

25 August 2020

ASX Market Announcements Office
Australian Securities Exchange Limited

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Oil Search Limited 2020 Half Year Results:

Oil Search Limited attaches the following documents:

- Oil Search FY20 Interim Results Investor Presentation

Yours sincerely,



Stephen Gardiner
Chief Financial Officer

Authorised for release by Oil Search Limited's Board of Directors



Oil Search

Oil Search

2020 interim result presentation

25 August 2020

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EBITDAX (earnings before interest, tax, depreciation, impairment and exploration costs expensed) and Core Profit After Tax (net loss after tax before impairment and the one-off derecognition of certain deferred tax assets) are non-IFRS measures that are presented to provide a more meaningful understanding of Oil Search's underlying financial performance. These non-IFRS financial measures are derived from the financial statements, which have been subject to review by the Group's auditor. See slide 26 for a reconciliation to net loss after tax.

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01

First half overview

Keiran Wulff

First half 2020 operational and financial performance



Operational Performance

- Production of 14.7 mmboe
 - Best oil production since 2018 earthquake
 - Second highest half on record for PNG LNG
- Unit production costs of US\$10.38 per boe, down 20% on 1H19
- FY20 unit production cost guidance revised down to US\$9.50 – 10.50 per boe
- Zero Tier 1 & 2 process safety events



Financial Results

- Core profit after tax¹ of US\$25 million
- Non-cash, after-tax impairment of US\$260 million, largely reflecting portfolio prioritisation
- Net loss after tax of US\$266 million
- Balance sheet strengthened and liquidity increased to US\$1.67 billion

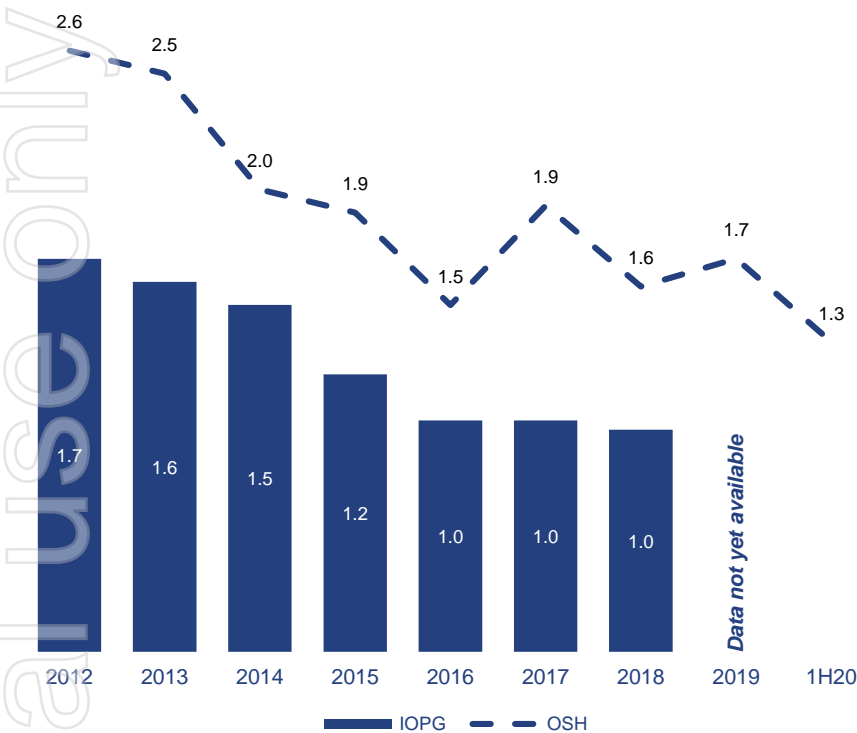


Key Actions

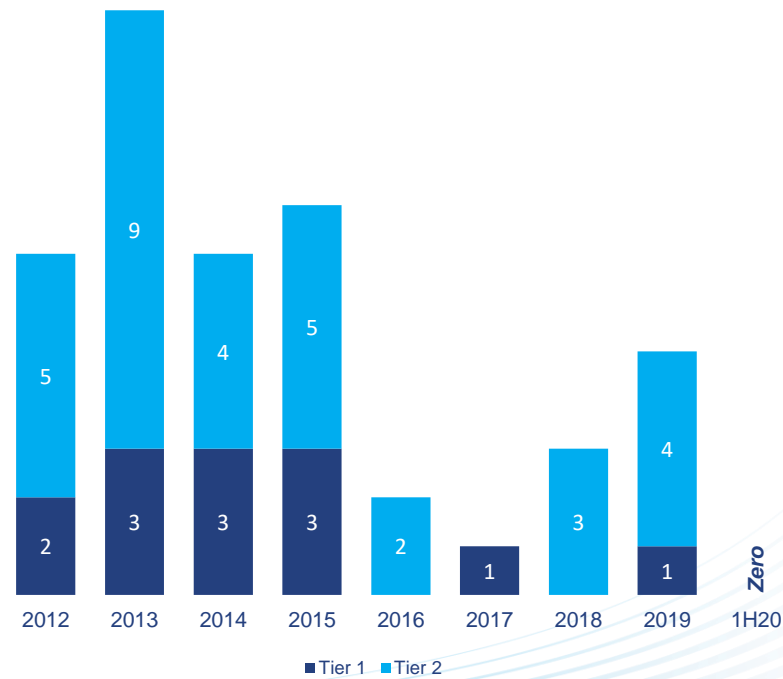
- Proactive COVID-19 response to ensure business continuity
- Material cost reductions with 2020 capex cut by ~40%
- US\$700 million² equity raise
- Major restructuring
- Initiatives to reduce breakeven costs of all projects well advanced

Strong first half safety record

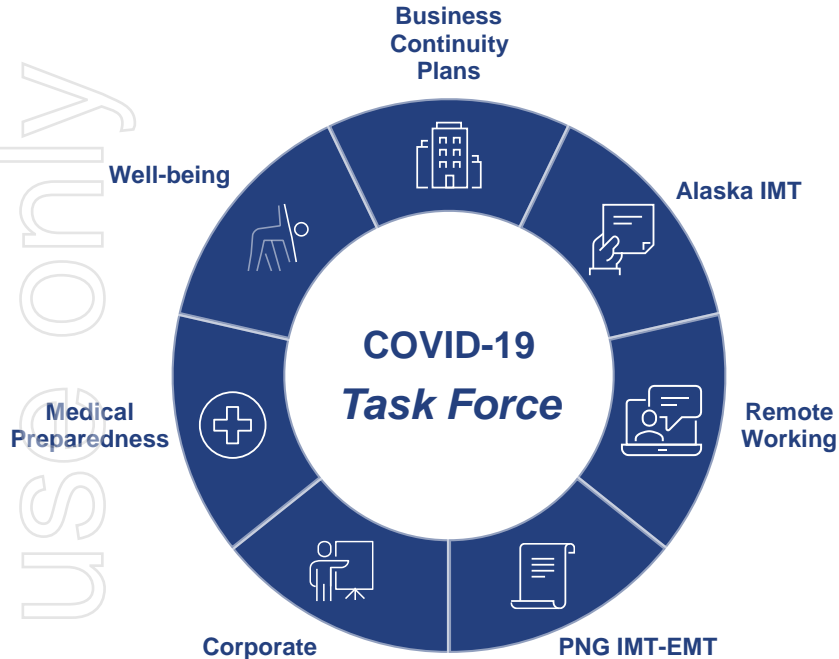
Continuous improvement in Total Recordable Incident Rate (TRIR)
(Per million hours worked)



No Tier 1 or Tier 2 process safety events
(Total incident rate)



Proactive COVID response

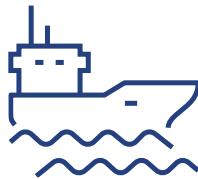


- Early implementation of COVID-safe protocols, using existing expertise in managing infectious diseases
- Decisive response to ensure business continuity
- Established three-phase plan to maintain resilience and sustain safe operations:
 - Quarantine zones in the field to protect staff and local communities
 - Fatigue management protocols
 - Risk mitigation for rotational staff
- Providing support to PNG Government in its efforts to combat COVID-19

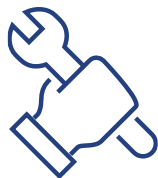
Continued strong PNG LNG production and sales



Unit production cost
US\$6.6 per boe



1H20 LNG spot cargo
exposure
<20%

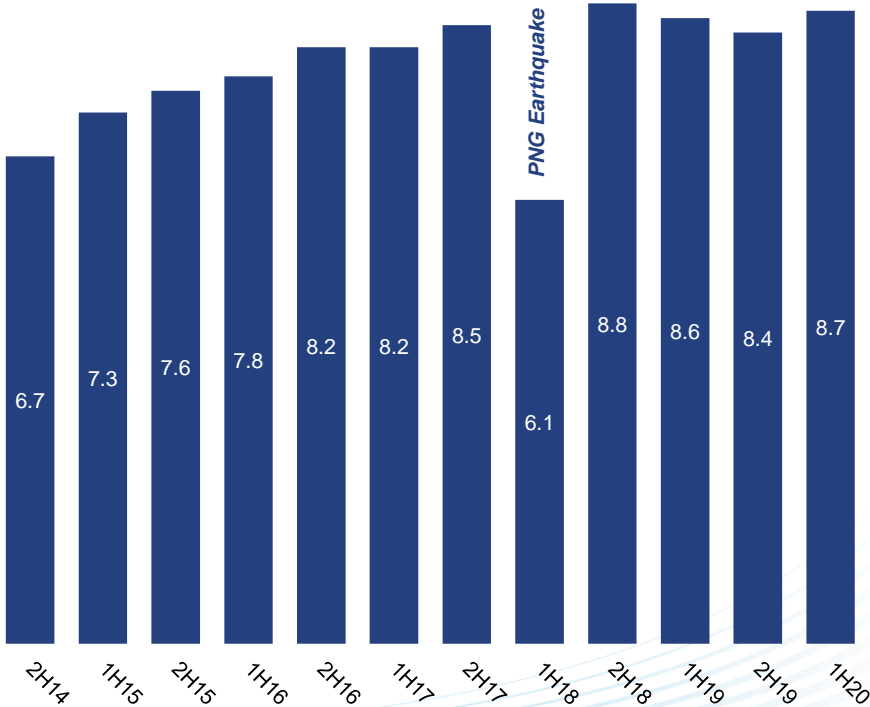


2Q turbine maintenance
deferred



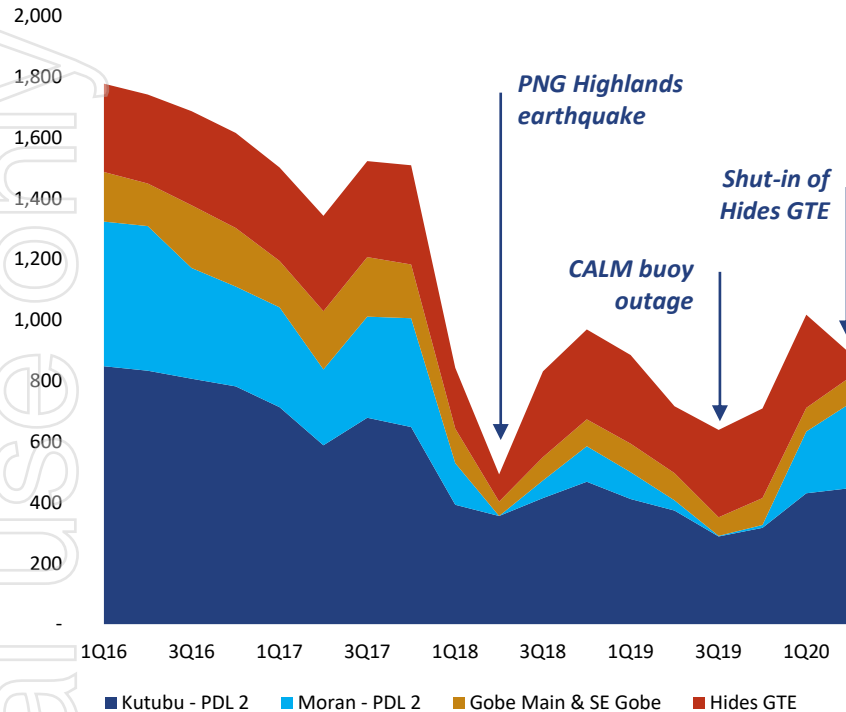
COVID-19 well
managed, minimal
impacts

PNG LNG Project annualised production rate
(MTPA)



Improving performance from operated oil assets

Net OSH-operated production (kboe)



- Focus on core capabilities, driving efficiencies and facilities uptime
- Highest operated oil production since 2018 PNG earthquake
- NW Moran remediation ongoing, targeting recommencement in 1Q21 at rates of 2,000 – 3,000 bopd (gross)
- Hides GTE impacted by suspension of mining operations at Barrick-operated Porgera gold mine:
 - Loss of ~3,300 boepd
 - Forecasts assume no resumption of GTE production in 2020
 - GSA due to expire late 2021

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2020 first half financials

Stephen Gardiner

Financial summary

	1H 2020	1H 2019	Δ (%)
Production (mmboe)	14.66	14.13	+4%
Sales (mmboe)	13.66	13.39	+2%
Average realised oil price (US\$/boe)	35.91	65.26	(45%)
Average realised LNG & gas price (US\$/mmBtu)	8.22	9.71	(15%)
Revenue (US\$ million)	626	777	(19%)
Production costs (US\$/boe)	10.4	13.0	(20%)
Net (loss)/profit after tax (US\$ million)	(266)	162	(264%)
Core profit after tax ¹ (US\$ million)	25	165	(85%)
Interim dividend (US cents/share)	-	5.0	N/A

¹Core profit after tax excludes the impact of asset impairments and the one-off de-recognition of deferred tax assets. Refer to Appendix for a reconciliation to net loss after tax

Core profit after tax¹

(US\$ million)

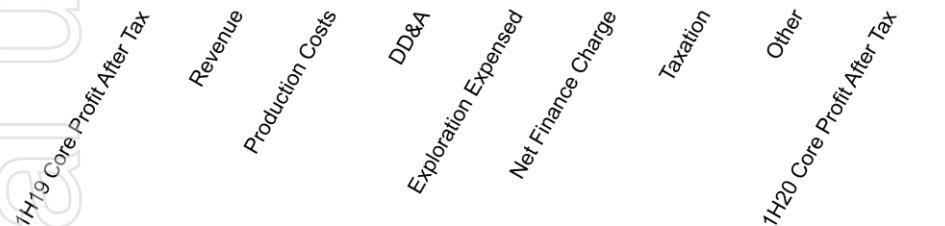
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150

100

50

(50)

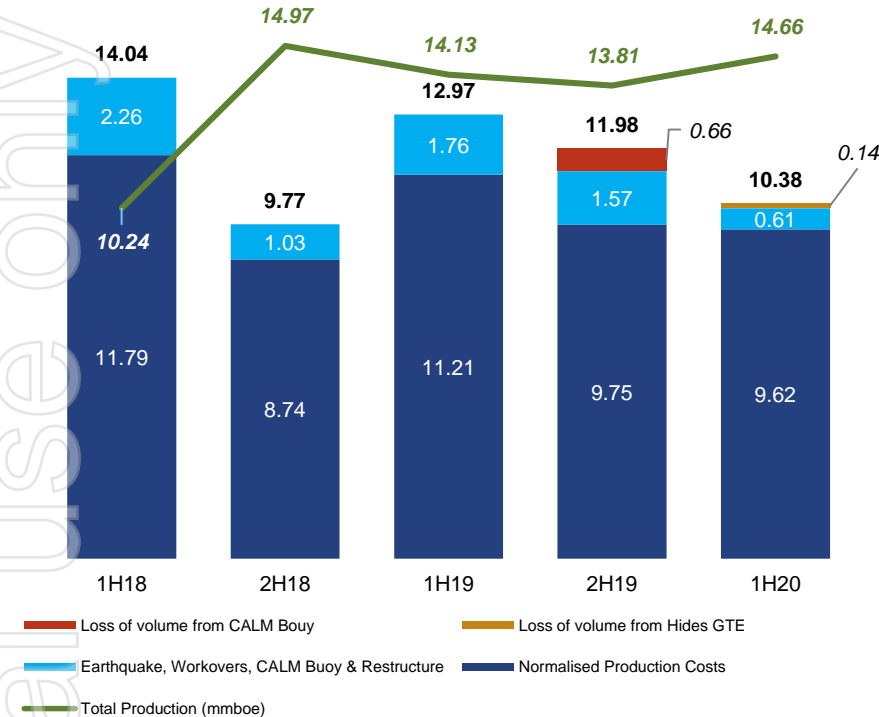


- Revenue down US\$151 million, reflecting 45% fall in average realised oil price, 15% fall in realised gas and LNG prices, offset by 2% increase in sales
- Production costs down 17% due to lower well workover activity and cost reduction programs
- DD&A charge up 4% due to higher production
- Higher exploration expense largely reflecting unsuccessful Gobe Footwall well and Kuukpik seismic acquisition costs
- Effective tax rate on loss of 20.1%. Excluding impact of one-off adjustments, effective tax rate of 29.8% for 1H20

Sustainable reduction in unit production costs

Cost-out program will result in sustainable reduction in unit production costs

(US\$/boe)

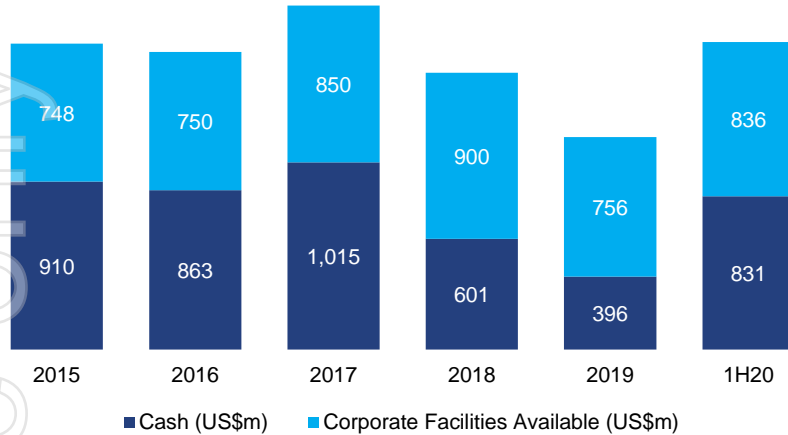


- Lower unit production costs reflect:
 - **PNG LNG:** no disruption to operations, lower maintenance activities and increased production volumes
 - **PNG Oil & Gas:** proactive and sustainable cost control measures, deferral of coiled tubing well work and workovers, deferral of non-critical field activities and increased production volumes
- Unit PNG LNG production costs down 12% compared to 1H19
- Unit operated oil and gas production costs reduced by 36% compared to 1H19

Improved liquidity position

Improvement in liquidity

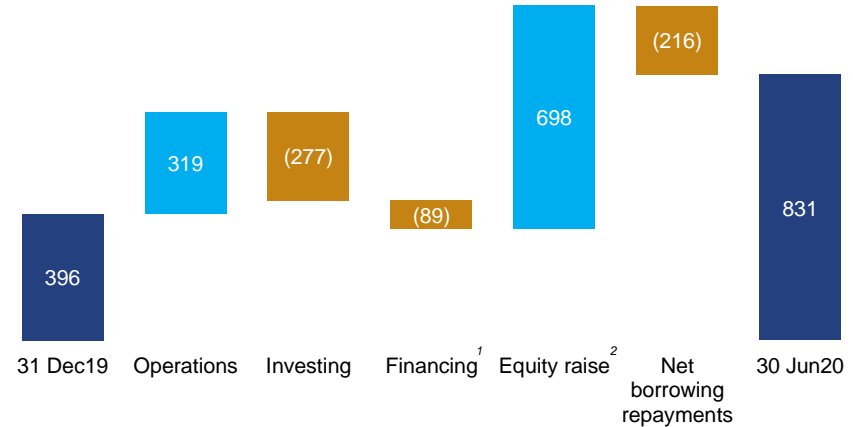
(US\$ million)



- **Liquidity position of US\$1.67 billion, comprising:**
 - US\$831 million cash
 - US\$836 million undrawn credit facilities
- **Able to withstand prolonged period of oil price weakness and meet ongoing liquidity needs**

Cash balance supported by ~US\$700 million¹ equity raise

(US\$ million)



- **30 June 2020 cash position of US\$831 million, up 110% following ~US\$700 million¹ equity raise in April**
- **Continued to deliver solid cash flow from operations despite fall in oil prices, underpinned by 2-3 month lag to oil prices in LNG long and mid-term contracts**

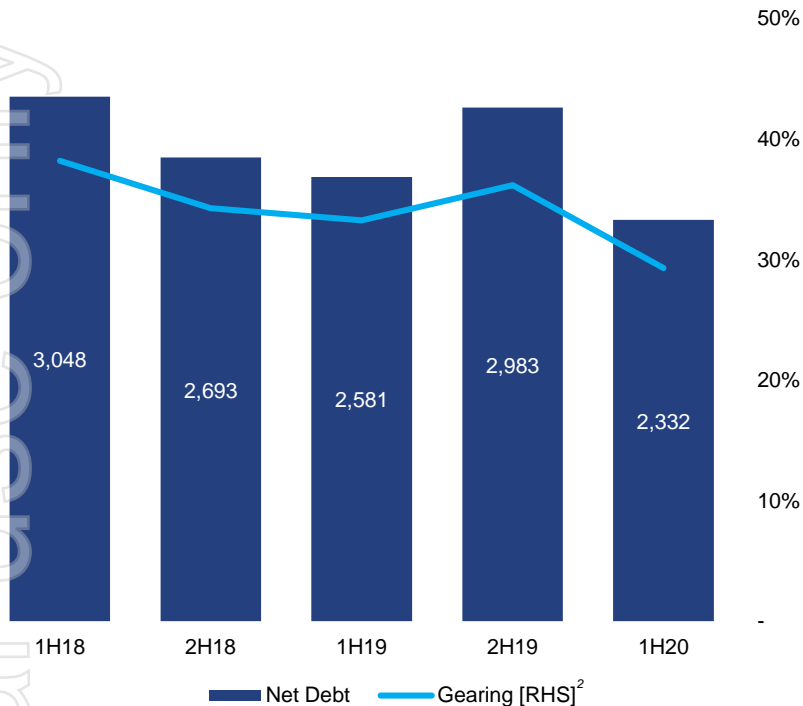
¹Cash flow from financing (excluding equity raise proceeds and net borrowing repayments)

²Net of transaction costs

Net debt¹

Equity raise reduced net debt to US\$2.33 billion

(US\$ million)



¹Net Debt excludes lease liabilities of US\$399 million

²Gearing defined as Net Debt / (Net Debt + Equity)

- Net debt¹ of US\$2.33 billion, comprising:
 - US\$2.80 billion relating to PNG LNG project finance
 - US\$0.36 billion in drawn corporate facilities
 - US\$0.83 billion in cash
- Gearing reduced to 29.3%
- PNG LNG project finance principal repayment of US\$135.9 million during 1H20
- Equity proceeds used to repay US\$355.0 million under revolving corporate facilities (US\$80 million net repayments over 1H20), balance held as cash
- Expiry date of US\$300 million of short-term facilities successfully extended to 30 June 2021

2020 full year guidance

Costs	Low	High
Unit production costs (US\$/boe)	9.50	10.50
Other operating costs ¹ (US\$m)	110	130
Depreciation and amortisation ² (US\$/boe)	12.00	13.00

- FY20 unit production cost guidance revised down to US\$9.50 – US\$10.50 per boe, including one-off restructuring and COVID-19 costs
- Production forecast unchanged, with lower production from Hides GTE offset by higher PNG LNG and operated oil production
- Investment expenditure guidance remains unchanged
- Remaining investment activities for 2020 include risk reduction and facility optimisation activities at OSH-operated facilities and Pikka Unit early works and engineering optimisation

Production (mmboe)	Low	High
<i>Oil Search-operated</i>	3	4
<i>PNG LNG Project</i>	24.5	25.5
Total production	27.5	29.5

Investment expenditure (US\$m)	Low	High
<i>Production</i>	55	65
<i>Development</i>	135	165
<i>Exploration & evaluation</i>	220	250
<i>Other plant & equipment</i>	25	35
<i>Power</i>	5	15
Total investment expenditure	440	530

¹Other operating costs include gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, power expense, corporate administration costs (including business development), expenditure related to inventory movements and other expenses.

²Relates to oil and gas assets that are depreciated on a unit production basis and excludes assets depreciated on a straight line basis (including right-of-use assets capitalised under IFRS 16 Leases)

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03

Status of growth projects

Keiran Wulff

COVID-19 impacts demand, delays new project sanctions

- COVID-19 has created weaker economic conditions, driving:
 - Lower medium term LNG demand growth
 - Likely delays in sanctioning new LNG projects
- Medium term, Asian policies support increasing gas demand as baseload power transitions to renewables
- Oil Search completed exploratory informal discussions on P'nyang with PNG Government in a positive environment. ExxonMobil has since resumed discussions:
 - PNG Government and project proponents recognise importance of LNG expansion projects to nation's economy
- Key issues include:
 - Demand timing
 - Fiscal certainty
- Lowest cost and brownfields projects will be favoured

LNG supply gap delayed, however North Asian energy policies continue to drive transition to gas

(MTPA)
700

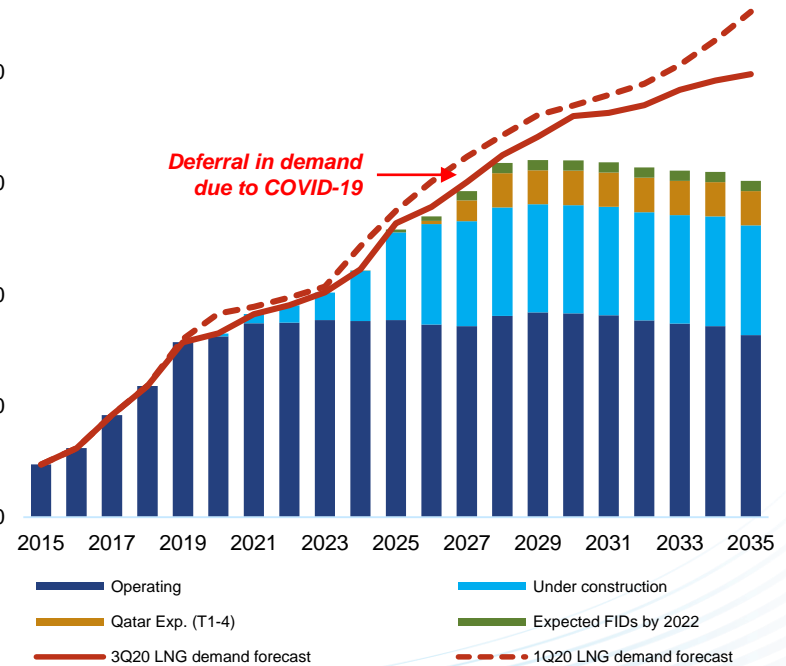
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500

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300

200



Source: Oil Search interpretation of IHS Markit data, August 2020

Progressing optimisation of Alaskan development

- **Successful 2019/20 drilling season with three discoveries, two tests:**
 - **Mitquq 1 ST1 flowed at 1,730 bopd**
 - **Stirrup 1 flowed at 3,520 bopd¹**
 - **Well results provide options for further development**
- **Completed year-round access to central development drill site**
- **Studies well advanced to lower up-front capital expenditure and materially reduce project breakeven costs through phased development approach:**
 - **Initial phase within permitted scope, unlocks subsequent phases**
 - **Funding of future phases supported by phase one cash flow**
- **Results of optimisation activities to be announced in 4Q20**
- **Targeting Pikka Unit Development FID by year-end 2021, first oil 2025**
- **Strong alignment with partner on optimisation studies**
- **Committed to completing partial divestment, with formal sell-down process to be re-launched in 2021**

¹One of the highest single-stage flow rates from a vertical Nanushuk well on the slope



Importance of Mitquq and Stirrup discoveries

Discoveries have potential to create substantial additional long term value for shareholders

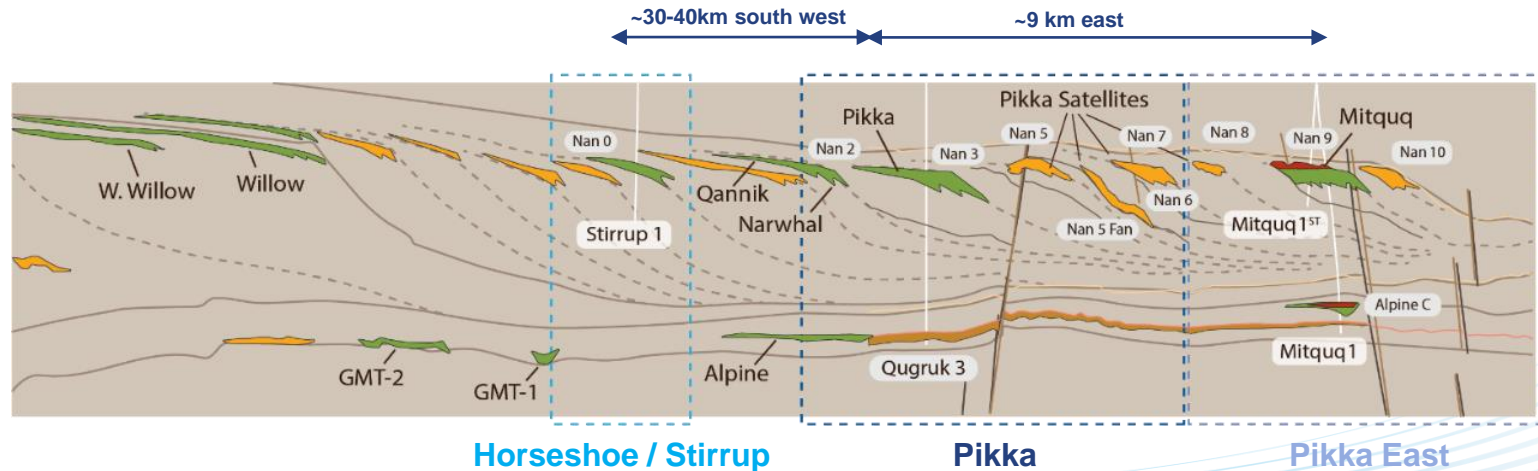
Mitquq discoveries in same reservoir east of the Pikka Unit project (~9km east)

Increases chances for a series of large reservoirs between Pikka project and Mitquq

Material prospective resource upgrade

Mitquq discoveries have potential¹ to underpin a tie-back development

Stirrup discovery has potential¹ to underpin a new major standalone development



¹Pending further appraisal results

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04

Strategy and outlook

Keiran Wulff

Clear roadmap focused on resilience and disciplined capital allocation

What we set out to do (1Q20)

Commencement of a company-wide strategic review to position Oil Search for the future

Re-evaluating strategy for superior returns

Ensuring sustainability, profitability

Positioning for evolving global energy business

No compromise on safety or 90 year DNA

What we've done (2Q-3Q20)

Decisive action in a uniquely challenging period to stabilise the business, strengthen the balance sheet and accelerate lasting change

Organisational redesign

COVID-19 Task Force

~40% cut to 2020 capital expenditure

US\$1-2 per boe cut to breakeven cost

>30% headcount reduction

US\$700 million raising¹

US\$300 million loan facility extension

Updated long term price assumptions

Pathfinder team driving ongoing cost out initiatives

What's to come (4Q20)

Resetting our strategy to redefine Oil Search for the future

Meeting shareholder expectations

Simplifying the business to drive profitable value

Sustained cost improvements

Disciplined capital management

Delivering profitable growth at low breakevens

Maximising use of our assets and infrastructure

Bringing resources online sooner and cheaper

Measured action on emissions

Evolving for continued success

¹ Net of transaction costs

Committed to sustainability

- **New role of EVP Sustainability and Technology:**
 - Expanding our commitment to excellence in sustainability and governance
- **Committed to firm, transparent sustainable development initiatives and building local capacity:**
 - **PNG Biomass (subject to FID):** Complementary carbon offset program to generate >4 million tonnes CO₂ offsets
 - **Alaska Pikka Development:** Complies with high Alaskan environmental standards and ongoing work to further reduce GHG emissions
 - **PNG Operations:** Reducing our environmental footprint in PNG
- **Social impact and development through direct social investment, local capacity and content generation and not-for-profit investment in the Oil Search Foundation**
- **Updated Sustainability Strategy to be announced as part of Strategic Review in 4Q20**



Organisation structured to drive streamlined business



KEIRAN WULFF
Managing Director



WAYNE KASOU
*SVP Government
Affairs & Office of
the Managing
Director*



**LEON
BUSKENS**
*PNG Country
Manager*



**BRUCE
DINGEMAN**
*EVP & President
Alaska*



**MICHAEL
DREW**
*EVP Corporate &
General Counsel*



**DIEGO
FETTWEIS**
EVP Commercial



**STEPHEN
GARDINER**
*Chief Financial
Officer*



AYTEN SARIDAS
Chief Financial Officer Designate



**BART
LISMONT**
*PNG
Development &
Operations*



BETH WHITE
*EVP
Sustainability &
Technology*

Resilient, safe, capable, disciplined and prepared

- 🌐 Decisive steps taken to enhance resilience to prolonged lower oil prices
- 🌐 Systematic review delivers sustainable cost reductions with continuous improvement program
- 🌐 Re-focus on core operations and developing high performance culture, without compromising safety
- 🌐 Strict financial discipline, profit generation, capital prioritisation and value creation for stakeholders
- 🌐 Optimising Alaskan development, strong alignment with partners
- 🌐 Working towards LNG expansion when conditions allow
- 🌐 Balance sheet strengthened and able to support ongoing liquidity needs
- 🌐 Strategic Review, focused on long term strategy, on track to be completed in 4Q20

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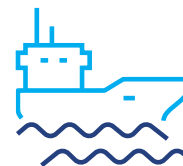
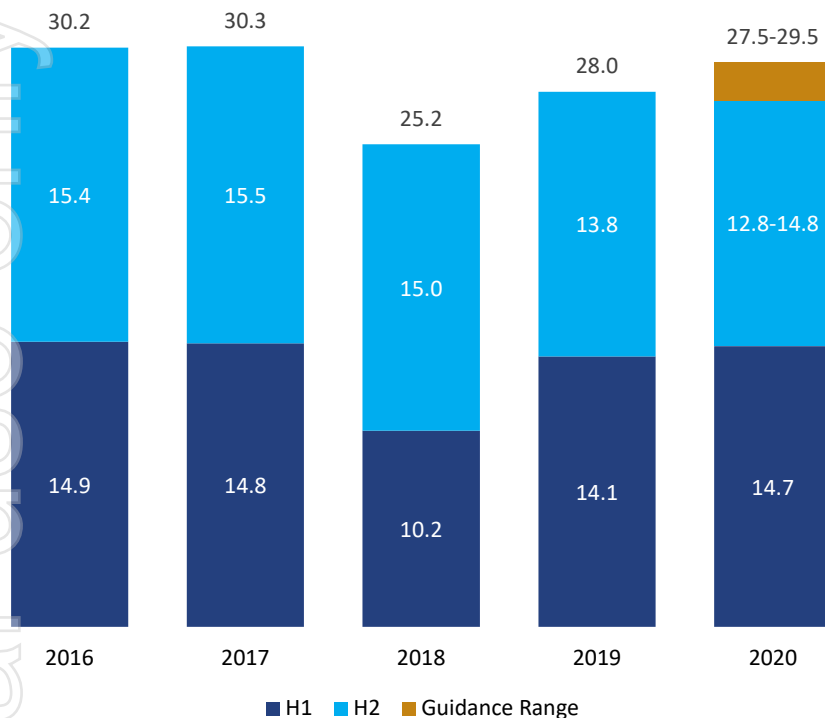
Appendix

Financial summary¹

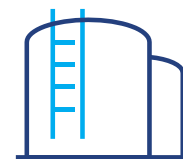
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Production (mmboe)	14.7	14.1	+4%
Sales (mmboe)	13.7	13.4	+2%
Average realised oil & condensate price (US\$/boe)	35.9	65.3	(45%)
Average realised LNG & gas price (US\$/mmBtu)	8.2	9.7	(15%)
Revenue	625.6	776.9	(19%)
Production costs	(152.1)	(183.2)	(17%)
Other operating costs	(45.8)	(51.2)	(11%)
Other income	25.1	39.8	(37%)
EBITDAX³	452.8	582.3	(22%)
Depreciation & amortisation	(213.3)	(205.9)	4%
Exploration expensed	(94.4)	(24.6)	284%
Impairment	(374.2)	(4.7)	Nmf ²
Net finance costs	(106.9)	(119.3)	(10%)
Share of net profits from investments	2.9	-	Nmf ²
(Loss)/profit before tax	(333.0)	227.9	(246%)
Tax benefit/(expense)	66.8	(65.9)	(201%)
Net (loss)/profit after tax	(266.2)	161.9	(264%)
Impairment expense (post tax)	260.2	3.3	Nmf ²
Derecognition of deferred tax assets	30.7	-	Nmf ²
Core profit after tax³	24.7	165.2	(85%)

2020 production guidance

(mmboe)



PNG LNG production rate of 8.7 MTPA¹
Second highest half on record



Operated production of 1.9 mmboe
Highest half since 2018 PNG earthquake, despite Hides GTE shut-in from April

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