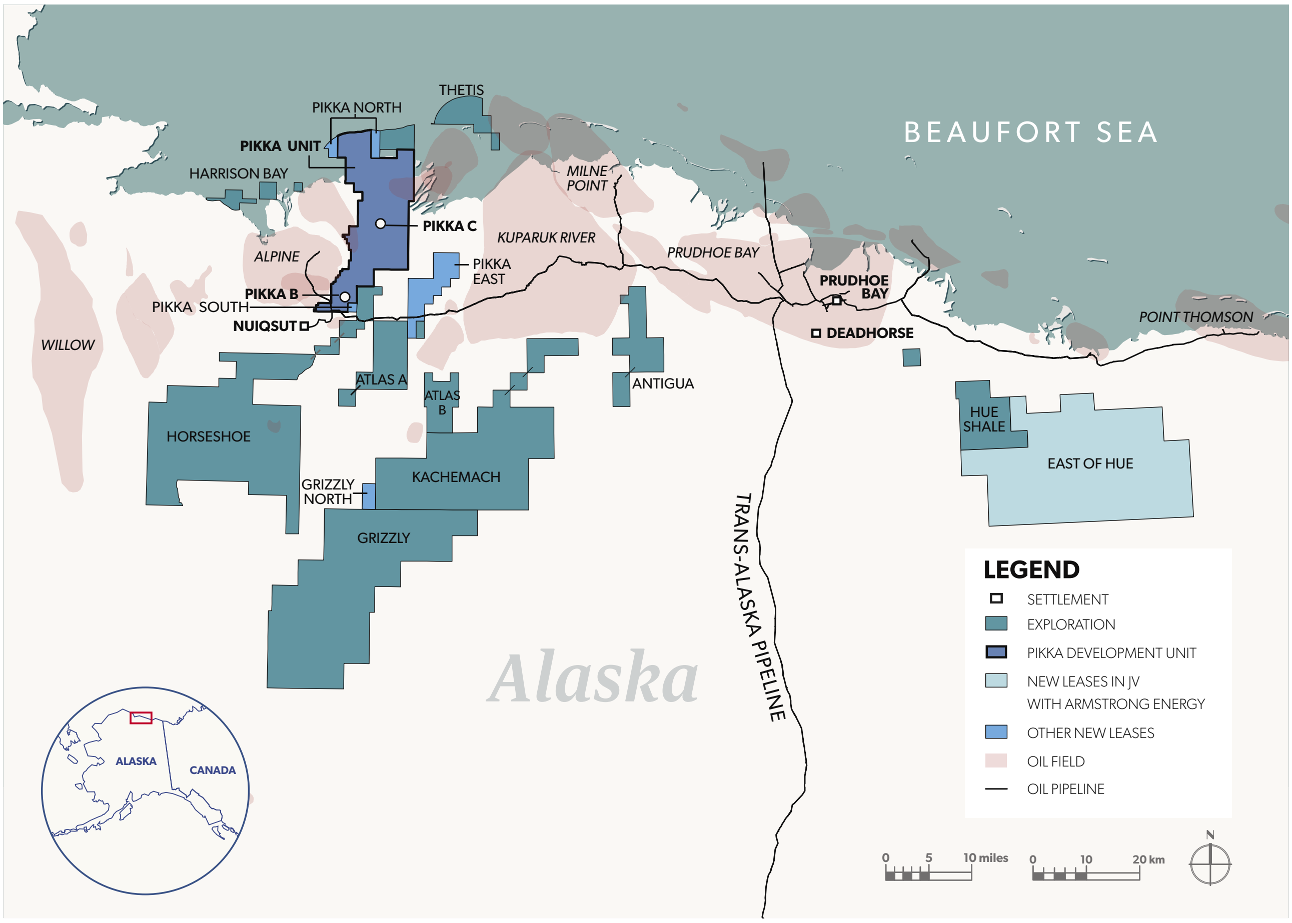
2019 FOCUS AREAS

- Complete the Muruk 2 appraisal well and, together with partners, undertake prioritised exploration and appraisal activities in PNG, to support high value growth.
- Complete the second phase of a 2D seismic programme, comprising approximately 250 kilometres in the Onshore Gulf.
- Complete evaluation of well results from the Kimu 2 and Barikewa 3 wells and progress commercialisation studies for these gas resources.
- Evaluate the Gobe Footwall exploration prospect for potential drilling in the second half of 2019.
- Use recently acquired seismic data to determine appropriate drilling locations for exploration wells in the Onshore Gulf and Highlands in 2020-21.
- Continue to mature the offshore exploration portfolio, to determine preferred locations for future wells.

ALASKA NORTH SLOPE

In February 2018, Oil Search completed the acquisition of world class oil assets in Alaska. The Company is using the knowledge, skills and experience gained in PNG, including how it operates in remote and challenging regions and its cooperative and collaborative approach to stakeholder engagement, to add value to its operations in Alaska. Over the course of the year, significant progress was made to advance this strategic addition to the Oil Search portfolio. The Company commenced a two-well appraisal drilling programme in the Pikka Unit within the Nanushuk oil play, the results of which will help finalise the scope of the Pikka Unit development. In addition, a world class team based in Anchorage was recruited, with the experience and capacity to lead the development of the Pikka Unit and maximise value from the Alaska business. Over the year, the Company built strong relationships with its partners, local communities and governments and materially expanded its acreage position. Preparations also advanced for the potential exercise of Oil Search's option to increase its ownership interests in the Alaskan assets and undertake a partial divestment, to optimise the Company's interests.

OIL SEARCH'S ALASKA NORTH SLOPE LEASE POSITION



ENTRY INTO AN ESTABLISHED OIL PROVINCE, WITH SIGNIFICANT RESOURCE UPSIDE

In February 2018, Oil Search's US$400 million acquisition of interests on the Alaska North Slope was approved by the Committee on Foreign Investment in the US and the purchase was completed. The Company assumed operatorship of the assets in March 2018. This marked the Company's entry into a well-established, prolific oil province, positioning Oil Search at the forefront of the development of the Nanushuk play in the Pikka Unit, one of the largest conventional oil discoveries in the US in more than 30 years.

Assets acquired include a 25.5% interest in the Pikka Unit and adjacent exploration acreage and a 37.5% interest in the Horseshoe Block, as well as a 25.5% interest in other exploration acreage. The acquisition also included an option, exercisable at Oil Search's discretion until 30 June 2019, to double its interest in these assets for US$450 million.

The Alaska acquisition was made based on an estimated gross resource of approximately 500 million barrels in the Nanushuk oil play and neighbouring reservoirs associated with the Pikka Unit. Additional upside potential has been identified in the continuation of the Nanushuk play into the Horseshoe block to the south of the Pikka Unit. Oil Search's joint venture partners, Armstrong Energy and Repsol, estimate that ultimate recoverable volumes could be more than one billion barrels. Some of this upside will be tested in the 2018/19 appraisal drilling programme, which, if successful, could add up to 250 mmbbl (gross) to 2C resources.

STRATEGIC RATIONALE FOR ACQUISITION

Oil Search's Alaska North Slope acquisition reflects the Company's strategy to pursue, in a disciplined and measured way, material high-returning liquids opportunities. The assets complement the Company's existing high-quality PNG gas assets, creating a more balanced portfolio that is less exposed to one commodity and one country.

With significant growth opportunities, the Alaskan assets have the potential to become, over time, a material business for Oil Search, of a similar scale to the Company's PNG operations.

OIL SEARCH'S ALASKA NORTH SLOPE TEAM

>28%
of the leadership team are women

~75%
of the team are Alaskan residents

MATERIAL VALUE UPLIFT SINCE ACQUISITION

Since acquiring the Alaskan assets, the Company has benefitted from a material uplift in value, driven by:

- An increase in global oil prices (from mid-US$40/bbl in mid-2017 when the acquisition price was agreed).
- The reduction in the US Federal corporate tax rate from 35% to 21%.
- Positive results from regional drilling conducted by ConocoPhillips adjacent to the Pikka Unit during its 2017/18 drilling campaign.

BUILDING CAPABILITY

Since assuming operatorship in March 2018, the Company has built a highly experienced, multi-disciplinary team based in Anchorage. The group now comprises nearly 100 employees and several contract workers with extensive North Slope experience and outstanding subsurface, drilling, operations, development and commercial expertise in the global oil industry.

STAKEHOLDER ENGAGEMENT

During 2018, significant engagement took place with local community groups and companies, other operators, the Federal and State governments and regulatory agencies. This was focused on building long-term relationships, developing a greater understanding of the major issues and opportunities in Alaska and maximising cooperation and alignment on the forward exploration, appraisal and development programme. As in PNG, Oil Search believes that ongoing, transparent, two-way communication is essential to delivering its long-term plans in Alaska. The Company is committed to ensuring local communities retain access to lands that promote subsistence lifestyles while operating safely and in an environmentally responsible manner.

The Pikka Unit boundary is located 11 kilometres from Nuiqsut, a community of primarily Alaskan Native residents with a strong culture and a subsistence lifestyle. During the year, Oil Search worked closely with Nuiqsut and nearby Utqiagvik, as well as other Alaska North Slope communities and organisations, to identify opportunities for the Company to deliver its proposed Pikka Unit development in a mutually beneficial way that creates lasting value. Oil Search's operations have already created direct and indirect jobs in the area and are having a positive effect on the local economy.

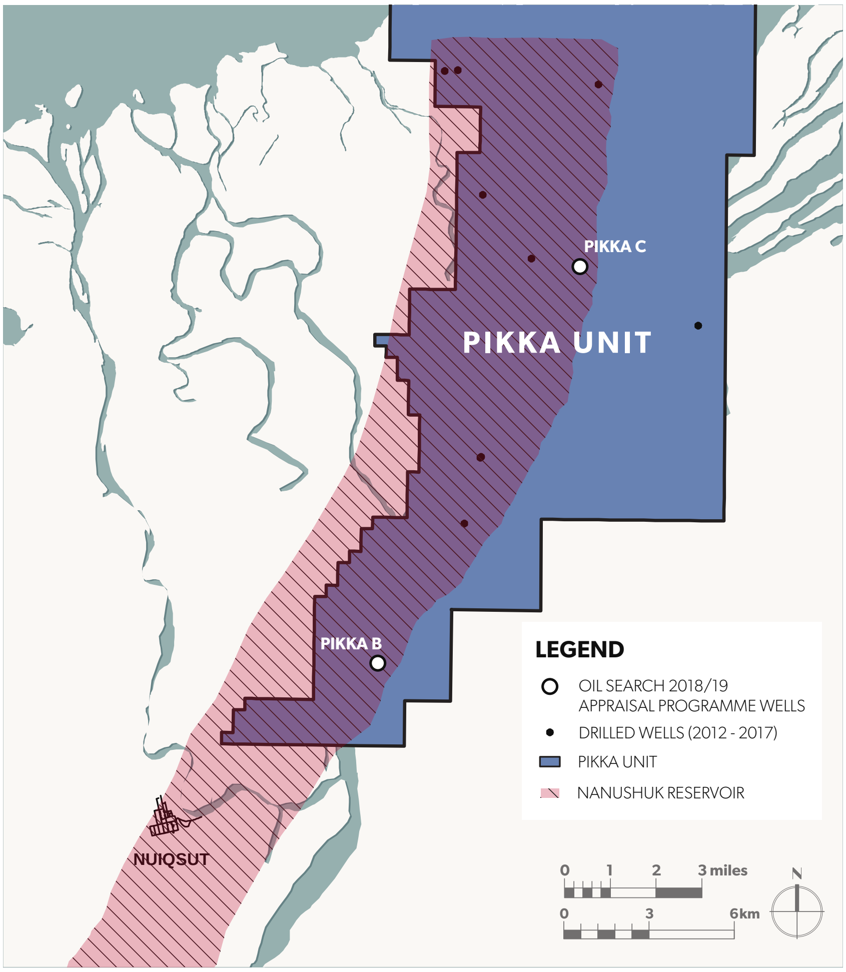
Oil Search has brought its cooperative and collaborative approach to stakeholder engagement to the Alaska North Slope.

2018/19 APPRAISAL DRILLING PROGRAMME

Extensive planning and preparations took place during the year for the 2018/19 two-well appraisal programme on the Pikka Unit. The objective of the wells, Pikka B and Pikka C, which both comprise a vertical hole and a side-track allowing four reservoir penetrations, is to confirm the presence, volume, thickness and quality of the Nanushuk reservoir at the Pikka B and C locations. In addition, testing will confirm the oil quality and well deliverability, which will feed into the selection of the well design that will be used in the Pikka Unit development.

In November 2018, construction of ice roads began, allowing the mobilisation of rigs to site. Drilling commenced on the Pikka B appraisal well, ahead of schedule, in late December. In early January 2019, the well penetrated the target Nanushuk formation and encountered hydrocarbons, in line with pre-drill expectations, and 146 metres (480 feet) of cores were cut. Preliminary interpretation of cores has indicated a hydrocarbon-saturated, high porosity sand, with the thickest gross reservoir section ever intercepted in the Nanushuk. The well was subsequently side-tracked and drilled to a depth of 2,621 metres (8,600 feet) and an additional 91 metres (300 feet) of cores were acquired, which were also hydrocarbon-saturated. At the beginning of March 2019, the side-track was being tested to establish flow rates and gather other reservoir data at this location.

The Pikka C appraisal well commenced drilling in late January 2019 and reached a depth of 1,601 metres (5,253 feet), in the target Nanushuk Formation in late February. Reservoir data was acquired in the main hole and a horizontal side-track was subsequently kicked off. The side-track drilled a lateral section in the reservoir to a total depth of 2,772 metres (9,093 feet). The forward plan is to stimulate and flow-test the well. Results of Pikka C, which has been designed to be a development-type well, will assist in the selection of the well design to be used in the proposed Pikka Unit development.



If successful, the Pikka B and Pikka C appraisal wells could potentially add up to 250 mmbbl (gross) to current 2C resources of 500 mmbbl in the Nanushuk and satellite fields.

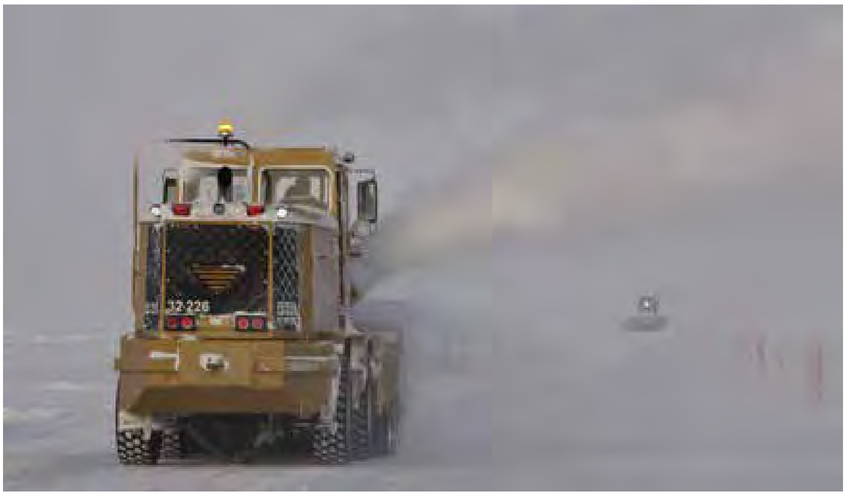
Pikka B well, located on the Alaska North Slope.

Oil Search expects that, if successful, these wells could result in the migration of up to 250 mmbbl of oil resources (gross) from the 3C to 2C category, adding to the current estimate of total 2C resources in the Nanushuk and satellite fields of 500 mmbbl. The results will help define the final configuration of the Pikka Unit development.

ENVIRONMENTAL PERMITTING WELL ADVANCED

In November 2018, the Final Environmental Impact Statement (FEIS) for the proposed Pikka Unit development was issued by the US Army Corps of Engineers (USACE). In the FEIS, the USACE recommended that the Pikka Unit be developed under the plan proposed by Oil Search. The FEIS, which took nearly four years to achieve, was a significant milestone for the project and followed consultation by Oil Search with local communities, to better understand and ensure feedback related to culture, access, subsistence and environment were heard, respected and addressed. In addition, significant analysis of potential environmental impacts and proposed avoidance and minimisation measures were incorporated into the design.

The proposed development concept also took into account the results from studies to optimise the development concept. This included cooperation with adjacent operators, reducing well numbers and therefore drilling costs by applying proven drilling and completions technologies, reviewing contracting strategies, reducing the project footprint and assessing the scope for early works. The Record of Decision is expected to be granted by the USACE late in the first quarter of 2019.



Ice roads enable essential equipment and supplies, including drill rigs, to be mobilised to site during winter. The roads melt in spring, leaving minimal impact on the sensitive tundra.

PIKKA UNIT DEVELOPMENT

Initial concept select evaluations on the proposed Pikka Unit facilities took place during 2018. Subject to updated resource estimates based on the results of the Pikka B and C wells, the most likely development concept is a standalone 120,000 bopd central processing facility, with production from three drill sites. Wells will be drilled in producer/injector pairs. Further facility processing studies are currently underway to confirm the optimal configuration.

FEED entry is targeted for mid-2019 and a final investment decision is expected to take place in 2020. Construction of the initial Pikka Unit development is planned to commence in early 2020 and take place over three winter construction seasons, with first production expected in late 2023.

EXPANSION OF ACREAGE POSITION

Through the 2018 Alaska lease round, Oil Search acquired interests in, and became operator of, leases covering more than 17,000 acres east of the Pikka Unit through pre-existing commercial agreements with Repsol. The Company was also successful in directly acquiring leases covering 3,575 acres immediately adjacent to the northern boundary of the Pikka Unit.

In addition, in early 2019, through an arrangement with Armstrong Energy, the Company acquired a 50% interest in, and operatorship of, 120 leases covering approximately 195,200 gross acres in the eastern area of the Alaska North Slope. This area was identified in a regional study, conducted jointly by Oil Search and Armstrong Energy Corporation in 2018, as being highly prospective for oil within two separate plays. The leases cover the entire prospective trend identified by the study.

These new leases add to the Company's exploration prospect inventory and are part of the Company's measured growth strategy, targeting high quality, highly prospective, material value

Oil Search hosted a PNG delegation on the Alaska North Slope in January 2019.

opportunities, which will position the Company for a long-term future in Alaska.

POTENTIAL OPTION EXERCISE AND DIVESTMENT

During the year, Oil Search continued to prepare for the potential exercise of the US$450 million option to double its interests in the Pikka Unit and Horseshoe Block and then to undertake a partial sell-down to a potential partner or partners through a competitive sale process. The Company has received multiple unsolicited inquiries from well-respected oil industry participants, demonstrating strong interest in these assets.

The potential option exercise and divestment process provides an opportunity for Oil Search to optimise its interest in its Alaskan portfolio.

2019 FOCUS AREAS

- Complete drilling and testing of the Pikka B and C wells.
- Enter the FEED phase of the Pikka Unit development.
- Start preparations for the initial Pikka Unit development construction, targeted to commence in early 2020.
- Prepare for the 2019/20 exploration drilling season and acquire seismic in selected North Slope lease areas.
- Continue to engage actively with the community of Nuiqsut and the North Slope Borough, with a focus on understanding and resolving any concerns related to culture, subsistence and the environment.
- Exercise the US$450 million option to double the Company's interests in the Pikka Unit and Horseshoe area and divest part of this interest to a third party/parties, to optimise the Alaskan portfolio.

STABLE OPERATING ENVIRONMENT

Oil Search's Social Responsibility Strategy provides a holistic, strategic framework for the Company's social and environmental activities. It plays a key role in promoting a stable operating environment in the areas where Oil Search is active and in supporting the Company's Business Strategy, strategic objectives and vision. Each year, the Company aims for continuous improvement towards achieving its stated 2020 sustainability goals. In 2018, by engaging stakeholders effectively and working strategically with the PNG Government, the Oil Search Foundation (OSF) and other partners, the Company continued to deliver on its key objectives while rising to several challenges, including the devastating earthquake in PNG.

AN ONGOING COMMITMENT TO STRATEGIC SUSTAINABLE DEVELOPMENT

Shared value creation is a powerful way to achieve social and economic development outcomes and achieve Oil Search's strategic objective to maintain a stable operating environment. The Company's strategic local partnerships play an important role in its success while strengthening relationships, sharing knowledge and expertise, providing practical solutions to development challenges and broadening the Company's reach.

During 2018, Oil Search collaborated with multiple partners to address business and social development challenges in PNG.

Health services

Oil Search, in partnership with the Oil Search Foundation (OSF), is active in providing, and supporting the delivery of, health services in remote and rural areas of PNG. The Company works closely with the PNG National and Provincial government agencies to strengthen the provision of health services and improve health outcomes for the people of these regions.

GOALS TO 2020	2018 PROGRESS
MAKING LIVES BETTER We aspire to set the standard for private sector contributions to sustainable development.	♦ Invested US$451 million in total socio-economic contributions in PNG. ♦ Donated more than US$5 million in cash and kind to support earthquake disaster relief efforts. ♦ Together with OSF, formed Bel isi PNG, an innovative public-private partnership to address family and sexual violence in PNG. ♦ Launched Wok Bung Wantaim, a strategic health service delivery partnership with the PNG Government, the Australian Department of Foreign Affairs and Trade and other donors. ♦ Supported 1,930 outreach patrols and clinics to deliver over 366,700 vaccinations. ♦ Helped improve tuberculosis (TB) diagnostics, reducing the risk of drug-resistant TB with 250 people completing TB treatment. ♦ Funded an induction course equipping librarians to teach basic early childhood literacy skills. ♦ Sponsored 105 students to attend tertiary institutions in PNG. ♦ Delivered APEC Haus, a world class venue for the Asia-Pacific Economic Cooperation (APEC) Summit which was hosted by PNG. ♦ Launched the Champions of Change initiative, awarding 18 small grants for community projects. ♦ Signed PNG's first public-private partnership on climate resilience with the Climate Change and Development Authority (CCDA). ♦ Progressed the development of a local business strategy that aims to maximise the value and opportunities for local suppliers in Alaska.
BEING PROUD OF WHAT WE DO AND HOW WE DO IT We seek to adopt industry best practice to manage material social responsibility issues and exceed stakeholder expectations for governance, environmental and social performance wherever we can.	♦ Published inaugural Climate Change Resilience Report. ♦ Ranked in top quartile of Carbon Tracker's climate-resilient companies. ♦ Incorporated a measure in the corporate short-term incentive for the application of a carbon price in investment decisions, achieving 100% compliance. ♦ Recorded zero significant spills attributable to Oil Search and third-party contractors. ♦ Total Recordable Incident Rate decreased from 1.93 in 2017 to 1.58 in 2018. ♦ Human Rights Impact Assessment updated to consider modern slavery in more detail and to include Alaskan activities. ♦ Reviewed grievance management system. ♦ Completed six consecutive years with no major ISO 14001 environmental non-conformances.

Dr Graham Low from the Oil Search Foundation attending to a mother who has just given birth at the Hela Provincial Hospital in Tari.

In Hela Province, the OSF continued to support Hela Provincial Hospital by providing medical equipment and funding for doctors as well as management functions. The Hospital is now one of the three highest-performing health facilities in PNG. In a remote part of Southern Highlands Province, a new waiting house was also built, providing accommodation and facilities for a greater number of women to have supervised deliveries. In Gulf Province, OSF worked with the Southern Highlands and Gulf Province health teams to improve diagnostics for TB, with the aim of increasing treatment completion rates targeted at reducing the risk of drug-resistant TB and the number of resulting deaths.

In May, OSF partnered with the Australian Department of Foreign Affairs and Trade, the PNG Government and other donors on Wok Bung Wantaim ("Working in Partnership"). This initiative aims to improve health funding, planning and service delivery in Hela and Southern Highlands Provinces.

By working closely with local and District partners and Provincial Health Authorities, OSF continued to facilitate extended outreach patrols and mobile health clinics for some of PNG's remotest areas, providing access to services for approximately 65,000 people. More than 366,700 vaccinations were delivered by 1,930 OSF-supported outreach patrols and clinics and a total of 250 people completed TB treatment courses, a 27% increase on 2017.

Education and leadership

Improving literacy and access to quality education is a sustainable development priority for the PNG Government and Oil Search. Working with OSF, the Company delivers programmes in areas around its operations that improve education and literacy outcomes.

During the year, work began to rebuild two OSF literacy libraries in Tari that were significantly damaged by the earthquake and subsequent tribal fighting. These two libraries, plus a new library in Kikori, are due for completion in 2019. The Foundation also funded an induction course for librarians to increase the capacity for teaching basic early childhood literacy skills.

OSF's new scholarship programme, which will contribute to the development of effective and ethical PNG leaders, was launched in 2018. The programme helped 14 students successfully complete their academic year in medicine, nursing and business studies. In addition, 105 students were sponsored to attend tertiary institutions and 13 teachers upgraded their primary education qualifications from certificate to diploma level.

Enterprise development

Focusing on local content creates jobs, promotes enterprise development and accelerates the transfer of skills and technologies. During 2018, Oil Search progressed the development of a local business strategy that aims to maximise the value and opportunities for local suppliers in Alaska. These include investing in supplier development, procuring supplies and services locally and hiring and training local workers.

Infrastructure

In 2018, Oil Search contributed to socio-economic development in PNG through the PNG Government's Infrastructure Tax Credit Scheme

(ITCS) and National Infrastructure Tax Credit Scheme (NITCS), supporting hospital and school upgrades and national projects. Unfortunately, project delivery timelines were impacted by the devastating earthquake, community unrest and local clan disputes. Some projects were also put on hold pending the formal findings of the PNG Government's review of ITCS legislation, to which Oil Search made submissions.

As part of the NITCS, Oil Search project managed and delivered APEC Haus, a world class venue for the APEC Summit, which was hosted by PNG in 2018. Following the completion of APEC, the building has been designated to become a museum and conference centre that highlights PNG culture.

With access to power still a significant developmental issue, the PNG Biomass project advanced during the year, including obtaining an environmental permit. NiuPower, a joint venture owned by Oil Search and Kumul, also progressed construction of the 58 MW gas-fired Port Moresby power station. Located adjacent to the PNG LNG plant site, the power station will have the capacity to deliver approximately 75% of the average daily load of the Port Moresby grid and is expected to produce the cheapest power in Port Moresby.

Women's empowerment

Oil Search works collaboratively with OSF to implement women's protection and empowerment initiatives. In September 2018, OSF and its partners launched Bel isi PNG ("Peaceful PNG" in Pidgin), which uses an innovative multi-sector model to provide case management services and emergency accommodation for people experiencing family and/or sexual violence (FSV). The initiative brings together businesses, the Australian and PNG governments, service providers, local and international non-government organisations and technical advisors. Participating companies are able to help staff who need support such as medical care, counselling, police, legal resources and shelter.

Women's empowerment and protection was also the focus of the Champions of Change initiative, which was launched in 2018. Developed and driven by OSF, the programme encourages Oil Search employees to use the skills and knowledge gained at work to improve their communities. In 2018, 18 small grants were awarded through the Champions of Change initiative to support community activities, including training employees to address local FSV.

CLIMATE CHANGE

Community resilience

Oil Search's PNG host communities can be vulnerable to natural disasters or incremental changes caused by climate change. By improving their resilience and contributing to natural disaster management, the Company has the ability to make a significant difference.

In November 2018, Oil Search and PNG's Climate Change and Development Authority (CCDA) established CCDA's first public-private partnership (PPP) on climate resilience. Cooperation through this PPP will explore areas of mutual interest that contribute to the resilience of PNG communities, share and leverage knowledge and contribute to PNG's National Determined Contributions adaptation targets.

Physical climate change risk assessment

In 2018, Oil Search began a three-phase Physical Climate Change Scenario and Risk Assessment (PSRA) to understand and quantify direct and indirect physical risks of climate change on its

Oil Search Foundation Director, Stephanie Copus-Campbell, with children enrolled in the Habare Literacy Library in Hela Province.

assets, supply chains and project area communities. The Company focused on implementing Phase 1 and will input the assessment findings into Oil Search's engineering, investment and asset development plans.

HUMAN RIGHTS

Respect for human rights and the desire to do no harm underpin Oil Search's commitment to sustainable development and the Company's approach to operating responsibly. They help to build mutual trust and respect within the Company's local communities, are vital to maintaining its social licence to operate and provide a stable operating environment.

To demonstrate the Company's focus on its most salient human rights issues, Oil Search updated its organisation-wide Human Rights Impact Assessment. This due diligence work examines the human rights risks and impacts associated with each type of Company and supply chain activity, including those associated with the Company's power business and public infrastructure work in PNG as well as current and planned Alaskan activities. This work is expected to be finalised in early 2019.

The assessment highlighted risk factors and other considerations around the potential modern slavery risks in the Company's operations and supply chain. The results will inform several concurrent initiatives including reviews of the Company's grievance management system, development of human rights training, responsible supply chain management and readiness preparations for disclosures under the new Australian Modern Slavery Act.

In 2018, Oil Search engaged human rights specialists to help the Company review its community engagement and grievance management practices and update business requirements for the assessment, escalation, investigation and remedy of community grievances, as well as needs for resources, training and tools. These will be progressively addressed as part of the Company's human rights plan.

BENEFITS DISTRIBUTION

As in previous years, Oil Search voluntarily disclosed its 2018 payments to governments in the Annual Report, the Transparency Report and the PNG Extractive Industries Transparency Initiative Report.

In PNG, ExxonMobil, on behalf of the Project participants, pays royalties from the PNG LNG Project into a trust fund administered by the PNG Government, which is responsible for distributing benefits payments to landowners. The landowner identification process is integral to determining the appropriate allocation and distribution of these benefits. This process has experienced delays due to landowner disputes and the February Highlands earthquake. In early 2018, Oil Search's oil operations in one licence area were interrupted due to community unrest resulting, in large part, from the non-payment of funds committed by the Government to the landowners.

During the year, the Department of Petroleum resumed the identification process and made significant progress in completing Phase 1 of the PNG LNG identification process. Phase 2 is anticipated to be completed in the first half of 2019.

LAYING FOUNDATIONS IN ALASKA

Following the assumption of operatorship of the Alaska assets in 2018, Oil Search started to build the relationships and partnerships that will be so important to progress this project and maintain local community support.

Community groups are a major engagement channel and the Company invested in many stakeholder engagement activities that were in addition to Oil Search's regulatory obligations. This included hosting meetings and workshops close to the

OIL SEARCH'S CLIMATE EFFORTS RECOGNISED

In March 2018, Oil Search published its inaugural Climate Change Resilience Report aligned with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The Report assessed the financial risks of climate change by examining the Company's existing and future projects and their resilience in a range of decarbonisation scenarios, including a 2°C world.

In July 2018, Carbon Tracker published its 2 Degrees of Separation report, which estimated the relative climate change transition risk of major oil and gas producers, from the point of view of potential capital expenditure committed to high-cost projects outside a 2°C pathway. The Report placed Oil Search in the top quartile for resilience to financial transition risk and found all of its projects would be required in both a 2°C pathway and a 1.75°C pathway.

Carbon Tracker's assessment is consistent with Oil Search's own analysis and demonstrates to shareholders, communities, employees and other stakeholders that the Company's climate change risk processes are robust and its assets have long-term resilience and value-generation in a 2°C world.

Since arriving on the Alaska North Slope, Oil Search has spent time building relationships with local community groups, with the goal of partnership, collaboration and alignment.

Company's project area in Nuiqsut to share information and gather feedback, as well as appointing a community liaison person to engage with the local community. Oil Search also took part in cultural, social and government events in Alaska to raise project awareness.

Through proactive, defined engagement, the Company aims to create the opportunity for dialogue, demonstrate its willingness to identify and understand suggestions and concerns and establish a positive reputation within the community.

Oil Search is currently developing a formal framework for stakeholder engagement that will inform its future approach and priorities.

2019
FOCUS AREAS

- Review the Corporate Social Responsibility Strategy and objectives.
- Detail the Company's commitment to human rights in a standalone Human Rights Policy.
- Begin implementation of the recommendations of the grievance management review.
- Map the Company's supply chain and commence supplier engagement in responsible supply chain practices.
- Complete a physical climate risk assessment and progress its implementation.

ORGANISATIONAL CAPABILITY TO DELIVER

Developing organisational capability is a strategic objective for Oil Search and good progress was made in this area during 2018. Several initiatives are underway to continue to strengthen the Company's pipeline of future leaders, foster employee engagement and build a capable and diverse workforce. The representation of females and PNG citizens in leadership roles increased and Oil Search was recognised in the Top 200 of Equileap's 2018 Gender Equality Ranking.

SUPPORTING DIVERSITY AND INCLUSION

Oil Search's capability and resilience are strengthened by having a diverse and inclusive workforce. In 2018, the Company remained focused on improving diversity through its 2020 Diversity and Inclusion Strategy, which addresses gender diversity, citizen development and an inclusive workplace.

The Board's gender diversity was improved with the appointment of a new female director, increasing the percentage of female directors from 25% in 2017, to 33% in 2018. The percentage of females in senior management and the 2018 Graduate Development Programme intake also increased, to 23% and 46%, respectively in 2018.

During the year, the Company delivered its inaugural Leading Our Way for Women leadership programme involving 17 participants across the organisation. This programme is designed to build a population of high potential female leaders and improve gender diversity in leadership roles within the business. Participants benefited from an intensive development experience, with their managers also involved to promote greater understanding and empathy for the various development barriers faced and how best to address these. Since commencing the programme, five participants have been promoted and another three have had the opportunity to change roles within the business.

As part of the Company's 2020 Diversity and Inclusion Strategy, Oil Search measures progress against an inclusion index derived from the results of its 2017 employee engagement survey. An organisation-wide employee engagement plan was implemented in 2018 to promote an inclusive and positive work environment. Initiatives focused on:

- Enabling managers to create a safe and trusting environment where people feel valued and can work to their potential.
- Equipping managers to have engaging conversations and bring out the best in their staff through the Coaching Our Way programme.
- Recognition Guidelines that support more frequent and consistent manager recognition.

Citizen Development Programme (CDP)

Established in 2016, the CDP provides clear development and employment opportunities for high performing PNG citizens.

In 2018, 70 participants, all of whom are supported by a coach and have individual development plans underway, attended the annual CDP residential workshop. Of these participants, 17 progressed into leadership roles and eight were provided with a secondment opportunity to the Sydney office. At the end of 2018, 66% of the leadership roles in the PNG workforce were held by PNG citizens, with the Company progressing towards its goal of 73% by 2020.

PROGRESS AGAINST DIVERSITY AND INCLUSION GOALS

FOCUS AREA	2020 GOAL	2018 RESULTS	STATUS
GENDER DIVERSITY	At least 30% female Executive General Managers on the Executive Leadership Team by 2020	11%	PROGRESSING, ACTION PLANS IN PLACE
	30% female representation at Senior Manager level by 2020	23%	PROGRESSING, ACTION PLANS IN PLACE
	50% female representation in graduate intakes 2018-2020	46%	PROGRESSING, ACTION PLANS IN PLACE
CITIZEN DEVELOPMENT	Increase percentage of PNG citizens in leadership roles in the PNG workforce to 73% by 2020	65%	PROGRESSING, ACTION PLANS IN PLACE
INCLUSIVE WORKPLACE	Consistently improve results on the Inclusion Index on the 2017 baseline	N/A	ACTION PLANS IN PLACE; RESULTS AVAILABLE IN AUGUST 2019

Oil Search also partnered with the Oil Search Foundation to develop a scholarship programme focused on the early identification and attraction of technical and leadership talent amongst PNG citizens. The programme will provide educational opportunities at secondary and tertiary levels and will be implemented in 2019.

Oil Search continually reviews and refreshes its CDP in support of its commitment to local leadership and its 2020 Diversity and Inclusion goals.

BUILDING CAPABILITY

In 2018, employee development was a key focus, with several initiatives underway to develop workforce capability, foster employee engagement and manage the pipeline of people with the potential to move into leadership roles. These initiatives fit within an expanded leadership development framework that balances development for all employees with targeted investments to build leadership capacity and capability for the future.

Workforce capability and engagement

In 2018, Oil Search continued to expand its leadership development curriculum, with the introduction of Coaching Our Way. This programme equips leaders to create an engaging work environment and enhance the employee experience of recognition, development, learning and growth. 15 Coaching Our Way workshops were held during the year for 161 senior managers, managers and supervisors in Sydney and Port Moresby.

The Company upgraded its performance and development process to enhance employee engagement through more constructive and frequent conversations and planning. The refreshed process will be introduced in 2019 enabled by a new HR Information System and a comprehensive launch strategy that includes employee and leader workshops.

Managing our leadership pipeline

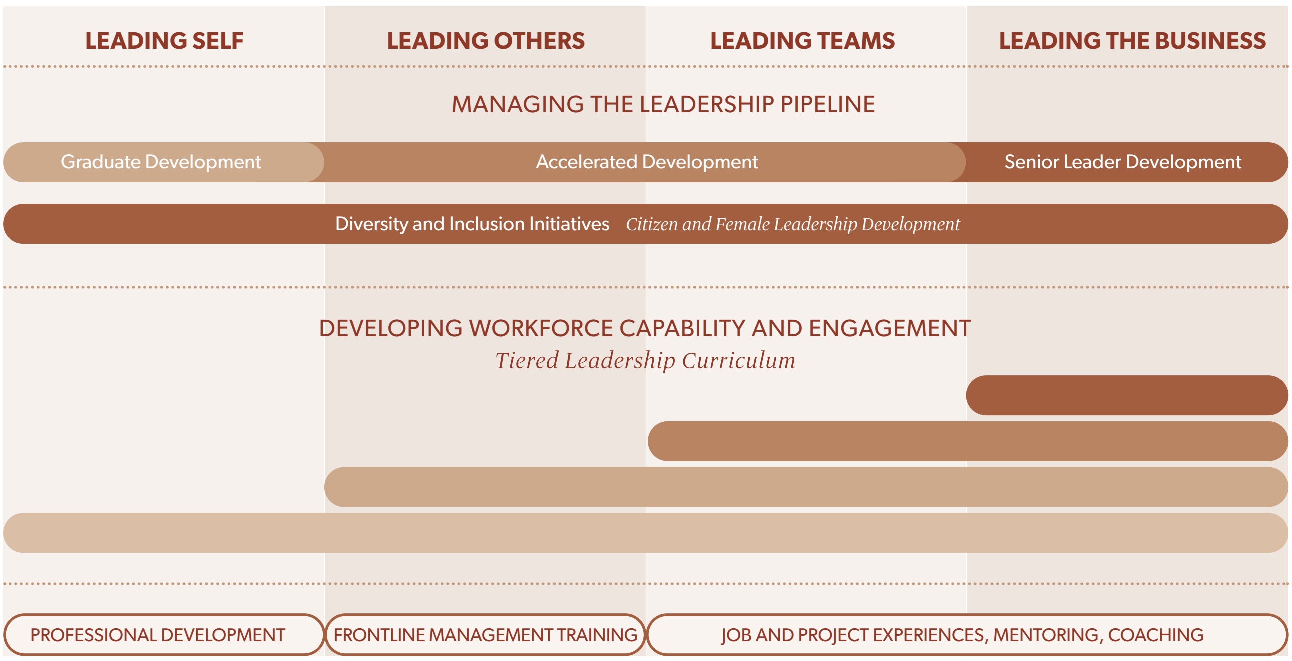
The depth and diversity of leadership talent continues to improve across the organisation. This is managed and tracked through the Company's annual talent and succession review which, in 2018, assessed 192 critical roles for succession with the following results:

- 86 employees were evaluated as being high potential (capable of progressing to leadership or executive levels).
- 15 individuals were assessed as successor candidates to Executive General Manager roles.
- 44% of individuals on succession plans were PNG citizens and 31% were female.

Several programmes are in place to manage and continue to develop a diverse leadership pipeline across the organisation, including the following programmes:

- Graduate Development Programme.
- Accelerated Development Programme (for high potential employees).

LEADERSHIP DEVELOPMENT FRAMEWORK



- Senior Leader Development Process.
- Targeted diversity and inclusion initiatives, Leading Our Way for Women and the Citizen Development Programme.

In 2018, the Senior Leader Development Process was introduced to build a highly capable, committed and diverse leadership group that is well-equipped to execute Oil Search's Business Strategy. Six participants were selected across Port Moresby, Sydney and Anchorage, with the programme to be extended across a broader population in 2019. The process includes a rigorous upfront assessment and individual development strategies deployed over 12 months ranging from executive education, to coaching, mentoring and involvement in business projects.

CODE OF CONDUCT

In 2018, Oil Search strengthened its Code of Conduct to include new guidance around personal relationships within the organisation. This reinforced the Company's approach to managing conflicts of interest to ensure all decisions regarding a person's work, entitlements or position/standing in Oil Search are made without bias or discrimination.

During the year, Oil Search investigated all reported and suspected breaches of the Code of Conduct. After appropriate investigations, 11 records of discussion or written warnings were issued, one termination occurred and one employee resigned. The breaches related to harassment and bullying, policy or procedures and health, safety, environment and security. No instances of discrimination were reported.

One call was made to the Company's Whistle-blower Hotline relating to a conflict of interest. The issue was investigated, found to be unsubstantiated and closed out via the whistle-blower process.

SUPPORTING PHYSICAL AND MENTAL HEALTH

Oil Search is committed to protecting and improving the health and wellbeing of its employees and contractors. In 2018, the Company's wellbeing programme was rebranded and reintroduced as "Lifestyle Connect", a programme that builds on the existing platform to deliver a renewed focus on managing the impact of lifestyle diseases. The Lifestyle Connect programme includes education, health checks, occupational health and professional support for employees and their families.

With awareness about mental health conditions increasing globally, Oil Search is acting to create a psychologically healthy workplace by helping to protect its workers' mental health. During 2018, industry experts delivered Better Mental Health training to 691 employees to help them recognise and manage mental health issues for themselves and their colleagues.

DEMONSTRATING A CULTURE OF SOCIAL RESPONSIBILITY

During 2018, Oil Search employees demonstrated a strong culture and commitment to social responsibility through a number of initiatives:

- Employees were at the forefront of the earthquake relief and response campaign, donating more than US$19,500 in cash and coordinating the collection and delivery of 170 boxes of goods and supplies from staff and partners.
- The Sydney Social Club raised almost US$4,500 for Bel isi PNG through a Christmas drive selling cards and wrapping paper based on drawings from children in the Kikori Literacy Library.
- Employees represented Oil Search at a 2,000-strong walk in Port Moresby in support of the 2018 International Day for the Elimination of Violence Against Women.
- Sydney and Port Moresby employees participated in Oil Search's Caring for Kids Corporate Fitness Challenge, raising over US$17,400 for the Children's Ward at Port Moresby General Hospital.
- Through the Daffodil Corporate Golf Challenge, the Company helped to raise US$30,000 to bring cancer education and awareness programmes to communities and schools throughout PNG.
- A total of 27 employees and contractors in Port Moresby participated in the corporate blood drive in support of the Port Moresby General Hospital Blood Bank.

Oil Search employees were involved in several social responsibility initiatives in 2018.

OPTIMISING OUR BUSINESS

Project Vara ("growth" in Pidgin) is a business optimisation project that will simplify and integrate Oil Search's IT environment. Phase one went live in November 2018 for the Company's operations in PNG and Australia and involved extensive implementation and business readiness processes.

The project has created several learning and development opportunities, including secondments for 17 employees and new responsibilities for many others. Those involved have had the opportunity to develop new skills in areas such as change management, business analysis and project management as well as test a best-in-class solution to help ensure it is fit-for-purpose.

Vara

2019 FOCUS AREAS

- Pursue the Oil Search 2018-2020 Diversity and Inclusion goals, focused on continuous improvement in the areas of gender diversity, citizen development and an inclusive workplace.
- Refresh and continue to extend the leadership development curriculum, including the delivery of targeted programmes for senior leaders, females and PNG citizens.
- Strengthen the effectiveness of development and career planning processes.
- Implement the Oil Search scholarship programme targeting secondary and tertiary PNG students as part of longer-term development of PNG talent through the CDP.
- Conduct the Company's second Employee Engagement Survey and use the results to track progress and re-set organisational priorities.
- Conduct Code of Conduct refresher training for employees.

RESERVES AND RESOURCES

In 2018, Oil Search's total oil and gas proved and probable (2P) Reserves and contingent (2C) Resources increased by 15%. 2P and 2C Reserves and Resources are now at the highest level the Company has ever recorded.

Total 2P and 2C oil Reserves and Resources increased 102% to 253.5 million barrels (mmbbl). This primarily reflected the booking of 127.5 mmbbl 2C oil Resources at the Pikka Unit for the first time, following the completion of the Company's acquisition of assets on the Alaska North Slope in February 2018.

Total 2P and 2C gas Reserves and Resources rose by 6% to 6,742.2 billion cubic feet (bcf) due to additions at the P'nyang and Kimu fields in PNG following successful appraisal drilling during the year.

This strong resources position provides the platform for Oil Search's growth projects in both PNG and Alaska and supports the Company's ability to provide excellent long-term returns to shareholders.

Based on 2018 production of 25.2 mmboe, Oil Search has a 1P Reserves life of 17 years and a 2P Reserves and 2C Resources life of 63 years.

OIL AND GAS RESERVES

At 31 December 2018, the Company's Proved (1P) Reserves were 54.1 mmbbl of oil and condensate and 1,937.1 bcf of gas. Proved and Probable (2P) Reserves were 68.0 mmbbl of oil and condensate and 2,209.3 bcf of gas.

The key changes in 1P and 2P Reserves since 31 December 2017, which are summarised in Tables 1 and 2, are as follows:

- Reserves at 31 December 2018 have been adjusted for net production of 4.9 mmbbl of oil and condensate and 98.9 bcf of gas[1].
- There have been no changes to the estimated ultimate recovery (EUR) for oil and gas associated with the PNG LNG Project, or oil in the Kutubu Agogo, and Moran fields. Reserves in both the 1P and 2P categories reflect the year-end 2017 position less 2018 production volumes.
- There were minor additions to the Hides GTE 1P Reserve booking, reflecting the 2017 gas nominations under the Hides Gas Sales Agreement.
- There have been minor reductions to the Gobe Main oil booking and SE Gobe bookings for oil and gas. These are the result of revised Operator forecasts, which incorporate changes to production assumptions since the last external audit in 2015.

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 can provide sufficient gas to the LNG facilities.

Undeveloped oil Reserves are associated with future development drilling in producing oil fields.

CONTINGENT RESOURCES

At the end of 2018, the Company's 2C Contingent Resources comprised 4,533.0 bcf of gas, up from 4,027.4 bcf at the end of 2017, and 185.5 mmbbl of oil and condensate, up from 52.7 mmbbl.

The key changes in 2C Contingent Resources since 31 December 2017, which are summarised in Tables 1 and 2, are as follows:

- The addition of 127.5 mmbbl of oil Resources in Oil Search's Alaskan North Slope assets, after the acquisition of interests in the Pikka Unit.
- The addition of 319.8 bcf gas and 5.2 mmbbl condensate at P'nyang, after the successful drilling of the P'nyang South 2ST1 well (see below for further details).
- The addition of 186.7 bcf 2C gas at Kimu, which reflects the Company's successful Kimu 2 appraisal well drilled in 2018.
- Minor movements in Contingent Resources at Gobe Main and SE Gobe, associated with the production beyond economic life from the updated forecasts for these fields.

RESERVES AND RESOURCES

As highlighted in Table 4, at the end of 2018, Oil Search's total 2P oil and condensate Reserves and 2C Contingent Resources were 253.5 mmbbl, up from 125.8 mmbbl at year-end 2017. The Company's total 2P gas Reserves and 2C Contingent Resources were 6,742.2 bcf, up from 6,341.1 bcf at the end of 2017.

PIKKA UNIT, ALASKA NORTH SLOPE – BOOKING OF 2C CONTINGENT RESOURCE

Following the completion of the acquisition of a 25.5% interest in the Pikka Unit in February 2018, 127.5 mmbbl of oil net to Oil Search have been assigned to the 2C Contingent Resource category. This reflects Oil Search's 25.5% share of the estimated gross resources for the Unit of 500 mmbbl.

The current mapping of the Nanushuk and satellite reservoirs in the Pikka Unit is based on an extensive grid of 3D seismic data and 19 well penetrations.

The presence of significant quantities of moveable hydrocarbons in the Pikka Unit has been confirmed from the following:

- Data acquired from well logging during and after drilling, which has been used to determine the fluid

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

The Kimu 2 appraisal well resulted in the addition of 186.7 bcf (net) of 2C gas resouce to Oil Search's Kimu booking.

content and most likely fluid contacts in the sandstone reservoir. This approach includes the analysis of reservoir pressure data and samples of hydrocarbons brought to surface during wireline logging.

- ◊ The interpretation of data acquired from six production tests (notably the Qugruk 301 horizontal well and the Qugruk 8 vertical well), including the analysis of reservoir hydrocarbon samples recovered to surface.
- ◊ The interpretation of 3D seismic data and data from offset wells.

Oil Search has assessed all available data to reach a position on the Contingent Resource potential of the field. Contingent Resource volumes have been estimated by combining in-place volume estimates from geological modelling with recovery factor estimates from both reservoir simulation studies and analogue fields. A deterministic approach was used to estimate the reported volume.

These Resources are considered contingent on future appraisal results, development studies and project commerciality. The collection of additional well log, core and production test data is currently underway, with the drilling of two further appraisal wells with two penetrations each – Pikka B and C. The data from these wells will be evaluated during 2019 to assess the potential for commercial recovery and to further define the Company's resource estimates for the field.

P'NYANG – INCREASE IN BOOKED 2C CONTINGENT RESOURCE

The addition of 319.8 bcf of 2C gas and 5.2 mmbbl of 2C condensate reflects the interpretation of data gathered from the drilling of the successful P'nyang South 2 ST1 appraisal well in 2018, as well as updates to the proposed field development plan.

The P'nyang Resource is considered to remain contingent on several factors, including: additional technical studies, the confirmation of a commercially viable development project, acceptable project financing and the negotiation of, and commitment to, future gas sales contracts.

KIMU – INCREASE IN BOOKED 2C CONTINGENT RESOURCE

An additional 186.7 bcf of 2C gas has been booked in the Kimu field, following the successful Kimu 2 appraisal well. The increase in booked volume has been determined by analysis of the results of the May 2018 drill-stem test, which produced gas from the Alene sandstone interval.

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

BARIKEWA – NO CHANGE TO BOOKED 2C CONTINGENT RESOURCE

The Barikewa 3 well drilled in 2018 successfully intersected hydrocarbons, in line with expectations. Initial analysis of the data collected with the well supports the existing Barikewa Resource booking. Further technical studies on Barikewa will be carried out through 2019 to review Resource size and assist in determining the optimal commercialisation options for this gas field.

GOVERNANCE AND 2019 AUDIT PLAN

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

- ◊ A Technical Reserves Committee (TRC), which assesses all proposed changes and additions to the Company's Reserves and Resources database, utilising 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 by the Audit and Financial Risk Committee prior to approval by the Board.

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, Netherland, Sewell & Associates, Inc. (NSAI). No changes to the Kutubu and Moran fields' EUR are anticipated after the 2018 earthquake, due to the recovery programme implemented through 2018 and 2019. As such, no further audit is planned for 2019.

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 will continue to be assessed under the Company's Reserves Management and Audit Process in 2019.

PNG LNG Project

A PNG LNG Project Resources re-certification is proposed for 2019, to provide an updated view of PNG LNG Resources to support the funding of the third LNG train and gas sales marketing. This work is intended to capture data gathered, including the significant improvements in production performance, since the last re-certification was conducted in 2016.

As with the 2016 re-certification, while the PNG LNG Operator will coordinate and manage the overall certification process, Oil Search will take a leading role in the re-certification of the Associated Gas (AG) field Reserves.

PRL 15

Two separate audits of the Resources at Elk-Antelope were undertaken by NSAI and Gaffney, Cline & Associates (GCA) in 2016 as part of the First PAC Certification under the sale and purchase agreement with the sellers of the PAC LNG group of companies. 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 2019.

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 2019, subject to the results of the Muruk 2 well.

PRL 3

Gas Resources at P'nyang (PRL 3) were recertified by the Joint Venture in 2018 following the drilling of the successful P'nyang South 2 ST1 appraisal well. No further audit is planned for 2019.

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 is proposed for 2019, which will provide certified numbers ahead of a Final Investment Decision on the Pikka Unit development, expected in 2020.

The Company booked 127.5 mmbbl of 2C oil resource at the Pikka Unit, following completion of its acquisition of Alaska North Slope assets in February 2018.

TABLE 1: 2018 OIL AND CONDENSATE RESERVES AND RESOURCES RECONCILIATION WITH 2017

PROVED OIL AND CONDENSATE RESERVES (MILLION BARRELS)

LICENCE/FIELD	END 2017 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2018 RESERVES
PDL 2 – KUTUBU	12.9	-1.6	–	–	11.3
PDL 2/5/6 – MORAN UNIT	6.4	-0.3	–	–	6.1
PDL 4 – GOBE MAIN	0.0	-0.0	-0.0	–	0.0
PDL 3/4 – SE GOBE	0.1	-0.0	-0.0	–	0.0
PDL 1 – HIDES GTE	–	–	–	–	–
PNG LNG PROJECT	39.6	-3.0	–	–	36.7
TOTAL	**59.1**	**-4.9**	**-0.0**	**–**	**54.1**

PROVED AND PROBABLE OIL AND CONDENSATE RESERVES (MILLION BARRELS)

LICENCE/FIELD	END 2017 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2018 RESERVES
PDL 2 – KUTUBU	18.3	-1.6	–	–	16.6
PDL 2/5/6 – MORAN UNIT	10.0	-0.3	–	–	9.6
PDL 4 – GOBE MAIN	0.1	-0.0	-0.0	–	0.0
PDL 3/4 – SE GOBE	0.2	-0.0	-0.1	–	0.1
PDL 1 – HIDES GTE	–	–	–	–	–
PNG LNG PROJECT	44.6	-3.0	–	–	41.6
TOTAL	**73.0**	**-4.9**	**-0.1**	**–**	**68.0**

2C CONTINGENT OIL AND CONDENSATE RESOURCES (MILLION BARRELS)

LICENCE/FIELD	END 2017 2C RESOURCES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2018 2C RESOURCES
PNG LNG PROJECT FIELDS OIL AND CONDENSATE	1.6	–	–	–	1.6
OTHER PNG OIL AND CONDENSATE	51.1	–	5.3	–	56.4
ALASKA OIL AND CONDENSATE	–	–	–	127.5	127.5
TOTAL	**52.7**	**–**	**5.3**	**127.5**	**185.5**

TABLE 2: 2018 GAS RESERVES AND RESOURCES RECONCILIATION WITH 2017

PROVED GAS RESERVES (BILLION STANDARD CUBIC FEET)

LICENCE/FIELD	END 2017 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2018 RESERVES
PDL 2 – KUTUBU	–	–	–	–	–
PDL 2/5/6 – MORAN UNIT	–	–	–	–	–
PDL 4 – GOBE MAIN	–	–	–	–	–
PDL 3/4 – SE GOBE	7.4	-1.4	-4.9	–	1.1
PDL 1 – HIDES GTE	3.2	-1.0	0.4	–	2.6
PNG LNG PROJECT	2,029.9	-96.5	–	–	1,933.4
TOTAL	**2,040.5**	**-98.9**	**-4.5**	**–**	**1,937.1**

PROVED AND PROBABLE GAS RESERVES (BILLION STANDARD CUBIC FEET)

LICENCE/FIELD	END 2017 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2018 RESERVES
PDL 2 – KUTUBU	–	–	–	–	–
PDL 2/5/6 – MORAN UNIT	–	–	–	–	–
PDL 4 – GOBE MAIN	–	–	–	–	–
PDL 3/4 – SE GOBE	10.9	-1.4	-5.5	–	4.0
PDL 1 – HIDES GTE	4.0	-1.0	–	–	3.1
PNG LNG PROJECT	2,298.8	-96.5	–	–	2,202.3
TOTAL	**2,313.7**	**-98.9**	**-5.5**	**–**	**2,209.3**

2C CONTINGENT GAS RESOURCES (BILLION STANDARD CUBIC FEET)

LICENCE/FIELD	END 2017 2C RESOURCES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	END 2018 2C RESOURCES
PNG LNG PROJECT FIELDS GAS	60.0	–	–	–	60.0
OTHER PNG GAS	3,967.4	–	505.6	–	4,473.0
ALASKA GAS	–	–	–	–	–
TOTAL	**4,027.4**	**–**	**505.6**	**–**	**4,533.0**

TABLE 3: DEVELOPED AND UNDEVELOPED RESERVES

DEVELOPED RESERVES AS AT 31 DECEMBER 2018 (NET TO OIL SEARCH)

LICENCE/FIELD	OIL SEARCH INTEREST	DEVELOPED OIL AND CONDENSATE[3]	DEVELOPED GAS[4,5]	DEVELOPED OIL AND CONDENSATE[3]	DEVELOPED GAS[4,5]
	%	mmbbl	bcf	mmbbl	bcf
RESERVES		**PROVED (1P)**		**PROVED AND PROBABLE (2P)**	
PDL 2 – KUTUBU	60.0%	9.4	–	13.2	–
PDL 2/5/6 – MORAN UNIT	49.5%	4.3	–	6.4	–
PDL 4 – GOBE	10.0%	0.0	–	0.0	–
PDL 3/4 – SE GOBE	22.3%	0.0	1.1	0.1	4.0
PDL 1 – HIDES GTE	16.7%	–	2.6	–	3.1
OIL FIELDS AND HIDES GTE RESERVES		13.7	3.7	19.7	7.0
PNG LNG PROJECT RESERVES	29.0%	25.7	1,394.0	29.0	1,560.7
SUB-TOTAL DEVELOPED RESERVES		39.4	1,397.7	48.7	1,567.7

UNDEVELOPED RESERVES AS AT 31 DECEMBER 2018 (NET TO OIL SEARCH)

LICENCE/FIELD	OIL SEARCH INTEREST	DEVELOPED OIL AND CONDENSATE[3]	DEVELOPED GAS[4,5]	DEVELOPED OIL AND CONDENSATE[3]	DEVELOPED GAS[4,5]
	%	mmbbl	bcf	mmbbl	bcf
RESERVES		**PROVED (1P)**		**PROVED AND PROBABLE (2P)**	
PDL 2 – KUTUBU	60.0%	1.9	–	3.5	–
PDL 2/5/6 – MORAN UNIT	49.5%	1.9	–	3.2	–
PDL 4 – GOBE	10.0%	–	–	–	–
PDL 3/4 – SE GOBE	22.3%	–	–	–	–
PDL 1 – HIDES GTE	16.7%	–	–	–	–
OIL FIELDS AND HIDES GTE RESERVES		3.7	–	6.7	–
PNG LNG PROJECT RESERVES	29.0%	11.0	539.4	12.6	641.6
SUB-TOTAL DEVELOPED RESERVES		14.7	539.4	19.2	641.6
TOTAL DEVELOPED AND UNDEVELOPED RESERVES		**54.1**	**1,937.1**	**68.0**	**2,209.3**

TABLE 4: TOTAL RESERVES AND RESOURCES SUMMARY

RESERVES AND RESOURCES AS AT 31 DECEMBER 2018[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 AND PROBABLE (2P)**	
PDL 2 - KUTUBU	60.0%	11.3	–	16.6	–
PDL 2/5/6 - MORAN UNIT	49.5%	6.1	–	9.6	–
PDL 4 - GOBE	10.0%	0.0	–	0.0	–
PDL 3/4 - SE GOBE[5]	22.3%	0.0	1.1	0.1	4.0
PDL 1 – HIDES GTE[6]	16.7%	–	2.6	–	3.1
OIL FIELDS AND HIDES GTE RESERVES		17.4	3.7	26.4	7.0
PNG LNG PROJECT RESERVES[5]	29.0%	36.7	1,933.4	41.6	2,202.3
SUB-TOTAL DEVELOPED RESERVES		54.1	1,937.1	68.0	2,209.3
CONTINGENT RESOURCES		**1C**		**2C**	
PNG LNG PROJECT FIELDS GAS, OIL AND CONDENSATE		–	–	1.6	60.0
OTHER PNG GAS, OIL AND CONDENSATE[7]		–	–	56.4	4,473.0
ALASKA GAS, OIL AND CONDENSATE[8]		–	–	127.5	–
SUB-TOTAL RESOURCES		–	–	185.5	4,533.0
TOTAL RESERVES AND RESOURCES		**54.1**	**1,937.1**	**253.5**	**6,742.2**

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 2016 by independent auditor, NSAI, adjusted for economic limit using Oil Search's corporate assumptions. Gobe Main and SE Gobe 1P and 2P Reserves are based on Oil Search 2018 technical estimates.
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. 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 2018 technical estimates.
6. 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%).
7. 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.
8. Alaskan gas, oil, and condensate Resources comprise the Company's share in Alaskan assets, incorporating the Nanushuk and satellite reservoirs in the Pikka Unit.

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. Drs. Schakel, a full-time employee of Oil Search 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	SPE, PESA, AAPG
A. Judzewitsch	Oil Search	SPE
G. Johnson	Oil Search	SPE
J. Rowse	Oil Search	SPE, PESA, PESGB
M. Spiby	Oil Search	SPE, PESA
M. Ireland	Oil Search	SPE, SPEE, PE

ADDITIONAL NOTES

- The evaluation date for these estimates is 31 December 2018.
- 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

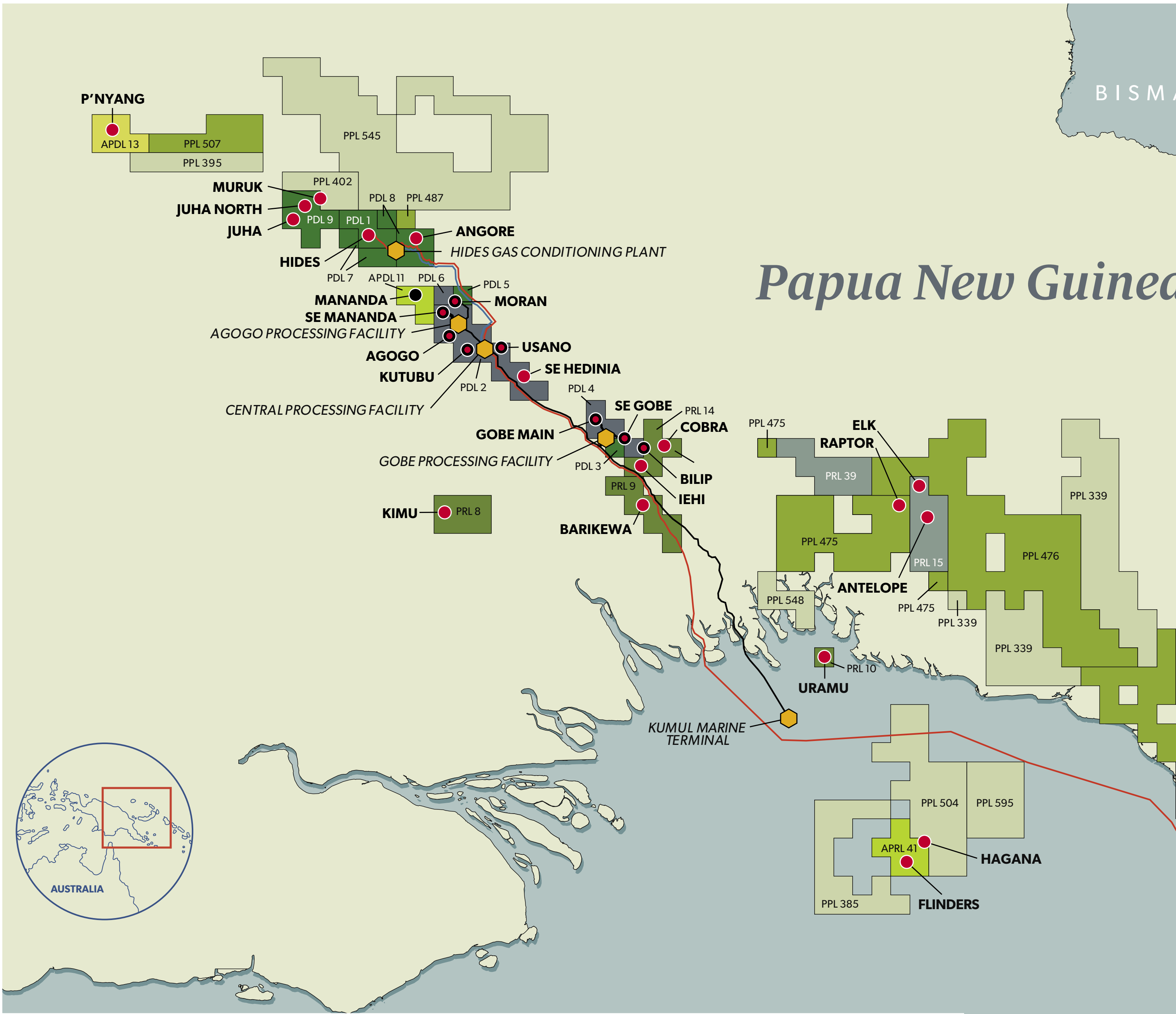
LICENCE INTERESTS AS AT 26 FEBRUARY 2019

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	Mananda	71.25[1]	Oil Search
APDL 13	P'nyang	38.51[2]	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
APRL 41	Flinders, Hagana	100.00[3]	Oil Search
PNG PETROLEUM PROSPECTING LICENCES (PPL)			
PPL 339		35.00[4]	Oil Search
PPL 374		40.00	ExxonMobil
PPL 375		40.00	ExxonMobil
PPL 385		100.00	Oil Search
PPL 395		50.00[5]	Oil Search
PPL 402		37.50	Oil Search
PPL 487		50.00[5]	ExxonMobil
PPL 504		100.00	Oil Search
PPL 507		50.00[5]	Exxon Mobil
PPL 545		40 .00	Oil Search
PPL 548		100.00	Oil Search
PPL 595		100.00	Oil Search
PNG FARM - IN AGREEMENTS			
PPL 474		25.00[6]	ExxonMobil
PPL 475		25.00[6]	ExxonMobil
PPL 476		25.00[6]	ExxonMobil
PRL 39		25.00[6]	ExxonMobil
PPL 569		50.07[6]	ExxonMobil
ALASKA, UNITED STATES OF AMERICA[7]			
Pikka Unit		25.50[8]	Oil Search
Horsehoe Area		37.50[9]	Oil Search
Grizzly Area		51.00	Oil Search
Exploration Areas		25.50[10]	Oil Search
Hue Shale Area		37.50[11]	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 and remains 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. In October 2017, Oil Search entered into an agreement with ExxonMobil and Santos under which Santos will potentially acquire a 20% interest in PPLs 395, 487 and 507 (being a 12.5% interest from Oil Search and a 7.5% interest from ExxonMobil).
6. Remains subject to regulatory approvals.
7. Includes US Government and State of Alaska leases. Oil Search has an option to increase its interest by acquiring additional interest in each lease from Armstrong Energy, LLC and GMT Exploration Company, LLC.
8. Certain Pikka Unit area leases outside the Pikka Unit were acquired in the 2018 lease sale and are awaiting Government award. Oil Search's ultimate ownership interest will be as follows: ADLs 393743, 393744, 393745, 393746: 51%; ADL 393882 (acquired by Repsol E&P USA Inc.): 33.34%. Oil Search will operate all acquired leases.
9. Certain Horseshoe Area lease interests pending Government approval have different Oil Search ownership interests as follows: ADL 392345 and ADL 392346: 75%. Oil Search will operate all acquired leases.
10. Certain Exploration Area leases were acquired by Repsol E&P USA Inc. in the 2018 lease sale and are awaiting Government award. Oil Search's ultimate ownership interest will be as follows: ADLs 393782, 393783, 393873, 393874, 393875,393876, 393877, 393878, 393879, 393880, 393881: 50.5%. Oil Search will operate all acquired leases.
11. Certain Hue Shale Area leases were acquired by Lagniappe Alaska, LLC, an Affiliate of Armstrong Oil and Gas, LLC in the 2018 lease sale and are awaiting Government award. Oil Search's ultimate ownership interest will be 50% in all Lagniappe Alaska, LLC leases. Oil Search will operate all acquired leases.

▶ **OPEN** TO SEE LICENCE INTEREST MAP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GUL
P'NYANG
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PDL 9
PDL 1
PDL 8
PPL 487
ANGORE
HIDES
HIDES GAS CONDITIONING PLANT
PDL 7
APDL 11
PDL 6
PDL 5
MANANDA
SE MANANDA
MORAN
AGOGO PROCESSING FACILITY
USANO
AGOGO
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
PPL 475
ELK
RAPTOR
PPL 39
PPL 339
PPL 475
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PRL 15
ANTELOPE
PPL 548
PPL 475
PPL 339
PPL 339
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FLINDERS
PPL 385
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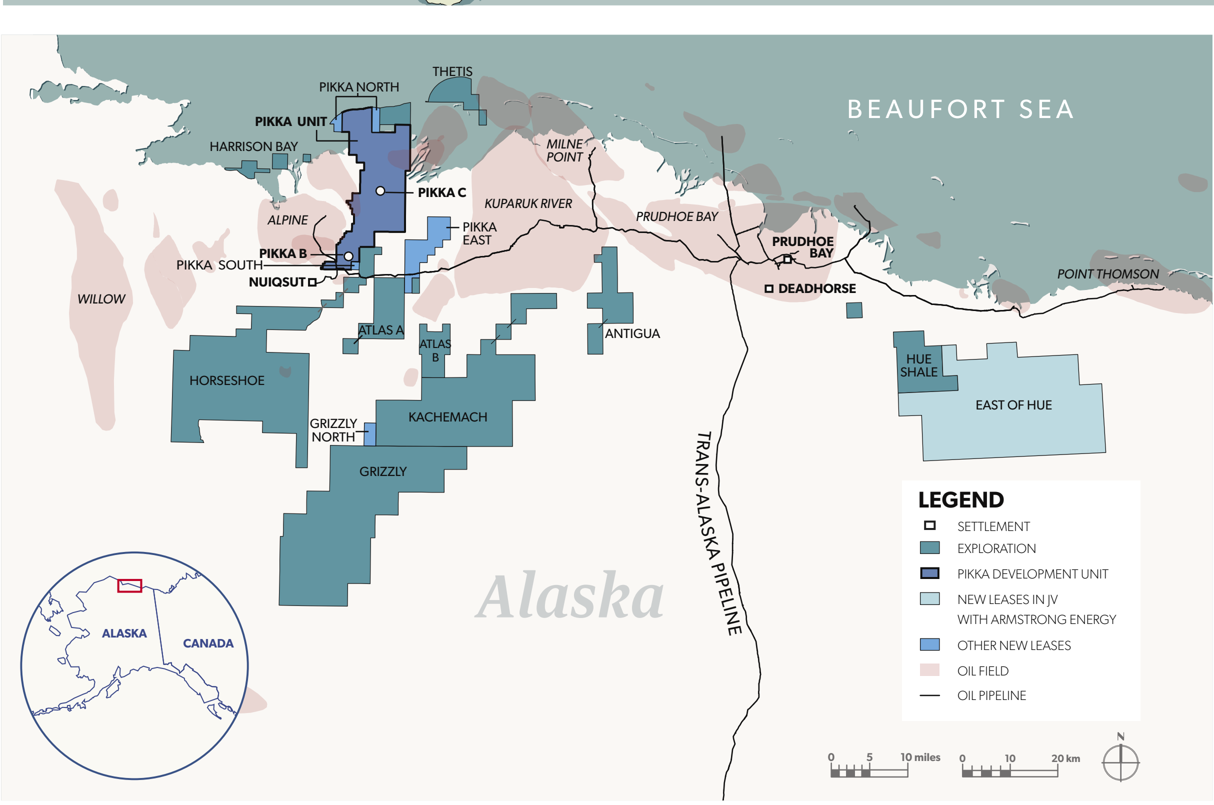
AUSTRALIA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Alaska
THETIS
PIKKA NORTH
PIKKA UNIT
HARRISON BAY
MILNE POINT
PIKKA C
KUPARUK RIVER
PRUDHOE BAY
ALPINE
PIKKA EAST
PRUDHOE BAY
PIKKA B
PIKKA SOUTH
NUIQSUT
DEADHORSE
POINT THOMSON
WILLOW
ATLAS A
ATLAS B
ANTIGUA
HORSESHOE
HUE SHALE
EAST OF HUE
GRIZZLY NORTH
KACHEMACH
GRIZZLY
TRANS-ALASKA PIPELINE
ALASKA
CANADA
LEGEND
SETTLEMENT
EXPLORATION
PIKKA DEVELOPMENT UNIT
NEW LEASES IN JV
WITH ARMSTRONG ENERGY
OTHER NEW LEASES
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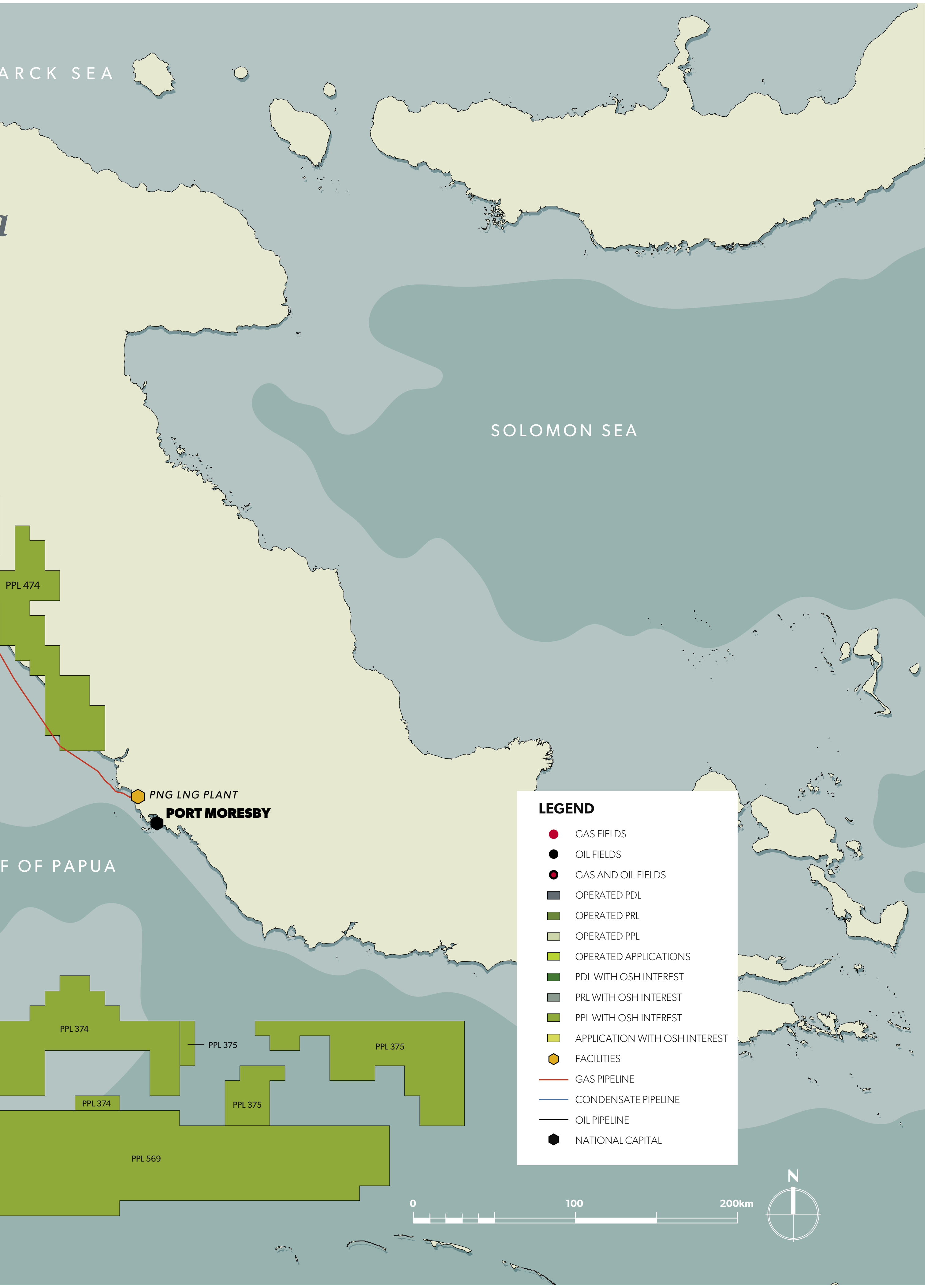
ARCK SEA
SOLOMON SEA
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PPL 474
PNG LNG PLANT
PORT MORESBY
PPL 374
PPL 375
PPL 375
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PPL 374
PPL 569
LEGEND
GAS FIELDS
OIL FIELDS
GAS AND OIL FIELDS
OPERATED PDL
OPERATED PRL
OPERATED PPL
OPERATED APPLICATIONS
PDL WITH OSH INTEREST
PRL WITH OSH INTEREST
PPL WITH OSH INTEREST
APPLICATION WITH OSH INTEREST
FACILITIES
GAS PIPELINE
CONDENSATE PIPELINE
OIL PIPELINE
NATIONAL CAPITAL
0
100
200km
N

Pictured from left to right: RJ Lee (Chairman), SM Cunningham, FE Harris, BS Al Katheeri, KG Constantinou, EJ Doyle, MP Togolo, AJ Kantsler, PR Botten.

CORPORATE GOVERNANCE

Oil Search is commited to adopting and implementing rigorous corporate governance practices across all of its activities. The Company supports this commitment by transparent and open reporting of its governance practices to assist investors in making informed investment decisions.

COMMITMENT TO GOOD GOVERNANCE

Oil Search has reported against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the "CGC Recommendations") each year since their first release in 2003. Oil Search believes it followed all the CGC Recommendations in the 3rd Edition of the CGC Recommendations, released in March 2014, during the 12 months ended 31 December 2018.

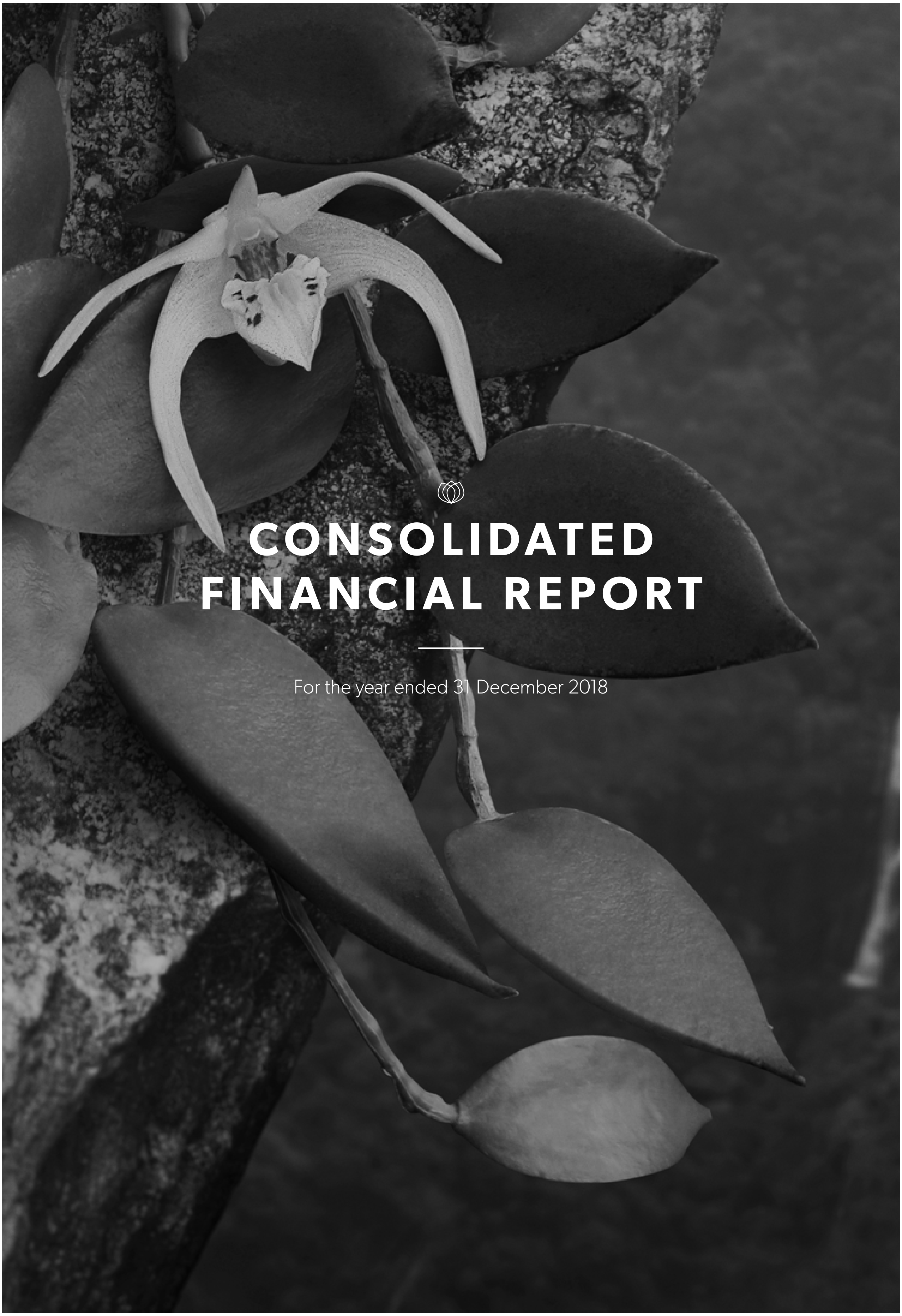
Oil Search's Corporate Governance Statement, which provides details of the corporate governance practices adopted by the Company to adhere to the CGC Recommendations, is published on its website, www.oilsearch.com. The Company's charters, policies and Constitution are also available on the website.

The table below provides a brief summary of the relevant sections of the Corporate Governance Statement that address the Company's compliance with each of the CGC Recommendations.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS		HOW OIL SEARCH SATISFIES 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 – see Board and Committee Charters on the Company's website.
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 processes. See 2019 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 – all agreements in place.
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, including measurable objectives for achieving gender diversity, its progress towards achieving those objectives and the respective proportions of men and women on the board, in senior executive positions and across the whole organisation.	Compliant – see Diversity Policy on the Company's website, and the Company's 2018 diversity objectives and progress against achieving those objectives disclosed in the Corporate Governance Statement.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS		HOW OIL SEARCH SATISFIES THE RECOMMENDATIONS
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 annual director performance reviews disclosed in the Corporate Governance Statement. Board Effectiveness Review undertaken in 2018.
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 disclosed in the Corporate Governance Statement. Senior executive performance reviews undertaken in 2018
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 – People and Nominations Committee has five members, all independent, including the Chairman. Committee Charter disclosed on the Company's website. Members, meetings held and attendances 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 – Skills matrix and preferred Board composition disclosed in the Corporate Governance Statement.
2.3	Disclose: ♦ The names of directors considered independent. ♦ The nature of any interest, position, association or relationship that each director has and an explanation of why it does not compromise the independence of the director. ♦ The length of service of each director.	Compliant – Director details disclosed in the Directors' Report. Any potential conflicts and related mitigants disclosed in the Corporate Governance Statement.
2.4	A majority of the board should be independent directors.	Compliant – Seven of nine directors are assessed as 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 – Chairman is non-executive and independent.
2.6	Have a programme for inducting new directors and provide appropriate professional development opportunities for directors.	Compliant – detailed director induction programme in place and annual director ongoing education programme provided by the Company.
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY		
3.1	Have and disclose a code of conduct for directors, senior executives and employees.	Compliant – Code of Conduct disclosed on the Company's website.
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING		
4.1	Have an audit committee which: ♦ Has at least three members. ♦ Consists only of non-executive directors, majority of whom are independent. ♦ 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 non-executive and four of whom are independent, including the Committee Chairman, who is not the Chairman of the Board. Committee Charter disclosed on the Company's website. Members, qualifications/experience, meetings held and attendances disclosed in the Directors' Report.
4.2	CEO and CFO certification of financial statements before the board approves the financial statements for the financial period.	Compliant – CEO and CFO certifications issued prior to the Board approving the 2018 Financial Report.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS		HOW OIL SEARCH SATISFIES THE RECOMMENDATIONS
4.3	Ensure external auditor attendance and availability at the AGM to answer questions from security holders relevant to the audit.	Compliant – Company's auditor, from Deloitte Touche Tohmatsu, attended the 2018 Annual Meeting, with shareholders invited to put questions to the auditor.
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 – Public Disclosure Policy disclosed 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, with communications governed by the Public Disclosure Policy.
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 Public Disclosure Policy.
6.4	Give security holders the option to receive communications from, and send communications to, the entity and the security registry electronically.	Compliant – Electronic security registry communication options in place.
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 – Financial risk overseen by the Audit and Financial Risk Committee – see section 4.1. Health, Safety and Sustainability Committee oversees operational and social responsibility risks. This Committee has four members, three of whom are independent, including the Chairman. Health, Safety and Sustainability Committee Charter disclosed on the Company's website. Members, qualifications/experience, meetings held and attendances disclosed in the Directors' Report. Board and People and Nominations Committee oversee other risks.
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 – Board reviews the entity's risk management framework at least annually, with review undertaken in 2018.
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 Operating and Financial Review section of the Directors' Report.
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 – See section 2.1. The People and Nominations Committee Charter provides advice and recommendations to the Board regarding the remuneration of Directors, executives and employees.
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 contained in the Directors' 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.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DIRECTORS' REPORT

for the year ended 31 December 2018

The directors submit their report for the financial year ended 31 December 2018.

DIRECTORS

The names, details and shareholdings of the directors of the Company in office during or since the end of the financial year are:

Mr RJ Lee, AM, BEng (Chem) (Hons), MA (Oxon), FAICD, (Chairman, Non-Executive Director), 68 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. Mr Lee is Chairman of Ruralco Holdings Limited. He was the former Chairman of Salmat Limited, Deputy Chairman of Ridley Corporation Limited and a Director of Newcrest Mining 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 PR Botten, AC, CBE, BSc, ARSM, (Managing Director), 64 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: 2,347,330; Performance Rights: 1,148,084; Restricted shares: 530,660*

Mr G Aopi, CBE, BEc, BAC, MBA, (Executive Director), 64 years (Resigned 16 March 2018)

Mr Aopi joined the Board as an Executive Director on 18 May 2006 and presently holds the position of PNG Country Chairman for Oil Search. Mr Aopi has substantial public service and business experience in Papua New Guinea, having had a long and distinguished career in government, filling a number of important positions, including Secretary for Finance and Planning and Managing Director of Telikom PNG Ltd. Mr Aopi is a Director of Steamships Trading, Marsh Limited and a number of other private sector and charitable organisations in Papua New Guinea. He was previously a Director of Bank of South Pacific and the Chairman of Telikom PNG Ltd and Independent Public Business Corporation (IPBC). *Ordinary shares fully paid: 511,687; Performance Rights: 64,716; Restricted shares: 86,841*

Dr BS Al Katheeri, PhD, BASc, MSc, Executive MBA (Hons), (Non-Executive Director), 44 years (Appointed 26 March 2018)

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 KG Constantinou, OBE, (Non-Executive Director), 61 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 Airways Hotel and Apartments Limited, Lamana Hotel Limited, Lamana Development Limited, Bank of South Pacific Limited and Air Niugini. 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 and Honorary Consul for Greece and Cyprus in Papua New Guinea, and Trade Commissioner for Solomon Islands to Papua New Guinea. *Ordinary shares fully paid: nil*

Ms SM Cunningham, BA Geol & Geog, (Non-Executive Director), 63 years (Appointed 26 March 2018)

Ms Cunningham joined the Board on 26 March 2018. Ms Cunningham has more than 35 years of oil and gas industry experience. including senior executive roles at Amoco, Texaco, and Noble Energy, where Ms Cunningham ultimately became the Executive Vice President responsible for global exploration, geoscience, frontier and new ventures. Ms Cunningham served as Chairman of the Offshore Technology Conference (OTC) from 2010 to 2011, representing the American Association of Petroleum Geologists (AAPG). From 2005 to 2014, she was a Director of Cliffs Natural Resources Inc. *Ordinary shares fully paid: nil*

Dr EJ Doyle, BMath (Hons), MMath, PhD, FAICD, (Non-Executive Director), 64 years

Dr Doyle joined the Board on 18 February 2016. Dr Doyle's career spans the building materials, water and 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 GPT Group Limited, Boral Limited and Hunter Angels Trust. Dr Doyle is a member of the National Governance Committee of the Australian Institute of Company Directors. 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 the Knights Rugby League Pty Ltd. *Ordinary shares fully paid: 36,050*

DIRECTORS' REPORT
for the year ended 31 December 2018

Ms FE Harris, BCom, FCA (Aust), FAICD, (Non-Executive Director), 58 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 Chairman of Toro Energy Limited and 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 AJ Kantsler, BSc (Hons), PhD, GAICD, FTSE, (non-Executive Director), 67 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 MP Togolo, CBE, BEcon (Hons), MA (Econ), MA (Geography), (Non-Executive Director), 72 years

Sir Mel joined the Board on 1 October 2016. He has more than twenty-five 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, Grand Pacific 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 SW Gardiner, BEc (Hons), FCPA, 60 years

Mr Gardiner joined Oil Search in 2004, after a twenty-year career in corporate finance at two of Australia's largest multinational construction materials companies and a major Australian telecoms company. Mr Gardiner's roles at Oil Search have covered senior corporate finance and services responsibilities. In November 2012, Stephen was appointed to the position of Chief Financial Officer of Oil Search. Mr Gardiner is also the Group Secretary of Oil Search; a role he has held since May 2009. *Ordinary shares, fully paid: 483,749; Performance Rights: 241,010; Restricted shares: 101,769*

RESULTS AND REVIEW OF OPERATIONS

The Oil Search Limited Group ('the Group') delivered a consolidated net profit of US$341.2 million (2017: US$302.1 million) for the year, after providing for income tax of US$166.2 million (2017: US$138.8 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 8.5 cents per ordinary share (2017: US 5.5 cents final dividend) to ordinary shareholders in respect of the financial year ended 31 December 2018. The due date for payment is 28 March 2019 to all holders of ordinary shares on the Register of Members on 6 March 2019. The Company's dividend reinvestment plan will remain suspended for the final dividend. Dividends paid and declared during the year are recorded in note 9 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 that 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 incidents in 2018 that were reportable to the regulatory authorities, nor did it incur any fines for environmental infringements.

DIRECTORS' REPORT

for the year ended 31 December 2018

CORPORATE INFORMATION

Oil Search Limited is a Company limited by shares and is incorporated and domiciled in Papua New Guinea. The Group had 1,410 employees as at 31 December 2018 (2017: 1,286). Oil Search Limited is listed on the Australian Securities Exchange and Port Moresby Stock Exchange.

SHARE BASED PAYMENT TRANSACTIONS

There were 983,042 share rights (2017: 717,446) granted under the Employee Share Rights Plan. There were 1,833,601 performance rights (2017: 1,184,700) granted under the Performance Rights Plan and 640,174 restricted shares (2017: 627,304) granted under the Restricted Share Plan during the year.

As at 31 December 2018, there were 2,206,192 share rights (2017: 1,710,808), 3,924,765 performance rights (2017: 3,201,088) and 1,300,928 restricted shares (2017: 1,220,155) 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 21 for further details).

COMMITTEES OF THE BOARD

During the year ended 31 December 2018, the Company had an Audit and Financial Risk Committee, a Corporate Actions Committee, a Health, Safety and Sustainability Committee and a People and Nominations Committee.

Members comprising the Committees of the Board during the year were:

Audit and Financial Risk Committee: Ms FE Harris (Committee Chair)(1), Dr BS Al Katheeri(2), Sir KG Constantinou(3), Dr EJ Doyle, and Sir MP Togolo. RJ Lee is an ex-officio attendee of this Committee;

Corporate Actions Committee: Mr RJ Lee (Committee Chair), Mr PR Botten, Ms FE Harris(1) and Dr AJ Kantsler(4);

Health, Safety and Sustainability Committee: Dr EJ Doyle (Committee Chair), Dr BS Al Katheeri(2), Mr G Aopi(5), Sir KG Constantinou(3), Ms SM Cunningham(6) and Dr AJ Kantsler(4). Mr RJ Lee is an ex-officio attendee of this Committee; and

People and Nominations Committee: Dr AJ Kantsler (Committee Chair)(4), Sir KG Constantinou(3), Ms SM Cunningham(6), Ms FE Harris(1) and Sir MP Togolo. Mr RJ Lee is an ex-officio attendee of this Committee.

INDEPENDENT COMMITTEE MEMBERS

The Independent Committee Members during the year were:

Mr RL Kuna, BBus, CPA, Audit Partner, KTK Accountants and Advisors and President of CPA Papua New Guinea. Mr Kuna was an Independent Member of the Audit and Financial Risk Committee for the February, April and August 2018 meetings of that Committee. He became an Independent Member of the People and Nominations Committee, effective from 1 October 2018.

Ms ME Johns, LL.B, Company Secretary, Bank of South Pacific Limited. Ms Johns was an Independent Member of the People and Nominations Committee for the February and May 2018 meetings of that Committee. She became an Independent Member of the Audit and Financial Risk Committee, effective from 1 October 2018.

Ms S Sasingian-Sumanop, LL.B., MBus, Principal Legal Officer, PNG Department of Justice and Attorney General. Ms Sansingian-Sumanop was an Independent Member of the Health, Safety and Sustainability Committee for the February 2018 meeting of that Committee. Ms Sansingian-Sumanop ceased to be as Independent Committee Member following the February 2018 meeting of the Health, Safety and Sustainability Committee.

Ms W Kula-Amini, MBus, BSc CS, AAICD, Head of Projects at Kina Bank. Ms Kula-Amini was appointed as Independent Committee Member effective 1 October 2018. She is an Independent Member of the Audit and Financial Risk Committee.

Mrs JM Baing-Waiko, BAppSc (Fisheries), AAICD. Ms Baing-Waiko was appointed as Independent Committee Member effective 1 October 2018. She is an Independent Member of the Health, Safety and Sustainability Committee.

Mr GD Wayne, LLB (Hons, UPNG), LLM (Dist, London), AAICD, Principal with Kessadale Lawyer and Founder/Speaker with Attitude Plus. Mr Wayne was appointed as Independent Committee Member effective 1 October 2018. He is an Independent Member of the Health, Safety and Sustainability Committee.

Mr DW Yaninen, BBus, PGDipFin, CPA, MPNGID, AAICD, Chief Executive Officer at NDB Investments Limited. Mr Yaninen was appointed as Independent Committee Member effective 1 October 2018. He is an Independent Member of the People and Nominations Committee.

The Independent Committee Members do not serve as members of the Oil Search Board.

(1) Ms FE Harris became the Chair of the Audit and Financial Risk Committee effective 14 February 2018.

(2) Dr BS Al Katheeri was appointed to the Board effective 26 March 2018. He became a member of the Audit and Financial Risk Committee and the Health, Safety and Sustainability Committee effective from the date of his Board appointment.

(3) Sir KG Constantinou was a member of the Health, Safety and Sustainability Committee for the 14 February 2018 meeting of that Committee. He became a member of the Audit and Financial Risk Committee effective 26 March 2018. Sir Kostas' membership of the People and Nominations Committee did not change during the year.

(4) Dr AJ Kantsler was a member of the Audit and Financial Risk Committee for the 14 February 2018 meeting of that Committee. He became a member and Chair of the People and Nominations Committee effective 14 February 2018 meeting. Dr Kantsler's membership of the Health, Safety and Sustainability Committee did not change during the year.

(5) Mr G Aopi was a member of the Health, Safety and Sustainability Committee until his resignation from the Board effective 16 March 2018.

(6) Ms SM Cunningham was appointed to the Board effective 26 March 2018. She became a member of the Health, Safety and Sustainability Committee and People and Nominations Committee effective from date of her Board appointment.

DIRECTORS' REPORT

Operating and Financial Review

ATTENDANCES AT DIRECTORS' AND COMMITTEE MEETINGS

The number of meetings of directors (including meetings of Committees of the Board) held during the year and the number of meetings attended by each director were as follows:

DIRECTORS	DIRECTORS' MEETINGS	AUDIT AND FINANCIAL RISK	CORPORATE ACTIONS	HEALTH, SAFETY AND SUSTAINABILITY	PEOPLE AND NOMINATIONS
Number of meetings held	7	4	–	4	4
Number of meetings attended					
Dr BS Al Katheeri	6/6	3/3	–	2/3	–
Mr G Aopi	1/1	–	–	1/1	–
Mr PR Botten	7/7	–	–	–	–
Sir KG Constantinou	7/7	3/3	–	1/1	3/4
Ms SM Cunningham	6/6	–	–	3/3	3/3
Dr EJ Doyle	7/7	4/4	–	4/4	–
Ms FE Harris	7/7	4/4	–	–	4/4
Dr AJ Kantsler	7/7	1/1	–	4/4	4/4
Mr RJ Lee	7/7	4/4	–	4/4	4/4
Sir MP Togolo	7/7	4/4	–	–	4/4

Note: The Managing Director and Chief Financial Officer attend Committee meetings at the request of the Committees. Other members of the Board have attended various Committee meetings during the year. These attendances are not included in the above table.

1. FINANCIAL OVERVIEW

1.1 Summary of Financial Performance

YEAR ENDED 31 DECEMBER	2018	2017	% CHANGE
Production and Sales Data			
Production (mmboe[1])	**25.21**	30.31	-17
Sales (mmboe)	**25.02**	30.04	-17
Average realised oil and condensate price (US$/bbl[2])	**70.65**	55.68	+27
Average realised LNG and gas price (US$/mmBtu[3])	**10.06**	7.67	+31
Financial Data ($US million)			
Revenue	**1,535.8**	1,446.0	+6
Production costs	**(290.0)**	(262.8)	+10
Other operating costs	**(145.4)**	(141.1)	+3
Other income	**9.6**	10.0	-4
EBITDAX[4]	**1,110.0**	1,052.1	+6
Depreciation and amortisation	**(326.1)**	(380.6)	-14
Exploration costs expensed	**(66.7)**	(35.9)	+86
Net finance costs	**(209.9)**	(194.7)	+8
Profit before tax	**507.4**	440.9	+15
Taxation	**(166.2)**	(138.8)	+20
Net profit after tax	**341.2**	302.1	+13
Net debt	**2,693.0**	2,610.2	+3

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 (10^6) British thermal units.

(4) EBITDAX (earnings before interest, tax, depreciation/amortisation, non-core activities, impairment and exploration) is 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.

Production and Revenue

Oil Search's total net production in 2018 of 25.21 million barrels of oil equivalent (mmboe) was lower than net production of 30.31 mmboe in 2017, as it was impacted by the devastating PNG Highlands earthquake in late February 2018 which caused a complete production shut-in across both PNG LNG and operated facilities. Further details on performance by operating segment and field are included in Section 2 'Overview of operations'.

Despite lower production, total revenue of US$1,535.8 million was 6% higher than the prior year, bolstered by stronger average realised oil and gas prices during 2018. The average price realised for LNG and gas sales increased by 31%, compared to the prior year, to US$10.06/mmBtu. The average realised oil and condensate price for 2018 was US$70.65 per barrel, 27% higher than the prior year outcome. The Group did not have any oil hedges in place during the year and remained unhedged to oil price movements.

LNG delivered sales volumes totalled 111,008 billion Btu in 2018, 10% lower than in the prior year, with the delivery of 99 LNG cargoes (2017: 110 cargoes). Liquid volumes delivered in 2018 totalled 4.94 million barrels (mmbbl), 34% lower than the 7.50 mmbbl delivered in 2017, due to both the impact of the PNG earthquake and natural field declines.

Other revenue, consisting mainly of rig revenue, electricity, refinery and naphtha sales, and infrastructure tariffs, decreased to US$49.7 million in 2018 from US$58.0 million in 2017.

Production and other operating costs

Production costs increased by 10% from US$262.8 million in 2017 to US$290.0 million in 2018, mainly impacted by earthquake related work to reinstate production and repair damaged production facilities and other infrastructure. Recovery work performed during 2018, excluding an LNG cargo purchase required to restart the LNG plant, totalled US$63.3 million with just under half that amount offset by insurance proceeds. Consequently, and together with lower overall production, production costs on a per barrel of oil equivalent (boe) basis increased from US$8.67 per boe in 2017 to US$11.51 per boe in 2018.

	PRODUCTION COSTS	
US$ MILLION	**2018**	**2017**
PNG LNG	**171.0**	142.2
PNG oil and gas	**119.0**	120.6
	290.0	262.8

Other operating costs increased from US$141.1 million in 2017 to US$145.4 million in 2018.

Depreciation and amortisation

Depreciation and amortisation decreased from US$380.6 million in 2017 to US$326.1 million in 2018.

Amortisation costs decreased by US$52.2 million to US$310.0 million in 2018, primarily due to the curtailment of production following the PNG earthquake. On a cost per boe produced basis, the average amortisation rate for the producing assets was US$12.40 in 2018, compared to US$11.95 in 2017.

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$66.7 million. This included US$33.7 million attributable to extensive seismic activity covering PRL 15, PPL 475, PPL 476, and PRL 39 in the Papuan Gulf Basin and PDL 4 and PRL 14 in the Forelands region of PNG. A further US$18.2 million was spent on exploration seismic, G&G and G&A activities in 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$209.9 million in 2018 were US$15.2 million higher than the prior year and were impacted by higher US interest rates on PNG LNG and Corporate debt facilities, as well as the unwind of site restoration provisions.

Taxation

Tax expense on statutory profit in 2018 was US$166.2 million, compared to US$138.8 million in 2017. This resulted in an effective tax rate of 32.8% for 2018, against an effective tax rate of 31.5% in 2017. This increase was largely driven by a one-off adjustment to deferred tax assets in 2017.

1.2 Summary of Financial Position

Net debt

At 31 December 2018, Oil Search had net debt (total borrowings less cash) of US$2,693.0 million, a US$82.8 million increase on the prior year net debt position of US$2,610.2 million, due in part 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 2017	**2,610.2**
Net repayment – PNG LNG Project finance facility	(331.9)
Decrease in cash balances from Alaskan acquisition	415.4
Increase in other cash balances	(0.7)
Net movement in 2018	**82.8**
Net debt at 31 December 2018	**2,693.0**

At 31 December 2018, the Group had US$3,293.6 million of debt outstanding under the PNG LNG Project finance facility, with corporate credit facilities undrawn.

Oil Search remained in a strong liquidity position at 31 December 2018, with cash of US$600.6 million, including US$308.6 million in PNG LNG escrow accounts, and US$900 million available under the Group's corporate facilities. In December 2018, the Company increased its corporate credit facilities, to a total of US$900 million, after entering into three new US$100 million bilateral revolving credit facilities that replaced two US$125 million bilateral facilities. The three new facilities expire in December 2023 and the Company's US$600 million syndicated facility, refinanced in 2017, expires in June 2022.

Investment expenditure

Total investment expenditure for 2018 was US$835.4 million, compared to US$277.6 million in 2017 with the increase predominantly due to a significant expansion of the company's growth portfolio. During 2018 Oil Search completed several asset acquisitions, including licence interests in the North Slope of Alaska and multiple licence interests in the onshore Papuan Gulf basin. Oil Search also completed one of the largest seismic acquisition programmes in the Company's history in PNG. Pre-FEED activities for the PNG gas expansion projects under the PRL 15 and PRL 3 licences were ongoing during the year. The components of investment expenditure for the year were:

US$ MILLION	2018	2017
Exploration and evaluation[1]	**714.8**	169.5
Development		
PNG LNG Project	**36.8**	30.1
Biomass	**10.7**	9.8
Producing assets	**21.7**	40.7
Other plant and equipment[2]	**51.4**	27.6
Total investment expenditure	**835.4**	277.6

(1) Includes Alaska acquisition costs of US$415.4 million (2017: nil) and exploration costs expensed during the year of US$66.6 million (2017: US$35.9 million).

(2) Excludes finance leased assets that are recognised as other plant and equipment.

Exploration and evaluation expenditure for 2018 totalled US$714.8 million (2017: US$169.5 million), comprising US$231.0 million (2017: US$158.8 million) and US$483.5 million (US$7.9 million) in PNG and the USA respectively. Major expenditures in PNG in 2018 included US$73.1 million on PPL402/PDL9, Muruk 2, PRL 8 Kimu, PRL 9 Barikewa appraisal drilling, US$54.9 million on pre-FEED activity for the PRL 15 and PRL 3 expansion projects, US$33.3 million on seismic acquisition activity and US$45.1 on licence acquisition costs. US$483.5 million was spent in Alaska, including the acquisition of licence interests, seismic acquisition and preparatory works for appraisal drilling that commenced on 31 December 2018.

Development expenditure for 2018 was US$47.5 million (2017: US$39.9 million). This included Oil Search's share of PNG LNG Angore development costs of US$36.8 million, where activity has been suspended pending the easing of inter-tribal tensions. In addition, US$10.7 million was spent predominantly on developing forestry assets for the Biomass project.

Expenditure on producing assets totalled US$21.7 million in 2018 (2017: US$40.7 million) and largely comprised sustaining capital expenditure for PNG LNG and PNG oil and gas assets.

The increase in other plant and equipment expenditure from US$27.6 million in 2017 to US$51.4 million in 2018, was mainly associated with implementation costs for the Company's new Enterprise Resource Planning (ERP) system.

1.3 Operating cash flows

YEAR TO 31 DECEMBER (US$ MILLION)	2018	2017	% CHANGE
Net receipts	**1,129.9**	1,089.6	+4
Net interest paid	**(190.4)**	(186.3)	+2
Tax paid	**(84.9)**	(59.7)	+42
Operating cash flow	**854.6**	843.6	+1
Net investing cash flow	**(811.0)**	(267.3)	+203
Net financing cash flow	**(458.3)**	(423.8)	+8
Net cash inflow	**(414.7)**	152.5	-372

Operating cash flow was largely unchanged year-on-year, with higher revenues from higher average realised prices offset by lower sales volumes, earthquake remediation costs, higher exploration seismic, G&A and G&G activities, higher taxes paid and higher borrowing costs.

During 2018, Oil Search's net investing cash flow included expenditures of:

- US$647.6 million on exploration and evaluation (US$157.3 million in 2017);
- US$56.4 million on other plant and equipment (US$38.1 million in 2017);
- US$41.7 million on payments made in respect of power assets (US$10.2 million in 2017).
- US$36.9 million on projects under development (US$21.1 million in 2017); and
- US$26.2 million of capital investment on production activities (US$38.2 million in 2017).

The Group distributed US$114.3 million to shareholders by way of the 2017 final dividend and the 2018 interim dividend during the year. During 2018, borrowings of US$331.9 million (2017: US$313.9 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 2018, the Company's Proved Reserves (1P) were 54.1 million barrels (MMbbl) oil and condensate, down from 59.1 MMbbl in 2017 and 1,937.1 billion cubic feet (bcf) gas, down from 2,040.5 bcf in 2017.

The Company's total Proved and Probable Reserves (2P) plus Contingent Resources (2C) for oil and condensate were 253.5 MMbbl, up 101.5% compared to 2017. The movements reflect the addition of 127.5 MMbbl of Alaskan Pikka Unit oil to 2C Contingent Resources, as well as 5.2 MMbbl of P'Nyang condensate to 2C, after the successful drilling of the P'Nyang South 2ST1 appraisal well. These additions were partially offset by net production of 4.9 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 6,742.2 bcf, up 6.3% from 2017. The movements reflected an additional 186.7 bcf of 2C gas at Kimu, after the successful Kimu 2 appraisal well, as well as the addition of 319.8 bcf of 2C gas after the successful drilling of the P'Nyang South 2ST1 appraisal well. Those increases were partially offset by net production of 98.9 bcf, as well as minor changes to the SE Gobe field 2P gas Reserves.

Further details are included in the 2018 Reserves and Resources Statement.

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 currently producing oil fields and the Hides Gas-to-Electricity Project and invests in a number of exploration licences in PNG and in the North Slope of Alaska. It also has a 29% interest in the PNG LNG Project, a world scale liquefied natural gas (LNG) development, operated by ExxonMobil PNG Limited.

During 2018, Oil Search produced 25.2 million barrels of oil equivalent (mmboe). This compared to production of 30.3 mmboe in 2017, reflecting the shut-in of operated production and the PNG LNG Project following a 7.5 magnitude earthquake that struck the PNG Highlands in late February 2018. Having withstood the earthquake well, the PNG LNG Project came back online in April and ramped up to an annualised production rate of 8.8 million tonnes per annum (MTPA) in the second half of 2018, the highest half-year rate achieved since the Project came onstream in 2014. Oil Search's operated production recovered progressively over the year, as remedial work was completed to restore damaged flow lines and bring wells back online.

In 2018, Oil Search and its joint venture partners reached broad alignment on the preferred downstream development concept for the proposed construction of three new LNG trains, to be located on the existing PNG LNG plant site. The new trains will be underpinned by approximately 11 tcf of certified 2C gas resource from the Elk-Antelope fields in PRL 15 (Papua LNG Project) and the P'nyang field in PRL 3. During the year, commercial arrangements to enable the integration of the Papua LNG Project and PNG LNG were broadly agreed and pre-FEED downstream studies, project financing and marketing discussions were advanced. In November 2018, a Memorandum of Understanding was signed between the PNG Government and the PRL 15 joint venture, outlining the key terms and conditions to be included within the Gas Agreement that will apply to the PRL 15 development. Oil Search expects the Gas Agreement to be finalised by the end of March 2019. The Gas Agreement between the State and the PRL 3 joint venture also is expected to be negotiated in a similar timeframe, allowing an integrated FEED entry on the proposed three-train development to take place.

During the year, Oil Search continued to explore actively in PNG. The Company drilled four appraisal wells, farmed into four highly prospective licences in the onshore Gulf and completed one of the largest onshore seismic programmes in the Company's history.

In February 2018, Oil Search completed the acquisition of interests in the Alaska North Slope for US$400m, plus deal costs, and assumed operatorship in March 2018. The assets acquired include a 25.5% interest in the Pikka Unit, which contains a major undeveloped oil field. During the year, the Company built a world-class team in Anchorage, progressed the environmental permitting process for the Pikka Unit development towards its final stages and commenced a two-well appraisal drilling programme in the Pikka Unit area.

2.1 Production Activities

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

The PNG LNG Project produced 22.1 mmboe net to Oil Search in 2018, comprising 97.5 bcf of LNG and 3.0 mmbbl of liquids. Gross LNG production from the Project was 7.4 MT, 11% below 2017 and representing a strong result given the eight-week production shut-in following the earthquake in February. The Project, which came back online in April, produced at an annualised rate of 8.8 MTPA in the second half of 2018 (almost 30% above nameplate capacity), benefitting from planned modifications to the Hides Gas Conditioning Plant and maintenance work on the LNG trains, which were carried out during the production shut-in period.

In 2018, 99 LNG cargoes were exported, with 73 sold under long-term contract, eight sold under mid-term sale and purchase agreements and 18 cargoes sold on the spot market. 15 cargoes of Kutubu Blend and 10 cargoes of naphtha were also sold.

The Project entered into two mid-term LNG sale and purchase agreements (SPAs) with PetroChina and BP, totalling 0.9 MPTA over five years from 2018 to 2023. These new SPAs take total contracted volumes to approximately 7.5 MTPA. ExxonMobil, on behalf of the PNG LNG project participants, continued to negotiate the sale of the final mid-term tranche of 0.45 MTPA.

Work to tie the Angore field into the PNG LNG processing facilities was halted in early 2018 due to local unrest and remains suspended until tensions in the area subside.

2.1.2 Operated oil and gas production

Kutubu (PDL 2 – 60.0%, operator)

Gross production from the Kutubu complex in 2018 averaged 7,451 bopd, down 38% from 2017 levels.

Production from the Kutubu complex was shut-in in late February due to the Highlands earthquake. The Central Processing Facility (CPF) resumed operations in late March, allowing production from the Kutubu fields to recommence at an initial rate of approximately 4,000 barrels of oil per day (bopd).

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

Gross production from Moran in 2018 averaged 1,715 bopd, down 76% from 2017 levels.

Given their proximity to the earthquake's epicentre, the Agogo Processing Facility (APF) and the Moran and Agogo fields sustained the most damage from the earthquake. Production from Agogo fields resumed in late July, with total output building up to 2000 bopd by the end of the year as flowlines damaged during the earthquake were progressively repaired and production wells were brought back online. Earthquake damage to the high-pressure compression systems at the APF limited production rates from the Agogo field through the year, with remedial work to these systems completed in early 2019. Production from Moran was shut-in from late February to

August while repairs to the APF, flowlines and well sites took place, allowing operations to resume. As mentioned above, damage to the compression systems at the APF also impacted the volume of hydrocarbons that could be processed from the Moran fields following the earthquake. Natural field decline also contributed to lower production levels in 2018.

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

In 2018, gross production from the Gobe Main field declined 26% to 400 bopd, while production from the SE Gobe field was 38% lower, at 432 bopd.

Production from both fields was impacted by the earthquake, with production recommencing in late April, following the completion of initial repairs and planned maintenance. Earthquake-related damage to key wells, including the G 7X well, continued to impact production rates through the second half of the year.

In 2018, 17.9 bcf of gas (gross) was supplied to the PNG LNG Project from the Gobe Main and SE Gobe fields, compared to 26.7 bcf in 2017.

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

The Hides GTE Project produced 4.0 bcf of gas in 2018, 32% lower than in 2017, and 83,000 barrels of liquids, down 29% on 2017 levels. The Hides Gas-to-Electricity (GTE) facilities resumed operations in May, after the completion of earthquake-related repairs to the Porgera Joint Venture electricity generation facility.

2018 Production Summary[1]

YEAR TO 31 DECEMBER	2018		2017		% CHANGE	
	GROSS DAILY PRODUCTION (BOPD)	NET TO OSH (MMBBL)	GROSS DAILY PRODUCTION (BOPD)	NET TO OSH (MMBBL)	GROSS DAILY PRODUCTION	NET TO OSH
Oil Production						
Kutubu	**7,451**	**1.633**	12,000	2.630	-38%	-38%
Moran	**1,715**	**0.310**	7,013	1.267	-76%	-76%
Gobe Main	**400**	**0.015**	540	0.020	-26%	-25%
SE Gobe	**432**	**0.035**	693	0.057	-38%	-38%
Total PNG Oil	**9,998**	**1.993**	20,246	3.974	-51%	-50%
PNG LNG Project Liquids	**27,900**	**2.954**	32,777	3.470	-15%	-15%
Hides Liquids	**228**	**0.083**	323	0.118	-29%	-29%
Total Liquids	**38,126**	**5.030**	53,346	7.562	-29%	-33%
	MMSCF/D	MMSCF	MMSCF/D	MMSCF		
Gas production						
PNG LNG Project LNG	**915**	**96,826**	1,004	106,266	-9%	-9%
PNG LNG Gas to Power	**6**	**674**	6	665	1%	1%
Hides Gas Production	**11**	**4,000**	16	5,843	-32%	-32%
SE Gobe Gas to PNG LNG	**17**	**1,400**	40	3,265	-57%	-57%
Total Gas	**949**	**102,900**	1,066	116,039	-11%	-11%
	BOEPD	MMBOE	BOEPD	MMBOE		
Total Production[2]	**224,231**	**25.206**	262,392	30.314	-15%	-17%

(1) Numbers may not add due to rounding.

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

In 2018, the Company carried out a major analysis on how to optimise production from its mature and declining oil fields in PNG. A range of new drilling and workover opportunities were identified for implementation over the 2019 to 2023 period, with the potential to add approximately 30 million barrels to Oil Search's oil reserves on a risked basis.

During the year, work also progressed on the Associated Gas Expansion (AGX) Project, which seeks to accelerate the delivery of gas from the Oil Search-operated Kutubu, Agogo and Moran fields to the PNG LNG Project. Studies have confirmed that AGX feedstock gas could provide a source of cost effective gas to front-end the proposed PNG LNG/P'nyang expansion train. The project passed the concept screening phase in 2018 and the Company is targeting selection of the preferred development concept to enable a decision on FEED entry in 2019.

2.2 Gas Development

In 2018, Oil Search and its joint venture partners, ExxonMobil and Total, reached broad alignment on the preferred downstream development concept for a proposed expansion of LNG capacity in PNG. This comprises the construction of three LNG trains, with a total capacity of 8 MTPA, located on the existing PNG LNG plant site. Two of the trains will be dedicated to the Papua LNG Project and will be supplied with gas from the Elk-Antelope fields in PRL 15, while the third train will be underpinned by gas from the existing PNG LNG Project fields and the P'nyang field in PRL 3. By integrating the new trains with the existing PNG LNG Project, material construction and operating cost savings are expected to be realised through the sharing of infrastructure and personnel.

During the year, commercial agreements supporting the integration of both projects with the existing PNG LNG Project infrastructure were broadly agreed. Project financing discussions advanced and pre-FEED downstream studies were matured, including engineering work on the design, process and layout optimisation of the three-train development concept, from the gas inlet to the LNG loading arm. In addition, Oil Search established a regional office in Tokyo, staffed with a highly experienced LNG team, to market its equity share of LNG from the Papua LNG Project. Engagement with potential LNG buyers in key Asian markets has been positive, with significant interest expressed for additional LNG volumes from PNG.

In November, a Memorandum of Understanding (MOU) was signed between the PNG Government and PRL 15 (Papua LNG) Joint Venture. This MOU provides the framework for key terms and conditions to be included within the Gas Agreement, including tax arrangements and a Domestic Market Obligation, as well as a timeline for the finalisation of negotiations by the end of March 2019. Discussions also advanced between the PNG Government and the PRL 3 joint venture, with a Gas Agreement also expected to be finalised in the same timeframe, allowing an integrated FEED entry decision on the proposed three-train development.

In early 2018, independent recertification of the P'nyang field, incorporating results from the P'nyang South 2 ST1 appraisal well and additional seismic and core data, resulted in a tripling of the certified gross 1C gas resource to 3.51 tcf and an increase in 2C gross resources to 4.36 tcf. Combined with gas resources in the Elk-Antelope fields, there is approximately 11 tcf of certified 2C gas resource available to underpin the proposed additional LNG capacity.

2.2 Exploration and appraisal activities

NW Highlands

Preparations to drill the Muruk 2 appraisal well in PDL 9 (Oil Search – 24.4%), which were halted by the Highlands earthquake in early 2018, resumed in the third quarter. Well site construction and mobilisation of the rig to site were completed and the well commenced drilling in November 2018. Muruk 2 is located approximately 11 kilometres north-west of the Muruk 1 gas discovery well and aims to delineate the potential resource volume in the Muruk field. Oil Search was contracted to drill the Muruk 2 appraisal well on behalf of the operator of PDL 9, ExxonMobil. Given its location near Hides, Muruk could be a valuable source of gas for either a new LNG train or as back-fill for the PNG LNG Project.

A 2D seismic programme covering approximately 100 kilometres over Muruk and adjacent acreage, which was interrupted by the earthquake, is planned to recommence in late 2019/early 2020. This will help mature potentially drillable prospects along the Hides-P'nyang trend, which the Company estimates could hold more than 10 tcf of unrisked gas. Due to its proximity to existing and planned infrastructure, Muruk and other prospects in the Hides-P'nyang fairway offer optionality for sourcing gas to underpin an additional LNG train, or as backfill for the PNG LNG Project.

Forelands / Onshore Gulf

During the year, the Company successfully drilled the Kimu 2 and Barikewa 3 appraisal wells in the PNG Forelands.

The Kimu 2 appraisal well in PRL 8 (Oil Search – 60.7%, operator) spudded in late April and reached total depth in late May, after intersecting gas in the target Alene Sandstone formation. A Drill Stem Test was conducted over the interval, confirming excellent reservoir quality, before the well was plugged and abandoned as planned.

The Barikewa 3 appraisal well in PRL 9 (Oil Search – 45.1% operator) spudded in June and reached total depth in July, successfully encountering gas in the target Toro and Hedinia Sandstone reservoirs. Both reservoirs were well developed, with testing indicating a clean, dry gas comprising approximately 20% nitrogen, in line with expectations. The well was plugged and abandoned as planned.

Evaluation of the data from both wells, together with an update on the subsurface interpretation, is expected to be completed in early 2019. These findings will help to constrain the resource base of the Kimu and Barikewa fields and assist in selecting the optimal route for potential commercialisation.

In the onshore Gulf, Oil Search completed the acquisition of a 25% interest in four highly prospective leases, PPL 474, 475 and 476 and PRL 39, located adjacent to the Elk-Antelope fields in PRL 15. During the year, the first phase of a 2D seismic programme, covering 330 kilometres over these ExxonMobil-operated licences and over the Total-operated PRL 15 licence was completed. A second phase, covering approximately 250 kilometres, commenced in late 2018 and is expected to conclude by mid-2019. Data from these surveys will help to mature identified leads and prospects located near planned Papua LNG infrastructure for potential future drilling.

In the Forelands, a 50-kilometre seismic programme was completed to assess the potential of the Gobe Footwall exploration prospect in PDL 4 and help further constrain the lehi gas discovery in PRL 14.

Offshore Papuan Gulf

During the year, Oil Search continued to optimise offshore Gulf 3D seismic data sets to constrain the acreage's prospectivity. In the shallow water offshore Gulf, a gravity gradiometry and magnetics survey was acquired and studies on the Uramu discovery in PRL 10 (Oil Search – 100%, operator) also took place to ascertain its viability for appraisal drilling. In the Deepwater Gulf, evaluation of 2D seismic data continued and identified prospects were risked, ranked and prioritised. The Company is considering acquiring 3D seismic in late 2019 or 2020 to mature prospects further.

2.4 Power

In 2018, NiuPower Ltd, a 50:50 joint venture between Oil Search and Kumul Petroleum, commenced construction of a 58 MW gas fired power station located next to the PNG LNG plant site. PNG LNG will contribute 100% of the gas supply. The power station seeks to provide the cheapest source of electricity to Port Moresby, benefitting local individuals and businesses. Construction of the power station was completed in February 2019, with commissioning activities underway ahead of first supply expected in March 2019.

2.5 Alaska

In February 2018, Oil Search completed the acquisition of interests in the Alaska North Slope for US$400 million, excluding transaction costs, and assumed operatorship of the assets in March 2018. Assets acquired included a 25.5% interest in the Pikka Unit and adjacent exploration acreage, a 37.5% interest in the Horseshoe Block, as well as an additional 25.5% interest in adjacent exploration acreage.

Approximately 500 million barrels (gross) of 2C oil resource was assigned to the Pikka and satellite oil fields for acquisition purposes. However, there is material resource upside, which is being tested in the 2018/19 appraisal drilling programme, comprising two wells, Pikka B and Pikka C. If successful, these wells have the potential to add up to 250 mmbbl to the current 2C resource estimate of 500 mmbbl (gross) of oil and will help define the optimal well design for the Pikka Unit development.

Both appraisal wells comprise a vertical hole and a sidetrack, allowing four reservoir penetrations to confirm the presence, volume, thickness and quality of the Nanushuk reservoir at the Pikka B and Pikka C locations. Testing will confirm well deliverability, which will feed into the selection of the well design that will be used in the Pikka Unit development.

The Pikka B well spudded in late December and penetrated the target Nanushuk formation in early January 2019, successfully encountering hydrocarbons, in line with pre-drill expectations. Cores were acquired and open-hole logging runs completed before the wellbore was plugged and abandoned and a side track, Pikka B ST1, kicked off. The forward plan is to drill ahead and acquire additional cores in the Nanushuk 3 sands before conducting a well test.

The Pikka C well spudded in late January and is drilling ahead. The forward plan is to drill through to the Nanushuk Formation, evaluate, then drill a side track to build a lateral section in the reservoir. The well will then be completed and flow tested.

Initial concept select evaluations took place during the year, which indicated the most likely development concept as a 120,000 bopd processing facility, with production from three drill sites (of which two will be developed initially, with one in reserve). Further facility processing studies are currently underway to confirm the optimal configuration.

Over 2018, the Company made good progress advancing the environmental permitting process for the Pikka Unit development. Following consultation with local communities, the Company proposed enhancements to the project concept that have addressed community concerns and the Final Environmental Impact Statement was issued in November. Oil Search expects the Record of Decision to be granted late in the first quarter of 2019, enabling the joint venture to proceed to front end engineering and design (FEED) in mid-2019.

During the year, work took place to optimise the value of Oil Search's option to double the Company's interests in the assets acquired for the payment of a further US$450 million. Oil Search anticipates this will involve exercising the option, prior to its expiry on 30 June 2019, and on-selling a portion of the interest to introduce one or two additional participants into the assets. There has been significant market interest in the opportunity and towards the end of the year, Oil Search commenced discussions with potential new partners.

In late 2018, the Company acquired lease interests covering over 20,000 acres in areas surrounding the Pikka Unit. These leases significantly enhance the Company's exploration prospects, and if future drilling proves successful, could be developed utilising infrastructure planned for the Pikka development. In addition, the Company acquired interests in leases covering approximately 195,200 gross acres in the eastern area of the Alaska North Slope, which has been identified in a regional study as being highly prospective for oil.

Since assuming operatorship, Oil Search has built a highly experienced, multi-disciplinary team based in Anchorage. At the end of 2018, approximately 100 employees and contract staff, with diverse backgrounds in the global and local Alaskan oil industry had been recruited, including all senior department heads.

3. BUSINESS STRATEGY AND OUTLOOK

3.1 Business Strategy

During 2018, Oil Search focused on delivering the key strategies established in the 2017 Strategy Refresh, including:

- Optimising the value of existing Oil Search oil and gas assets through safe, reliable and sustainable operations.
- Commercialising additional LNG trains, with gas sourced from the NW Highlands and Gulf Hubs, and ensuring optimal commercial integration between projects.
- Exploring for high value oil and gas accumulations in PNG with a clear monetisation pathway.
- Maintaining Oil Search as a leading corporate citizen in PNG and promoting a stable operating environment.
- Developing options for material growth beyond the next phase of LNG expansion.
- Optimising capital and liquidity management to support investment and reward shareholders.
- Enhancing organisational capabilities to deliver the Company's strategic commitments.

3.2 Outlook

Key corporate priorities for 2019 include the following:

- Continue to deliver gas from Oil Search-operated fields to the PNG LNG Project and operate the liquids export system efficiently and reliably.

- Complete remedial work required to fully restore operated production and undertake workover and drilling activity at Kutubu and Moran to optimise operated production from the PNG oil fields.
- Finalise and execute all necessary agreements, including Gas Agreements with the PNG Government and commercial agreements with partners, to allow entry into FEED for the three train LNG expansion in PNG.
- Select the preferred development concept for the AGX opportunity and enter FEED.
- Implement the Company's revised stakeholder management plan in PNG.
- Enter FEED on the Pikka Unit development in Alaska.
- Optimise the value of the Alaskan licence equity option, including a potential on-sale of part of the equity acquired.
- Continue to focus on the development and enhanced engagement of staff.

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.

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 term sales and purchase agreements for the supply and sale of the majority of its LNG production with pricing mechanisms established under these agreements.

The Group's financial risk management strategy to address commodity price risk is outlined in note 27 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 27 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 maintain production could result in the Group lowering production forecasts, loss of revenues and incurring additional costs to reinstate production to expected levels.

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.

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 manages operational risk 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.

Reserves, resource and development risks

Reserves 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 is more challenging for smaller fields in a lower 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. 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 maximizes 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.

Reserves and resource estimates

Underground oil and gas reserve and resource estimates are expressions of judgment 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

To achieve continual growth, Oil Search and its partners commit significant capital to the initiation, development and delivery of major projects, such as the successful PNG LNG Project. A number of factors influence the successful delivery of projects of this scale and/or complexity in our operating contexts, ranging from commercial and political risks in development to operational risks on delivery. Oil Search is undertaking or planning to undertake a number of significant projects in the coming years across its PNG, corporate and Alaskan assets, with a number of these projects planned to enter the Front End Engineering and Design (FEED) phase in 2019. These projects include both hydrocarbon development and corporate/PNG capability building, and can be led either by Oil Search or one of its JV partners. Each project has its own set of substantial risks that may affect organisational value.

In line with the Group's Opportunity Delivery Framework, the Group has a defined process by which it develops and executes capital projects under the guidance of its project assurance team and dedicated project managers. Further, a dedicated team is in place to closely monitor Oil Search's major joint venture-led projects. 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.

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. Changes in government policy, the fiscal regime, regulatory regime or the legislative framework could impact the Group's business, results from operations or financial condition and performance.

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 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 a heightened threat continues into 2019. 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. 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. Delays in government-led infrastructure development can also impact the commercial outcome of projects.

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

Oil Search also 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 contractors. The Group's human rights risk profile is updated regularly. Human rights due diligence is conducted in accordance with the UN Guiding Principles for Business and Human Rights.

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; 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 risk associated with exploration success and capital intensive development phases. 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. Commercial and legal agreements are also in place across all joint associations which bind the joint venture participants to certain responsibilities and obligations.

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 Remuneration Report for 2018.

The purpose of this introductory letter is to summarise key remuneration outcomes for 2018, explain how those outcomes are aligned with company performance, and to flag enhancements made during the year.

Your Board is confident that Oil Search's remuneration strategy and practices are appropriate and that they continue to:

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

Changes to fixed remuneration during 2018

Senior Management received modest increases in fixed remuneration during 2018 (generally 2.5%), and this was broadly in line with the salary review budget approved for other Australian based employees.

Short Term Incentive outcome for 2018

The Company has delivered strong performance in 2018 against the backdrop of a significant earthquake in the PNG Highlands which impacted both operated and non-operated production for a significant period. Operationally, Oil Search achieved better than target personal and process safety performance, which was particularly impressive in the circumstances, and the return to production was delivered more quickly than initially anticipated without a single recordable injury. As described earlier in the Annual Report, Oil Search's achievements as 'first responder' to the local communities impacted by the earthquake has received considerable recognition both nationally and internationally.

2018 saw the recognition of a major new oil resource addition associated with the Alaska North Slope farm-in. This was not recognised in the 2017 scorecard as the transaction was still subject to approval by the Committee on Foreign Investment in the US at 2017 year end. This approval was received in February 2018 and Oil Search assumed operatorship of the Alaskan assets in March 2018. Since then the company has built a world class team in Anchorage totalling more than 100 employees.

In recent years, the Board has established a track record of applying discretion to the scorecard result to ensure that it considers factors not anticipated at the start of the year and that the interests of shareholders and employees are appropriately aligned and balanced. Reflecting the extraordinary events of 2018, and to ensure STI outcomes considered both the shareholder experience resulting from deferred production due to the February 2018 earthquake and the significant efforts of the company in response to the earthquake, the Board has resolved to exercise its discretion and has adjusted the size of the final STI pool available for distribution.

Firstly, an adjustment was made to acknowledge that shareholders had experienced a deferred production opportunity loss arising from the earthquake of approximately two months of production. The Board acknowledges that while this is deferred production which will be produced in later years, the deferred opportunity occurred during a period of high hydrocarbon prices relative to recent years and the STI outcome should be reduced to reflect that. Balancing that adjustment, the Board also acknowledges that Oil Search and Managing Director & CEO Peter Botten played a lead role in coordinating the regional response to the earthquake and that employees were considerably stretched to recover operations from the impacts of the earthquake. Field-based staff who remained on site in the period immediately after the earthquake experienced many heavy aftershocks and endured basic living conditions whilst reconstructing accommodation facilities, restoring power and adequate supplies of potable water. The entire organisation worked with a singular focus to return to business as usual as quickly as possible. Significantly, not one recordable injury was recorded during the restoration of services and production. The business outcomes achieved in 2018 reflect the dedication and commitment of all staff.

These adjustments when combined have resulted in an overall STI outcome for 2018 of 92% of Opportunity. Consistent with prior years, 50% of STI outcomes for Executives are awarded in the form of Restricted Shares which are subject to a further two-year deferral period.

The LNG expansion projects continue to make progress indicated by the signed Memorandum of Understanding with the State of PNG at the APEC conference held in Port Moresby during November 2018. As noted below, and subject to timely achievement of the agreed initiatives, progress on LNG expansion will be recognised and rewarded under the LNG Expansion Incentive approved by shareholders at the 2018 Annual Meeting rather than the STI scorecard. That incentive will be delivered predominantly in equity vesting two years after the achievement of the Final Investment Decision provided that it occurs within a timeframe which is acceptable to the Board.

Vesting of Long Term Incentive awards from 2016

Performance Rights granted under the 2016 Long Term Incentive awards were tested based on Total Shareholder Return ("TSR") performance over the period 1 January 2016 to 31 December 2018.

Oil Search's TSR was between the lower quartile and median against both the ASX50 peer group and the international Oil & Gas peer group.

This meant that none of the 2016 Performance Rights vested. There are no re-testing provisions in the Long Term Incentive scheme and the 2016 Performance Rights awards have therefore lapsed.

Thank you for taking time to review our Remuneration Report and we look forward to welcoming you to our 2018 Annual Meeting.

Agu Kantsler
Chair, People and Nominations Committee

This report has been prepared in accordance with section 300A of the *Australian Corporations Act 2001* and summarises the arrangements in place for the remuneration of Directors and Executive Key Management Personnel and other employees of Oil Search for the period from 1 January 2018 to 31 December 2018. Although it is not a requirement for PNG companies, Oil Search has voluntarily complied with section 300A of the *Australian Corporations Act 2001* to ensure it meets current best practice remuneration reporting for ASX listed companies.

1. REMUNERATION POLICY

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; 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.

Remuneration for non-executive directors was established using data from external independent consultants which is updated from time to time and takes into account:

- The level of fees paid to non-executive directors of other ASX listed corporations of a similar size and complexity to Oil Search;
- The international scale of Oil Search activities;
- Responsibilities of non-executive directors; and
- Work requirements of Board members.

2. SHARE TRADING POLICY

Oil Search has a share trading policy in place for all employees, including Executives and Directors, which is available on the Oil Search website in the Corporate Governance Section. Under this policy there are three groups of employees:

- Restricted Employees – Directors, Executive General Managers and their direct reports, General Managers and their direct reports and other employees notified by the Group Secretary from time to time that they are a restricted employee;
- Prescribed Employees – particular employees, contractors or a member of a class of employees or contractors that are notified from time to time by the Group Secretary that they are prescribed employees due to the nature of work they are undertaking; and
- All Other Employees – any employee or contractor who is not classified as a Restricted or Prescribed Employee.

There are two specific periods defined in the share trading policy:

- Closed Period – the period from 1 January to 12 noon on the day after the release of the full year results and the period from 1 July to 12 noon the day after the release of the half year results:
- Trading Window – the period of four weeks commencing at 12 noon the day after:
    - The release of the half year results;
    - The release of the full year results; and
    - The Oil Search Annual Meeting.

The Board may also approve trading windows at other times of the year.

Table 1 summarises the times at which employees can trade in Oil Search shares.

Table 1 – Trading permitted under the Oil Search Share Trading Policy

	CLOSED PERIOD	TRADING WINDOW	ALL OTHER TIMES
Restricted Employees	Not permitted to trade	May trade, but Directors and Executive Management must first notify the Group Secretary	Must receive pre-approval to trade
Prescribed Employees	Not permitted to trade	Not permitted to trade	Not permitted to trade
All Other Employees	Not permitted to trade	May trade	May trade

Regardless of the trading times specified in the above table, employees and contractors are not permitted to trade at any time if they are in possession of inside information. Employees are also prohibited from hedging or acquiring options over unvested securities, granted under employee share plans, at any time. Regular audits of share trading are conducted by the Group Secretary to ensure compliance.

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 and Executive Key Management Personnel 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 base fee received by Non-Executive Directors, (ii) the annual Total Fixed Remuneration for the Managing Director and (iii) half of the average annual Total Fixed Remuneration for the Executive General Managers.

Table 2 summarises the current applicable Minimum Shareholding required under this Policy.

Table 2 – 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
Managing Director	320,000
Executive General Managers	52,500

Non-Executive Directors do not participate in the Company's Long Term Incentive schemes and must establish their holding by acquiring shares on market.

For the Managing Director and Executive General Managers, the Policy operates by restricting the disposal of relevant Oil Search Shares acquired under the Company's Long Term Incentive schemes. It does not require the Managing Director or Executive General Managers 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) if approved by the Board (or its delegate) at its sole discretion or (ii) 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. 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.

3. ROLE OF THE PEOPLE AND NOMINATIONS COMMITTEE

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

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

- Reviewing the ongoing appropriateness, coherence, and market competitiveness of human resource and remuneration policies and practices, and recommending changes to the Board as appropriate;
- Overseeing the implementation of remuneration, retention, talent management and termination policies;
- Overseeing the key processes employed to identify and develop talent across the Group;
- Recommending the remuneration of Executive Directors, Executive Key Management Personnel and any other direct reports to the Managing Director to the Board;
- Recommending to the Board the budgets for annual remuneration awards for all other employees;
- Recommending to the Board the performance measures underpinning all Incentive Plans;
- Conducting Board Performance Reviews;
- Proposing to the Board the appointment of new non-executive directors;
- Approving the terms and conditions and contracts for any new Executive Key Management Personnel and other direct reports of the Managing Director.

The Committee must comprise at least three non-executive directors.

The members of the Committee during 2018 were:

- Dr A Kantsler – independent non-executive (Chair from 1 January 2018)
- Sir KG Constantinou OBE – independent non-executive
- Ms FE Harris – independent non-executive
- Sir MP Togolo – independent non-executive
- Ms SM Cunningham – independent non-executive (from 26 March 2018)

In addition to the above, Ms M Johns served as an Independent Member of the Committee until 30 September 2018. Effective from 1 October 2018, Mr Richard Kuna and Mr Desmond Yaninen were appointed 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 motivation 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 as 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, Executive General Manager Human Resources, and Head of Rewards 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 four times a year. The Committee formally met four times during 2018 and the Committee Members' attendance records are disclosed in the Directors' Report. A copy of the charter of the Committee is available on Oil Search's website in the Corporate Governance section. The committee also met informally on a number of occasions to progress issues on foot and consider other matters as they arose.

To ensure it remains up to date with market practice, the Committee engages independent external advisors from time to time. Table 3 summarises remuneration-related work undertaken by external consultants at the Committee's request in 2018 and also notes additional work undertaken by the same consultants on behalf of management. While none of the Committee's engagements were for work which constituted Remuneration Recommendations for the purposes of the *Australian Corporations Act 2001*, findings were reported directly to the Committee or the Board.

Table 3 – External Consultants Engaged by the Committee in 2018

CONSULTANT	COMMITTEE AND BOARD ENGAGEMENTS	MANAGEMENT ENGAGEMENTS
Aon Hewitt	Executive remuneration benchmarking.	Various salary surveys for non-executive positions.
Ernst & Young	Market benchmarking of certain executive benefits.	Accounting and advisory services.
Guerdon Associates	Non-Executive Director Fee Benchmarking and support with the LNG Expansion Incentive design and communication.	No management engagements.
Orient Capital (A subsidiary of Link Group)	Annual reporting in relation to Total Shareholder Return calculations to determine vesting of Performance Rights.	Quarterly Long Term Incentive Plan vesting updates. Regular analysis of the Company's shareholder registry.

4. REMUNERATION STRUCTURE

Oil Search's remuneration structure comprises four elements:

- Total Fixed Remuneration (TFR);
- Short-Term Incentive (STI);
- Long-Term Incentive (LTI); and
- Occasional Retention Awards of Restricted Shares for key/critical staff.

The mix of remuneration elements for individual employees is dependent on their level and role within Oil Search, with the proportion of "at risk" performance-related remuneration (STI and LTI elements) increasing with greater seniority.

Chart 1 – Aggregate Managing Director Realised Remuneration (non-Statutory) over the cycle

Chart 1 shows the aggregate indexed value of realised remuneration outcomes over the ten year period 2009 to 2018 for the Managing Director. Short and Long Term Incentive outcomes have been calculated using the current framework for all years to provide consistency of analysis and show the value ultimately received in respect of a year, being the aggregate of:

- TFR (indexed to 100)
- Cash STI: Cash STI paid in relation to the year (based on Target STI multiplied by the STI scorecard outcome for the year, with 50% of the resulting STI amount being paid in cash);
- Deferred STI: The value of the Deferred STI ultimately received (the 50% deferred STI amount as adjusted for movements in the Oil Search share price between award and vesting); and
- Performance Rights: Value of the Performance Rights ultimately received in respect of the year, taking into account the amount of awards which ultimately vested based on the TSR performance condition and the movement in the Oil Search share price between award and vesting.

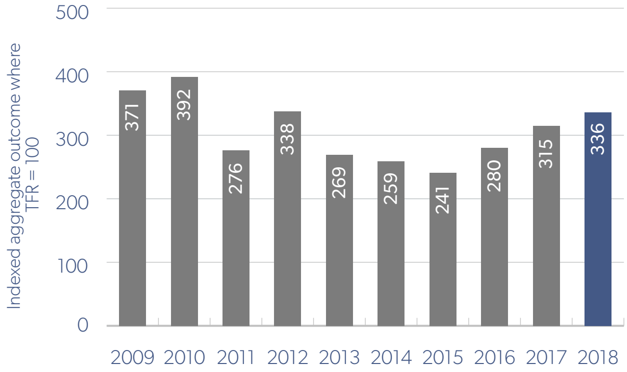


Chart 1 shows how the aggregate remuneration outcomes for the Managing Director have varied over time as result of the combined operation of the Short Term Incentive scorecard (which is tightly linked to the long term strategic plan, coupled with the significant 50% equity deferral arrangement) and the Total Shareholder Return performance conditions attaching to the Long Term Incentive awards.

Total Fixed Remuneration (TFR)

The target ranges for TFR payable for roles in the organisation, including those for Executive Key Management Personnel are 80% – 120% of competitive benchmarks. An independent external remuneration consultant is engaged by the Committee from time to time to provide competitive benchmark data for Executive Key Management Personnel roles.

For other roles in the organisation, remuneration information is derived from relevant remuneration surveys conducted by independent third parties.

An annual TFR review budget, agreed by the Board each year, is used to adjust TFRs 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)

Each permanent employee has 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.

The size of the STI pool is directly related to corporate performance through a scorecard which includes a range of key measures that directly affect Shareholder Value and which are directly linked to the Oil Search Strategic Plan.

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

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.

The STI pool is then distributed to employees taking into account:

- The contribution of the employee's division to the achievement of the organisational objectives; and
- The individual performance of the employee.

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. Achievement of target levels of performance delivers the payment of 50% of STI Opportunity.

The overall STI pool available to all employees is capped at 100% of the STI Opportunity amount (i.e. 2 x the aggregate of STI Target amounts).

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 business performance and scorecard outcomes, including clawing back previous awards where appropriate.

Short Term Incentive award objectives and outcomes

Table 4 summarises the scorecard measures, weightings, targets and outcomes for 2018.

Table 4 – Short Term Incentive scorecard measures and outcomes

	MEASURE	PERFORMANCE AND REWARD ALIGNMENT	WEIGHTING	2018 OUTCOME[1]	OUTCOME COMMENTARY
OPERATIONAL MEASURES (55%)`	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%		Achievement for the Safety measure was between target and stretch. The Personal Safety element was well ahead of the target level of performance, and Process Safety performance was above target leading to an overall outcome which was between target and stretch.
	Production	Rewards the achievement of the budgeted operated and non-operated production volumes – the largest contributors to short term financial performance.	20%		Achievement for the Production measure was between threshold and target. Target levels of Production for STI scorecard purposes were based on the 2018 budget approved by the Board prior to the earthquake. These targets were not adjusted to reflect periods of deferred production arising from the earthquake. Oil Search operated production was below the threshold performance against the original scorecard target and PNG LNG performance was slightly ahead of threshold performance. Actual production for 2018 was above the revised operational production targets which were set in April and then July as the outcomes from the recovery became clearer, but as noted above the targets for STI purposes were not adjusted.
	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%		Achievement of the Costs measure was overall close to target. This comprised a much better than target outcome for costs associated with Oil Search operated assets being under budget due to reprioritisation of work programs following the earthquake and abnormal costs being offset by insurance recoveries. Costs associated with non-operated assets were above budget.
	EBITDAX	Rewards achievement of profitability of the business against budget.	5%		Achievement of the EBITDAX measure was between target and stretch. Higher realised hydrocarbon prices more than offset the earthquake impacted production outcomes.
GROWTH MEASURES (45%)	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%		Achievement on the Gas Resource discovery measure was beyond stretch. This was a result of major resource revisions (described in the year-end reserve and resource statement) relating to P'nyang and Kimu following successful appraisal drilling. Under the phased approach to recognising resource additions for Short Term Incentive purposes, the outcome also included carried forward recognition of a proportion of the PNG LNG gas recertification outcome from 2016.
	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%		Achievement on the Oil Resource discovery measure was beyond stretch. This was largely a result of the major new oil resource addition associated with the Alaska North Slope farm-in. No part of this was recognised in the 2017 scorecard as the transaction was still subject to approval by the Committee on Foreign Investment in the US at 2017 year end. This approval was received in February 2018 and Oil Search assumed operatorship in March 2018.
	Strategic and growth initiatives	Rewards the delivery of milestones that ensure the progressive achievement of strategic plan objectives.	15%		Achievement on the strategic and growth initiatives was at stretch reflecting achievement of key milestones in earthquake return to service objectives, resumption of reliable gas export to PNGLNG, Alaska North Slope deal closure, Alaska pre-requisites to execute winter drilling program, diversity & inclusion, climate change and enterprise wide systems implementation.

(1) Performance Level achieved:

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

The STI scorecard outcome was beyond the stretch outcome and under the terms of the scheme the overall outcome was therefore capped at 100% of opportunity. The Board has an established track record of applying discretion to the overall scorecard result to ensure it considers factors not anticipated at the start of the year and that the interests of shareholders and employees are appropriately aligned and balanced. Reflecting the extraordinary events of 2018, and to ensure STI outcomes considered both shareholder experience as well as the significant efforts of the company in response to the earthquake, the Board resolved to exercise its discretion and make two further adjustments to the size of the final STI pool available for distribution.

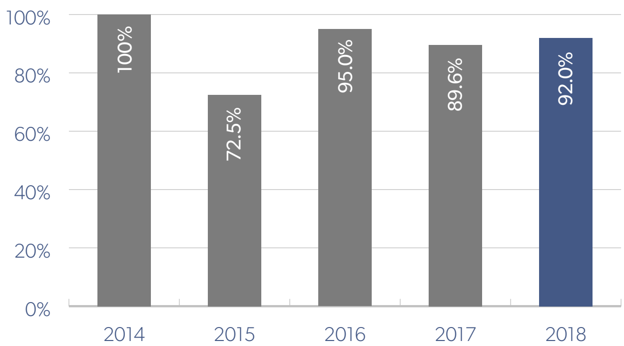
Firstly, an adjustment was made to acknowledge that shareholders had experienced circa two months of lost 2018 production. The Board acknowledges that while this is deferred production which will occur in later years, the deferred opportunity occurred during a period of high hydrocarbon prices relative to recent years and the STI outcome should be reduced to reflect that. Balancing that adjustment, the Board also acknowledges that Oil Search employees were considerably stretched to recover operations from the impacts of the earthquake, and field-based staff who remained on site immediately thereafter had to endure numerous aftershocks and basic living conditions whilst reconstructing accommodation facilities, restoring power and adequate supplies of potable water. The entire organisation worked with a singular focus to return to business as usual as quickly as possible. Significantly, not one recordable injury was recorded during the restoration of services and production. The business outcomes achieved in 2018 reflect the dedication and commitment of all staff.

Balancing the above, the Board resolved to apply its discretion to reduce the overall STI outcome for 2018 to 92% of Opportunity.

Chart 2 illustrates the STI pool as a percentage of STI Opportunity over the five year period 2014 to 2018.

Chart 2 – STI Awards to Employees

Over the period 2014 to 2018 STI, the STI pool as a percentage of STI Opportunity has been as follows:



Incentives – Executives

Performance Rights

For Executive Key Management Personnel, and other senior managers, the Long Term Incentive Plan (LTIP) is provided in the form of a grant of Performance Rights (PRs).

Awards of PRs under the LTIP are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of pre-determined corporate performance hurdles within defined time restrictions.

The performance criteria for the vesting of PRs are based on the Company's Total Shareholder Return (TSR) over a three-year performance period against two peer groups:

- The ASX50 (excluding property trusts and non-standard listings); and
- The constituents of the Standard & Poor's Global 1200 Energy Index (S&P Global 1200 Energy Index).

For awards made between 2012 and 2016, half of each award of PRs was tested against each peer group.

Following a review of the measures in late 2016, the Board increased the proportion of the LTI tested against the S&P Global 1200 Energy Index from one half to two thirds. This change applied prospectively to new awards made from 2017 onwards. In part, this change recognised the Company's changing shareholder base, which has become increasingly international. The remaining one third of awards continues to be measured against the constituents of the ASX50, retaining alignment of a component executive rewards to Oil Search's performance relative to large Australian listed companies.

To reduce the impact of foreign currency movements on the vesting calculations, half of the award tested against the international peer group is measured based on Oil Search's and other companies' TSR in a common currency (USD) and the other half in the local currency of the country of primary listing (which for Oil Search is Australia). Reducing the impact of foreign currency movements increases executives' perceived value of the long term incentives by de-emphasising the importance of foreign currency movements on the outcome, as such movements are beyond the control of executives. No changes were made to the method of calculation of TSR outcomes for any prior year awards.

To determine the number of awards vesting, the Company's TSR over the performance period is ranked as follows:

- as regards one third of the award, against the TSR of each of the constituents of the S&P/ASX50 Index (excluding property trusts and non-standard listings) as at the commencement of the three-year performance period; and
- as regards one third of the award, against the TSR of each of the constituents of the S&P Global 1200 Energy Index at the commencement of the three-year performance period. TSR outcomes for this part of the award are measured in a US dollar base for Oil Search and each constituent company; and

- as regards the final third of the award, against the TSR of each of the constituents of the S&P Global 1200 Energy Index at the commencement of the three-year performance period. TSR outcomes for this part of the award are measured in the local currency of the country of main listing for Oil Search and each constituent company.

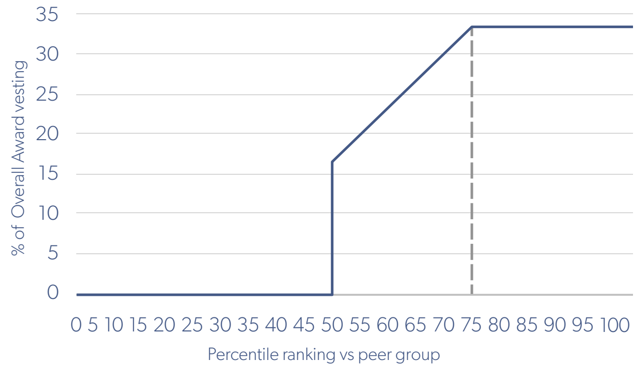
If, in regard to each part of the award described above, the Company's TSR performance is:

- below the median, that is, the 50th percentile, the number of PRs comprising that part of the award that vest will be zero;
- at median, the number of PRs that vest will be 50% of the total number of PRs comprised in that part of the award;
- greater than median and less than the 75th percentile, the number of PRs that vest will increase on a straight line basis from 50% to 100% of the total number of PRs comprised in that part of the award; or
- equal to or greater than the 75th percentile, the number of PRs that vest will be 100% of the total number of PRs comprised in that part of the award.

This is illustrated in Chart 3.

Oil Search's TSR performance is required to be at or above the 75th percentile against all peer groups for 100% of the Performance Rights granted to vest. TSR is calculated by an independent external consultant and is based on share price changes and dividends paid on the shares over the measurement period. In calculating the TSR it is assumed dividends are reinvested to purchase additional shares of the Company at the closing price applicable on the ex-dividend date.

Chart 3 – Illustration of vesting outcomes vs percentile ranking against the peer group for each portion of the award



Awards of Performance Rights are aligned with growth in Shareholder Value, measured in terms of Total Shareholder Return relative to other peer companies.

Table 5 details the grant and vesting of Performance Rights issued between 2014 and 2018:

Table 5 – Details of Awards of Performance Rights

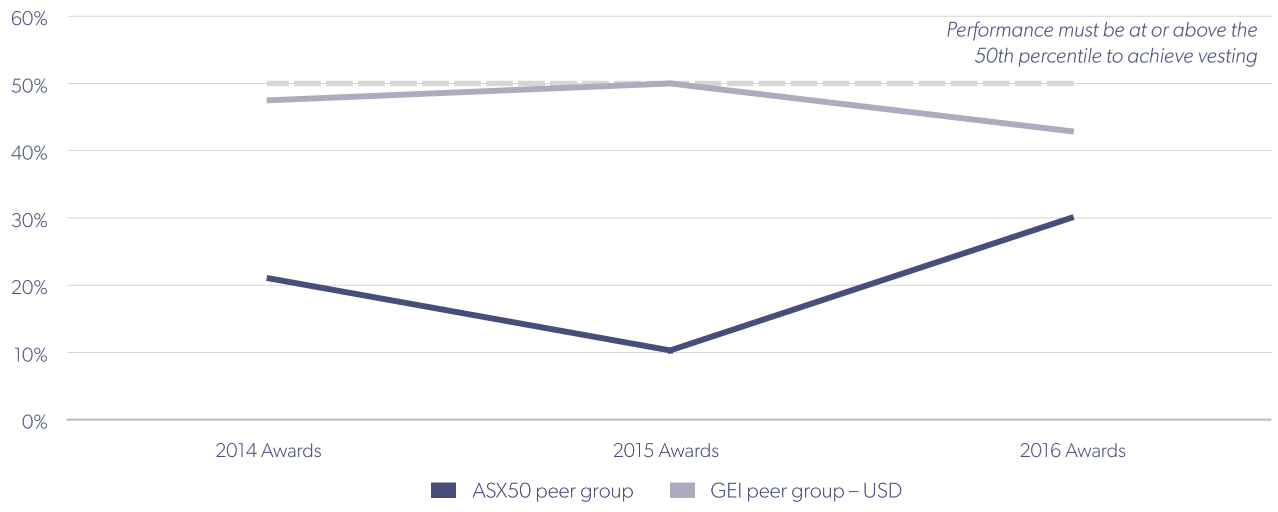
	2014	2015	2016(2)	2017	2018
Measurement Period	1 Jan 14 to 31 Dec 16	1 Jan 15 to 31 Dec 17	1 Jan 2016 to 31 Dec 18	1 Jan 2017 to 31 Dec 19	**1 Jan 2018 to 31 Dec 20**
Total Rights Granted	948,000	1,052,876	1,154,612	1,184,700	**1,332,666**
ASX50 Peer Group					
Oil Search TSR (3 year – AUD)	(12.7%)	(6.85%)	8.43%		
Percentile Rank	21.0	10.3	30.0		
Vesting	*0%*	*0%*	*0%*	22 May 2020	**21 May 2021**
(Maximum Vesting)	*(50%)*	*(50%)*	*(50%)*	(33.3%)	**(33.3%)**
S&P Global 1200 Energy Index Peer Group – USD(1)					
Oil Search TSR (3 year – USD)	(29.6%)	(16.4%)	8.00%		
Percentile Rank	47.1	50.6	42.9		
Vesting	*0%*	*25.6%*	*0%*	22 May 2020	**21 May 2021**
(Maximum Vesting)	*(50%)*	*(50%)*	*(50%)*	(33.3%)	**(33.3%)**
S&P Global 1200 Energy Index Peer Group – Local Currencies(1)					
Oil Search TSR (3 year – AUD)					
Percentile Rank	N/A	N/A	N/A		
Vesting				22 May 2020	**21 May 2021**
(Maximum Vesting)				(33.3%)	**(33.3%)**
Total Vesting (maximum 100%)	**0%**	**25.6%**	**0%**	**22 May 2020**	**21 May 2021**

(1) TSR outcomes against the S&P Global 1200 Energy Index peer group were measured in US dollars for awards up the 2016 Performance Rights awards. For the 2017 Performance Rights onwards, TSR outcomes are measured half in US dollar and half in local currencies.

(2) While the 2016 Performance Rights would not have vested until May 2019, Oil Search's relative TSR for the period 1 January 2016 to 31 December 2018 against the comparator groups has been calculated by the independent external consultant. Performance against each group was below the median and as a result no awards vested.

Chart 4 shows Oil Search's percentile ranking against each of the two peer groups for the 2014, 2015 and 2016 awards.

Chart 4 – Oil Search's percentile ranking against each peer group



None of the 2014 Performance Rights or 2016 Performance Rights vested as the percentile ranking against both peer groups was below the 50th percentile. The 2015 Performance Rights vested at 25.6%.

Deferred STI

The 50% deferred portion of an executive's STI (see section 6 below) is awarded as Restricted Shares under the LTIP. Any dividends payable on Restricted Shares issued as the deferred component of an executive's STI award are paid to the executive.

Long Term Incentives – General Employee Share Plan

Each permanent employee can participate in the Oil Search Long Term Incentive Plan if they have demonstrated an acceptable level of personal performance.

Share Rights

Share Rights (SRs) 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 SRs, and therefore the number of shares which will be delivered on the vesting date, is determined at the grant date.

Table 6 contains details of the Share Rights awards made under the general employee share plan between 2014 and 2018.

Table 6 – Details of Share Rights awards under the general employee share plan

	2014	2015	2016	2017	2018
Grant Date	19 May 2014	18 May 2015	16 May 2016	22 May 2017	**21 May 2018**
Vesting Date	19 May 2017	18 May 2018	17 May 2019	22 May 2020	**21 May 2021**
Total Award	611,045	682,736	677,623	717,446	**816,540**
Exercise/Vesting Price	$nil	$nil	$nil	$nil	**$nil**

Long Term Incentives – Retention

Retention Awards of Restricted Shares

In order to assist the Company in retaining key executives and other employees, the Company may issue Restricted Shares. Restricted Shares issued only vest after the employee has completed a specified period of future service with the Company.

Restricted Shares are held on behalf of participants in trust, subject to disposal restrictions and forfeiture conditions, until released under the terms of the Plan.

Retention awards are only made where the Board determines that a significant retention risk exists. In certain cases for senior new hires, awards of Restricted Shares are made in lieu of equity forgone with previous employers.

The vesting of Restricted Shares is subject to continued employment only and as such no additional performance conditions apply. Unless the Board otherwise determines, unvested Restricted Shares will be forfeited when a participant ceases employment before the vesting date.

Restricted Shares held in trust (whether vested or not) will be forfeited by participants who are considered by the Board to have acted fraudulently or dishonestly. Once a participant's Restricted Shares have vested, disposal restrictions and forfeiture conditions will cease and the Restricted Shares will be released from the trust.

Restricted Shares provided as retention awards do not attract voting rights or dividends.

Long Term Incentive Plan Rules

Under the LTIP, all grants are automatically exercised on vesting. All unvested awards lapse on termination of employment unless the Board determines otherwise.

The Company may use newly issued or existing shares (for example, through purchase on market) to satisfy awards.

5. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration for Executive Key Management Personnel is benchmarked against that of similar roles in a primary reference group of ASX companies of similar size to Oil Search in terms of Enterprise Value, Total Assets, Gross Revenue, and Net Profit after Tax. For certain roles remuneration may also be benchmarked at different management tiers of much larger entities to normalise for relative business size while reflecting the likely recruitment market for roles. A smaller and secondary reference group of international energy and mining companies is used to assess whether any particular positions for which incumbents may be sourced internationally warrant extra consideration.

Total Fixed Remuneration (TFR)

TFR, which includes Company superannuation contributions and other remunerative benefits, is targeted within the range of the median and the 62.5 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 superannuation contributions. However, any costs arising from Fringe Benefits Tax (FBT) on salary package items are borne by the executive.

At Risk Remuneration & Relationship to Company Performance

As noted above in section 4, Oil Search executives are eligible to receive a STI and participate in a LTI program which is "at risk" remuneration, with any payment dependent on performance. The Board's objective is that the size of these incentives should reflect Oil Search's success in creating Shareholder Value, whilst also being competitively positioned against benchmarks based on the reference groups of companies mentioned above.

Accordingly, the size of the STI is directly related to corporate performance against a range of key measures that impact shareholder value, namely operational metrics (safety, production, costs, and development initiatives) and growth metrics (the discovery or acquisition of new hydrocarbon resources and achievement of tangible value adding milestones towards commercialisation of significant oil or gas volumes).

Similarly, the proportion of Performance Rights grants which vest is directly related to Oil Search's Total Shareholder Return relative to peer groups of companies.

Short Term Incentive

The Short Term Incentive (STI) provides an incentive opportunity of 100% of TFR for senior executives and 180% of TFR for the Managing Director.

The target payout under the STI provides for a payment of 50% of the incentive opportunity. Half of the STI outcome is deferred in to Restricted Shares vesting two years after the end of the performance period to which the STI relates.

Table 7 summarises STI awards as a % of TFR for Senior Executives and the Managing Director for a range STI outcomes.

Table 7 – STI awards at minimum, target and opportunity for Senior Executives and the Managing Director

		STI OUTCOME AS % OF TFR	
	STI OUTCOME AS A % OF OPPORTUNITY	SENIOR EXECUTIVES	MANAGING DIRECTOR
Minimum	0%	0%	0%
Target	50%	50%	90%
'Opportunity'	100%	100%	180%

Individual awards above 'Opportunity' are possible in exceptional circumstances with the maximum STI outcome possible being capped at 200% of TFR. The overall STI pool is capped at 200% of the target amount.

The STI is awarded in March each year for performance in the previous calendar year.

Following the end of the financial year, the Board approves an overall STI pool for executives based on the level of achievement against the hurdles that were determined at the start of the year. This pool is distributed to individual senior executives based on their individual performance.

For all senior executives, 50% of their STI award is paid in cash and the other 50% is converted to Restricted Shares under the LTIP. 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 8 shows the STI outcomes for the Managing Director and Senior Executives since 2014 expressed as a percentage of Total Fixed Remuneration.

Table 8 – Senior Executive STI outcomes as a % of TFR, 2014-2018

	2014	2015	2016	2017	2018
Managing Director	172.4%	143.6%	180.0%	171.0%	**165.6%**
Senior Executives	95.8%	68.1%	95.0%	89.6%	**92.0%**

Analysis of individual Senior Executive STIs is contained in Tables 11 and 13 below.

Long Term Incentive (LTI) – Performance Rights

For 2018 the number of Performance Rights granted for the Managing Director and other senior executives was based on the following formula:

$$\frac{\text{X\% of TFR}}{\text{Oil Search Share Price}}$$

where X is 100% for the Managing Director and 60% for other senior executives, and "Oil Search Share Price" was the Volume Weighted Average Price of Oil Search shares for the 5 trading days following the release of 2017 annual results.

Table 9 summarises performance rights grants and vesting levels for awards made over the period 2014 to 2018 for Executive Key Management Personnel.

Table 9 – Allocation of Performance Rights to Executives

	2014		2015		2016		2017		2018	
	NO.	VEST	NO.	VEST	NO.	VEST(1)	NO.	VEST	NO.	VEST
Directors										
P Botten	222,600	0%	236,000	25.6%	326,900	0%	315,000	2020	**302,200**	**2021**
Executives										
P Cholakos	50,000	0%	53,009	25.6%	66,087	0%	63,700	2020	**61,100**	**2021**
M Drew(2)	5,500	0%	11,660	25.6%	14,537	0%	56,300	2020	**55,500**	**2021**
S Gardiner	49,700	0%	52,697	25.6%	67,300	0%	66,800	2020	**65,800**	**2021**
M Herrett	42,500	0%	45,081	25.6%	56,203	0%	54,200	2020	**52,000**	**2021**
I Munro	49,400	0%	52,331	25.6%	65,243	0%	62,900	2020	**60,300**	**2021**
E White(3)	13,100	0%	9,819	25.6%	12,242	0%	40,808	2020	**54,100**	**2021**
K Wulff	–	–	55,638	25.6%	69,365	0%	66,900	2020	**64,100**	**2021**
Former Executives										
G Aopi	48,500	0%	51,400	25.6%	64,100	0%	61,800	2020	–	–
J Fowles	51,000	0%	54,025	25.6%	67,353	0%	64,900	2020	**62,300**	**2021**

(1) The vesting date of the 2016 Performance Rights is 18 May 2019. As described above, Oil Search's TSR for the period 1 January 2016 to 31 December 2018 will result in 0% vesting.

(2) Mr Drew was appointed to an Executive General Manager position effective 19 October 2016. The Performance Rights detailed above for 2016 were allocated based on the framework applying to his previous, non-Executive General Manager level, position.

(3) Ms White was appointed to an Executive General Manager position effective 1 May 2017. The Performance Rights detailed above for 2017 were allocated based on a pro-rata basis using the frameworks applying to her positions during the year.

LNG Expansion Incentive

The LNG Expansion Incentive is a separate incentive for the achievement of investment sanction for the Papua LNG development project and the PNG LNG expansion project ("the Projects"). Oil Search's participation in the next phase of LNG development in PNG through the Projects provides transformative opportunities that will have a material impact on company value and sustainability.

Ensuring successful co-operation between stakeholders in the Projects is contingent on a highly complex alignment of commitments and assessments requiring the combined financial, engineering, geoscientific, and stakeholder engagement expertise of the current Oil Search executive team for a successful outcome. In addition to these transformative and material opportunities, the company's executives are expected to deliver on key operational objectives critical to the everyday operations of Oil Search.

This has presented the Board with a number of significant issues from the perspective of strategic and operational risk, performance management and remuneration:

- Oil Search's management team have the skills and operational experience with local PNG issues for the coordinated management and achievement of investment sanction for these highly complex and transformative Projects;
- The materiality of reward for the Projects within the current STI scorecard and incentive framework does not reflect the materiality of the LNG expansion opportunities;

- Increasing the weighting of the Projects within the existing scorecard reward system would dilute the importance of operational objectives beyond their ongoing importance; and
- The timing of investment sanction and implementation of the Projects does not fit well within the current annual STI and LTI periods, and is itself a key driver of value.

The Board has considered these strategic and operational risks and determined to implement a separate LNG Expansion Incentive Plan that will:

- Match the materiality of reward with the materiality of achieving both operational objectives and achieving investment sanction for the Projects;
- Focus executives on achieving both operational and transformative objectives; and
- Increase the probability that key executives remain with the project for the near to mid-term.

The participants in the LNG Expansion Incentive Plan are the Managing Director and his Executive direct reports, being the members of the management team who are critical to a successful achievement of investment sanction for the Projects.

The LNG Expansion Incentive Plan has been structured in a way that will minimise the risks and optimise outcomes for shareholders.

- 25% of the LNG Expansion Incentive is paid as cash and is contingent on the achievement of scorecard objectives that are essential pre-requisites for achieving investment sanction for the Projects. The level of achievement of this tranche will be determined at the time KPIs are achieved; and
- 75% of the LNG Expansion Incentive will be granted as Share Rights. Vesting will be contingent on achieving investment sanction for the Projects within a defined period, and continuing service (subject to good leaver provisions) with a vesting period that ends two years after investment sanction is achieved (provided that date is before a certain date determined by the Board).

The deferred Share Rights and the cash component of the LNG Expansion Incentive are at risk and subject to the achievement of:

- A scorecard of pre-requisites that are necessary to achieve investment sanction for the Projects;
- Investment sanction for the Projects to be achieved before a certain date; and
- Continuing employment with the Group (or otherwise a good leaver).

A total of 500,935 Share Rights were granted on 21 June 2018

There is a scorecard of pre-requisite objectives that are critical to achieving investment sanction to proceed with the Projects. These objectives are separate and distinct from the scorecard objectives for the existing STI. Since the LNG Expansion Incentive Plan scorecard objectives are commercially sensitive the Board intends to provide details of the extent to which targets were set and objectives achieved in the company's remuneration report for the year in which the objectives are to be tested and the cash incentive, if any, awarded. However, the Board has taken care to ensure the LNG Expansion Incentive Plan scorecard objectives are specifically measurable and focussed on the following areas:

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 ◊ Licensing 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

In addition to the above, the Board will also consider the contribution Oil Search makes in relation to supporting in-country engagement with other stakeholders including Government and Landowners.

The timing of investment sanction for the Projects is critical to the timing of the first LNG cargoes and cash flows, and consequently, Net Present Value (NPV). The Board has made an allowance for a complex set of other factors that could optimise NPV, but slightly delay investment sanction of either Project. Nevertheless, the Board want to impress upon management that investment sanction beyond a certain date will not result in any additional reward. As this time to achieve investment sanction is commercially sensitive, it will be disclosed after investment sanction is achieved.

Corporate Financial Performance

Table 10 illustrates Oil Search's financial performance over the past five years, which may be compared with the levels of STI and LTI awards granted to Executives and detailed above.

Table 10 – Oil Search's Five Year Performance

YEAR ENDED 31 DECEMBER	2014	2015	2016	2017	2018
Net profit/(loss) after tax (US$m)	353.2	(39.4)	89.8	302.1	**341.2**
Diluted Earnings per share (US cents)	23.8	(2.59)	5.89	19.77	**22.32**
Dividends per share (US cents)	14.0[1]	10.0	3.50	9.50	**10.50**
Shares Closing price (A$)[2]	$7.89	$6.70	$7.17	$7.79	**$7.16**
Oil Search Three Year TSR (AUD)[3]	34.7%	6.1%	(12.7%)	(6.9%)	**8.43%**

(1) Comprising an ordinary dividend of 8 US cents per share, a special dividend of 4 US cents per share and an interim dividend of 2 US cents per share.

(2) 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 5 year period (31 December 2013) was $8.11.

(3) 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.

6. REMUNERATION DETAILS FOR KEY MANAGEMENT PERSONNEL

For this section of the report, Key Management Personnel excludes Non-Executive Directors, whose remuneration is disclosed in Section 9. The Executive Key Management Personnel for the purposes of this section are the following employees:

Mr Peter Botten CBE – Managing Director

Incumbent for the full year

As the Managing Director, Peter has the overall responsibility for effectively managing Oil Search and achieving the corporate objectives. He is also responsible for ensuring that strategies agreed with the Board are implemented.

Mr Paul Cholakos – Executive General Manager Technical Services

Incumbent for the full year

Paul was appointed to the role of EGM Technical Services in February 2015. In his current position, Paul oversees the delivery of HSES, risk, drilling, engineering and ICT functions that underpin the Company's operations. In his previous role as EGM PNG Operations, Paul played a major role in the Company's transition to a major LNG exporter through its contributions to the world-class PNG LNG Project.

Mr Michael Drew – Executive General Manager & General Counsel

Incumbent for the full year

Michael joined Oil Search in 2014 in the role of General Counsel. His duties were subsequently expanded to include procurement & supply chain when he was appointed General Counsel and Chief Procurement Officer in 2015. Michael joined the Executive Leadership team as Executive General Manager & General Counsel from 19 October 2016. In his current position Michael is responsible for the legal function, as well as all aspects of procurement, contracts and supply chain. Michael also leads teams in the technical and commercial evaluation of new ventures and business development opportunities.

Mr Stephen Gardiner – Chief Financial Officer & Group Secretary

Incumbent for the full year

Stephen's role is to manage the corporate finance, treasury, tax and audit functions for the Company as well as all Group Secretarial matters. He is also responsible for delivering an appropriate financial control and reporting framework. Prior to this position, Stephen held the position of EGM Sustainability, Corporate Services & Group Secretary.

Mr Michael Herrett – Executive General Manager Human Resources – Health & Administration

Incumbent for the full year

Michael is responsible for establishing and aligning people management strategies, processes and systems to ensure that Oil Search attracts, develops, retains and rewards the right people with the right skills to achieve the strategic objectives of the organisation. Michael also has overall responsibility for Company's enterprise management system and the Health & Administration function within the Company.

Mr Ian Munro – Executive General Manager – Gas & Marketing

Incumbent for the full year

Ian has responsibility for directing and managing Oil Search's gas business development strategy, including LNG joint venture commercial strategy and management (PRL3, PRL15 and PNG LNG) negotiation of joint venture agreements to deliver expansion and marketing and shipping of OSH joint and equity volumes from existing and new projects. Ian also has responsibility for Oil Search's exploration programs which is focussed on growing Shareholder value through exposure to quality exploration projects.

Ms Elizabeth (Beth) White – Executive General Manager – Gas Project Delivery

Incumbent from 1 May 2017

Beth is responsible for the development of gas resources in PNG including the delivery of state (gas) agreements, development of PNG gas resources, technical delivery of LNG expansion, commercialisation of smaller gas fields, domestic gas strategy and in-country project interface, coordination and JV management for gas assets.

Dr Keiran Wulff – Executive General Manager – Exploration & New Business

Incumbent for the full year

Keiran was appointed to the position of President Alaska in March 2018, following Oil Search's acquisition of oil assets in the Alaska North Slope and is based in Anchorage, Alaska. Keiran's responsibilities included the establishment and management of Oil Search's operations, assets and production, engagement with key stakeholders and addressing in-country issues.

Former Executive Key Management Personal

Mr Gerea Aopi CBE – Executive General Manager Stakeholder Engagement

Incumbent until 31 May 2018

Gerea played a major role in managing relationships with the PNG Government and other joint venture partners and was also charged with strategy development and enactment of our community affairs within the Company.

Mr Aopi maintains his association with the Company by serving as PNG Country Chair, on a part-time basis, while continuing as a Director of the Oil Search Foundation and Oil Search Power Holdings.

Dr Julian Fowles – Executive General Manager PNG Business Unit

Incumbent until 7 November 2018

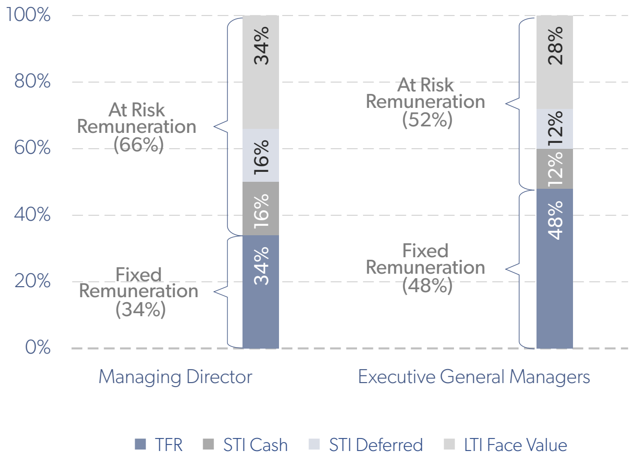
Julian was appointed to the role of EGM PNG Business Unit in February 2015. Julian's responsibilities included the management of Oil Search's PNG assets and production, engagement with key stakeholders and addressing in-country issues. Julian previously held the position of Executive General Manager Exploration.

The remuneration philosophy outlined above is applied consistently to the Company's Executive Key Management Personnel. The following chart shows the remuneration breakdown for current Executive Key Management Personnel.

2018 Key Management Personnel Remuneration Mix

The remuneration mix and quantum for the Managing Director and Executive General Managers is aligned with achieving the Company's targeted market positioning. The remuneration mix for the Managing Director and Executive General Managers is set out in the chart in Chart 5.

Chart 5 – Key Management Personnel Remuneration Mix



The pay mix outlined above is determined by the application of the Oil Search Remuneration Strategy, assuming STI awards at 100% of target and LTI awards at 100% of their 'face value' (i.e., not discounted to take account of the performance conditions nor dividends forgone over the vesting period). Percentages shown in the later section on Executive Remuneration reflect actual incentives paid as a percentage of TFR, which includes movements in leave balances, non-monetary benefits and share based payments calculated in accordance with IFRS 2 Share-Based Payment.

Realised Remuneration of Executive Key Management Personnel Remuneration (Australian Dollars)

Table 11 below sets out the 'Realised Remuneration' of Executive Key Management Personnel for 2017 and 2018 in Australian Dollars. It is included to complement the Statutory Remuneration disclosure and to better illustrate the remuneration received by Executives.

As Oil Search benchmarks (and for all but one Executive) pays remuneration in Australian Dollars, it is difficult for the reader to distinguish annual movements in fixed remuneration from exchange rate movements in the Statutory Remuneration table.

In Table 11, Fixed Remuneration represents the level of Base Pay, Superannuation and expatriate allowances paid to the Executive. The Cash Short Term Incentive is the cash Short Term Incentive earned to the Executive in respect of the year (even though it is paid to the Executive in the March following the year). Deferred STI from Prior Years shows the value on the vesting date of Restricted Shares granted in lieu of Deferred Short Term Incentives from two years prior. The Long Term Incentive vesting in the year is the value of Performance Rights vesting in the year reflecting (a) the portion of awards which satisfies the Total Shareholder Return performance condition and (b) the Oil Search share price on the date of vesting.

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

Table 11 – Realised Remuneration Key Management Personnel Remuneration (Australian Dollars)

	YEAR	FIXED REMUNERATION	CASH SHORT TERM INCENTIVE IN RESPECT OF THE YEAR	DEFERRED STI FROM PRIOR YEARS	LONG TERM INCENTIVE VESTING IN THE YEAR	TOTAL
Directors						
P Botten	**2018**	**2,283,414**	**1,890,667**	**1,782,936**	**516,557**	**6,473,574**
Managing Director	2017	2,233,168	1,909,359	1,620,728	–	5,763,255
Executives						
P Cholakos	**2018**	**769,479**	**318,565**	**303,444**	**116,024**	**1,507,512**
EGM Technical Services	2017	752,547	303,258	304,768	–	1,360,573
M Drew	**2018**	**698,356**	**321,244**	**–**	**25,513**	**1,045,113**
EGM & General Counsel	2017	665,101	327,579	224,063	–	1,216,743
S Gardiner	**2018**	**828,353**	**400,095**	**305,197**	**115,340**	**1,648,985**
Chief Financial Officer & Group Secretary	2017	788,908	388,557	314,863	–	1,492,328
M Herrett	**2018**	**654,403**	**301,026**	**268,747**	**98,667**	**1,322,842**
EGM Human Resources, Health & Administration	2017	640,003	286,562	259,188	–	1,185,753
I Munro	**2018**	**759,648**	**331,966**	**299,985**	**114,536**	**1,506,135**
EGM Gas & Marketing	2017	742,932	332,648	312,684	–	1,388,264
E White(2)	**2018**	**681,345**	**329,090**	**–**	**21,486**	**1,031,921**
EGM Gas Project Delivery	2017	432,600	194,490	–	–	627,090
K Wulff (1)	**2018**	**1,019,654**	**390,094**	**338,047**	**121,778**	**1,869,573**
EGM Exploration & New Business	2017	789,876	389,033		–	1,178,909

(1) Remuneration for Dr Wulff included a Foreign Service Premium whilst his role was based in Anchorage.

(2) Remuneration disclosed for Ms White for 2017 is for the period 1 May 2017 to 31 December 2017.

For all remuneration reporting stated in US Dollars, the exchange rates set out in Table 12 have been used:

Table 12 – Exchange rates used in the remuneration tables where disclosure is in US Dollars

EXCHANGE RATE	2018	2017
AUD/USD	0.7059	0.7667
PGK/USD	0.2970	0.3135

Table 13 sets out the remuneration of Executive Key Management Personnel for the 2018 Financial Year in US Dollars and has been prepared in accordance with the requirements of Section 300A of the Australian Corporations Act 2001 and associated accounting standards.

Table 13 – Key Management Personnel Remuneration (US$)

	YEAR	SHORT TERM			POST EMPLOYMENT	LONG TERM	EQUITY[6]		OTHER	TOTAL
		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	
Directors										
P Botten	**2018**	**1,710,458**	**277,848**	**1,334,527**	**14,322**	**52,733**	**1,074,905**	**1,452,630**	**–**	**5,917,422**
Managing Director	2017	1,868,510	300,268	1,463,906	15,205	52,460	831,147	1,314,957	–	5,846,453
Executives										
P Cholakos	**2018**	**531,335**	**143,101**	**224,859**	**14,322**	**10,572**	**216,324**	**247,404**	**–**	**1,387,917**
EGM Technical Services	2017	578,299	156,909	232,508	15,205	10,866	174,788	228,353	–	1,396,928
M Drew	**2018**	**503,390**	**–**	**226,750**	**16,255**	**–**	**146,652**	**46,788**	**–**	**939,835**
EGM & General Counsel	2017	481,364	3,407	251,155	18,381	–	66,495	81,157	–	901,959
S Gardiner	**2018**	**580,050**	**–**	**282,407**	**14,322**	**16,152**	**226,529**	**275,983**	**–**	**1,395,443**
Chief Financial Officer & Group Secretary	2017	603,873	–	297,907	15,205	16,230	177,773	231,004	–	1,341,992
M Herrett	**2018**	**456,263**	**–**	**212,479**	**14,953**	**8,600**	**184,029**	**219,044**	**–**	**1,095,368**
EGM Human Resources, Health & Administration	2017	466,395	–	219,707	20,031	43,735	148,654	198,535	–	1,097,057
I Munro	**2018**	**511,357**	**–**	**234,318**	**15,268**	**47,816**	**213,561**	**254,271**	**–**	**1,276,591**
EGM Gas & Marketing	2017	568,339	–	255,041	19,693	–	172,586	225,622	–	1,241,281
E White[7]	**2018**	**491,612**	**–**	**232,288**	**14,322**	**11,697**	**125,456**	**58,632**	**–**	**934,007**
EGM Gas Project Delivery	2017	334,220	1,503	149,115	10,192	31,409	42,796	–	–	569,235
K Wulff	**2018**	**882,779**	**230,467**	**275,348**	**14,322**	**–**	**227,076**	**281,558**	**–**	**1,911,550**
EGM & President Alaska	2017	579,745	295,861	298,272	15,205	–	155,192	247,188	–	1,591,463
Former Directors										
G Aopi	**2018**	**151,310**	**65,489**	**–**	**23,104**	**(217,011)**	**67,187**	**239,861**	**263,771**	**593,711**
EGM Stakeholder Engagement	2017	353,166	155,210	225,419	35,380	16,060	169,534	221,378	–	1,176,146
Former Executives										
J Fowles	**2018**	**993,561**	**–**	**–**	**20,823**	**(77,639)**	**181,534**	**252,146**	**138,386**	**1,508,811**
EGM PNG Business Unit	2017	981,345	–	236,964	–	84,332	178,145	342,190	–	1,822,977

(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 Payment.

(7) Remuneration disclosed for Ms White for 2017 is for the period 1 May 2017 to 31 December 2017.

Table 14 details the vesting profile of the Short Term Incentives awarded as remuneration to each Director of Oil Search and the Executive Key Management Personnel for 2018.

Table 14 – Analysis of STI Included in Remuneration

	INCLUDED IN REMUNERATION (US$)(1)	% OF STI OPPORTUNITY	CASH	DEFERRED
Directors				
P Botten	2,669,055	92.0	1,334,528	1,334,527
Executives				
P Cholakos	449,717	82.8	224,858	224,857
M Drew	453,500	92.0	226,750	226,750
S Gardiner	564,813	96.6	282,407	282,406
M Herrett	424,957	92.0	212,479	212,478
I Munro	468,636	87.4	234,318	234,318
E White	464,576	96.6	232,288	232,288
K Wulff	550,696	96.6	275,348	275,348

(1) The value includes 50% of the STI award paid as cash (as reported in Table 13) as well as the 50% to be deferred via the allocation of Restricted Shares that will vest on 1 January 2021.

7. KEY TERMS OF EMPLOYMENT CONTRACTS FOR KEY MANAGEMENT PERSONNEL

Table 15 sets out the contractual provisions for current Executive Key Management Personnel. All employees at Oil Search have no contractual entitlement to future increases in remuneration or entitlement to receive any incentives, whether Short Term or Long Term.

Table 15 – Contractual Provisions for Specified Executives

	EMPLOYING COMPANY	CONTRACT DURATION	NOTICE PERIOD COMPANY	NOTICE PERIOD EMPLOYEE	TERMINATION PROVISION
P Botten	POSL	Ongoing	6 months	6 months	18 months Total Fixed Reward
Other EGMs	POSL	Ongoing	6 months	6 months	4 weeks per year of service (minimum 8, maximum 52)

Remuneration for all employees is reviewed via an annual process across the organisation. Remuneration for the Managing Director and the other Executive Key Management Personnel is reviewed by the People and Nominations Committee, which then recommends to the Board:

- Budgets for TFR increases for the coming year;
- STI payments for the previous year;
- STI targets for the coming year; and
- LTI participation in the coming year.

For all other employees, the Managing Director approves recommendations from senior managers across the organisation, within budgets approved by the Board.

8. EQUITY INSTRUMENTS

All Rights in the following tables refer to Performance Rights or Restricted Shares issued in accordance with the Performance Rights Plan or Long Term Incentive Plan. The structure of the Rights is detailed in section 4 on Remuneration Structure.

Rights over Equity Instruments Granted as Remuneration

Table 16 provides details of Performance Rights over ordinary shares in the Company that were granted as remuneration to Executive Key Management Personnel during 2018 and details of Performance Rights that vested during 2018.

Table 16– Details of Performance Rights Granted during 2018

	NUMBER OF RIGHTS GRANTED DURING 2018	GRANT DATE	FAIR VALUE PER RIGHT (A$)	EXERCISE PRICE PER RIGHT (A$)	EXPIRY DATE
Directors					
P Botten	**302,200**	21 May 2018	$5.23	Nil	21 May 2021
Executives					
P Cholakos	**61,100**	21 May 2018	$5.23	Nil	21 May 2021
M Drew	**55,500**	21 May 2018	$5.23	Nil	21 May 2021
S Gardiner	**65,800**	21 May 2018	$5.23	Nil	21 May 2021
M Herrett	**52,000**	21 May 2018	$5.23	Nil	21 May 2021
I Munro	**60,300**	21 May 2018	$5.23	Nil	21 May 2021
E White	**54,100**	21 May 2018	$5.23	Nil	21 May 2021
K Wulff	**64,100**	21 May 2018	$5.23	Nil	21 May 2021
Former Executives					
J Fowles	**62,300**	21 May 2018	$5.23	Nil	21 May 2021

All Performance Rights expire on the earlier of their expiry date or termination of the individual's employment unless the Board determines otherwise. Performance Rights automatically exercise on the vesting dates detailed in the tables above conditional on Oil Search achieving certain performance hurdles. Details of the performance criteria are included in the section on Long Term Incentives above. For Performance Rights granted in 2018 the earliest exercise date is 21 May 2021.

Table 16b– Details of LNG Expansion Incentive Rights Granted during 2018

	NUMBER OF RIGHTS GRANTED DURING 2018	GRANT DATE	FAIR VALUE PER RIGHT (A$)	EXERCISE PRICE PER RIGHT (A$)	EXPIRY DATE
Directors					
P Botten	**203,984**	21 June 2018	$8.50	Nil	Note 1
Executives					
P Cholakos	**38,188**	21 June 2018	$8.50	Nil	Note 1
M Drew	**34,659**	21 June 2018	$8.50	Nil	Note 1
S Gardiner	**41,110**	21 June 2018	$8.50	Nil	Note 1
M Herrett	**32,477**	21 June 2018	$8.50	Nil	Note 1
I Munro	**37,700**	21 June 2018	$8.50	Nil	Note 1
E White[1]	**33,814**	21 June 2018	$8.50	Nil	Note 1
K Wulff	**40,083**	21 June 2018	$8.50	Nil	Note 1
Former Executives					
J Fowles	**38,920**	21 June 2018	$8.50	Nil	Note 1

Note 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.

All LNG Expansion Incentive Rights expire on the earlier of their expiry date or termination of the individual's employment unless the Board determines otherwise. LNG Expansion Incentive Rights automatically exercise on the vesting dates detailed in the tables above conditional on Oil Search achieving certain performance hurdles. Details of the performance criteria are included in the section on Long Term Incentives above.

The deferred component of the 2017 STI was allocated as Restricted Shares under the Long Term Incentive Plan outlined above for certain Executive Key Management Personnel in 2018. Table 17 sets out the number of Restricted Shares granted during 2018:

Table 17 – Details of Deferred STI granted as Restricted Shares

	NUMBER GRANTED DURING 2018	GRANT DATE	FAIR VALUE (A$)	EXERCISE PRICE (A$)	VESTING DATE
Directors					
P Botten[1]	**252,694**	21 May 2018	$8.50	nil	1 January 2020
Executives					
P Cholakos	**40,135**	21 May 2018	$8.50	nil	1 January 2020
M Drew	**43,353**	21 May 2018	$8.50	nil	1 January 2020
S Gardiner	**51,424**	21 May 2018	$8.50	nil	1 January 2020
M Herrett	**37,925**	21 May 2018	$8.50	nil	1 January 2020
I Munro	**44,024**	21 May 2018	$8.50	nil	1 January 2020
E White[2]	**25,750**	21 May 2018	$8.50	nil	1 January 2020
K Wulff	**51,487**	21 May 2018	$8.50	nil	1 January 2020
Former Directors					
G Aopi	**38,911**	21 May 2018	$8.50	nil	1 January 2020
Former Executives					
J Fowles	**40,904**	21 May 2018	$8.50	nil	1 January 2020

(1) The allocation for P Botten was approved at the 2018 Annual Meeting.

(2) Ms White was appointed to an Executive General Manager position effective 1 May 2017. The Deferred STI granted as Restricted Shares detailed above relates to the STI awarded for the period from 1 May 2017 to 31 December 2017.

Modification of Terms of Equity Settled Share based Payment Transactions

No terms related to equity-settled share based payment transactions (including Performance Rights and Restricted Shares granted as compensation to Executive Key Management Personnel) have been altered or modified by the issuing entity during the reporting period or the prior period, with the exception of the early vesting of certain allocations for terminating employees.

Exercise of Rights Granted as Remuneration

Table 18 summarises the number of Performance Rights exercised during 2018 and 2017.

Table 18 – Details of the Exercise of Performance Rights

EXERCISED IN 2018	NUMBER OF RIGHTS EXERCISED	AMOUNT PAID PER SHARE (A$)
Directors		
P Botten	60,416	nil
Executives		
P Cholakos	13,570	
M Drew	2,984	nil
S Gardiner	13,490	nil
M Herrett	11,540	nil
I Munro	13,396	nil
E White	2,513	nil
K Wulff	14,243	nil
Former Directors		nil
G Aopi	13,158	nil
Former Executives		
J Fowles	13,830	nil

EXERCISED IN 2017	NUMBER OF RIGHTS EXERCISED	AMOUNT PAID PER SHARE (A$)
Directors		
P Botten	–	n/a
Executives		
P Cholakos	–	n/a
M Drew	–	n/a
S Gardiner	–	n/a
M Herrett	–	n/a
I Munro	–	n/a
E White	–	n/a
K Wulff	–	n/a
Former Directors		
G Aopi	–	n/a
Former Executives		
J Fowles	–	n/a

Analysis of Performance Rights, LNG Expansion Incentive Rights and Restricted Shares Over Equity Instruments Granted as Remuneration

Details of movements of Performance Rights and Restricted Shares granted as remuneration to Executive Key Management Personnel are set out in Tables 19 and Table 20.

Table 19 – Details of movements of Performance Rights and LNG Expansion Incentive Rights during 2018

		MOVEMENTS DURING THE YEAR							
	GRANT DATE	BALANCE AT 1 JAN 2018	RIGHTS GRANTED	RIGHTS EXERCISED	RIGHTS LAPSED	BALANCE AT 31 DEC 2018	% VESTED IN THE YEAR	% FORFEITED IN THE YEAR	FINANCIAL YEAR OF VESTING
Directors									
P Botten	18/5/15	236,000	-	(60,416)	(175,584)	-	25.6%	74.4%	2018
	16/5/16	326,900	-	-	-	326,900	-	-	2019
	22/5/17	315,000	-	-	-	315,000	-	-	2020
	21/5/18	-	302,200	-	-	302,200	-	-	2021
	21/6/18	-	203,984	-	-	203,984			2022[1]
	Total	**877,900**	**506,184**	**(60,416)**	**(175,584)**	**1,148,084**			
Executives									
P Cholakos	18/5/15	53,009	-	(13,570)	(39,439)	-	25.6%	74.4%	2018
	16/5/16	66,087	-	-	-	66,087	-	-	2019
	22/5/17	63,700	-	-	-	63,700	-	-	2020
	21/5/18	-	61,100	-	-	61,100	-	-	2021
	21/6/18	-	38,188	-	-	38,188			2022[1]
	Total	**182,796**	**99,288**	**(13,570)**	**(39,439)**	**229,075**			
M Drew	18/5/15	11,660	-	(2,984)	(8,676)	-	25.6%	74.4%	2018
	16/5/16	14,537	-	-	-	14,537	-	-	2019
	22/5/17	56,300	-	-	-	56,300	-	-	2020
	21/5/18	-	55,500	-	-	55,500	-	-	2021
	21/6/18	-	34,659	-	-	34,659			2022[1]
	Total	**82,497**	**90,159**	**(2,984)**	**(8,676)**	**160,996**			
S Gardiner	18/5/15	52,697	-	(13,490)	(39,207)	-	25.6%	74.4%	2018
	16/5/16	67,300	-	-	-	67,300	-	-	2019
	22/5/17	66,800	-	-	-	66,800	-	-	2020
	22/5/18	-	65,800	-	-	65,800	-	-	2021
	21/6/18	-	41,110	-	-	41,110			2022[1]
	Total	**186,797**	**106,910**	**(13,490)**	**(39,207)**	**241,010**			
M Herrett	18/5/15	45,081	-	(11,540)	(33,541)	-	25.6%	74.4%	2018
	16/5/16	56,203	-	-	-	56,203	-	-	2019
	22/5/17	54,200	-	-	-	54,200	-	-	2020
	21/5/18	-	52,000	-	-	52,000	-	-	2021
	21/6/18	-	32,477	-	-	32,477			2022[1]
	Total	**155,484**	**84,477**	**(11,540)**	**(33,541)**	**194,880**			
I Munro	18/5/15	52,331	-	(13,396)	(38,935)	-	25.6%	74.4%	2018
	16/5/16	65,243	-	-	-	65,243	-	-	2019
	22/5/17	62,900	-	-	-	62,900	-	-	2020
	21/5/18	-	60,300	-	-	60,300	-	-	2021
	21/6/18	-	37,700	-	-	37,700			2022[1]
	Total	**180,474**	**98,000**	**(13,396)**	**(38,935)**	**226,143**			
E White	18/5/15	9,819	-	(2,513)	(7,306)	-	25.6%	74.4%	2018
	16/5/16	12,242	-	-	-	12,242	-	-	2019
	22/5/17	40,808	-	-	-	40,808	-	-	2020
	21/5/18	-	54,100	-	-	54,100	-	-	2021
	21/6/18	-	33,814	-	-	33,814			2022[1]
	Total	**62,869**	**87,914**	**(2,513)**	**(7,306)**	**140,964**			
K Wulff	18/5/15	55,638	-	(14,243)	(41,395)	-	25.6%	74.4%	2018
	16/5/16	69,365	-	-	-	69,365	-	-	2019
	22/5/17	66,900	-	-	-	66,900	-	-	2020
	21/5/18	-	64,100	-	-	64,100	-	-	2021
	21/6/18	-	40,083	-	-	40,083			2022[1]
	Total	**191,903**	**104,183**	**(14,243)**	**(41,395)**	**240,448**			

			MOVEMENTS DURING THE YEAR						
	GRANT DATE	BALANCE AT 1 JAN 2018	RIGHTS GRANTED	RIGHTS EXERCISED	RIGHTS LAPSED	BALANCE AT 31 DEC 2018	% VESTED IN THE YEAR	% FORFEITED IN THE YEAR	FINANCIAL YEAR OF VESTING
Former Directors									
G Aopi	18/5/15	51,400	-	(13,158)	(38,242)	-	25.6%	74.4%	2018
	16/5/16	64,100	-	-	(20,510)	43,590	-	32.0%	2019
	22/5/17	61,800	-	-	(40,674)	21,126	-	65.8%	2020
	Total	**177,300**	**-**	**(13,158)**	**(99,426)**	**64,716**			
Former Executives									
J Fowles	18/5/15	54,025	–	(13,830)	(40,195)	–	25.6%	74.4%	2018
	16/5/16	67,353	–	–	(12,124)	55,229	–	18.0%	2019
	22/5/17	64,900	–	–	(33,099)	31,801	–	51.0%	2020
	21/5/18	–	62,300	–	(52,955)	9,345	–	95%	2021
	21/6/18	–	38,920	–	(38,920)	–	0%	100%	–
	Total	**186,278**	**101,220**	**(13,830)**	**(177,293)**	**96,375**			

(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 20 – Details of movements of Restricted Shares

			MOVEMENTS DURING THE YEAR						
	GRANT DATE	BALANCE AT 1 JAN 2018	RESTRICTED SHARES GRANTED	RESTRICTED SHARES VESTED	RESTRICTED SHARES FORFEITED	BALANCE AT 31 DEC 2018	% VESTED IN THE YEAR	% FORFEITED IN THE YEAR	FINANCIAL YEAR OF VESTING
Directors									
P Botten	13/5/16	228,875	–	(228,875)	–	–	100%	0%	2018
	19/5/17	277,966	–	–	–	277,966	–	–	2019
	21/5/18	–	252,694	–	–	252,694	–	–	2020
	Total	**506,841**	**252,694**	**(228,875)**	**–**	**530,660**			
Executives									
P Cholakos	13/5/16	38,953	–	(38,953)	–	–	100%	0%	2018
	19/5/17	49,437	–	–	–	49,437	–	–	2019
	21/5/18	–	40,135	–	–	40,135	–	–	2020
	Total	**88,390**	**40,135**	**(38,953)**	**–**	**89,572**			
M Drew	19/5/17	8,501	–	–	–	8,501	–	–	2019
	21/5/18	–	43,353	–	–	43,353	–	–	2020
	Total	**8,501**	**43,353**	**–**	**–**	**51,854**			
S Gardiner	13/5/16	39,178	–	(39,178)	–	–	100%	0%	2018
	19/5/17	50,345	–	–	–	50,345	–	–	2019
	21/5/18	–	51,424	–	–	51,424	–	–	2020
	Total	**89,523**	**51,424**	**(39,178)**	**–**	**101,769**			
M Herrett	13/5/16	34,499	–	(34,499)	–	–	100%	0%	2018
	19/5/17	42,044	–	–	–	42,044	–	–	2019
	21/5/18	–	37,925	–	–	37,925	–	–	2020
	Total	**76,543**	**37,925**	**(34,499)**	**–**	**79,969**			
I Munro	13/5/16	38,509	–	(38,509)	–	–	100%	0%	2018
	19/5/17	48,806	–	–	–	48,806	–	–	2019
	21/5/18	–	44,024	–	–	44,024	–	–	2020
	Total	**87,315**	**44,024**	**(38,509)**	**–**	**92,830**			
E White	21/5/18	–	25,740	–	–	25,740	–	–	2020
	Total	**–**	**25,740**	**–**	**–**	**25,740**			

	GRANT DATE	BALANCE AT 1 JAN 2018	MOVEMENTS DURING THE YEAR: RESTRICTED SHARES GRANTED	RESTRICTED SHARES VESTED	RESTRICTED SHARES FORFEITED	BALANCE AT 31 DEC 2018	% VESTED IN THE YEAR	% FORFEITED IN THE YEAR	FINANCIAL YEAR OF VESTING
K Wulff	13/5/16	43,395	–	(43,395)	–	–	100%	0%	2018
	19/5/17	51,890	–	–	–	51,890	–	–	2019
	21/5/18	–	51,487	–	–	51,487	–	–	2020
	Total	**95,285**	**51,487**	**(43,395)**	**–**	**103,377**			
Former Directors									
G Aopi	13/5/16	37,766	–	(37,766)	–	–	100%	0%	2018
	19/5/17	47,930	–	–	–	47,930	–	–	2019
	21/5/18	–	38,911	–	–	38,911	–	–	2020
	Total	**85,696**	**38,911**	**(37,766)**	**–**	**86,841**			
Former Executives									
J Fowles	13/5/16	39,700	–	(39,700)	–	–	100%	0%	2018
	19/5/17	50,385	–	–	–	50,385	–	–	2019
	21/5/18	–	40,904	–	–	40,904	–	–	2020
	Total	**90,085**	**40,904**	**(39,700)**	**–**	**91,289**			

Analysis of Movements in Performance Rights and Restricted Shares

Table 21 summarises the movement in value of Performance Rights and Restricted Shares held by each Executive Key Management Personnel during 2018.

Table 21 – Movement in Value of Performance Rights and Restricted Shares

	GRANTED IN THE YEAR (US$)(1)	VALUE OF PERFORMANCE RIGHTS EXERCISED AND RESTRICTED SHARES VESTED IN THE YEAR(2)			VALUE OF PERFORMANCE RIGHTS LAPSED AND RESTRICTED SHARES FORFEITED IN THE YEAR(3)		
		NUMBER	AVERAGE VALUE (US$)	TOTAL VALUE (US$)	NUMBER	AVERAGE VALUE (US$)	TOTAL VALUE (US$)
Directors							
P Botten	5,462,269	289,291	5.61	1,623,212	175,584	2.12	371,834
Executives							
P Cholakos	985,299	52,523	5.64	296,102	39,439	2.12	83,520
M Drew	953,367	2,984	6.04	18,010	8,676	2.12	18,373
S Gardiner	1,130,673	52,668	5.64	296,856	39,207	2.12	83,029
M Herrett	870,377	46,039	5.63	259,358	33,541	2.12	71,030
I Munro	1,010,023	51,905	5.64	292,610	38,935	2.12	82,453
E White	789,152	2,513	6.04	15,167	7,306	2.12	15,472
K Wulff	1,113,588	57,638	5.63	324,590	41,395	2.12	87,662
Former Directors							
G Aopi	330,744	50,924	5.64	287,088	99,426	2.69	267,332
Former Executives							
J Fowles	1,004,333	53,530	5.64	301,779	177,293	3.69	654,220

(1) The value for awards granted is the fair value at the time of grant for Performance Rights and the closing share price on the date of grant for Restricted Shares.

(2) The value for Performance Rights exercised is based on the market price of Oil Search shares on the close of trade on the date of exercise. The value for Restricted Shares is based on the closing market price of Oil Search shares on the date of trade on the vesting date, or the opening price on the next trading day where the market is closed on the vesting date.

(3) The value for Performance Rights lapsed and Restricted Shares forfeited is based on the market price of Oil Search shares on the close of trade on the date of the lapse or forfeiture.

KMP shareholdings

Table 22 summarises the movements in the numbers of Oil Search Limited shares held by Executive KMP and their personally related entities during 2018.

Table 22 – Movements in Executive KMP shareholdings

	BALANCE AT 1 JANUARY 2018	NET MOVEMENT DURING 2018	BALANCE AT 31 DECEMBER 2018
Directors			
P Botten	**2,368,039**	**(20,709)**	**2,347,330**
Executives			
P Cholakos	**313,803**	**52,523**	**366,326**
M Drew	**–**	**2,984**	**2,984**
S Gardiner	**431,081**	**52,668**	**483,749**
M Herrett	**82,981**	**46,039**	**129,020**
I Munro	**–**	**–**	**–**
E White	**75,421**	**2,513**	**77,934**
K Wulff	**8,590**	**57,209**	**65,799**
Former Directors			
G Aopi	**497,223**	**14,464**	**511,687**
Former Executives			
J Fowles	**106,134**	**59,886**	**166,020**

9. 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$2.5 million in any calendar year which was set by shareholders at the 2013 Annual Meeting.

Remuneration Payable

Fees payable to Non-Executive Directors are reviewed periodically and are fixed by the Board as discussed above.

Table 23 sets out the fee structure which has applied since 1 January 2017.

Table 23 – Annual Board and Committee Fees Payable to Non-Executive Directors in Australian Dollars

POSITION	ANNUAL FEE
Chairman of the Board[1]	A$519,750
Non-Executive Directors other than the Chairman	A$173,250
Chairman Audit and Financial Risk Committee (additional fee)	A$49,500
Chairman Health, Safety and Sustainability Committee (additional fee)	A$38,500
Chairman People and Nominations Committee (additional fee)	A$38,500
Member Audit and Financial Risk Committee (additional fee)	A$25,500
Member Health, Safety and Sustainability Committee (additional fee)	A$22,000
Member People and Nominations Committee (additional fee)	A$22,000

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

Each Non-Executive Director also receives a travel allowance of A$25,500 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.

Board fees are paid to Non-Executive Directors only. Mr Gerea Aopi, who was an Executive Director, retired from the Oil Search Board effective from 16 March 2018. As an Executive Director, Mr Aopi did not receive Directors' Fees. A Non-Executive Director who does receive fees was appointed to fill the vacancy following Mr Aopi's retirement. This consumed a substantial portion of the remaining fee pool 'headroom'. A proposal will be brought to the 2019 Annual Meeting to raise the aggregate fee pool available to Directors from the current $2.5 million to $3.0 million. This will be the first increase sought since 2013.

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.

Following an external benchmarking review of Directors Fees, effective from 1 January 2019, the Chair and Main Board fees were increased to A$550,000 and A$190,000 respectively to better align with the market median. In additional the Chair fees for the Health, Safety and Sustainability Committee and the People & Nominations Committee were increased to the level of the Audit & Financial Risk Committee in recognition of the comparable workload and responsibilities of those Chair positions.

There are no provisions in any of the Non-Executive Directors' appointment arrangements for compensation payable on early termination of their directorship.

There is no separate retirement benefits plan or provision for superannuation for Oil Search's non-executive directors.

Details of Directors' Remuneration

Table 24 outlines the remuneration received by Oil Search Limited directors in 2017 and 2018.

The Managing Director, Mr Botten is the only executive director on the Board.

Table 24 – Oil Search Limited Directors Remuneration (US$)

	YEAR	SHORT TERM			POST EMPLOYMENT	LONG TERM	EQUITY		OTHER	TOTAL
DIRECTORS		SALARIES FEES AND ALLOWANCES	NON-MONETARY BENEFITS	SHORT TERM INCENTIVE	COMPANY CONTRIBUTION TO SUPER	LONG SERVICE LEAVE ACCRUAL	PERFORM. RIGHTS	RESTRICTED SHARES	SIGN ON/ TERMINATION BENEFITS	
Executive Directors										
P Botten	**2018**	**1,710,458**	**277,848**	**1,334,527**	**14,322**	**52,733**	**1,074,905**	**1,452,630**	**–**	**5,917,422**
Managing Director	2017	1,868,510	300,268	1,463,906	15,205	52,460	831,147	1,314,957	–	5,846,453
Non-Executive Directors										
R Lee	**2018**	**384,865**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**384,865**
	2017	418,043	–	–	–	–	–	–	–	418,043
B Al Katheeri(1)	**2018**	**133,654**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**133,654**
	2017	–	–	–	–	–	–	–	–	–
KG Constantinou	**2018**	**173,245**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**173,245**
	2017	186,116	–	–	–	–	–	–	–	186,116
S Cunningham(1)	**2018**	**131,753**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**131,753**
	2017	–	–	–	–	–	–	–	–	–
EJ Doyle	**2018**	**185,462**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**185,462**
	2017	201,450	–	–	–	–	–	–	–	201,450
FE Harris	**2018**	**190,756**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**190,756**
	2017	188,800	–	–	–	–	–	–	–	188,800
A Kantsler	**2018**	**182,992**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**182,992**
	2017	207,201	–	–	–	–	–	–	–	207,201
MP Togolo	**2018**	**173,816**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**173,816**
	2017	188,800	–	–	–	–	–	–	–	188,800
Former Non-Executive Directors										
G Aopi	**2018**	**151,310**	**65,489**	**–**	**23,104**	**(217,011)**	**67,187**	**239,861**	**263,771**	**593,711**
EGM Stakeholder Engagement	2017	353,166	155,210	225,419	35,380	16,060	169,534	221,378	–	1,176,146

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

Equity Participation for Non-Executive Directors

There is no share plan for Oil Search Non-Executive Directors.

Table 25 summarises the movements in shareholdings of Non-Executive Directors including their personally related entities for the 2018 financial year.

Table 25 – Non-Executive Director shareholdings	BALANCE AT 1 JANUARY 2018	NET MOVEMENT DURING 2018	BALANCE AT 31 DECEMBER 2018
B Al Katheeri	–	–	–
KG Constantinou	–	–	–
S Cunningham	–	–	–
EJ Doyle	30,800	5,250	36,050
FE Harris	31,961	–	31,961
AJ Kantsler	45,736	–	45,736
RJ Lee	96,829	–	96,829
MP Togolo	–	–	–

AUDITOR'S INDEPENDENCE DECLARATION

for the year ended 31 December 2018

Deloitte.

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

18 February 2019

Dear Directors,

Oil Search Limited

I am pleased to provide the following declaration of independence to the directors of Oil Search Limited.

As lead audit partner for the audit of the financial statements of Oil Search Limited for the year ended 31 December 2018, 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

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

		CONSOLIDATED		PARENT	
	NOTE	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue	3	**1,535,761**	1,446,001	**–**	–
Cost of sales	4	**(698,262)**	(715,048)	**–**	–
Gross profit		**837,499**	730,953	**–**	–
Other income		**9,579**	9,969	**114,273**	–
Other expenses	5	**(129,836)**	(105,320)	**(7,495)**	(13,738)
Profit/(loss) from operating activities		**717,242**	635,602	**106,778**	(13,738)
Net finance costs	6	**(209,850)**	(194,728)	**(166)**	(513)
Profit/(loss) before income tax		**507,392**	440,874	**106,612**	(14,251)
Income tax (expense)/benefit	7	**(166,190)**	(138,782)	**1,630**	3,612
Net profit/(loss) after tax		**341,202**	302,092	**108,242**	(10,639)
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		**(2,005)**	488	**–**	–
Total comprehensive income/(loss) for the year		**339,197**	302,580	**108,242**	(10,639)

		CENTS	CENTS
Basic earnings per share	8	22.39	19.83
Diluted earnings per share	8	22.32	19.77

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

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018

		CONSOLIDATED		PARENT	
	NOTE	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current assets					
Cash and cash equivalents	20(a)	**600,557**	1,015,246	**–**	–
Receivables	10	**228,705**	156,315	**57,150**	582,243
Inventories	11	**90,428**	95,018	**–**	–
Prepayments		**12,302**	20,781	**826**	171
Current tax receivable		**–**	–	**1,352**	1,411
Total current assets		**931,992**	1,287,360	**59,328**	583,825
Non-current assets					
Other assets	12	**83,416**	81,157	**–**	–
Other financial assets	13	**59,408**	52,045	**–**	–
Exploration and evaluation assets	14	**2,344,818**	1,672,352	**112,153**	83,543
Oil and gas assets	15	**6,240,567**	6,535,743	**–**	–
Other plant and equipment	15	**248,768**	205,701	**–**	–
Investments in subsidiaries	26	**–**	–	**2,764,803**	2,294,804
Investments in joint ventures		**3,958**	–	**–**	–
Deferred tax assets	7	**760,964**	678,140	**28,489**	27,034
Total non-current assets		**9,741,899**	9,225,138	**2,905,445**	2,405,381
Total assets		**10,673,891**	10,512,498	**2,964,773**	2,989,206
Current liabilities					
Payables	16	**326,484**	199,154	**1,157**	22,275
Provisions	17	**19,317**	29,033	**228**	486
Borrowings	18	**356,739**	334,130	**–**	–
Current tax payable		**68,433**	64,459	**–**	–
Total current liabilities		**770,973**	626,776	**1,385**	22,761
Non-current liabilities					
Payables	16	**23,394**	24,787	**–**	–
Provisions	17	**569,694**	584,720	**10,389**	10,406
Borrowings	18	**3,068,035**	3,424,776	**–**	–
Deferred tax liabilities	7	**1,076,177**	913,685	**–**	–
Total non-current liabilities		**4,737,300**	4,947,968	**10,389**	10,406
Total liabilities		**5,508,273**	5,574,744	**11,774**	33,167
Net assets		**5,165,618**	4,937,754	**2,952,999**	2,956,039
Shareholders' equity					
Share capital	19	**3,152,443**	3,152,443	**3,152,443**	3,152,443
Reserves	19	**(5,448)**	(6,434)	**7,681**	4,691
Retained earnings/(losses)		**2,018,623**	1,791,745	**(207,125)**	(201,095)
Total shareholders' equity		**5,165,618**	4,937,754	**2,952,999**	2,956,039

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

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2018

		CONSOLIDATED		PARENT	
	NOTE	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash flows from operating activities					
Receipts from customers and third parties		**1,570,768**	1,465,420	**–**	–
Dividends received		**–**	–	**114,273**	–
Payments to suppliers and employees		**(360,999)**	(361,206)	**(9,885)**	(6,900)
Interest received		**14,884**	13,028	**–**	–
Borrowing costs paid		**(205,273)**	(199,326)	**(45)**	(512)
Income tax paid		**(84,940)**	(59,749)	**–**	–
Payments for exploration and evaluation – seismic, G&A, G&G		**(63,150)**	(13,987)	**(35)**	(479)
Payments for site restoration		**(16,658)**	(598)	**–**	–
Net cash from/(used in) operating activities	20(b)	**854,632**	843,582	**104,308**	(7,891)
Cash flows from investing activities					
Payments for other plant and equipment		**(56,404)**	(38,120)	**–**	–
Payments for exploration and evaluation		**(647,617)**	(157,292)	**(28,408)**	(5,894)
Payments for oil and gas development assets		**(36,945)**	(21,117)	**–**	–
Payments for producing assets		**(26,211)**	(38,226)	**–**	–
Payments for power assets		**(41,653)**	(10,231)	**–**	–
Investment in subsidiaries		**–**	–	**(470,000)**	–
Advances made to third party in respect of investing activities		**(2,167)**	(2,340)	**–**	–
Net cash used in investing activities		**(810,997)**	(267,326)	**(498,408)**	(5,894)
Cash flows from financing activities					
Dividend payments		**(114,273)**	(99,014)	**(114,273)**	(99,014)
Purchase of treasury shares		**(8,239)**	–	**(8,239)**	–
Contributions received for employee share schemes		**4,246**	1,821	**–**	–
Repayment of borrowings		**(331,901)**	(313,918)	**–**	–
Loan provided to third party		**(2,167)**	(2,340)	**–**	–
Establishment fee on credit facility		**(3,759)**	(8,350)	**–**	–
Finance lease payments		**(2,231)**	(1,957)	**–**	–
Loans from/(to) related entities		**–**	–	**516,612**	112,799
Net cash (used in)/from financing activities		**(458,324)**	(423,758)	**394,100**	13,785
Net (decrease)/increase in cash and cash equivalents		**(414,689)**	152,498	**–**	–
Cash and cash equivalents at the beginning of the year		**1,015,246**	862,748	**–**	–
Cash and cash equivalents at the end of the year	20(a)	**600,557**	1,015,246	**–**	–

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 2018

CONSOLIDATED	SHARE CAPITAL $'000	FOREIGN CURRENCY TRANSLATION RESERVE $'000	RESERVE FOR TREASURY SHARES $'000	EMPLOYEE EQUITY COMPEN-SATION RESERVE $'000	RETAINED EARNINGS $'000	TOTAL $'000
Balance at 1 January 2017	3,147,340	(17,645)	(250)	7,126	1,588,745	4,725,316
Dividends provided for or paid	–	–	–	–	(99,014)	(99,014)
Total comprehensive income for the year						
Net profit after tax for the year	–	–	–	–	302,092	302,092
Other comprehensive income:						
Exchange differences on translation of foreign operations	–	488	–	–	–	488
Total comprehensive profit for the year	–	488	–	–	302,092	302,580
Transactions with owners, recorded directly in equity						
Transfer of vested shares	–	–	9,016	(9,016)	–	–
Employee share-based remuneration	–	–	–	8,950	–	8,950
Shares issued for the share purchase plan	5,103	–	(5,103)	–	–	–
Trust distribution	–	–	–	–	(78)	(78)
Total transactions with owners	5,103	–	3,913	(66)	(78)	8,872
Balance at 31 December 2017	3,152,443	(17,157)	3,663	7,060	1,791,745	4,937,754
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 profit 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**
Shares issued for the share purchase plan	**–**	**–**	**(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**

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 2018

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 2017	3,147,340	(2,990)	2,370	1,463	(91,442)	3,056,741
Dividends provided for or paid	–	–	–	–	(99,014)	(99,014)
Total comprehensive income for the year						
Net loss after tax for the year	–	–	–	–	(10,639)	(10,639)
Total comprehensive loss for the year	–	–	–	–	(10,639)	(10,639)
Transactions with owners, recorded directly in equity						
Transfer of vested shares	–	–	9,016	(9,016)	–	–
Employee share-based remuneration	–	–	–	8,950	–	8,950
Shares issued for the share purchase plan	5,103	–	(5,103)	–	–	–
Net exchange differences	–	–	–	1	–	1
Total transactions with owners	5,103	–	3,913	(65)	–	8,951
Balance at 31 December 2017	3,152,443	(2,990)	6,283	1,398	(201,095)	2,956,039
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 profit 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	**–**	**–**	**(8,239)**	**–**	**–**	**(8,239)**
Net exchange differences	**–**	**–**	**–**	**(1)**	**–**	**(1)**
Total transactions with owners	**–**	**–**	**(694)**	**3,684**	**–**	**2,990**
Balance at 31 December 2018	**3,152,443**	**(2,990)**	**5,589**	**5,082**	**(207,126)**	**2,952,999**

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

NOTES TO THE FINANCIAL STATEMENTS

1 SIGNIFICANT ACCOUNTING POLICIES

Oil Search Limited (the 'parent entity' or 'Company') is incorporated in Papua New Guinea (PNG). The consolidated financial report for the year ended 31 December 2018 comprises the parent entity and its controlled entities (together, 'the Group').

The financial statements were authorised for issue by the Board of Directors on 18 February 2019.

(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 2018. The introduction of new or amended standards required the Group to amend its accounting policies for the following:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

There were no retrospective adjustments required as a result of adopting the above standards. The other new or amended standards did not have any impact on the Group's accounting policies.

There have been no other new standards or amendments that were mandatory for adoption for the year ended 31 December 2018.

(ii) New accounting standards not yet effective

The following new accounting standards are not yet effective but may have an impact on the Group in the financial years commencing 1 January 2019 or later:

- *IFRS 16 Leases – effective 1 January 2019*

  IFRS 16 Leases supersedes existing accounting guidance contained under *IAS 17 Leases* and *IFRIC 4 Determining whether an Arrangement contains a Lease* and related interpretations. IFRS 16 provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. New disclosure requirements have also been introduced under the new standard.

IFRS 16 is effective for annual reporting periods commencing on or after 1 January 2019, making it effective for the Group's half year financial statements ending 30 June 2019.

The Group has conducted a comprehensive review, of all relevant company contracts and contracts in joint operations operated by others.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts. Right-of-use assets will be measured on transition as if the new Standard had been applied since the commencement date of the lease. The lease liability will be measured at the date of adoption.

As at reporting date, the Group has non-cancellable operating lease commitments of $305 million. The Group expects to recognise right of use assets of approximately $230.7 million, lease liabilities of approximately $281.3 million and an adjustment reducing opening retained earnings by approximately $24.9 million.

As a result of the transition the Group expects the following pre-tax changes to be reflected in its statement of comprehensive income based on leases identified at 31 December 2018:

- an increase of approximately $20-22 million in net finance costs and $23-25 million in depreciation charges;
- a reduction of rental expense of approximately $10-12 million; and
- an increase in other income of approximately $25-27 million.

The transition to IFRS 16 requires the Group to make certain policy choices and elections for various available practical expedients and transitional reliefs. The Group will adopt the following policy and practical expedients:

- The Group has opted not to apply IFRS 16 to leases of intangible assets.
- The Group has opted not to apply IFRS 16 to low value items of under $5,000 and leases with a term of 12 months or less.
- The Group will separate lease and non-lease components from arrangements and account for these separately.
- The Group will not apply IFRS 16 to a portfolio of similar leases and will account for each lease separately.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 26.

Joint venture

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

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

(c) Currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) thathave 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Oil and condensate

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

Credit terms for crude and condensate cargoes are 30 days.

Gas

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

Credit terms are between 20-30 days.

Dividend income

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

(e) Borrowing costs

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

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

(f) Share-based remuneration

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

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

(g) Income tax

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

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

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

(i) Exploration and evaluation assets

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

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

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

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

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

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

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

(j) Oil and gas assets

Assets in development

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

Producing assets

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

Amortisation of oil and gas assets

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

Restoration costs

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

(k) Other plant and equipment

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

Marine	4%
Corporate plant and equipment	20% – 33%

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

(l) Leases

(i) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. The leased asset is measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Impairment of assets

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

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

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

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

(n) Employee benefits

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

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

(o) Investments and other financial assets

(i) Investments

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

(ii) Other financial assets

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

Financial assets are assessed for indicators of impairment through the use of an expected credit loss model. The expected credit loss (ECL) model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk upon initial recognition of the financial assets. In other words, it is not necessary for a credit event to have occurred before credit losses are recognised.

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 14 to 15.

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 judgments 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 17.

Reserve estimates

The estimated reserves are management assessments and take into consideration reviews by an independent third party, Netherland Sewell and Associates, 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 14.

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 26(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 26(d).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

PNG Business Unit (PNG BU)

Development, production and sale of liquefied natural gas, crude oil, natural gas, condensate, naphtha, other refined products and electricity from the Group's interest in its operated assets for PNG crude oil and Hides gas-to-electricity operations and from the Group's interest in the PNG LNG Project.

Exploration

Exploration and evaluation of crude oil and gas in Papua New Guinea and in the United States of America.

Other

This segment includes the Group's ownership of drilling rigs, investment and development towards the Group's power strategy and corporate activities. Net finance costs (excluding the PNG LNG project financing) and income taxes are managed at a Group level.

(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.

2 SEGMENT REPORTING (CONTINUED)

	PNG BU		EXPLORATION		OTHER		TOTAL	
$'000	2018	2017	2018	2017	2018	2017	2018	2017
External revenues	**1,521,792**	1,426,719	**–**	–	**13,969**	19,282	**1,535,761**	1,446,001
Costs of production	**(326,275)**	(294,385)	**–**	–	**–**	–	**(326,275)**	(294,385)
Selling and distribution costs	**(50,755)**	(45,071)	**–**	–	**(1,899)**	(1,018)	**(52,654)**	(46,089)
Rig operating costs	**–**	–	**–**	–	**(1,147)**	(1,656)	**(1,147)**	(1,656)
Corporate	**–**	–	**–**	–	**(31,571)**	(28,988)	**(31,571)**	(28,988)
Foreign currency gains/(losses)	**–**	–	**–**	–	**(2,570)**	(7)	**(2,570)**	(7)
Power costs expensed	**–**	–	**–**	–	**(4,182)**	(6,097)	**(4,182)**	(6,097)
Loss on obsolescence and disposal of asset	**260**	(7,402)	**–**	–	**–**	(856)	**260**	(8,258)
Other income	**3,596**	2,915	**–**	–	**5,983**	7,054	**9,579**	9,969
Other expenses	**–**	(123)	**–**	–	**(17,202)**	(18,266)	**(17,202)**	(18,389)
EBITDAX	**1,148,618**	1,082,653	**–**	–	**(38,619)**	(30,552)	**1,109,999**	1,052,101
Depreciation and amortisation	**(318,186)**	(369,273)	**–**	–	**(7,908)**	(11,298)	**(326,094)**	(380,571)
Exploration costs expensed	**–**	–	**(66,663)**	(35,928)	**–**	–	**(66,663)**	(35,928)
EBIT	**830,432**	713,380	**(66,663)**	(35,928)	**(45,527)**	(41,850)	**717,242**	635,602
Net finance costs	**(188,523)**	(184,394)			**(21,327)**	(10,334)	**(209,850)**	(194,728)
Profit/(loss) before income tax							**507,392**	440,874
Income tax expense							**(166,190)**	(138,782)
Net profit/(loss) after tax							**341,202**	302,092
Capital expenditure								
Exploration and evaluation assets	**–**	–	**714,796**	169,522	**–**	–	**714,796**	169,522
Oil and gas assets – development and production	**58,520**	70,756	**–**	–	**–**	–	**58,520**	70,756
Other plant and equipment	**–**	–	**–**	–	**62,047**	37,341	**62,047**	37,341
	58,520	70,756	**714,796**	169,522	**62,047**	37,341	**835,363**	277,619

Geographical segments

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

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

In 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	2018	2017	2018	2017
PNG	**1,535,761**	1,446,001	**8,305,847**	8,364,394
USA	**–**		**477,169**	–
Australia	**–**	–	**64,603**	54,886
Other	**–**	–	**133,316**	127,718
Total	**1,535,761**	1,446,001	**8,980,935**	8,546,998

(1) Non-current assets exclude deferred taxes of $761.0 million (2017: $678.1 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 $240.0 million or 16% of the Group's total revenue (2017: $260.0 million, 18%).

Revenue from one customer represents approximately $240.6 million or 16% of the Group's total revenue (2017: $233.7 million, 16%).

Revenue from one customer represents approximately $257.7 million or 17% of the Group's total revenue (2017: $225.4 million, 15%).

Revenue from one customer represents approximately $157.3 million or 10% of the Group's total revenue (2017: $206.3 million, 14%).

Revenue from one customer represents approximately $186.7 million or 12% of the Group's total revenue (2017: $186.3 million, 13%).

3 REVENUE

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Liquefied natural gas sales	**1,124,929**	952,629	**–**	–
Oil and condensate sales	**326,007**	394,944	**–**	–
Gas sales	**35,144**	40,444	**–**	–
Other revenue	**36,318**	44,984	**–**	–
	1,522,398	1,433,001	**–**	–
Drilling rig and camp lease revenue	**13,363**	13,000		
Total revenue	**1,535,761**	1,446,001	**–**	–

4 COST OF SALES

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Costs of production:				
Production costs	**(290,027)**	(262,813)	**–**	–
Royalties and levies	**(13,207)**	(10,535)	**–**	–
Gas purchases	**(16,911)**	(18,157)	**–**	–
Other costs of production	**(5,657)**	–	**–**	–
Inventory movements	**(473)**	(2,880)	**–**	–
	(326,275)	(294,385)	**–**	–
Selling and distribution costs	**(52,654)**	(46,089)	**–**	–
Rig operating costs	**(1,147)**	(1,656)	**–**	–
Depreciation and amortisation				
Oil and gas assets	**(309,979)**	(362,221)	**–**	–
Marine assets	**(7,051)**	(7,051)	**–**	–
Rig assets	**(1,156)**	(3,646)	**–**	–
Total cost of sales	**(698,262)**	(715,048)	**–**	–

5 OTHER EXPENSES

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Corporate[1]	**(31,571)**	(28,988)	**(5,881)**	(5,660)
Exploration costs expensed	**(66,663)**	(35,928)	**(35)**	(479)
Power costs expensed	**(4,182)**	(6,097)	**–**	–
Acquisition related expenses	**–**	–	**–**	(28)
Impairment	**–**	–	**(563)**	(6,580)
Depreciation	**(7,908)**	(7,653)	**–**	–
Loss on obsolescence and disposal of assets	**260**	(8,258)	**–**	–
Donations	**(16,502)**	(13,207)		
Other	**(700)**	(5,182)	**(1,015)**	(991)
Foreign currency gain/(loss)	**(2,570)**	(7)	**–**	–
Total other expenses	**(129,836)**	(105,320)	**(7,494)**	(13,738)

(1) Includes business development costs of $2.0 million (2017: $3.2 million) on a consolidated basis.

6 NET FINANCE COSTS

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Interest income	**19,405**	17,495	**–**	–
Finance leases	**(17,700)**	(17,975)	**–**	–
Borrowing costs	**(196,014)**	(184,135)	**(45)**	(513)
Unwinding of discount on site restoration	**(15,541)**	(10,113)	**(121)**	–
Net finance costs	**(209,850)**	(194,728)	**(166)**	(513)

7 INCOME TAX

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
The major components of tax expenses are:				
Current tax expense	**(29,392)**	(18,127)	**–**	–
Adjustments for current tax of prior periods	**(9,641)**	(419)	**(7)**	(135)
Deferred tax (expense)/income	**(127,157)**	(120,236)	**1,637**	3,747
Income tax (expense)/benefit	**(166,190)**	(138,782)	**1,630**	3,612
Reconciliation of income tax expense to prima facie tax payable:				
Profit/(loss) before tax	**507,392**	440,874	**106,612**	(14,251)
Tax at PNG rate of 30%	**(152,218)**	(132,263)	**(31,984)**	4,276
Additional Profits Tax payable	**(6,767)**	(16,880)	**–**	–
Effect of differing tax rates across tax regimes	**(1,341)**	1,643	**–**	–
	(160,326)	(147,500)	**(31,984)**	4,276
Tax effect of items not tax deductible or assessable:				
(Under)/over provisions in prior periods	**(9,641)**	15	**(7)**	(135)
Non-deductible expenditure	**(1,997)**	(2,528)	**(495)**	(2,570)
Non-assessable income	**–**	244	**34,282**	–
Reinstatement of deferred tax assets	**5,774**	10,987	**(166)**	2,041
Income tax (expense)/benefit	**(166,190)**	(138,782)	**1,630**	3,612
Deferred tax (expense)/income recognised in net profit/(loss) for each type of temporary difference:				
Exploration, development and production	**(153,389)**	(191,815)	**136**	(2,159)
Other assets	**2,323**	1,973	**–**	–
Provisions and accruals	**(7,386)**	59,413	**34**	2,671
Other items	**1,025**	(1,035)	**–**	386
Tax losses	**30,270**	11,228	**1,467**	2,849
Deferred tax (expense)/income	**(127,157)**	(120,236)	**1,637**	3,747

7 INCOME TAX (CONTINUED)

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	PARENT 2018 $'000	PARENT 2017 $'000
Deferred tax assets				
Temporary differences:				
Exploration, development and production	**227,597**	229,312	**20,879**	20,981
Other assets	**6,251**	3,488	**–**	–
Provisions	**219,834**	226,265	**3,185**	3,204
Other differences	**6,260**	29	**–**	–
Tax losses recognised	**46,088**	12,885	**4,425**	2,849
Tax credits	**254,934**	206,161	**–**	–
	760,964	678,140	**28,489**	27,034
Deferred tax liabilities				
Temporary differences:				
Exploration, development and production	**1,024,674**	870,679	**–**	–
Prepayments and receivables	**1,412**	–	**–**	–
Other assets	**41,930**	42,913	**–**	–
Other differences	**8,161**	93	**–**	–
	1,076,177	913,685	**–**	–

8 EARNINGS PER SHARE

	CONSOLIDATED 2018 CENTS	CONSOLIDATED 2017 CENTS
Basic earnings per share	**22.39**	19.83
Diluted earnings per share	**22.32**	19.77

	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	**1,523,631,192**	1,523,268,608
Employee share rights	**1,764,126**	1,504,143
Employee performance rights	**3,549,532**	3,163,920
Diluted earnings per share	**1,528,944,850**	1,527,936,671

Basic earnings and diluted earnings per share have been calculated on a net profit after tax of $341.2 million (2017: $302.1 million). There are 1,764,126 share rights (2017: 1,504,143) and 3,549,532 performance rights (2017: 3,163,920) 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 2018, the Restricted Share Plan Trust held 4,953 (2017: 347) 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.

9 DIVIDENDS PAID OR PROPOSED

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	PARENT 2018 $'000	PARENT 2017 $'000
Unfranked[1] dividends in respect of the year, proposed subsequent to the year end:				
Ordinary dividend[2]	**129,509**	83,800	**129,509**	83,800
	129,509	83,800	**129,509**	83,800
Unfranked[1] dividends paid during the year:				
Ordinary – previous year final	**83,800**	38,067	**83,800**	38,067
Ordinary – current year interim[3]	**30,473**	60,947	**30,473**	60,947
	114,273	99,014	**114,273**	99,014

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

(2) On 18 February 2019, the Directors declared a final unfranked dividend of US 8.5 cents per ordinary share for the current year (2017: US 5.5 cents final dividend) to be paid on 28 March 2019. The proposed final dividend for 2018 is payable to all holders of ordinary shares on the Register of Members on 6 March 2019 (record date). The proposed final dividend has not been included as a liability in these financial statements.

(3) On 20 August 2018, the Directors declared an interim unfranked dividend of US 2 cents per ordinary share (2017: US 4 cent interim dividend), paid to the holders of ordinary shares on 5 September 2018.

10 RECEIVABLES

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current				
Trade debtors[1],[2]	**151,372**	119,536	**–**	–
Other debtors[1],[3]	**77,333**	36,779	**–**	–
Amounts due from subsidiary entities[4]	**–**	–	**57,150**	582,243
	228,705	156,315	**57,150**	582,243

(1) During 2018, no current receivables have been determined to be impaired and no related impairment loss has been charged to the statement of comprehensive income (2017: nil).

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

(3) Other debtors include $43.5 million related to spend on the NiuPower and NiuEnergy joint ventures that will be settled as an investment in joint ventures pending the completion of certain commercial agreements.

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

11 INVENTORIES

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current				
Materials and supplies	**77,416**	82,537	**–**	–
Petroleum products	**13,012**	12,481	**–**	–
	90,428	95,018	**–**	–

12 OTHER ASSETS

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-current				
Deposits	**860**	2,570	**–**	–
Prepayments – other	**8,743**	6,941		
Prepayments made to third party[1]	**73,813**	71,646	**–**	–
	83,416	81,157	**–**	–

(1) Refer to note 13 Other financial assets for further explanation.

13 OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-current				
Loan receivable	**59,408**	52,045	**–**	–

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.

14 EXPLORATION AND EVALUATION ASSETS

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At cost	**2,991,283**	2,318,816	**135,945**	107,336
Less impairment	**(646,465)**	(646,464)	**(23,792)**	(23,793)
	2,344,818	1,672,352	**112,153**	83,543
Balance at start of year	**1,672,352**	1,521,371	**83,543**	66,017
Additions[1]	**714,796**	169,522	**28,684**	9,548
Exploration costs expensed	**(66,663)**	(35,928)	**(350)**	(479)
Changes in restoration obligations	**26,387**	16,748	**276**	8,457
Net exchange differences	**(2,054)**	639	**–**	–
Balance at end of year	**2,344,818**	1,672,352	**112,153**	83,543

(1) Includes the acquisition of exploration licences in Alaska for a total purchase price of US$434.4 million.

Exploration and evaluation assets include $1,556.9 million (2017: $1,054.5 million) of licence acquisition costs that are classified as intangible assets.

15 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED OIL AND GAS			CONSOLIDATED OTHER PLANT AND EQUIPMENT			
	DEVELOPMENT $'000	PRODUCING $'000	TOTAL $'000	MARINE $'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**
2017							
At cost	28,961	9,139,795	9,168,756	138,020	88,198	177,209	403,427
Accumulated amortisation, depreciation and impairment	–	(2,633,013)	(2,633,013)	(17,033)	(69,495)	(111,198)	(197,726)
	28,961	6,506,782	6,535,743	120,987	18,703	66,011	205,701
Balance at 1 January 2017	–	6,646,293	6,646,293	128,038	18,630	40,001	186,669
Additions	30,103	40,653	70,756	–	4,153	33,188	37,341
Transfers	(1,142)	1,142	–	–	–	–	–
Disposals	–	–	–	–	(434)	(509)	(943)
Changes in restoration obligations	–	180,915	180,915	–	–	61	61
Net exchange differences	–	–	–	–	–	923	923
Amortisation and depreciation	–	(362,221)	(362,221)	(7,051)	(3,646)	(7,653)	(18,350)
Balance at 31 December 2016	28,961	6,506,782	6,535,743	120,987	18,703	66,011	205,701

16 PAYABLES

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current				
Payables and accruals[1]	**321,536**	194,160	**1,157**	22,275
Deferred lease liability	**4,948**	4,994	**–**	–
	326,484	199,154	**1,157**	22,275
Non-current				
Other payables	**10,294**	11,636	**–**	–
Deferred lease liability	**13,100**	13,151	**–**	–
	23,394	24,787	**–**	–

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

17 PROVISIONS

		CONSOLIDATED		PARENT	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current					
Employee entitlements	(i)	**7,570**	6,908	**–**	–
Site restoration	(ii)	**11,556**	21,915	**228**	486
Other provisions		**191**	210	**–**	–
		19,317	29,033	**228**	486
Non-current					
Employee entitlements	(i)	**11,836**	11,952	**–**	–
Site restoration	(ii)	**557,332**	572,242	**10,389**	10,406
Other provisions		**526**	526	**–**	–
		569,694	584,720	**10,389**	10,406

(i) Movement in employee entitlements provision

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at start of year	**18,860**	16,065	**–**	–
Additional provision recognised	**6,395**	7,761	**–**	–
Provision utilised	**(5,849)**	(4,966)	**–**	–
Balance at end of year	**19,406**	18,860	**–**	–

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 and PNG. 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at start of year	**594,157**	385,254	**10,892**	2,435
Change in provision	**(19,808)**	202,204	**(396)**	8,457
Provision utilised	**(16,658)**	(598)	**–**	–
Excess provision released	**(4,344)**	(2,816)	**–**	–
Unwinding of discount	**15,541**	10,113	**121**	–
Balance at end of year	**568,888**	594,157	**10,617**	10,892

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.

18 BORROWINGS

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current				
Finance lease	**2,539**	2,229	**–**	–
Secured loan from joint operation[1]	**354,200**	331,901	**–**	–
	356,739	334,130	**–**	–
Non-current				
Finance lease	**128,678**	131,219	**–**	–
Secured loan from joint operation[1]	**2,939,357**	3,293,557	**–**	–
	3,068,035	3,424,776	**–**	–

(1) Details regarding borrowings are contained in Note 27(f).

19 SHARE CAPITAL AND RESERVES

		CONSOLIDATED		PARENT	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Issued 1,523,631,192 (2017: 1,523,631,192)					
Ordinary shares, fully paid (no par value)		**3,152,443**	3,152,443	**3,152,443**	3,152,443
Reserves at the end of the year					
Foreign currency translation reserve	(i)	**(19,162)**	(17,157)	**–**	–
Amalgamation reserve	(ii)	**–**	–	**(2,990)**	(2,990)
Reserve for treasury shares	(iii)	**2,969**	3,663	**5,589**	6,283
Employee equity compensation reserve	(iv)	**10,745**	7,060	**5,082**	1,398
		(5,448)	(6,434)	**7,681**	4,691

(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.

20 STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash at bank and on hand[1],[2]	**429,336**	383,219	**–**	–
Share of cash in joint operations	**9,221**	11,627	**–**	–
Interest-bearing short-term deposits	**162,000**	620,400	**–**	–
	600,557	1,015,246	**–**	–

(1) Includes $308.6 million (2017: $275.4 million) escrowed in the PNG LNG Project account. Refer to Note 27 for further details.

(2) Includes $12.0 million (2017: $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.

20 STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of cash flows from operating activities

	CONSOLIDATED 2018 $'000	CONSOLIDATED 2017 $'000	PARENT 2018 $'000	PARENT 2017 $'000
Net profit/(loss) after tax	**341,202**	302,092	**108,242**	(10,639)
Add/(deduct):				
Exploration costs expensed(1)	**–**	21,941	**–**	–
Impairment expense	**–**	–	**563**	6,580
Stock obsolescence and disposal of assets	**(260)**	8,258	**–**	–
Depreciation and amortisation	**326,095**	380,571	**–**	–
Unwinding of site restoration discount	**15,542**	10,113	**121**	–
Employee share-based remuneration	**11,229**	8,950	**–**	–
Exchange (gain)/losses - unrealised	**1,521**	(1,074)	**–**	–
Movement in tax provisions	**79,086**	78,342	**(2,806)**	(3,592)
(Increase)/decrease in receivables	**(80,375)**	(4,118)	**(2,995)**	(39)
(Increase)/decrease in inventories	**7,801**	395	**–**	–
Increase/(decrease) in payables	**147,989**	42,649	**1,854**	(130)
(Increase)/decrease in current and non-current assets	**6,496**	(8,792)	**–**	(71)
Increase/(decrease) in provisions	**(1,694)**	4,255	**(671)**	–
	513,430	541,490	**(3,934)**	2,748
Net cash from/(used in) operating activities	**854,632**	843,582	**104,308**	(7,891)

(1) Exploration costs expensed totalled $66.7 million (2017: $35.9 million), with no adjustment for unsuccessful well write off costs (2017: $21.9 million).

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

CONSOLIDATED	2017 $'000	CASH (OUTFLOWS)/ INFLOWS $'000	NON-CASH CHANGES: ACQUISITION $'000	NON-CASH CHANGES: FAIR VALUE CHANGES $'000	NON-CASH CHANGES: 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						
Loan receivable	(52,045)	(2,167)	–	–	(5,196)	**(59,408)**
Contributions receivable for employee share scheme	(4,565)	4,246	–	–	(4,055)	**(4,374)**
	(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)**

21 EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Salaries and short-term benefits	**147,509**	145,221	**–**	–
Post-employment benefits	**4,961**	4,473	**–**	–
Employee share-based payments	**11,229**	8,950	**–**	–
Total	**163,699**	158,644	**–**	–

Employee Share Rights, Share Option Plan and Share Appreciation Rights Plans

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. Commencing with the 2014 grant, Share Appreciation Rights are no longer awarded.

There are currently 975 (2017: 924) employees participating in the Employee Share Rights.

	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Grant date	**18 Oct 2018**	18 Oct 2018	18 Oct 2018	18 Oct 2018	18 Oct 2018	18 Oct 2018	18 Oct 2018	18 Oct 2018	18 Oct 2018	21 May 2018
Share price at grant date	**A$8.56**	A$8.56	A$8.56	A$8.56	A$8.56	A$8.56	A$8.56	A$8.56	A$8.56	A$8.50
Fair value	**A$8.24**	A$8.40	A$8.26	A$8.42	A$8.26	A$8.43	A$8.43	A$8.19	A$8.35	A$7.89
Exercise date	**12 Sep 2020**	12 Sep 2019	23 July 2020	23 July 2019	12 July 2020	12 July 2019	1 July 2019	1 Jan 2021	1 Jan 2020	1 March 2022
Exercise price	**A$ nil**	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil
Number of awards										
Balance as at 1 Jan 2018	**–**	–	–	–	–	–	–	–	–	–
Granted during year	**7,833**	7,833	19,518	19,518	3,000	3,000	2,500	8,350	8,350	25,000
Forfeited during year	**–**	–	–	–	–	–	–	–	–	–
Exercised during year	**–**	–	–	–	–	–	–	–	–	–
Balance at 31 Dec 2018	**7,833**	7,833	19,518	19,518	3,000	3,000	2,500	8,350	8,350	25,000
Avg. share price at date of exercise	**–**	–	–	–	–	–	–	–	–	–

	2018	2018	2018	2018	2018	2017	2016	2015	2014
Grant date	**21 May 2018**	21 May 2018	21 May 2018	21 May 2018	21 May 2018	22 May 2017	16 May 2016	18 May 2015	19 May 2014
Share price at grant date	**A$8.50**	A$8.50	A$8.50	A$8.50	A$8.50	A$7.38	A$6.70	A$8.15	A$9.04
Fair value	**A$8.04**	A$8.20	A$8.28	A$8.45	A$8.01	A$7.14	A$6.61	A$6.86	A$8.46
Exercise date	**1 March 2021**	1 March 2020	1 Sep 2019	1 Sep 2018	21 May 2021	22 May 2020	17 May 2019	18 May 2018	19 May 2017
Exercise price	**A$ nil**	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil
Number of awards									
Balance as at 1 Jan 2018	**–**	–	–	–	–	688,090	593,294	429,424	–
Granted during year	**25,000**	25,000	5,800	5,800	816,540	–	–	–	–
Forfeited during year	**–**	–	–	–	(17,771)	(34,663)	(58,292)	(9,946)	–
Exercised during year	**–**	–	–	(5,800)	–	–	–	(419,478)	–
Balance at 31 Dec 2018	**25,000**	25,000	5,800	–	798,769	653,427	535,002	–	–
Avg. share price at date of exercise	**–**	–	–	A$8.96	–	–	–	A$8.55	–
Balance at 1 Jan 2017	**–**	–	–	–	–	–	648,396	474,597	374,716
Granted during year	**–**	–	–	–	–	717,446	–	–	–
Forfeited during year	**–**	–	–	–	–	(29,356)	(55,102)	(45,173)	(16,693)
Exercised during year	**–**	–	–	–	–	–	–	–	(358,023)
Balance at 31 Dec 2017	**–**	–	–	–	–	688,090	593,294	429,424	–
Avg. share price at date of exercise	**–**	–	–	–	–	–	–	–	A$7.25

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

21 EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS (CONTINUED)

	2018	2017	2016	2015	2014
Volatility	32%	28%	30%	30%	20%
Dividend yield	1.98%	1.1%	0.70%	2.2%	2.2%
Risk-free interest rate	2.19%	1.76%	1.57%	2.1%	2.85%

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 two peer groups are:

- the ASX50 (excluding property trusts and non-standard listings); and
- the constituents of the Standard and Poor's Global Energy Index. TSR outcomes for this international group are normalised against a US dollar base currency to provide consistency of measurement.

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 performance rights 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 56 (2017: 49) employees participating in the Performance Rights Plans.

	2018	2018	2017	2016	2015
Grant date	**21 Jun 2018**	21 May 2018	22 May 2017	16 May 2016	18 May 2015
Share price at grant date	**A$8.50**	A$8.50	A$7.38	A$6.75	A$8.15
Fair value	**A$8.50**	A$5.23	A$4.68	A$3.59	A$3.00
Exercise date	**Note 1**	21 May 2021	22 May 2020	17 May 2019	18 May 2018
Exercise price	**A$ nil**	A$ nil	A$ nil	A$ nil	A$ nil
Number of rights					
Balance at 1 January 2018	**–**	–	1,184,700	1,127,316	889,072
Granted during year	**500,935**	1,332,666	–	–	–
Forfeited during year	**(38,920)**	(62,731)	(83,732)	(35,212)	(661,291)
Exercised during year	**–**	–	–	–	(227,781)
Balance at 31 December 2018	**462,015**	1,269,935	1,100,968	1,092,104	–
Average share price at date of exercise	**–**	–	–	–	A$8.55
Balance at 1 January 2017	**–**	–	–	1,142,370	917,384
Granted during year	**–**	–	1,184,700	–	–
Forfeited during year	**–**	–	–	(15,054)	(28,312)
Exercised during year	**–**	–	–	–	–
Balance at 31 December 2017	**–**	–	1,184,700	1,127,316	889,072
Average share price at date of exercise	**–**	–	–	–	–

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

21 EMPLOYEE BENEFITS AND SHARE-BASED PAYMENTS (CONTINUED)

	2018	2017	2016	2015
Volatility	**32%**	28%	30%	30%
Dividend yield	**1.98%**	1.1%	0.70%	2.2%
Risk-free interest rate	**2.19%**	1.76%	1.57%	2.1%

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 12 (2017: 10) employees participating in the Restricted Share Plan.

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

EXECUTIVES	2018	2018	2017	2016	2016	2016	2015	2015	2015
Grant date	**21 May 2018**	21 May 2018	19 May 2017	12 Jul 2016	12 Jul 2016	16 May 2016	2 Nov 2015	18 May 2015	2 Mar 2015
Share price at grant date	**A$8.50**	A$8.50	A$7.25	A$6.80	A$6.80	A$6.75	A$7.79	A$7.33	A$8.12
Exercise date	**1 July 2020**	1 Jan 2020	1 Jan 2019	10 Jul 2018	10 Jul 2019	1 Jan 2018	30 Oct 2017	1 Jan 2017	31 Dec 2017
Exercise price	**$A nil**	$A nil	$A nil	$A nil	$A nil	$A nil	$A nil	$A nil	$A nil
Number of shares									
Balance at 1 January 2018	**–**	–	627,304	20,070	33,450	539,331	–	–	–
Granted during year	**13,577**	626,597	–	–	–	–	–	–	–
Forfeited during year	**–**	–	–	–	–	–	–	–	–
Vested during year	**–**	–	–	(20,070)	–	(539,331)	–	–	–
Balance at 31 December 2018	**13,577**	626,597	627,304	–	33,450	–	–	–	–
Balance at 1 January 2017	**–**	–	–	20,070	33,450	539,331	31,250	513,752	50,000
Granted during year	**–**	–	627,304	–	–	–	–	–	–
Forfeited during year	**–**	–	–	–	–	–	–	–	–
Vested during year	**–**	–	–	–	–	–	(31,250)	(513,752)	(50,000)
Balance at 31 December 2017	**–**	–	627,304	20,070	33,450	539,331	–	–	–

22 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'		EXECUTIVES	
	2018 $	2017 $	2018 $	2017 $
Short-term benefits	**5,096,175**	5,922,528	**7,012,364**	6,991,929
Long-term benefits	**(164,278)**	68,520	**17,198**	186,572
Post-employment benefits	**37,426**	50,585	**124,587**	113,912
Share-based payments	**2,834,583**	2,537,016	**3,156,987**	2,670,478
Termination benefits	**263,771**	–	**138,386**	–
	8,067,677	8,578,649	**10,449,522**	9,962,891

22 KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

The number of directors and executives of Oil Search Limited whose remuneration falls within the following bands:

	DIRECTORS'		EXECUTIVES	
	2018 NO.	2017 NO.	2018 NO.	2017 NO.
$20,000 – $29,999	–	–	–	–
$40,000 – $49,999	–	–	–	–
$110,000 – $119,999	–	–	–	–
$130,000 – $139,999	2	–	–	–
$150,000 – $159,999	–	–	–	–
$160,000 – $169,999	–	1	–	–
$170,000 – $179,999	2	–	–	–
$180,000 – $189,999	2	3	–	–
$190,000 – $199,999	1	–	–	–
$200,000 – $209,999	–	2	–	–
$230,000 – $239,999	1	–	–	–
$380,000 – $389,999	1	–	–	–
$390,000 – $399,999	–	–	–	–
$400,000 – $409,999	–	–	–	–
$410,000 – $419,999	–	1	–	–
$560,000 – $569,999	–	–	–	1
$900,000 – $909,999	–	–	–	1
$930,000 – $939,999	–	–	2	–
$970,000 – $979,999	–	–	–	–
$1,020,000 – $1,029,999	–	–	–	–
$1,030,000 – $1,039,999	–	–	–	–
$1,090,000 – $1,099,999	–	–	1	1
$1,100,000 – $1,109,999	–	–	–	–
$1,130,000 – $1,139,999	–	–	–	–
$1,140,000 – $1,149,999	–	–	–	–
$1,170,000 – $1,179,999	–	1	–	–
$1,200,000 – $1,209,999	–	–	–	–
$1,230,000 – $1,239,999	–	–	–	–
$1,240,000 – $1,249,999	–	–	–	1
$1,270,000 – $1,279,999	–	–	1	–
$1,280,000 – $1,289,999	–	–	–	–
$1,340,000 – $1,349,999	–	–	–	1
$1,380,000 – $1,389,999	–	–	1	–
$1,390,000 – $1,399,999	–	–	1	1
$1,400,000 – $1,409,999	–	–	–	–
$1,500,000 – $1,509,999	–	–	1	1
$1,670,000 – $1,679,999	–	–	–	–
$1,910,000 – $1,919,999	–	–	1	1
$2,060,000 – $2,069,999	–	–	–	–
$5,800,000 – $5,809,999	–	–	–	–
$5,840,000 – $5,849,999	1	1	–	–

23 KEY MANAGEMENT PERSONNEL TRANSACTIONS

The directors and other key management personnel of Oil Search Limited during the year to 31 December 2018 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]	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Directors						
Mr Peter Botten	**3,347,330**	2,368,039	**1,148,084**	877,900	**530,660**	506,841
Mr Gerea Aopi[2]	**511,687**	497,223	**64,716**	177,300	**86,841**	85,696
Sir Kostas Constantinou	**–**	–	**–**	–	**–**	–
Dr Eileen Doyle	**36,050**	30,800	**–**	–	**–**	–
Ms Fiona Harris	**31,961**	31,961	**–**	–	**–**	–
Dr Agu Kantsler	**45,736**	45,736	**–**	–	**–**	–
Mr Richard Lee	**96,829**	96,829	**–**	–	**–**	–
Mr Keith Spence[3]	**–**	25,000	**–**	–	**–**	–
Sir Melchior Togolo	**–**	–	**–**	–	**–**	–
Ms Susan Cunningham[4]	**–**	–	**–**	–	**–**	–
Dr Bakheet Al Katheeri[4]	**–**	–	**–**	–	**–**	–
Other key management personnel						
Mr Paul Cholakos	**366,326**	313,803	**229,075**	182,796	**89,572**	88,390
Dr Julian Fowles	**166,020**	106,134	**96,375**	186,278	**91,289**	140,085
Mr Stephen Gardiner	**483,749**	431,081	**241,010**	186,797	**101,769**	89,523
Mr Michael Herrett	**129,020**	82,981	**194,880**	155,484	**79,969**	76,543
Mr Ian Munro	**–**	–	**226,143**	180,474	**92,830**	87,315
Dr Keiran Wulff	**65,799**	8,590	**240,448**	191,903	**103,377**	95,285
Mr Michael Drew	**2,984**	–	**160,996**	82,497	**51,854**	8,501
Ms Elizabeth White	**77,934**	75,421	**140,964**	62,869	**25,740**	–

(1) Refer to note 21 for key terms.

(2) Resigned as a director effective 16 March 2018.

(3) Resigned as a director effective 20 October 2017.

(4) Appointed to the board on 26 March 2018.

Some directors and other key management personnel, or their related parties, hold positions in other entities that may result in them having control or joint control over those entities.

Four of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties 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	**2018 $'000**	**2017 $'000**
Airways Hotel and Apartments Limited[1]	**504**	335
Airways Residence Limited[1]	**42**	–
Alotau International Hotel[1]	**62**	2
Lamana Hotel Port Moresby[1]	**22**	11

(1) The Group acquired hotel, conference facility and accommodation services from 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.

24 COMMITMENTS

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Finance lease commitments				
Payable within 12 months	**19,931**	19,931	**–**	–
Payable 1 to 5 years	**79,724**	79,724	**–**	–
Payable greater than 5 years	**225,496**	245,429	**–**	–
	325,151	345,084	**–**	–
Future finance charges	**(193,934)**	(211,636)	**–**	–
Finance lease liability	**131,217**	133,448	**–**	–
Operating lease commitments				
Payable within 12 months	**52,609**	39,368	**–**	–
Payable 1 to 5 years	**147,297**	119,594	**–**	–
Payable greater than 5 years	**105,011**	131,510	**–**	–
	304,917	290,472	**–**	–
Expenditure commitments				
Capital expenditure commitments	**175,644**	112,369	**16,109**	28,109
Other expenditure commitments	**112,399**	118,348	**–**	–
	288,043	230,717	**16,109**	28,109

25 AUDITOR'S REMUNERATION

	CONSOLIDATED		PARENT	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Amounts paid or due and payable in respect of:				
Audit and review of the Group's financial report	**361**	301	**101**	108
Other services	**33**	90	**–**	–
	394	391	**101**	108

The audit fees are in Australian dollars and are translated at 0.7452 (2017: 0.7800).

26 SUBSIDIARIES AND INTERESTS IN JOINT ARRANGEMENTS

(a) Subsidiaries

	OWNERSHIP INTEREST % 2018	OWNERSHIP INTEREST % 2017	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 (ROY) Limited[1]	**–**	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[2]	**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 (ROY) Limited was sold during 2018.

(2) 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.

26 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 2018	% INTEREST 2017
PPL 339[1]	PNG	**37.50**	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	PNG	**37.50**	37.50
PPL 507	PNG	**37.50**	37.50
PRL 3	PNG	**38.51**	38.51
PRL 9[1]	PNG	**45.11**	45.11
Block 7[3]	Yemen	**–**	34.00
PPL 474[2]	PNG	**25.00**	–
PPL 475[2]	PNG	**25.00**	–
PPL 476[2]	PNG	**25.00**	–
PRL39[2]	PNG	**25.00**	–
Antigua[4]	USA	**25.50**	–
Atlas A[4]	USA	**25.50**	–
Atlas B[4]	USA	**25.50**	–
Grizzly[4]	USA	**51.00**	–
Harrison Bay[4]	USA	**25.50**	–
Kachemach[4]	USA	**25.50**	–
Thetis[4]	USA	**25.50**	–
Horseshoe[4]	USA	**37.50**	–
Hue Shale[4]	USA	**37.50**	–
Pikka Unit [4]	USA	**25.50**	–

(ii) Production assets and other arrangements			
PNG LNG Project[4]	PNG	**29.00**	29.00
Papua New Guinea Liquefied Natural Gas Global Company LDC	Bahamas	**29.00**	29.00

(c) Interests in other arrangements

NiuPower Limited[5]	PNG	**50.00**	–
NiuEnergy Limited[5]	PNG	**50.00**	–

(1) Operated by an Oil Search Group entity.
(2) Subject to regulatory approval.
(3) Block 7 was sold to Petsec Energy Ltd during 2018.
(4) US licences acquired in 2018.
(5) Shareholder Deeds were executed in 2018 to form joint ventures for the generation and supply of electricity in PNG.

26 SUBSIDIARIES AND INTERESTS IN JOINT ARRANGEMENTS (CONTINUED)

(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 2018	% INTEREST 2017
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**	50.00
PPL 548[1]	PNG	**100.00**	–
PPL 595[1]	PNG	**100.00**	–
PPL 385[1]	PNG	**100.00**	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.

27 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 these currencies are purchased in advance of requirements, A$ and PGK cash balances do not exceed three months' requirements.

As at 31 December 2018, there were no foreign exchange hedge contracts outstanding (2017: 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. 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 term debt facilities, whichever is the longer.

As at 31 December 2018, there was no interest rate hedging in place (2017: 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 (2017: 25 basis points) higher or lower and all other variables were held constant, the Group's net profit after tax would decrease/increase by $5.0 million (2017: $4.8 million).

At the reporting date, if interest rates had been 25 basis points (2017: 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 (2017: nil).

27 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
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 deposits	**–**	**–**	**–**	**–**	**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**
2017						
Financial assets						
Cash and cash equivalents	394,846	620,400	–	–	–	1,015,246
Trade debtors	–	–	–	–	119,536	119,536
Other debtors	–	–	–	–	36,779	36,779
Loan receivable	52,045	–	–	–	–	52,045
Non-current receivables	–	–	–	–	2,570	2,570
Total financial assets	446,891	620,400	–	–	158,885	1,226,176
Financial liabilities						
Payables and accruals	–	–	–	–	194,160	194,160
Other payables	–	–	–	–	11,636	11,636
Finance leases	–	2,229	10,956	120,263	–	133,448
Secured loan from Joint operations	2,947,135	–	–	678,323	–	3,625,458
Total financial liabilities	2,947,135	2,229	10,956	798,586	205,796	3,964,702

27 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
2018						
Financial assets						
Amounts due from subsidiary entities	**–**	**–**	**–**	**–**	**57,150**	**57,150**
Total financial assets	**–**	**–**	**–**	**–**	**57,150**	**57,150**
Financial liabilities						
Payables and accruals	**–**	**–**	**–**	**–**	**1,157**	**1,157**
Total financial liabilities	**–**	**–**	**–**	**–**	**1,157**	**1,157**
2017						
Financial assets						
Amounts due from subsidiary entities	–	–	–	–	582,243	582,243
Total financial assets	–	–	–	–	582,243	582,243
Financial liabilities						
Payables and accruals	18,585	–	–	–	3,690	22,275
Total financial liabilities	18,585	–	–	–	3,690	22,275

(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.

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 2018, there was no oil price hedging in place (2017: 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.

27 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 and Moody'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 13).

At 31 December 2018 there was no significant concentration of credit risk exposure to any single counterparty (2017: nil).

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

		CONSOLIDATED		PARENT	
	NOTE	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current					
Cash at bank and on hand	20(a)	**429,336**	383,219	**–**	–
Share of cash in joint operations	20(a)	**9,221**	11,627	**–**	–
Interest-bearing short-term deposits	20(a)	**162,000**	620,400	**–**	–
Receivables	10	**228,705**	156,315	**57,150**	582,243
		829,262	1,171,561	**57,150**	582,243
Non-current					
Other assets - receivables	12	**860**	2,570	**–**	–
Loan receivable	13	**59,408**	52,045	**–**	–
		60,268	54,615	**–**	–

(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.

As at 31 December 2018, the Group has cash of $600.6 million (2017: $1,015.2 million), of which $162.0 million was invested in short-term instruments (2017: $620.4 million), and undrawn loan facilities of $900.0 million (2017: $850 million).

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

27 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**
Finance leases	**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**
2017					
Payables and accruals	194,160	194,160	194,160	–	–
Other payables	11,636	11,636	11,636	–	–
Secured loan from joint operation	3,625,458	4,519,981	496,282	2,069,824	1,953,875
Finance leases	133,448	344,165	19,931	79,724	244,510
Total	3,964,702	5,069,942	722,009	2,149,548	2,198,385

(f) Financing facilities

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 remains undrawn at 31 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.

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.

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 2018 is 29.0% (December 2017: 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 7.5 years remaining on the facility as at 31 December 2018.

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.

27 FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

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.

28 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to balance date, the Directors declared an unfranked final dividend of US 8.5 cents per share, to be paid on 28 March 2019. The proposed final dividend for 2018 is payable to all holders of ordinary shares on the Register of Members on 6 March 2019.

There were no other significant events after balance date.

DIRECTORS' DECLARATION

for the year ended 31 December 2018

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 2018, 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 2018.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

RJ LEE
Chairman

PR BOTTEN
Managing Director

Sydney, 18 February 2018

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 December 2018

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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 consolidated financial statements 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 2018, 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, and the directors' declaration.

In our opinion

(i) the accompanying financial statements give a true and fair view of the Group and the Company's financial position as at 31 December 2018 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*; and

(ii) proper accounting records have been kept by the Group and the Company.

Basis for Opinions

We conducted our audit 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.

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Key Audit Matters

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

Applicable to The Group Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying Value of Exploration and Evaluation Assets The carrying value of Exploration and Evaluation assets at 31 December 2018 is $2,345 million. Refer note 14 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 Group's intention to proceed with a future work programme for a licence, the right of tenure, and where relevant, the likelihood of licence renewal or extension, and the success of exploration and appraisal activities including drilling and geological and geophysical analysis.	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 renewal or extension, assessing on a case by case basis, the reasonableness of management's expectation, that the licence will be extended upon their expiry. • 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 reference to the allocation of future budgeted expenditure. • evaluating the appropriateness of the disclosures in note 14.
Carrying value of Producing and Development Assets The carrying value of Producing and Development assets at 31 December 2018 is $6,241 million. Refer note 15 for further details. The assessment of the carrying value of Producing and Development assets	Our procedures included, but were not limited to: • evaluating and testing the key controls management have in place to assess indicators of impairment for Producing and Development assets.

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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 whether the recoverable amount of the assets needs to be estimated.	• 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. • 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 15.
Accounting for Income Tax The income tax expense for the year ended 31 December 2018 is $166 million and the balances of deferred tax assets and deferred tax liabilities at 31 December 2018 are $761 million and $1,076 million respectively. Refer note 7 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. • 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 against tax returns lodged with tax authorities. • evaluating the appropriateness of the disclosures in note 7.

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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 2018 is \$112 million. Refer note 14 for further details. The Company's accounting policy in respect of Exploration and Evaluation assets is outlined in note 1(i). The assessment of the carrying value of Exploration and Evaluation assets requires management to exercise significant judgement including in respect of the Company's intention to proceed with a future work programme for a licence, the right of tenure, and where relevant, the likelihood of licence renewal or extension and the success of exploration and appraisal activities including drilling and geological and geophysical analysis.	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 renewal or extension, assessing on a case by case basis, the reasonableness of management's expectation, that the licence will be extended upon their expiry. • 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 reference to the allocation of future budgeted expenditure. • evaluating the appropriateness of the disclosures in note 14.

Carrying value of investments in subsidiaries
 	
The Company has investments in subsidiaries at 31 December 2018 of \$2,765 million. Refer note 26 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 2018, including:
	    o 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.
	    o for subsidiaries that primarily hold exploration and evaluation assets, evaluating management's assessment of whether indicators of impairment (including the Company's intention to

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	proceed with a future work programme for a licence, the right of tenure, and where relevant, the likelihood of licence renewal or extension, and the success of exploration and appraisal activities including drilling and geological and geophysical analysis) exist for the underlying exploration and evaluation assets. • evaluating the appropriateness of the disclosures note 26.

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 auditor's report, and the following additional documents which will be included in the annual report: 2018 Highlights, 2018 Review by Richard Lee, Chairman, Update from Peter Botten Managing Director, Financial Overview, Production, Gas Development, PNG Exploration and Appraisal, Alaska, Promoting a Stable Operating Environment, Organisational Capability, 2018 Reserves and Resources, 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 2018 Highlights, 2018 Review by Richard Lee Chairman, Update from Peter Botten Managing Director, Financial Overview, Production, Gas Development, PNG Exploration and Appraisal, Alaska, Promoting a Stable Operating Environment, Organisational Capability, 2018 Reserves and Resources, 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* and for such internal control as the directors determine

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is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's or the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 92 to 117 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Oil Search Limited for the year ended 31 December 2018, 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

DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants
Registered Company Auditor in Australia
Sydney, 18 February 2019

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Benjamin Lee
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby, 18 February 2019

SHAREHOLDER INFORMATION

OIL SEARCH LIMITED

ARBN 055 079 868

(a) The distribution of ordinary shares ranked according to size as at 26 February 2019 was:

SIZE OF HOLDING	NUMBER OF HOLDERS	NUMBER OF SHARES	% OF ISSUED CAPITAL
1 – 1,000	19,654	9,378,939	0.62%
1,001 – 5,000	19,017	46,551,228	3.06%
5,001 – 10,000	4,404	31,554,408	2.07%
10,001 – 100,000	2,688	56,091,617	3.68%
100,001 and over	159	1,380,055,000	90.58%
Total	**45,922**	**1,523,631,192**	**100.00%**

(b) The 20 largest ordinary shareholders representing 87.41% of the ordinary shares as at 26 February 2019 were as follows:

SHAREHOLDER		NUMBER OF SHARES	% OF ISSUED CAPITAL
1.	HSBC Custody Nominees (Australia) Limited	457,787,987	30.05
2.	J P Morgan Nominees Australia Pty Limited	391,647,628	25.70
3.	Aust Executor Trustees Ltd (IPIC)	196,604,177	12.90
4.	Citicorp Nominees Pty Limited	100,367,233	6.59
5.	National Nominees Limited	43,578,901	2.86
6.	BNP Paribas Nominees Pty Ltd (Agency Lending Drp A/C)	43,300,259	2.84
7.	BNP Paribas Nominees Pty Ltd (DRP)	26,588,208	1.75
8.	Australian Foundation Investment Company Limited	16,482,507	1.08
9.	Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	14,802,538	0.97
10.	Warbont Nominees Pty Ltd (Settlement Entrepot A/C)	8,075,000	0.53
11.	National Superannuation Fund Limited	6,171,998	0.41
12.	HSBC Custody Nominees (Australia) Limited (Nt-Comnwlth Super Corp A/C)	6,041,262	0.40
13.	Argo Investments Limited	3,800,000	0.25
14.	AMP Life Limited	3,724,311	0.24
15.	BNP Paribas Nominees Pty Ltd (Agency Lending Collateral)	2,502,000	0.16
16.	Mr Kwok Ching Chow + Ms Pik Yun Peggy Chan	2,475,916	0.16
17.	Mrs Frances Claire Fox (Thomas J Beresford Will A/C)	2,272,000	0.15
18.	Djerriwarrh Investments Limited	1,871,000	0.12
19.	Rice Atlantic Company Limited (Worldwide Assets Holding A/C)	1,865,394	0.12
20.	Spearhead International Limited	1,785,626	0.12
Total		**1,331,743,945**	**87.41%**

(c) Issued capital as at 26 February 2019 was:

- ◊ 1,523,631,192 ordinary fully paid shares
- ◊ 3,924,765 unlisted performance rights
- ◊ 673,624 restricted shares
- ◊ 2,145,019 share rights

The trustee for the employee share plan holds 9,153 shares that are available to satisfy the exercise of employee rights and options and vesting of restricted shares. The shares in the trust are part of the issued capital.

(d) The following interests were registered on the Company's register of Substantial Shareholders as at 26 February 2019:

SHAREHOLDER	NUMBER OF SHARES	% OF ISSUED CAPITAL
Mubadala Investment Company	196,604,177	12.90
The Capital Group Companies	120,438,589	7.90
FIL Limited	91,995,672	6.04

(e) The Company's ordinary fully paid shares are listed on the Australian Securities Exchange and the Port Moresby Stock Exchange. Shares are also listed in the United States of America, via American Depositary Receipts (ADRs).

(f) At 26 February 2019, 1,474 holders held unmarketable parcels of ordinary shares in the Company.

SHAREHOLDER INFORMATION

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 2019 Annual Meeting will be held at the Crowne Hotel, Port Moresby, Papua New Guinea on Friday, 10 May 2019, commencing at 9:30am (Port Moresby time).

2018 FINAL DIVIDEND

The 2018 final dividend will be paid on 28 March 2019 to shareholders registered at the close of business on 6 March 2019.

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 as on the record date, 6 March 2019.

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

SHARE CODES

ASX Share Code: OSH
POMSoX 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.

SHAREHOLDER INFORMATION

KEY ANNOUNCEMENTS IN 2018

JANUARY	23	Release of 2017 4th Quarter results
FEBRUARY	15	Completion of the Alaska North Slope acquisition
	20	Release of 2017 Full Year results
	26	Earthquake in PNG Highlands
MARCH	6	Ex-dividend date for 2017 final dividend
	7	Record date for 2017 final dividend
	20	Release of 2017 Climate Change Resilience Report
	26	Appointments to the Oil Search Board
	29	Payment of 2017 final dividend
		Release of 2017 Annual Report
APRIL	3	Oil Search Central Processing Facility resumes production
	12	P'nyang resource recertification
	13	PNG LNG recommences LNG production
	17	Release of 2018 1st Quarter results
		Assignment of resource to Pikka Unit, Alaska
	30	Restart of second LNG train at PNG LNG plant site
MAY	11	2018 Annual Meeting
JULY	17	Release of 2018 2nd Quarter results
	20	PNG LNG signs SPA with PetroChina
AUGUST	1	Oil Search Agogo Production Facility resumes operations
	17	PNG LNG signs mid-term sales agreement with BP
	21	Release of 2018 Half Year results
SEPTEMBER	4	Ex-dividend date for 2018 interim dividend
	5	Record date for 2018 interim dividend
	25	Payment of 2018 interim dividend
OCTOBER	23	Release of 2018 3rd Quarter results
NOVEMBER	12	Muruk 2 commences drilling
	16	Papua LNG JV signs Memorandum of Understanding with PNG Government
DECEMBER	11	Oil Search establishes US$300 million corporate bilateral facilities
	20	Oil Search Alaska North Slope Assets – Update
	31	End of Financial Year

2019 FINANCIAL CALENDAR(1)

JANUARY	22	Release of 2018 4th Quarter results
FEBRUARY	19	Release of 2018 Full Year results
MARCH	5	Ex-dividend date for 2018 final dividend
	6	Record date for 2018 final dividend
	28	Payment of 2018 final dividend
		Release of 2018 Annual Report
APRIL	16	Release of 2019 1st Quarter results
MAY	10	2019 Annual Meeting
JULY	16	Release of 2019 2nd Quarter results
AUGUST	20	Release of 2019 Half Year results
SEPTEMBER	3	Record date for 2019 interim dividend
		Ex-dividend date for 2019 interim dividend
	24	Payment of 2019 interim dividend
OCTOBER	15	Release of 2019 3rd Quarter results
DECEMBER	31	End of Financial Year

(1) Dates are subject to change.

TEN YEAR SUMMARY

TEN YEAR SUMMARY[1]

INCOME STATEMENT	2018 US$ 000	2017 US$ 000	2016 US$ 000
Revenue	**1,535,761**	1,446,001	1,235,908
Production costs	**(290,027)**	(262,813)	(257,104)
Other operating costs	**(145,314)**	(141,056)	(131,721)
Other income	**9,579**	9,969	5,120
EBITDAX[2]	**1,109,999**	1,052,101	852,203
Depreciation and amortisation	**(326,094)**	(380,571)	(436,702)
Exploration costs expensed	**(66,663)**	(35,928)	(53,164)
Proposed InterOil acquisition	**–**	–	18,694
EBIT	**717,242**	635,602	381,031
Net finance (costs)/income	**(209,850)**	(194,728)	(195,999)
Net impairment (losses)/reversals	**–**	–	–
Profit before income tax	**507,392**	440,874	185,032
Income tax expense	**(166,190)**	(138,782)	(95,237)
Net profit after income tax, significant items	**341,202**	302,092	89,795
Significant items	**–**	–	16,906
Net profit after tax, before significant items	**341,202**	302,092	106,701
Dividends paid – ordinary	**(114,273)**	(99,014)	(76,135)
BALANCE SHEET			
Total assets	**10,673,891**	10,512,498	10,126,129
Total cash	**600,557**	1,015,246	862,748
Total debt[3]	**3,424,774**	3,758,906	4,074,781
Shareholders' equity	**5,165,618**	4,937,754	4,725,316
OTHER INFORMATION			
Average realised oil and condensate price (US$/bbl)	**70.65**	55.68	45.04
Average realised LNG and gas price (US$/mmBtu)	**10.06**	7.67	6.36
Net annual oil and condensate production (mmbbl)	**5.03**	7.56	8.58
Net annual gas production (bcf)	**102.90**	116.04	110.46
Total BOE net annual production (mmboe)	**25.2**	30.3	30.24
Exploration and evaluation expenditure incurred (US$'000)	**714,796**	169,544	151,761
Assets in development expenditure incurred (US$'000)	**36,797**	30,102	9,611
Producing assets expenditure incurred (US$'000)	**21,723**	40,654	38,250
Operating cash flow (US$'000)	**854,632**	843,585	555,116
Operating cash flow per ordinary share (US cents)	**56.10**	55.40	36.46
Diluted EPS (including significant items) (US cents)	**22.3**	19.8	5.9
Basic EPS (excluding significant items) (US cents)	**22.4**	19.8	7.0
Ordinary dividend per share (US cents)	**10.5**	9.5	3.5
Special dividend per share (US cents)	**–**	–	–
Gearing (%)[4]	**35.3%**	37.0%	40.5%
Return on average shareholders' funds (%)	**10.0%**	9.1%	3.9%
Number of issued shares – ordinary (000's)	**1,523,631**	1,523,631	1,522,693
EXCHANGE RATES			
Year end A$: US$	**0.705**	0.779	0.724
Average A$: US$	**0.748**	0.767	0.744
SOCIAL RESPONSIBILITY			
Total paid to PNG Government (US$'000)	**114,714**	62,728	68,279
Total invested in sustainable development activities (US$'000)	**66,017**	14,974	13,934
Total Recordable Incident Rate (per million hours worked)	**1.58**	1.93	1.53
Number of significant spills (>100bbl)	**–**	–	–
Total greenhouse gas emissions ((ktCO_2-e)	**570**	962	941
Greenhouse gas emissions intensity (ktCO_2-e /mmboe)[5]	**44**	50	46
Total number of employees[6]	**1,410**	1,286	1,206
Females in senior management (%)	**23**	22	21
PNG nationals in senior management (%)	**20**	23	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 finance leases.
(4) Net debt / (net debt and shareholders' funds).

TEN YEAR SUMMARY

2015 US$ 000	2014 US$ 000	2013 US$ 000	2012 US$ 000	2011 US$ 000	2010 US$ 000	2009 US$ 000
1,585,728	1,610,370	766,265	724,619	732,869	583,560	512,154
(294,818)	(235,380)	(126,442)	(112,042)	(93,919)	(87,770)	(84,104)
(154,469)	(125,769)	(87,392)	(88,244)	(53,362)	(24,078)	(18,663)
14,841	7,762	216	45,079	138	3,158	14,914
1,151,282	1,256,983	552,647	569,412	585,726	474,870	424,301
(407,753)	(252,671)	(50,201)	(49,457)	(51,307)	(49,874)	(105,416)
(50,889)	(109,132)	(107,424)	(143,970)	(60,633)	(131,188)	(75,729)
–	–	–	–	–	–	–
692,640	895,180	395,022	375,985	473,786	293,808	243,156
(185,114)	(129,595)	(15,152)	(4,557)	(658)	(826)	(3,326)
(399,271)	(180,593)	–	(23,793)	(33,227)	(15,808)	–
108,255	584,992	379,870	347,635	439,901	277,174	239,830
(147,636)	(231,774)	(174,148)	(171,801)	(237,418)	(91,572)	(106,150)
(39,381)	353,218	205,722	175,834	202,483	185,602	133,680
399,271	180,593	–	22,796	(33,227)	41,488	34,058
359,890	533,811	205,722	198,630	169,256	227,090	167,738
(274,085)	(60,308)	(53,532)	(53,143)	(52,663)	(52,087)	(67,359)
10,342,835	10,727,247	8,421,537	7,102,721	5,702,034	4,370,067	3,077,390
910,479	960,166	209,661	488,274	1,047,463	1,263,589	1,288,077
4,302,650	4,421,065	4,024,421	2,866,050	1,747,567	929,720	–
4,709,362	5,025,476	3,421,052	3,208,346	3,017,232	2,798,467	2,593,181
51.36	99.79	110.73	113.97	116.09	80.19	65.40
9.44	13.94	–	–	–	–	–
8.89	7.93	5.82	5.50	5.76	6.77	7.20
103.84	57.87	5.51	5.27	5.56	5.35	5.52
29.25	19.27	6.74	6.38	6.69	7.66	8.12
275,699	1,246,939	293,985	240,615	144,606	175,980	438,922
135,211	502,566	1,214,615	1,492,529	1,286,542	1,139,058	–
111,830	105,677	152,600	111,498	129,396	41,850	142,325
952,739	992,304	366,804	196,226	386,193	346,675	284,099
62.57	65.16	27.39	14.75	29.3	26.5	24.5
(2.6)	23.8	15.3	13.2	15.3	14.1	11.5
(2.6)	32.6	15.4	11.5	17.9	11.0	8.6
10.0	8.0	4.0	4.0	4.0	4.0	4.0
–	4.0	–	–	–	–	–
41.9%	40.8%	52.7%	42.6%	18.8%	–	–
2.2%	8.4%	6.2%	5.6%	7.0%	6.9%	6.4%
1,522,693	1,522,693	1,343,361	1,334,757	1,325,155	1,312,888	1,299,562
0.731	0.820	0.895	1.038	1.016	1.016	0.897
0.753	0.903	0.969	1.036	1.032	0.919	0.792
97,843	239,606	234,371	300,229	260,497	183,051	143,865
9,591	7,807	8,170	6,582	6,303	3,200	3,100
1.91	1.97	2.47	2.64	1.85	1.96	1.16
-	-	-	-	-	-	-
958	830	898	918	1,021	1,105	1,405
48	55	73	80	85	78	93
1,334	1,701	1,515	1,200	1,124	1,041	970
18	15	14	13	10	6	5
21	16	21	22	23	23	25

(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.

SHAREHOLDER INFORMATION

$, $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 production to barrels of oil equivalent. Conversion rate used by Oil Search for gas is 6,000 scf = 1 boe up to and including 2013 production; 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.

LTIFR
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.

Side-track
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 Incident 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
Estimates of reserves and contingent resources are conducted to Society of Petroleum Engineers (SPE) standards on a Proved (1P and 1C) and Proved and Probable (2P and 2C) basis.

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 gas fields are classified as contingent resources. 2C denotes the best estimate of contingent resources

CORPORATE DIRECTORY

REGISTERED OFFICE

Oil Search (PNG) Limited

Ground Floor
Harbourside East Building
Stanley Esplanade
National Capital District
Port Moresby
Papua New Guinea

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ABOUT OIL SEARCH

Oil Search was established in Papua New Guinea (PNG) in 1929, where 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 appraisal and exploration portfolio. The Company also has interests in a number of 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, 8 MTPA LNG development, to be constructed on the existing PNG LNG plant site, doubling the LNG capacity in PNG.

The Company is undertaking a range of exploration and appraisal activities in the North-West Highlands, the Forelands, the onshore and shallow water offshore Gulf and Deepwater regions of PNG, to support further LNG expansion in the country and ensure the availability of gas to backfill existing and future LNG capacity.

In February 2018, Oil Search farmed into a world class portfolio of oil assets on the Alaska North Slope, USA. These assets offer significant upside and complement the Company's high-returning PNG gas portfolio. Oil Search assumed operatorship of the assets in March 2018, positioning the Company at the forefront of the development of the prolific Nanushuk play in the Pikka Unit, one of the largest conventional oil discoveries in the US in more than 30 years.

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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