

FIRST QUARTER REPORT FOR PERIOD ENDED 31 MARCH 2021

23 April 2021

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Stronger pricing and improved operated production offset the impact of a short PNG LNG shutdown

- PNG LNG production averaged 8.5 MTPA (gross) in the quarter, impacted by an unplanned Hides shutdown
- Total net quarter production of 6.9 mmboe, down 2.7% from Q4 2020
- First quarter operating revenue of US\$301.5 million, up 16% from Q4 2020

Papua LNG and Pikka oil development both achieved important milestones

- Papua LNG Fiscal Stability Agreement signed, and licence extension granted by PNG Government
- Pikka project entered FEED with FID on track for late 2021

Production guidance unchanged, investment expenditure guidance reduced by US\$75 – 95 million

- Oil Search operated facility planned shutdowns deferred to 2022 due to COVID-19 travel restrictions
- PNG LNG planned shutdown remains scheduled for Q2 2021
- Non-essential PNG investment expenditure deferred; Biomass FID delayed

Enhanced safety protocols in response to increasing COVID-19 cases in PNG

- To date there have been no COVID-19 cases reported in Oil Search PNG field operations
- Oil Search assisting PNG Government COVID-19 response through dedicated PNG industry task force to assist with supply chain and logistics as requested

Improved liquidity position

- US\$1.57 billion total liquidity (US\$676 million cash, US\$897 million undrawn credit facilities)
- Net debt reduced 5.7% compared to December 2020

Managing Director Dr. Keiran Wulff said “Oil Search has maintained stable operating performance during the quarter amid challenging logistical conditions imposed by COVID-19 in PNG in particular. With escalating cases in PNG, Oil Search continues to deploy stringent mitigation and protective measures such as strict quarantining of our staff and segregation of our field activities from local communities. Notwithstanding this, Oil Search continues to offer support to the PNG and Australian governments in helping to combat the outbreak.

“Our operated assets at Moran and Agogo significantly outperformed our budget expectations and helped offset lower PNG LNG production, which was impacted by a short shutdown at Hides. Despite the short shutdown, PNG LNG continued to deliver all long-term contracted cargos.

“Following on from our cost reduction and productivity programs in 2020, we are now embedding the initiatives into our business to ensure a sustainable continuous improvement culture. We are strictly adhering to disciplined capital allocation to enhance our funding position as we approach the development periods of our world class growth assets.

“Both of our growth developments achieved important milestones during the quarter. The PNG Government signed the Fiscal Stability Agreement and awarded a five-year licence extension for Papua LNG. The Joint Venture is now reviewing markets and finalising revised pre-FEED engineering ahead of making a Front End Engineering and Design decision (FEED) for Papua LNG in 2022.

“In Alaska, following the significant improvement and reduction in capital costs and breakeven prices for the Pikka project, the Joint Venture entered FEED during the quarter with strong alignment from all stakeholders. The project is on track to be ready for a Final Investment Decision (FID) in late 2021 subject to market conditions. In addition to the FEED decision, Oil Search and our partner have commenced a joint partial divestment process with the objective of finalising a divestment around FID. Oil Search is looking to contribute up to 15% interest in the divestment targeting a final equity interest in the Pikka development of 36%. In addition to the divestment process, we have commenced a project funding program with our financial advisor. Due to the halving of the initial capital required, low breakeven prices and the ability of the project to self-fund expansion, we are well positioned for engagement with potential financiers. The sell down and funding program is being conducted in a way that allows us to best deliver the value of this world class project.”

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This ASX announcement was authorised for release by the Oil Search Board of Directors

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This report contains forward-looking statements. By their nature, forward-looking statements and statements of current intentions involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of Oil Search. Actual outcomes may differ materially from those expressed in such statements, due to a variety of factors.

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Comparative performance

Production^{1,2}

('000 boe unless noted)	QUARTER END			FULL YEAR
	MAR 2021	DEC 2020	MAR 2020	2020
PNG LNG Project ³	6,110	6,419	6,354	25,723
PNG oil production ('000 bbls)	693	564	645	2,619
Other production ⁴	66	78	373	676
Total Production	6,869	7,061	7,373	29,017
Total Sales	6,689	7,181	6,873	28,388

Sales¹

(US\$ million unless noted)	QUARTER END			FULL YEAR
	MAR 2021	DEC 2020	MAR 2020	2020
LNG and gas sales	214.4	198.4	293.5	854.9
Oil and condensate sales	78.0	52.6	57.6	188.7
Other revenue ⁵	9.1	8.5	8.2	30.6
Total Operating Revenue	301.5	259.5	359.4	1,074.2
Average realised oil and condensate price ⁶ (US\$/bbl)	57.38	40.35	49.51	37.22
Average realised LNG and gas price (US\$/mmBtu)	7.10	5.99	9.08	6.49

Financial Data¹

(US\$ million unless noted)	QUARTER END			FULL YEAR
	MAR 2021	DEC 2020	MAR 2020	2020
Cash	675.9	540.8	670.6	540.8
Debt ^{7,8}				
PNG LNG financing	2,617.0	2,617.0	2,939.4	2,617.0
Corporate facilities	300.0	300.0	715.0	300.0
Net debt	2,241.1	2,376.2	2,983.8	2,376.2

- Numbers may not add due to rounding.
- 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.
- Production and sales net of fuel, flare, shrinkage and SE Gobe wet gas.
- SE Gobe gas sold to PNG LNG, Hides GTE gas and liquids.
- Other revenue consists of infrastructure tariffs, rig lease income, shipping revenue, marketing fees, and electricity and naphtha sales.
- Average realised price for Kutubu Blend including PNG LNG condensate.
- Excludes lease liabilities recorded as borrowings.
- As at 31 March 2021, the Company's corporate facilities totaled US\$1.20 billion, of which US\$300 million had been drawn down and US\$3.0 million had been utilised for letters of credit.

COVID-19 update

Oil Search heightened its safety protocols in its PNG operations due to the increasing number of COVID-19 cases being seen in PNG. Strict controls continue to be maintained to protect our personnel, the communities where we work and the continuity of our operations. We have established long term isolation zones, undertaken strict testing and social distancing protocols, decreased manning levels, limited movements around our operations and amended rosters for both our international and national rotational workers. Through these measures we have been able to protect our staff and keep our operations COVID-19 clear.

Oil Search is also working with the PNG Chamber of Mines & Petroleum and the Australian federal and state governments to establish a model for rotational workers to resume travel between Australia and PNG.

To date, we have conducted more than 11,000 COVID-19 tests at our medical clinics and quarantine facilities in PNG and have sourced and distributed some 450,000 items of personal protective equipment to health workers across the country. We have also extended our offer of assistance to both the Australian and PNG Governments to support any programs or initiatives planned by the Australian Department of Foreign Affairs and Trade and aid agencies in the rollout of the vaccine.

In addition, through the PNG Chamber of Mines and Petroleum, we are joining forces with other resource companies operating in PNG to offer our support in the dissemination of accurate information and provide logistical assistance for the vaccination rollout, as and when directed by the PNG Government.

Revised Guidance for Full Year 2021¹

(US\$ million unless noted)	Previous	Revised
Production²		
Oil Search operated (ex-Hides GTE) (mmboe)	2 – 3	2 – 3
Hides GTE (mmboe)	0 – 1	0 – 1
PNG LNG Project³		
LNG (bcf)	107 – 110	107 – 110
Power (bcf)	1 – 2	1 – 2
Liquids (mmbbl)	2 – 3	2 – 3
Total PNG LNG Project (mmboe)	23 – 25	23 – 25
Total production (mmboe)	25.5 – 28.5	25.5 – 28.5
Operating Costs		
Unit production costs (US\$/boe)	10.50 – 11.50	10.50 – 11.50
Other operating costs ⁴	105 – 125	145 – 165
Depreciation and amortisation (US\$/boe)	12.50 – 13.50	12.50 – 13.50
Investment Expenditure		
Production Expenditure (PNG)	60 – 80	40 – 60
Development Expenditure	85 – 115	85 – 115
Exploration and Evaluation Expenditure ⁵	110 – 150	100 – 135
Biomass	50 – 70	10 – 15
Other Plant and Equipment	20 – 30	15 – 25
Total Investment Expenditure	325 – 445	250 – 350

- Numbers may not add due to rounding.
- 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.
- Includes SE Gobe gas sales exported to the PNG LNG Project (OSH – 22.34%).
- Includes 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, put option costs and other expenses.
- Exploration and Evaluation Expenditure includes FEED costs in relation to Pikka Development Unit, and pre-FEED costs for LNG expansion projects in PNG.

Production guidance for 2021 is unchanged. The scheduled service programs for the PNG LNG plant for train one (deferred from 2020) and train two are still expected to proceed in 2Q 2021. A major maintenance shutdown in our operated facilities has been deferred from 2021 to 2022 due to COVID-19 restrictions impacting resourcing. Hides GTE continues to be offline due to the ongoing shut-in of the Porgera gold mine. Barrick has announced that subject to definitive agreements the Porgera gold mine is on track to resume operations later this year.

Other Operating Costs for 2021 have been revised for the cost of the hedging program (put options) announced in February and for higher royalties and levies resulting from higher realised prices.

Full Year 2021 Investment Expenditure has been revised down due to cost savings and the effects of travel restrictions in PNG. Production investment expenditure has been revised down to reflect delays in major work programs, including the Kutubu Refinery rebuild, and deferred well planning activities. Exploration and Evaluation Expenditure has been revised down in PNG due to lower expected activity, including deferral of seismic. Biomass investment expenditure has been decreased due to the expected deferral of FID to 2022. Other Plant and Equipment investment expenditure has been reduced and includes various cost savings expected on corporate and IT related work programs.

Papua New Guinea

Production^{1,2}

	QUARTER END			FULL YEAR
	MAR 2021	DEC 2020	MAR 2020	2020
PNG LNG Project Production³				
LNG (mmscf)	27,292	28,604	28,283	114,456
Gas to power (mmscf)	123	139	92	495
Domestic gas (mmscf)	171	190	122	651
Condensate ('000 bbls)	623	661	694	2,738
Naphtha ('000 bbls)	78	85	73	318
Total PNG LNG Project ('000 boe)	6,110	6,419	6,354	25,723
Oil Search Operated Production				
Oil Production ('000 bbls)				
Kutubu	327	281	431	1,534
Moran	360	277	203	1,051
Gobe Main	2	3	3	11
SE Gobe	3	4	8	23
Total oil production ('000 bbls)	693	564	645	2,619
Hides GTE⁴				
Sales gas (mmscf)	-	-	1,435	1,804
Liquids ('000 bbls)	-	-	25	31
SE Gobe gas to PNG LNG (mmscf) ⁵	336	397	340	1,483
Total operated production ('000 boe)	758	642	1,018	3,295
Total production ('000 boe)	6,869	7,061	7,373	29,017

- Numbers may not add due to rounding.
- 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.
- Production net of fuel, flare, shrinkage and SE Gobe wet gas.
- 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.
- SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.

Total first quarter production from the PNG LNG Project, net to Oil Search, was 6.11 mmboe (excluding third party purchases), representing an annualised LNG production rate of 8.5 MTPA (gross), down from 8.7 MTPA (gross) in Q4 2020. Production was impacted by a short unplanned shutdown at the Hides Gas Conditioning Plant, however this did not result in the cancellation of any contracted cargos.

The PNG LNG Project supplied 590 mmscf of gas (excluding third party purchases), corresponding to a net contribution from Oil Search of 171 mmscf, to the NiuPower-operated Port Moresby power station, 10% lower than the fourth quarter 2020.

Net production from our operated PNG assets was 0.76 mmboe, 18% higher than the fourth quarter 2020 due to strong performance from the Moran and Agogo fields.

Hides GTE continues to be offline due to the ongoing shut-in of the Porgera gold mine.

Sales^{1,2}

	QUARTER END			FULL YEAR
	MAR 2021	DEC 2020	MAR 2020	2020
PNG LNG Project Sales				
LNG (billion btu)	30,000	32,865	30,617	128,865
Domestic gas (billion btu)	196	265	152	816
Condensate ('000 bbls)	669	692	604	2,559
Naphtha ('000 bbls)	63	96	64	333
Total PNG LNG Project Sales ('000 boe)	5,998	6,571	6,033	25,522
Oil Sales ('000 bbls)	691	610	544	2,490
Hides GTE				
Gas (billion btu)	-	-	1,543	1,941
Liquids ('000 bbls) ³	-	-	22	32
Total oil and GTE sales ('000 boe)	691	610	840	2,866
Total sales ('000 boe)	6,689	7,181	6,873	28,388

1. Numbers may not add due to rounding.
2. Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time.
3. Relates to refined products delivered under the Hides GTE Gas Sales Agreement or sold in the domestic market and condensate.

26 LNG cargoes were delivered to customers during the first quarter (compared to 29 in the fourth quarter), comprising 24 cargoes sold under contract (including three under mid-term sale and purchase agreements) and two on the spot market. Two DES cargoes were on the water at the end of the period, the same as at the end of the fourth quarter 2020. Two naphtha cargoes were delivered during the quarter, one less than the prior quarter. Four full Kutubu Blend cargoes were sold during the quarter, the same as in the prior period.

Pricing

The average oil and condensate price realised during the first quarter was US\$57.38 per barrel, up 42% on the prior quarter. The average realised LNG and gas price increased 19% to US\$7.10 per mmBtu in the first quarter, due to strengthening oil prices and improving North Asian LNG spot market prices. Further increases in contracted realised prices are expected in the next quarter given the lagged effect of price setting.

LNG Expansion

Significant progress was made on the Papua LNG project during the quarter. In early February 2021, the PNG Government and the Papua LNG project participants executed the Papua LNG Fiscal Stability Agreement to guarantee Papua LNG fiscal stability. Additionally, the PRL 15 licence holders were offered a five-year extension of the retention licence. Following acceptance of the offer by the PRL 15 licence holders in late February, the Minister granted the licence extension on 22 March 2021.

The Papua LNG joint venture continued with its technical and commercial work through the first quarter, in preparation for pre-FEED activities.

North America

Pikka project

FEED activities are progressing well on our Pikka project in Alaska, with engineering activities on all major components including the processing facility and seawater treatment plant underway. Tenders for fabrication, materials, pipeline and construction contracts are being developed or are in progress as well as final optimisation and tenders for supporting infrastructure. The procurement strategy for the project has been developed to result in a competitive project, maximise local content and strengthen community involvement.

The joint venture continues to work options to deliver a breakeven cost of supply^[1] below US\$40/bbl with gross capital costs of approximately US\$3.0 billion^[2]. Capital costs through to first oil amount to approximately \$2.4 billion.

Oil Search is pursuing potential funding options for the Pikka project based on its current 51% ownership interest. Financing and divestment activities are progressing concurrently and to plan. Our intent is to own 36% of this project long term, and to execute the sell down in a way that allows us to maximise the value of the sale and the strategic fit of a new partner. Production from the first phase is expected to occur in 2025 and thereafter support the funding of future expansions.

Financial Performance

Revenue

Total first quarter revenue from LNG, gas, oil and condensate sales was \$292.4 million, up 16.4% on the prior quarter. Despite lower sales volumes, the higher revenue was driven by an increase in the average realised LNG and oil and condensate prices. Other revenue, comprising infrastructure tariffs, shipping revenue, electricity and naphtha sales was US\$9.1 million, up 7% from the prior quarter.

Liquidity

At 31 March 2021, Oil Search held liquidity of US\$1.57 billion, comprising US\$676 million in cash and US\$897 million in undrawn credit facilities. During the quarter, no drawings or repayments were made to the revolving credit facilities. PNG LNG debt repayments occur in June and December. In early April, Oil Search repaid US\$300 million of drawn bi-lateral facilities as part of our ongoing capital management strategy.

Capital expenditure

Exploration and Evaluation Expenditure for the first quarter was US\$24.2 million. This primarily related to pre-FEED and FEED activities for the Pikka project and lease purchases in Alaska (US\$20.0 million), and pre-FEED activities for LNG expansion in PNG (US\$4.2 million). Of the total, US\$4.7 million related to seismic, administration, and geological and geophysical costs, which were expensed during the quarter.

Development Expenditure for the first quarter totalled US\$0.1 million, which consisted of US\$4.7 million of spend on PNG LNG and the reversal of US\$4.6 million in previously accrued Pikka project costs to true up for work completed in 2020.

Production Expenditure for the first quarter of US\$6.4 million was primarily related to expenditure associated with continued remediation activities on the Ridge Water Treatment Plant and Kutubu Refinery, which were damaged during the 2018 earthquake. Expenditure on Property, Plant and Equipment was US\$1.5 million for the quarter, mainly related to ongoing implementation and optimisation of the Company's enterprise resource planning system. Expenditure to progress the Biomass project was US\$1.4 million for the quarter.

^[1] Breakeven cost of supply is the oil price required to achieve a 10% return on the project.

^[2] Estimated costs are on a real 2020-dollar basis.

Summary of Investment Expenditure¹

(US\$ million unless noted)	QUARTER END			FULL YEAR
	MAR 2021	DEC 2020	MAR 2020	2020
Investment Expenditure				
Exploration and Evaluation				
PNG	4.2	9.2	28.7	57.4
USA	20.0	24.1	89.5	145.2
Total Exploration and Evaluation Expenditure	24.2	33.3	118.2	202.6
Development				
PNG LNG	4.7	8.3	16.3	40.9
Pikka	(4.6) ²	0.4	68.9	99.6
Total Development Expenditure	0.1	8.7	85.2	140.5
Production	6.4	17.3	11.6	49.8
Property Plant and Equipment	1.5	4.3	9.3	23.1
Biomass	1.4	3.6	1.8	9.3
Total Investment Expenditure	33.7	67.2	226.1	425.4
Exploration and Evaluation Expensed^{3,4}				
PNG	0.7	5.6	20.4	38.0
USA	4.0	2.2	30.9	38.1
Total current year expenditures expensed	4.7	7.8	51.2	76.2
Prior year expenditures expensed ⁵	-	-	27.2	27.2
Total Exploration and Evaluation Expensed	4.7	7.8	78.4	103.3

1. Numbers may not add due to rounding.

2. Represents prior period capital accrual reversals

3. Exploration costs expensed includes unsuccessful wells, exploration seismic and certain costs related to administration costs and geological and geophysical activities. Costs related to permit acquisitions, the drilling of wells that have resulted in a successful discovery of potentially economically recoverable hydrocarbons and appraisal and evaluation of discovered resources are capitalised.

4. Numbers do not include expensed business development costs of US\$0.2 million in the first quarter of 2021 (US\$0.1 million in the fourth quarter of 2020).

5. Prior year expenditures expensed relate to Gobe Footwall drilling costs.

Gas/LNG Glossary and Conversion Factors Used^{1,2}

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

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