2018 FIRST HALF RESULTS

ASX: OSH | ADR: OISHY | POMSOX: OSH

STRONG RECOVERY FOLLOWING FEBRUARY PNG HIGHLANDS EARTHQUAKE

HIGHLIGHTS

US$79.2M
NET PROFIT AFTER TAX

Net profit after tax of US$79.2 million was a solid result given the devastating PNG Highlands earthquake in February.

US$215M
OPERATING CASH FLOW

Positive operating cash flow was generated, buoyed by strong oil and LNG prices and a rapid return to operations after the earthquake.

US$1.26BN
LIQUIDITY

Healthy liquidity was maintained despite the acquisition of interests in Alaska and a scheduled PNG LNG principal repayment.

2 US CENTS
INTERIM DIVIDEND PER SHARE

The two US cents per share interim dividend represents a 38.5% dividend payout ratio, in line with the Board's policy to pay out between 35% and 50% of core net profit.

2018 FIRST HALF RESULTS

Six months to 30 June	2018	2017	% CHANGE
Total production (mmboe)	**10.24**	14.81	**-31**
Total sales (mmboe)	**9.77**	14.18	**-31**
Average realised oil and condensate price (US$ per barrel)	**71.45**	53.35	**+34**
Average realised LNG and gas price (US$ per mmBtu)	**9.02**	7.67	**+18**
Total revenue (US$m)	**557.8**	676.2	**-18**
Net profit after tax (US$m)	**79.2**	129.1	**-39**
Operating cash flow (US$m)	**215.2**	419.3	**-49**
Interim dividend (US cents per share)	**2.0**	4.0	**-50**

- **Oil Search reported a 2018 first half net profit after tax of US$79.2 million, 39% lower than the first half of 2017, reflecting the February PNG Highlands earthquake, which resulted in:**
    - A 31% reduction in production and sales volumes, due to a temporary shut-down of both Oil Search-operated production and the PNG LNG Project following the earthquake.
    - A 14% increase in production costs, largely reflecting remediation and other costs associated with the earthquake, net of insurance recoveries and the bringing forward of maintenance programmes during the earthquake shut-down period. The average unit production cost for the half was US$14.04/boe.

  This was partly offset by:
    - Stronger global oil and gas prices, with the average realised oil and condensate price up 34% and LNG and gas prices 18% higher.
    - A 30% reduction in depreciation and amortisation expense due to lower production.
    - A 51% reduction in exploration expense, reflecting the write-off of two exploration wells in the prior period.
- **Based on the record performance achieved by the PNG LNG Project since the recommencement of production following the earthquake, 2018 full year production guidance has been upgraded to 24 – 26 mmboe, while guidance for full year unit production costs has been narrowed to US$11 – 13/boe.**

  Other operating costs and depreciation and amortisation guidance remain unchanged. Total capital expenditure for 2018 is expected to be between US$435 million and US$530 million.
- **Mid-term LNG sale and purchase agreements (SPAs) have been signed with PetroChina and BP, taking total contracted volumes from the PNG LNG Project to 7.5 MTPA.**

  These SPAs have broadened the customer base for LNG from PNG and add to the 6.6 MTPA already committed under long-term contracts to JERA and Osaka Gas from Japan, Sinopec from China and CPC from Taiwan. Negotiations continue to contract the final mid-term tranche of 0.45 MTPA.
- **Significant progress has been made on the proposed development of new LNG capacity in PNG, after alignment was reached on the preferred, three-train, downstream development concept early in the year.**

Technical definition for the developments has been matured and discussions on project financing and the remaining agreements required to enable integration of the projects are making good progress. Engagement between the State Negotiation Team, established by the PNG Government to negotiate gas agreements for the PRL 15 and PRL 3 developments, and the joint ventures is underway, with the PNG Prime Minister recently indicating the Government's desire to finalise fiscal terms prior to the Asia Pacific Economic Cooperation Summit in November 2018.

- **Successful appraisal drilling activity in the Forelands region of PNG is expected to deliver further proven resources.**

  In the Forelands, the Kimu 2 and Barikewa 3 appraisal wells both successfully intersected gas in their target reservoirs. Analysis of the well results is now underway, which will assist in determining the optimal commercialisation options for these gas fields.

- **Potential upside in and around the Oil Search-operated oil fields has been identified.**

  Drilling opportunities that could deliver more than 30 mmbbl of oil net to Oil Search have been identified, which, subject to final approvals and capital prioritisation, could add material production and value over the next four years, prior to first production from the new LNG developments.

- **Increased focus on exploration in the onshore Gulf of PNG.**

  Oil Search has completed the farm-in to four highly prospective exploration licences adjacent to the Elk-Antelope fields in PRL 15 in the onshore Gulf Basin and is acquiring an extensive seismic survey over these licences, as well as over PRL 15, on behalf of ExxonMobil and Total, respectively.

- **Positive drilling results from ConocoPhillips' wells adjacent to the Pikka Unit in the Alaska North Slope have underscored the potential resource upside in the field, with Oil Search to commence a two well appraisal programme in late 2018/early 2019.**

  Since assuming operatorship of the Alaska North Slope assets in March 2018, the local capability of Oil Search's Anchorage office has been materially enhanced following the recruitment of key personnel with extensive Alaska North Slope experience. The 2018/19 appraisal programme has been matured, with rigs contracted and the proposed location of well sites identified and surveyed. Engagement continues to progress with key stakeholders on the North Slope, focused on maximising cooperation and alignment between all parties.

- **Oil Search has sufficient financial capacity to fund its major growth projects, as well as scheduled debt repayments and targeted dividends over the 2018-2023 period.**

  At the end of June 2018, Oil Search had access to total liquidity of US$1.26 billion, including US$412.1 million of cash and US$850 million of undrawn corporate credit facilities. During the first half, as well as completing the Alaskan acquisition, the Company repaid US$165.7 million of PNG LNG project finance debt. Materially higher operating cash flows are expected to be generated in the second half, now that PNG LNG production has been reinstated and all Oil Search-operated facilities are back online, with production ramping up towards pre-earthquake levels.

- **2018 interim unfranked dividend of two US cents per share was announced, compared to four US cents per share in the first half of 2017.**

  The payout ratio of 38.5% is in line with Oil Search's policy to pay out between 35% and 50% of core net profit after tax by way of dividends.

2018 FIRST HALF RESULTS

Oil Search

COMMENTING ON THE 2018 FIRST HALF RESULTS, OIL SEARCH MANAGING DIRECTOR, PETER BOTTEN, SAID:

Financial results

“Oil Search’s financial performance for the first half of 2018 reflected the impact of the 7.5 magnitude earthquake, which struck the PNG Highlands in late February 2018 and resulted in the temporary shut-in of all Oil Search-operated production and the PNG LNG Project. Pleasingly, all production facilities are now back online, a major achievement by our and ExxonMobil’s operational teams, with PNG LNG presently operating above pre-earthquake levels and production from Oil Search’s operated facilities progressively ramping up.

The Company reported a net profit after tax for the first half of US$79.2 million, 39% lower than the first half of 2017, a creditable result given the impact of the earthquake.

Total revenue declined by 18% to US$557.8 million, with lower product sales volumes partly offset by higher realised oil, gas and LNG prices.

Total unit production costs increased to US$14.04 per boe, reflecting our largely fixed cost base spread over lower production, combined with logistics and remediation costs associated with the earthquake, net of insurance recoveries. In addition, costs included the purchase of an LNG cargo to keep the LNG trains cool while production was shut in, which reduced significantly the time required to ramp up LNG production when the trains recommenced operations. Maintenance activities, particularly for PNG LNG, were brought forward as well, to take advantage of the facilities shut-in post the earthquake. Other operating costs, including community aid costs, remained flat, at US$55.0 million. Unit depreciation and amortisation charges of US$12.34 per boe were higher than in the first half of 2017, reflecting a larger proportion of higher depreciation and amortisation unit rate PNG LNG Project production.

Oil Search ended the period with liquidity of US$1.26 billion, comprising US$412.1 million in cash and US$850 million in undrawn corporate credit facilities. The Company’s cash position at the end of June reflected first half operating cash flow of US$215.2 million, offset by the completion of the Alaska North Slope acquisition (US$416.0 million including transaction costs), scheduled PNG LNG project finance debt repayments of US$165.7 million and a dividend payment of US$83.8 million. Our ability to fund these payments comfortably, as well as continue to invest in high potential exploration and appraisal activities, during what was one of the most challenging periods ever experienced by the Company, highlights the strength and flexibility of Oil Search’s balance sheet. With production moving towards pre-earthquake levels and continued strength in oil and LNG prices, we are seeing a sharp increase in operating cash flows, which will help rebuild cash levels despite continued investment in value accretive activities planned for the second half of the year.”

2018 interim dividend of two US cents per share

“The Board has approved the payment of an interim unfranked dividend of two US cents per share, compared to the 2017 interim dividend of four US cents per share. This represents a dividend payout ratio of 38.5%, which is within the range of the Board’s dividend policy to return between 35% and 50% of core net profit after tax to shareholders by way of dividend.

The Board continues to believe that the Company’s dividend policy, where dividend payments are related to the Company’s core profitability, is the most appropriate given the volatile nature of global oil prices.”

Oil Search providing long-term recovery assistance post Highlands earthquake

“Six months after the initial 7.5 magnitude earthquake which struck the PNG Highlands in late February, communities in the Hela, Southern Highlands and Western provinces continue to be impacted by this natural disaster, with many people still dislocated from their homes, basic services unavailable, schools closed and roads blocked. Oil Search played a critical ‘first responder’ role in relief efforts, delivering almost 80% of total food supplies to impacted areas in the first four weeks after the earthquake and is continuing to play an important part in helping these communities recover. A major immunisation programme to combat communicable diseases is being delivered by the Oil Search Foundation, which is also active in restoring health facilities and addressing urgent water, sanitation and hygiene needs. The Company continues to work with Government and other development partners to support reconstruction activities for important infrastructure, such as roads, bridges and schools, in Hela and Southern Highlands Province.

Our contribution to the relief and recovery efforts following the earthquake reflects our long-standing commitment to helping improve the lives of people within our local communities. In addition to providing rapid on-the-ground assistance, Oil Search also contributed more than US$5 million in cash and kind to support earthquake disaster relief efforts.”

Safety and environmental performance

“Fortunately, no major injuries were sustained by Oil Search staff or contractors during the February 2018 PNG Highlands earthquake and the series of aftershocks that followed. As a precautionary measure to ensure the safety of all staff and contractors, as well as assess any damage to facilities, immediately after the earthquake Oil Search executed controlled shutdowns of all its operated facilities, pipelines, flowlines and wells. In addition, all non-essential personnel located at the Company’s more than 20 operating and exploration sites were demobilised to Port Moresby.

The subsequent recovery phase focused on ensuring the ongoing safety and welfare of staff and protecting the environment, while returning our equipment to service and resuming production safely. Pleasingly, Oil Search’s facilities were restarted with zero personnel safety incidents.

While the Company’s workforce withstood the earthquake relatively well, our Total Recordable Incident Rate (incidents per million work hours) rose from 1.93 in 2017, to 2.71 for the first half of 2018. This was largely due to incidents, fortunately all minor, associated with seismic operations conducted in the onshore Papuan Gulf Basin. In response, an improvement plan focused on adherence to Oil Search’s “10 Golden Rules for Seismic Safety” was introduced. This resulted in a substantial decrease in reported incidents, from nine reported during the first quarter, to five in the second quarter. No Lost Time Injuries were recorded in the first half of 2018.

During the first half, 13 environmental incidents, comprising 12 spills and one fauna interaction, all minor in nature, were reported. This compared to four reported during the first half of 2017. Of the spills, three were directly related to the earthquake and two occurred during earthquake repairs. No loss of containment of hydrocarbons occurred due to the earthquake. Although minor, all spills were investigated and corrective actions undertaken.”

Papua LNG and PNG LNG/P’nyang development projects progressing

“In February, alignment was reached on the preferred downstream concept for the next phase of LNG development in PNG. This comprises the potential construction of three LNG trains producing approximately 8 MTPA, with two trains supplied with gas from the Elk-Antelope fields and one train underpinned by gas from the PNG LNG fields and the P’nyang field, all co-located on the existing PNG LNG plant site. Considerable work on technical definition for these developments is taking place, while project financing and the agreements required to enable integration of the projects are also being matured. The resource base for the development was buoyed early in the year by a recertification of the P'nyang gas field, which resulted in a tripling of the gross 1C certified resource, taking the total resources in P'nyang and Elk-Antelope on a 1C and 2C basis to more than 8 tcf and 11 tcf, respectively.

Engagement between the State Negotiation Team, established by the PNG Government to negotiate gas agreements with PRL 15 and PRL 3, and the joint ventures is underway. PNG Prime Minister, Peter O'Neill, recently highlighted the Government's desire to conclude fiscal discussions before the Asia Pacific Economic Cooperation Summit in November 2018."

PNG LNG signs mid-term SPAs with PetroChina and BP

"During July and August, the PNG LNG Project co-venturers entered into two mid-term LNG sale and purchase agreements (SPAs) with PetroChina and BP, broadening the customer base for LNG from PNG and increasing total contracted volumes to approximately 7.5 MTPA.

Under the PetroChina SPA, the Project will supply 0.45 MTPA of LNG for three years, commencing July 2018. The BP SPA involves the supply of approximately 0.45 MTPA of LNG for three years, commencing August 2018, and approximately 0.9 MTPA for two years thereafter. This is in addition to the 6.6 MT of annual output already committed under long-term contracts to JERA, Osaka Gas, Sinopec and CPC.

ExxonMobil, on behalf of the PNG LNG Project participants, is in negotiations with a number of other parties for the final mid-term tranche of 0.45 MTPA, which is expected to be completed in the near-term."

Significant interest in Oil Search equity-marketed LNG

"In early 2018, Oil Search established a regional LNG marketing office based in Tokyo, staffed with a team of highly experienced LNG individuals, following a decision that LNG from the Papua LNG Project would be equity marketed. The marketing team has received significant interest from LNG buyers in key Asian markets wishing to secure a supply of high heating value LNG from PNG's next phase of LNG capacity development."

Good progress on PNG LNG Project landowner identification

"While royalty and equity payments are flowing to landowners in the PNG LNG plant site area and along the pipeline route, more than US$200 million of landowner benefits is currently being held in trust, pending the completion of landowner identification and verification. The PNG Government is making good progress on resolving outstanding issues and Oil Search is continuing to support the Government where it can, to ensure a speedy release of these funds to the rightful beneficiaries."

Exploration and appraisal activity in PNG

"During the first half, the Company drilled two appraisal wells, Kimu 2 (PRL 8) and Barikewa 3 (PRL 9), in the Forelands region of PNG. Both wells successfully intersected gas in their target reservoirs, with excellent reservoir quality observed. Evaluation of the well results, including cores, logs and well test data, is underway and commercialisation options are being assessed.

Preparations to drill the Muruk 2 appraisal well, which were interrupted by the earthquake, have resumed. The well, an 11-kilometre step-out from the discovery well, is expected to commence drilling in the fourth quarter of 2018.

In July, Oil Search enhanced its exploration portfolio in the onshore Papuan Gulf Basin by farming into PPLs 474, 475, 476 and PRL 39, located adjacent to the Elk-Antelope fields in PRL 15 (Oil Search – 22.835%). The acquisition of a 25% interest in these highly prospective exploration licences from ExxonMobil reflects the Company's strategy to maximise joint venture alignment in PNG's key LNG hubs, to optimise future LNG development beyond the next three LNG trains. The Company has completed approximately 85% of a seismic acquisition programme over these licences, as well as over PRL 15, on behalf of ExxonMobil and Total, respectively. The seismic data acquired will provide valuable information to mature a number of leads and prospects near planned Papua LNG infrastructure."

Further development potential identified in operated oil fields

"Significant further analysis has been carried out on optimising production from our oil fields in PNG. A range of new oil development opportunities have been identified for drilling over the next four years, prior to first production from the new LNG developments. Subject to final investment review and capital prioritisation, these drilling opportunities could add more than 30 mmbbl net to Oil Search, realising significant positive cash flow and value over the period from 2019 to 2023 and mitigating the production decline from our mature fields.

Work has also progressed on the Associated Gas Expansion (AGX) Project, which involves increasing the capacity of the Central Processing Facility and Agogo Production Facility and accelerating the volume of gas being delivered from the Kutubu, Agogo and Moran fields to the PNG LNG Project. AGX is expected to provide highly cost-effective gas to front end the new PNG LNG/P'nyang LNG train.

In August, Oil Search agreed terms with High Arctic Energy Services for the renewal of its primary contracts in PNG covering Rigs 103 and 104 for the next three years. This includes drilling support services related to the supply of personnel and rental equipment to support Oil Search's drilling operations. The terms of the renewals are largely unchanged from the prior contract. This follows a long period of joint review of what is the best commercial structure to achieve high quality and cost-effective drilling services in PNG."

Alaska – moving forward on all fronts

"Good progress is being made on all fronts in Alaska.

Appraisal drilling recently carried out by ConocoPhillips at the Putu 2 well has delivered strong results, which augur well for our assets. The well successfully encountered oil, with slightly better reservoir properties than our expectations, and has indicated that there is potential resource upside within the Pikka Unit from our current estimates of 500 mmbbl (gross) of 2C contingent oil resource. This and ConocoPhillips' successful Stony Hill exploration well, located close to our Horseshoe discovery, also highlight that there is material exploration and appraisal upside in our lease areas, including the Horseshoe Block.

The next major milestone in Alaska is the 2018/19 drilling programme, commencing in the fourth quarter, which is expected to lead to a Front-End Engineering and Design (FEED) entry in mid-2019 for the development of the Nanushuk oil field. The drilling programme will comprise two appraisal wells and is focused on confirming the resource volumes and reservoir deliverability from the Pikka Unit. We have also commenced pre-FEED optimisation studies, working with key stakeholders to maximise cooperation.

During the first half, we continued to build our team in Anchorage. More than 50 employees with extensive North Slope experience have now been hired and we expect the team to grow to approximately 100 high calibre individuals by the end of 2018. Discussions are also currently taking place with our joint venture partner, Repsol, regarding Oil Search's option to increase its interest in key North Slope leases. Oil Search expects that it will exercise the option and undertake a joint equity sell-down programme with Repsol, to attract high quality third parties into the Joint Venture. Preparations to establish a data room and a team to support the divestment process have commenced."

Positive response to inaugural Climate Change Resilience Report

"In March 2018, Oil Search released its inaugural Climate Change Resilience Report, becoming one of the first ASX-listed companies to report in accordance with the Financial Stability Board Task Force Recommendations for Climate-related Financial Disclosures.

Based on comprehensive climate scenario analysis, the Report highlighted that the PNG LNG Project and Oil Search's operated assets, as well as our LNG expansion projects in PNG and oil assets in the Alaska North Slope, are resilient to climate change under a range of scenarios, including a 2°C pathway.

Since its release, the Report has been well received by the investment and Environmental, Social and Governance community and has been identified as an industry-leading report by Carbon Tracker, an independent organisation that analyses the impact of energy transition on capital markets. In July, in its updated "2 Degrees of Separation" report, Carbon Tracker ranked Oil Search in the top quartile of 72 of the largest oil and gas companies globally in terms of resilience to climate change risk. It is pleasing that Carbon Tracker's analysis has recognised the quality of the Company's assets and its long-term financial resilience under a range of climate change outcomes."

GUIDANCE FOR THE 2018 FULL YEAR[1]

Year to December	PREVIOUS GUIDANCE	2018 Guidance
Production		
Oil Search operated (PNG oil and gas)[2,3] (mmboe)	2.7 – 4.0	3.0 – 4.0
PNG LNG Project		
LNG (bcf)	89 – 96	93 – 96
Power (bcf)	0.6	0.6 – 0.7
Liquids (mmbbl)	2.8 – 3.1	2.8 – 3.0
Total PNG LNG Project[2] (mmboe)	20 – 22	21 – 22
Total production (mmboe)	**23 – 26**	**24 – 26**
Operating costs		
Production costs (US$ per boe)	US$10.50 – US$13.50/boe	US$11.00 – US$13.00/boe
Other operating costs[4] (US$m)	US$140 – 150 million	US$140 – 150 million
Depreciation and amortisation (US$ per boe)	US$ 12 – 13/boe	US$ 12 – 13/boe
Capital costs[5]		
Production (US$m)	US$35 – 40m	US$25 – 30m
Development – oil and gas (US$m)	US$40 – 50m	US$40 – 50m
Exploration and evaluation (US$m)	US$250 – 310m	US$270 – 330m
Other plant and equipment (US$m)	US$50 – 55m	US$50 – 55m
Power (US$m)	US$50 – 65m	US$50 – 65m
Total (US$m)	**US$425 – 520m**	**US$435 – 530m**

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.
4. Includes Hides GTE gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, corporate administration costs (including business development), expenditure related to power activities, inventory movements and other expenses.
5. Excludes Alaska acquisition costs.

Most recent guidance is shown on our website, at http://www.oilsearch.com/investors/guidance.

2018 FIRST HALF RESULTS

FINANCIAL PERFORMANCE SUMMARY[1]

Six months to 30 June	2018	2017	%change
Sales data			
PNG LNG PROJECT			
LNG (Billion Btu)	**42,720**	59,047	*-28%*
Condensate ('000 bbls)	**1,048**	1,434	*-27%*
Naphtha ('000 bbls)	**140**	150	*-7%*
PNG oil ('000 bbls)	**865**	1,710	*-49%*
HIDES GTE			
Gas (Billion Btu)	**1,426**	3,102	*-54%*
Condensate & refined products ('000 bbls)	**27**	59	*-54%*
Total barrels of oil equivalent sold ('000 boe)[2]	**9,766**	14,179	*-31%*
Average realised oil and condensate price (US$/bbl)[3]	**71.45**	53.35	*+34%*
Average realised LNG and gas price (US$/mmBtu)	**9.02**	7.67	*+18%*
Financial data (US$ million)			
Revenue from operations	**557.8**	676.2	*-18%*
Production costs	**(143.8)**	(126.2)	*+14%*
Other operating costs	**(55.0)**	(55.0)	-
Other income	**4.7**	5.6	*-16%*
EBITDAX[4]	**363.7**	500.5	*-27%*
Depreciation and amortisation	**(131.4)**	(186.3)	*-29%*
Exploration costs expensed	**(12.3)**	(24.9)	*-51%*
EBIT[4]	**219.9**	289.3	*-24%*
Net finance costs	**(99.6)**	(98.5)	*+1%*
Profit before tax	**120.3**	190.8	*-37%*
Taxation expense	**(41.1)**	(61.7)	*-33%*
Net profit after tax	**79.2**	129.1	*-39%*
Per share data (US cents)			
Basic EPS before significant items	**5.20**	8.48	*-39%*
Diluted EPS before significant items	**5.18**	8.45	*-39%*
Net operating cash flow per share	**14.13**	27.51	*-49%*
Interim dividend	**2.0**	4.0	**-50%**

1. Numbers and percentage moves may not add due to rounding.
2. Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time.
3. Average realised price for Kutubu Blend, including PNG LNG condensate.
4. EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration) and EBIT (earnings before interest and tax) are non-IFRS measures that are presented to provide a more meaningful understanding of Oil Search's financial performance. The non-IFRS financial information is unaudited but is derived from the financial statements which have been subject to review by the Group's auditor.

FINANCIAL POSITION (US$M)[1]

As at	30 Jun 2018	31 Dec 2017	30 Jun 2017
Cash and short-term deposits[2]	**412.1**	1,015.2	973.8
Debt (PNG LNG financing)[3]	**(3,459.7)**	(3,625.5)	(3,786.0)
Net debt	**(3,047.6)**	(2,610.2)	(2,812.2)
Total liquidity[4]	**1,262.1**	1,865.2	1,823.8

1. Numbers may not add due to rounding.
2. As at 30 June 2018, US$310.2 million was escrowed in PNG LNG Project accounts (31 December 2017: US$275.4 million, 30 June 2017: US$301.1 million).
3. Excludes finance leases presented as 'Borrowings' in the Statement of Financial Position.
4. As at 30 June 2018, the Company's corporate facilities remained undrawn.

2018 FIRST HALF RESULTS

A full analysis of the financial results can be found in the Results and Review of Operations commencing on page 3 of the Directors' Report for the half-year ended 30 June 2018.

PRODUCTION SUMMARY[1]

Six months to 30 June	2018		2017		% change	
	Gross daily production	Net to OSH	Gross daily production	Net to OSH	Gross daily production	Net to OSH
Gas production	**mmscf/d**	**mmscf**	**mmscf/d**	**mmscf**		
PNG LNG Project						
LNG[2]	741.816	38,942	988.270	51,880	**-25**	**-25**
Gas to power	6.347	333	6.101	320	**+4**	**+4**
Hides GTE gas[3]	7.354	1,331	15.959	2,889	**-54**	**-54**
SE Gobe gas to PNG LNG[4, 5]	17.605	712	38.376	1,552	**-54**	**-54**
Total gas	**773.121**	**41,318**	**1,048.71**	**56,641**	**-26**	**-27**
Oil and liquids production	**bopd**	**mmbbl**	**bopd**	**mmbbl**		
Kutubu	6,892	0.749	11,982	1.302	**-42**	**-42**
Moran	1,524	0.137	6,438	0.577	**-76**	**-76**
Gobe Main	360	0.007	537	0.010	**-33**	**-33**
SE Gobe[5]	338	0.014	732	0.030	**-54**	**-54**
Total PNG oil	**9,113**	**0.906**	**19,688**	**1.918**	**-54**	**-53**
Hides GTE liquids[3]	154	0.028	309	0.056	**-50**	**-50**
PNG LNG liquids	22,939	1.204	32,988	1.732	**-30**	**-30**
Total liquids	**32,206**	**2.138**	**52,985**	**3.706**	**-39**	**-42**
	boepd	**mmboe**	**boepd**	**mmboe**		
Total production[6]	**183,799**	**10.239**	**258,614**	**14.812**	**-29**	**-31**

1. Numbers may not add due to rounding. Where required, adjustments are taken in the affected production period.
2. Production net of fuel, flare and shrinkage and SE Gobe wet gas.
3. Hides GTE production is reported on a 100% basis for gas and associated liquids purchased by the Hides (GTE) Project Participant (Oil Search 100%) for processing and sale to the Porgera power station. Sales gas volumes are inclusive of approximately 2% unrecovered process gas.
4. SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.
5. Oil Search interest in SE Gobe changed from 25.55% to 22.34% on 1 February 2016.
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.

Gas/LNG Glossary and Conversion Factors Used[1,2]

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

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

PETER BOTTEN, CBE

Managing Director

21 August 2018

For more information regarding this report, please contact:

Investors and Media:

Ann Diamant

General Manager, Investor Relations and Communications

Tel: +612 8207 8440

Mob: +61 407 483 128

Investors:

Stephanie Chu

Investor Relations Manager

Tel: +612 8207 8542

Mob: +61 481 038 179

Presentation and Webcast

Oil Search will be holding a presentation for analysts and fund managers at 11.00 am AEST today, 21 August 2018. The presentation will be webcast live over Oil Search's website. To listen to the webcast, please log on to www.oilsearch.com. If you experience any technical difficulties, please call: +61 2 8280 6000.

The webcast will be available in archive form on the Oil Search website 2 – 3 hours after the completion of the presentation.

DISCLAIMER

This report contains some forward-looking statements which are subject to particular risks associated with the oil and gas industry. Actual outcomes could differ materially due to a range of operational, cost and revenue factors and uncertainties including oil and gas prices, changes in market demand for oil and gas, currency fluctuations, drilling results, field performance, the timing of well workovers and field development, reserves depletion and fiscal and other government issues and approvals.

2018 HALF YEAR REPORT

INCLUDING APPENDIX 4D DISCLOSURES

FOR THE PERIOD ENDED 30 JUNE 2018

Appendix 4D

This information should be read in conjunction with the consolidated Financial Report for the half-year ended 30 June 2018.

Results for announcement to the market

	% Change	Half-year ended 30 June 2018 US$'000	Half-year ended 30 June 2017 US$'000
Revenue from ordinary activities	*down* 17.5%	**557,752**	676,165
Profit from ordinary activities after tax attributable to members	*down* 38.7%	**79,160**	129,102
Net profit for the half-year attributable to members	*down* 38.7%	**79,160**	129,102

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

Dividends

	Half-year ended 30 June 2018 US cents	Half-year ended 30 June 2017 US cents
Interim dividend paid per security (1)	**2.00**	4.00

Net tangible assets

	30 June 2018 US$	30 June 2017 US$
Net tangible asset backing per ordinary security	**2.27**	2.47

Details of entities over which control was gained or lost

There were no acquisitions or disposals of controlled entities during the half-year ended 30 June 2018.

Details of joint venture

	Percent ownership interest held at the end of the period	
	30 June 2018 %	30 June 2017 %
Papua New Guinea Liquefied Global Natural Gas Company LDC	**29**	29

(1) No franking credits available on dividends, as Oil Search Limited is incorporated in Papua New Guinea. No component of the dividends represents conduit foreign income.

Oil Search

Consolidated Financial Report for the half-year ended 30 June 2018

Contents

Directors' report

The directors submit their report for the financial half-year ended 30 June 2018.

DIRECTORS

The names 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
- Mr PR Botten, CBE, BSc, ARSM, (Managing Director), Executive
- Dr BS Al Katheeri, PhD, BASc, MSc, Executive MBA (Hons) (appointed 26 March 2018), Non-Executive
- Mr G Aopi, CBE, BEc, BAC, MBA, Executive (ceased to be a director on 16 March 2018)
- Sir KG Constantinou, OBE, Non-Executive
- Ms SM Cunningham, BAGeol (appointed 26 March 2018), Non-Executive
- Dr EJ Doyle, BMath (Hons), MMath, PhD, FAICD, FTSE, Non-Executive
- Ms FE Harris, BCom, FCA (Aust), FAICD, Non-Executive
- Dr AJ Kantsler, BSc (Hons), PhD, GAICD, FTSE, Non-Executive
- Sir MP Togolo, CBE, BEcon (Hons), MA (Econ), MA (Geography), Non-Executive

GROUP SECRETARY

Mr SW Gardiner, BEc (Hons), FCPA

RESULTS AND REVIEW OF OPERATIONS

Summary of Financial Performance

For the half year ended 30 June	2018	2017	% change
Production and Sales Data			
Production (mmboe[1])	10.24	14.81	-30.9
Sales (mmboe)	9.77	14.18	-31.1
Average realised oil and condensate price (US$/bbl[2])	71.45	53.35	+33.9
Average realised LNG and gas price (US$/mmBtu[3])	9.02	7.67	+17.6
Financial Data ($US million)			
Revenue	557.8	676.2	-17.5
Production costs	(143.8)	(126.2)	+13.9
Other operating costs	(55.0)	(55.0)	-
Other income	4.7	5.6	-16.1
EBITDAX[4]	**363.7**	**500.5**	**-27.3**
Depreciation	(131.4)	(186.3)	-29.5
Exploration costs expensed	(12.3)	(24.9)	-50.6
Net finance costs	(99.6)	(98.5)	+1.1
Profit before tax	**120.3**	**190.8**	**-36.9**
Taxation	(41.1)	(61.7)	-33.4
Net profit after tax	**79.2**	**129.1**	**-38.7**
Net debt	**3,047.6**	**2,812.2**	**+8.4**

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, impairment and exploration) is a non-IFRS measure that is presented to provide a more meaningful understanding of Oil Search's financial performance. This non-IFRS financial information is derived from the financial statements, which have been subject to review by the Group's auditor.

Production and Revenue

Total production in the first half of 2018 was 10.24 mmboe, 30.9% less than in the corresponding period in 2017 (14.81 mmboe) due to the impact of the PNG Highlands earthquake, which occurred on 26 February and resulted in a shut-in of Oil Search's operated production facilities and the PNG LNG Project for part of the reporting period.

Total revenue of US$557.8 million was 17.5% lower than in the prior period predominantly driven by lower hydrocarbon sales volumes partially offset by higher average realised prices.

LNG delivered volumes for the first half of 2018 were 42,720 billion Btu, 27.7% lower than in the prior period, and included the delivery of 38 cargoes of LNG (2017: 53 cargoes). Total liquids volumes delivered for the first half of 2018 totalled 2.08 million barrels (mmbbl), 37.9% lower than the 3.35 mmbbl delivered for the corresponding period in 2017. The sales volumes of hydrocarbons delivered during the first half of 2018 were materially impacted by the PNG Highlands earthquake.

The average oil and condensate price realised during the half-year was US$71.45 per barrel, 33.9% higher than in the prior comparable period, reflecting strengthening global oil prices.

The average price realised for LNG and gas sales increased 17.6% compared to the prior comparable period, to US$9.02 per mmBtu, buoyed by stronger global oil prices but reflecting an approximate three-month lag between the spot oil price and LNG contract prices. The Company did not establish any oil-linked hedges during the period and remains unhedged to oil price movements.

Other revenue, which consists mainly of electricity, refinery and naphtha sales and infrastructure tariffs, decreased to US$15.9 million in the first half of 2018 from US$23.4 million over the corresponding period in 2017. This was predominantly due to the impact of the production shut-in from the PNG earthquake on infrastructure tariffs and refinery sales.

Production and other operating costs

Production costs increased 13.9%, from US$126.2 million in the first half of 2017 to US$143.8 million. This was mainly due to earthquake remediation work, after including US$6.2 million of insurance recoveries, and maintenance activities brought forward to take advantage of the shut-in across both the PNG Oil and Gas and PNG LNG Project production facilities.

	Production costs	
US$ million	**2018**	**2017**
PNG LNG	85.5	67.2
PNG Oil and Gas	58.3	59.0
	143.8	**126.2**

Production costs on a per barrel of oil equivalent (boe) basis were impacted by lower production and higher costs in the period due to the earthquake and increased by 39.3% from US$8.52 per boe in the first half of 2017 to US$14.04 per boe. The PNG LNG Project production unit costs for the first half of 2018 were US$9.60 per boe and PNG Oil and Gas unit production costs were US$43.69 per boe.

Other operating costs of US$55.0 million in the first half of 2018 were in line with the 2017 result.

Depreciation

A reduction in depreciation expense of US$54.9 million to $131.4 million in the first half of 2018 was mainly driven by lower production volumes. On a cost per boe produced basis, the average depreciation rate for the producing assets in the first half of 2018 was slightly higher at US$12.34 per boe, compared to the first half 2017 rate of US$11.93 per boe.

Depreciation on other plant and equipment decreased by US$2.2 million to US$7.5 million in the first half of 2018, mainly driven by lower rig utilisation.

Exploration costs expensed

In line with Oil Search'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 half-year and resulted in a pre-tax charge of US$12.3 million (2017: US$24.9 million). The exploration costs expensed during the six-month period in 30 June 2018 included seismic acquisition in PNG and geological, geophysical and general and administration expenses in PNG and Alaska. The exploration costs incurred in 2017 included US$10.1 million attributable to the write-off of the Antelope Deep well.

Net finance costs

Net finance costs of US$99.6 million in the first half of 2018 were materially in line with the prior comparable period.

Taxation

Tax expense on statutory profit in the first half of 2018 was US$41.1 million, compared to US$61.7 million in the corresponding period in 2017. This resulted in an effective tax rate of 34.2%, higher than in the prior period primarily due to the impact of one-off adjustments on lower taxable profits in the period.

Net debt

As at 30 June 2018, Oil Search had net debt (total borrowings less cash) of US$3,047.6 million, which was US$437.4 million higher than the net debt position of US$2,610.2 million as at 31 December 2017. A reconciliation of the movement in net debt during the period is as follows:

	US$ million
Net debt at 31 December 2017	**2,610.2**
Net repayment – PNG LNG Project finance facility	(165.7)
Decrease in cash balances	603.1
Net movement in 2018	**437.4**
Net debt at 30 June 2018	**3,047.6**

At 30 June 2018, the Group had US$3,459.7 million drawn under the PNG LNG Project finance facility.

Oil Search remained in a strong liquidity position at 30 June 2018, with cash of US$412.1 million, including US$310.2 million in PNG LNG escrow accounts, and US$850 million available under the Group's corporate revolving facilities.

Summary of Financial Position

Investment expenditure

Investment expenditure for the first half of 2018 totalled US$561.2 million, including US$416 million on the acquisition of oil assets in the Alaska North Slope. The categories of investment expenditure for the period were:

US$ million	30 June 2018
Exploration and evaluation [1]	515.1
Development - PNG LNG Project and Biomass	23.0
Producing assets	6.8
Other plant and equipment	16.3
Total investment expenditure	**561.2**

[1] Includes US$12.3 million (2017: US$24.9 million) of exploration costs expensed during the period.

Exploration and evaluation expenditure for first half of 2018 was driven by investment in major growth opportunities, including pre-FEED for the Company's LNG expansion projects in Papua New Guinea, the Alaska acquisition and associated start-up costs, as well as appraisal drilling on PRL 8 Kimu, completion of the P'nyang South East 2 well activities and preparations to drill the Barikewa and Muruk 2 appraisal wells.

Oil Search's share of PNG LNG Project development costs for the Angore development was US$17.2 million during the first half of 2018. In addition, US$5.8 million was outlayed on Biomass FEED activities in the period.

Capital investment on producing assets totalled US$6.8 million for the first half of 2018 across both PNG LNG and PNG Oil and Gas assets.

Cash flows

Year to 30 June (US$ million)	2018	2017	% change
Net receipts	358.9	540.9	-33.6
Net interest paid	(94.0)	(96.7)	-2.8
Tax paid	(49.7)	(24.9)	+99.6
Operating cash flow	**215.2**	**419.3**	**-48.7**
Net investing cash flow	(563.7)	(109.3)	+415.7
Net financing cash flow	(254.6)	(198.9)	+28.0
Net cash inflow/(outflow)	**(603.1)**	**111.1**	**-642.8**

Operating cash flow decreased due to lower sales volumes and higher payments to suppliers in the first half of 2018.

The Group distributed US$83.8 million to shareholders via the 2017 final dividend in the first half of 2018. During the period, borrowings of US$165.7 million were repaid under the PNG LNG Project financing facility.

SUBSEQUENT EVENTS

Dividends

On 20 August 2018, the directors approved the payment of an interim unfranked dividend of US 2 cents per ordinary share (2017: US 4 cents interim dividend) to ordinary shareholders in respect of the half-year ended 30 June 2018. The due date for payment is 25 September 2018 to all holders of ordinary shares on the Register of Members on 5 September 2018. The Company's dividend reinvestment plan will remain suspended for the interim dividend. Dividends paid and declared during the year are recorded in note 9 to the financial statements.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Deloitte Touche Tohmatsu's Independence Declaration, which forms part of this report, is attached on page 8.

Signed in accordance with a resolution of the directors.

....

RJ LEE

Chairman

....

PR BOTTEN

Managing Director

Sydney, 20 August 2018

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board Directors
Oil Search Limited
Ground Floor, Harbourside East Building
Stanley Esplanade
National Capital District, Port Moresby
Papua New Guinea

20 August 2018

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 review of the financial statements of Oil Search Limited for the half-year ended 30 June 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 review.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Matthew Donaldson
Partner
Chartered Accountants

Condensed consolidated statement of comprehensive income for the half-year ended 30 June 2018

	Note	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
Revenue	3	**557,752**	676,165
Cost of sales	4	**(294,383)**	(333,640)
Gross profit		**263,369**	342,525
Other income		**4,650**	5,625
Other expenses	5	**(48,147)**	(58,838)
Profit from operating activities		**219,872**	289,312
Net finance costs	6	**(99,598)**	(98,541)
Profit before income tax		**120,274**	190,771
Income tax expense	7	**(41,114)**	(61,669)
Net profit after tax		**79,160**	129,102
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		**(1,095)**	219
Total comprehensive income for the period		**78,065**	129,321
		cents	cents
Basic earnings per share	8	**5.20**	8.48
Diluted earnings per share	8	**5.18**	8.45

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

	Note	30 June 2018 $'000	31 December 2017 $'000
Current assets			
Cash and cash equivalents		**412,147**	1,015,246
Receivables		**178,236**	156,315
Inventories		**101,701**	95,018
Prepayments		**9,943**	20,781
Total current assets		**702,027**	1,287,360
Non-current assets			
Other assets		**79,630**	81,157
Other financial assets		**55,407**	52,045
Exploration and evaluation assets	10	**2,170,681**	1,672,352
Oil and gas assets	11	**6,404,348**	6,535,743
Other plant and equipment	11	**218,887**	205,701
Deferred tax assets		**727,718**	678,140
Total non-current assets		**9,656,671**	9,225,138
Total assets		**10,358,698**	10,512,498
Current liabilities			
Payables		**215,931**	199,154
Provisions		**22,570**	29,033
Borrowings		**342,799**	334,130
Current tax payable		**62,717**	64,459
Total current liabilities		**644,017**	626,776
Non-current liabilities			
Payables		**23,480**	24,787
Provisions		**556,668**	584,720
Borrowings		**3,249,285**	3,424,776
Deferred tax liabilities		**956,722**	913,685
Total non-current liabilities		**4,786,155**	4,947,968
Total liabilities		**5,430,172**	5,574,744
Net assets		**4,928,526**	4,937,754
Shareholders' equity			
Share capital	12	**3,152,443**	3,152,443
Reserves		**(10,996)**	(6,434)
Retained earnings		**1,787,079**	1,791,745
Total shareholders' equity		**4,928,526**	4,937,754

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Oil Search

Condensed consolidated statement of cash flows for the half-year ended 30 June 2018

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
Cash flows from operating activities		
Receipts from customers and third parties	**674,157**	739,399
Payments to suppliers and employees	**(299,533)**	(186,743)
Interest received	**6,786**	4,949
Borrowing costs paid	**(100,744)**	(101,697)
Income tax paid	**(49,697)**	(24,998)
Payments for exploration and evaluation - seismic, G&A, G&G	**(11,603)**	(11,697)
Payments for site restoration	**(4,148)**	-
Net cash from operating activities	**215,218**	419,213
Cash flows from investing activities		
Payments for other plant and equipment	**(22,220)**	(7,514)
Payments for exploration and evaluation	**(512,704)**	(75,005)
Payments for development assets	**(21,228)**	(5,250)
Payments for producing assets	**(6,620)**	(18,982)
Loan to third party in respect of exploration and evaluation	**(938)**	(2,510)
Net cash used in investing activities	**(563,710)**	(109,261)
Cash flows from financing activities		
Dividend payments	**(83,800)**	(38,067)
Purchase of treasury shares	**(8,239)**	-
Contributions received for employee shares schemes	**4,246**	1,821
Repayment of borrowings	**(165,744)**	(153,352)
Establishment fee on credit facility	**-**	(8,350)
Finance lease payments	**(1,070)**	(947)
Net cash used in financing activities	**(254,607)**	(198,895)
Net (decrease)/increase in cash and cash equivalents	**(603,099)**	111,057
Cash and cash equivalents at the beginning of the period	**1,015,246**	862,748
Cash and cash equivalents at the end of the period	**412,147**	973,805

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity for the half-year ended 30 June 2018

Consolidated	Share capital $'000	Foreign currency translation reserve $'000	Reserve for treasury shares $'000	Employee equity compensation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2018	**3,152,443**	**(17,157)**	**3,663**	**7,060**	**1,791,745**	**4,937,754**
Dividends provided for or paid	-	-	-	-	(83,800)	(83,800)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	79,160	79,160
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	(1,095)	-	-	-	(1,095)
Total comprehensive income for the period	-	(1,095)	-	-	79,160	78,065
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	7,545	(7,545)	-	-
Employee share-based remuneration	-	-	-	4,772	-	4,772
Purchase of treasury shares	-	-	(8,239)	-	-	(8,239)
Trust distribution	-	-	-	-	(26)	(26)
Total transactions with owners	-	-	(694)	(2,773)	(26)	(3,463)
Balance at 30 June 2018	**3,152,443**	**(18,252)**	**2,969**	**4,287**	**1,787,079**	**4,928,526**
Balance at 1 January 2017	**3,147,340**	**(17,645)**	**(250)**	**7,126**	**1,588,745**	**4,725,316**
Dividends provided for or paid	-	-	-	-	(38,067)	(38,067)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	129,102	129,102
Other comprehensive income:						
Exchange differences on translation of foreign operations	-	219	-	-	-	219
Total comprehensive income for the period	-	219	-	-	129,102	129,321
Transactions with owners, recorded directly in equity						
Transfer of vested shares	-	-	9,016	(9,016)	-	-
Employee share-based remuneration	-	-	-	3,847	-	3,847
Issue of treasury shares	5,103	-	(5,103)	-	-	-
Trust distribution	-	-	-	-	(25)	(25)
Total transactions with owners	5,103	-	3,913	(5,169)	(25)	3,822
Balance at 30 June 2017	**3,152,443**	**(17,426)**	**3,663**	**1,957**	**1,679,755**	**4,820,392**

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

1 Significant accounting policies

(a) Corporate information

Oil Search Limited (the 'Company' or 'Oil Search') is incorporated in Papua New Guinea (PNG). The condensed consolidated interim financial report for the half-year ended 30 June 2018 comprises Oil Search Limited and its controlled entities (together, 'the Group').

The condensed consolidated interim financial report was authorised for issue by the Board of Directors on 20 August 2018.

The interim financial report is presented in United States Dollars (US$).

(b) Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2018 has been prepared in accordance with Accounting Standard IAS 34 *Interim Financial Reporting*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX and POMSoX Listing Rules.

The majority of amounts included in this report are rounded to the nearest US$1,000 (where rounding is applicable).

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period except for the adoption of new and amended standards as set out below.

(c) New and amended standards adopted by the Group

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.

(d) Change in accounting policies

The changes to the Group's accounting policies as a result of adopting IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are summarised below.

- **IFRS 9 *Financial Instruments***

  IFRS 9 *Financial Instruments* was adopted from 1 January 2018. IFRS 9 replaces the provisions of IAS 39 *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification, measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

  The adoption of IFRS 9 did not result in adjustments to the amounts recognised in the financial statements.

  The adoption of IFRS 9 resulted in the following changes in accounting policies:

Classification and measurement of financial assets

From 1 January 2018, all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently 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. As a consequence of this, the Group has classified its financial assets to assets measured at amortised cost.

There is no impact on the recognition and measurement of the Group's existing financial assets or financial liabilities.

Impairment of financial assets

IFRS 9 requires the use of an expected credit loss model in relation to the impairment of financial assets as opposed to an incurred credit model under IAS 39. 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 no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Debt investments and other receivables carried at amortised cost

The Group revised its impairment methodology under IFRS 9 for each of these classes of assets. From 1 January 2018, the Group assessed on a forward looking basis the expected credit losses associated with its financial assets. IFRS 9 requires the Group to measure the loss allowance for a financial instrument 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 Group is required to measure the loss allowance for that financial instrument at an amount equal to a 12 month ECL horizon.

IFRS 9 also provides a simplified approach 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.

The Group's debt investments and other receivables at amortised costs have been assessed to have low credit risk.

Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

- **IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 *Revenue from Contracts with Customers* was adopted from 1 January 2018 resulting in changes to the Group's accounting policies. The adoption did not result in material changes to the timing or measurement of revenue recognised in the financial statements. No adjustment to retained earnings was required as a result of the adoption of this standard.

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 (LNG)

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

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

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

Oil and condensate

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

Credit terms for crude and condensate cargoes are 30 days.

Gas

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

Credit terms are between 20-30 days.

Dividend

Dividend income from controlled entities is recognised when the dividends are declared and from other parties when the dividends are received or receivable.

Oil Search

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. The identified reportable segments are:

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 the United States of America.

Other

This segment includes the Group's ownership of drilling rigs, investment and development activities in support of the Group's power strategy and corporate activities. Net finance costs (excluding 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 investment expenditure categorised across exploration and evaluation assets, oil and gas assets, and property, plant and equipment.

$'000	PNG BU		Exploration		Other		Total	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
External revenues	**551,759**	663,369	**-**	-	**5,993**	12,796	**557,752**	676,165
Costs of production	**(141,283)**	(128,898)	-	-	**-**	-	**(141,283)**	(128,898)
Selling and distribution costs	**(23,740)**	(20,599)	-	-	**(1,188)**	(448)	**(24,928)**	(21,047)
Rig operating costs	**-**	-	-	-	**(557)**	(1,244)	**(557)**	(1,244)
Corporate	**-**	-	-	-	**(14,269)**	(17,339)	**(14,269)**	(17,339)
Foreign currency gains/(losses)	**-**	-	-	-	**(662)**	30	**(662)**	30
Power costs expensed	**-**	-	-	-	**(2,665)**	(3,724)	**(2,665)**	(3,724)
Loss on obsolescence and disposal of asset	**(2,661)**	-	-	-	**-**	(438)	**(2,661)**	(438)
Other income	**1,514**	1,300	-	-	**3,136**	4,325	**4,650**	5,625
Other expenses	**-**	-	**-**	-	**(11,783)**	(8,592)	**(11,783)**	(8,592)
EBITDAX	**385,589**	515,172	**-**	-	**(21,995)**	(14,634)	**363,594**	500,538
Depreciation	**(127,449)**	(180,194)	**-**	-	**(3,933)**	(6,126)	**(131,382)**	(186,320)
Exploration costs expensed	**-**	-	**(12,340)**	(24,906)	**-**	-	**(12,340)**	(24,906)
EBIT	**258,140**	334,978	**(12,340)**	(24,906)	**(25,928)**	(20,760)	**219,872**	289,312
Net finance costs	**(90,222)**	(92,981)	**-**	-	**(9,376)**	(5,560)	**(99,598)**	(98,541)
Profit before income tax							**120,274**	190,771
Income tax expense							**(41,114)**	(61,669)
Net profit after tax							**79,160**	129,102
Investment expenditure								
Exploration and evaluation assets	**-**	-	**(515,166)**	(88,664)	**-**	-	**(515,166)**	(88,664)
Oil and gas assets - development and production	**(24,014)**	(33,302)	**-**	-	**-**	-	**(24,014)**	(33,302)
Other plant and equipment	**-**	-	**-**	-	**(22,116)**	(5,881)	**(22,116)**	(5,881)
	(24,014)	(33,302)	**(515,166)**	(88,665)	**(22,116)**	(5,881)	**(561,296)**	(127,847)

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.

The presentation of information for geographical segments, segment revenue and segment assets are based on the location of operating activity.

	Revenue		**Non-current assets**[1] [2]	
$'000	**Half-year ended 30 June 2018**	**Half-year ended 30 June 2017**	**30 June 2018**	**31 December 2017**
PNG	**557,752**	676,165	**8,332,124**	8,388,616
USA	**-**	-	**426,013**	-
Australia	**-**	-	**42,725**	30,664
Other	**-**	-	**128,091**	127,718
Total	**557,752**	676,165	**8,928,953**	8,546,998

[1] Non-current assets exclude deferred tax of $727.7 million (2017: $678.1 million).
[2] Prior period comparatives have been reclassified, where necessary, in order to achieve consistency with current period disclosures.

	Half-year ended 30 June 2018 $'000	**Half-year ended 30 June 2017 $'000**
3 Revenue		
Revenue from Contracts with Customers		
Liquefied natural gas sales	**388,116**	456,655
Oil and condensate sales	**137,809**	168,602
Gas sales	**10,233**	19,956
Other revenue	**15,855**	23,396
	552,013	668,609
Drilling rig and camp lease revenue	**5,739**	7,556
Total revenue	**557,752**	676,165
4 Cost of sales		
Costs of production:		
Production costs	**(143,763)**	(126,227)
Royalties and levies	**(1,678)**	(4,578)
Gas purchases	**(3,302)**	(8,646)
Inventory movements	**10,628**	10,553
Other costs of production	**(3,168)**	-
	(141,283)	(128,898)
Selling and distribution costs	**(24,928)**	(21,047)
Rig operating costs	**(557)**	(1,244)
Depreciation:		
Oil and gas assets	**(123,923)**	(176,669)
Marine assets	**(3,526)**	(3,526)
Rig assets	**(166)**	(2,256)
Total cost of sales	**(294,383)**	(333,640)

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
5 Other expenses		
Corporate	**(14,269)**	(17,339)
Exploration costs expensed	**(12,340)**	(24,906)
Power costs expensed	**(2,665)**	(3,724)
Depreciation	**(3,766)**	(3,869)
Loss on obsolescence and disposal of assets	**(2,662)**	(438)
Foreign currency gain/(loss)	**(662)**	30
Other	**(11,783)**	(8,592)
Total other expenses	**(48,147)**	(58,838)
6 Net finance costs		
Interest income	**8,534**	7,379
Borrowing costs	**(100,715)**	(100,863)
Unwinding of discount on site restoration	**(7,417)**	(5,057)
Net finance costs	**(99,598)**	(98,541)

7 Income tax expense

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
The major components of tax expenses are:		
Current tax expense	**(1,289)**	(958)
Adjustments for current tax of prior periods	**(8,721)**	(1,883)
Deferred tax expense	**(31,104)**	(58,828)
Income tax expense	**(41,114)**	(61,669)
Reconciliation of income tax expense to prima facie tax payable:		
Profit before tax	**120,274**	190,771
Tax at PNG rate of 30%	**(36,082)**	(57,231)
Additional profits tax payable	**(415)**	-
Effect of differing tax rates across tax regimes	**(173)**	557
	(36,670)	(56,674)
Tax effect of items not tax deductible or assessable:		
Under provisions in prior periods	**(8,721)**	(1,883)
Non-deductible expenditure	**(856)**	(3,347)
Non-assessable income	**154**	122
Previously unrecognised tax losses	**(117)**	109
Additional profits tax movement	**5,085**	-
Exempt dividends	**11**	4
Income tax expense	**(41,114)**	(61,669)
Deferred tax expense recognised in net profit for each type of temporary difference:		
Exploration and development	**(33,613)**	(60,609)
Other assets	**3,761**	1,475
Provisions and accruals	**(12,382)**	(202)
Other items	**4,453**	(15)
Tax losses	**6,677**	523
Deferred tax expense	**(31,104)**	(58,828)

8 Earnings per share

	Half-year ended 30 June 2018 cents	Half-year ended 30 June 2017 cents
Basic earnings per share	**5.20**	8.48
Diluted earnings per share	**5.18**	8.45

	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**	1,522,900,014
Employee share rights	**1,675,159**	1,630,245
Employee performance rights	**3,028,500**	2,720,697
Diluted earnings per share	**1,528,334,851**	1,527,250,956

9 Dividends paid or proposed

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
Unfranked [1] dividends in respect of the half-year, proposed subsequent to the period end:		
Ordinary dividend [2]	**30,473**	60,945
	30,473	60,945
Unfranked [1] dividends paid during the period in respect of the previous half-year:		
Ordinary dividend	**30,473**	38,067
	30,473	38,067

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

[2] On 20 August 2018, the Directors declared an interim unfranked dividend of US 2 cents per ordinary share (2017: US 4 cent interim dividend), to be paid to the holders of ordinary shares on 25 September 2018. The proposed interim dividend for 2018 is payable to all holders of ordinary shares on the Register of Members on 5 September 2018 (record date). The estimated dividends to be paid are $30,472,624 and have not been included as a liability in these financial statements.

10 Exploration and evaluation assets

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 2017 $'000
At cost	**2,817,146**	2,318,816
Accumulated impairment	**(646,465)**	(646,464)
	2,170,681	1,672,352
Balance at start of period	**1,672,352**	1,521,371
Additions [1]	**515,166**	169,522
Exploration costs expensed	**(12,340)**	(35,928)
Changes in restoration obligations	**(4,037)**	16,748
Net exchange differences	**(460)**	639
Balance at end of period	**2,170,681**	1,672,352

[1] During the period, the Group completed the acquisition of exploration licences in Alaska for a total purchase price of US$400 million, before acquisition costs.

11 Property, plant and equipment

	Oil and gas			Other plant and equipment			
	Development	Producing	Total	Marine	Rigs	Corporate	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018							
At cost	46,215	9,115,069	9,161,284	138,020	88,647	197,404	424,071
Accumulated depreciation and impairment	-	(2,756,936)	(2,756,936)	(20,559)	(69,661)	(114,964)	(205,184)
	46,215	**6,358,133**	**6,404,348**	**117,461**	**18,986**	**82,440**	**218,887**
Balance at 1 January 2018	28,961	6,506,782	6,535,743	120,987	18,703	66,011	205,701
Additions	17,194	6,820	24,014	-	449	21,667	22,116
Transfers	60	(60)	-	-	-	-	-
Disposals	-	-	-	-	-	(8)	(8)
Changes in restoration obligations	-	(31,486)	(31,486)	-	-	(44)	(44)
Net exchange differences	-	-	-	-	-	(1,420)	(1,420)
Depreciation	-	(123,923)	(123,923)	(3,526)	(166)	(3,766)	(7,458)
Balance at 30 June 2018	**46,215**	**6,358,133**	**6,404,348**	**117,461**	**18,986**	**82,440**	**218,887**
2017							
At cost	28,961	9,139,795	9,168,756	138,020	88,198	177,209	403,427
Accumulated 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
Depreciation	-	(362,221)	(362,221)	(7,051)	(3,646)	(7,653)	(18,350)
Balance at 31 December 2017	**28,961**	**6,506,782**	**6,535,743**	**120,987**	**18,703**	**66,011**	**205,701**

12 Share capital

	Half-year ended 30 June 2018 $'000	Half-year ended 30 June 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

13 Subsequent events

Dividends

On 20 August 2018, the Directors approved the payment of an interim unfranked dividend of US 2 cents per ordinary share (2017: US 4 cent interim dividend) to ordinary shareholders in respect of the half-year ended 30 June 2018. The due date for payment is 25 September 2018 to all holders of ordinary shares on the Register of Members on 5 September 2018. The Company's dividend reinvestment plan will remain suspended for the interim dividend. Dividends paid and declared during the half-year are recorded in note 9 to the condensed consolidated interim financial statements.

Directors' Declaration

In accordance with a resolution of the Directors of Oil Search Limited, the Directors declare that:

(a) the attached financial statements and notes thereto of the consolidated entity:

  (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2018, and its performance for the half-year ended on that date; and

  (ii) comply with International Financial Reporting Standards; and

  (iii) 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 half-year ended 30 June 2018.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

....

RJ LEE AM

Chairman

....

PR BOTTEN CBE

Managing Director

Sydney, 20 August 2018

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Deloitte Haus, Level 9
MacGregor Street
Port Moresby
PO Box 1275 Port Moresby
National Capital District
Papua New Guinea

Tel: +675 308 7000
Fax: +675 308 7001
www.deloitte.com/pg

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

We have reviewed the accompanying half-year financial report of Oil Search Limited (the "Company"), which comprises the condensed consolidated statement of financial position as at 30 June 2018, and the condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 22.

Director's Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with International Financial Reporting Standards (including the interpretations of the IFRS Interpretations Committee) and the *Papua New Guinea Companies Act 1997*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Papua New Guinea Companies Act 1997* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with International Accounting Standard IAS 34 *Interim Financial Reporting* and the *Papua New Guinea Companies Act 1997*. As the auditor of Oil Search Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oil Search Limited is not in accordance with the *Papua New Guinea Companies Act 1997*, including:

Deloitte.

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

(b) complying with International Accounting Standard IAS 34 *Interim Financial Reporting* and the *Papua New Guinea Companies Act 1997*.

Other Information

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

Deloitte Touche Tohmatsu	Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU	DELOITTE TOUCHE TOHMATSU
Matthew Donaldson	Benjamin Lee
Partner	Partner
Chartered Accountants	Chartered Accountants
Registered Company Auditor in Australia	Registered under the Accountants Act, 1996
Sydney, 20 August 2018	Port Moresby, 20 August 2018