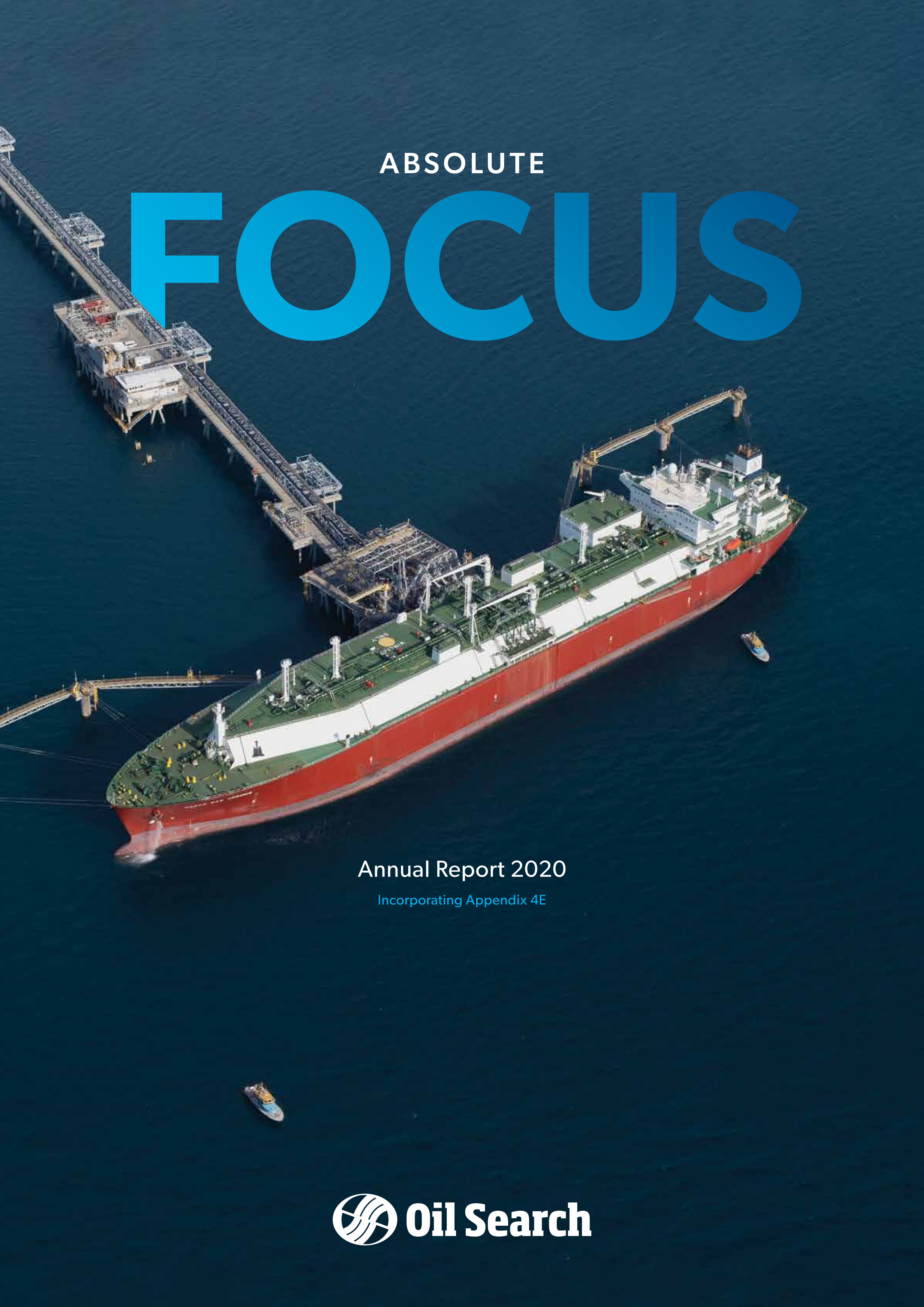

ABSOLUTE FOCUS

Annual Report 2020

Incorporating Appendix 4E

Oil Search

Appendix 4E

This Appendix 4E is provided to the ASX under ASX Listing Rule 4.3A

This information should be read in conjunction with the consolidated Financial Report for the year ended 31 December 2020.

Results for announcement to the market	% Change	Year ended 31 December 2020 US$'000	Year ended 31 December 2019 US$'000
Revenue from ordinary activities	down 32.2%	**1,074,153**	1,584,808
(Loss)/profit from ordinary activities after tax attributable to members	down 202.6%	**(320,657)**	312,420
Net (loss)/profit for the year attributable to members	down 202.6%	**(320,657)**	312,420

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

Dividends	Year ended 31 December 2020 US cents	Year ended 31 December 2019 US cents
Final dividend paid per security[1]	**0.5**	4.50
Interim dividend paid per security[1]	**—**	5.00

Net tangible assets	Year ended 31 December 2020 US$	Year ended 31 December 2019 US$
Net tangible asset backing per ordinary security[2]	**1.74**	2.19

1. No franking credits are available on dividends as Oil Search Limited is incorporated in Papua New Guinea. No part of the dividends represent conduit foreign income. The record date for determining entitlements to the dividends is 3 March 2021.
2. Includes right of use assets and liabilities recognised under IFRS 16 *Leases*.

Details of entities over which control was gained or lost

There were no acquisitions or disposals of controlled entities during the year ended 31 December 2020.

Details of joint ventures	Percent ownership interest held at the end of the period	
	31 December 2020 %	31 December 2019 %
Papua New Guinea Liquefied Natural Gas Global Company LDC	**29**	29
NiuPower Limited	**50**	50
NiuEnergy Limited	**50**	50

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Contents

WE ARE A RESPONSIBLE ENERGY COMPANY

About Oil Search

We are a responsible energy company, with a proud history and strong heritage. We are committed to a sustainable future. Our purpose is simple; to deliver low cost, high value energy that meets society's needs.

We have a focused portfolio with clear growth:

29% world class PNG LNG

22.8% interest in Papua LNG, an LNG growth opportunity that can be tied to PNG LNG facilities

Operatorship of **100%** of PNG oil fields, which contribute 20% of PNG LNG's gas

Operatorship and **51%** interest in Pikka oil field in Alaska

We are recognised for our proven capability to operate in challenging environments, our world-class resource base and our strong track record of working with communities and stakeholders. Today we are a safe, low-cost business, resilient to lower prices with a clear path to future growth.

Our ambition is to be the preferred energy company for all stakeholders, and we have a disciplined three-phase strategy to meet that ambition. We will:

FOCUS

Optimising our capital efficiency and discipline, focus on our core portfolio of assets, driving sustained low costs and lowering breakeven cost of supply in our oil fields

DELIVER

Deliver our world class Pikka project in Alaska at a low breakeven cost of supply, achieve a sell-down of a minority stake in that project and commercialise Papua LNG

EVOLVE

Set a platform to evolve, achieving full potential from Alaska and considering targeted complementary energy investments while maximising shareholder returns and free cash flow

Sustainability is embedded across the Company as we aspire to set the standard for sustainable development. Our activities are supported by a clear hierarchy for allocating capital, including prioritising sustaining capital, and a strong, flexible balance sheet.

Oil Search is listed on the Australian and PNG security exchanges (OSH) and its ADRs trade on the US Over the Counter market (OISHY)

2020 HIGHLIGHTS

Clear, consistent strategy defined and implementation underway

~ Low cost projects ~
~ Disciplined capital management ~

Focus on return on capital

Optimising cost base targeting lowest quartile

Ongoing continuous improvement and third party spend review

71% reduction in average annual exploration capex

Fully integrate operated assets into PNG LNG by 2027

Deliver LNG expansion

Simplify PNG LNG expansion by delinking LNG decisions to reduce complexity

Supporting Papua LNG FEED

Deliver Alaska

Reduce cost of supply to <US$40/bbl (including a 10% return on capital and financing costs)

33% increase in 2C resources in 2020

Commenced defining pathway to full value

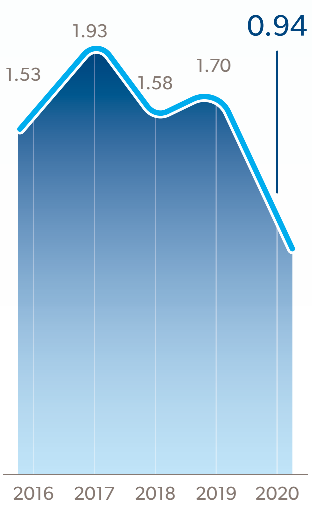
Commenced preparation for a 15% selldown in Alaska

Working towards FEED and FID entry 2021

Uncompromising in protecting our people, our communities and our assets

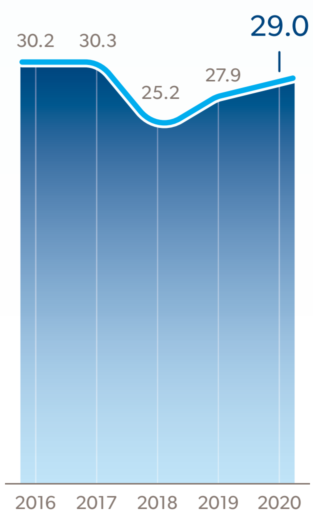
~ Decisive and rapid response to COVID-19 ~
~ Structural reorganisation for efficiency and resilience ~

Strong safety performance



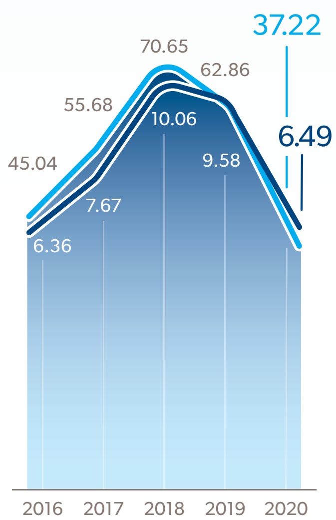
TRIR (per million work hours)

Reliable production



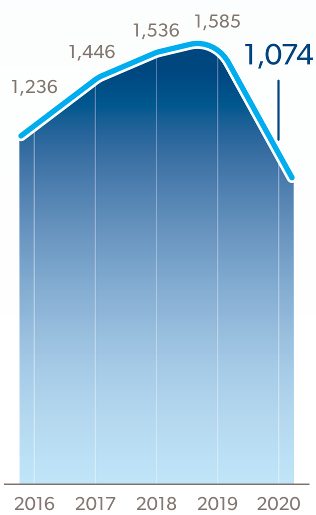
Production (mmboe)

Challenged commodity prices



Average oil and condensate price (US$bbl)
Average LNG and gas price (US$/mmBtu)

Solid revenue performance



Revenue (US$m)

Sustainability at the core of all decisions

~ Measurable action on sustainability ~

Climate

NEW COMMITMENT

to **reduce GHG intensity** by more than **30%** across operated assets by 2030

Environment

ZERO

major non-conformances in PNG ISO 14001 audit

Community

US$895m

in **total socio-economic contribution** in PNG and Alaska

~460,500 ITEMS OF PPE

donated in Alaska and PNG to help stop the spread of COVID-19

Health and safety

STRONG SAFETY PERFORMANCE

Zero Tier 1 and two Tier 2 process safety events

People

COMMITTED TO LOCALISATION AND DIVERSITY

88% PNG workforce are PNG citizens and **77%** of **leadership roles** in PNG filled by PNG leaders

Integrity

NEW WHISTLEBLOWER POLICY

launched across the Company

SPEAK UP CULTURE

integrated across the organisation

Economic sustainability

BUILDING CAPITAL DISCIPLINE

focused on minimising cost of supply

US$2.5/BOE REDUCTION

in unit production operating costs in 2020

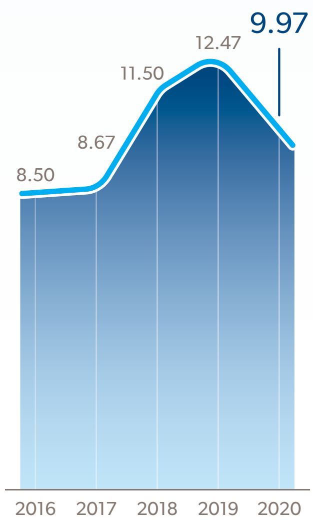
Delivered efficiencies and improved liquidity

~ Enhanced resilience ~

~ Sustained cost improvements ~

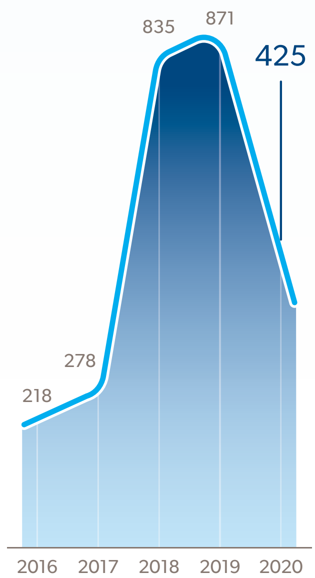
~ Strong position to commercialise world class resource base ~

Sustained cost reduction



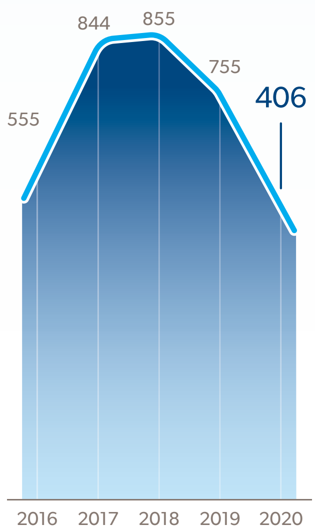
Production costs (US$/boe)

Capital expenditure



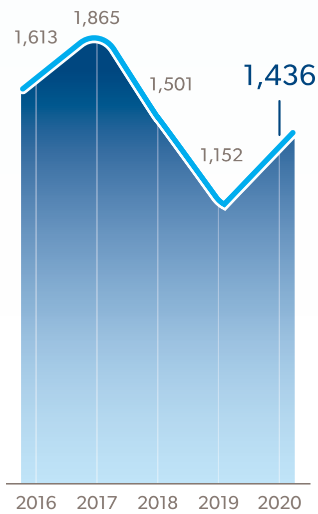
Investment expenditure (US$m)

Robust cashflow generation



Operating cash flow (US$m)

Strengthened liquidity



Liquidity (US$m)

RESET FOR THE FUTURE

"2020 unfolded as a year like no other. For Oil Search, it was a year that compelled us to rethink our purpose and ambition for the future and, importantly, to reset the strategy that will guide us there."

Chairman's Letter

2020 unfolded as a year like no other. For Oil Search, it was a year that compelled us to rethink our purpose and ambition for the future and, importantly, to reset the strategy that will guide us there.

Events of last year have shown us the critical need for resilience. The confluence of the oil price collapse with COVID-19 are reminders that even the best laid plans can falter and, in order ultimately to succeed, the ability to withstand challenges along the way is vital.

We are acutely aware that the energy industry is entering a new paradigm in which the world's demand for energy is undiminished while the expectation for clean, low-carbon emitting fuel is universal.

Material quantities of responsibly produced, low cost oil and gas will support the energy transition and Oil Search is ready to play our role in meeting this demand. The Company is well-placed to deliver projects that can help countries move towards their carbon neutral targets by the middle of this century, with LNG becoming increasingly important as an alternative to coal for base load power. This is particularly relevant for the Asian LNG market.

The factors driving the energy transition are also firmly in our view. We recognise that investor and societal expectations have been fundamentally redefined. In turn, measurable action on sustainability is now non-negotiable and must be built into a successful strategy.

Community betterment has been a core strength of Oil Search for many years. We are proud to be acknowledged as a leader in our delivery of support and services in the communities where we operate. Our new strategy sees us broadening that commitment to set the standard across all areas of sustainability. Sustainability will be at the core of our decision making, extending beyond ESG reporting to include measurable delivery against commitments to create a balanced company that contributes to the long-term well-being of society.

Our Company continues to adopt and implement rigorous corporate governance processes across all aspects of its business. The Oil Search Corporate Governance Statement is released on the ASX and published on our website, www.oilsearch.com.

In 2020, Dr Keiran Wulff ably led this organisation's response to a uniquely challenging backdrop by taking action to curtail costs, drive operational improvements and focus on commercialising our growth at the lowest breakeven. However, it is clear our resilience can be further strengthened by prioritising free cash flow generation, disciplined capital management and rigorous downside planning.

These objectives underscore our refreshed strategy that lays the roadmap for delivering greater upside when market conditions turn for the better.

We are clear in our purpose to deliver low cost, high value energy that meets society's needs. We are equally focused on achieving our ambition to be the preferred energy company for all stakeholders. This is the path forward for Oil Search as we approach the future with confidence and resolve.

The Board commends Keiran for his steady and courageous leadership of Oil Search through his first year as Managing Director. We extend our gratitude to his senior leadership team and all Oil Search employees for showing commitment and determination at every opportunity.

I wish also to thank my fellow board members for their wise counsel and acknowledge the contribution of Sir Mel Togolo, who stepped down from the Board last October.

On behalf of the Board, I thank our shareholders for your support and endorsement of our plans. I look forward to its continuation as we stride towards our goals in 2021.

Richard Lee, AM
Chairman

2020 was marked by the ongoing COVID-19 pandemic that has affected all of us highlighting the importance of protecting the wellbeing of our workforce and their families as well as the safety and reliability of our operations. The oil price collapse and dramatic drop in LNG pricing, associated with reduced energy demand and increased volume coming onto the market, made for very challenging operating conditions emphasising the need for low-cost projects resilient to price volatility, free cash flow generation and capital discipline.

The pandemic and oil price downturn were a catalyst for us to review our performance and make sustained improvements to position the Company for long term success. The result of these initiatives is a lower cost base, a stronger balance sheet, a refocus of our LNG expansion plans in Papua New Guinea (PNG) on Papua LNG and a redesign of our Pikka project so that it can be commercialised at the lowest possible breakeven cost of supply. Critically, this is just the start and in 2021 we will focus on driving sustained low costs, simplifying our operations in PNG and further optimising the business for the future.

Despite the challenges of 2020, we are proud of our many achievements this year. We observed three important records for the year; record safety performance, record post earthquake production reliability from our operations in PNG and record production from the PNG LNG project. In addition, we announced a 33% increase in 2C contingent resources, taking total gross Alaskan North Slope 2C resources within Oil Search to 968 mmbbl (494 mmbbl net before royalty).

Another important achievement for 2020 was the completion of our strategic review, working with the Board to undertake in-depth analysis on our past performance, global trends and stakeholder feedback as well as establishing the systems and processes to track our progress in delivering on this strategy. With our ambition of being the preferred energy company for all stakeholders, we will deliver low cost, low greenhouse gas intensity, high value energy that meets society's needs.

In setting these targets Oil Search had to undertake a detailed and transparent review of our strengths and weaknesses and consider lessons learnt from our 2020 capital raise, financial position and company performance in recent years. Significant steps have been made to drive capital efficiency, sustainable cost reduction and absolute focus across our organisation.

Managing Director's Letter

"2020 was marked by the ongoing COVID-19 pandemic that has affected all of us highlighting the importance of protecting the wellbeing of our workforce and their families as well as the safety and reliability of our operations."

RESPONDING TO CHANGE

The world is changing, transitioning towards lower carbon emissions with many countries targeting carbon neutrality by the middle of this century. Nevertheless, oil and gas produced safely, responsibly and at low cost has a critical role to play in this transition. We recognise our projects must be low cost and resilient to price volatility if they are to be competitive in this new paradigm. We are confident our ongoing production of LNG from the PNG LNG project, delivery of our Papua LNG growth project and commercialisation of our low carbon intensity Pikka project comfortably meet these requirements.

Related to the energy transition is the fundamental shift in investor and societal expectations making measurable action on sustainability critically important. Oil Search is known globally for its leading position with respect to community engagement and betterment. We will be building on that position across all other areas of sustainability to develop Oil Search as a leader in genuine emission and environmental impact reduction programs and carbon abatement. This is an exciting area and we have elevated Sustainability as a core part of our business decisions and strategy.

Throughout these tough times the demands on our staff, and consequently their families, were enormous. I would like to thank every member of the Oil Search team for their hard work and extraordinary commitment and contribution in 2020.

Oil Search has a bright future of continued growth from our world class assets and significant resource base. I look forward to building on our achievements in 2021, as we maintain absolute focus on achieving our strategy in a manner that meets societal expectations.

Keiran Wulff
Managing Director

Senior Leadership Team

Dr Keiran Wulff
Managing Director

BAppSc, Grad Dip Petroleum, PhD Geology

Keiran first joined Oil Search in 1993 and was appointed to the role of Managing Director in 2020. Since assuming this role, Keiran has focused on driving sustained low costs, simplifying our PNG operations and defining our strategy to deliver our world-class development assets. Keiran has over 30 years' experience in the international oil and gas industry. During his time at Oil Search, he has held several senior management positions, including key exploration and new business roles in Port Moresby, Dubai and Sydney. Between 2009-2014 Keiran held directorships in Australian oil companies and established Aligned Energy, a biomass company. Keiran re-joined Oil Search in 2015 and was appointed EVP & President Alaska in 2018.

Michael Drew
EVP Corporate, General Counsel & Group Secretary

LLB (Hons), Admitted to practice in Australia and England & Wales

Michael joined Oil Search in 2014 and leads the legal, regulatory, M&A, group secretariat, contracting & procurement, people & culture and health & wellbeing teams. Michael has over 26 years' international oil and gas experience, including leadership roles based in Russia, Canada, UK and US. He began his legal career in private practice at Linklaters, London. In 2001, Michael joined BP PLC and, in 2010, was appointed Associate General Counsel BP responsible for global upstream businesses.

Stephen Gardiner
Chief Financial Officer

BEc (Hons), Fellow of CPA Australia

Stephen joined Oil Search in 2004 and is responsible for the finance, tax, treasury, audit and risk and investor relations functions.

Prior to joining Oil Search, Stephen had a 20 year career in corporate finance at two of Australia's largest multinational construction materials companies and a major Australian telecoms company. Stephen's roles at Oil Search have covered various senior corporate finance responsibilities including Group Secretary between 2009 to 2019. Stephen was appointed to the position of Chief Financial Officer at Oil Search in 2012.

Beth White
EVP Sustainability & Technology

BSc (Engineering Geology), MSc (Petroleum Geology)

Beth joined Oil Search in 2007 and is responsible for sustainability, technology and HSES. Beth has over 20 years' international experience in the oil and gas industry. She has held commercial and general management roles within the Company and was instrumental in the sanctioning of the PNG LNG project. Beth has strong governance and stakeholder engagement experience across government, community groups and joint venture partners. Beth previously worked at Woodside Energy in technical and management positions.

"The strength and collective experience of our senior leadership team ensured that Oil Search emerged from the challenges of 2020 stronger and more resilient"

RICHARD LEE, CHAIRMAN

Bruce Dingeman
EVP & President Alaska
BS (Petroleum Engineering), MBA

Bruce joined Oil Search in 2018 and is responsible for management and delivery of our Alaska business unit.

Bruce has over 35 years' international experience in the oil and gas industry. Prior to joining Oil Search, Bruce was General Director for Naftogaz in Ukraine and led the upstream division of the firm. He has held a wide range of technical, financial and executive leadership roles with companies across the globe including ConocoPhillips, Talisman, CASA Exploration and has served as a member of the United Way Board of Directors.

Diego Fettweis
EVP Commercial
BEng (Mechanical), MBA

Diego joined Oil Search in 2014 and is responsible for the commercial, business development and growth, strategy and planning and commodity marketing functions, including management of our LNG operations and growth projects.

Diego has over 20 years' international oil and gas experience. He has held various lead commercial and project management roles within the Company. Diego previously worked at ExxonMobil for over 15 years, in a range of technical, operational and leadership positions, based in Europe and the Middle East. He is well-versed in both the downstream and upstream sectors.

Bart Lismont
EVP PNG Development & Operations
BEng (Mechanical), MBA

Bart joined Oil Search in 2019 and is responsible for our PNG operations.

Bart has over 37 years' experience in upstream oil and gas. Prior to joining Oil Search in 2019, Bart was Vice President Development at Shell, responsible for all subsurface, drilling and facilities activities between discovery and production for Shell's operated conventional oil and gas assets. He has extensive project development experience across the full project lifecycle and has lived and worked in many international locations.

Leon Buskens
PNG Country Manager
BCom, MFin

Leon joined Oil Search in 2012 and has oversight of our PNG business unit as country manager.

Prior to his appointment as PNG Country Manager, Leon was Senior Vice President for External Affairs – Community. Prior to joining Oil Search, he was the Managing Director of PNG's largest superannuation fund, playing a major part in its governance transformation, and has been the Chairman of PNG's Investment Promotion Authority since 2012. Leon also sits on several prominent PNG Boards across not-for-profit, multinationals, commercial and government sectors.

Financial Overview

Financial summary and key metrics

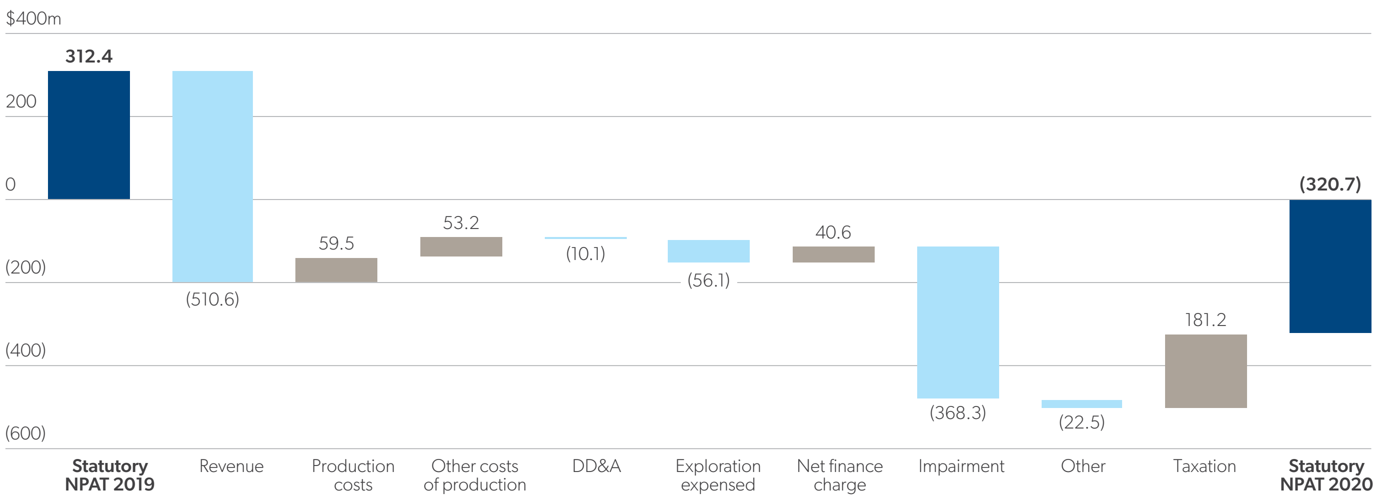
US$ million	2020	2019
Revenue	1,074.2	1,584.8
EBITDAX[1,4]	721.1	1,145.9
Depreciation and amortisation	(423.8)	(413.7)
Exploration cost expensed	(103.3)	(47.2)
Impairment	(374.2)	(5.9)
EBIT[1,4]	(175.2)	679.7
Core EBIT[2,4]	220.5	689.9
Net finance costs	(190.4)	(231.0)
Tax benefit / (expense)	44.9	(136.3)
Net (loss) / profit after tax (NPAT)	(320.7)	312.4
Core NPAT[2,4]	22.0	320.9
Net cash from operating activities	406.1	754.6
Investment expenditure	425.4	870.7
– Exploration and evaluation expenditure	202.6	700.0
– Development expenditure	140.5	45.0
– Production expenditure	49.8	81.0
– Other plant and equipment expenditure	23.1	35.8
– Biomass expenditure	9.3	8.8
Free cashflow[3,4]	12.8	(58.7)
Dividends distributed	68.6	205.7
Key ratios		
Basic earnings per share (US cents)	(16.62)	20.50
Diluted earnings per share (US cents)	(16.62)	20.41
Dividend per share (US cents)	0.5	9.5
Gearing (%)	29.9	36.2

1. EBITDAX (earnings before interest, tax, depreciation, amortisation, impairment and exploration expensed) and EBIT (earnings before interest and tax).
2. Core EBIT and Core NPAT exclude the impairment expense of US$374.2 million (post-tax US$260.2 million) and site restoration cost increases for previously impaired assets of US$21.6 million (post-tax US$21.0 million). Core NPAT also excludes the derecognition of net deferred tax assets of US$61.5 million.
3. Free cash flow has been calculated as net cash from operating activities less cash flow from investing activities.
4. This is a non-IFRS financial measure that has been presented to provide a more meaningful understanding of Oil Search's financial performance and has been derived from the financial statements which have been subject to audit by the Company's auditor.

Financial performance

2020 was characterised by safe operations, record high PNG LNG production and sustained cost improvements, offset by extremely challenging market conditions. Despite those challenging market conditions, a core NPAT of US$22.0 million was realised. The statutory net loss after tax for 2020 of US$320.7 million was largely driven by the drop in oil and gas prices and the recognition of certain one-off adjustments relating to an impairment expense of US$374.2 million (post-tax US$260.2 million), and the derecognition of net deferred tax assets of US$61.5 million.

Reconciliation of net loss/profit after tax (2019 vs 2020)



Key movements (2019 v 2020)

Revenue

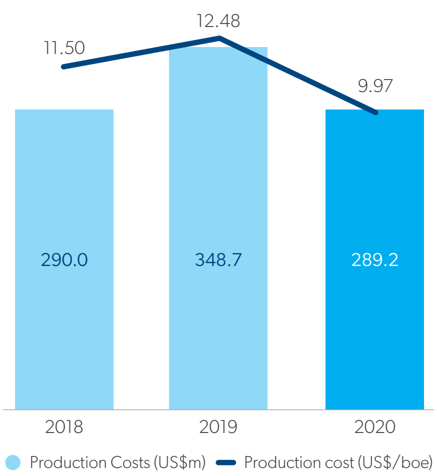
Revenue in 2020 decreased by US$510.6 million (32%), primarily driven by lower realised oil and gas prices, partially offset by higher production sales volumes. The challenging market conditions in 2020 resulted in the average realised LNG and gas price falling by 32% to US$6.49 per mmBtu and average realised oil and condensate price falling by 41% to US$37.22 per barrel compared to the prior year.

Production volumes increased by 4% to a total of 29.0 mmboe in 2020. PNG LNG volumes increased 3%, driven by excellent performance from the Project, which operated at a rate of 8.8 MTPA and delivered the highest year of production since the Project commenced in 2014. Volumes from the Company's operated assets increased by 12% reflecting improved reliability performance, partially offset by the shut-in of the Hides Gas-to-Electricity operation in early 2020. 2019 volumes were negatively impacted by the downtime following damage to the offshore liquids loading buoy.

Production costs

Production costs decreased in 2020 by US$59.5 million, largely due to the implementation of various cost reduction programs in PNG and across the Company, deferral of non-critical work, lower earthquake remediation activities (net of insurance recoveries), and no workovers undertaken in 2020 compared to the completion of two workovers in 2019 (Moran 4 and 9) . This decrease was partially offset by non-recurring employee exit costs as a result of the 2020 reorganisation and headcount reduction, and COVID-19 mitigation-related costs.

Production costs



Unit production costs decreased by 20% to US$9.97/boe in 2020 as a result of the higher production volumes and cost reductions described above.

Other costs of production

Other costs of production decreased in 2020 by US$53.2 million due to lower gas purchases driven by the shut-in of the Hides Gas-to-Electricity operation, a decrease in royalties and levies as a result of the lower commodity prices, a favourable inventory movement and various other cost reductions realised in the year.

Depreciation and amortisation

Depreciation and amortisation for 2020 was US$10.1 million higher, in line with the increased production volumes.

Exploration costs expensed

Exploration costs expensed were US$56.1 million higher in 2020 driven by the expensing of the unsuccessful Gobe Footwall well in PNG, and seismic activities in Alaska largely relating to the acquisition of Kuukpik 3D data.

Net finance costs

Net finance costs were US$40.6 million lower, benefiting from lower interest rates, partially offset by an increase in interest expense on the corporate facilities due to higher average drawn debt.

Impairment

In 2020, a non-cash, pre-tax impairment charge of US$374.2 million (post-tax US$260.2 million) was recognised. This included US$364.7 million pre-tax relating to the impairment of various exploration and evaluation assets (predominantly in PNG) which were assessed as having reduced priority in the Company's portfolio due to lower prospectivity or sub-optimal economics, and a US$9.5 million pre-tax impairment relating to the Hides GTE project driven by the uncertainty relating to the resumption of production following the suspension of mining activities at the Porgera mine in PNG.

Other expenses

Other expenses increased by US$22.5 million, largely driven by the increase in future estimated site restoration costs for previously impaired assets of US$21.6 million.

Taxation

The tax benefit in 2020 on the loss before tax was US$44.9 million, compared to a tax expense of US$136.3 million in 2019. This resulted in an effective tax rate of 12.3%, lower than the prior comparable period rate of 30.4%, primarily due to the derecognition of net deferred tax assets of US$61.5 million.

Investment expenditure

Investment expenditure in 2020 totalled US$425.4 million, a 51% decrease from 2019, driven primarily by the exercise of an option in 2019 to acquire an additional interest in the Alaskan assets for US$450.0 million. Higher level of focus on capital prioritisation and cost reduction initiatives that were implemented in 2020 in response to the drop in oil and gas prices, also contributed.

Exploration expenditure of US$202.6 million was largely driven by the winter drilling campaign on the Alaskan North Slope, focused on the Mitquq and Stirrup wells, which were plugged and abandoned as planned after successfully discovering oil. The Gobe Footwall well in PNG was also plugged and abandoned after failing to discover commercial hydrocarbons.

Development expenditure of US$140.5 million was largely driven by activity at the Pikka project (US$99.6 million), including the civil works program to connect the proposed Pikka Unit Development to the existing North Slope infrastructure, and engineering and optimisation studies aimed at reducing the breakeven of the project to position it to be economically robust under a lower oil price environment. Development expenditure also included the Company's share of the PNG LNG project development costs for the Angore project of US$40.9 million.

Production expenditure of US$49.8 million largely related to various sustaining capital activities and work to bring the North West Moran wells back on line following the 2018 earthquake.

Expenditure on property, plant and equipment of US$23.1 million mainly related to the continued implementation and optimisation work associated with the Company's Enterprise Resource Planning system.

Biomass expenditure of US$9.3 million in 2020 related to various activities to progress the project towards FID.

Financial Overview

Continued

Dividend

In light of the material reduction in core net profit after tax in 2020 and a commitment to preserve capital following the extremely challenging market conditions of 2020, the Company's Board declared a final dividend of 0.5 US cents per share for 2020. Dividends paid and declared during the year are recorded in Note 11 to the financial statements.

In 2020, the Company distributed US$68.6 million to shareholders by way of the 2019 final dividend.

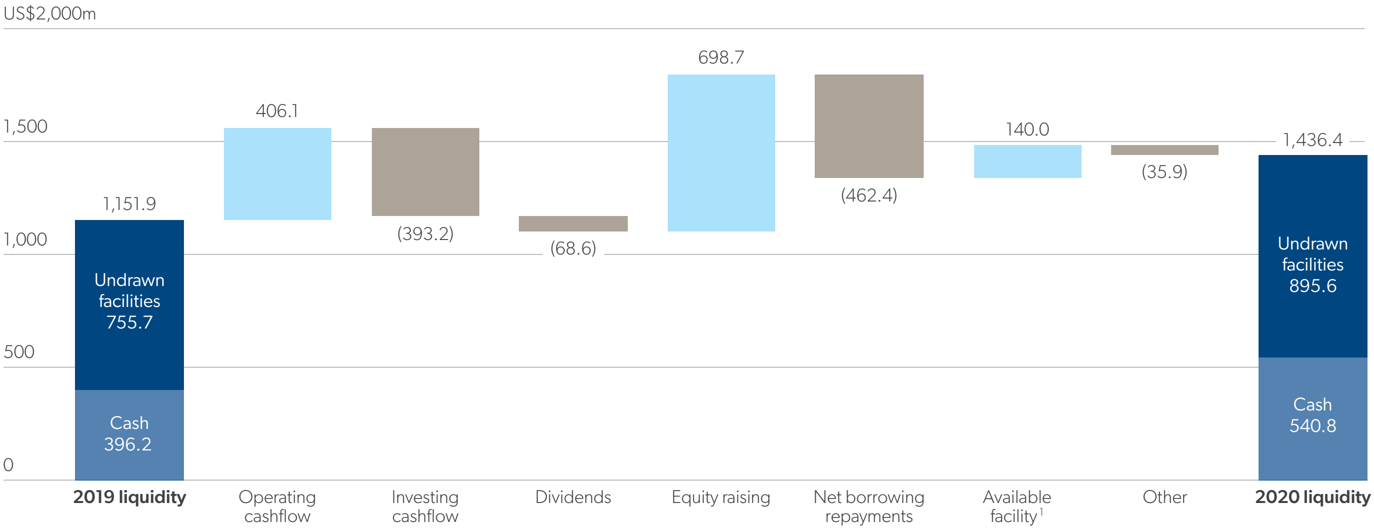
Net debt and liquidity

The Company is focused on maintaining a strong, flexible balance sheet. At 31 December 2020, the Company had net debt (total borrowings excluding lease liabilities, less cash) of US$2,376.2 million, a 20% decrease on the prior year position of US$2,983.2 million.

At 31 December 2020, the Company had US$2,617.0 million and US$300.0 million outstanding under the PNG LNG project finance and corporate credit facilities, respectively.

The Company remained in a robust liquidity position with total liquidity of US$1,436.4 million at 31 December 2020 consisting of cash of US$540.8 million (including US$282.6 million in PNG LNG escrow accounts) and US$895.6 million available under corporate facilities. In April 2020, the balance sheet was bolstered by a capital raising of US$698.7 million (net of transaction costs). To provide additional flexibility in the face of the market volatility of 2020, the expiry date of US$300.0 million in short-term loan facilities was successfully extended to 30 June 2021.

Total liquidity



1. Represents increase in undrawn corporate facilities due to repayments of drawn amounts during the year.

Energy Markets

While world energy markets continue to transition towards low carbon emission energy sources, responsibly produced, low-cost oil and gas remains critical throughout the energy transition as economies balance increasing energy demands with climate and environmental considerations.

Oil

Oil remains a key component of today's energy mix and this will continue during the energy transition.

In 2020 global energy markets were disrupted by the unprecedented effects of the COVID-19 pandemic with the global oil market bearing the brunt of the downturn in economic activity. Consequently, global oil price benchmarks collapsed due to lower demand, robust supply and high stock levels. A significant number of project final investment decisions were delayed, totalling over US$10 billion capex[1]. In time this underinvestment will contribute to supply side constraints. While the recovery from COVID-19 is underway, the profile of this recovery remains uncertain for global energy markets. As markets recover, financially resilient companies with high quality, low cost projects (particularly adjacent to existing infrastructure) with close proximity to regional markets will be most advantaged.

Our Pikka project design concept prioritises resilience with a breakeven cost of supply below US$40 per barrel including a 10% return on capital and financing costs. The planned Pikka project will utilise latest technologies and will have 75% lower CO_2 emissions relative to other North Slope producing oil fields.

LNG

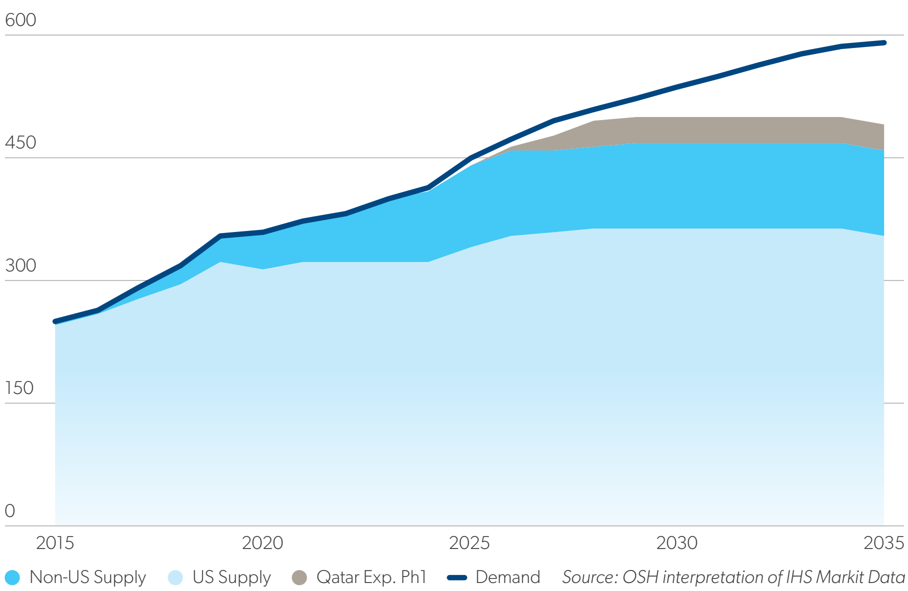
LNG demand supported by lower energy prices remained robust throughout 2020. Global LNG consumption increased year on year to 366 million tonnes. After a period of instability, Asia drove a recovery in global LNG demand with China, Taiwan and South Korea leading the rebound as their economies prioritised gas for power generation. Global LNG liquefaction utilisation fell with US LNG utilisation the most affected. Depressed gas prices in Asia and Europe during mid-2020 caused US LNG producers to cancel over 150 cargoes. However, through the second half of 2020, a combination of weather and operational factors boosted Asian spot LNG, with December prices reaching levels above US$15/mmbtu.

Through the next decade, buyers in Asia are expected to have further reasons to lean away from the US towards intra-regional supply, such as PNG LNG and Papua LNG. High heating value LNG is becoming more important in buyers' portfolios. With leaner US supply set to make up 22% of the global LNG Market by 2022, Asian buyers require a balanced portfolio and are therefore increasingly focussed on rich LNG supply opportunities, particularly if produced from low-risk, low-cost, brownfield expansion projects in the Asia Pacific basin. Prior to COVID-19, 2020 was expected to see multiple LNG projects sanctioned totalling more than 50 MTPA in liquefaction capacity.

However, due to capital constraints and lower forward pricing assumptions, the LNG industry saw only one small liquefaction project sanctioned in 2020.

Several new global energy and environmental policy initiatives announced in 2020 will have a strong positive influence on long term LNG demand. In September, China pledged to reach carbon neutrality by 2060, while Japan and South Korea followed suit in October, announcing similar goals with a 2050 target date. These respective governments will soon provide detailed roadmaps on how their targets will be achieved. For China, the upcoming five-year national development plan (2021-2025 outlook) will provide a mid-term roadmap of goals and policies to achieve its 2060 carbon neutrality pledge. Japan and South Korea are expected to provide updated energy policy details on their fuel mix during mid-2021. A significant obstacle for all three countries is managing the elimination of base-load coal-fired power capacity. Renewable energy will play an increasingly important role and natural gas will be the key bridging fuel for maintaining stable power supply as it emits approximately 40% less CO_2 than coal-fired electricity generation. Even with renewables growing, coal-fired power generation closures combined with deferred nuclear power restarts mean gas-fired capacity will increasingly be used to meet Asian baseload power demand.

Global LNG supply and demand



Source: OSH interpretation of IHS Markit Data

1. Wood Mackenzie Q4 2020 pre-FID Upstream Project Tracker.

Business Outlook, Strategy and Capital Management

We have a clear, disciplined, three phased strategy to deliver on our ambition to be the preferred energy company for all stakeholders. As we execute on this strategy over the next eight to ten years, we expect to commercialise ~75% of 2C resources from our world-class resource base, almost doubling production, delivering a step change in our cost profile and free cash flow generation as well as our greenhouse gases emissions intensity.

Our strategy builds on our base business, defined by:

- production from our 29% interest in the low cost, reliable PNG LNG project and our operated assets which play a vital role in supporting PNG LNG
- low-cost, flexible growth from our world class resources in Alaska and PNG
- a strong commitment to safety and record of working in partnership with communities and stakeholders

Actions taken in 2020 in response to the COVID-19 pandemic and the oil price downturn mean we now have a lower cost base, are more resilient and are in a strong position to execute our strategy.

Our strategy is flexible and has embedded within it multiple checkpoints to assess that the macroeconomic scenarios and judgements on which it is based remain fundamentally relevant.

Three phased strategy to deliver on our ambition

FOCUS
2020-23

During the focus phase, which has already commenced, we will:

- Drive sustained low costs. Building on the sustained US$2.5/boe reduction in production costs across the business in 2020, we are targeting a 40% decrease in opex at our operated assets by 2023 from 2019 levels through technology, improved efficiency and productivity and third party spend reduction.
- Simplify our PNG operations and activities. By focusing on high priority, high value licenses and releasing non-core acreage we are seeking to maximise our return on capital and achieve a 75% reduction in annual average exploration capex at our PNG operated assets for the coming three years.
- Reduce Alaska cost of supply and capex. Detailed engineering and optimisation studies completed over the course of 2020 have resulted in a material reduction in the breakeven cost of supply of the Pikka project to less than US$40 per barrel, which includes a 10% return on capital and financing costs. Work continues on exploring options to reduce the breakeven cost of supply to create a self-funding project that can support future expansion stages.
- Optimise the organisation for the future. A core part of our strategy is to implement initiatives to engender an accountable, high-performance culture and an inclusive and diverse workforce.

DELIVER
2021-25

The first priority during the deliver phase is to commercialise the Pikka resources, with FEED entry on phase one in early 2021 and FID in late 2021 with a production capacity of 80,000 bopd.

In parallel, we will pursue delinking the LNG expansion decisions in PNG and support progress on entering Papua LNG FEED, Papua LNG combines competitive cost, a favourable location and rich LNG sought after by north Asian buyers.

Further cost reductions are targeted at our PNG operated assets during this period, especially as the assets transition to producing gas exclusively and are integrated into PNG LNG, targeted for 2027.

EVOLVE
2024-30

The evolve phase of the strategy centres on maximising shareholder returns and free cash flow.

Key elements of this phase include:

- Delivering the full potential from Alaska. Phase one Pikka revenues will be used to support the full field development of the project and explore alternative means to monetise resources through cooperation with neighbours.
- Making targeted investments of appropriate scale into renewable energy and carbon offsets.
- Value accretive mergers and acquisitions to be assessed against growth options and capital management alternatives.

Sustainability

Sustainability is embedded across the business and sits at the core of all decisions

We have a strong history of success in working with local communities and aspire to set the standard across every facet of sustainability. We intend to achieve this through:

- Our climate change commitments:
  - Reducing GHG intensity by more than 30% across operated assets by 2030
  - Investing in growth projects aligned with the objectives of the Paris Agreement
  - Making targeted investments of appropriate scale into renewable energy and carbon offsets
- Our environment commitments comprise protecting biodiversity and minimising our environmental impact
- Our community commitments prioritise supporting youth in our communities for a better future, advancing sustainable development and applying disciplined social development and investment practices reflective of industry and United Nations (UN) standards

Importantly, we will deliver our commitments through best-in-class, transparent disclosure of our sustainability performance. Our commitments are discussed in detail under Sustainability on page 18.

Capital management

Capital management hierarchy

Sustaining capital

↓

Strong, flexible balance sheet

↓

Pikka and Papua LNG delivery

↓

Dividends

↓

Acquisitions/ capital returns

The foundation of our strategy is disciplined capital management

We have a clear hierarchy for allocating capital, which takes into consideration a range of macroeconomic scenarios to stress test our portfolio, inform our decision making and ensure we maintain an adequate liquidity position.

Sustaining capital

We prioritise capital expenditure to ensure the safety of our operations and continuity of production. Sustaining capital is funded from operating cash flows.

Strong, flexible balance sheet

We are focused on maintaining a strong, flexible balance sheet with access to sufficient liquidity to fund the next phase of growth.

Our long-term target gearing is ~25%, with a clear pathway for significant deleveraging from 2025 onwards.

In addition, we are actively pursuing multiple corporate funding options and strategic levers to ensure balance sheet strength through the construction of the Pikka and Papua LNG projects, including:

- Focused expenditure control
- Corporate level finance
- Optimising LNG expansion
- Phasing Pikka development
- Asset sales
- Activating the dividend reinvestment plan
- Commodity price hedging

Pikka and Papua LNG delivery

Central to our strategy is the successful commercialisation of Pikka and Papua LNG.

In order to achieve this while satisfying our objective of a strong, flexible balance sheet, we are focused on:

- Pikka project financing, infrastructure opportunities and a 15% equity selldown aligned with FID
- Joint project financing with the project partners for Papua LNG

Dividends

We have a proportional dividend policy of 35-50% of core NPAT subject to Board discretion. A dividend reinvestment plan can be activated to reinforce the balance sheet.

Acquisitions/capital returns

We recognise capital returns are a key component of shareholder value. Accordingly, future merger and acquisition activities will only be considered when adequate capital is available, the opportunities are value accretive, and are assessed against organic growth options and capital management alternatives.

Sustainability

ABSOLUTE COMMITMENT

Sustainability has always been an integral part of Oil Search's 92-year history.

We will help to meet the growing global demand for energy by efficiently developing affordable and low carbon intensity energy projects. We have a long and proven track record of partnering with communities, host governments and other key stakeholders to enable enduring and tangible positive impacts. Sustainability is central to our growth, integrated into our Company strategy and is embedded throughout our operations.

In 2020, we launched a new 7-Pillar Sustainability Model for action. To emphasise the importance of Sustainability within Oil Search, we also created the role of Executive Vice President (EVP) Sustainability and Technology in 2020. We announced new commitments within our climate and environment pillars that recognise the increasing and justified focus on climate change and the energy transition.

As an upstream energy company, managing the risks and opportunities posed by the energy transition is critical for our long-term success. We acknowledge the role we need to play in responsible energy provision and in the energy transition. Our plan is to focus on low cost, low greenhouse gas emission intensity growth projects that are aligned with the objectives of the Paris Agreement. We will also continue to make targeted investments in renewable energy and carbon offset projects that fit with our values of supporting the local community, such as the advancement of our PNG Biomass project currently subject to FID. These investments will help position the Company within the energy transition.

Our renewed Sustainability Model defines our ambition to play a constructive role in the energy transition, respect our environment, and strengthen the communities we work in. Our plans will include initiatives to ensure the safety of our operations, support diversity within our workforce, and ensure transparency and integrity in everything that we do.

Sustainability underpins our ability to build a resilient business that generates value for all our stakeholders. Sustainability performance is governed by the Board Sustainability Committee and outcomes are linked to executive remuneration as outlined in the 2020 Remuneration Report.

For further information on our sustainability performance in 2020 please refer to the Oil Search 2020 Sustainability Report, to be released mid-April 2021.

7-Pillar Sustainability Model

Climate
Responsible delivery of low cost, low GHG intensity, Paris aligned growth portfolio

Environment
Respecting our unique environments

Community
Working with and strengthening communities in which we operate

Health and safety
Protecting and enhancing the health and safety of our employees, contractors and communities

People
Trusted and preferred employer and partner of choice

Integrity
Committed to doing the right thing

Economic sustainability
Building a resilient business for our stakeholders

2020 sustainability performance

Supporting our people

Our people remain our greatest asset and we aspire to be a trusted and preferred employer of choice. Our 2020 employee survey results[1] showed engagement (74% favorable responses) and enablement (69% favourable responses) at, or above, both general and oil and gas industry norms; with 8 in 10 employees being proud to work for Oil Search and motivated to do more than is required of them. This is driven by the care, concern and respect Oil Search shows employees (78% favourable responses) and our sustained commitment to the communities in which we work. At the same time, the survey results flag opportunities to improve job satisfaction for our workforce and we will vigorously pursue this in 2021 and beyond.

During 2020, an early and decisive COVID-19 response was critical to protecting our people and assets and maintaining employee engagement during unprecedented times. Several company-wide initiatives were implemented, including the 'Keep Connected' initiative, led by the EVP of Sustainability and Technology, which introduced weekly virtual Town Hall and Medical, Health and Wellbeing webinars. The impact of our COVID-19 response and the location-specific programs that were implemented are detailed in the PNG and Alaska sections of the report.

Fostering an inclusive and diverse workforce

To meet our ongoing commitment to diversity and inclusion we continued to make progress against our diversity and inclusion objectives and improve representation across the business as detailed in the table below:

Progress on D&I targets

Objective	2020 target	2020
Gender diversity – Female representation		
Board	30%	**38%**
Executive Vice Presidents on the Executive Leadership Team	30%	**17%**
Senior management levels	30%	**21%**
General workforce	22%[2]	**28%**
Graduate program over 2018-2020	50%	**58%**
Citizen development – Percentage of PNG citizens		
PNG based workforce	88%	**88%**
Leadership roles in PNG	73%	**77%**
Inclusive workplace		
Employee Survey Inclusion Index[1]		**68%** (% fav.)

1. The Employee Survey was conducted utilising Korn Ferry's Engaged Performance Framework.
2. Meet or exceed oil and gas sector averages for female representation in the workforce in 2020 (World Petroleum Council and Boston Consulting Group, 2017).

Sustainability
Continued

Keeping the workforce safe

Our commitment to the health and safety of our employees, contractors and communities is unwavering and despite the challenges presented by COVID-19 throughout our operations in 2020 we maintained strong safety performance outcomes, including a Total Recordable Injury Rate (TRIR) of 0.94. Throughout 2020 we also continued to enhance our management of process safety risks, improving the integration of process safety management into our activities in both PNG and Alaska. In 2020 the Company had zero Tier 1 and two Tier 2 process safety events.

We recognised early in 2020 the potential for incidences of COVID-19 to escalate globally, and formed a dedicated, multi-disciplinary COVID-19 Taskforce charged with taking measures to minimise the potential for the virus to impact our business. The impact of our COVID-19 response and the location-specific programs that were implemented in 2020 are detailed in the PNG and Alaska Business Unit sections of this report.

LOOKING AHEAD 2021 people, health and safety focus

- Monitor health advice about COVID-19 virus mutations and more readily transmissible strains
- Continually reassess the risks to our workforce and operations and modify our COVID-19 controls and protocols as appropriate
- As part of our commitment to continuous improvement we will review, update and implement key HSES policies, standards, procedures and assurance processes

Responding to changing community priorities

Earning the trust and support of local stakeholders whose day to day lives are impacted by our presence is critical to our success. We continuously seek to create sustainable socio-economic benefits that help support diversified and resilient communities.

COVID-19 brought many economic and mobility challenges to Oil Search and our communities. While we rapidly adjusted our engagement and consultation processes to remote methods; local movement restrictions resulted in the deferment of some Oil Search social development programs including the Community Assistance Program and Business Development training in PNG.

Despite these challenges, in PNG the Oil Search Foundation continued to work with three Provincial Health Authorities (PHAs) to strengthen their capacity, develop a COVID-19 response plan, address family and sexual violence, deliver education outcomes through tertiary sponsorships and administer small grants.

We established the PNG Landowner Company Steering Committee to oversee Oil Search's efforts to support small local businesses to diversify beyond oil and gas. In Alaska, we have supported communities through the installation of emergency shelters which can provide safe respite from the elements during subsistence activities. We have also continued our partnership with the Alaska Clean Seas response cooperative sponsoring an intern from the Nuiqsut community. We continue to disseminate Local Government COVID-19 information and advice across our operations and communities, including the Biomass project, to ensure isolated communities remained informed.

In both Alaska and PNG Oil Search donated much needed personal protective equipment (PPE) to local communities. In partnership with the local PHAs in PNG, Oil Search and the OSF distributed ~460,500 items of PPE and 5 million litres of hand sanitiser to help stop the spread of COVID-19. Additionally, Oil Search distributed 3,600kg of food to communities in Alaska whose normal supply sources were impacted.

LOOKING AHEAD 2021 community focus

- Partner with key stakeholders to target investment towards development areas – health, equality, education and livelihoods – enable the youth of today to be the leaders needed tomorrow
- Strengthen our Social Development and Investment (SD&I) governance framework, including the roll out of 5-year Business Unit SD&I plans
- Apply disciplined social responsibility and performance practices reflective of our human rights commitments and industry standards

Responsible delivery of low cost, low GHG intensity energy

To improve the emissions intensity of our operated assets and meet our target to reduce GHG intensity by more than 30% across operated assets by 2030, we have established a Climate Change Steering Committee to steward the implementation of GHG reduction opportunities and drive continual improvement. We have also developed a Carbon Marginal Abatement Cost Curve to ensure that we are investing capital in the GHG reduction opportunities with the largest benefit. This program focuses on:

- Reducing flaring and methane emissions;
- Integrating renewables and batteries into operations; and
- Driving operational excellence to achieve lasting and sustainable improvements.

LOOKING AHEAD **2021 climate focus**

- Implement carbon abatement program in the PNG BU to reduce GHG emissions intensity
- Design Pikka for step change GHG performance
- Advance PNG Biomass (subject to FID), a project offsetting 160k tonnes of CO_2 annually with 4 million trees already planted and 20 million trees planned
- Commence reporting equity GHG emissions, including emissions from PNG LNG.

Continually improving environmental management

In 2020, we strengthened our approach to environmental governance with the introduction of a dedicated Business Unit environmental management role in PNG to complement existing asset-based site compliance teams. We successfully completed our ISO14001 audit remotely, furthering our robust approach for managing environmental compliance.

In Alaska we operate in a highly regulated environment and our environmental management is built on industry data and key learnings. Above and beyond regulations, we closely consult with our local communities to understand their concerns relating to the impacts of development on their environment.

2020 marked the initiation of several long-term environmental studies associated with the Pikka project, including studies on caribou, fish, and water birds, subsistence species important to the local communities. These studies contribute to the global knowledge of biodiversity by sharing data and local knowledge from our operational areas.

LOOKING AHEAD **2021 environment focus**

- Enhance knowledge of biodiversity by sharing studies and data
- Achieve no net loss of biodiversity in new projects
- Undertake studies and listen to communities to enhance our environmental understanding to better manage risk

Improving economic sustainability and our governance practices

Since 2018, our processes have used an internal carbon price in the base case economics of our major growth projects. The internal carbon price helps safeguard the long-term economic sustainability of our assets by using a carbon price in our investment decision processes and ensuring the projects are financially robust.

In addition, we substantially reduced and reset our operating cost base in PNG with the re-organisation and streamlining of our business to a more asset-focused model. This saw a reduction in the unit production costs of ~US$2.5/boe which materially improves our benchmark position for asset operations of similar scale.

Sustainability underpins our ability to build a resilient business that generates value for all our stakeholders.

LOOKING AHEAD **2021 economic sustainability and integrity**

- Review climate economic assumptions
- Complete a full review of sustainability related policies to reflect renewed commitments
- Streamline governance framework for the Sustainability Committee to align with strategy

PAPUA NEW GUINEA

2020 Highlights

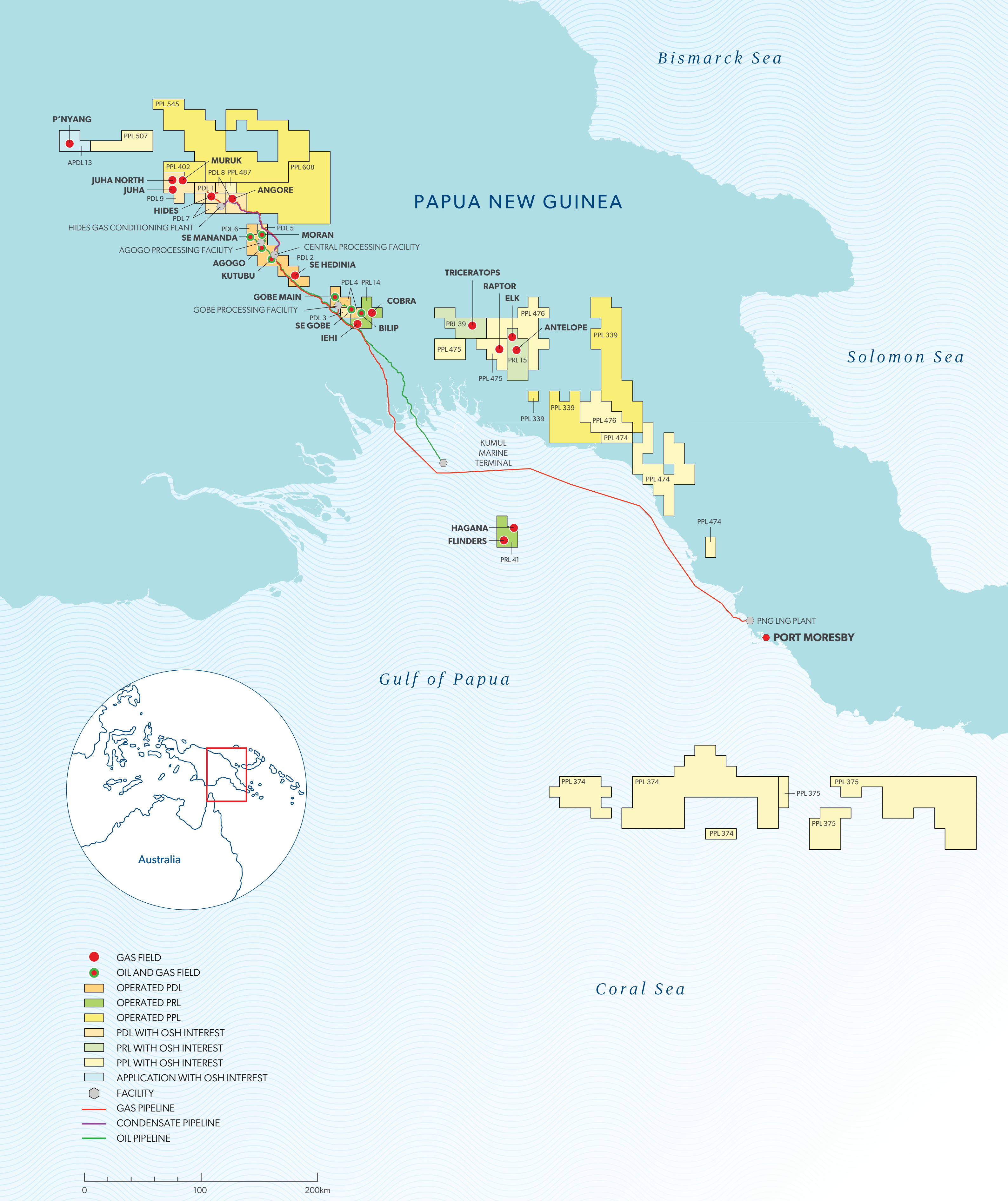
- Record PNG LNG production – 8.8Mtpa
- Record safety performance – operated TRIR of 0.78
- Improved operational reliability – record operated compressor uptime
- Sustainable cost reductions – 15% reduction in underlying operated production costs vs. original guidance

2021 Outlook

- Progress preparations to enter the FEED phase of the Papua LNG project
- Progress the P'nyang Gas Agreement with the PNG Government
- Arrest natural decline of operated assets and boost productivity
- Sustain cost discipline using technology to drive improved tool time and reducing third party spend
- Continue to engage with LNG buyers for Oil Search's equity share of LNG from the LNG expansion projects
- Simplify the portfolio with a focus on high priority, high value licences and by releasing non-core acreage

Papua New Guinea

Map of Licences[1]



1. As at 1 February 2021.

Papua New Guinea

Continued

Production

PNG LNG

PNG LNG contributed 25.7 mmboe (net) to Oil Search in 2020, comprising 22.6 mmboe of LNG and 3.1 mmboe of liquids (condensate and naphtha).

Gross LNG production for the year totalled 8.8 million tonnes (MT) equivalent. This was the highest annual production since the project came onstream in 2014 and 28% above the 6.9 MTPA nameplate capacity. This excellent operational outcome was driven by exceptional performance by the operator, ExxonMobil, despite the logistical challenges posed by insulating the operations from COVID-19 and deferring non-critical maintenance activity to 2021.

The Hides field, operated by ExxonMobil, contributed 89% (percentage of raw feed gas) of the gas delivered to the PNG LNG plant in Port Moresby. Our operated fields Kutubu, Gobe Main and SE Gobe supplied the balance of gas to PNG LNG. These fields delivered gas at an average rate of 127.4 million standard cubic feet per day (mmscf/d) during 2020. The Hides field also supplied 9.4 mmbbl (25,790 bodp) of gross condensate (excluding the third party SE Gobe contribution), which we processed and transported through our operated liquids handling facilities.

For 2021, PNG LNG production is expected to be in the range 23-25 mmboe. PNG LNG production rates in 2021 will be impacted by major scheduled maintenance at both the Hides gas conditioning plant and the liquefaction plant in Port Moresby.

Operated assets

The exceptional circumstances of a low oil price and the COVID-19 pandemic in 2020 drove us to enhance our resilience. Our operated assets met or exceeded all key targets with the exception of the Hides Gas-to-Electricity project which was shut-in for most of 2020.

As signs of a new global pandemic began to emerge, a multi-location, multi-function task force was set up early to coordinate all COVID-19 preparedness activities across the Company with the objective to protect the safety of our staff, contractors and neighbouring communities and to maintain stable and reliable operations. In 2020, there were no COVID-19 cases recorded in the field.

Our Company's COVID-19 response is discussed in detail under Material Business Risks on page 33.

2020 was also marked by a record low of five recordable incidents, as outlined under Safety performance on page 26.

Operated oil production was delivered on target at 2.6 mmbbl, a significant achievement because scheduled activities intended to deliver incremental oil production, including the drilling of the IDT 26 development well and a coiled tubing campaign, were deferred to 2021 due to our COVID-19 response. This outcome reflected strong contributions from development wells and workovers conducted in 2019, improved plant reliability including an increase in compressor uptime to over 90%, and the commencement of production from the NW Moran area wells ahead of schedule. Operated gas production from the Hides Gas to Electricity project was less than forecast following the closure of the Porgera goldmine.

In 2019, Oil Search commenced an initiative to deliver improved and sustained asset performance through an Operational Excellence program covering areas such as process safety, integrated planning and capital effectiveness, maintenance and reliability, and production systems and procedures.

The continuation and expansion of this program throughout 2020 has underpinned the strong safety and production performance seen in 2020 and the Operational Excellence system is continuing to be embedded in the way that the Company operates its production assets in order to deliver continuous and sustained improvement in facility performance.

We reduced operating production costs from US$148.8 million guidance at the start of the year to US$126.1 million actual. This was achieved through the selective reduction or deferral in discretionary activity across our operated facilities, cost efficiencies realised through our Operational Excellence program noted above, together with the Company-wide reorganisation announced in July 2020. Together, the initiatives have delivered sustained and material reductions in operating costs without compromising the health and safety of staff, contractors and communities in which we operate.

We also reduced capital expenditure from a forecast of US$484million to US$159 million, primarily by stopping discretionary activities such as drilling, and through concerted efforts to increase capital efficiency.

2021 production guidance

	2021 Guidance[1]
Production[2]	
Oil Search operated (ex-Hides GTE) (mmboe)	2 – 3
Hides GTE (mmboe)	0 – 1
PNG LNG project[3]	
LNG (bcf)	107 – 110
Power (bcf)	1 – 2
Liquids (mmbbl)	2 – 3
Total PNG LNG project (mmboe)	23 – 25
Total production (mmboe)	**25.5 – 28.5**[1]

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

In 2021, operated production is expected to be in the range of 2 to 3 mmboe.

We will be focused on three priorities:

- Embedding relentless capital discipline and cost reduction initiatives by leveraging enhanced planning and third party spend reduction
- Further simplification of our business by focusing on the highest value licences and portfolio optimisation to maximise return on capital
- Boosting our production by maturing preparations to drill wells in 2022 (subject to joint venture approvals) which have a quick payback period and a high return. We will solely target in-field wells to maximise use of our existing infrastructure

Our transformation office will support and monitor progress on these priorities with a detailed opportunity review and external benchmarking.

2020 production summary

	Full year	
Production [1,6]	**Dec 2020**	Dec 2019
PNG LNG production [2]		
LNG (mmscf)	**114,456**	110,768
Gas to power (mmscf) [3]	**495**	598
Domestic gas (mmscf)	**651**	—
Condensate ('000 bbls)	**2,738**	2,852
Naphtha ('000 bbls)	**318**	305
Total PNG LNG ('000 boe) [3]	**25,723**	**24,994**
Oil Search operated production		
Oil production ('000 bbls)		
Kutubu	**1,534**	1,392
Moran	**1,051**	132
Gobe Main	**11**	13
SE Gobe	**23**	33
Total oil production ('000 bbls)	**2,619**	**1,571**
Hides GTE [5]		
Sales gas (mmscf)	**1,804**	5,088
Liquids ('000 bbls)	**31**	96
SE Gobe gas to PNG LNG (mmscf) [4]	**1,483**	1,470
Total operated production ('000 boe)	**3,295**	**2,953**
Total production ('000 boe)	**29,017**	**27,947**

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. SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.
5. Hides GTE production is reported on a 100% basis for gas and associated liquids purchased by the Hides (GTE) Project Participant (Oil Search 100%) for processing and sale to the Porgera power station. Sales gas volumes are inclusive of approximately 2% unrecovered process gas.
6. 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.

Papua New Guinea

Continued

Growth and expansion plans

Overview

The PNG LNG, PRL 15 (Papua) and PRL 3 (P'nyang) joint ventures have for the past three years sought to mature a three train brownfield LNG expansion in PNG. Over time, the value and logic for integrating the three-train project has diminished. As 2020 progressed, stakeholders agreed that the Papua LNG project should progress with a two-train expansion, independently of the P'nyang project.

Our growth projects are ideally positioned to benefit from the anticipated global LNG supply gap forecast in the latter part of the current decade. Besides expectation that Papua LNG will coincide with the opening of the supply window in the Asian LNG market, an added differentiator is that the Papua LNG project will deliver rich, high heating value LNG,during a period that other supplies of rich LNG in Asia are diminishing.

PRL 15 (Papua LNG project)

Progress on the Papua LNG project was delayed in 2020 due to protracted negotiations on the P'nyang Gas Agreement and the effects of the global slow-down triggered by COVID-19.

In December 2020, the PNG Government communicated that the Papua LNG project was expected to progress separately from P'nyang, targeting the forecast LNG demand window opening post-2027.

In early February 2021 the PRL 15 licence holders were offered a five-year extension of the retention licence. Additionally, the PNG Government and the Papua LNG project participants executed the Papua LNG Fiscal Stability Agreement to guarantee Papua LNG fiscal stability.

PRL 3 (P'nyang)

At the commencement of 2020, discussions were underway with the PNG Government's State Negotiating Team on the P'nyang Gas Agreement. Despite intense negotiations, led by operator, ExxonMobil, agreement could not be reached. Formal negotiations on the P'nyang Gas Agreement were therefore suspended at the end of January 2020.

Although this was disappointing for all parties, Oil Search and the joint venture partners remain open to continuing dialogue with the PNG Government regarding the P'nyang Gas Agreement during 2021. We will seek terms which deliver an outcome that is fair and reasonable for all stakeholders.

Exploration and appraisal

In January 2020, drilling of the Gobe Footwall 1 exploration well from an existing production pad in the Gobe Main Field was completed with the target reservoirs found to be water bearing. Seismic acquisition in the Highlands was curtailed in the middle of 2020, to minimise discretionary expenditure, after one of the planned seismic lines was completed. This will help constrain the full form of the Muruk discovery.

For the remainder of 2020 we prioritised high value opportunities with no to low near-term capital requirements, renegotiated existing licence commitments and exited licences with low perceived value. As of the end of 2020, we had exited or given notice to exit nine licences. We expect to shortly announce the exit from at least two more licences in 2021, which will halve the number of PNG exploration and appraisal licences.

The retained licences represent a significant medium-term value proposition, as they are mostly close to existing infrastructure, with very limited near-term expenditure. No capital is being allocated to greenfield exploration for the foreseeable future.

The focus is on commercialising our discovered, high return resources. Our near-term focus is now on low cost licence maintenance with the only exploration operations being non-operated seismic acquisition in the Eastern Fold Belt which is expected to occur, subject to COVID-19 limitations, in late 2021 and the first half of 2022.

Safety performance

Throughout 2020, our commitment to maintaining safe and reliable operations was reflected by a significant reduction in injury rates, with the TRIR decreasing from 1.77 in 2019 to 0.78 in 2020, Oil Search's lowest on record in PNG. Between April and October, the PNG business unit also achieved over 3 million hours recordable injury free work hours.

Our High Potential (HiPo) incident frequency rate also decreased significantly, from 0.83 in 2019 to 0.31 in 2020, reflecting our absolute focus on effectively managing high risk activities with the potential for serious injury or fatal consequences. There were zero tier 1 and two tier 2 process safety events in 2020, against one and four respective incidents last year, while nine minor environmental incidents were reported in 2020, compared to 27 during 2019.

During October, we held a 'Safety Stand-up' to recognise the excellent safety performance achieved during the middle of the year and reinforce the 'Believe in Zero' initiative promoted throughout the operation. While seismic operations in PNG typically carry a number of health and safety risks, particularly associated with the challenging terrain and manual work tasks, a focus on frontline safety leadership, which included pre-mobilisation safety leadership training for supervisors, contributed to a significant improvement in the safety performance of the Greater Juha Seismic program during 1H 2020. There were zero recordable incidents in the seismic campaign.

In response to the COVID-19 pandemic, many discretionary activities were suspended or demobilised, while a number of initiatives were introduced, including the mobilisation of a COVID-19 taskforce, focussed on business continuity and supporting the business units to effectively manage health and safety risks associated with the COVID-19 conditions. Following the initial response a team was established to enhance COVID-19 management strategies, optimise operational performance and identify opportunities for improvement through an extended period of COVID-19 related restrictions. The implementation of enhanced COVID-19 testing protocols in PNG, incorporating Abbot ID machines, enabled reduced quarantine periods in strict quarantine zones. As we move into 2021, Oil Search will continue to monitor health advice around COVID-19 and manage the risks to our workforce and operating performance as conditions change.

Stakeholder engagement

Sustained engagement with each of our stakeholder groups remained a focal point for Oil Search in 2020, as we doubled our efforts to meet the challenges created by a global pandemic despite facing travel and social restrictions.

With COVID-19 spreading into PNG, our work with government, landowners and the communities took on a different tone. Deeply aware of the devastating consequences that widespread infection could have on the health and wellbeing of remote communities, Oil Search moved quickly to contain the risk of transmission within our camps and protect surrounding villages by redeploying non-essential personnel away from the regions, restricting access and travel to the fields, and implementing strict precautionary protocols and quarantine zones.

To help the PNG Government's fight against COVID-19, Oil Search boosted the supplies of PPE available to local hospitals and clinics. We worked in consultation with the National Department of Health and Provincial Health Authorities to determine the appropriate allocation of PPE and provided the necessary logistical support to ensure the items could reach the most vulnerable in our communities.

Oil Search continues its contributions towards the social-economic development of PNG by supporting infrastructure development, which provides the vital link to essential goods and services for many communities in Oil Search's project areas. In 2020, Oil Search continued to restore and rebuild critical infrastructure in areas hit by the 2018 earthquake, including carrying out repair work on the 106km provincial Kutubu Access Road, 35km on the Homa Paua Road and the reconstruction of five major bridges in between. In addition to restoring access to these communities, the project allowed us to strengthen the support and engagement with local landowner companies through skills transfer and local capacity building while demonstrating our ongoing commitment to public-private partnership.

In 2020, in line with the PNG Government's national development priorities and as part of the Infrastructure Tax Credit Scheme (ITCS) and the National Infrastructure Tax Credit Scheme (NITCS), Oil Search focused on work to complete the remaining projects:

- Kupiano District Hospital redevelopment
- Housing for the Mendi Police Barracks
- Nipa Police Housing Upgrade
- Kwaima Sub-Health Centre facilities upgrade
- Komo to Adjagaiba Road Project Phase 2

We are currently in discussions with government representatives about supporting the completion of the last 12kms of the southern logistic route through the Erave-Samberigi road section linking the Highlands to Gulf Province.

2020 saw Oil Search build on our commitment to education and vocational training. We sought to improve literacy with the delivery of children's books to more than a thousand students in Hela, cultivated promising talent by offering our STEM Scholarships Program, sparked interest in technical fields through our roadshows at the PNG University of Technology, and advanced the trade career development of 15 men and women through our Apprentice Program, a technically intensive course designed to provide trainees with the knowledge, skills and behaviours to succeed in their field.

In 2020, Oil Search's PNG Biomass project, currently subject to FID, marked the Company's first step into renewable energy. A decade in the making, this landmark initiative attracted full support and endorsement from the PNG Government as it looks to expand the national energy mix. Moreover, PNG Biomass has allowed us to further engage with landowners and communities for mutual benefit, with local farmers given access to arable land to plant cash crops between the rows of planted trees and thereby providing additional opportunities to support their families and the community.

Proactive engagement and continuous dialogue with successive governments has allowed Oil Search to form respectful and productive relationships with government stakeholders.

ALASKA

2020 Highlights

Safely delivered three successful exploration wells from two locations

Increased 2C contingent resource by 33%

Delivered cost efficient phased Pikka project approach

Reduced projected Pikka cost of supply from US$45/bbl to below US$40/bbl

Completed construction of the Pikka NDB well pad, project production facility pad, operations centre pad, a 59 metre bridge and an 18.5 kilometre road

Cut Pikka upfront capital costs by half

2021 Outlook

Progress Pikka phase 1 into FEED in early 2021

Prepare for growth by optimizing Oil Search's Alaska portfolio

Move the project to FID in late 2021

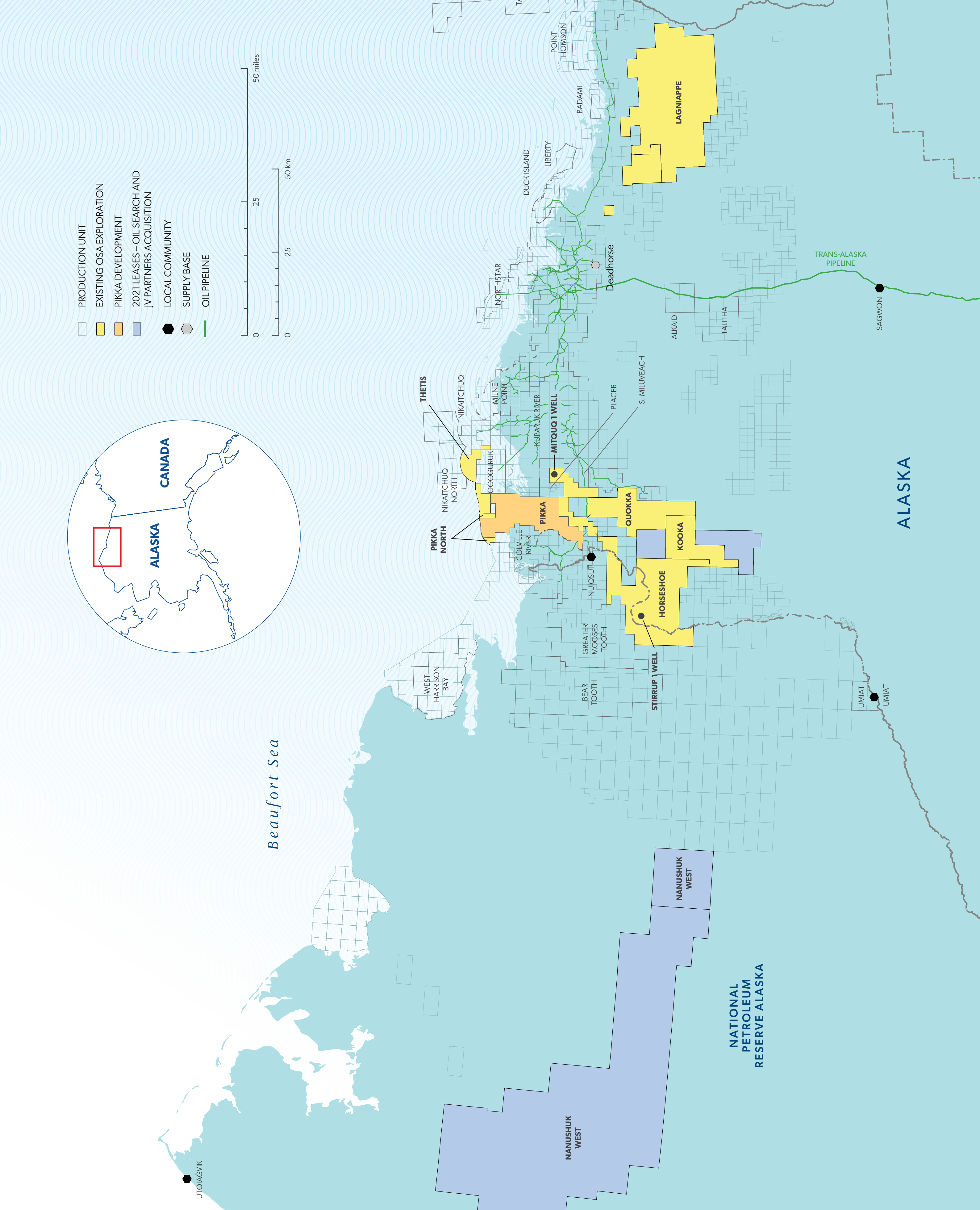
Launch contracting strategy to support timely delivery of supplies and services needed to support first oil planned for 2025

Work closely with local communities to ensure we satisfy our land use agreement and help advance their goals

Advance engineering and design for the production facility, drill site infrastructure, wells and other infrastructure and systems

Alaska

Map of Licences[1]



1. As at 1 February 2021.

Alaska
Continued

Pikka project

Pikka project update

We faced the unprecedented challenges of 2020 with resilience and a determination to deliver significant progress on the Pikka project.

We completed project optimisation efforts, landing on a price resilient, phased project concept focused on initial delivery of an 80,000 bopd single drill site development. We are preparing to proceed into FEED in early 2021 with Pikka Phase 1; first oil is planned for 2025 based on an FID anticipated in late 2021.

Including contingencies, the initial project cost is expected to be approximately US$3.0 billion (gross) and produce oil at a breakeven cost of supply of less than US$40 per barrel (including a 10% return on capital and financing costs).

Despite the oil price challenges and the global COVID-19 pandemic, we are well positioned to proceed with the delivery of the initial single drill site project. Adhering to a robust and actively managed COVID-19 response plan, a workforce of approximately 800 contractors completed construction of the Pikka drill site B pad, the project facilities and operations pads, and the 18.5 kilometres (11.5 miles) road and 59 metre (192 feet) bridge that connect the Pikka development to existing infrastructure, ensuring year-round access. The construction was completed safely and under budget.

The project is designed to minimise the surface footprint while still ensuring that the resource base is efficiently produced. We continue to assess and incorporate traditional knowledge that helps protect environmental resources and sustain the subsistence lifestyle of the local Alaska Native people.

Seawater treatment plant (STP) permit received

In March 2020 we applied to the US Army Corps of Engineers (USACE) for approval to construct a STP at Oliktok Point. In November 2020, the USACE approved the construction plan, issuing a modification of Oil Search's existing Department of Army permit to include the STP. The STP will provide confidence of water availability and quality to support the Pikka project.

Exploration

Our 2019/2020 Alaska exploration season exceeded expectations, with discoveries from all three of the planned well penetrations, Mitquq 1, Mitquq 1 ST1, and Stirrup 1. The success of the exploration program has significantly improved our understanding of the geology and potential productivity of the prolific Nanushuk play that is core to our North Slope lease portfolio.

While further appraisal is required, the 2020 Mitquq and Stirrup oil discoveries, which lie close to existing and planned infrastructure, both have the potential to create substantial long-term value for Oil Search shareholders and have positive implications for the prospectivity of our remaining acreage. Based on limited data released in March 2020, directly following flow tests at Stirrup and Mitquq, IHS Markit estimated two of the three discoveries to be among the top ten oil discoveries in the world in the first half of 2020.

Mitquq 1 was spudded 10 kilometres (six miles) east of the planned Pikka project on 25 December 2019, the earliest spud date from an ice pad on the North Slope in more than 40 years. In addition to an outstanding safety record, the well was delivered on time and below budget. The team acquired all planned well data enabling proper evaluation of the reservoir. Post-drill technical work on Mitquq 1 and Mitquq 1 ST1 continued throughout 2020. Analysis of these two wells and high-quality re-processed 3D seismic data were utilised to generate detailed geological models of the oil-rich reservoir in the Nanushuk and Alpine formations. Commercial evaluation supports the potential development of Mitquq as a Pikka satellite.

After constructing a 42 kilometre (26 mile) ice road southwest of Pikka, the Stirrup 1 well was spudded on 27 January 2020. Despite the remote location, complex logistics, and challenges associated with managing the project during a global pandemic, the drilling team worked safely and delivered the well on time and on budget, acquiring all planned data. Post-drill technical work on the Stirrup 1 well results combined with newly acquired 3D seismic indicate sufficient resources in the area to support a stand alone processing facility. Additional appraisal is planned to further define the size of this resource.

Most exploration on the North Slope requires months to years of planning, with a focus on executing a program within the short window of time when ice roads can be constructed to allow access across the frozen tundra to areas not accessible via existing roads. The winter is dark and cold, with the sun resting below the horizon for several months and ambient temperatures regularly dipping below -40 degrees celsius. Our exploration successes in this challenging environment over more than two years of operations in Alaska reinforce the quality of our Alaska assets and the experience of our Alaska team.

Resource upgrade

During 2020, we confirmed a significant increase in resources within our Alaskan portfolio, reinforcing the world-class nature of our asset base in Alaska. We completed technical studies on the successful Mitquq and Stirrup exploration wells drilled during the 2019/20 winter season in Alaska. The studies combined with data from the latest 3D seismic reprocessing project, resulted in a 122.5 mmbbl net 2C resource (based on 51% working interest before royalties in the relevant leases; 240.2 mmbbl gross) addition to our Alaskan resources. As verified by third party expert Ryder Scott, the updated Alaskan 2C resources, now 493.6 mmbbl net (967.9 mmbbl gross), are 33% higher than resources at the end of 2019.

A highlight of the booking is a 20.4 mmbbl net (40.0 mmbbl gross) increase directly within the Pikka project, taking total booked 2C oil resources in the Pikka field to 391.5 mmbbl net before royalties, based on Oil Search's 51% working interest (767.6 mmbbl gross).

The remainder of the resource booking (200.3 mmbbl gross, 102.1 mmbbl net to Oil Search) is attributed to the Quokka (Mitquq) and Horseshoe (Stirrup) trends. Additional appraisal drilling is required to accurately determine the full potential of both discoveries.

Our Alaska assets show great promise. Since we acquired them from Armstrong in 2018, our exploration and appraisal activities have resulted in a 54% increase in the gross 2C resource base in the Pikka field alone. Total 2C resources for Alaska have increased by 94%. With considerable increase in confirmed resources, and preliminary data suggesting there is significant additional resource potential to be confirmed through future appraisal drilling, Alaska is well positioned to help deliver the Company's planned production growth over the next decade.

Safety performance

In the short time we have been operating in Alaska, we have completed historic North Slope accomplishments, while matching HSES performance of organisations with decades of local experience. A dedicated workforce of employees and contract personnel at all levels took individual responsibility for incident-free operations, supported by fit-for-purpose HSES systems. The field operations benefited from engaged contractor companies that brought mature HSES cultures. Those cultures were integrated and enhanced with Oil Search's own well-developed standards and practices. We drove consistency across operations through a new digital orientation platform.

The efforts resulted in a 2020 TRIR of 1.83, substantially lower than the individual past records of our contracted companies who have long histories in Alaska. There were no significant spills to the environment and complex regulatory requirements, including more than 3,000 individual stipulations, were understood, communicated and complied with. This performance was achieved despite record cold days and the impact of the COVID-19 pandemic.

Our Company's COVID-19 response is discussed in detail under Material Business Risks on page 33.

Alaska
Continued

COVID-19 represented an unprecedented challenge to oil and gas operations across Alaska and the world. The Oil Search Alaska team responded quickly, activating its Incident Management Team to assess the potential impact of the virus on our operations and ensure adherence to local, state and federal guidance and mandates – including implementation of a State of Alaska-required mitigation plan addressing both our Anchorage office and North Slope operations. While a few positive cases were identified in the field during the summer work, rapid medical response, work-force testing, contact tracing, and strict adherence to mitigation measures prevented work-related transmission and serious illnesses.

While field operations were running smoothly, high-quality process safety hazard reviews were conducted on the evolving Pikka development designs and identified action-items were tracked to ensure closure.

The 2020 HSES performance and focus will be the foundation for delivery of safe, reliable, environmentally sound Oil Search projects into the future.

Stakeholder engagement

Despite the unique challenges presented with the onset of the COVID-19 pandemic, we remained focused on building and strengthening our relationships with the communities on Alaska's North Slope.

When the pandemic hit in Spring 2020, the communities on the North Slope locked down in an effort to keep the virus from affecting their remote populations. With travel to the communities thwarted, we had to get creative in our approach to communicating with and supporting the communities.

Throughout 2020, we continued our focus on youth, working with the Nuiqsut Trapper School on healthy lifestyle activities and partnering with organisations that help drive student interest and success in Science, Technology, Engineering and Mathematics (STEM) classes and career paths.

This STEM advocacy is one of several ways Oil Search is working to help build opportunity in the communities. With a focus on capacity building and job creation, we also sponsor an intern from the Nuiqsut community within the Alaska Clean Seas response cooperative. Additionally, we contract with Native-owned companies like Nanuq AFC for ice roads and gravel work, Doyon Drilling, and others.

We reinforced the Company's commitment to safety during the COVID-19 pandemic through the sourcing and donation of 400 mask-making kits for residents of Nuiqsut. Additionally, we worked closely with the North Slope Borough and the community of Utqiagvik to make the Stirrup ice road – intended to provide access to our exploration drill site - available for community use. The ice road provided seasonal access from Utqiagvik to supply centres in Alaska which are otherwise only accessible by air. We built a rest stop to provide travellers a place to warm up, get something to eat and combat travel fatigue.

We also deepened our partnership with and helped expand capability of the Nuiqsut Search and Rescue group. Working in partnership with local North Slope businesses and Nuiqsut community leaders, we built and delivered Subsistence Emergency Shelters that will provide safe respite from the elements. These shelters will support subsistence activities in the area for years to come and further reflect our commitment to safety and sustainability within Nuiqsut and other North Slope communities.

While communities were in lock down due to COVID-19, the delivery of necessary goods became a critical challenge. Utilising supplies from our North Slope-based winter operations, we delivered approximately 3,600 kilograms (over 8,000 pounds) of surplus food to Nuiqsut. The donation was very welcome and the timing critical, helping to keep the village fed as they awaited the spring subsistence hunting season.

In 2020, we refined and expanded our subsistence representative program, employing individuals from local communities in our North Slope operations to monitor our work, and identify and report opportunities to enhance our environmental performance. We also invited village elders to speak with our North Slope workforce, with the goal of emphasising the importance of local culture and traditional knowledge while further ensuring the communities are well informed and have ample opportunity to contribute ideas for improving the way we operate.

With frequent phone calls, texts, emails, a monthly printed bulletin, teleconferences and coordination or support of important community activities, we were successful in maintaining communication and enhancing relationships with our key stakeholders. Our work in Alaska and the relationships we've built with local communities is a testament to our commitment to be a preferred partner and good neighbour.

Material Business Risks

Oil Search maintains a disciplined focus on an effective risk management framework so that we can identify, assess and manage risks that have the potential to materially impact business objectives.

Our Risk Appetite Statement provides guidance on the amount and type of risk that is acceptable based on our risk tolerance. Oil Search's approach to risk management, including the Board Committee structure in place for oversight of material business risks, is outlined in our Corporate Governance Statement and our Risk Management Policy, which are both available at www.oilsearch.com.

The scope of our operations and the broader context of the global oil and gas industry means that a range of factors may impact results. In determining our material business risks, we have considered the potential impact and probability of these events or circumstances on our near and long-term objectives.

While the risks outlined in this section represent our most significant risks, there will always be additional risks and uncertainties, either not yet present or not currently considered material, that, may affect the business.

Pandemic risk

Risk description and potential impact

The COVID-19 pandemic resulted in unprecedented disruption to the global economy and exacerbated the decline in oil prices following failed OPEC negotiations related to production cuts. For Oil Search, prolonged uncertainty surrounding the pandemic has the potential to significantly impact the health and safety of our workforce, both in the field and office locations. Our operations may also be disrupted by government, regulatory or health authority actions, which could result in the shutdown of operating sites and offices, lockdowns in certain regions, border closures, travel restrictions and quarantine requirements. The timeline for the widespread availability of an effective vaccine is unclear and therefore there is potential for further impact on the Company.

Supply chain disruption by COVID-19 of suppliers, logistics partners, products, services/specialists and third-party providers has the potential to impact Oil Search's production and transportation operations. Roster adjustment and travel management for the field-based workforce has implications for the rotational workforce, including workforce fatigue, family separation and mental health issues.

Mitigating factors

To mitigate the risk, the following measures were taken:

- A COVID-19 Task Force and Business Continuity Team was mobilised to respond to the pandemic;
- COVID-19 protocols and work procedures were prepared for all work locations and a smooth transition to working from home was completed for those in non-operational roles;
- New roster plans were introduced to limit workforce exposure to COVID-19;
- COVID-19 testing equipment and protocols were established in PNG, leading to reduced quarantine periods from 14 days to 7 days;
- Implementation of weekly COVID-19 testing protocols, mandated negative testing prior to travel to the Alaskan North Slope, reduction of rotations of staff and out of state contractors and establishment of isolation facilities to treat positive cases for North Slope activities;
- An incident management team was established in Alaska to manage the initial COVID-19 response, which was transferred to an HSES-led effort after the initial response was complete;
- A Wellbeing Committee was established to provide mental health support to rotational workers and their families;
- Additional morale and financial support were provided to families of rotational workers during this time;
- Critical spares, consumables and fuel requirements were identified and procured to ensure that production operations could continue in case of supply chain constraints.

Material Business Risks

Continued

External and stakeholder risks

Legislative and regulatory risk

Risk description and potential impact

Oil Search has interests in several international jurisdictions and therefore our business is subject to various national, federal, state and local laws and regulations. As laws are introduced or amended and new regulatory requirements take effect, we must identify and implement changes, where required, to our activities and/or operational footprint to remain compliant. Failure to do so can lead to regulatory or legal actions, which can ultimately affect the status of licences or operatorship. Retention of licences can also be impacted in the event of non-compliance with respective licence commitments. Changes in government regime, government policy, fiscal regime, regulatory regime or legislative framework could impact our business, results from operations, asset valuations or financial performance.

It is not possible to predict with any certainty whether any such changes might eventuate. We remain attuned to the fact that these actions may result in, amongst other things, increased costs, whether in the nature of capital or operating expenses, taxes (direct and indirect), or domestic market obligations through delays or the restriction of the Company being able to execute certain activities.

As expectations for policy responses to climate change grow, companies in the oil and gas industry may, in the future, be subject to paying direct and indirect taxes, royalties and other imposts in addition to standard company taxes, which may in turn affect profitability.

In addition to risks around the changing requirements of existing tax laws, there is also inherent risk 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.

Mitigating factors

We continue to focus and evolve our regulatory compliance framework and support tools. We proactively monitor changes in relevant laws and regulations to ensure policy and law changes are appropriately understood and reflected in our business and operational processes to achieve compliance. We proactively maintain relationships with local governments and regulatory bodies of the countries in which we operate.

Political, community and other stakeholders

Risk description and potential impact

Oil Search operates within complex and dynamic stakeholder environments with evolving societal norms and expectations that differ significantly across our operating jurisdictions. Our global operating environment exposes us to varying degrees of political and commercial risk. Most notable among these is the overall socio-political environment whereby the profitability of operating assets and the safety of our people may be adversely impacted by political instability, land ownership disputes and benefits distribution mechanisms and community issues as well as war, civil unrest and terrorism.

Socioeconomic factors, including fiscal stability, in our operating jurisdictions continue to evolve. In addition, the social and economic burden caused by COVID-19 in 2020 will continue into 2021.

Our Company's risk exposure changes as the external conditions evolve and as we enter new licenses or exit existing areas, regions and countries. As well, risk exposure changes through different stages of the asset lifecycle. Oil Search's ability to acquire, retain and gain full value from our assets may also be affected by political and social issues, including conflicting policy agendas and the impact of bribery and corruption. We also note the increasing role that the media, non-government organisations and other activists play at local, national and international levels to influence policy agendas, societal perceptions and community actions which may affect Oil Search's reputation.

Mitigating factors

Our stakeholder engagement standards and policies require us to maintain transparent, open, pro-active communication and cooperation with governments at all levels. We operate dedicated teams to manage government relations to monitor and minimise risk stemming from potential fiscal, tax, resource investment, infrastructure access or regulatory and legal changes. We maintain Political Risk Insurance to cover financial loss due to political events. All our activities operate under our comprehensive corruption prevention framework.

We strive to minimise any negative impact our operations might have on local society, culture and environment while actively contributing to local community and economic development. This approach sets the tone at the design stage of all new projects, where detailed social impact and cultural heritage assessments are completed as part of the broader impact assessment process.

Our partnerships with project area communities and other strategic stakeholders help to identify sustainable community development and investment opportunities, and contribute to improving social development within communities and maintaining a stable operating environment.

Our dedicated stakeholder engagement group, in conjunction with the security team, lead Oil Search's efforts in building the trusted relationships we enjoy with governments and communities. The Sustainability Committee provides oversight of our strategies and processes and monitors our exposures and performance in these areas.

Product demand and market

Risk description and potential impact

Oil

Oil Search operates in a mature oil market. Potential demand and market risks are limited in the near-term due to highly liquid trading conditions for crude. At a macro-level, the timing and level of oil demand growth is challenged by the uncertainy of post-COVID-19 economic outlook and the environmental pressures on oil as a key component of the global energy mix.

LNG

Oil Search operates in a growing but competitive LNG market with diverse buyers and sellers. Oil Search's LNG expansion projects depend on successfully placing volumes under long-term contracts with creditworthy and bankable counterparties on terms that underpin project economics.

During the next several years, multiple competing LNG projects are scheduled to reach FID. These competing suppliers, which include the Qatar expansion, and new LNG projects in Australia, Mozambique and North America, are targeting an expected shortfall in LNG supply against demand in the late 2020s.

Demand and market potential risks include: failure to achieve binding sales agreements at FID; LNG pricing that does not meet economic thresholds; sub-optimal fiscal outcomes and joint venture parties being unsuccessful in placing their equity entitlements. At the macro-level, LNG demand growth may be impacted by an uncertain post-COVID-19 economic environment and broad environmental concerns around the hydrocarbon industry.

Mitigating factors

Oil

Oil Search growth in oil production is underpinned by operatorship of a asset base, including the Pikka development, a high quality, low cost project that is adjacent to existing infrastructure. Volumes from the project will be transported through the Trans Alaska Pipeline System (TAPS) where there is significant ullage. Additionally, the grade of our project oil will be marketed as Alaska North Slope (ANS) liquids that have been favoured by regional refiners with an established set of customers on the West Coast of the USA. Foreign crude continues to be imported into the West Coast of the USA, with new projects on the North Slope and increased ANS production well positioned to displace these volumes. Markets in Asia are increasingly importing ANS, which provides additional sales pathways for our equity share from the Pikka development if existing demand moderates.

LNG

Oil Search's LNG expansion intends to leverage our foundation PNG LNG project, that has a world-class asset base, reputable operatorship and an enviable safety record. Papua LNG will be developed with a focus on a low cost of supply, within close geographic proximity to existing infrastructure. It will deliver rich, high-heating quality LNG.

Oil Search has developed a detailed LNG and Liquids marketing strategy, phased to meet key Papua LNG milestones, to ensure we are well positioned to secure premium buyers for our equity entitlements.

Mitigating actions for the risk of failure to place our volumes include broad market engagement with established buyers in multiple economies and extensive market analysis. We maintain the fall-back ability to sell our entitlements to joint venture parties. Oil Search has registered significant interest from premium buyers that signals our ability to sell our full equity entitlements.

On LNG demand growth, recent policy announcements by governments in major North Asian markets have targeted "net-zero" carbon emissions as early as 2050, suggesting that future energy policies are likely to concurrently phase out or ban coal-fired power generation while supporting gas / LNG as a core transition and base load fuel to meet electricity generation. Moreover, as core markets are expected to meet a number of material LNG contract expirations for rich, high heating value LNG, Papua LNG is well placed to compete for the new contracts that follow.

Human rights

Risk description and potential impact

Oil Search faces risks stemming from the possible actions of public and private security forces, interactions or use of land associated with subsistence-based and/or indigenous communities and the work practices of suppliers and contractors. Potential claims by community members and landowners, who may have concerns over the social or environmental impacts of oil and gas operations or the distribution of oil and gas royalties and access to petroleum-related benefits, have the potential to affect land access or stir community unrest and activism, which may diminish Oil Search's reputation.

Mitigating factors

We have a long history of safe and sustainable operations and of working with communities and landowners. Land access agreements are in place and dedicated, experienced community affairs teams work with local and government stakeholders, landowners and agencies to ensure that issues are understood and addressed appropriately. Maintaining ongoing dialogue and conducting open, transparent engagement have allowed us to benefit from the ongoing support of all stakeholders.

Oil Search's human rights risk profile is updated regularly and we continue to strengthen our human rights management framework by embedding appropriate procedures and by providing supporting tools, including focused training programs for critical interface roles. We develop and implement security and risk management plans and are committed to conducting operations in a way that protects the security of our people, assets, operations and surrounding communities.

Material Business Risks

Continued

Climate change

Risk description and potential impact

Like others in the hydrocarbon industry, Oil Search 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 (transition 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; access to capital for operations and developments; 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.

Mitigating factors

We manage our material climate change risk though a number of activities and controls. This includes undertaking climate scenario analysis to test resilience to various transition-related risks and using an internal carbon price to assess potential cost impacts from the introduction of emissions-based market mechanisms. Technical design for major capital works projects is also required to consider the potential physical impacts on a range of climate change and extreme weather events. In 2020, we implemented a GHG reduction target, focused on the emission intensity of operated assets and reducing exposure to future carbon costs. We have identified emission reduction opportunities on an abatement curve basis across our PNG operations and initiated a number of projects focused on flaring and methane emissions which will support the achievement of our commitments and targets. The Pikka project is incorporating low emissions design and operating philosophy to enable achievement of aggressive corporate emission intensity targets. Oil Search's Climate Policy details our expectations and commitment to assessing, responding and reporting climate change risks, implications and management approach.

Joint venture risk

Risk description and potential impact

Oil Search derives significant revenue 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 can serve to mitigate the risks associated with exploration success and capital-intensive programs. However, misalignment between joint venture participants and/or government, negligence or sub-standard competency 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 our business or reputation.

Mitigating factors

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

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

Financial and liquidity risks

Pricing risk

Risk description and potential impact

Oil Search's business is heavily dependent on prevailing market prices for its products, primarily oil and gas. Consequently, any changes in the prices of these commodities will impact our revenue and cash flows. A range of macroeconomic factors influence oil pricing, which sit outside the control and influence of Oil Search.

Mitigating factors

The majority of our LNG production is sold under long and mid-term sales and purchase agreements, with pricing mechanisms established under these agreements. Standard provisions are also included in the long-term LNG contracts to review prices at a given point in time.

Oil Search does not seek to limit its exposure to fluctuations in oil prices in general; rather the central aim of our price risk management policy is to assist in maintaining a healthy financial position and ensuring that the Company is better placed to meet its financial obligations, including capital commitments, in the event of low oil prices. Hedge cover targets are determined through detailed modelling of the Company's position under various oil price scenarios. Any hedging programs entered into will include consideration of the term of the cover, including maximum hedge cover levels that apply to future years. This avoids the Company locking in prices on a significant proportion of its exposure at any single point in time.

The Audit and Financial Risk Committee is responsible for reviewing the policies, processes, practices and reporting systems covering the Company's exposure to all financial risks.

Future operating and capital cost requirements

Risk description and potential impact

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, including material and unforeseen increases in operating or capital cost requirements, or significant disruption to production, could result in Oil Search's cash requirements exceeding available liquidity. If Oil Search is unable to obtain additional funding, then our financial condition and ability to continue operating may be affected.

Mitigating factors

Oil Search actively manages its operating and capital requirements to ensure that entities in the consolidated Group will be able to continue as a going concern while reducing its funding cost and risk through the optimisation of the debt and equity balances.

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.

This involves the use of corporate forecasting models which facilitate analysis of the Company's financial position, including cash flow forecasts to determine the future operating and capital requirements. Our financial position is regularly assessed against a range of downside commodity price and other assumptions.

In a situation where our operating cash flows and debt facilities are insufficient to meet the requirements for ongoing operations and capital expenditure, Oil Search may need to seek additional funding, sell assets or defer capital expenditure.

Operational risks

Production

Risk description and potential impact

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

Mitigating factors

We manage production risks through a rigorous framework which includes production processes, drilling programs and well integrity management processes, inspection and maintenance procedures and safety standards. The framework identifies and evaluates opportunities to maintain and improve the operating model and performance, targeting reliability, cost efficiency and strong safety and environmental performance.

Oil Search targets minimal unplanned outages of critical systems, including identification and management of single and common points of failure and an understanding of emergency response and recovery times. We also insure for business interruption as a result of natural disasters.

Health, safety, environment and security

Risk description and potential impact

Oil Search conducts operations in complex, remote and challenging environments, which further adds to the standard 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. Oil Search's ageing asset profile in Papua New Guinea contributes to the risk of such events. The occurrence of any of these risks could result in substantial losses due to injury or loss of life; damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; clean-up responsibilities; regulatory investigation and penalties or suspension of operations. Third-party damage as a result of such risks may also lead to claims against Oil Search.

Oil Search is committed to protecting and enhancing the health and safety of our employees, contractors and communities and by operating in a responsible manner to minimise impact on the environment and the communities where we operate. Oil Search adopts a structured approach to HSES risk management and complies with relevant laws and regulations. The Group's HSES Policy details our commitment to achieving incident free operations across our operations and worksites. The Policy is implemented via a number of underpinning standards, procedures, steering groups and incentive measures to ensure high standards of HSES management are maintained. Our drilling, production, processing, refining and export activities in PNG operate under an environmental management system that is certified as ISO 14001 compliant.

Material Business Risks

Continued

Mitigating factors

We manage our operational risks through a variety of means including strict adherence to operating standards, procedures and policies; staff competency development and training programs; and through the effective use of a Group-wide risk management system to ensure that operational controls are continuously improved. Risk is also transferred to the insurance market and our insurance programs are consistent with good industry practice. The Company's Sustainability Committee is responsible for reviewing the policies, processes, practices and reporting systems covering our organisation's exposure to operational risks.

Cyber security

Risk description and potential impact

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 cyber-attacks around the globe, a cyber event at Oil Search may lead to significant breaches in security including jeopardising sensitive information and financial transactions. This risk may be increased through the widespread move to remote working by staff and contractors as a result of COVID-19.

Mitigating factors

Oil Search has policies, standards, processes and controls in place that are aligned with international and industry best practice information security standards. Oil Search has appointed a Chief Information Security Officer and is supported by leading external cyber security service providers to manage its cyber security posture.

A cyber security awareness program is in place, which includes mandatory security awareness training for all new staff while existing staff are required to undergo annual security awareness training. Regular information security audits and assessments are also undertaken.

A Projects and Technology Committee is in place with responsibility for monitoring technology strategy and projects, including exposure to technology and cyber security risks. We maintain cyber insurance to manage potential financial loss caused by cyber security breaches.

Capability and organisational culture

Risk description and potential impact

Oil Search's execution of long term strategy is underpinned by one of our business objectives to become the trusted and preferred employer and partner of choice, which requires us to attract, retain and leverage talent. Failure to sustain an accountable, high performing culture and nurture an inclusive and diverse workforce may impact progress and lead to the misalignment of organisational culture with our long term strategic objectives.

Mitigating factors

The delivery of our Diversity & Inclusion strategy, and executing our plans for succession management and employee and leadership development programs support our commitment to empowering and enabling our workforce. The Executive Leadership Team and the Board, through the People and Nominations Committee, review and oversee key People and Culture processes, setting organisational workforce objectives and reviewing achievements against those objectives.

Third party cost control risk

Risk description and potential impact

Oil Search engages with a significant number of third parties and vendors in our supply chain. Due to the large number of suppliers and the varied goods/services, there is a potential risk of failure to achieve economies of scale. Additionally, there is pressure to reduce unit production costs which is more challenging for assets that have ageing facilities, declining fields, or are nearer to the end of their economic life. If costs are reduced beyond an optimal operational level, there is potential for increased remedial costs in the future.

Mitigating factors

Oil Search has developed third party spend (3PS) initiatives, including updates to contracting and contractor management processes and procedures. In addition to the 3PS initiatives, workstreams under the Operational Excellence Program and Cost Optimisation Programs have been implemented. A targeted review of break-even of major capital projects is completed on a rolling basis to ensure cost resilience in an extended period of low oil prices (mitigation occurs under project execution and development).

Reserves and resources risks

Decline and replacement

Risk description and potential impact

Oil Search, like our oil and gas peers, 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 endeavour and each prospect/investment carries a degree of risk associated with the discovery of hydrocarbons in commercial quantities, which can be more challenging in a volatile commodity price environment. The value of exploration and development assets is affected by a range of factors including 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 an individual producing asset will decline as oil and gas is produced and the asset transitions to abandonment. Oil Search's future production profitability is subject to both subsurface and commodity price uncertainties but is also highly dependent on how we manage and maximise the value of the production business over the life of the field.

Mitigating factors

Our Investment Review Panel oversees all significant investment decisions, each of which are subject to economic and risk analysis and assurance activities at specific gates. The replacement of produced reserves is also a key component in Oil Search's short term incentive system. We regularly monitor our prospects inventory and exploration plans, and pursue activities to identify and develop Oil Search's reserves. For producing assets, we have a life-of-asset planning process, which guides the long term management of operated producing assets.

Estimates

Risk description and potential impact

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

Additionally, oil and gas reserves and resources assume that Oil Search 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, or economic assumptions materially vary, estimated oil and gas reserves and resources may be significantly impacted.

Mitigating factors

We employ the appropriate internal expertise to estimate reserves and resources and to prepare the Annual Reserves Statement in compliance with the ASX listing rules and the SPE Petroleum Resource Management System. In addition, material proven (1P) and proven and probable (2P) oil and gas field reserves are periodically certified by independent auditors; as are the Group's material 2C Contingent Resources.

Project development and execution risk

Risk description and potential impact

To achieve ongoing growth, Oil Search and joint venture partners commit significant capital to the initiation, development and delivery of major projects. As multiple factors influence the successful delivery of large-scale projects, our business is exposed to the full spectrum of commercial, political, engineering, execution and operational risk. A number of significant projects sit across our PNG and Alaskan business units and are at various stages of maturity, with each project presenting its own set of substantial risks that may ultimately affect the Oil Search's market value.

Mitigating factors

In line with our Opportunity Delivery Framework (ODF), we have a defined process, for both operated and non-operated projects, guiding the development and execution of capital projects under the oversight of each project's value assurance team and dedicated project managers. Our Investment Review Panel oversees all significant investment decisions for these projects, each of which are subject to economic and risk analyses and assurance activities at specific gates within the ODF. Oil Search has recently implemented a Project and Technology Committee with responsibility for monitoring the progress of our project portfolio, the review process and closure of assurance findings, and ensuring that acceptable mitigation plans are in place for managing the project risks.

Reserves and Resources Statement

2020 resource position is underpinned by excellent exploration and appraisal results in Alaska, and strong, stable assets in PNG

Reserves movement for 2020 was primarily driven by production, though some small variations also occurred due to changes in price forecasts and project timing. The minor nature of these changes, despite the significant fluctuations in hydrocarbon prices in 2020, attests to the strength of Oil Search's producing assets.

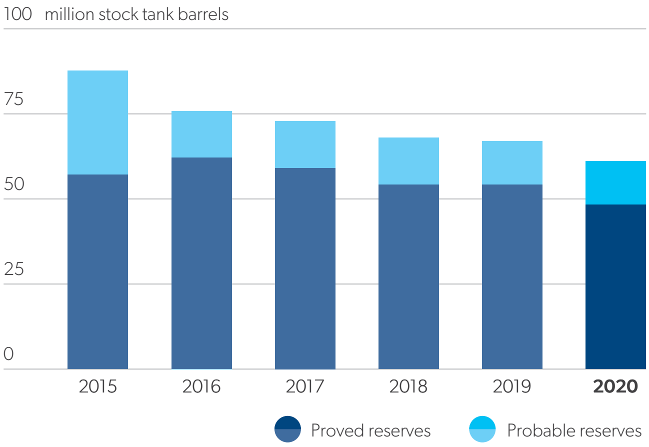
2C contingent oil resources increased to over 547.2 million barrels of oil primarily due to successful exploration and appraisal activity in Alaska. The Stirrup and Mitquq discoveries added 102.1 million barrels of oil, with another 20.4 million barrel increase within the Pikka field. As part of Oil Search's focus on pursuing value-accretive developments, several licences in PNG assessed as non-viable were allowed to expire or were relinquished resulting in some contingent resource write-downs.

Reserves and 2C contingent resource overview

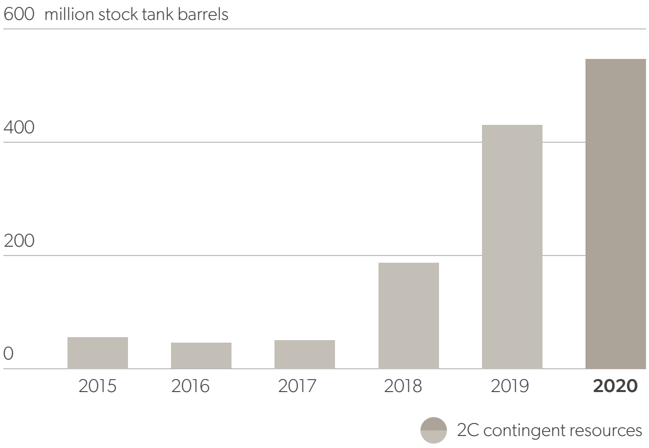
		Oil (Million stock tank barrels)	Gas (Billion standard cubic feet)
Proved reserves (1P)	**Total**	**48.0**	**1,735.9**
	Developed	33.8	1,232.0
	Undeveloped	14.3	503.9
Proved plus probable reserves (2P)	**Total**	**61.0**	**1,960.4**
	Developed	43.1	1,361.4
	Undeveloped	18.0	599.0
Contingent resources (2C)	**Total**	**547.2**	**3,956.4**

Oil and condensate

Reserves

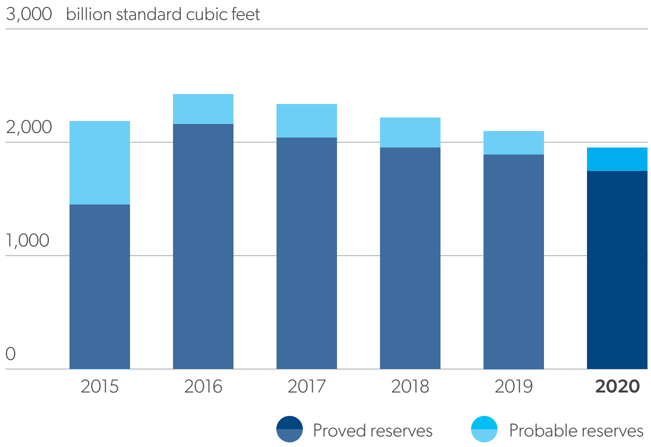


2C contingent resources

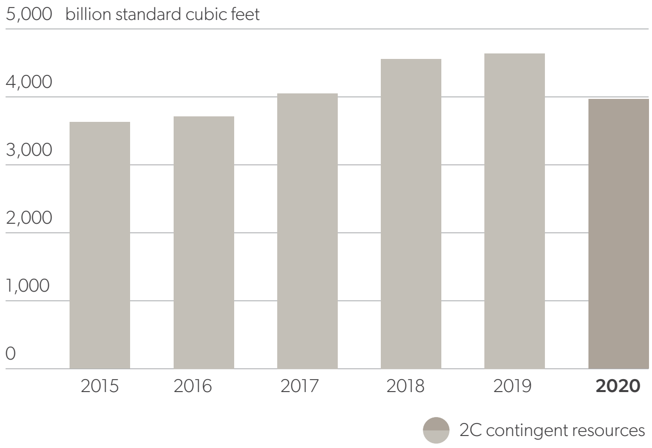


Gas

Reserves



2C contingent resources



Proved reserves (1P) + proved and probable reserves (2P) as at 31 Dec 2020 [1,2]

		End 2019 reserves	2020 activities			End 2020 reserves		
	Licence/field	Total	Production	Discoveries/ extensions/ revisions	Acquisitions/ divestments	**Total**	Developed	Undeveloped
1P proved reserves								
Proved oil and condensate reserves (million stock tank barrels) [3]	PDL 2 – Kutubu	9.9	1.5	—	—	**8.3**	7.0	1.4
	PDL 2/5/6 – Moran Unit	6.0	1.1	—	—	**4.9**	3.6	1.3
	PDL 4 – Gobe Main	0.01	0.01	0.01	—	**0.01**	0.01	—
	PDL 3/4 – SE Gobe [5]	—	0.02	0.02	—	**—**	—	—
	PDL 1 – Hides [7]	—	—	—	—	**—**	—	—
	PNG LNG project [6]	38.0	3.1	(0.2)	—	**34.7**	23.2	11.5
	Total	**53.9**	**5.7**	**(0.2)**	**—**	**48.0**	**33.8**	**14.3**
Proved gas reserves (billion standard cubic feet)	PDL 3/4 – SE Gobe [5]	—	1.5	1.5	—	**—**	—	—
	PDL 1 – Hides [7]	1.7	0.3	(1.4)	—	**—**	—	—
	PNG LNG project [4,6]	1,872.4	115.5	(21.0)	—	**1,735.9**	1,232.0	503.9
	Total	**1,874.1**	**117.3**	**(20.9)**	**—**	**1,735.9**	**1,232.0**	**503.9**
2P proved and probable reserves								
Proved and probable oil and condensate reserves (million stock tank barrels) [3]	PDL 2 – Kutubu	15.2	1.5	—	—	**13.7**	11.0	2.7
	PDL 2/5/6 – Moran Unit	9.5	1.1	—	—	**8.5**	6.2	2.2
	PDL 4 – Gobe Main	0.02	0.01	0.00	—	**0.01**	0.01	—
	PDL 3/4 – SE Gobe [5]	—	0.02	0.05	—	**0.02**	0.02	—
	PDL 1 – Hides [7]	—	—	—	—	**—**	—	—
	PNG LNG project [6]	42.3	3.1	(0.4)	—	**38.8**	25.8	13.0
	Total	**67.1**	**5.7**	**(0.3)**	**—**	**61.0**	**43.1**	**18.0**
Proved and probable gas reserves (billion standard cubic feet)	PDL 3/4 – SE Gobe [5]	—	1.5	6.9	—	**5.4**	5.4	—
	PDL 1 – Hides [7]	2.2	0.3	(1.9)	—	**—**	—	—
	PNG LNG project [4,6]	2,099.7	115.5	(29.2)	—	**1,955.0**	1,356.0	599.0
	Total	**2,101.9**	**117.3**	**(24.2)**	**—**	**1,960.4**	**1,361.4**	**599.0**

The undeveloped petroleum reserves that have remained undeveloped for more than five years are all associated with the PNG LNG project. These reserves are intended to be developed when required and all remain in Oil Search's business plan. These have not yet been developed as they are not currently required to meet contractual obligations.

Contingent resources (2C) as at 31 Dec 2020 [1,8]

	Licence/Field	End 2019 2C resources	Production	Discoveries/ extensions/ revisions	Acquisitions/ divestments	**End 2020 2C resources**
Oil and condensate resources (million stock tank barrels) [3]	PNG LNG project fields oil and condensate	1.8	—	0.3	—	**2.1**
	Other PNG oil and condensate [9]	57.1	—	(5.6)	—	**51.5**
	Alaska – Pikka project oil and condensate [10]	371.1	—	20.4	—	**391.5**
	Alaska – Other oil and condensate [10]	—	—	102.1	—	**102.1**
	Total	**430.0**	**—**	**117.2**	**—**	**547.2**
Gas resources (billion standard cubic feet)	PNG LNG project fields gas	125.2	—	16.8	—	**142.0**
	Other PNG gas [9]	4,509.8	—	(695.5)	—	**3,814.4**
	Total	**4,635.1**	**—**	**(678.6)**	**—**	**3,956.4**

The increase in Alaskan resources is based on the Ryder Scott independent analysis (and confirmation) of the drilling and appraisal work conducted through 2019 and 2020. See the ASX release dated 19 November 2020 for further details.

The decrease in PNG gas contingent resources is associated with the Kimu, Uramu, Barikewa, and Mananda licences. Assessment of these fields' development concepts showed that further development is unlikely to be viable. Therefore, consistent with the focus on minimising near-term spend and pursuing value-accretive exploration and development, Oil Search chose to discontinue ownership of these licences.

Reserves and Resources Statement

Continued

Governance and assurance

Oil Search's petroleum resource estimates are prepared and reported in accordance with the 2007 Society of Petroleum Engineers (SPE) Petroleum Resource Management System (PRMS).

The governance arrangements for the reporting of hydrocarbon reserves and resources are based on Oil Search's Resource Management and Audit Procedure (RMAP). Compliance with RMAP is ensured through the following internal controls:

- All estimates of petroleum reserves and contingent resources publicly reported by Oil Search are prepared by the Business Unit, by or under the supervision of, a qualified petroleum reserves and resources evaluator
- A Technical Reserves Committee (TRC), which assesses all proposed changes and additions to the Company's reserves and resources database using advice and contributions from peer review and subject matter experts, where appropriate; the TRC reports to, and regularly updates, the ELT for all changes to Oil Search's resources
- Final annual statements are subject to review and endorsement by the Audit and Financial Risk Committee prior to approval by the Board

The frequency of reviews is dependent on the materiality of the resource. Generally all operated production is externally audited at least every three years. Extensions to this may be granted after consultation with the TRC and ELT and are only requested where no material impacts are expected. As at 31 December 2020, 99.98% and 99.9% of Oil Search's proved oil and gas reserves respectively have been externally audited in the past four years.

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. Mark Ireland, a full-time employee of Oil Search Ltd and qualified petroleum reserves and resources evaluator, has consented to publish this information in the form and context in which it is presented in this statement.

Qualified petroleum reserves and resources evaluators

Name	Employer	Professional organisation
M. Ireland	Oil Search Ltd	SPE, SPEE, PE
A. Judzewitsch	Oil Search Ltd	SPE
D. Blazak	Oil Search Ltd	SPE
L. Moritz	Oil Search Ltd	SPE
J. Rowse	Oil Search Ltd	SPE, PESA, PESGB
S. Jonsson	Oil Search Ltd	SPE
A. Spark	Oil Search Ltd	SPE

SPE: Society of Petroleum Engineers
SPEE: Society of Petroleum Evaluation Engineers
PE: Professional Engineer, registered in the USA
PESA: Petroleum Exploration Society of Australia
PESGB: Petroleum Exploration Society of Great Britain

Notes to the tables

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 estimates prepared in 2019 by independent auditor, NSAI. Gobe Main and SE Gobe 1P and 2P Reserves are based on Oil Search 2019 technical estimates. All Reserves estimations use Oil Search's corporate assumptions to calculate economic limit.
3) Crude oil, and separator and plant condensates.
4) For the PNG LNG project, shrinkage has been applied to raw gas for the field condensate, plant liquids recovery, and fuel and flare.
5) Due to planned well work activities and the renegotiation of pricing with PNG LNG, SE Gobe is now expected to be cash flow positive on a 2P basis in the medium term. These assessments use Oil Search's 2020 technical estimates and Oil Search's current corporate economic assumptions and remain based on third party wet gas sales to the PNG LNG project at the Gobe plant outlet at the post-sales agreement field interest of 22.34%.
6) PNG LNG Project Reserves comprise the Kutubu, Moran, Gobe Main, SE Hedinia, Hides, Angore and Juha fields. Minor volumes associated with proposed domestic gas sales have been included as part of PNG LNG reserves.
7) Hides Reserves associated with the GTE Project under existing contract. Due to the issues with the Porgera Mine through 2020 and the continued uncertainty of resumption of operations in 2021, no reserves are booked for Hides GTE. Any gas volumes that were previously to be produced from Hides GTE is now expected be produced by PNG LNG. Production volumes shown in this Reserves report are based on Oil Search's entitlement in PDL 1 (16.67%).
8) Contingent Resources are quantities of petroleum estimated to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies. There may be a chance that accumulations containing Contingent Resources will not achieve commercial maturity.
9) Other gas, oil and condensate Resources comprise the Company's other PNG fields including Elk-Antelope, SE Mananda, Juha North, P'nyang, Iehi, Cobra, Flinders, and Muruk and may also include Resources beyond the current economic limit of producing oil and gas fields. These gas Resources may include fuel, flare, and shrinkage depending on the choice of reference point.
10) Alaskan oil and condensate contingent resources comprise the Company's 51% working interest before royalties in Alaskan assets, incorporating the Nanushuk and satellite reservoirs. All 2C contingent resources are based on contingent resources as certified in 2019 and 2020 by independent auditor, Ryder Scott.

Additional notes

- The evaluation date for these estimates is 31 December 2020.
- All figures presented are net to Oil Search, unless otherwise stated.
- 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 previous plan to transition reporting to PRMS2018 in 2020 was deferred, due to the changes in the business environment through 2020. This transition is now planned to coincide with the ASX update of Chapter 5 reporting requirements.
- 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

A map of our licence interests can be found on pages 23 (PNG) and 29 (Alaska).

Licence	Field/project	Oil Search interest %	Operator
PNG Petroleum Development Licences (PDL) [A]			
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 13	P'nyang	38.51 [1]	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) [B]			
PRL 14	Cobra, Iehi	62.56	Oil Search
PRL 15	Elk/Antelope	22.835	Total
PRL 39	Triceratops	25.00	ExxonMobil
PRL 41	Flinders / Hagana	100.00 [2]	Oil Search

Leases	Oil Search interest %	Operator
PNG Petroleum Prospecting Licences (PPL) [C]		
PPL 339	35.00 [3]	Oil Search
PPL 374	40.00	ExxonMobil
PPL 375	40.00	ExxonMobi
PPL 402	37.50	Oil Search
PPL 474	25.00	ExxonMobil
PPL 475	25.00	ExxonMobil
PPL 476	25.00	ExxonMobil
PPL 487	37.50	ExxonMobil
PPL 507	37.50	ExxonMobil
PPL 545	40.00	Oil Search
PPL 608	100.00	Oil Search

Leases	Oil Search interest %	Operator
Alaska, United States of America [4]		
Quokka	38.76	Oil Search
Kooka	51.00	Oil Search
Thetis	51.00	Oil Search
Pikka Unit	51.00	Oil Search
Horseshoe Area	51.00	Oil Search
Lagniappe A	75.00	Oil Search
Lagniappe B [5]	50.00	Oil Search
Lagniappe C [6]	50.00	Lagniappe Alaska
Nanushuk West A [7]	36.00	North Slope Energy
Nanushuk West B [8]	50.00	North Slope Exploration

1. The PDL application submitted by the PRL 3 joint venture in respect of the P'nyang field in December 2015 remains pending Ministerial grant.
2. PRL granted in February 2020.
3. During 2020 regulatory approval of Kina's proposed transfer to Santos of a 17.11% interest was obtained by Santos. The transfer by Kina to Santos of a second tranche of a 2.89% interest remains subject to satisfaction of conditions including regulatory approval.
4. Includes US Government and State of Alaska leases.
5. In 2020, Oil Search assigned a 50% ownership in certain of these leases to Lagniappe Alaska LLC, an Affiliate of Armstrong Oil and Gas, LLC. Transfer is pending government approval; once approved, transfer is expected to be effective as of 1 December 2020.
6. In 2020, Lagniappe Alaska LLC, an Affiliate of Armstrong Oil and Gas, LLC. assigned a 50% ownership in certain of these leases to Oil Search.
7. In 2020, Oil Search acquired a 36% ownership interest in leases acquired by North Slope Energy, LLC, an Affiliate of Armstrong Oil and Gas, LLC
8. In 2020, Oil Search acquired a 50% ownership interest in leases acquired by North Slope Exploration LLC, an Affiliate of Armstrong Oil and Gas, LLC, acquired in the 2019 NPR-A Oil and Gas Lease Sale.

Note:

A. In September 2020 the PDL application for Mananda (APDL 11) was withdrawn.
B. In October 2020 the following PRLs expired: PRL 8, PRL 9 and PRL 10.
C. During 2020 Ministerial consent to the surrender of PPL 395, PPL 548, PPL 569, PPL 504 and PPL 595 was granted. Application to surrender PPL 507 was lodged with the regulator and remains pending Ministerial consent.

Board of Directors

Mr Richard J Lee

Independent Chairman

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

Experience:
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 nine years in the position of Chief Executive Officer of NM Rothschild Australia Limited. He was the former Chairman of Ruralco Holdings Limited and Salmat Limited, Deputy Chairman of Ridley Corporation Limited and a director of Newcrest Mining Limited, CSR Limited and Wesfarmers General Insurance Limited. Mr Lee was also Chairman of the Australian Institute of Company Directors.

Committee membership:
Chair of Corporate Actions, Member of Audit and Financial Risk, Sustainability, People and Nominations and Project and Technology.

Directorship of other listed entities within the past three years:
Ruralco Holdings Limited (ASX) (Sep 2016 – Sep 2019) and Newcrest Mining Limited (ASX) (Aug 2007 – Nov 2018).

Dr Keiran J Wulff

Managing Director

BAppSc, Grad Dip Petroleum, PhD Geology

Experience:
Dr Wulff joined the Board on 25 February 2020. He has more than thirty years' experience in the international oil and gas industry and originally joined Oil Search in 1993 and left in 2008. During this time, he was Chief Operating Officer and held key exploration and new business roles in Port Moresby, Dubai and Sydney. He re-joined Oil Search in January 2015 after a seven year break during which time he held directorships in public Australian oil companies and also established Aligned Energy Ltd, a biomass to power company focused on providing power to remote regions in developing countries. Following Oil Search's acquisition of oil assets in the Alaska North Slope, Dr Wulff was appointed President of Alaska.

Committee membership:
Member of Corporate Actions.

Directorship of other listed entities within the past three years:
Nil.

Dr Bakheet S Al Katheeri

Non-Executive Director

PhD, BASc, MSc, Executive MBA (Hons)

Experience:
Dr Al Katheeri joined the Board on 26 March 2018. He has more than 22 years of diverse management and operational experience in the international oil and gas industry. In January 2021, Dr Al Katheeri was appointed as Executive Director – UAE Industries at Mubadala Investment Company. Since then, he has been responsible for the investment management of the multi-billion-US$ portfolio of all UAE-headquartered, industrial champions in the energy, renewables, utilities and metals & mining sectors. He was formerly the Chief Executive Officer and director of Mubadala Petroleum. Dr Al Katheeri's previous roles at Mubadala Petroleum included Chief Growth Officer, responsible for all new business development and mergers and acquisitions activities and Chief Operating Officer, overseeing both operated and non-operated assets and UAE gas supply. Before joining Mubadala Petroleum, Dr Al Katheeri had a long career with Abu Dhabi National Oil Company. Dr Al Katheeri is also a member of a number of corporate boards.

Committee membership:
Chair of Project and Technology, Member of Sustainability and People and Nominations.

Directorship of other listed entities within the past three years:
Nil.

Sir Kostas G Constantinou

Independent Non-Executive Director

OBE

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

Committee membership:
Member of Audit and Financial Risk.

Directorship of other listed entities within the past three years:
Bank of South Pacific Limited (PNGX) (Aug 2009) and Air Niugini Limited (PNGX) (Jun 2008).

Ms Susan M Cunningham

Independent Non-Executive Director

BA Geol & Geog

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

Committee membership:
Member of Project and Technology, Audit and Financial Risk and Sustainability.

Directorship of other listed entities within the past three years:
Enbridge Inc (NYSE) (Feb 2019) and Whiting Petroleum Corporation (NYSE) (Sep 2020).

Dr Eileen J Doyle

Independent Non-Executive Director

BMath (Hons), MMath, PhD, FAICD

Experience:
Dr Doyle joined the Board on 18 February 2016. Dr Doyle's career spans the building materials, infrastructure, industrials and logistics sectors, including senior operational roles at BHP Limited and CSR Limited and culminating in her appointment as CEO of CSR's Panel's Division. She is a director of Dalrymple Bay Infrastructure Limited, NEXTDC Limited, Hunter Angels Trust and SWOOP Analytics. Dr Doyle is also a member of the Council of the University of Newcastle. She has previously served on a number of other Boards, including as Deputy Chairman CSIRO and Chairman of Port Waratah Coal Services, and the Knights Rugby League Pty Ltd.

Committee membership:
Chair of Sustainability, Member of Audit and Financial Risk, Sustainability, and Project and Technology.

Directorship of other listed entities within the past three years:
Dalrymple Bay Infrastructure Limited (ASX) (Oct 2020), NEXTDC Limited (ASX) (Aug 2020), GPT Group Limited (ASX) (Mar 2010 – May 2019) and Boral Limited (ASX) (Mar 2010 – Oct 2020).

Ms Fiona E Harris

Independent Non-Executive Director

AM, BCom, FCA (Aust), FAICD

Experience:
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 five 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 a member of Chief Executive Women and is currently a non-executive director of listed entity BWP Trust. In the past three years she was also a non-executive director of renewable energy company 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.

Committee membership:
Chair of Audit and Financial Risk, Member of People and Nominations and Corporate Actions.

Directorship of other listed entities within the past three years:
BWP Trust (ASX) (Oct 2012) and Infigen Energy Limited (ASX) (Jun 2011 – Feb 2018).

Dr Agu J Kantsler

Independent Non-Executive Director

BSc (Hons), PhD, GAICD, FTSE

Experience:
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. He is the Managing Director of Transform Exploration Pty Ltd and a non-executive director of Central Petroleum Limitied. 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.

Committee membership:
Chair of People and Nominations, Member of Project and Technology, Corporate Actions and Sustainability.

Directorship of other listed entities within the past three years:
Central Petroleum Limited (ASX) (Jun 2020).

Directors' Report

The directors of Oil Search Limited present their report for the Company and its controlled entities (together the "Group") for the financial year ended 31 December 2020.

Directors

The directors of the Company at any time during, or since the end of the year, and up to the date of this report are Richard J Lee, Bakheet S Al Katheeri, Peter R Botten (retired on 25 February 2020), Kostas G Constantinou, Susan M Cunningham, Eileen J Doyle, Fiona E Harris, Agu J Kantsler, Melchior Togolo (retired on 19 October 2020), and Keiran Wulff (appointed on 25 February 2020).

The qualifications, experience, special responsibilities of the directors as at the date of this report, including their current and recent directorships, are detailed in the Board of Directors section on pages 44 and 45.

Independent Committee Members

Oil Search launched its Independent Committee Member program in 2016 to help expand PNG's pool of skilled business leaders, provide director training and experience as well as provide its board members with access to local experience and insights. The program includes successive two-year appointments to the People and Nominations Committee, Sustainability Committee and Audit and Financial Risk Committee of the Oil Search Board. ICMs contribute to the deliberations of their respective board committee and attend training seminars focused on corporate governance and directors' duties and responsibilities. While ICMs do not count for quorum purposes and do not have a vote, they contribute to the discussions and decision making of each Committee.

The details of the Independent Committee Members as at the date of this report are below.

Winifred Amini

Independent Committee Member People and Nominations Committee

MBus, BSc CS, AAICD

Ms Winifred Amini joined the People and Nominations Committee on 1 October 2020. She previously served as an ICM of the Audit and Financial Risk Committee.

Winifred has over 20 years' experience in technical and management roles and has worked extensively in the execution of Digital and ICT transformation projects across the financial and superannuation industry and the public sector. She is currently Chief Transformation Officer at Teachers Savings and Loans Society (TISA) and was previously Head of Projects at Kina Bank.

Winifred holds a Master in Business specialising in Entrepreneurship from the University of Queensland, Australia and a Bachelor of Science in Computer Science (with Merit) from the University of Technology, Papua New Guinea.

Jennifer Baing-Waiko

Independent Committee Member Audit and Financial Risk Committee

BAppSc (Fisheries), AAICD

Ms Jennifer Baing-Waiko joined the Audit and Financial Risk Committee on 1 October 2020. She previously served as an ICM of the Sustainability Committee.

Jennifer has over 15 years' experience as a strategic advisor to senior stakeholders in Papua New Guinea and across Melanesia. Her expertise includes program management, community development and stakeholder engagement in a range of industries including agri-business, aid and development, conservation organisations and business forums.

Currently Executive Director of Save PNG, Jennifer has also worked for various international NGOs including WWF, Greenpeace and Coral Reef Alliance.

Jennifer holds a Bachelor of Applied Sciences from the Australian Maritime College.

Mary Johns

Independent Committee Member Sustainability Committee

LL.B

Ms Mary Johns joined the Sustainability Committee on 1 October 2020. She previously served as an ICM of the People and Nominations Committee and the Audit and Financial Risk Committee.

Mary began her legal career in private practice before joining the Bank of South Pacific in 2002. She was appointed Company Secretary in 2005. Mary is a non-executive director of City Pharmacy Ltd and Jack's PNG Ltd. Her past directorships include the Port Moresby Chamber of Commerce and the 2015 Pacific Games Organising Committee. She also serves on various committees across sporting, law and leadership associations. In 2015 Mary was awarded the Member of the Order of Logohu (ML) for services to banking, community and sports.

Mary holds a Bachelor of Laws from the University of Papua New Guinea.

Richard Kuna

Independent Committee Member Sustainability Committee

BBus, CPA

Mr Richard Kuna joined the Sustainability Committee on 1 October 2020. He previously served as an ICM of the People and Nominations Committee and the Audit and Financial Risk Committee.

Richard has over 26 years' experience in audit and advisory services, including financial statements audits, internal audits, compliance audits, company valuations and due diligence assignments across mining, petroleum, financial services, transportation and retail. He spent more than 19 years with KPMG including seven as Audit Partner. Richard is co-founder and principal audit partner at KTK Accountants & Advisors. He also a director of the Bank of Papua New Guinea and the National Procurement Commission (PNG).

Richard holds a Bachelor of Business from the University of Technology, Sydney and is a member of CPA Australia and PNG.

Ganjiki Wayne

Independent Committee Member People and Nominations Committee

LLB (Hons, UPNG), LLM (Dist, London), AAICD

Mr Ganjiki Wayne joined the People and Nominations Committee on 1 October 2020. He previously served as an ICM of the Sustainability Committee.

Ganjiki is an experienced lawyer, aspiring writer and talented speaker. He commenced his career as a litigation lawyer at Amnol & Co before joining the Department of Justice & Attorney General and, later, the Department of Treasury. Ganjiki currently works in private practice as owner and operator of Keesdale Lawyers.

Ganjiki holds a Master of Law from the University of London as a recipient of the prestigious Chevening Scholarship. He also holds a Bachelor of Laws (with Honours) from the University of Papua New Guinea, and a Diploma in Legislative Drafting from the University of the South Pacific.

Directors' Report

Continued

Desmond Yaninen

Independent Committee Member Audit and Financial Risk Committee

BBus, GDipFin, CPA, MPNGID, AAICD

Mr Desmond Yaninen joined the Audit and Financial Risk Committee on 1 October 2020. He previously served as an ICM of the People and Nominations Committee.

Des has more than a decade's experience in development finance and is the founder and CEO of Pacifund, a consulting firm providing financial services across the Pacific Islands. He previously worked for National Development Bank of PNG in senior roles including CEO of NDB Investments. He is Deputy Chairman of the PNG SME Corporation, a government statutory authority aimed at lifting PNG development through small and medium enterprises. He also serves on the boards of PNG Institute of Directors and St John's Ambulance.

Des is a certified practising accountant and holds a Bachelor of Business from the Pacific Adventist University and a Master of Business Administration from Edinburgh Business School at Herriot-Watt University.

Group Secretary

Mr Michael Drew

Group Secretary, EVP Corporate & General Counsel

LLB (Hons), Admitted to practice in Australia and England & Wales

Mr Drew joined Oil Search in 2014 and leads the legal, regulatory, M&A, group secretariat, contracting & procurement, people & culture and health & wellbeing teams. He has over 26 years' international oil and gas experience, including leadership roles based in Russia, Canada, UK and US. Mr Drew began his legal career in private practice at Linklaters, London. In 2001, he joined BP PLC and, in 2010, was appointed Associate General Counsel BP responsible for global upstream businesses.

Corporate Governance Statement

Oil Search is committed to adopting and implementing rigorous corporate governance practices across all aspects of its business. The Company recognises that effective governance arrangements drive informed decision making within the business and contribute to long-term value creation for shareholders in a socially responsible manner. Its governance practices and arrangements during the financial year are detailed in the 2020 Corporate Governance Statement available on the Company's website at: https://www.oilsearch.com/about-us/corporate-governance.

Directors' relevant interests in Oil Search securities

Details of each director's relevant interests in shares, rights over shares, and contracts that confer a right to call for or deliver shares in the Company or a related body corporate, are detailed in tables 19 and 20 of the Remuneration Report on page 71 and are unchanged as at the date of this Directors' Report.

Attendances at Board and Committee meetings

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

	Board Meetings		Board/Committees Other Activities[2]		Audit & Financial Risk		Sustainability		People & Nomination		Project & Technology		Corporate Actions	
Director[1]	Held[3]	Attended[4]	Held[3]	Attended[4]	Held[3]	Attended[4]	Held[3]	Attended[4]	Held[3]	Attended[4]	Held[3]	Attended[4]	Held[3]	Attended[4]
BS Al Katheeri	13	13	19	19	—	—	4	4	4	3	2	2	—	—
PR Botten[5]	2	2	—	—	—	—	—	—	—	—	—	—	1	1
KG Constantinou[6]	13	13	19	16	5	5	—	—	1	1	—	—	—	—
SM Cunningham	13	13	19	19	5	5	4	4	—	—	2	2	—	—
EJ Doyle	13	13	19	19	5	5	4	4	—	—	2	2	—	—
FE Harris	13	13	19	18	5	5	—	—	4	4	—	—	3	3
AJ Kantsler	13	13	19	19	—	—	4	4	4	4	2	2	3	3
RJ Lee	13	13	19	19	5	5	4	4	4	4	2	2	3	3
MP Togolo[7]	10	10	16	15	4	4	—	—	2	2	—	—	—	—
KJ Wulff[8]	11	11	17	17	—	—	—	—	—	—	—	—	2	2

1. "Director" in the table above means any person who was a director of the Company at any time during the financial year.
2. The "Board/Committees Other Activities" above comprises 13 Board workshops and director sessions, including five People & Nominations workshops and one Corporate Actions workshop.
3. The "Held" columns refer to the number of meetings held while the director was in office.
4. The "Attendance" columns reflect the attendance by members. All directors are invited to, and generally attend Board Committee meetings.
5. Peter Botten retired as a director on 25 February 2020.
6. Kostas Constantinou retired as a member of the People and Nominations Committee on 20 February 2020.
7. Melchior Togolo retired as a director on 19 October 2020.
8. Keiran Wulff was appointed as a director on 25 February 2020.

Directors' Report

Continued

Dividends

In light of the material reduction in core net profit after tax in 2020 and a commitment to preserve capital following the extremely challenging market conditions of 2020, the Company's Board declared a final dividend of 0.5 US cents per share for 2020. Dividends paid and declared during the year are recorded in Note 11 to the financial statements.

Operating and financial review

The Group reported a consolidated net loss of US$320.7 million (2019: net profit of US$312.4 million) for the financial year after providing for income tax benefit of US$44.9 million (2019: income tax expense of US$136.3 million). The Group's financial results were significantly impacted by the challenging market conditions in 2020 largely through reduced average realised prices, the non-cash impairment expense and the derecognition of certain deferred tax assets. Further details on the Group's performance and financial position are included in the Financial Overview, PNG and Alaska sections commencing on page 12. The material business risks that may adversely affect the Group are set out on pages 33 to 39.

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 an operator and a non-operator participant. Further details are set out in the PNG and Alaska sections commencing on page 22.

Significant changes in the state of affairs and events post year end

There were no significant changes in the nature of the Group's activities during the year.

Other than the matters and circumstances referred to in the Group's financial statements (and Notes), there are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect the Group's financial operations.

Likely future developments

Refer to the PNG and Alaska sections commencing on page 22 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 PNG that were reportable to regulatory authorities. The Group experienced eleven minor incidents that were reported to regulatory authorities in relation to the Group's operations in the USA. The Group did not incur any fines for environmental infringements.

Share based payment transactions

As at the date of this report the Company has 4,327,019 Share Rights (2019: 2,913,524), 4,733,209 Performance Rights (2019: 3,963,856), 1,011,743 Restricted Shares (2019: 1,188,420) and 84,706 NED Rights (2019: nil), granted over ordinary shares and exercisable at various dates in the future, subject to meeting applicable hurdles. Further details are available in the Remuneration Report commencing on page 49 and in Note 23 to the financial statements, including the number of these securities issued during or since the end of the financial year.

This Directors' Report is made in accordance with a resolution of the Board.

Richard Lee
Chairman

Keiran Wulff
Managing Director

22 February 2021

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 2020 Remuneration Report.

The purpose of this introductory letter is to summarise key remuneration outcomes for 2020 and explain how those outcomes aligned with your Company's performance.

Non-binding vote on remuneration report

As Oil Search is a company incorporated in Papua New Guinea, it is not bound by the provisions of the Australian Corporations Act 2001 that require it to submit the Remuneration Report to a non-binding advisory vote at the Annual Meeting. However, in the interest of good governance, the Board has resolved to seek shareholder feedback on the report at the Annual Meeting to be held in April 2021 through an advisory resolution under the PNG Companies Act.

Changes to KMP fixed remuneration during 2020

Following a reduction of executive KMP from eight to seven in late 2019 and a broadening of some roles, an independent market review of total fixed remuneration (TFR) was conducted, and three Executive Vice Presidents received increases in their TFR, effective 1 January 2020. The average increase was 4.7%. This was offset by a voluntary reduction of 20% of each executives' TFR for a period of six months in response to the impact of low oil and gas prices on the business.

Changes in management structure

A substantial organisational restructure was undertaken both in order to progress the Board's vision for the Company and in response to the COVID-19 pandemic and associated reduction in demand for oil and gas. Whilst the number of executive key management personnel (KMP) positions remained at seven, the roles and responsibilities were changed as detailed in the section "Key Management Personnel".

Grants of Long Term Incentive in 2020

Performance conditions and grant terms in 2020 were unchanged from the prior period.

Short Term Incentive outcome for 2020

COVID-19 has had, and continues to have, a considerable impact on the Company's operations and financial performance. The need to impose strict quarantine protocols throughout the business has led to increased costs and extended periods away from home for rotational workers, and the destruction of demand for oil and gas led to a steep fall in prices for a substantial part of the year.

In addition, the suspension of operations at the Porgera goldmine in April 2020 and consequent declaration of *force majeure* in respect of the Hides GTE project reduced both operated and non-operated production during 2020, as did the residual effects from the February 2018 PNG Highlands earthquake.

In response to the above, hours worked were reduced and safety targets adjusted accordingly, production targets were maintained despite the loss of Hides GTE offtake, and operating costs were reduced in line with staff reductions and reduced exploration and maintenance activity. Overall, this was considered by the People and Nominations Committee to be a hardening of the original performance targets.

Oil Search's management and staff responded magnificently to the external challenges and achieved record safety performance, record PNG LNG production and better than forecast cost management and EBITDAX. They also exceeded reserves and resources growth targets mostly through a successful exploration campaign in Alaska which increased the Company's contingent resources by 200 mmbbls or 27.8%.

Other achievements included a US$700m capital raise, entirely subscribed by existing shareholders, and delivery of a new five-year business strategy in the corporate centre, a successful drilling program and extensive gravel lay in Alaska and a new business model and restructuring in PNG. In addition, significant operating and capital cost reductions were achieved in each of the Business Units along with faultless implementation and maintenance of COVID-19 protocols throughout the business.

2020 was also a year where, for the first time, performance measures were set for each of the business units that focus on achieving key strategic targets whilst driving efficiencies and accountability across the business.

Despite the difficulties caused by COVID-19, management exceeded a significant portion of their performance targets resulting in the 2020 STI scorecard, delivering an outcome of approximately 83% of maximum opportunity with variations of 81% – 87% between the Business Units.

Remuneration Report

Introductory Letter continued

Short Term Incentive outcome for 2020 *continued*

In line with its remuneration governance processes, when the Board reviewed the STI scorecard results it considered whether it should exercise its discretion to adjust the scorecard outcomes. The review took into account the conditions under which the results were achieved and whether the scorecard adequately reflected how well management responded to any unexpected factors to ensure that the interests of shareholders and employees were appropriately aligned and balanced. The matters considered by the Board included the exceptional performance delivered by a relatively new management team, the significant loss in value of the Company's share price in 2020 mostly due to the fall in oil prices and the need to undertake an emergency capital raise. As a result, the Board exercised downward discretion and reduced the STI outcome.

These considerations resulted in an overall STI outcome for 2020 of 67.5% of maximum opportunity.

In addition, the proportion of the STI awarded in the form of Restricted Shares was increased from 50% to 63%, and the amount received as cash was consequently reduced from 50% to 37%. The Restricted Shares are subject to a two-year deferral period.

No vesting of 2018 Long Term Incentives

Performance Rights granted under the 2018 Long Term Incentive awards were subject to the company's Total Shareholder Return (TSR) performance over the period from 1 January 2018 to 31 December 2020.

Oil Search's TSR was in the lower quartile in each peer group. As a result, none of the 2018 Performance Rights vested.

LNG expansion project incentive

No payments vested in relation to the LNG expansion project incentive, as project sanction was not given. The incentive remains on foot with a decreasing likelihood of vesting.

2021-2025 remuneration framework

During the year, the People and Nominations Committee conducted a comprehensive review of the remuneration framework with changes to apply from the commencement of 2021 to reflect the new priorities for the Company emerging from the strategic review. Many of the changes will be explained in our 2021 Notice of Meeting that seeks approval for Managing Director equity grants. A comprehensive and detailed description will be provided in our 2021 Remuneration Report.

Conclusion

In conclusion, 2020 was a very difficult year for Oil Search and its shareholders. Nonetheless, the Company delivered record production, sustainable lower operating and development costs, added substantially to its 2C resources position, finished with a strong balance sheet, and continued to move its projects forward to establish a solid basis for production growth within the next four years. Oil Search did not access JobKeeper or other government subsidies.

Thank you for taking time to review our Remuneration Report and we look forward to welcoming you to our Annual Meeting in April 2021.

Agu Kantsler
Chair of the People & Nominations Committee

Remuneration Report

Continued

Remuneration Report Overview

The directors of Oil Search Limited present the Remuneration Report for the Company and its controlled entities for the year ended 31 December 2020. The Remuneration Report forms part of the Directors' Report and has been prepared and audited in accordance with Section 300A of the Australian Corporations Act 2001 (Cth) (Corporations Act). Although it is not a requirement for PNG companies, Oil Search has voluntarily complied with Section 300A of the Corporations Act to ensure it meets best practice remuneration reporting and practices for ASX listed companies.

Key Management Personnel

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

Name	Position	Term as KMP
Non-Executive Directors (see page 44 for details of each director)		
Mr Rick Lee AM	Chairman	Full Year
Dr Bakheet Al Katheeri	Non-executive Director	Full Year
Sir Kostas Constantinou OBE	Non-executive Director	Full Year
Ms Susan Cunningham	Non-executive Director	Full Year
Dr Eileen Doyle	Non-executive Director	Full Year
Ms Fiona Harris AM	Non-executive Director	Full Year
Dr Agu Kantsler	Non-executive Director	Full Year
Sir Melchior Togolo CBE	Non-executive Director	Until 19 October 2020
Executive KMP		
Dr Keiran Wulff	Managing Director	From 25 February 2020
	Managing Director Designate	From 1 January 2020 until 25 February 2020
Mr Bruce Dingeman	Executive Vice President & President Alaska	Full year
Mr Michael Drew	Executive Vice President Corporate & General Counsel	Full year
Mr Diego Fettweis	Executive Vice President Commercial	From 1 June 2020
Mr Stephen Gardiner	Chief Financial Officer	Full year
Mr Bart Lismont	Executive Vice President – Technology & Value Assurance	Until 31 May 2020
	Executive Vice President PNG Development & Operations	From 1 June 2020
Ms Elizabeth (Beth) White	Executive Vice President & President PNG and EVP Gas Project Delivery	Until 31 May 2020
	Executive Vice President Sustainability & Technology	From 1 June 2020
Former Executive KMP		
Mr Ian Munro	Executive Vice President Portfolio Management, Gas and Marketing	Until 28 February 2020
Mr Peter Botten	Managing Director	Until 25 February 2020

Remuneration Governance

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

The Committee's responsibilities include, inter alia:

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

Remuneration Report

Continued

Remuneration Governance *continued*

In executing its responsibilities the Committee engages with both the Audit and Risk and Sustainability Committees to consider Group, executive and employee performance and remuneration.

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

Members of the Committee during 2020 were:

- Dr Agu Kantsler – Independent Non-executive Director (Chairman)
- Dr Bakheet Al Katheeri – Independent Non-executive Director
- Ms Fiona Harris AM – Independent Non-executive Director
- Sir Melchior Togolo CBE – Independent Non-executive Director up to 19 October 2020
- Sir Kostas Constantinou up to 20 February 2020
- Ms Winifred Amini – Independent Committee Member from 1 October 2020.
- Mr Ganjiki Wayne – Independent Committee Member from 1 October 2020.
- Mr Richard Kuna – Independent Committee Member up to 30 September 2020.
- Mr Desmond Yaninen –Independent Committee Member up to 30 September 2020.
- Oil Search Board Chairman Mr Rick Lee attends all Committee meetings in an ex-officio capacity.

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

The other Directors are invited and generally attend most meetings. Executives and senior managers attend meetings in an advisory capacity and co-ordinate the work of external, independent advisors as requested. All executives are excluded from any discussions impacting their own remuneration.

Under its Charter, the Committee must meet at least three times a year. The Committee formally met four times during 2020. The Committee also met less formally on five other occasions to progress issues and consider other matters as they arose.

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

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

Executive Remuneration

Remuneration strategy

The objectives of the Oil Search remuneration policy are to:

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

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

The remuneration framework is structured to promote long-term sustainable growth of the Company by the delivery of a significant portion of remuneration in equity and requiring KMP to hold a minimum level of equity, aligning the senior leadership team with shareholders. The remuneration framework is designed to align with the corporate strategy and help the Company achieve its ambition to be the preferred energy company for all stakeholders.

Remuneration Report
Continued

Executive Remuneration *continued*

Remuneration strategy *continued*

Table 1 – Company performance

Year Ended 31 December	2016	2017	2018	2019	**2020**
Net profit/(loss) after tax (US$m)	89.8	302.1	341.2	312.4	**(320.7)**
Diluted earnings per share (US cents)	5.89	19.77	22.32	20.41	**(16.62)**
Dividends per share (US cents)	3.50	9.50	10.50	9.50	**0.5**
Share closing price [1]	A$7.17	A$7.79	A$7.16	A$7.25	**A$3.71**
Oil Search three year TSR (AUD) [2]	(12.7%)	(6.9%)	8.4%	9.4%	**(51.2%)**

1. The closing price of Oil Search shares is taken on the last day of the financial year.
2. The TSR has been calculated by an independent external consultant and is based on share price increases and dividends paid on the shares over the three year period up to and including 31 December of the year they are reported against.

Remuneration framework

Oil Search's Executive KMP remuneration structure for 2020 comprised four elements:

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

Total Fixed Remuneration (TFR)

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

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

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

Short-Term Incentive (STI)

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

Annual executive KMP performance is set and assessed through a balanced scorecard which includes a range of key measures that directly affect shareholder value and reflect Oil Search's strategic plan.

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

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

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

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

Changes were made to the STI from 2019. Previously, it was possible that the actual achievement level could exceed the maximum set for each measure. In response to stakeholder feedback, the STI was adjusted so that the result for each group of measures is now capped to its defined maximum even if achievement is above this maximum. Sustainability measures were introduced as were specific Business Unit KPI's.

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

Remuneration Report
Continued

Executive Remuneration *continued*

Short-Term Incentive (STI) *continued*

For executive KMP, the 2020 STI provides a maximum incentive opportunity of 200% of TFR for the Managing Director and 120% of TFR for other executive KMP. Table 2 discloses the vesting scales for the STI:

Table 2 – 2020 Short Term Incentive vesting scale

	STI outcome as a % of TFR	
Opportunity	Managing Director	Other Executive KMP
Threshold	0%	0%
Target	100%	60%
Maximum	200%	120%

Payments from threshold to maximum opportunity are on a straight-line basis consistent with the level of performance attained.

The target pay-out under the STI provides for a payment of 50% of the maximum opportunity.

For all executive KMP, 50% of their STI award is generally paid in cash and the other 50% is converted to Restricted Shares. The Restricted Shares are held in Trust on behalf of the employee and vest on 1 January two years after the end of the performance period or in the next trading window 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. An exception to this policy was made for the 2020 financial year. To increase executive KMP alignment with shareholders the portion of the STI required by the Board to be deferred as equity was increased and cash component decreased. 63% of the STI outcomes for executives will be awarded in the form of Restricted Shares which are subject to a two-year deferral period. The balance (37%) will be paid as cash.

Table 3 – 2020 Short Term Incentive scorecard measures

Table 3 details the 2020 STI scorecard measures. The outcomes in respect of these measures are described later in this report.

Category	Measure	Performance and reward alignment	Weighting
Operational	Safety	Rewards a continuous focus on safe and reliable operations measured through a combination of lagging (Total Recordable Injury Rate, Process Safety Events) and leading (Safety Critical Maintenance Tasks and Well Integrity Assurance) indicators.	10%
	Production	Rewards the achievement of the budgeted operated and non-operated production volumes – the largest contributors to short term financial performance.	15%
	Costs	Rewards achievement of incurring below budget controllable field and corporate costs as well as Oil Search net share of PNG LNG controllable costs.	15%
	EBITDAX[1]	Rewards achievement of profitability of the business against budget.	5%
Growth measures	2C resources (mmboe)[2]	Rewards the discovery or acquisition of new 2C gas and oil resources, providing the resources required to undertake major projects or expansions. 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.	25%
	Sustainability	Initiatives to support Social Responsibility, Sustainability and ESG.	5%
Business unit program delivery	Key strategic milestones	Delivery of key strategic milestones in respect of development projects within the Alaska, PNG and Corporate business units.	25%

1. Earnings before interest, tax, depreciation, amortisation and exploration expense.
2. 2C Gas Resources on an mmboe basis are converted at 6000 scf/boe) whereas PNG LNG uses a conversion factor of 5100 scf/boe.

Remuneration Report

Continued

Executive Remuneration *continued*

Deferred STI – Restricted Share 2020 Plan

Name of plan	Deferred STI – Restricted Shares.
Years of grant	2018, 2019, and 2020.
Participants	All executive KMP.
Instruments issued	Restricted Shares.
Maximum value of equity to be granted	Normally 50% of the STI awarded but increased to 67% for 2020.
Vesting	First trading window following 2 year anniversary of STI performance period end.
Acquisition of shares	Restricted Shares are either issued by the Company or purchased on market and held by the participant subject to the satisfaction of the vesting conditions.
Treatment of dividends	Restricted Shares have voting and dividend rights.
Restriction on hedging	Hedging of entitlements by executives is not permitted.
Forfeiture	Any unvested Restricted Shares will be forfeited by participants who are considered by the Board to have acted fraudulently, dishonestly or are in breach of their obligations to the Company.
Cessation of employment	Board discretion for Restricted Shares to remain on foot in cases of death, disability, total and permanent disablement, bona fide redundancy or other reason determined by the Board. If a participant ceases employment for any other reason all unvested Restricted Shares are forfeited.
Change of control	Vesting is subject to Board discretion

Long Term Incentives

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

Each permanent employee, including executive KMP, can participate in the Oil Search Long Term Incentive Plan if they have demonstrated an acceptable level of personal performance. The Long-Term Incentive for Senior employees, including executive KMP, is delivered via the Performance Rights Plan detailed below. Bruce Dingeman is eligible for LTI valued at 100% of his TFR in alignment with US market practice which is generally more leveraged to equity-based pay than the Australian market. Mr Dingeman's LTI is delivered 50% in Performance Rights and 50% in Share Rights. This is consistent with US market practice for longer term equity plans to be split between performance-based awards and time-based awards only.

The LTI for other employees is delivered via Share Rights described below.

Performance Rights

Participants	All executive KMP and senior managers.
Years of grants	2018, 2019, and 2020.
Instruments issued	Performance Rights (PRs) are rights to acquire ordinary shares in the Company for nil consideration, conditional on the achievement of pre-determined performance hurdles within defined time restrictions.
Maximum value of equity to be granted	100% of TFR for the Managing Director and 85% of TFR[1] for other Executive KMP other than EVP & President Alaska who is eligible for 100% of TFR which, consistent with US market practice, is evenly split between Performance Rights and Share Rights. 1. From 2019, other executive KMP LTI maximum opportunity as a percentage of TFR, was increased from 60% to 85% of TFR based on the results of independent benchmarking.
Performance period	Three years.
Performance measurement date	31 December.
PRs vest	In May following the performance measurement date.

Performance conditions	There are three equally weighted performance conditions based on relative total shareholder return (TSR) as follows:
	– The ASX 50 (excluding property trusts and non-standard listings) (1/3); and
	– The constituents of the Standard & Poor's Global 1200 Energy Index (S&P Global 1200 Energy Index);
	  – Measured in a US dollar base for Oil Search and each constituent company (1/3)
	  – Measured in the local currency of the country of main listing for Oil Search and each constituent company (1/3).

Remuneration Report

Continued

Executive Remuneration *continued*

Performance Rights *continued*

Vesting scale	Oil Search TSR ranking	Percentage of PRs that qualify for vesting
	<50th percentile	0%
	50th percentile	50%
	Above 50th and below 75th	Pro-rata so that 2% of PRs vest for every 1 percentile increase between the 50th percentile and the 75th percentile
	75th percentile and above	100%
Award of PRs and shares	PRs are issued by the Company and held by the participant subject to the satisfaction of the vesting conditions. The number of PRs held may be adjusted pro-rata, consistent with ASX adjustment factors for any capital restructure. If the PRs vest, executives can exercise them to receive shares that are normally acquired on-market.	
Treatment of dividends	PRs do not have voting rights or accrue benefits.	
Restriction on hedging	Hedging of entitlements by executives is not permitted.	
Lapsing of rights	Any unvested Performance Rights will lapse where participants are considered by the Board to have acted fraudulently, dishonestly or are in breach of their obligations to the Company.	
Cessation of employment	Board discretion for performance rights to remain on foot in cases of death, disability, total and permanent disablement, bona fide redundancy or other reason determined by the Board. If a participant ceases employment for any other reason all unvested performance rights lapse.	
Change of control	Vesting is subject to Board discretion, taking into account service and performance to the date of change in control.	

Share Rights (General Employee Share Plan)

Share Rights are rights to receive Oil Search shares at the end of the three-year vesting period subject to continued employment at the vesting date. The number of Share Rights, and therefore the number of shares which will be delivered on the vesting date, is determined at the grant date. Share Rights do not form part of executive KMP's annual remuneration, except for Bruce Dingeman. Current holdings of Share Rights are detailed in Table 11.

Sign-On Awards of Share Rights

In order to assist the Company in attracting and retaining key executives and other employees, the Company may issue Share Rights. Sign-on awards are made only in certain cases for senior new hires, where awards of Share Rights are made in lieu of equity forgone with their previous employers. Share Rights vest after the employee has completed a specified period of future service with the Company and no additional performance conditions apply.

Unless the Board otherwise determines, unvested Share Rights will be forfeited when a participant ceases employment before the vesting date. Share Rights do not attract voting rights or dividends. Retention awards are rare and made only where the Board determines that a significant retention risk exists.

Remuneration outcomes for 2020

Tables 4 and 6 set out the remuneration of executive KMP for 2019 and 2020. Table 4, in Australian dollars is included to complement the statutory remuneration disclosures in Table 6 (which are in US dollars) and provide an in-year illustration of remuneration received by executive KMP.

In Table 4 "Fixed Remuneration" represents the level of base pay, superannuation and expatriate allowances paid to the executive KMP. It reflects a voluntary 20% reduction in TFR for a period of six months during 2020 in response to COVID-19 impacts on the business. The "Cash Short-Term Incentive" is the cash component of the STI earned by the executive in respect of the year (even though it is paid to the executive in March of the following year) and for 2020 represents 37% of the total STI awarded.

Deferred STI vesting in the year shows the value on the vesting date of restricted shares awarded under the Deferred Short-Term Incentives from two years prior.

The Long-Term Incentive vesting in 2020 is the proportion of PRs vesting from the 2017 grant. The percentage that vested was calculated based on relative TSR performance measures as at 31 December 2019. The value was determined at the date of vesting (May 2020). While this disclosure is non-statutory it has been audited.

Remuneration Report

Continued

Executive Remuneration *continued*

Remuneration outcomes for 2020 *continued*

Mr Peter Botten stepped down as Managing Director on 25 February 2020. Mr Botten was eligible to participate in the STI until 25 February 2020 and any unvested STI, LTI and LNG Expansion Incentive awards were retained in full to be tested against required performance conditions in the normal course of events. Any vesting has been subject to the relevant plan rules. He agreed to stay on in a non-KMP capacity until 25 August 2020 to assist with the management transition, as required, as well as working on specialist projects associated with his unique skills and knowledge. He received TFR during this period but was not eligible for any incentives. On his retirement from the Company in August 2020, Mr Botten received a payment equal to six months of TFR plus his accrued, untaken annual and long-service leave. Since his retirement Mr Botten has been under a competitive restraint for 12 months, and in consideration of this is eligible for a payment equivalent to TFR, paid monthly. This restraint commenced in August 2020.

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

AUD	Year	Fixed Remuneration	Cash Short Term Incentive in respect of year	Deferred STI from prior year	Long Term Incentive vesting in year	Total
Directors						
Keiran Wulff	**2020**	**1,654,269**	**778,620**	**373,154**	**89,764**	**2,895,807**
Managing Director	2019[1]	1,283,199	308,180	368,419	—	1,959,798
Executives						
Bruce Dingeman	**2020**	**761,842**	**260,454**	**—**	**63,434**	**1,085,730**
EVP & President Alaska	2019					
Michael Drew	**2020**	**838,597**	**250,500**	**253,615**	**75,541**	**1,418,253**
EVP Corporate & General Counsel	2019	735,383	235,625	60,357	—	1,031,365
Diego Fettweis	**2020**[2]	**455,546**	**135,943**	**—**	**—**	**591,489**
EVP Commercial	2019					
Bart Lismont	**2020**	**772,348**	**240,000**	**—**	**—**	**1,012,348**
EVP PNG Development & Operations	2019[3]	345,928	96,000	—	—	441,928
Stephen Gardiner	**2020**	**850,580**	**270,000**	**300,830**	**89,629**	**1,511,039**
Chief Financial Officer	2019	889,063	253,500	357,450	—	1,500,013
Elizabeth (Beth) White	**2020**	**809,154**	**246,230**	**150,579**	**54,753**	**1,260,716**
EVP Sustainability & Technology	2019	736,006	238,875	—	—	974,881
Former executives						
Peter Botten	**2020**[4]	**621,638**	**441,470**	**1,478,260**	**422,657**	**2,964,025**
Managing Director	2019	2,656,006	1,282,366	1,625,013	—	5,563,385
Ian Munro	**2020**[5]	**141,859**	**—**	**319,614**	**77,934**	**539,407**
EVP Portfolio Management Gas & Marketing	2019	762,355	195,609	346,523	—	1,304,487

1. Remuneration for Dr Wulff in 2019 included a Foreign Service Premium while his role was based in Anchorage. It does not include the additional fixed pay salary sacrificed into restricted shares following his appointment as CEO Designate on 1 October 2019.
2. Remuneration for Mr Fettweis is from 1 June 2020.
3. Remuneration for Mr Lismont in 2019 is for the period from 7 August 2019 to 31 December 2019.
4. Remuneration for Mr Botten is for the period from 1 January 2020 to 25 February 2020.
5. Remuneration for Mr Munro is for the period from 1 January 2020 to 28 February 2020.

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

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

Exchange Rate	2019	2020
AUD/USD	0.7005	0.6911

Remuneration Report

Continued

Executive Remuneration *continued*

Remuneration outcomes for 2020 *continued*

Table 6 sets out the remuneration of executive KMP for the 2020 Financial Year and has been prepared in accordance with the requirements of Section 300A of the Corporations Act and associated accounting standards.

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

		Short Term			Post Employment	Long Term	Equity[6]		Other		
USD	Year	Salaries fees and allowances[1]	Non-Monetary benefits[2]	Short Term Incentive[3]	Company contribution to super[4]	Long Service Leave accrual[5]	Performance Rights	Restricted Shares	Sign on/ termination benefits	Total	% Performance Related
Keiran Wulff	**2020**	**1,143,265**	**229,849**	**538,104**	**14,754**	**116,553**	**252,088**	**267,013**	**—**	**2,561,626**	**41%**
Managing Director	2019[7,8]	898,881	171,032	215,880	14,520	—	267,772	392,403	—	1,960,488	45%
Bruce Dingeman	**2020**	**526,509**	**13,714**	**180,000**	**—**	**—**	**156,854**	**94,410**	**—**	**971,487**	**44%**
EVP & President Alaska	2019										
Michael Drew	**2020**	**579,554**	**6,011**	**173,121**	**14,754**	**9,633**	**199,453**	**160,151**	**—**	**1,142,677**	**47%**
EVP Corporate & General Counsel	2019	515,136	6,545	165,055	15,953	46,562	214,166	239,401	—	1,202,818	51%
Diego Fettweis	**2020[9]**	**314,828**	**3,910**	**93,950**	**8,627**	**13,402**	**18,928**	**4,960**	**—**	**458,605**	**26%**
EVP Commercial	2019										
Stephen Gardiner	**2020**	**587,836**	**—**	**186,597**	**14,754**	**20,407**	**234,357**	**193,938**	**—**	**1,237,889**	**50%**
Chief Financial Officer	2019	622,789	1,393	177,577	14,547	12,722	269,046	289,037	—	1,387,111	53%
Bart Lismont	**2020**	**533,770**	**135,168**	**165,864**	**—**	**—**	**31,329**	**13,268**	**—**	**879,399**	**24%**
EVP PNG Development & Operations	2019[10]	242,323	—	67,248	—	—	3,978	—	—	313,549	23%
Elizabeth (Beth) White	**2020**	**559,206**	**—**	**170,169**	**14,754**	**17,973**	**190,455**	**163,716**	**—**	**1,116,273**	**47%**
EVP Sustainability & Technology	2019	515,572	—	167,332	14,547	15,257	193,956	176,394	—	1,083,059	50%
Former Executives											
Peter Botten	**2020[11,12]**	**955,837**	**304,532**	**305,100**	**11,006**	**—**	**1,049,937**	**944,370**	**2,461,786**	**6,032,568**	**38%**
Managing Director	2019	1,860,532	330,406	898,297	14,547	75,463	1,275,840	1,401,893	—	5,856,979	61%
Ian Munro	**2020[13]**	**98,039**	**646**	**—**	**7,257**	**—**	**39,703**	**131,845**	**425,586**	**703,076**	**24%**
EVP Portfolio Management Gas & Marketing	2019	534,029	—	137,024	15,019	10,553	249,887	244,878	—	1,191,390	53%
Paul Cholakos	**2020**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
EGM Technical Services	2019	268,994	73,926	—	10,869	5,066	119,043	355,695	787,390	1,620,984	29%
Michael Herrett	**2020**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
EGM Human Resources	2019	243,923	7,982	—	11,920	5,377	101,277	336,067	599,041	1,305,586	33%

1. Includes salaries, allowances, expatriate allowances and movements in annual leave accruals. For 2020 this includes a voluntary 20% reduction in fixed remuneration for a six month period.
2. Includes all non-monetary benefits and any FBT payable, 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 portion deferred into Oil Search Shares, which is captured in the Restricted Shares data in the Equity section.
4. Superannuation is the contribution 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, Share Rights or Restricted Shares as calculated under IFRS 2 Share-Based Payments.
7. Benefits for Dr Wulff include the full value of benefits and any tax on benefits payable following his repatriation to Australia to take up the full time appointment of CEO Designate. Benefits paid to Dr Wulff during his role as the EVP & President Alaska under his US contract are reported in 2019 comparatives.
8. 2019 Remuneration for Dr Wulff included a Foreign Service Premium whilst his role was based in Anchorage. The Restricted Shares column includes relevant portion of the additional salary received as Restricted Shares following his appointment as CEO Designate on 1 October 2019.
9. 2020 Remuneration for Mr Fettweis is from 1 June 2020.
10. 2019 Remuneration for Mr Lismont is for the period from 7 August 2019 to 31 December 2019.
11. 2020 Remuneration for Mr Botten is for the period to 25 August 2020, including the voluntary 20% salary reduction and lump sum payable on his retirement.
12. As detailed in the 1 October 2019 ASX announcement regarding his successor, Mr Botten received a lump sum payment of AU$1,187,376 (US$820,595) on his retirement date equal to six months of Total Fixed Remuneration. In addition, Mr Botten is obliged not to engage in certain activities which compete with Oil Search for 12 months after his retirement date (August 2020) and in return is eligible for 12 monthly restraint payments totalling AU$2,374,751 (US$1,641,190) of which AU$1,583,167 (US$1,094,127) is still to be paid in FY 2021. These amounts are reported as termination benefits.
13. 2020 Remuneration for Mr Munro is for the period to 28 February 2020.

Remuneration Report
Continued

Executive Remuneration *continued*

Remuneration outcomes for 2020 *continued*

Table 7 – Analysis of Executive KMP STI earned in 2020

	Included in remuneration (US$)[1]	% of STI Opportunity	Cash	Deferred[1]	% of Opportunity forfeited
Directors					
Keiran Wulff	1,452,882	67.5%	538,104	914,778	32.5%
Executives					
Michael Drew	467,425	67.5%	173,121	294,305	32.5%
Stephen Gardiner	503,812	67.5%	186,597	317,215	32.5%
Bart Lismont	447,833	67.5%	165,864	281,969	32.5%
Diego Fettweis	253,665	67.5%	93,950	159,715	32.5%
Elizabeth (Beth) White	459,457	67.5%	170,169	289,288	32.5%
Bruce Dingeman	486,000	67.5%	180,000	306,000	32.5%
Peter Botten	305,100	67.5%	305,100	—	32.5%

1. 63% of the STI is deferred via the allocation of Restricted Shares that will vest in the trading window following the announcement of results in 2023.
2. STI for Mr Fettweis is for the portion of the year from 1 June 2020.

STI balanced scorecard outcome

While this year has seen the introduction of Business Unit specific KPIs, outcomes were still primarily driven by corporate achievement, and reflect the teamwork demonstrated in successfully responding to the pandemic and its impact on global oil prices.

Despite the difficulties created by COVID-19, management significantly exceeded their performance targets resulting in the unadjusted scorecard delivering an outcome of approximately 83% of Opportunity with slight variations (81% – 87%) between the Business Units. This included record safety performance, record PNG LNG production and better than forecast cost management and EBITDAX.

In line with its remuneration governance processes the Board reviewed the scorecard results for consideration of discretion. The review took into account the conditions under which the results were obtained and whether the scorecard adequately reflected how well management responded to any unexpected factors to ensure that the interests of shareholders and employees were appropriately aligned and balanced. The Board also considered the significant loss in value of the Company's share price in 2020 mostly due to the fall in oil prices and the need to undertake an emergency capital raise. As a result, the Board exercised downward discretion and reduced the STI outcome, with the quantum of the reduction being tempered somewhat by the outstanding results achieved by the relatively new management team during the period.

These considerations resulted in an overall STI outcome for 2020 of 67.5% of Opportunity. To increase executive KMP alignment with shareholders, 63% of the STI outcomes for executives will be awarded in the form of Restricted Shares which are subject to a further two-year deferral period. The balance (37%) will be paid as cash.

Table 8 – Analysis of STI outcomes

The targets set for the 2020 STI scorecard were revised in April in response to the changed business conditions. At the end of the measurement period, as part of the consideration of the STI outcome the Board conducted an exercise to compare the overall impact of the revised targets for each measure. Had the targets not been revised the STI scorecard achievement would have been in the range of 10% higher, varying slightly for each business unit.

Element	Measure	Weighting	2020 Result	Target and achievement
Operational Measures (45%)				
Safety	Total Recordable Incident rate	5%	21.9%	The **Target** TRIR of 1.42 is based on industry benchmarks and the prior years' performance. The original target of 1.67 was revised down following the reduction in operational activity/spend resulting in reduced exposure to medium-high risk work areas, such as drilling and exploration. **Achievement** was a TRIR of 0.94, resulting in above stretch performance.
	Process Safety indicator	5%	7.2%	The **Target** is set as a blend of three process safety measures, including the number of process safety events and completion of integrity assurance activities. **Achievement** resulted in close to stretch performance.

Remuneration Report
Continued

Executive Remuneration *continued*

STI balanced scorecard outcome *continued*

Element	Measure	Weighting	2020 Result	Target and achievement
Production	Operated assets – mmboe	7.5%	2.8%	The **Target** of 3.77 mmboe was set based on probable annual production forecast for the assets. **Achievement** was 3.2 mmboe. This fell between threshold and target.
	PNG LNG – mmboe	7.5%	13.4%	The **Target** of 25.13 mmboe was set based on probable production for the asset. PNG LNG operational performance was excellent throughout 2020, resulting in 25.72 mmboe annual production. **Achievement** between target and stretch.
Financial Measures (20%)				
Costs	PNG Oil and Hides costs	7.5%	1.3%	**Target** set to achieve 100% of this measure at budget. **Achievement** Operated costs were delivered 4.3% above budget, resulting in performance between threshold and target.
	PNG LNG Controllable costs	7.5%	12.6%	**Target** set to achieve 100% of this measure at budget. **Achievement** Non-operated costs were delivered 7.6% below budget, resulting in above stretch performance.
Earnings	EBITDAX	5%	8.5%	**Target** set to achieve 100% of this measure at budget, with oil prices being re-forecast in April 2020. **Achievement** was 14.8% above Target, resulting in stretch performance. Had the Target not been adjusted based on the re-forecast the result would have been zero.
Growth measures (30%)				
Growth the Growth section of scorecard is capped at 60%	Discover or acquire new 2C resources	25%	>50%	Resource additions are recognised in a phased approach and have been beyond stretch for several years. In 2020 the outcome is supported by significant new resource additions in Alaska for Mitquq and Stirrup, with minor downgrades for resources relating to PNG licence exits.
	Sustainability measure	5%	9%	A number of initiatives were identified and outcome was scored based on each completed initiative.
Strategic initiatives (25%)				
Business Unit Program Delivery	Key Strategic Milestones	25%	Between 33.8% and 46.3%	Outcome was scored against delivery of key strategic milestone projects for the Alaska and PNG Business Units (BUs) and Corporate Group. The assessment of the CEO's performance considered his individual KPI's. Most initiatives were delivered at above target levels of performance, however there were initiatives impacted by COVID-19 and general market conditions which scored less well.
	Overall	**100%**	**Between 161.4% and 173.9% of Target**	

LTI outcome

The LTI granted in 2018 was contingent on meeting relative TSR performance against 3 peer groups. The Company's performance did not meet the threshold requirements. Accordingly, the 2018 LTI Performance Rights did not vest and have lapsed.

Remuneration Report

Continued

Executive Remuneration *continued*

Key terms of Executive KMP employment contracts

Table 9 sets out for the contractual provisions for current executive KMP

Table 9– contractual provisions for current Executive KMP

	Contract duration	Notice period company	Notice period employee	Termination provision
Keiran Wulff Managing Director	On-going	12 months	6 months	Oil Search can terminate on 12 months' written notice, or on less notice in the event that prolonged injury or illness prevents Dr Wulff from performing his duties. Oil Search may immediately terminate in certain circumstances, including wilful or gross neglect. Dr Wulff may terminate on 6 months' written notice or on 3 months' written notice if a fundamental change to his role or place of employment occurs (subject to specified and limited exceptions). For termination following a fundamental change, in addition to any applicable payments in lieu of notice, Dr Wulff will receive an amount equivalent to six months' TFR.
Other Executive KMP	On-going	6 months	6 months	Oil Search can terminate on 6 months' written notice, or on less notice in the event that prolonged injury or illness prevents the executive from performing his/her duties. Oil Search may also immediately terminate in certain circumstances, including wilful or gross neglect. The executive may terminate on 6 months' written notice or on 3 months' written notice if a fundamental change to his/her role or place of employment occurs (subject to specified and limited exceptions). For termination following a fundamental change, in addition to any applicable payments in lieu of notice, Oil Search will pay the Executive an amount equivalent to six months' TFR. In the event the executive's role is redundant the Group policy of 4 weeks per year of service (minimum 8, maximum 52) will apply.

Executive Equity Ownership

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

2018 LNG Expansion Incentive (Cash and equity)

Name of plan	LNG Expansion Incentive
Year of grant	2018
Participants	Keiran Wulff Michael Drew Stephen Gardiner Elizabeth (Beth)White **Former Executives** Peter Botten Paul Cholakos Michael Herrett Ian Munro
Instruments issued	Performance Rights (PRs) 75%, cash 25%.
Maximum value of equity to be granted	90% of 2018 TFR for Mr Peter Botten and 50% of 2018 TFR for all other participants.
Performance period	Vesting quantum reflects timing of Final Investment Decision; rights convert to shares after a further 2 years.
Performance measurement date	Variable, on achievement of scorecard objectives up to 3 years from grant.

Remuneration Report

Continued

Executive Remuneration *continued*

Executive Equity Ownership *continued*

PRs vest	Two years after investment sanction is achieved.
Performance conditions	See table below.
Vesting scale	Dependent upon achievement of performance requirements.
Acquisition of PRs	PRs are issued by the Company and held by the participant subject to the satisfaction of the vesting conditions. The number of PRs held may be adjusted *pro-rata*, consistent with ASX adjustment factors for any capital restructure. If the PRs vest, executives can exercise them to receive shares. Such shares are normally acquired on-market.
Treatment of dividends	PRs do not have voting rights or accrue benefits.
Restriction on hedging	Hedging of entitlements by executives is not permitted.
Terminating executives	Incentives remain on foot unless an executive resigns or is terminated by the Company for cause.
Change of control	Vesting is subject to Board discretion, taking into account performance to the date of change in control.

Performance conditions for the LNG Expansion Incentive

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 – Before a certain date
	LNG sales and purchase agreements	– Equity marketing arrangements in place – Shipping arrangements
	Commercial agreements	– Integration agreements negotiated
	FEED execution and licencing for AGX	– AGX FEED studies delivered on schedule – Licencing variations (as required)
Support Operators to achieve their investment sanction pre-requisites	Engineering, design and contracting	– Environmental approvals – Delivery of FEED studies – Delivery of development plan
	Reserves	– Certification of project reserves
	Licencing	– Obtaining required project licences – Licence variations (as required)
	Project financing	– Funding arrangements with financiers – Construction risk management
	Commercial agreements	– Integration agreements negotiated

Executive Director and Other Executive KMP Share and other equity holdings

Minimum Shareholding Requirements

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

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

The minimum shareholding is calculated by reference to the Oil Search share price and (i) the annual TFR for the Managing Director and (ii) half of the average annual TFR for the other executive KMP. The minimums are reviewed against the long term average share price and salary changes annually.

Remuneration Report
Continued

Executive Remuneration *continued*

Executive Director and Other Executive KMP Share and other equity holdings *continued*

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

Table 10 – Executive KMP Minimum Shareholding requirements

Individual covered by this policy	Minimum shareholding (number of shares)	Status as at 31 December 2020
Managing Director	212,500	>100%
Executive KMP	52,500	>100% except for B Lismont

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

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

Table 11 – Movements in Share and other Equity Holdings for Executive KMP, held directly or indirectly

	Ordinary shares			Restricted shares			Performance rights			Share rights		
	Balance at 1 Jan 20	Net change	**Balance at 31 Dec 20**	Balance at at 1 Jan 20	Net change	**Balance at 31 Dec 20**	Balance at 1 Jan 20	Net change	**Balance at 31 Dec 20**	Balance at 1 Jan 20	Net change	**Balance at 31 Dec 20**
Keiran Wulff	106,748	135,236	**241,984**	125,428	(23,306)	**102,122**	240,933	219,200	**460,133**	—	—	**—**
Bruce Dingeman	12,275	14,752	**27,027**	17,963	45,621	**63,584**	117,935	81,800	**199,735**	19,518	62,282	**81,800**
Michael Drew	—	77,081	**77,081**	82,133	(1,279)	**80,854**	198,959	70,400	**269,359**	—	—	**—**
Diego Fettweis[1]	36,028	—	**36,028**	—	—	**—**	23,941	84,150	**108,091**	1,294	—	**1,294**
Stephen Gardiner	534,094	152,449	**686,543**	99,723	(6,159)	**93,564**	234,910	69,800	**304,710**	—	—	**—**
Bart Lismont	—	—	**—**	—	17,142	**17,142**	22,958	121,400	**144,358**	—	—	**—**
Elizabeth (Beth) White	77,934	60,670	**138,604**	65,467	16,914	**82,381**	181,922	83,792	**265,714**	—	—	**—**
Former Executives	—											
Peter Botten	2,625,296	(43,407)	**2,581,889**	480,936	(23,711)	**457,225**	1,107,884	(315,000)	**792,884**	—	—	**—**
Ian Munro	—	—	**—**	84,099	(44,024)	**40,075**	217,600	(150,460)	**67,140**	—	—	**—**
Gerea Aopi	n/a	n/a	**n/a**	38,911	(38,911)	**—**	21,126	(21,126)	**—**	—	—	**—**
Paul Cholakos	n/a	n/a	**n/a**	78,592	(40,135)	**38,457**	77,890	(44,590)	**33,300**	—	—	**—**
Julian Fowles	n/a	n/a	**n/a**	40,904	(40,904)	**—**	41,146	(31,801)	**9,345**	—	—	**—**
Michael Herrett	n/a	n/a	**n/a**	74,264	(37,925)	**36,339**	66,274	(37,940)	**28,334**	—	—	**—**

1. Balance at 1 June 2020.

No options were granted by the Company nor exercised in 2020.

Remuneration Report
Continued

Executive Remuneration *continued*

Executive Director and Other Executive KMP Share and other equity holdings *continued*

Table 12– Details of movements of Performance Rights and LNG Expansion Incentive Rights during 2020

Movements during the year

	Grant date	Balance at 1 Jan 20	Rights granted	Rights exercised	Rights lapsed	Balance at 31 Dec 20	% vested in the year	% forfeited in the year	Financial year of vesting
Keiran Wulff	22/05/2017	66,900	—	(27,877)	(39,023)	—	41.7%	58.3%	2020
	21/05/2018	64,100	—	—	—	64,100			2021
	21/06/2018	40,083	—	—	—	40,083			2021[1]
	21/05/2019	61,400	—	—	—	61,400			2022
	1/10/2019	8,450	—	—	—	8,450			2022
	18/05/2020	—	286,100			286,100			2023
Total		**240,933**	**286,100**	**(27,877)**	**(39,023)**	**460,133**			
Other Executives									
Bruce Dingeman	18/10/2018	36,235	—	—	—	36,235			2021
	20/05/2019	81,700	—	—	—	81,700			2022
	18/05/2020	—	81,800			81,800			2023
Total		**117,935**	**81,800**	**—**	**—**	**199,735**			
Michael Drew	22/05/2017	56,300	—	(23,460)	(32,840)	—	41.7%	58.3%	2020
	21/05/2018	55,500	—	—	—	55,500			2021
	21/06/2018	34,659	—	—	—	34,659			2021[1]
	21/05/2019	52,500	—	—	—	52,500			2022
	18/05/2020	—	126,700			126,700			2023
Total		**198,959**	**126,700**	**(23,460)**	**(32,840)**	**269,359**			
Diego Fettweis	22/05/2017	10,177	—	(4,240)	(5,937)	—	41.7%	58.3%	2020
	21/05/2018	12,112	—	—	—	12,112			2021
	20/05/2019	11,379	—	—	—	11,379			2022
	18/05/2020	—	84,600			84,600			2023
Total		**33,668**	**84,600**	**(4,240)**	**(5,937)**	**108,091**			
Stephen Gardiner	22/05/2017	66,800	—	(27,835)	(38,965)	—	41.7%	58.3%	2020
	22/05/2018	65,800	—	—	—	65,800			2021
	21/06/2018	41,110	—	—	—	41,110			2021[1]
	21/05/2019	61,200	—	—	—	61,200			2022
	18/05/2020	—	136,600			136,600			2023
Total		**234,910**	**136,600**	**(27,835)**	**(38,965)**	**304,710**			
Bart Lismont	20/10/2019	22,958	—	—	—	22,958			
	18/05/2020	—	121,400			121,400			2023
Total		**22,958**	**121,400**	**—**	**—**	**144,358**			
Elizabeth (Beth) White	22/05/2017	40,808	—	(17,004)	(23,804)	—	41.7%	58.3%	2020
	21/05/2018	54,100	—	—	—	54,100			2021
	21/06/2018	33,814	—	—	—	33,814			2021[1]
	21/05/2019	53,200	—	—	—	53,200			2022
	18/05/2020	—	124,600			124,600			2023
Total		**181,922**	**124,600**	**(17,004)**	**(23,804)**	**265,714**			

Remuneration Report
Continued

Executive Remuneration *continued*

Executive Director and Other Executive KMP Share and other equity holdings *continued*

Table 12– Details of movements of Performance Rights and LNG Expansion Incentive Rights during 2020 continued

	Grant date	Balance at 1 Jan 20	Rights granted	Rights exercised	Rights lapsed	Balance at 31 Dec 20	% vested in the year	% forfeited in the year	Financial year of vesting
Former Executives									
Gerea Aopi	22/5/2017	21,126	—	(8,803)	(12,323)	—	41.7%	58.3%	2020
Total		**21,126**	**—**	**(8,803)**	**(12,323)**				
Peter Botten	22/05/2017	315,000	—	(131,260)	(183,740)	—	41.7%	58.3%	2020
	21/05/2018	302,200	—	—	—	302,200			2021
	21/06/2018	203,984	—	—	—	203,984			2021[1]
	21/05/2019	286,700	—	—	—	286,700			2022
Total		**1,107,884**	**—**	**(131,260)**	**(183,740)**	**792,884**			
Paul Cholakos	22/05/2017	44,590	—	(18,580)	(26,010)	—	41.7%	58.3%	2020
	21/05/2018	22,607	—	—	—	22,607			2021
	21/06/2018	10,693	—	—	—	10,693			2021[1]
Total		**77,890**	**—**	**(18,580)**	**(26,010)**	**33,300**			
Julian Fowles	22/5/17	31,801	—	(13,251)	(18,550)	—	41.7%	58.3%	2020
	21/5/18	9,345	—	—	—	9,345			2021
Total		**41,146**	**—**	**(13,251)**	**(18,550)**	**9,345**			
Michael Herrett	22/05/2017	37,940	—	(15,809)	(22,131)	—	41.7%	58.3%	2020
	21/05/2018	19,240	—	—	—	19,240			2021
	21/06/2018	9,094	—	—	—	9,094			2021[1]
Total		**66,274**	**—**	**(15,809)**	**(22,131)**	**28,334**			
Ian Munro	22/05/2017	62,900	—	(24,203)	(38,697)	—	41.7%	61.5%	2020
	21/05/2018	60,300	—	—	(24,626)	35,674			2021
	21/06/2018	37,700	—	—	(20,965)	16,735			2021[1]
	21/05/2019	56,700	—	—	(41,969)	14,731			2022
Total		**217,600**	**—**	**(24,203)**	**(126,257)**	**67,140**			

1. Awards vest two years after achievement of Financial Sanction of the Papua LNG Project and the PNG LNG Expansion Project on a timeline satisfactory to the Board pursuant to the LNG Expansion Incentive approved by shareholders at the 2018 Annual Meeting. The Board intends to make a final assessment of performance and vesting, if any, during 2021.

Table 13 – Details of movements of Share Rights for 2020

Movements during the year

	Grant date	Balance at 1 Jan 20	Rights granted	Rights exercised	Rights lapsed	Balance at 31 Dec 20	% vested in the year	% forfeited in the year	Financial year of vesting
Executives									
Bruce Dingeman	18/10/2018	19,518	—	(19,518)	—	—	10%	—	2020
	18/05/2020	—	81,800	—	—	81,800	—	—	2023
Total		**19,518**	**81,800**	**(19,518)**	**—**	**81,800**			
Diego Fettweis	**21/5/2018**	**397**	**—**	**—**	**—**	**397**			**2021**
	17/05/2019	362	—	—	—	362			2022
	18/05/2020	—	535	—	—	535			2023
Total		**759**	**535**	**—**	**—**	**1,294**			

Remuneration Report
Continued

Executive Remuneration *continued*

Executive Director and Other Executive KMP Share and other equity holdings *continued*

Table 14 – Details of movements of Restricted Shares – two years' service contingent from grant date

	Grant date	Balance at 1 Jan 20	Restricted shares granted	Restricted shares vested	Restricted shares forfeited	Balance at 31 Dec 20	% vested in the year	% forfeited in the year	Financial year of vesting
Keiran Wulff	21/05/2018	51,487	—	(51,487)	—	—	100%	—	2020
	21/05/2019	47,092	—	—	—	47,092			2021
	20/10/2019	26,849	—	(26,849)	—	—	100%	—	2020
	22/05/2020	—	55,030	—	—	55,030			2021
Total		**125,428**	**55,030**	**(78,336)**	**—**	**102,122**			
Bruce Dingeman	21/05/2019	17,963	—	—	—	17,963			2021
	22/05/2020		45,621	—	—	45,621			2021
Total		**17,963**	**45,621**	**—**	**—**	**63,584**			
Michael Drew	21/05/2018	43,353	—	(43,353)	—	—	100%	—	2020
	21/05/2019	38,780	—	—	—	38,780			2021
	22/05/2020	—	42,074	—	—	42,074			2021
Total		**82,133**	**42,074**	**(43,353)**	**—**	**80,854**			
Diego Fettweis	22/05/2020	—	—	—	—	—			2021
Total		**—**	**—**	**—**	**—**	**—**			
Stephen Gardiner	21/05/2018	51,424	—	(51,424)	—	—	100%	—	2020
	21/05/2019	48,299	—	—	—	48,299			2021
	22/05/2020	—	45,265	—	—	45,265			2021
Total		**99,723**	**45,265**	**(51,424)**	**—**	**93,564**			
Bart Lismont	22/05/2020	—	17,142	—	—	17,142			2021
		—	—	—					
Total		**—**	**17,142**	**—**	**—**	**17,142**			
Elizabeth (Beth) White	21/05/2018	25,740	—	(25,740)	—	—	100%	—	2020
	21/05/2019	39,727	—	—	—	39,727			2021
	22/05/2020	—	42,654	—	—	42,654			2021
Total		**65,467**	**42,654**	**(25,740)**	**—**	**82,381**			

Remuneration Report

Continued

Executive Remuneration *continued*

Executive Director and Other Executive KMP Share and other equity holdings *continued*

Table 14 – Details of movements of Restricted Shares – two years' service contingent from grant date continued

	Grant date	Balance at 1 Jan 20	Restricted shares granted	Restricted shares vested	Restricted shares forfeited	Balance at 31 Dec 20	% vested in the year	% forfeited in the year	Financial year of vesting
Former Executives									
Gerea Aopi	21/05/2018	38,911	—	(38,911)	—	—	100%	—	2020
Total		**38,911**	**—**	**(38,911)**	**—**	**—**			
Peter Botten	21/05/2018	252,694	—	(252,694)	—	—	100%	—	2020
	21/05/2019	228,242	—	—	—	228,242			2021
	22/05/2020	—	228,983	—	—	228,983			2021
Total		**480,936**	**228,983**	**(252,694)**	**—**	**457,225**			
Paul Cholakos	21/05/2018	40,135	—	(40135)	—	—	100%	—	2020
	21/05/2019	38,457	—		—	38,457			2021
Total		**78,592**	**—**	**(40,135)**	**—**	**38,457**			
Julian Fowles	21/05/2018	40,904	—	(40,904)	—	—	100%	—	2020
Total		**40,904**	**—**	**(40,904)**	**—**	**—**			
Michael Herrett	21/05/2018	37,925	—	(37,925)	—	—	100%	—	2020
	21/05/2019	36,339	—		—	36,339			2021
Total		**74,264**	**—**	**(37,925)**	**—**	**36,339**			
Ian Munro	21/05/2018	44,024	—	(44,024)	—	—	100%	—	2020
	21/05/2019	40,075	—		—	40,075			2021
Total		**84,099**	**—**	**(44,024)**	**—**	**40,075**			

Remuneration Report

Continued

Non-Executive Director fees and equity holdings

Fees Policy and 2020 fees paid

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

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

Non-Executive Directors may elect to sacrifice a portion of their annual fees under the NED Plan.

Table 15 sets out the fee structure which has applied since 1 January 2019.

Table 15 – Annual Board and Committee Fees Payable to Non-Executive Directors in Australian dollars

Position	Annual fee (AU$)
Chairman of the Board [1]	550,000
Non-Executive Directors other than the Chairman	190,000
Additional fees	
Chairman Audit and Financial Risk Committee	49,500
Chairman Sustainability Committee	49,500
Chairman People and Nominations Committee	49,500
Chairman Project and Technology Committee	24,750
Member Audit and Financial Risk Committee	25,500
Member Sustainability Committee	25,500
Member People and Nominations Committee	25,500
Member Project and Technology Committee	12,750

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

Each Australian and PNG based Non-Executive Director also receives a travel allowance of A$35,000 per annum to compensate for the time spent travelling to Papua New Guinea and Australia to attend Board and Committee Meetings and for time spent on field trips to the Company's operations. Non-Executive Directors based further afield receive a travel allowance of A$45,000 per annum. Whilst Directors were unable to travel for much of 2020 because of the COVID-19 pandemic, they were requested to attend a further 19 virtual Board and Committee sessions and workshops in addition to the regular schedule of Board and Committee meetings.

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

Table 16 – Annual Components of Board and Committee Fees for Non-Executive Directors in Australian dollars

Director	Base Annual Fee AU$ [3]	Audit & Financial Risk AU$	Sustainability AU$	People & Nominations AU$	Project & Technology Risk AU$	Travel Allowance AU$	**Total Remuneration AU$ [3]**
Rick Lee	550,000	—	—	—	—	35,000	**585,000**
Bakheet Al Katheeri	190,000	—	25,500	25,500	24,750	45,000	**310,750**
Kostas Constantinou [1]	190,000	25,500	—	3,493	—	35,000	**253,993**
Susan Cunningham	190,000	25,500	25,500	—	12,750	45,000	**298,750**
Eileen Doyle	190,000	25,500	49,500	—	12,750	35,000	**312,750**
Fiona Harris	190,000	49,500	—	25,500	—	35,000	**300,000**
Agu Kantsler	190,000	—	25,500	49,500	12,750	35,000	**312,750**
Part year membership							
Melchior Togolo [2]	152,000	20,400	—	20,400	—	28,000	**220,800**

1. Kostas Constantinou resigned from the People and Nominations Committee on 20 February 2020, fees are pro-rated.
2. Sir Melchior Togolo resigned from the Board effective 19 October 2020.
3. For 2020 this includes a voluntary 20% reduction in fixed remuneration for a six month period.

There are no performance-based plans for Non-Executive Directors.

Remuneration Report

Continued

Non-Executive Director fees and equity holdings *continued*

Fees Policy and 2020 fees paid *continued*

Table 17 – Non-Executive Directors Remuneration (US$)

		Short Term			Post Employment	Long Term	Equity	Other	
USD$	Year	Salaries fees and allowances [3]	Non-Monetary benefits	Short Term Incentive	Company contribution to super	Long Service Leave accrual		Sign on/ termination benefits	Total [3]
Non-Executive Directors									
Rick Lee	**2020**	**363,864**	**—**	**—**	**—**	**—**	**—**	**—**	**363,864**
	2019	409,792	—	—	—	—	—	—	409,792
Bakheet Al Katheeri	**2020**	**194,709**	**—**	**—**	**—**	**—**	**—**	**—**	**194,709**
	2019 [1]	201,788	—	—	—	—	—	—	201,788
Kostas Constantinou	**2020**	**158,305**	**—**	**—**	**—**	**—**	**—**	**—**	**158,305**
	2019	193,338	—	—	—	—	—	—	193,338
Susan Cunningham	**2020**	**186,554**	**—**	**—**	**—**	**—**	**—**	**—**	**186,554**
	2019	201,087	—	—	—	—	—	—	201,087
Eileen Doyle	**2020**	**195,262**	**—**	**—**	**—**	**—**	**—**	**—**	**195,262**
	2019	210,894	—	—	—	—	—	—	210,894
Fiona Harris	**2020**	**186,597**	**—**	**—**	**—**	**—**	**—**	**—**	**186,597**
	2019	210,150	—	—	—	—	—	—	210,150
Agu Kantsler	**2020**	**195,262**	**—**	**—**	**—**	**—**	**—**	**—**	**195,262**
	2019	210,894	—	—	—	—	—	—	210,894
Melchior Togolo [2]	**2020**	**139,879**	**—**	**—**	**—**	**—**	**—**	**—**	**139,879**
	2019	193,338	—	—	—	—	—	—	193,338
Total Fees paid in 2020		**1,620,431**	**—**	**—**	**—**	**—**	**—**	**—**	**1,620,431**

1. 2019 fees – Dr Al Katheeri and Ms Cunningham were appointed to the Oil Search Board on 26 March 2018
2. 2020 fees – Sir Melchior Togolo ceased to be a director on 19 October 2020.
3. For 2020 this includes a voluntary 20% reduction in fixed remuneration for a six month period.

Minimum Shareholding Requirements

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

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

The minimum shareholding is calculated by reference to the Oil Search share price and the annual base fee received by Non-Executive Directors. The minimums are reviewed against the long term average share price.

Table 18 summarises the current applicable Minimum Shareholding required under this Policy.

Table 18 – Minimum Shareholding requirements

Individual covered by this Policy	Minimum Shareholding (number of shares)	Status as at 31 December 2020
Chairman of the Board	75,000	>100%
Other Non-Executive Directors	25,000	>100% for 4 of 6 NEDs

Remuneration Report

Continued

Non-Executive Director fees and equity holdings *continued*

Non-Executive Director Fee Sacrifice Share Acquisition Plan *continued*

The Non-Executive Director Fee Sacrifice Share Acquisition Plan (Plan) was introduced in 2020 following its approval by shareholders at the 2020 Annual Meeting held on 1 May 2020. It is intended to facilitate share ownership and to support Board members to reach minimum share ownership requirements. Recognising non-executive directors may be limited in their opportunity to purchase shares because of Australian insider trading laws the plan provides non-executive directors the opportunity to acquire Shares in the Company.

The Plan operates through a biannual grant of NED Rights to the value of portion of fees elected to be sacrificed by individual directors. The number of NED Rights granted is based on the volume-weighted average market price of an Oil Search share over the five trading days commencing the day after the announcement of full-year results or half-year results.

During 2020, NED Rights were granted in May following the 2020 Annual Meeting and August following announcement of the half-yearly results. The NED Rights granted in May converted to Restricted Shares in August 2020, whilst the NED Rights granted in August will convert to Restricted Shares in or around February 2021. In future years, NED Rights will generally be awarded in February and August each year and will convert into Restricted Shares the following August and February respectively.

Participants	Non-Executive directors
Years of grants	2020
Instruments issued	NED Rights (SRs) which are rights to acquire ordinary shares in the Company for nil consideration, conditional on the participant continuing to hold office as a director of the Company until the SR's covert to shares.
Maximum value and number of SRs to be granted	SRs to the value of the portion of fees foregone, up to 100% of fees. The number of SRs granted is based on the volume-weighted average market price of an Oil Search share over the five trading days commencing the day after the announcement of full-year results or half-year results.
SRs vest and convert to Restricted Shares	SRs vest and convert to restricted shares in the first trading window following grant of the SRs. For the SRs granted in May and August 2020, the SRs vested or will vest and convert to Restricted Shares in August 2020 and February 2021 respectively. Shares acquired when SRs convert are restricted from sale for a period nominated by the director when electing to participate in the plan for the relevant year. The restriction period will end earlier than the elected period if the director retires from the Board.
Performance conditions	Nil
Treatment of dividends	SRs do not have voting or dividend rights. Restricted Shares carry the same dividend, voting and other rights as ordinary shares.
Restriction on hedging	Hedging of entitlements is not permitted.
Cessation of employment	If the participant ceases to hold office as a director of the Company before the SRs convert to shares, normally a pro-rata number of SRs will vest and convert to shares based on the quantum of director fees contributed over the period until the time the director retired from the Board for shares acquired on conversion of SRs that are subject to restrictions, the restriction period will end when the participant ceases to be a director
Change of control	Vesting is subject to Board discretion taking into account fee contribution level up to the change.

Remuneration Report

Continued

Non-Executive Director fees and equity holdings *continued*

Non-Executive Director Fee Sacrifice Share Acquisition Plan *continued*

Tables 19 set out the movements in Non-Executive Directors' holdings of NED Rights and Restricted Shares acquired by Non-Executive Directors under the Plan. Shareholder approval for the issue of NED Rights under the Plan was obtained under ASX listing rule 10.14.

Table 19 shows the movements in Non-Executive Directors' holdings of shares during 2020.

Table 19 – Details of movements of NED Share Rights and Restricted Shares for 2020

Director	Security type[1]	Balance at 1 Jan 20	Granted/ acquired	Value granted/ acquired A$	Vested	Lapsed	Value lapsed/ converted A$	Balance at 31 Dec 20
Rick Lee	NED Rights	—	20,213	61,140	7,312	—	—	20,213
	Restricted Shares	—	7,312	40,949	—	—	—	7,312
Bakheet Al Katheeri	NED Rights	—	53,687	162,392	19,421	—	—	53,687
	Restricted Shares	—	19,421	108,762	—	—	—	19,421
Kostas Constantinou	NED Rights	—	—	—	—	—	—	—
	Restricted Shares	—	—	—	—	—	—	—
Susan Cunningham	NED Rights	—	—	—	—	—	—	—
	Restricted Shares	—	—	—	—	—	—	—
Eileen Doyle	NED Rights	—	—	—	—	—	—	—
	Restricted Shares	—	—	—	—	—	—	—
Fiona Harris	NED Rights	—	—	—	—	—	—	—
	Restricted Shares	—	—	—	—	—	—	—
Agu Kantsler	NED Rights	—	10,806	32,686	3,909	—	—	10,806
	Restricted Shares	—	3,909	21,893	—	—	—	3,909
Melchior Togolo[2]	NED Rights	—	9,536	28,844	3,450	9,536	28,844	—
	Restricted Shares	—	3,450	19,321	—	—	—	—

1. NED Rights granted during 2020 were awarded in May and August 2020 pursuant to offers made to each Non-Executive Director under the Non-Executive Director Fee Sacrifice Share Acquisition Plan. The Rights granted in May 2020 converted into Restricted Shares in August 2020 while the Rights granted in August 2020 will convert to Restricted Shares in or around February 2021. The plan and Rights granted under the plan in 2020 were approved by shareholders at the Annual Meeting held on 1 May 2020.
2. Melchior Togolo retired as a director effective 19 October 2020. Closing balance is at this date.

Non-Executive Director Equity Ownership

Table 20 – Non-Executive Director shareholdings as at 31 December 2020

	Ordinary Shares			Restricted Shares			NED Rights		
	Balance at 1 Jan 20	Net movement during 2020	**Balance at 31 Dec 20**	Balance at 1 Jan 20	Net movement during 2020	**Balance at 31 Dec 20**	Balance at 1 Jan 20	Net movement during 2020	**Balance at 31 Dec 20**
Rick Lee	96,829	34,604	**131,433**	—	7,312	**7,312**	—	20,213	**20,213**
Bakheet Al Katheeri	—	—	**—**	—	19,421	**19,421**	—	53,687	**53,687**
Kostas Constantinou	10,000	1,250	**11,250**	—	—	**—**	—	—	**—**
Susan Cunningham	—	35,774[1]	**35,774**	—	—	**—**	—	—	**—**
Eileen Doyle	36,050	17,444	**53,494**	—	—	**—**	—	—	**—**
Fiona Harris	31,961	3,995	**35,956**	—	—	**—**	—	—	**—**
Agu Kantsler	45,736	16,968	**62,704**	—	3,909	**3,909**	—	10,806	**10,806**

1. 6,000 ADR's equivalent to 30,000 shares.

Consolidated Financial Report

for the year ended 31 December 2020

Statements of comprehensive income

for the year ended 31 December 2020

		Consolidated		Parent	
	Note	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Revenue	3	**1,074,153**	1,584,808	**—**	—
Cost of sales	4	**(729,404)**	(833,770)	**—**	—
Gross profit		**344,749**	751,038	**—**	—
Other income	5	**58,124**	67,169	**68,614**	205,746
Other expenses	6	**(209,000)**	(133,278)	**(18,166)**	(8,126)
Impairment expense	7	**(374,207)**	(5,865)	**(90,966)**	—
(Loss)/profit from operating activities		**(180,334)**	679,064	**(40,518)**	197,620
Finance costs	8	**(204,164)**	(255,303)	**(253)**	(202)
Interest income		**13,803**	24,342	**—**	430
Share of net profit from investments in joint ventures	28	**5,091**	627	**—**	—
(Loss)/profit before income tax		**(365,604)**	448,730	**(40,771)**	197,848
Income tax benefit/(expense)	9	**44,947**	(136,310)	**28,102**	(3,532)
Net (loss)/profit after tax		**(320,657)**	312,420	**(12,669)**	194,316
Other comprehensive loss					
Items that may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		**(1,083)**	(2,085)	**—**	—
Total comprehensive (loss)/income for the year		**(321,740)**	310,335	**(12,669)**	194,316

		Cents	Cents
Basic earnings per share	10	**(16.62)**	20.50
Diluted earnings per share	10	**(16.62)**	20.41

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

Statements of financial position

as at 31 December 2020

		Consolidated		Parent	
	Note	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Current assets					
Cash and cash equivalents	22(a)	**540,842**	396,232	**—**	—
Receivables	12	**169,446**	272,087	**1,217**	792
Inventories	13	**127,789**	104,038	**—**	—
Prepayments		**29,958**	19,867	**5,124**	1,504
Current tax receivable		**—**	—	**1,352**	1,352
Total current assets		**868,035**	792,224	**7,693**	3,648
Non-current assets					
Other assets	14	**80,161**	81,450	**—**	—
Other financial assets	15	**75,206**	67,939	**—**	—
Exploration and evaluation assets	16	**2,740,763**	2,998,021	**28,196**	117,067
Oil and gas assets	17	**6,020,599**	6,124,358	**—**	—
Other plant and equipment	17	**472,943**	488,300	**—**	—
Investments in subsidiaries	28	**—**	—	**3,589,803**	3,319,803
Investments in joint ventures	28	**59,534**	54,443	**—**	—
Deferred tax assets	9	**1,071,024**	909,721	**52,759**	24,547
Total non-current assets		**10,520,230**	10,724,232	**3,670,758**	3,461,417
Total assets		**11,388,265**	11,516,456	**3,678,451**	3,465,065
Current liabilities					
Payables	18	**187,139**	337,022	**90,879**	499,805
Provisions	19	**7,595**	28,523	**—**	—
Borrowings	20	**725,376**	654,513	**—**	—
Current tax payable		**49,346**	100,663	**—**	—
Total current liabilities		**969,456**	1,120,721	**90,879**	499,805
Non-current liabilities					
Payables	18	**18,579**	10,331	**—**	—
Provisions	19	**849,520**	688,395	**13,283**	11,924
Borrowings	20	**2,581,418**	3,140,069	**—**	—
Deferred tax liabilities	9	**1,398,993**	1,298,529	**—**	6
Total non-current liabilities		**4,848,510**	5,137,234	**13,283**	11,930
Total liabilities		**5,817,966**	6,258,045	**104,162**	511,735
Net assets		**5,570,299**	5,258,411	**3,574,289**	2,953,330
Shareholders' equity					
Share capital	21	**3,857,120**	3,158,390	**3,857,120**	3,158,390
Reserves	21	**737**	(1,719)	**17,034**	13,495
Retained earnings/(losses)		**1,712,442**	2,101,740	**(299,865)**	(218,555)
Total shareholders' equity		**5,570,299**	5,258,411	**3,574,289**	2,953,330

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

Statements of cash flows

for the year ended 31 December 2020

		Consolidated		Parent	
	Note	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Cash flows from operating activities					
Receipts from customers and third parties		**1,141,505**	1,632,493	**—**	—
Dividends received		**—**	—	**68,614**	205,746
Payments to suppliers and employees		**(453,572)**	(566,707)	**(14,485)**	(7,656)
Interest received		**7,707**	17,561	**—**	430
Borrowing costs paid		**(192,931)**	(237,562)	**(134)**	—
Income tax paid		**(11,632)**	(32,659)	**(23)**	—
Payments for exploration and evaluation – seismic, G&A, G&G		**(58,532)**	(40,663)	**(129)**	(44)
Payments for site restoration		**(26,475)**	(17,822)	**—**	—
Net cash from operating activities	22(b)	**406,070**	754,641	**53,843**	198,476
Cash flows from investing activities					
Payments for other plant and equipment		**(36,139)**	(36,401)	**—**	—
Payments for exploration and evaluation		**(167,044)**	(650,686)	**(2,097)**	(3,809)
Payments for oil and gas development assets		**(139,335)**	(39,540)	**—**	—
Payments for producing assets		**(49,533)**	(78,648)	**—**	—
Payments for power assets		**—**	(6,282)	**—**	—
Investment in subsidiaries		**—**	—	**(270,000)**	(555,000)
Advances made to third party in respect of investing activities		**(1,188)**	(1,750)	**—**	—
Net cash used in investing activities		**(393,239)**	(813,307)	**(272,097)**	(558,809)
Cash flows from financing activities					
Dividend payments		**(68,641)**	(205,746)	**(68,641)**	(205,746)
Purchase of treasury shares		**(2,923)**	—	**—**	—
Proceeds from share issue		**713,486**	—	**713,486**	—
Costs related to share issue		**(14,756)**	—	**(14,756)**	—
Repayment of borrowings		**(737,402)**	(1,064,200)	**—**	—
Proceeds from borrowings		**275,000**	1,150,000	**—**	—
Loan provided to third party		**(1,188)**	(1,750)	**—**	—
Lease payments		**(31,797)**	(23,963)	**—**	—
Loans (to)/from related entities		**—**	—	**(411,835)**	566,079
Net cash from/(used in) financing activities		**131,779**	(145,659)	**218,254**	360,333
Net increase/(decrease) in cash and cash equivalents		**144,610**	(204,325)	**—**	—
Cash and cash equivalents at the beginning of the year		**396,232**	600,557	**—**	—
Cash and cash equivalents at the end of the year	22(a)	**540,842**	396,232	**—**	—

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 2020

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 2020	**3,158,390**	**(21,247)**	**6,535**	**12,993**	**2,101,740**	**5,258,411**
Dividends provided for or paid	**—**	**—**	**—**	**—**	**(68,641)**	**(68,641)**
Total comprehensive income for the year						
Net (loss) after tax for the year	**—**	**—**	**—**	**—**	**(320,657)**	**(320,657)**
Other comprehensive (loss):						
Exchange differences on translation of foreign operations	**—**	**(1,083)**	**—**	**—**	**—**	**(1,083)**
Total comprehensive (loss) for the year	**—**	**(1,083)**	**—**	**—**	**(320,657)**	**(321,740)**
Transactions with owners, recorded directly in equity						
Transfer of vested shares	**—**	**—**	**10,243**	**(10,243)**	**—**	**—**
Employee share-based remuneration	**—**	**—**	**—**	**6,462**	**—**	**6,462**
Shares issued	**713,486**	**—**	**—**	**—**	**—**	**713,486**
Costs associated with shares issue	**(14,756)**	**—**	**—**	**—**	**—**	**(14,756)**
Purchase of treasury shares	**—**	**—**	**(2,923)**	**—**	**—**	**(2,923)**
Total transactions with owners	**698,730**	**—**	**7,320**	**(3,781)**	**—**	**702,269**
Balance at 31 December 2020	**3,857,120**	**(22,330)**	**13,855**	**9,212**	**1,712,442**	**5,570,299**
Balance at 1 January 2019	3,152,443	(19,162)	2,969	10,745	1,995,176	5,142,171
Dividends provided for or paid	—	—	—	—	(205,746)	(205,746)
Total comprehensive income for the year						
Net profit after tax for the year	—	—	—	—	312,420	312,420
Other comprehensive (loss):						
Exchange differences on translation of foreign operations	—	(2,085)	—	—	—	(2,085)
Total comprehensive income for the year	—	(2,085)	—	—	312,420	310,335
Transactions with owners, recorded directly in equity						
Transfer of vested shares	—	—	9,513	(9,513)	—	—
Employee share-based remuneration	—	—	—	11,761	—	11,761
Shares issued for the share purchase plan	5,947	—	(5,947)	—	—	—
Trust distribution	—	—	—	—	(110)	(110)
Total transactions with owners	5,947	—	3,566	2,248	(110)	11,651
Balance at 31 December 2019	3,158,390	(21,247)	6,535	12,993	2,101,740	5,258,411

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

Statements of changes in equity *continued*

for the year ended 31 December 2020

Parent	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 2020	**3,158,390**	**(2,990)**	**9,155**	**7,330**	**(218,555)**	**2,953,330**
Dividends provided for or paid	**—**	**—**	**—**	**—**	**(68,641)**	**(68,641)**
Total comprehensive income for the year						
Net (loss) after tax for the year	**—**	**—**	**—**	**—**	**(12,669)**	**(12,669)**
Total comprehensive (loss) for the year	**—**	**—**	**—**	**—**	**(12,669)**	**(12,669)**
Transactions with owners, recorded directly in equity						
Transfer of vested shares	**—**	**—**	**10,243**	**(10,243)**	**—**	**—**
Employee share-based remuneration	**—**	**—**	**—**	**6,462**	**—**	**6,462**
Shares issued	**713,486**	**—**	**—**	**—**	**—**	**713,486**
Costs associated with shares issue	**(14,756)**	**—**	**—**	**—**	**—**	**(14,756)**
Purchase of treasury shares	**—**	**—**	**(2,923)**	**—**	**—**	**(2,923)**
Total transactions with owners	**698,730**	**—**	**7,320**	**(3,781)**	**—**	**702,269**
Balance at 31 December 2020	**3,857,120**	**(2,990)**	**16,475**	**3,549**	**(299,865)**	**3,574,289**
Balance at 1 January 2019	3,152,443	(2,990)	5,589	5,082	(207,125)	2,952,999
Dividends provided for or paid	—	—	—	—	(205,746)	(205,746)
Total comprehensive income for the year						
Net profit after tax for the year	—	—	—	—	194,316	194,316
Total comprehensive income for the year	—	—	—	—	194,316	194,316
Transactions with owners, recorded directly in equity						
Transfer of vested shares	—	—	9,513	(9,513)	—	—
Employee share-based remuneration	—	—	—	11,761	—	11,761
Shares issued for the share purchase plan	5,947	—	(5,947)	—	—	—
Total transactions with owners	5,947	—	3,566	2,248	—	11,761
Balance at 31 December 2019	3,158,390	(2,990)	9,155	7,330	(218,555)	2,953,330

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

Notes to the financial statements

1. Significant accounting policies

Oil Search Limited (the 'parent entity' or 'Company') is incorporated in Papua New Guinea. The consolidated financial statements for the year ended 31 December 2020 comprise the parent entity and its controlled entities (together, 'the Group').

The financial statements were authorised for issue by the Board of Directors on 22 February 2021.

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRS Interpretations Committee (IFRIC) interpretations and the PNG Companies Act 1997. The financial report has been prepared under the historical cost convention. The financial statements are presented in United States dollars (US$) and the majority of amounts are rounded to the nearest US$1,000 (where rounding is applicable). Certain prior year amounts have been reclassified to conform to the current year presentation.

i) COVID-19 financial implications

The impact of COVID-19 and the current economic environment has been considered in the preparation of this consolidated financial report. While the specific areas of judgement and estimates as noted in note 1(q) did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. This included the Group reassessing the carrying value of all its assets including exploration and evaluation assets, oil and gas assets, other plant and equipment and deferred tax assets. The results of the assessments performed are discussed in the respective notes to the financial statements where applicable.

ii) Issued standards adopted during year

There have been no new standards or amendments that have significantly impacted the Group's accounting policies, financial position of performance for the year ended 31 December 2020.

iii) New accounting standards not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2020 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the financial years commencing 1 January 2021.

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 or when an indication of impairment arises. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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.

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.

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.

Notes to the financial statements

Continued

1. Significant accounting policies *continued*

iii) Group companies

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

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
– income and expenses for each statement of comprehensive income are translated at the rates prevailing on the transaction dates; 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:

i) Liquefied natural gas

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

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

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

ii) 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.

iii) 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.

iv) 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.

Notes to the financial statements

Continued

1. Significant accounting policies *continued*

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

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

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

h) Inventories

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

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

i) Exploration and evaluation assets

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

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

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

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

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

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

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

j) Oil and gas assets

i) 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.

ii) 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.

iii) 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.

iv) 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.

i) Depreciation

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

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

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

Notes to the financial statements

Continued

1. Significant accounting policies *continued*

l) Leases

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

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

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

i) Leased assets

The Group recognises a right of use asset and a lease liability at the commencement date of the lease arrangement. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to dismantle or remediate the underlying asset, less any lease incentives received. Lease assets are depreciated using the straight-line method over the shorter of their useful life and the lease term. In addition, the right of use asset may be adjusted periodically due to re-measurements of the lease liability or impairment losses, assessed in accordance with the Group's applicable accounting policies.

ii) Lease Liabilities

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

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

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

m) Impairment of assets

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

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

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

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

n) Employee benefits

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

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

o) Investments and other financial assets

i) Investments

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

ii) Other financial assets

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

Financial assets are subject to 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.

Notes to the financial statements

Continued

1. Significant accounting policies *continued*

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.

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 assets, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs. Market values are also referenced where appropriate.

Restoration obligations

The Group estimates the future removal and restoration costs of oil and gas production facilities, wells, pipelines and related assets at the time of installation of the assets. In most instances the removal of these assets will occur many years in the future.

The estimates of future removal costs are made considering relevant legislation and industry practice and require management to make judgements regarding the removal date, the extent of restoration activities required and future removal technologies. For more detail regarding the policy in respect of provision for restoration refer to note 1(j).

Reserve estimates

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

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

Exploration and evaluation

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

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.

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.

Notes to the financial statements

Continued

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)

The PNG BU includes exploration, development, production and sale of hydrocarbons and abandonment activities from the Group's interest in operated and non-operated assets in PNG. In addition, this segment includes investments in power generation assets, forestry assets and ownership of drilling rigs in PNG.

Alaska Business Unit (Alaska BU)

The Alaska BU includes exploration, evaluation and development of hydrocarbons in the United States of America.

Centre

Comprises corporate activities needed to shape, safeguard and service the business units and the Group.

b) Segment information provided to the executive management team

The Group's executive management team evaluates the financial performance of the Group and its segments principally with reference to earnings before interest and tax, and capital expenditure on exploration and evaluation assets, oil and gas assets, and property, plant and equipment.

	PNG BU		Alaska BU		Centre		Total	
$'000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
External revenues	**1,073,779**	1,584,386	**—**	—	**374**	422	**1,074,153**	1,584,808
Costs of production	**(301,183)**	(407,532)	**—**	—	**—**	—	**(301,183)**	(407,532)
Selling and distribution costs	**(29,938)**	(34,462)	**—**	—	**(771)**	(1,526)	**(30,709)**	(35,988)
Rig operating costs	**(272)**	(1,363)	**—**	—	**—**	—	**(272)**	(1,363)
Corporate expenses	**—**	—	**(939)**	(5,341)	**(39,290)**	(32,256)	**(40,229)**	(37,597)
Power costs expensed	**(526)**	(969)	**—**	—	**—**	—	**(526)**	(969)
Profit/(loss) on disposal of assets	**100**	889	**(337)**	—	**—**	—	**(237)**	889
Other income	**34,200**	37,712	**6,385**	2,815	**17,539**	26,642	**58,124**	67,169
Other expenses	**(23,932)**	(22,500)	**749**	249	**(14,919)**	(1,267)	**(38,102)**	(23,518)
EBITDAX[1]	**752,228**	1,156,161	**5,858**	(2,277)	**(37,067)**	(7,985)	**721,019**	1,145,899
Depreciation and amortisation	**(403,185)**	(395,024)	**(5,681)**	(4,599)	**(14,933)**	(14,087)	**(423,799)**	(413,710)
Exploration costs expensed	**(65,203)**	(24,417)	**(38,144)**	(22,473)	**—**	(370)	**(103,347)**	(47,260)
Impairment	**(363,617)**	(4,694)	**(10,590)**	(1,171)	**—**	—	**(374,207)**	(5,865)
Share of investment in joint ventures	**5,091**	627	**—**	—	**—**	—	**5,091**	627
EBIT[1]	**(72,379)**	732,653	**(48,557)**	(30,470)	**(54,307)**	(22,864)	**(175,243)**	679,688
Net finance costs	**(165,321)**	(206,430)	**(462)**	(103)	**(24,578)**	(24,428)	**(190,361)**	(230,961)
(Loss)/profit before income tax							**(365,604)**	448,730
Income tax benefit/(expense)							**44,947**	(136,310)
Net (loss)/profit after tax							**(320,657)**	312,420
Investment expenditure								
Exploration and evaluation assets[2]	**57,405**	159,894	**145,231**	539,776	**—**	340	**202,636**	700,010
Oil and gas assets – development and production	**90,654**	126,147	**99,641**	—	**—**	—	**190,295**	126,147
Other plant and equipment	**10,605**	13,088	**527**	6,208	**21,328**	25,271	**32,460**	44,567
	158,664	299,129	**245,399**	545,984	**21,328**	25,611	**425,391**	870,724

1. EBITDAX (earnings before interest, tax, depreciation, impairment and exploration costs expensed) 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.
2. In 2019, the Group exercised the Armstrong option for US$450 million to double its interests in the Pikka Unit, Horseshoe Block and other exploration leases in Alaska.

Notes to the financial statements

Continued

2. Segment reporting *continued*

Geographical segments

The Group operates primarily in Papua New Guinea, the United States of America and Australia.

Production from the designated segments is sold on commodity markets and may be sold to other geographical segments.

When presenting information on the basis of geographical segments, segment revenue and segment assets are based on the location of operating activity.

	Revenue		Non-current assets[1]	
$'000	2020	2019	2020	2019
PNG	**1,073,779**	1,584,386	**7,946,171**	8,556,705
USA	**—**	—	**1,217,591**	999,311
Australia	**374**	422	**133,546**	114,898
Other	**—**	—	**151,898**	143,597
Total	**1,074,153**	1,584,808	**9,449,206**	9,814,511

1. Non-current assets exclude deferred taxes of $1,071.0 million (2019: $966.1 million).

Major customers (PNG BU)

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

Revenue from one customer represents approximately $233.0 million or 22% of the Group's total revenue (2019: $297.5 million, 19%).

Revenue from one customer represents approximately $161.0 million or 15% of the Group's total revenue (2019: $253.1 million, 16%).

Revenue from one customer represents approximately $165.6 million or 15% of the Group's total revenue (2019: $190.8 million, 12%).

Revenue from one customer represents approximately $138.1 million or 13% of the Group's total revenue (2019: $227.2 million, 14%).

Revenue from one customer represents approximately $107.7 million or 10% of the Group's total revenue (2019: $159.9 million, 10%).

3. Revenue

	Consolidated		Parent	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revenue from contracts with customers				
Liquefied natural gas sales	**835,940**	1,201,388	**—**	—
Oil and condensate sales	**188,727**	295,506	**—**	—
Gas sales	**18,934**	44,961	**—**	—
Other revenue	**28,045**	29,702	**—**	—
	1,071,646	1,571,557	**—**	—
Drilling rig and camp lease revenue	**2,507**	13,251	**—**	—
Total revenue	**1,074,153**	1,584,808	**—**	—

Notes to the financial statements

Continued

4. Cost of sales

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Costs of production				
Production costs	**(289,215)**	(348,742)	**—**	—
Royalties and levies	**(5,119)**	(15,098)	**—**	—
Gas purchases	**(7,244)**	(22,888)	**—**	—
Other costs of production	**(10,283)**	(15,514)	**—**	—
Inventory movements	**10,678**	(5,290)	**—**	—
	(301,183)	(407,532)	**—**	—
Selling and distribution costs	**(30,709)**	(35,988)	**—**	—
Rig operating costs	**(272)**	(1,363)	**—**	—
Depreciation and amortisation				
Oil and gas assets	**(365,871)**	(354,119)	**—**	—
Transport and logistics	**(30,165)**	(29,444)	**—**	—
Rig assets	**(1,204)**	(5,324)	**—**	—
Total cost of sales	**(729,404)**	(833,770)	**—**	—

5. Other income

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Cost recoveries	**49,264**	47,262	**—**	—
Insurance receipts	**6,304**	8,737	**—**	—
Provisions written back	**—**	7,585	**—**	—
Dividend income	**—**	—	**68,614**	205,746
Other	**2,556**	3,585	**—**	—
	58,124	67,169	**68,614**	205,746

6. Other expenses

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Corporate expenses [1]	**(40,229)**	(37,597)	**(11,463)**	(7,314)
Exploration costs expensed	**(103,347)**	(47,260)	**(129)**	(44)
Power costs expensed	**(526)**	(969)	**—**	—
Depreciation	**(26,559)**	(24,823)	**—**	—
(Loss)/profit on disposal of assets	**(237)**	889	**—**	—
Changes in site restoration costs [2]	**(21,606)**	(4,414)	**(156)**	—
Other expenses	**(16,496)**	(19,104)	**(6,418)**	(768)
Total other expenses	**(209,000)**	(133,278)	**(18,166)**	(8,126)

1. Includes business development costs of $1.0 million (2019: $5.5 million) on a consolidated basis.
2. Changes in estimations for future site restoration costs in relation to fully impaired assets.

Notes to the financial statements

Continued

7. Impairment expense

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Exploration and evaluation assets	16	**(364,733)**	(5,865)	**(90,966)**	—
Oil and gas assets	17	**(9,474)**	—	**—**	—
Total impairment expense		**(374,207)**	(5,865)	**(90,966)**	—

8. Finance costs

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Finance charge on lease liabilities	**(36,968)**	(38,004)	**—**	—
Borrowing costs	**(153,932)**	(201,419)	**(133)**	—
Unwinding of discount on site restoration	**(13,264)**	(15,880)	**(120)**	(202)
Total finance costs	**(204,164)**	(255,303)	**(253)**	(202)

9. Income tax

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
The major components of tax expense are:				
Current tax expense	**(405)**	(47,487)	**—**	—
Adjustments for current tax of prior periods	**1,647**	(2,188)	**(426)**	(18)
Deferred tax benefit/(expense)	**43,705**	(86,635)	**28,528**	(3,514)
Income tax benefit/(expense)	**44,947**	(136,310)	**28,102**	(3,532)
Reconciliation of income tax benefit/(expense) to prima facie tax payable:				
(Loss)/profit before tax	**(365,604)**	448,730	**(40,771)**	197,848
Tax benefit/(expense) at PNG rate of 30%	**109,681**	(134,619)	**12,231**	(59,354)
Additional profits tax payable	**—**	(2,099)	**—**	—
Effect of differing tax rates across tax regimes	**829**	(436)	**—**	—
	110,510	(137,154)	**12,231**	(59,354)
Tax effect of items not tax deductible or assessable:				
Over/(under) provisions in prior periods	**1,647**	(2,188)	**(426)**	(17)
Non-deductible expenditure	**(2,212)**	(4,881)	**(1,926)**	(235)
Non-assessable income	**3,723**	4,777	**18,200**	61,724
De-recognition of deferred tax assets	**(68,729)**	3,101	**23**	(5,650)
Exempt dividends	**8**	35	**—**	—
Income tax benefit/(expense)	**44,947**	(136,310)	**28,102**	(3,532)

Notes to the financial statements

Continued

9. Income tax *continued*

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Deferred tax benefit/(expense) recognised in net (loss)/profit for each type of temporary difference:				
Exploration, development and production	**(23,873)**	(171,939)	**27,094**	(141)
Other assets	**7,851**	7,362	**—**	—
Provisions and accruals	**36,730**	35,573	**834**	521
Tax losses recognised	**75,238**	61,710	**—**	(3,886)
Tax credits derecognised	**(35,654)**	—	**—**	—
Other items	**(16,587)**	(19,341)	**600**	(8)
Deferred tax benefit/(expense)	**43,705**	(86,635)	**28,528**	(3,514)
Deferred tax assets				
Temporary differences:				
Exploration, development and production	**284,479**	241,953	**48,180**	20,970
Provisions	**243,194**	214,610	**3,985**	3,577
Tax losses recognised	**180,545**	101,022	**—**	—
Tax credits	**242,323**	260,241	**—**	—
Other differences	**134,214**	140,844	**594**	—
Other assets	**(13,731)**	(48,949)	**—**	—
	1,071,024	**909,721**	**52,759**	**24,547**
Deferred tax liabilities				
Temporary differences:				
Exploration, development and production	**1,306,854**	1,201,113	**—**	—
Prepayments and receivables	**—**	1,158	**—**	—
Other differences	**8,894**	(12)	**—**	6
Other assets	**83,245**	96,270	**—**	—
	1,398,993	1,298,529	**—**	6

10. Earnings per share

	Consolidated	
	2020 cents	2019 cents
Basic earnings per share	**(16.62)**	20.50
Diluted earnings per share	**(16.62)**	20.41
	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	**1,929,346,115**	1,524,330,095
Employee share rights	**—**	2,988,868
Employee performance rights	**—**	3,551,037
Diluted earnings per share	**1,929,346,115**	1,530,870,000

Notes to the financial statements

Continued

11. Dividends paid or proposed

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Unfranked[1] dividends in respect of the year, proposed subsequent to the year end:				
Ordinary dividend[2]	**10,389**	68,614	**—**	68,614
	10,389	68,614	**—**	68,614
Unfranked[1] dividends paid during the year:				
Ordinary – previous year final	**68,614**	129,509	**68,614**	129,509
Ordinary – current year interim	**—**	76,237	**—**	76,237
	68,614	205,746	**68,614**	205,746

1. As Oil Search Limited is a Papua New Guinea incorporated company, there are no franking credits available on dividends.
2. On 22 February 2021, the Directors declared a final unfranked dividend of US 0.5 cents per ordinary share for the current year (2019: US 4.5 cents final dividend) to be paid on 25 March 2021. The proposed final dividend for 2020 is payable to all holders of ordinary shares on the Register of Members on 3 March 2021 (record date). The proposed final dividend has not been included as a liability in these financial statements.

12. Receivables

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Current				
Trade debtors[1,2]	**105,256**	146,352	**—**	—
Other debtors[1]	**64,190**	125,735	**1,217**	792
	169,446	272,087	**1,217**	792

1. There were no current receivables that have been determined to be impaired (2019: nil).
2. Credit sales are on payment terms between 8 and 30 days.

13. Inventories

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Current				
Materials and supplies	**110,392**	97,319	**—**	—
Petroleum products	**17,397**	6,719	**—**	—
	127,789	104,038	**—**	—

14. Other assets

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Non-current				
Deposits	**1,025**	1,100	**—**	—
Prepayments - other	**2,386**	4,787	**—**	—
Prepayments made to third party[1]	**76,750**	75,563	**—**	—
	80,161	81,450	**—**	—

1. Refer to Note 15 other financial assets for further explanation.

Notes to the financial statements

Continued

15. Other financial assets

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Non-current				
Loan receivable	**75,206**	67,939	**—**	—

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

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

16. Exploration and evaluation assets

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
At cost	**3,757,764**	3,650,351	**119,162**	140,859
Less impairment	**(1,017,001)**	(652,330)	**(90,966)**	(23,792)
	2,740,763	2,998,021	**28,196**	117,067
Balance at start of year	**2,998,021**	2,344,818	**117,067**	112,153
Additions[1]	**202,636**	700,010	**1,108**	3,854
Exploration costs expensed	**(103,347)**	(47,260)	**(129)**	(44)
Impairment	**(364,733)**	(5,865)	**(90,966)**	—
Changes in restoration obligations	**1,345**	10,485	**1,116**	1,104
Net exchange differences	**6,841**	(4,167)	**—**	—
Balance at end of year	**2,740,763**	2,998,021	**28,196**	117,067

1. In 2019, the Group exercised the Armstrong option for US$450 million to double its interests in the Pikka Unit, Horseshoe Block and other exploration leases in Alaska. In conjunction with exercising the Armstrong option, Oil Search and Repsol entered into arrangements to align ownership interests resulting in a contribution to Oil Search of US$64.4 million which has been offset against the acquisition costs.

Exploration and evaluation assets include $1,840.3 million (2019: $1,920.3 million) of licence acquisition costs that are classified as intangible assets.

Impairment of exploration and evaluation assets

In 2020, in line with the Company's commitment to prioritising capital allocation consistent with the strategic review undertaken during the year, a number of exploration and evaluation assets in PNG were identified as being of reduced priority due to lower prospectivity or sub-optimal economics. Given there is no current intention to pursue activities on these assets, and in line with *IFRS 6 Exploration for and evaluation of mineral resources*, the full net book value of these exploration assets have been impaired.

In addition, exploration leases in Alaska which have been relinquished have also been impaired.

Notes to the financial statements

Continued

16. Exploration and evaluation assets *continued*

		Consolidated		Parent	
Licence / Lease	Segment	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
APDL 11	PNG BU	**108,095**	—	**—**	—
PRL 8	PNG BU	**50,909**	—	**35,278**	—
PPL 244	PNG BU	**43,087**	—	**39,612**	—
PPL 233	PNG BU	**41,794**	—	**—**	—
PRL10	PNG BU	**41,001**	—	**16,076**	—
PRL 9	PNG BU	**23,602**	—	**—**	—
PRL 39	PNG BU	**18,905**	—	**—**	—
PRL 14	PNG BU	**13,933**	—	**—**	—
PPL 277	PNG BU	**7,732**	—	**—**	—
PPL 374	PNG BU	**2,175**	—	**—**	—
PPL 375	PNG BU	**2,175**	—	**—**	—
PPL 569	PNG BU	**621**	—	**—**	—
PPL 504	PNG BU	**114**	—	**—**	—
PPL 395	PNG BU	**—**	4,694	**—**	—
Kachemach, Antigua, Atlas B, Harrison Bay, and Grizzly	Alaska BU	**10,590**	1,171	**—**	—
Total impairment recognised		**364,733**	5,865	**90,966**	—

17. Property, plant and equipment

	Consolidated oil and gas			Consolidated other plant and equipment			
	Development $'000	Producing $'000	Total $'000	Transport and logistics $'000	Rigs $'000	Corporate $'000	**Total $'000**
2020							
At cost	**294,939**	**9,398,127**	**9,693,066**	**316,034**	**94,192**	**394,077**	**804,303**
Accumulated amortisation, depreciation and impairment	**—**	**(3,672,467)**	**(3,672,467)**	**(83,693)**	**(77,179)**	**(170,488)**	**(331,360)**
	294,939	**5,725,660**	**6,020,599**	**232,341**	**17,013**	**223,589**	**472,943**
Balance at 1 January 2020	**123,907**	**6,000,451**	**6,124,358**	**262,506**	**18,217**	**207,577**	**488,300**
Additions	**140,536**	**49,759**	**190,295**	**—**	**—**	**32,460**	**32,460**
Transfers	**—**	**(45,707)**	**(45,707)**	**—**	**—**	**—**	**—**
Disposals	**—**	**—**	**—**	**—**	**—**	**(337)**	**(337)**
Changes in restoration obligations	**30,496**	**96,502**	**126,998**	**—**	**—**	**—**	**—**
Impairment	**—**	**(9,474)**	**(9,474)**	**—**	**—**	**—**	**—**
Net exchange differences	**—**	**—**	**—**	**—**	**—**	**10,448**	**10,448**
Amortisation and depreciation	**—**	**(365,871)**	**(365,871)**	**(30,165)**	**(1,204)**	**(26,559)**	**(57,928)**
Balance at 31 December 2020	294,939	5,725,660	6,020,599	232,341	17,013	223,589	472,943

Notes to the financial statements

Continued

17. Property, plant and equipment *continued*

	Consolidated oil and gas			Consolidated other plant and equipment			
	Development $'000	Producing $'000	Total $'000	Transport and logistics $'000	Rigs $'000	Corporate $'000	**Total $'000**
2019							
At cost	123,907	9,297,562	9,421,469	316,034	94,192	351,506	761,732
Accumulated amortisation, depreciation and impairment	—	(3,297,111)	(3,297,111)	(53,528)	(75,975)	(143,929)	(273,432)
	123,907	6,000,451	6,124,358	262,506	18,217	207,577	488,300
Balance at 1 January 2019	65,818	6,174,749	6,240,567	113,936	19,644	115,188	248,768
Adjustment for change in accounting policy (IFRS 16 adoption)	—	—	—	159,252	—	70,953	230,205
Restated balance at 1 January 2019	65,818	6,174,749	6,240,567	273,188	19,644	186,141	478,973
Additions	45,039	81,108	126,147	18,762	3,897	49,754	72,413
Disposals	—	—	—	—	—	(4,000)	(4,000)
Changes in restoration obligations	13,050	98,713	111,763	—	—	—	—
Net exchange differences	—	—	—	—	—	505	505
Amortisation and depreciation	—	(354,119)	(354,119)	(29,444)	(5,324)	(24,823)	(59,591)
Balance at 31 December 2019	123,907	6,000,451	6,124,358	262,506	18,217	207,577	488,300

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

	Other plant and equipment $'000		
	Transport & logistics	Corporate	**Total**
2020			
Right-of-use-assets	**262,506**	**71,925**	**334,431**
Balance at 1 January 2020	**262,506**	**71,925**	**334,431**
Depreciation expense	**(30,165)**	**(7,892)**	**(38,057)**
Net exchange differences	**—**	**(994)**	**(994)**
Balance at 31 December 2020	**232,341**	**63,039**	**295,380**
2019			
Right-of-use-assets recognised upon transition	159,252	70,953	230,205
Right-of-use-assets pertaining to finance leases at transition date	113,936	—	113,936
Balance at 1 January 2019	273,188	70,953	344,141
Lease arrangements entered into during the period	18,762	8,388	27,150
Depreciation expense	(29,444)	(6,690)	(36,134)
Net exchange differences	—	(726)	(726)
Balance at 31 December 2019	262,506	71,925	334,431

The Group leases a number of assets as part of its activities, primarily relating to marine assets and corporate premises. The weighted average remaining lease term for the total lease portfolio is around 13 years.

The expense recognised in the income statement for short term and low value leases for the year totalled $16.8 million (2019: $18.1 million).

Carrying value assessment of oil and gas assets

During the year, as a result of COVID-19 and the significant decline in oil and gas prices, the Group has assessed the carrying value of all its Oil and Gas assets as at 31 December 2020. Oil and Gas assets are assessed for impairment on a cash-generating unit ("CGU") basis by calculating the recoverable amount with reference to the discounted future cash flows. Oil and Gas producing assets comprise of two CGUs (i) Hides GTE CGU, and (ii) the PNG Integrated CGU (PNG LNG and operated oil assets).

Notes to the financial statements

Continued

17. Property, plant and equipment *continued*

Hides GTE CGU

Given the uncertainty relating to the resumption of production following the suspension of mining at the Porgera gold mine in 2020, the recoverable value of the Hides GTE CGU has been deemed to be nil and as such an impairment of the full net book value of US$9.5 million has been recognised as at 31 December 2020.

PNG Integrated CGU

The Group has assessed that the recoverable amount of the PNG Integrated CGU remains higher than the carrying value.

In determining the recoverable amount of the PNG Integrated CGU, estimates have been made regarding the present value of future cash flows. These estimates require significant management judgement and are subject to risk and uncertainty, and hence changes in economic conditions can also affect the assumptions used and the rates used to discount future cash flow estimates.

For impairment purposes only, the recoverable amount of the PNG Integrated CGU was determined using the following key assumptions:

- Proved and Probable (2P) reserves.
- Post-tax discount rate of 9.0%.
- Oil price assumptions derived from the Group's outlook of short and long-term supply and demand factors. LNG and gas prices realised are predominantly linked to the oil price. The Brent oil prices used for the PNG Integrated CGU were as follows, expressed in 2020 real terms:

	2021	2022	2023	2024	2025	2026+
US$/bbl	44	53	57	60	63	65

For the PNG Integrated CGU, given major sources of estimation uncertainty at 31 December 2020, a reasonably possible change of +/- 1% to the discount rate would lead to an approximate +/- US$410 million variance to the recoverable amount of the CGU.

Separately, a reasonably possible change of +/- 10% to the long-term oil price in real terms (2026 onwards) would lead to an approximate +/- US$647 million variance to the recoverable amount of the CGU.

These possible changes, or combination of changes to assumptions, may trigger a requirement to recognise an impairment of the PNG Integrated CGU.

18. Payables

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Current				
Payables and accruals [1]	**187,139**	337,022	**677**	1,003
Amounts due to subsidiary entities	**—**	—	**90,202**	498,802
	187,139	337,022	**90,879**	499,805
Non-current				
Other payables	**18,579**	10,331	**—**	—
	18,579	10,331	**—**	—

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

19. Provisions

		Consolidated		Parent	
	Note	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Current					
Employee entitlements	(i)	**7,595**	10,786	**—**	—
Site restoration	(ii)	**—**	17,737	**—**	—
		7,595	28,523	**—**	—
Non-current					
Employee entitlements	(i)	**8,642**	12,524	**—**	—
Site restoration	(ii)	**840,878**	675,871	**13,283**	11,924
		849,520	688,395	**13,283**	11,924

Notes to the financial statements

Continued

19. Provisions *continued*

i) Movement in employee entitlements provision

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Balance at start of year	**23,310**	19,406	**—**	—
Additional provision recognised	**5,822**	10,014	**—**	—
Provision utilised	**(12,895)**	(6,110)	**—**	—
Balance at end of year	**16,237**	23,310	**—**	—

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

ii) Movement in site restoration provision

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Balance at start of year	**693,608**	568,888	**11,924**	10,617
Change in provision	**160,481** [1]	126,662	**1,239**	1,105
Provision utilised	**(26,475)**	(17,822)	**—**	—
Unwinding of discount	**13,264**	15,880	**120**	202
Balance at end of year	**840,878**	693,608	**13,283**	11,924

1. The increase in site restoration provision predominantly relates to a decrease in discount rates, which are based on US bond rates aligned to the estimated timing of decommissioning.

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.

20. Borrowings

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Current				
Lease liability	**34,026**	32,286	**—**	—
Corporate facilities [1]	**300,000**	300,000	**—**	—
Secured loan from joint operation [1]	**391,350**	322,227	**—**	—
	725,376	654,513	**—**	—
Non-current				
Lease liability	**355,813**	382,939	**—**	—
Corporate facilities [1]	**—**	140,000	**—**	—
Secured loan from joint operation [1]	**2,225,605**	2,617,130	**—**	—
	2,581,418	3,140,069	**—**	—

1. Details regarding borrowings are contained in Note 29(f).

21. Share capital and reserves

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Issued 2,077,850,664 (2019: 1,524,746,985) Ordinary shares, fully paid (no par value)	**3,857,120**	3,158,390	**3,857,120**	3,158,390

Notes to the financial statements

Continued

21. Share capital and reserves *continued*

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Reserves at the end of the year				
Foreign currency translation reserve[1]	**(22,330)**	(21,247)	**—**	—
Amalgamation reserve[2]	**—**	—	**(2,990)**	(2,990)
Reserve for treasury shares[3]	**13,855**	6,535	**16,475**	9,155
Employee equity compensation reserve[4]	**9,212**	12,993	**3,549**	7,330
	737	(1,719)	**17,034**	13,495

1. 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.
2. The amalgamation reserve was used to record the retained earnings of entities amalgamated into the parent entity in 2006.
3. 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.
4. 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.

22. Statement of cash flows

a) Cash and cash equivalents

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Cash at bank and on hand[1,2]	**403,095**	370,689	**—**	—
Share of cash in joint operations	**1,307**	13,543	**—**	—
Interest-bearing short-term deposits	**136,440**	12,000	**—**	—
	540,842	396,232	**—**	—

1. Includes $282.6 million (2019: $232.1 million) escrowed in the PNG LNG Project account. Refer to Note 29 for further details.
2. Includes $12.0 million (2019: $12.0 million) in a debt service reserve account held with Australia & New Zealand Banking Group Limited, as required by the $600 million revolving credit facility agreement and $9.4 million as security for letters of credit issued to regulatory authorities in Alaska.

b) Reconciliation of cash flows from operating activities

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Net (loss)/profit after tax	**(320,657)**	312,420	**(12,669)**	194,316
Add/(deduct):				
Share of net profit from investments in joint ventures	**(5,091)**	(627)	**—**	—
Impairment expense	**374,207**	5,865	**90,966**	—
Exploration expensed[1]	**44,546**	—	**—**	—
Depreciation and amortisation	**423,798**	413,710	**—**	—
Unwinding of site restoration discount	**13,264**	15,880	**120**	202
Employee share-based remuneration	**6,462**	11,761	**—**	—
Exchange (gain)/losses - unrealised	**(7,762)**	466	**—**	—
(Decrease)/increase in tax provisions	**(66,377)**	117,175	**(28,218)**	3,948
Decrease/(increase) in receivables	**108,818**	(63,677)	**(3,645)**	(677)
(Increase) in inventories	**(23,751)**	(13,610)	**—**	—
(Decrease)/increase in payables	**(129,192)**	(56,766)	**6,049**	687
(Increase)/decrease in current and non-current assets	**(18,695)**	2,581	**—**	—
Increase in provisions	**6,500**	7,176	**1,240**	—
	726,727	439,934	**66,512**	4,160
Net cash from operating activities	**406,070**	752,354	**53,843**	198,476

1. Exploration costs expensed represent the write-off of costs for unsuccessful wells which are not included in operating cash flows.

Notes to the financial statements

Continued

22. Statement of cash flows *continued*

c) Changes in liabilities and financial assets from financing activities

	2019 $'000	Cash (outflows) / inflows $'000	Other changes $'000	2020 $'000
Consolidated				
Liabilities with cash flows from financing activities				
Borrowings	**2,939,357**	**(322,402)**	**—**	**2,616,955**
Corporate facilities	**440,000**	**(140,000)**	**—**	**300,000**
Lease liabilities	**415,225**	**(29,171)**	**3,785**	**389,839**
	3,794,582	**(491,573)**	**3,785**	**3,006,794**
Financial assets with cash flows from financing activities				
Loan receivable	**(67,939)**	**(1,188)**	**(6,079)**	**(75,206)**
	(67,939)	**(1,188)**	**(6,079)**	**(75,206)**
Parent				
Financial assets with financing activities cash flows				
Loans (to)/from related entities	**498,802**	**(411,835)**	**3,235**	**90,202**
	498,802	**(411,835)**	**3,235**	**90,202**

	2018 $'000	Cash (outflows) / inflows $'000	Other changes $'000	2019 $'000
Consolidated				
Liabilities with cash flows from financing activities				
Borrowings	3,293,557	(354,200)	—	2,939,357
Corporate facilities	—	440,000	—	440,000
Lease liabilities	131,217	(25,119)	309,127	415,225
	3,424,774	60,681	309,127	3,794,582
Financial assets with cash flows from financing activities				
Loan receivable	(59,408)	(1,750)	(6,781)	(67,939)
	(59,408)	(1,750)	(6,781)	(67,939)
Parent				
Financial assets with financing activities cash flows				
Loans (to)/from related entities	(57,150)	566,079	(10,127)	498,802
	(57,150)	566,079	(10,127)	498,802

23. Employee benefits and share-based payments

	Consolidated		Parent	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Salaries and short-term benefits	**174,908**	187,214	**—**	—
Post-employment benefits	**6,248**	6,358	**—**	—
Employee share-based payments	**6,462**	11,761	**—**	—
Total	**187,618**	205,333	**—**	—

Notes to the financial statements
Continued

23. Employee benefits and share-based payments *continued*

Employee Share Rights

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

There are currently 918 (2019: 1,090) participants in the Employee Share Rights Plan.

Grant date	Share price at grant date	Fair value	Exercise date	Exercise price	Balance as at 1 Jan 2020	Granted during year	Forfeited during year	Exercised during year	Balance at 31 Dec 2020	Balance at 1 Jan 2019	Granted during year	Forfeited during year	Exercised during year	Balance at 31 Dec 2019	Average share price at date of exercise
20 Oct 20	A$2.85	A$2.72	18 May 23	A$ nil	—	56,559	—	—	56,559	—	—	—	—	—	—
18 May 20	A$3.00	A$2.85	18 May 23	A$ nil	—	2,543,999	(19,855)	—	2,524,144	—	—	—	—	—	—
29 Apr 20	A$2.76	A$2.65	20 May 22	A$ nil	—	16,643	—	—	16,643	—	—	—	—	—	—
19 Feb 20	A$6.39	A$6.12	20 May 22	A$ nil	—	4,962	—	—	4,962	—	—	—	—	—	—
19 Feb 20	A$6.39	A$6.24	21 May 21	A$ nil	—	4,962	—	—	4,962	—	—	—	—	—	—
21 Oct 19	A$7.16	A$6.82	20 May 22	A$ nil	35,698	—	—	—	35,698	—	35,698	—	—	35,698	—
21 Oct 19	A$7.16	A$6.95	21 May 21	A$ nil	63,644	—	(9,758)	—	53,886	—	63,644	—	—	63,644	—
21 Oct 19	A$7.16	A$7.07	22 May 20	A$ nil	39,202	—	(9,758)	(29,444)	—	—	39,202	—	—	39,202	A$3.22
20 May 19	A$7.70	A$7.29	20 May 22	A$ nil	1,261,431	—	(267,316)	—	994,115	—	1,297,008	(35,577)	—	1,261,431	—
7 May 19	A$7.44	A$7.16	22 May 20	A$ nil	2,186	—	—	(2,186)	—	—	2,186	—	—	2,186	A$3.31
7 May 19	A$7.44	A$7.03	21 May 21	A$ nil	2,186	—	—	—	2,186	—	2,186	—	—	2,186	—
7 May 19	A$7.44	A$7.16	22 May 20	A$ nil	2,623	—	—	(2,623)	—	—	2,623	—	—	2,623	A$3.31
7 May 19	A$7.44	A$7.03	21 May 21	A$ nil	2,623	—	—	—	2,623	—	2,623	—	—	2,623	—
13 Feb 19	A$7.91	A$7.64	1 Dec 19	A$ nil	—	—	—	—	—	—	5,616	(5,616)	—	—	A$7.11
13 Feb 19	A$7.91	A$7.50	1 Dec 20	A$ nil	5,616	—	—	(5,616)	—	—	5,616	—	—	5,616	A$3.67
13 Feb 19	A$7.91	A$7.58	16 May 20	A$ nil	6,943	—	—	(6,943)	—	—	6,943	—	—	6,943	A$3.00
13 Feb 19	A$7.91	A$7.44	16 May 21	A$ nil	6,943	—	—	—	6,943	—	6,943	—	—	6,943	—
13 Feb 19	A$7.91	A$7.58	21 May 21	A$ nil	7,446	—	—	(7,446)	—	—	7,446	—	—	7,446	A$3.31
13 Feb 19	A$7.91	A$7.44	21 May 22	A$ nil	7,446	—	—	—	7,446	—	7,446	—	—	7,446	—
18 Oct 18	A$8.56	A$8.24	12 Sep 20	A$ nil	7,833	—	—	(7,833)	—	7,833	—	—	—	7,833	A$2.92
18 Oct 18	A$8.56	A$8.40	12 Sep 19	A$ nil	—	—	—	—	—	7,833	—	—	(7,833)	—	A$7.30
18 Oct 18	A$8.56	A$8.26	23 Jul 20	A$ nil	19,518	—	—	(19,518)	—	19,518	—	—	—	19,518	A$3.25
18 Oct 18	A$8.56	A$8.42	23 Jul 19	A$ nil	—	—	—	—	—	19,518	—	—	(19,518)	—	A$6.95

Notes to the financial statements

Continued

23. Employee benefits and share-based payments *continued*

Grant date	Share price at grant date	Fair value	Exercise date	Exercise price	**Balance as at 1 Jan 2020**	**Granted during year**	**Forfeited during year**	**Exercised during year**	**Balance at 31 Dec 2020**	Balance at 1 Jan 2019	Granted during year	Forfeited during year	Exercised during year	Balance at 31 Dec 2019	**Average share price at date of exercise**
18 Oct 18	A$8.56	A$8.43	12 Jul 19	A$ nil	**—**	**—**	**—**	**—**	**—**	3,000	—	—	(3,000)	—	**A$7.40**
18 Oct 18	A$8.56	A$8.43	1 Jul 19	A$ nil	**—**	**—**	**—**	**—**	**—**	2,500	—	—	(2,500)	—	**A$7.15**
18 Oct 18	A$8.56	A$8.19	1 Jan 21	A$ nil	**—**	**—**	**—**	**—**	**—**	8,350	—	(8,350)	—	—	**—**
18 Oct 18	A$8.56	A$8.35	1 Jan 20	A$ nil	**—**	**—**	**—**	**—**	**—**	8,350	—	(8,350)	—	—	**—**
18 Oct 18	A$8.56	A$8.05	21 May 21	A$ nil	**27,770**	**—**	**—**	**(6,887)**	**20,883**	27,770	—	—	—	27,770	**A$3.31**
21 May 18	A$8.50	A$7.89	1 Mar 22	A$ nil	**25,000**	**—**	**—**	**—**	**25,000**	25,000	—	—	—	25,000	**—**
21 May 18	A$8.50	A$8.04	1 Mar 21	A$ nil	**25,000**	**—**	**—**	**—**	**25,000**	25,000	—	—	—	25,000	**—**
21 May 18	A$8.50	A$8.20	1 Mar 20	A$ nil	**25,000**	**—**	**—**	**(25,000)**	**—**	25,000	—	—	—	25,000	**A$5.39**
21 May 18	A$8.50	A$8.28	1 Sep 19	A$ nil	**—**	**—**	**—**	**—**	**—**	5,800	—	—	(5,800)	—	**A$6.54**
21 May 18	A$8.50	A$8.45	1 Sep 18	A$ nil	**—**	**—**	**—**	**—**	**—**	5,800	—	—	(5,800)	—	**A$6.54**
21 May 18	A$8.50	A$8.01	21 May 21	A$ nil	**725,388**	**—**	**(179,419)**	**—**	**545,969**	798,769	—	(73,381)	—	725,388	**—**
7 Mar 18	A$7.12	A$6.94	18 May 20	A$ nil	**4,375**	**—**	**(4,375)**	**—**	**—**	4,375	—	—	—	4,375	**—**
8 Aug 17	A$6.52	A$6.31	22 May 20	A$ nil	**2,266**	**—**	**—**	**(2,266)**	**—**	2,266	—	—	—	2,266	**A$3.22**
22 May 17	A$7.38	A$7.14	22 May 20	A$ nil	**604,387**	**—**	**(63,853)**	**(540,534)**	**—**	653,427	—	(49,040)	—	604,387	**A$3.22**

Notes to the financial statements

Continued

23. Employee benefits and share-based payments *continued*

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

	2020	2019	2018	2017	2016
Volatility	34.00%	24.00%	32.00%	28.00%	30.00%
Dividend yield	1.79%	1.85%	1.98%	1.10%	0.70%
Risk-free interest rate	0.25%	1.23%	2.19%	1.76%	1.57%

Performance Rights Plan

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

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

For performance rights granted from 2017 onwards, the portion of awards tested against Global Energy Index increased from 50% to 66% while the portion of the awards tested against the ASX 50 decreased from 50% to 34%. To determine the level of vesting of the awards, Oil Search's TSR over the three-year performance period is ranked against the TSR of each company in the peer groups over the same period.

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

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

The rights are granted for nil consideration and are granted in accordance with guidelines approved by shareholders at the Annual Meeting in 2004. The rights cannot be transferred and are not quoted on the Australian Securities Exchange. There are currently 75 (2019: 67) employees participating in the Performance Rights Plan.

	2020	2020	2019	2019	2018	2018	2017
Grant date	20 Oct 2020	18 May 2020	21 Oct 2019	20 May 2019	21 Jun 2018	21 May 2018	22 May 2017
Share price at grant date	A$2.85	A$3.00	A$7.16	A$7.70	A$8.50	A$8.50	A$7.38
Fair value	A$0.70	A$0.63	A$3.24	A$3.83	A$8.50	A$5.23	A$4.68
Exercise date	18 May 2023	18 May 2023	20 May 2022	20 May 2022	Note 1	21 May 2021	22 May 2020
Exercise price	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil
Number of rights							
Balance at 1 January 2020	—	—	76,896	1,288,195	411,137	1,151,183	1,036,445
Granted during year	5,971	2,152,725	—	—	—	—	—
Forfeited during year	—	(36,966)	—	(166,494)	(20,965)	(128,473)	(709,593)
Exercised during year	—	—	—	—	—	—	(326,852)
Balance at 31 December 2020	**5,971**	**2,115,759**	**76,896**	**1,121,701**	**390,172**	**1,022,710**	**—**
Average share price at date of exercise	—	—	—	—	—	—	—
Balance at 1 January 2019	—	—	—	—	462,015	1,269,935	1,100,711
Granted during year	—	—	107,471	1,356,365	—	—	—
Forfeited during year	—	—	(30,575)	(68,170)	(50,878)	(118,752)	(64,266)
Exercised during year	—	—	—	—	—	—	—
Balance at 31 December 2019	**—**	**—**	**76,896**	**1,288,195**	**411,137**	**1,151,183**	**1,036,445**
Average share price at date of exercise	—	—	—	—	—	—	—

Note 1: Awards vest two years after achievement of Financial Sanction of the Papua LNG Project and the PNG LNG Expansion Project within an acceptable timeframe as determined by the Board and are subject to certain other conditions as explained in remuneration report on Page 62.

Notes to the financial statements

Continued

23. Employee benefits and share-based payments *continued*

	2020	2019	2018	2017
Volatility	34%	24%	32%	28%
Dividend yield	1.79%	1.85%	1.98%	1.1%
Risk-free interest rate	0.25%	1.23%	2.19%	1.76%

Restricted Share Plan

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

Restricted shares are granted under the plan in two situations. Firstly, they were granted as a way of retaining key management and other employees, and, secondly, by way of a mandatory deferral of a portion of a selected participant's short-term incentive award. Awards under the Restricted Share Plan are structured as grants of restricted shares for nil consideration. Restricted shares are held on behalf of participants in trust, subject to the disposal restrictions and forfeiture conditions, until release under the terms of the Plan and in accordance with guidelines approved by shareholders at the Annual Meeting in 2007. There are currently 11 (2019: 11) employees participating in the Restricted Share Plan.

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

Executives	2020	2020	2020	2020	2019	2019	2018
Grant date	2 Sep 2020	22 May 2020	22 May 2020	22 May 2020	1 Oct 2019	20 May 2019	21 May 2018
Share price at grant date	A$3.25	A$3.22	A$3.22	A$3.22	A$7.19	A$7.70	A$8.50
Exercise date	26 Feb 2021	1 Jan 2022	1 Feb 2022	26 Aug 2020	1 Apr 2020	1 Jan 2021	1 Jan 2020
Exercise price	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil
Number of shares							
Balance at 1 January 2020	—	—	—	—	26,849	534,974	626,597
Granted during year	84,706	228,983	247,786	34,092	—	—	—
Forfeited during year	—	—	—	—	—	—	—
Vested during year	—	—	—	(34,092)	(26,849)	—	(626,597)
Balance at 31 December 2020	**84,706**	**228,983**	**247,786**	**—**	**—**	**534,974**	**—**
Balance at 1 January 2019	—	—	—	—	—	—	
Granted during year	—	—	—	—	26,849	534,974	626,597
Forfeited during year	—	—	—	—	—	—	
Vested during year	—	—	—	—	—	—	
Balance at 31 December 2019	**—**	**—**	**—**	**—**	**26,849**	**534,974**	**626,597**

24. 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:

	2020 $	2019 $
Short-term benefits	**9,428,406**	9,953,158
Long-term benefits	**164,566**	171,000
Post-employment benefits	**77,279**	111,922
Share-based payments	**4,127,848**	6,130,733
Termination benefits	**2,887,372**	1,386,431
	16,685,471	17,753,244

Notes to the financial statements

Continued

25. Key management personnel transactions

The directors and other key management personnel of Oil Search Limited during the year to 31 December 2020 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]	
	2020	2019	**2020**	2019	**2020**	2019
Directors						
Dr Keiran Wulff	**241,984**	106,748	**460,133**	240,933	**102,122**	125,428
Mr Peter Botten [2]	**2,581,889**	2,625,296	**792,884**	1,107,884	**457,225**	480,936
Mr Richard Lee	**131,433**	96,829	**—**	—	**—**	—
Dr Bakheet Al Katheeri	**—**	—	**—**	—	**19,421**	—
Sir Kostas Constantinou	**—**	10,000	**—**	—	**—**	—
Ms Susan Cunningham	**30,000**	—	**—**	—	**—**	—
Dr Eileen Doyle	**53,494**	36,050	**—**	—	**—**	—
Ms Fiona Harris	**35,956**	31,961	**—**	—	**—**	—
Dr Agu Kantsler	**62,704**	45,736	**—**	—	**3,909**	—
Other key management personnel						
Mr Paul Cholakos [3]	**—**	—	**33,300**	77,890	**38,457**	78,592
Dr Julian Fowles [4]	**—**	—	**9,345**	41,146	**—**	40,904
Mr Stephen Gardiner	**686,543**	534,094	**304,710**	234,910	**93,564**	99,723
Mr Michael Herrett	**—**	—	**28,334**	66,274	**36,339**	74,264
Mr Ian Munro [5]	**—**	—	**67,140**	217,600	**40,075**	84,099
Mr Michael Drew	**77,081**	—	**269,359**	198,959	**80,854**	82,133
Ms Elizabeth White	**138,604**	77,934	**265,714**	181,922	**82,381**	65,467
Mr Bart Lismont	**—**	—	**144,358**	22,958	**17,142**	—
Mr Diego Fettweis	**30,028**	—	**108,091**	—	**—**	—
Mr Bruce Dingeman	**27,027**	—	**199,735**	—	**63,584**	—

1. Refer to Note 23 for key terms.
2. Resigned as a director effective 25 February 2020.
3. Resigned as an executive effective 31 May 2018.
4. Resigned as an executive effective 7 November 2019.
5. Resigned as an executive effective 28 February 2020.

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

The aggregate value of transactions 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	**2020 $'000**	2019 $'000
Airways Hotel and Apartments Limited [1]	**381**	251
Airways Residence Limited [1]	**—**	6
Alotau International Hotel [1]	**—**	4
Lamana Hotel Port Moresby [1]	**299**	740
Loloata Island Resort Limited [1]	**45**	—

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

There were no outstanding balances as at 31 December 2020.

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

Notes to the financial statements

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26. Commitments

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Expenditure commitments				
Capital expenditure commitments	**44,058**	142,637	**262**	3,545
Other expenditure commitments	**77,970**	89,800	**—**	—
	122,028	232,437	**262**	3,545

27. Auditor's remuneration

	Consolidated 2020 $'000	Consolidated 2019 $'000	Parent 2020 $'000	Parent 2019 $'000
Amounts paid or due and payable in respect of:				
Audit and review services in respect of Group's financial report or any other entity in the Group	**386**	358	**135**	139
Other assurance services	**37**	31	**13**	—
Other services [1]	**385**	214	**110**	—
	808	603	**258**	139

1. Includes services provided by an IT sub-contractor that was acquired by the Group's auditor, services relating to the Group's equity raise undertaken during the year, taxation software licencing and support to the Group's Whistle-blower program.

The audit fees are paid in Australian dollars and are translated at 0.6911 (2019: 0.6953).

28. Subsidiaries and interests in joint arrangements

a) Subsidiaries

	Ownership interest % 2020	Ownership interest % 2019	Country of Incorporation
Parent entity			
Oil Search Limited			PNG
Consolidated entities			
Oil Search (Middle Eastern) Limited	**100**	100	British Virgin Is.
– Oil Search (Iraq) Limited	**100**	100	British Virgin Is.
– Oil Search (Libya) Limited	**100**	100	British Virgin Is.
– Oil Search (Tunisia) Limited	**100**	100	British Virgin Is.
– Oil Search (Newco) Limited	**100**	100	British Virgin Is.
Oil Search (Gas Holdings) Limited	**100**	100	PNG
– Oil Search (Tumbudu) Limited	**100**	100	PNG
Oil Search Highlands Power Limited	**100**	100	PNG
– Markham Valley Power Limited	**100**	100	PNG
Oil Search (PNG) Limited	**100**	100	PNG
– Oil Search (Drilling) Limited	**100**	100	PNG
– Oil Search (Exploration) Inc.	**100**	100	Cayman Is.
Oil Search (LNG) Limited	**100**	100	PNG
Oil Search Finance Limited	**100**	100	British Virgin Is.
Oil Search Power Holdings Limited	**100**	100	PNG
– Markham Valley Biomass Limited	**100**	100	PNG
Oil Search Foundation Limited [1]	**100**	100	PNG
Papuan Oil Search Limited	**100**	100	Australia
– Oil Search (Uramu) Pty Limited	**100**	100	Australia
– Oil Search (USA) Inc.	**100**	100	USA
– Oil Search (Alaska) LLC	**100**	100	USA

Notes to the financial statements

Continued

28. Subsidiaries and interests in joint arrangements *continued*

a) Subsidiaries

	Ownership interest % 2020	Ownership interest % 2019	Country of incorporation
Consolidated entities *continued*			
Oil Search Limited Retention Share Plan Trust	**100**	100	Australia
Pac LNG Investments Limited	**100**	100	PNG
Pac LNG Assets Limited	**100**	100	PNG
Pac LNG International Limited	**100**	100	PNG
Pac LNG Overseas Limited	**100**	100	PNG
Pac LNG Holdings Limited	**100**	100	PNG

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

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:

	Principal place of business	% Interest 2020	% Interest 2019
i) Exploration licences/leases			
PPL 339 [3]	PNG	**35.00**	35.00
PPL 374	PNG	**40.00**	40.00
PPL 375	PNG	**40.00**	40.00
PPL 487	PNG	**37.50**	37.50
PPL 507	PNG	**37.50**	37.50
PRL 3 [1]	PNG	**38.51**	38.51
PRL 9 [3,4]	PNG	—	45.11
PPL 474	PNG	**25.00**	25.00
PPL 475	PNG	**25.00**	25.00
PPL 476	PNG	**25.00**	25.00
PRL39	PNG	**25.00**	25.00
PPL 569 [5]	PNG	**50.00**	50.00
Antigua [3]	USA	—	38.76
Atlas B [3]	USA	—	38.76
Grizzly [3]	USA	—	51.00
Harrison Bay [3]	USA	—	38.76
Quokka (Atlas A, Kachemach) [3]	USA	**38.76**	38.76
Kooka (Grizzly) [3]	USA	**51.00**	51.00
Lagniappe A (Hue Shale) [3]	USA	**75.00**	75.00
Lagniappe B (East of Hue Area) [3]	USA	**50.00**	50.00
Lagniappe C (East of Hue Area) [2]	USA	**50.00**	50.00
Thetis [3]	USA	**51.00**	51.00
Horseshoe [3]	USA	**51.00**	51.00
Pikka Unit [3]	USA	**51.00**	51.00
Nanushuk West A [2]	USA	**36.00**	—
Nanushuk West B [2]	USA	**50.00**	—
ii) Production assets and other arrangements			
PNG LNG Project	PNG	**29.00**	29.00
Papua New Guinea Liquefied Natural Gas Global Company LDC	Bahamas	**29.00**	29.00

1. Subject to regulatory approval.
2. US licences acquired in 2020.
3. Operated by an Oil Search Group entity.
4. Licence expired in October 2020.
5. Licences/leases relinquished or in the process of being relinquished.

Notes to the financial statements

Continued

28. Subsidiaries and interests in joint arrangements *continued*

c) Interests in joint ventures

	Principal place of business	% Interest 2020	% Interest 2019
NiuPower Limited	PNG	**50.00**	50.00
NiuEnergy Limited	PNG	**50.00**	50.00

The Group's share of joint venture entities' results, assets and liabilities are as follows:	2020 $'000	2019 $'000
Revenue	**34,449**	2,666
Expenses	**(29,358)**	(2,039)
Net profit for the year/period	**5,091**	627
Current assets	**20,783**	7,736
Non-current assets	**47,897**	48,974
Total assets	**68,680**	56,710
Current liabilities	**(9,146)**	(1,564)
Non-current liabilities	**—**	(703)
Total liabilities	**(9,146)**	(2,267)
Group's share of joint venture entities' net assets at reporting date	**59,534**	54,443

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. The Group's interests in these arrangements are as follows:

	Principal place of business	% Interest 2020	% Interest 2019
i) Production assets and other arrangements			
Hides gas-to-electricity project[1]	PNG	**100.00**	100.00
PDL 2 Kutubu[1]	PNG	**60.05**	60.05
South East Mananda[1]	PNG	**72.27**	72.27
Moran Unit[1]	PNG	**49.51**	49.51
South East Gobe Unit[1]	PNG	**22.34**	22.34
Gobe Main[1]	PNG	**10.00**	10.00
Kutubu pipeline system[1]	PNG	**60.05**	60.05
ii) Exploration licences			
APDL 11 (PPL 219)[1,5]	PNG	**—**	71.25
APPL623 (PPL 233)[1,2]	PNG	**100.00**	100.00
PPL 504[1,4]	PNG	**100.00**	100.00
APRL41 (PPL 244)[1,2]	PNG	**100.00**	100.00
PPL 545[1]	PNG	**40.00**	40.00
APPL608 (PPL 277)[2]	PNG	**100.00**	100.00
PPL 548[1,5]	PNG	**—**	100.00
PPL 595[1,4]	PNG	**100.00**	100.00
PPL 402[1]	PNG	**37.50**	37.50
PRL 8[1,3]	PNG	**—**	60.71
PRL 10[1,3]	PNG	**—**	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.
3. Licences expired in October 2020.
4. Licences relinquished or in the process of being relinquished.
5. Application has been withdrawn or licence has been surrendered.

Notes to the financial statements

Continued

29. 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 consider entering into hedges using derivative financial instruments in circumstances where it is necessary to ensure adequate cash flow to meet future financial commitments and to ensure that debt service and debt financial covenants are met. Financial risk management is undertaken by Group Treasury and risks are managed within the parameters of the Board approved Financial Risk Management Procedure.

a) Foreign exchange risk

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

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

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

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

Foreign exchange risk management

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

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

As at 31 December 2020, there were no foreign exchange hedge contracts outstanding (2019: nil).

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

b) Interest rate risk

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

Interest rate risk management

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

As at 31 December 2020, there was no interest rate hedging in place (2019: 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 (2019: 25 basis points) higher or lower and all other variables were held constant, the Group's net profit after tax would decrease/increase by $4.3 million (2019: $4.5 million).

At the reporting date, if interest rates had been 25 basis points (2019: 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 (2019: nil).

Notes to the financial statements

Continued

29. 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
2020						
Financial assets						
Cash and cash equivalents	404,402	136,440	—	—	—	540,842
Trade debtors	—	—	—	—	105,256	105,256
Other debtors	—	—	—	—	64,190	64,190
Loan receivable	75,206	—	—	—	—	75,206
Non-current deposits	—	—	—	—	—	—
Total financial assets	**479,608**	**136,440**	**—**	**—**	**169,446**	**785,494**
Financial liabilities						
Payables and accruals	—	—	—	—	187,139	187,139
Other payables	—	—	—	—	18,579	18,579
Finance leases	—	34,026	93,653	262,160	—	389,839
Corporate facilities	300,000	—	—	—	—	300,000
Secured loan from joint operations	2,127,323	—	—	489,632	—	2,616,955
Total financial liabilities	**2,427,323**	**34,026**	**93,653**	**751,792**	**205,718**	**3,512,512**
2019						
Financial assets						
Cash and cash equivalents	384,232	12,000	—	—	—	396,232
Trade debtors	—	—	—	—	146,352	146,352
Other debtors	—	—	—	—	125,735	125,735
Loan receivable	67,939	—	—	—	—	67,939
Non-current receivables	—	—	—	—	—	—
Total financial assets	452,171	12,000	—	—	272,087	736,258
Financial liabilities						
Payables and accruals	—	—	—	—	337,022	337,022
Other payables	—	—	—	—	10,331	10,331
Finance leases	—	32,286	106,562	276,377	—	415,225
Corporate facilities	440,000	—	—	—	—	440,000
Secured loan from Joint operations	2,389,403	—	—	549,954	—	2,939,357
Total financial liabilities	2,829,403	32,286	106,562	826,331	347,353	4,141,935

Notes to the financial statements

Continued

29. 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
2020						
Financial assets						
Other receivable	—	—	—	—	**1,217**	**1,217**
Total financial assets	—	—	—	—	**1,217**	**1,217**
Financial liabilities						
Payables and accruals	—	—	—	—	**677**	**677**
Amounts due to subsidiary entities	—	—	—	—	**90,202**	**90,202**
Total financial liabilities	—	—	—	—	**90,879**	**90,879**
2019						
Financial assets						
Other receivable	—	—	—	—	792	792
Total financial assets	—	—	—	—	792	792
Financial liabilities						
Payables and accruals	—	—	—	—	1,003	1,003
Amounts due to subsidiary entities	—	—	—	—	498,802	498,802
Total financial liabilities	—	—	—	—	499,805	499,805

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 generally seek to limit its exposure to fluctuations in oil prices. However, hedging will be considered subject to the approval of the Board in exceptional circumstances to ensure that the Group's ability to meet its future funding requirements are not impacted by adverse movement in commodity prices and/or to ensure that debt service and debt financial covenants are met.

Hedge cover targets are determined through detailed modelling of the Group's position under various oil price scenarios. Any hedging programs entered into will factor in a spread of maturities and maximum hedge levels.

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

As at 31 December 2020, there was no oil price hedging in place (2019: nil). No commodity price sensitivity analysis is required as there was no hedging in place.

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

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;
- Loan receivables; and
- Other receivables.

Notes to the financial statements

Continued

29. Financial and capital risk management *continued*

Credit risk management

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

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

An option agreement and a share pledge agreement are held as security for the third-party loan receivable balance, permitting Oil Search Limited to acquire an equity interest in the issued share capital of the borrower (Note 15).

At 31 December 2020 there was no significant concentration of credit risk exposure to any single counterparty (2019: nil).

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

		Consolidated		Parent	
	Note	**2020 $'000**	2019 $'000	**2020 $'000**	2019 $'000
Current					
Cash at bank and on hand	22(a)	**403,095**	370,689	**—**	—
Share of cash in joint operations	22(a)	**1,307**	13,543	**—**	—
Interest-bearing short-term deposits	22(a)	**136,440**	12,000	**—**	—
Receivables	12	**169,446**	272,087	**1,217**	792
		710,288	668,319	**1,217**	792
Non-current					
Deposits	14	**1,025**	1,100	**—**	—
Loan receivable	15	**75,206**	67,939	**—**	—
		76,231	69,039	**—**	—

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. The ability to obtain new funding and refinancing may be restricted due to lending limitations imposed in specific geographic areas.

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 un-drawn lines of credit for business opportunities and unanticipated cash outflows.

The Group also seeks to ensure maturities of committed credit facilities are spread 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.

Several mitigants assist to protect against Papua New Guinea country risk, including the PNG LNG Project gas agreement, fiscal stability agreement and foreign currency exemption, offshore bank accounts for PNG LNG Project and oil fields, and political risk insurance for corporate lenders.

Notes to the financial statements

Continued

29. Financial and capital risk management *continued*

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

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
2020					
Payables and accruals	**187,139**	**187,139**	**187,139**	**—**	**—**
Other payables	**18,579**	**18,579**	**18,579**	**—**	**—**
Corporate facilities	**300,000**	**305,289**	**305,289**	**—**	**—**
Secured loan from joint operation	**2,616,955**	**2,915,664**	**481,671**	**2,165,135**	**268,858**
Lease liabilities	**389,839**	**717,572**	**66,584**	**242,360**	**408,628**
Total	**3,512,512**	**4,144,243**	**1,059,262**	**2,407,495**	**677,486**
2019					
Payables and accruals	337,022	337,022	337,022	—	—
Other payables	10,331	10,331	10,331	—	—
Corporate facilities	440,000	459,267	308,060	151,207	—
Secured loan from joint operation	2,939,357	3,456,554	462,432	2,196,125	797,997
Lease liabilities	415,225	779,496	66,378	262,353	450,765
Total	4,141,935	5,042,670	1,184,223	2,609,685	1,248,762

Working capital

As at 31 December 2020, the Group's current liabilities exceed current assets by $101.4 million (31 December 2019: current assets exceeded current liabilities by $328.5 million).

As at 31 December 2020, the parent company's current liabilities exceed current assets by $83.2 million (31 December 2019: current assets exceeded current liabilities by $496.2 million), primarily as a result of current payables to subsidiary entities of $90.9 million.

The Group has prepared a cash flow forecast for the period to March 2022, which includes a number of assumptions, including that the Group will enter FEED for the Pikka development in Alaska. The Group continues to generate strong operational cash flows and, as at 31 December 2020 Oil Search has access to committed, un-drawn bank facilities of $895.6 million (31 December 2019: $755.7 million). The maturity and other relevant details about un-drawn corporate bank facilities are discussed in note 29(f). The Group continually monitors the working capital position and expects to be able to manage its cash flows by, amongst other means, controlling uncommitted expenditure to ensure that adequate liquidity is maintained, and all obligations are satisfied as and when they fall due.

f) Financing facilities

Corporate facilities

i) Syndicated revolving credit facility

The Group entered into a five year non-amortising syndicated financing facility effective 22 June 2017 for US$600 million which was un-drawn at 31 December 2020. As part of the terms and conditions of this facility, Oil Search (PNG) Limited has provided a charge over the Debt Service Reserve Account and Offshore Receivable Account held in Singapore with Australia & New Zealand Banking Group Limited.

ii) Bilateral facilities

In December 2018, Oil Search entered into three new US$100 million bilateral revolving credit facilities, totalling US$300 million, which were undrawn as at 31 December 2020, with three major banks - Commonwealth Bank of Australia, Mizuho Bank Limited and Sumitomo Mitsui Banking Corporation. These facilities each have a five-year term and will expire in December 2023. As part of the terms and conditions of these facilities, Oil Search (PNG) Limited has provided a charge over the Debt Service Reserve Account and Offshore Receivable Account held in Singapore with Australia & New Zealand Banking Group Limited.

In September 2019, the group also arranged an additional US$300 million of bilateral facilities, with a one year term expiring in September 2020. In May 2020, the expiry date for these facilities was extended to 30 June 2021. These facilities were fully drawn as at 31 December 2020. As a requirement of the extension, 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.

Notes to the financial statements

Continued

29. Financial and capital risk management *continued*

Secured loan from joint operation

Papua New Guinea Liquefied Natural Gas Global Company LDC, a limited duration company incorporated under the laws of the Commonwealth of the Bahamas (the "Borrower") was organised to conduct certain activities of the PNG LNG Project outside of PNG, including the borrowing and on-lending to the Project participants of the Project Finance Debt Facility, and the purchase and re-sale of PNG LNG Project liquids and LNG. The Borrower is owned by each Project participant in a percentage equal to its interest in the PNG LNG Project. The Oil Search Limited Group interest at 31 December 2020 is 29.0% (December 2019: 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 5.5 years remaining on the facility as at 31 December 2020.

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

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

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

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

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

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

g) Capital management

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

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

h) Fair values

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

30. Events occurring after the reporting period

Subsequent to the balance sheet date, the Company has entered into Brent oil price hedges to reduce the downside exposure to oil prices over the balance of 2021. The Company has locked in a floor price of US$55 per barrel covering nine million barrels of oil equivalent production over the period from May to December 2021, via the purchase of put options, for a premium of approximately US$30 million.

The Directors have also declared an unfranked dividend of 0.5 US cents per share to be paid on 25 March 2021. The proposed final dividend for 2020 is payable to all holders of ordinary shares on the Register of Members on 3 March 2021.

There were no other material events subsequent to 31 December 2020 and up until the authorisation of the financial report for issue.

Directors' Declaration

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

a) the attached financial statements and notes thereto of the consolidated entity:
   i) give a true and fair view of the consolidated entity's financial position as at 31 December 2020, 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 2020.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

Richard Lee, AM
Chairman

Keiran Wulff
Managing Director

Sydney, 22 February 2021

Auditor's Independence Declaration

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

22 February 2021

Dear Directors,

Oil Search Limited

I am pleased to provide the following declaration of independence to the directors of Oil Search Limited and its controlled subsidiaries.

As lead audit partner for the audit of the financial statements of Oil Search Limited and its controlled subsidiaries for the financial year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards), issued by the International Ethics Standards Board for Accountants (IESBA) in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jacques Strydom
Partner
Chartered Accountants

Independent Auditor's Report

Deloitte.

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial report of Oil Search Limited and its subsidiaries (the "Group") and the financial statements of Oil Search Limited (the "Company") which comprise the statements of financial position as at 31 December 2020, the statements of comprehensive income, the statements of cash flows and the statements of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, give a true and fair view of the Group and the Company's financial positions as at 31 December 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the *Companies Act 1997 (amended 2014)*.

Basis for Opinions

We conducted our audits in accordance with International Standards on Auditing (ISAs). 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 *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Papua New Guinea, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

Independent Auditor's Report

Continued

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Applicable to The Group	
Carrying Value of Producing and Development Assets	

The carrying value of Producing and Development assets at 31 December 2020 is $6,021 million. Refer to note 17 for further details.
 	
As required by IAS 36 *Impairment of Assets* ("IAS 36"), management performed a review of Producing and Development assets for indicators of impairment as at 31 December 2020. Where such indicators were identified, management estimated the recoverable amount of each CGU to determine if any impairment charges were required.
 	
Determining the recoverable amount for the Group's CGUs requires management to make significant judgements, in particular regarding the key assumptions of long-term oil and gas prices, discount and inflation rates.
	Our procedures included, but were not limited to:
	
	• evaluating and testing the key controls management have in place to identify indicators of impairment for Producing and Development assets.
	• evaluating management's assessment of impairment indicators as required by IAS 36.
	• assessing and challenging management's determination of CGUs.
	• evaluating management's assessment of proved and probable ("2P") reserves included in management's cash flow model.
	• In conjunction with our valuation specialists, challenging and assessing management's key market related assumptions by:
	    • comparing management's long-term oil and gas prices to third party forecasts, peer information and relevant market data;
	    • assessing the appropriateness of management's discount and inflation rates by comparing them to observable market rates and internal benchmarking data; and
	    • testing the mechanical accuracy of management's cash flow model.
	• evaluating the appropriateness of the disclosures in note 17.

Carrying Value of Exploration and Evaluation Assets	
The carrying value of Exploration and Evaluation assets at 31 December 2020 is $2,741 million. Refer to note 16 for further details. The Group's accounting policy in respect of Exploration and Evaluation assets is outlined in note 1(i). The assessment as to whether there are indicators of impairment requires management to exercise significant judgement including in respect of the right of tenure, and where relevant, the likelihood of licence/lease renewal or extension, the success of exploration and appraisal activities including drilling and geological and geophysical analysis, budgeted or planned substantive expenditure in the specific licence/lease area and the Group's intention to proceed with a future work programme for a licence/lease.	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 management's assessment of impairment indicators as required by IFRS 6 *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"), including the conclusions reached. • evaluating the status of licences/leases and, where applicable, obtaining evidence of the lodged applications for licence/lease renewals or extensions and assessing on a case by case basis, the reasonableness of management's expectation that the licence/lease will be extended upon its expiry, as well as the right of tenure. • obtaining, for each material licence/lease, an understanding of the exploration and appraisal activity undertaken during the year and the results of that

Independent Auditor's Report

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	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/lease, by referencing to the allocation of future budgeted expenditures. • corroborating the results of exploration and appraisal activities to market announcements. • evaluating the appropriateness of the disclosures in note 16.
Accounting for Income Tax The income tax benefit for the year ended 31 December 2020 is $45 million and the balances of deferred tax assets and deferred tax liabilities at 31 December 2020 are $1,071 million and $1,399 million respectively. Refer to note 9 for further details. Tax laws applicable to hydrocarbon exploration and production activities in Papua New Guinea are 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 of which a significant portion is supported by management's forecast of future taxable income.	Our procedures included, but were not limited to: • evaluating and testing the key controls over the allocation of costs to ring-fenced assets and preparation of tax calculations. • in conjunction with our tax specialists, assessing and challenging management's judgments regarding the application of tax legislation. • evaluating the utilisation of tax carrying values and related deferred tax assets, by reference to forecasts of future taxable income at a ring-fenced asset level. This included evaluating whether the assumptions included in management's forecasts were consistent with board approved assumptions and prevailing PNG tax legislation. • assessing tax returns and tax reconciliations for compliance with local tax laws. • reconciling opening tax carrying values to tax returns lodged with tax authorities. • evaluating the appropriateness of the disclosures in note 9.

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 2020 is $28 million. Refer to note 16 for further details. The Company's accounting policy in respect of Exploration and Evaluation assets is outlined in note 1(i). The assessment as to whether there are indicators of impairment requires management to exercise significant judgement including in respect of the right of tenure, and where relevant, the likelihood of licence/lease renewal or extension, the success of exploration and appraisal activities including drilling and geological and geophysical analysis, budgeted or planned substantive expenditure in	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 management's assessment of impairment indicators as required by IFRS 6 *Exploration for and Evaluation of Mineral Resources* ("IFRS 6"), including the conclusions reached. • evaluating the status of licences/leases and, where applicable, obtaining evidence of the lodged applications for licence/lease renewals or extensions and assessing on a case by case basis, the reasonableness of management's expectation that the

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the specific licence/lease area and the Group's intention to proceed with a future work programme for a licence/lease.	licence/lease will be extended upon their expiry, as well as the right of tenure. • obtaining, for each material licence/lease, 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/lease, by referencing to the allocation of future budgeted expenditures. • corroborating the results of exploration and appraisal activities to market announcements. • evaluating the appropriateness of the disclosures in note 16.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group and the Company's annual report for the year ended 31 December 2020, but does not include the Group and the Company's financial statements and our auditor's report thereon.

Our opinions on the financial statements do not cover the other information and we do 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 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, 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.

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 and the *Companies Act 1997 (amended 2014)* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that give a true and fair view and 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audits 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 opinions. 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.

Independent Auditor's Report

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As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audits. 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 opinions. 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 audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions 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 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 opinions. 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 going concerns.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the directors of the Company 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audits 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 Other Legal and Regulatory Requirements

In accordance with section 200 of the *Companies Act 1997 (amended 2014)*, in our opinion:

(i) We obtained all information and explanations that were required; and

(ii) Proper accounting records have been kept by the Group and the Company for the year ended 31 December 2020.

Independent Auditor's Report

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Our firm carries out other services for the Group and the Company in the areas of sustainability assurance, IT and tax software support, and fraud prevention. The provision for these other services has not impaired our independence as auditors of Oil Search Limited.

The engagement partners on the audit resulting in this independent auditor's report are Jacques Strydom and Benjamin Lee.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 49 to 71 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of Oil Search Limited for the year ended 31 December 2020, 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

Jacques Strydom
Partner
Chartered Accountants
Registered Company Auditor in Australia
Sydney, 22 February 2021

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Benjamin Lee
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby, 22 February 2021

Shareholder Information

Distribution of shares at 22 January 2021

Size of holding	Number of holders	Number of shares	% of issued capital
1 – 1,000	29,796	14,123,358	0.68
1,001 – 5,000	25,005	61,757,779	2.97
5,001 – 10,000	6,330	45,851,874	2.21
10,001 – 100,000	4,772	107,632,597	5.18
100,001 and over	252	1,848,485,056	88.96
Total	**66,155**	**2,077,850,664**	**100.00**

At 22 January 2021 there were 3,062 holders of less than a marketable parcel of shares.

20 largest holders of ordinary fully paid shares at 22 January 2021

	Registered holder	Number of shares	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	697,533,070	33.57
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	574,086,204	27.63
3	CITICORP NOMINEES PTY LIMITED	175,972,401	8.47
4	NATIONAL NOMINEES LIMITED	126,056,872	6.07
5	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	82,880,149	3.99
6	BNP PARIBAS NOMS PTY LTD <DRP>	34,924,888	1.68
7	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	16,482,507	0.79
8	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	10,505,264	0.51
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	9,109,580	0.44
10	ARGO INVESTMENTS LIMITED	7,371,125	0.35
11	UBS NOMINEES PTY LTD	6,967,566	0.34
12	NATIONAL SUPERANNUATION FUND LIMITED	6,171,998	0.30
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,893,474	0.24
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	3,546,454	0.17
15	DJERRIWARRH INVESTMENTS LIMITED	3,363,887	0.16
16	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	3,181,791	0.15
17	NATIONAL NOMINEES LIMITED <N A/C>	3,125,000	0.15
18	BOND STREET CUSTODIANS LIMITED <COCKEJ - F01832 A/C>	3,086,208	0.15
19	BNP PARIBAS NOMS (NZ) LTD <DRP>	3,019,767	0.15
20	AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	2,702,655	0.13
Total		**1,774,980,860**	**85.42**

Unquoted equity securities

As at 22 January 2021, Oil Search had the following securities on issue:

- 2,077,850,664 ordinary fully paid shares[1]
- 4,690,630 unlisted Performance Rights
- 668,630 Restricted Shares
- 4,295,999 Share Rights
- 84,706 unlisted NED Rights

1. The trustee for the Company's employee incentive schemes held zero ordinary fully paid shares as at 22 January 2021 that are available to satisfy the exercise of Performance Rights.

Substantial shareholders at 22 January 2021

The following organisations have disclosed a substantial notice to the Company at 22 January 2021.

Shareholder	Number of shares	% of issued capital
Mubadala Investment Company	196,604,177	9.46%
BlackRock Inc	126,212,734	6.07%
The Vanguard Group, Inc	111,829,665	5.38%

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

Voting rights attached to ordinary shares

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

Annual meeting

Oil Search's 2021 Annual Meeting is scheduled for Friday, 30 April 2021.

2020 final dividend

Details on dividends paid during or since the financial year are included in the Directors' Report. Further information on Oil Search's dividend payment methods and its Dividend Reinvestment Plan is available on the Company's website.

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 program

Bank of New York Mellon

ADR Division, 22nd Floor
101 Barclay Street
New York, NY 10286

Telephone:

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

Share codes

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

Oil search website

A wide range of information including corporate governance practices, activities and sustainability initiatives, is available on Oil Search is available on the Company's website, at www.oilsearch.com.

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

Ten Year Summary

Income Statement	2020 US$000	2019 US$000	2018 US$000	2017 US$000
Revenue	**1,074,153**	1,584,808	1,535,761	1,446,001
Production costs	**(289,215)**	(348,742)	(290,027)	(262,813)
Other operating costs	**(122,043)**	(157,336)	(145,314)	(141,056)
Other income	**58,124**	67,169	9,579	9,969
EBITDAX [2]	**721,019**	**1,145,899**	**1,109,999**	**1,052,101**
Depreciation and amortisation	**(423,799)**	(413,710)	(326,094)	(380,571)
Exploration costs expensed	**(103,347)**	(47,260)	(66,663)	(35,928)
Proposed InterOil acquisition	**—**	—	—	—
Share of net profit from investments in joint ventures	**5,091**	627	—	—
Net impairment (losses)	**(374,207)**	(5,865)	—	—
EBIT [3]	**(175,243)**	679,691	717,242	635,602
Net finance costs	**(190,361)**	(230,961)	(209,850)	(194,728)
Loss/(profit) before income tax	**(365,604)**	**448,730**	**507,392**	**440,874**
Income tax benefit/(expense)	**44,947**	(136,310)	(166,190)	(138,782)
NPAT	**(320,657)**	**312,420**	**341,202**	**302,092**
Significant items (post tax) [4]	**342,681**	8,479	—	—
Core NPAT	**22,024**	**320,899**	**341,202**	**302,092**
Dividends paid – ordinary	**(68,641)**	(205,746)	(114,273)	(99,014)
Balance Sheet				
Total assets	**11,388,265**	11,572,853	10,673,891	10,512,498
Total cash	**540,842**	396,232	600,557	1,015,246
Total debt [5]	**3,306,794**	3,794,582	3,424,774	3,758,906
Shareholders' equity	**5,570,299**	5,258,411	5,165,618	4,937,754
Other Information				
Average realised oil and condensate price (US$/bbl)	**37.22**	62.86	70.65	55.68
Average realised LNG and gas price (US$/mmBtu)	**6.49**	9.58	10.06	7.67
Net annual oil and condensate production (mmbbl)	**5.71**	4.83	5.03	7.56
Net annual gas production (bcf)	**117.41**	117.92	102.90	116.04
Total BOE net annual production (mmboe)	**29.02**	27.95	25.20	30.3
Exploration and evaluation expenditure incurred (US$'000)	**202,636**	700,010	714,796	169,544
Assets in development expenditure incurred (US$'000)	**140,536**	45,039	36,797	30,102
Producing assets expenditure incurred (US$'000)	**49,759**	81,108	21,723	40,654
Operating cash flow (US$'000)	**406,070**	754,641	854,632	843,585
Operating cash flow per ordinary share (US cents)	**19.54**	49.49	56.10	55.40
Diluted EPS (US cents)	**(16.62)**	20.4	22.3	19.8
Basic EPS (US cents)	**(16.62)**	20.5	22.4	19.8
Ordinary dividend per share (US cents)	**0.5**	9.5	10.5	9.5
Special dividend per share (US cents)	**—**	—	—	—
Gearing (%) [6]	**29.9%**	36.0%	35.3%	37.0%
Return on average shareholders' funds (%)	**(6.8%)**	8.6%	10.0%	9.1%
Number of issued shares –ordinary (000's)	**2,077,851**	1,524,747	1,523,631	1,523,631
Exchange Rates				
Year end A$: US$	**0.770**	0.701	0.705	0.779
Average A$: US$	**0.691**	0.695	0.748	0.767
Sustainability				
Total paid to PNG Government (US$'000)	**60,453**	70,698	114,714	62,728
Total invested in sustainable development (US$'000)	**25,069**	35,543	65,838	14,974
Total Recordable Injury Rate (per million hours worked)	**0.94**	1.70	1.58	1.93
Number of significant spills (>100 bbl)	**—**	—	—	—
Total greenhouse gas emissions ((ktCO2-e)	**691**	598	558	962
Greenhouse gas emissions intensity (ktCO2-e /mmboe)7	**48**	45	43	50
Total number of employees [8]	**1,243**	1,607	1,410	1,286
% females in senior management (%)	**21**	25	23	22
% PNG nationals in senior management (%)	**17**	16	20	23

2016 US$000	2015 US$000	2014 US$000	2013 US$000	2012 US$000	2011 US$000
1,235,908	1,585,728	1,610,370	766,265	724,619	732,869
(257,104)	(294,818)	(235,380)	(126,442)	(112,042)	(93,919)
(131,721)	(154,469)	(125,769)	(87,392)	(88,244)	(53,362)
5,120	14,841	7,762	216	45,079	138
852,203	**1,151,282**	**1,256,983**	**552,647**	**569,412**	**585,726**
(436,702)	(407,753)	(252,671)	(50,201)	(49,457)	(51,307)
(53,164)	(50,889)	(109,132)	(107,424)	(143,970)	(60,633)
18,694	—	—	—	—	—
—	—	—	—	—	—
—	(399,271)	(180,593)	—	(23,793)	(33,227)
381,031	293,369	714,587	395,022	352,192	440,559
(195,999)	(185,114)	(129,595)	(15,152)	(4,557)	(658)
185,032	**108,255**	**584,992**	**379,870**	**347,635**	**439,901**
(95,237)	(147,636)	(231,774)	(174,148)	(171,801)	(237,418)
89,795	**(39,381)**	**353,218**	**205,722**	**175,834**	**202,483**
16,906	399,271	180,593	—	22,796	(33,227)
106,701	**359,890**	**533,811**	**205,722**	**198,630**	**169,256**
(76,135)	(274,085)	(60,308)	(53,532)	(53,143)	(52,663)
10,126,129	10,342,835	10,727,247	8,421,537	7,102,721	5,702,034
862,748	910,479	960,166	209,661	488,274	1,047,463
4,074,781	4,302,650	4,421,065	4,024,421	2,866,050	1,747,567
4,725,316	4,709,362	5,025,476	3,421,052	3,208,346	3,017,232
45.04	51.36	99.79	110.73	113.97	116.09
6.36	9.44	13.94	—	—	—
8.58	8.89	7.93	5.82	5.50	5.76
110.46	103.84	57.87	5.51	5.27	5.56
30.24	29.25	19.27	6.74	6.38	6.69
151,761	275,699	1,246,939	293,985	240,615	144,606
9,611	135,211	502,566	1,214,615	1,492,529	1,286,542
38,250	111,830	105,677	152,600	111,498	129,396
555,116	952,739	992,304	366,804	196,226	386,193
36.46	62.57	65.16	27.39	14.75	29.3
5.9	(2.6)	23.8	15.3	13.2	15.3
7.0	(2.6)	32.6	15.4	11.5	17.9
3.5	10.0	8.0	4.0	4.0	4.0
—	—	4.0	—	—	—
40.5%	41.9%	40.8%	52.7%	42.6%	18.8%
3.9%	2.2%	8.4%	6.2%	5.6%	7.0%
1,522,693	1,522,693	1,522,693	1,343,361	1,334,757	1,325,155
0.724	0.731	0.820	0.895	1.038	1.016
0.744	0.753	0.903	0.969	1.036	1.032
68,279	97,843	239,606	234,371	300,229	260,497
13,934	9,591	7,807	8,170	6,582	6,303
1.53	1.91	1.97	2.47	2.64	1.85
—	—	—	—	—	—
941	958	830	898	918	1,021
46	48	55	73	80	85
1,206	1,334	1,701	1,515	1,200	1,124
21	18	15	14	13	10
23	21	16	21	22	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. Earnings before interest and tax
4. Includes impairment expense of US$374.2 million (post-tax US$260.2 million), site restoration cost increases for previously impaired assets of US$21.6 million (post-tax US$21.0 million) and derecognition of net deferred tax assets of US$61.5 million.
5. Total debt including lease liabilities.
6. Net debt / (net debt and shareholders funds). Net debt excludes lease liabilities presented as "Borrowings' in the Statement of Financial Position.
7. 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)
8. Includes all senior managers, technical experts and executives

Glossary

$, $m, $bn	Dollars stated in US dollar terms unless otherwise stated
1C	Low estimate of contingent resources
1H, 2H	Halves of the calendar year. 1H (1 January – 30 June), 2H (1 July –31 December)
1P	Proved reserves
1Q, 2Q, 3Q, 4Q	Quarters of the calendar year. 1Q (1 January – 31 March), 2Q (1 April – 30 June), 3Q (1 July – 30 September), 4Q (1 October – 31 December)
2C	Best estimate of contingent resources
2P	Proved and probable reserves
Appraisal well	A well drilled to follow up an oil or gas discovery to evaluate its commercial potential
barrel/bbl	The standard unit of measurement for oil and condensate production and sales
bcf/bscf	Billion standard cubic feet, a measure of gas volume
boe	Barrels of oil equivalent – the factor used to convert volumes of different hydrocarbon products to barrels of oil equivalent Conversion rate used by Oil Search for gas reserves and production is 6,000 scf = 1 boe up to and including 2013; 5,100 scf = 1 boe thereafter
Bopd	Barrels of oil per day
Breakeven cost of supply	Real Brent price required for project investment to breakeven after earning a 10% return
Btu	British thermal units, a measure of thermal energy
Condensate	Hydrocarbons that are in the gaseous state under reservoir conditions and that 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
Development well	Wells designed to produce hydrocarbons from a gas or oil field within a proven productive reservoir defined by exploration or appraisal drilling
DRP	Dividend reinvestment plan
EBITDAX	Earnings before interest, tax, depreciation/ amortisation, impairment and exploration
ExxonMobil	Subsidiary of the ExxonMobil Corporation
FEED	Front End Engineering and Design (conceptual design prior to detailed design)
FID	Final Investment Decision
Free cash flow	Net cash from operating activities less investment expenditure
Gearing	Net debt / (net debt and shareholders' funds)
GHG	Greenhouse gas
HSES	Health Safety Environment and Security
GHG intensity	Greenhouse Gas intensity of production
Hydrocarbons	Solid, liquid or gas compounds of the elements hydrogen and carbon
IRR	Internal rate of return
ITCS	Infrastructure Tax Credit Scheme
JV	Joint venture
LNG	Liquefied natural gas
LPG	Liquid petroleum gas
LTI	Long–term incentive
LTIR	Lost Time Injury Frequency Rate
MENA	Middle East/North Africa
mmbbl	Million barrels
mmboe	Million barrels of oil equivalent
mmBtu	Million British thermal units
mmscf/d	Million standard cubic feet per day
MoU	Memorandum of Understanding
MTPA	Million tonnes per annum (LNG)
NPAT	Net profit after tax
Net debt	Total debt less cash and cash equivalents
OSF	Oil Search Foundation
Papua LNG operator	Total
PDL	Petroleum Development Licence
PL	Pipeline Licence

PNG	Papua New Guinea
PNG LNG operator	ExxonMobil PNG Limited, a subsidiary of Exxon Mobil Corporation (ExxonMobil)
PPFL	Petroleum Processing Facilities Licence
PPL	Petroleum Prospecting Licence
PRL	Petroleum Retention Licence
Seismic survey	A survey used to gain an understanding of rock formations beneath the earth's surface
scf	Standard cubic feet, a measure of gas volume
Sidetrack	A secondary wellbore drilled away from the original hole
STEM	Disciplines of Science, Technology, Engineering and Mathematics
STI	Short–term incentive
tcf	Trillion cubic feet, a measure of gas volume
TCFD	Task Force on Climate–related Financial Disclosure
TRIR	Total Recordable Injury Rate
VPSHR	Voluntary Principles on Security and Human Rights
Workover	To perform one or more of a variety of remedial operations on a producing well to try to increase production
Definition of reserves and contingent resources	Oil Search's Reserves and Contingent Resource estimates are prepared in accordance with the 2007 Petroleum Resources Management System, sponsored by the Society of Petroleum Engineers.
Proved reserve	Proved reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved reserves are limited to those quantities of oil and gas which can be expected, with little doubt, to be recoverable commercially at current prices and costs, under existing regulatory practices and with existing conventional equipment and operating methods. Proved (1P) reserves are probabilistically calculated reserves having a 90 per cent confidence level (P90); such reserves have a 90 per cent likelihood of being equalled or exceeded.
Probable reserves	Probable reserves are those reserves which geological and engineering data demonstrate to be potentially recoverable, but where some element of risk or insufficient data prevent classification as proven. Probable reserves are calculated by subtracting proven reserves from those probabilistically calculated reserves having a 50 per cent confidence level (P50). Therefore, "Proved plus Probable" (2P) reserves are defined as those reserves which have a 50 per cent likelihood of being equalled or exceeded.
Contingent resources	The Company's technically recoverable resources for its discovered but uncommercialised oil and gas volumes are classified as contingent resources. 2C denotes the best estimate of contingent resources.

Reporting Calendar

Event[1]	Proposed dates[1]
Release of 2020 4th Quarter results	Wednesday 27 January 2021
Release of 2020 full year results	Tuesday 23 February 2021
Release of 2020 Annual Report (digital)	Tuesday 23 February 2021
Ex-dividend date for 2020 final dividend	Tuesday 2 March 2021
Record date for 2020 final dividend	Wednesday 3 March 2021
Distribution of 2020 Annual Report (print)	Tuesday 23 March 2021
Payment of 2020 final dividend	Thursday 25 March 2021
Release of 2021 1st Quarter results	Tuesday 27 April 2021
Annual Meeting	Friday 30 April 2021
Release of 2021 2nd Quarter results	Tuesday 27 July 2021
Release of 2021 half year results	Tuesday 24 August 2021
Ex-dividend date for 2021 interim dividend	Tuesday 31 August 2021
Record date for 2021 interim dividend	Wednesday 1 September 2021
Payment of 2021 interim dividend	Tuesday 21 September 2021
Release of 2021 3rd Quarter results	Tuesday 26 October 2021
End of Financial Year	Friday 31 December 2021

1. Dates and events are subject to change and some events are subject to Board approval.

Corporate Directory

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