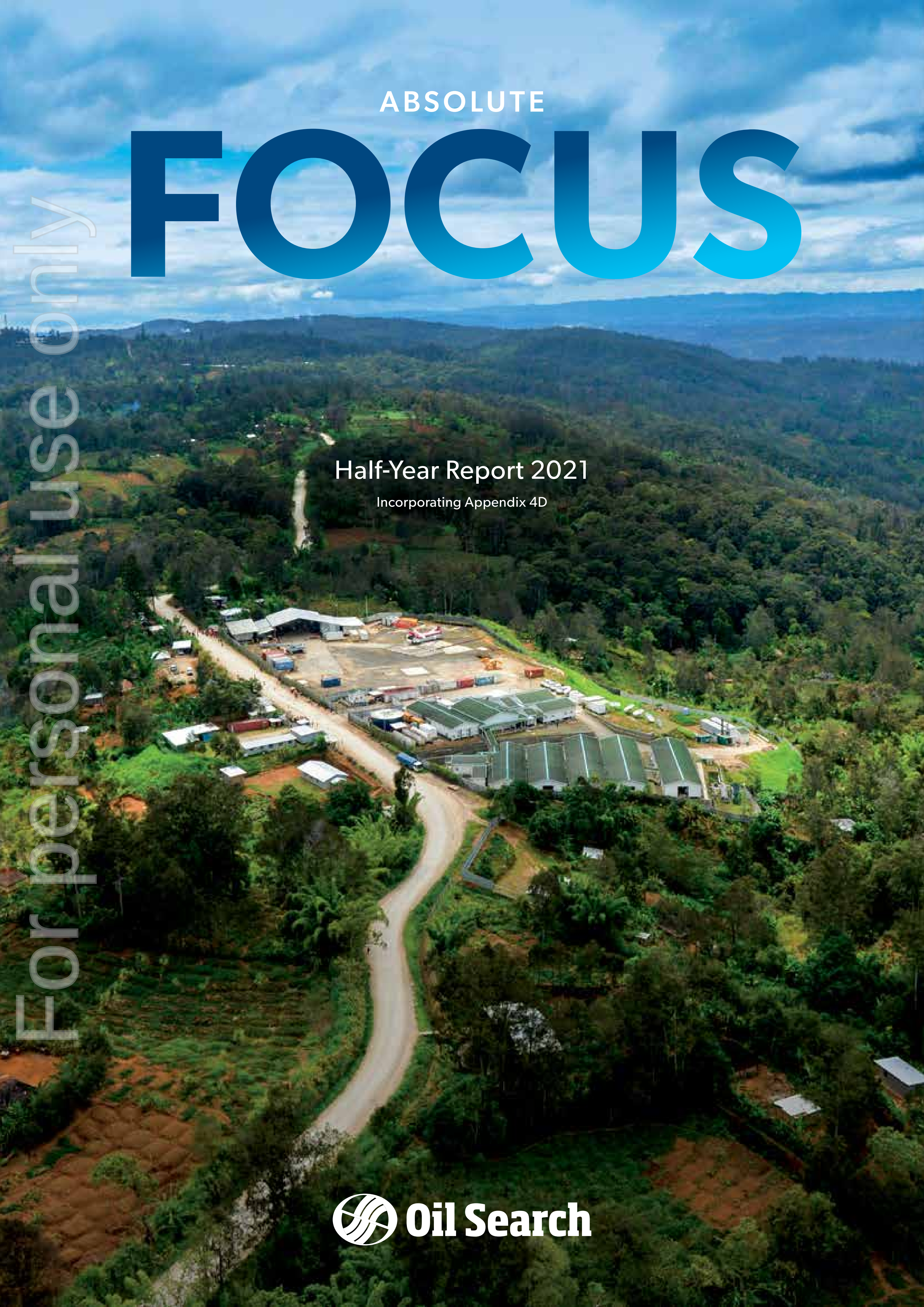


ABSOLUTE FOCUS

Half-Year Report 2021

Incorporating Appendix 4D

Oil Search

Appendix 4D

This information should be read in conjunction with the condensed consolidated financial report for the half-year ended 30 June 2021.

Results for announcement to the market	% Change	Half-year ended 30 June 2021 US$'000	Half-year ended 30 June 2020 US$'000
Revenue from ordinary activities	6.7%	**667,686**	625,589
Profit / (Loss) from ordinary activities after tax attributable to members	152.2%	**138,984**	(266,179)
Net profit / (Net loss) for the half-year attributable to members	152.2%	**138,984**	(266,179)

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

Dividends	Half-year ended 30 June 2021 US cents	Half-year ended 30 June 2020 US cents
Interim dividend declared per security[1]	**3.3**	nil

Net tangible assets	30 June 2021 US$	30 June 2020 US$
Net tangible asset backing per ordinary security[2]	**1.80**	1.81

Details of entities over which control was gained or lost

There were no acquisitions or disposals of controlled entities during the half-year ended 30 June 2021.

	Percent ownership interest held at the end of the period	
Details of joint ventures	**30 June 2021 %**	30 June 2020 %
NiuPower Limited	**50**	50
NiuEnergy Limited	**50**	50

1) No franking credits available on dividends, as Oil Search Limited is incorporated in Papua New Guinea. No component of the dividends represents conduit foreign income.
2) Includes right of use assets and liabilities recognised under IFRS16 *Leases*.

Contents

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% interest in world class PNG LNG

22.8% interest in Papua LNG, an LNG growth opportunity that can be tied to PNG LNG facilities[1]

Operatorship of **100%** of PNG oil fields, which contributes to 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.

We are committed to be a low GHG intensity business with an ambition to be net zero by 2050.

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 ongoing outperformance at PNG LNG, progress Pikka project in Alaska at a low breakeven cost of supply, and commercialise Papua LNG

EVOLVE

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

Sustainability and safety are 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)

1 Oil Search will hold a 17.7% interest in Papua LNG after PNG government back in.


Oil Search

Half-Year 2021 Highlights

Delivering on our strategy with disciplined capital management

FOCUS

First half TRIR of 1.02

Highest free cashflow since 2018 PNG Earthquake

Operated oil production increased by 3% compared to 1H 2020

DELIVER

Continuing returns from PNG LNG

Pikka FEED continues, FID subject to appropriate risk allocation and funding

Papua LNG on track to enter FEED in 2022

P'nyang Gas Agreement negotiations restarted with PNG government

EVOLVE

Announced ambition to reach net zero by 2050

Launched the Energy Transition Review

Prioritised carbon abatement program and commenced programs to deliver 30% operated GHG intensity reduction by 2030

SUSTAINABILITY

Released new Human Rights and Sustainable Communities Policies, and updated HSES Policy and Manual

Work progressed on a new group-wide Social Development and Investment Framework

Registered the first Modern Slavery Statement in June and published new Responsible Sourcing Principles

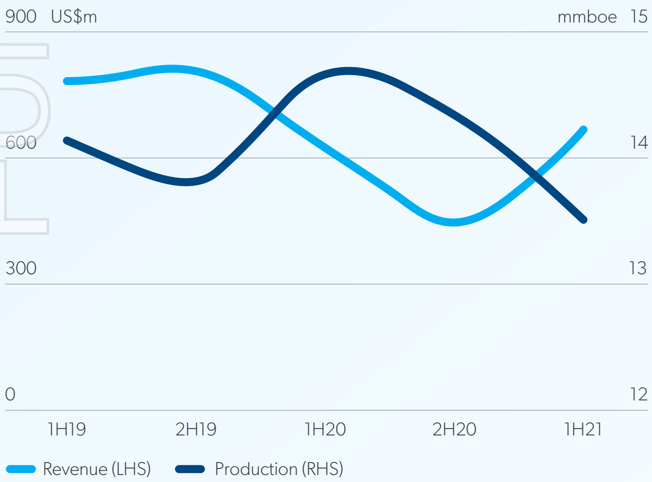
CAPITAL MANAGEMENT

2021 commodity hedging implemented, with longer term strategy finalised

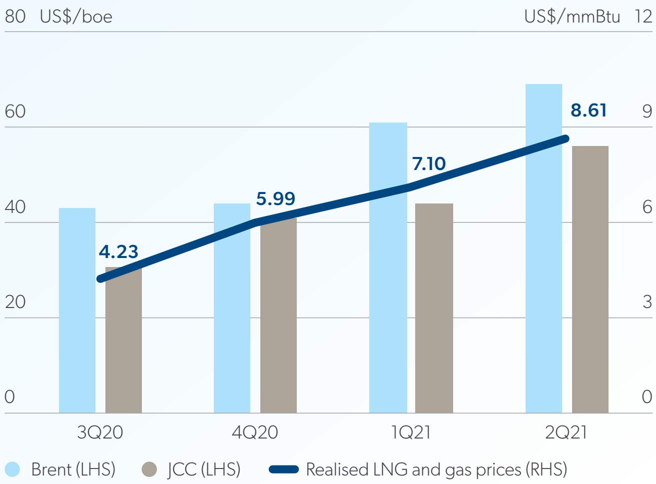
Refinance of corporate syndicated facility expected to extend facility expiry date to 2026, subject to approvals

Plans progressed for additional sources of funding

Strong production despite major maintenance campaign



Realised LNG and gas prices expected to rise further in line with Brent



Financial Overview

Financial summary and key metrics	Half-year ended 30 June 2021 US$ million	Half-year ended 30 June 2020 US$ million
Revenue	**667.7**	625.6
EBITDAX[1,4]	**488.8**	452.8
Depreciation and amortisation	**(202.0)**	(213.3)
Exploration cost expensed	**(9.8)**	(94.4)
Impairment	**—**	(374.2)
EBIT[1,4]	**278.8**	(226.2)
Core EBIT[2,4]	**278.8**	148.1
Net finance costs	**(80.1)**	(106.9)
Tax (expense) / benefit	**(59.8)**	66.8
Net profit / (loss) after tax (NPAT)	**139.0**	(266.2)
Core NPAT[2,4]	**139.0**	24.7
Net cash from operating activities	**353.9**	318.9
Free cashflow[3,4]	**284.3**	41.9
Dividends distributed	**10.4**	68.6
Investment expenditure	**75.1**	318.7
Exploration	**51.1**	157.3
Development	**3.7**	117.2
Production	**12.1**	26.4
Property plant and equipment	**3.5**	14.1
Biomass	**4.7**	3.7
Production and sales data		
Production (mmboe)	**13.5**	14.7
Sales (mmboe)	**13.4**	13.7
Average realised oil and condensate price (US$/bbl)	**64.66**	35.91
Average realised LNG and gas price (US$/mmBtu)	**7.85**	8.22
Key ratios		
Basic earnings per share (US cents)	**6.69**	(14.97)
Diluted earnings per share (US cents)	**6.66**	(14.97)
Dividend per share (US cents)	**3.3**	nil
Gearing (%)[5]	**27.2**	29.3

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 for the period ended 30 June 2020 exclude the impairment expense of US$374.2 million (post-tax US$260.2 million). Core NPAT also excludes the derecognition of net deferred tax assets of US$30.7 million.

3 Free cash flow has been calculated as net cash from operating activities less investing cash flows.

4 This is non-IFRS financial information 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 review by the Group's auditor.

5 Net debt / (net debt and shareholders funds). Net debt excludes lease liabilities presented as "Borrowings" in the Statement of Financial Position.

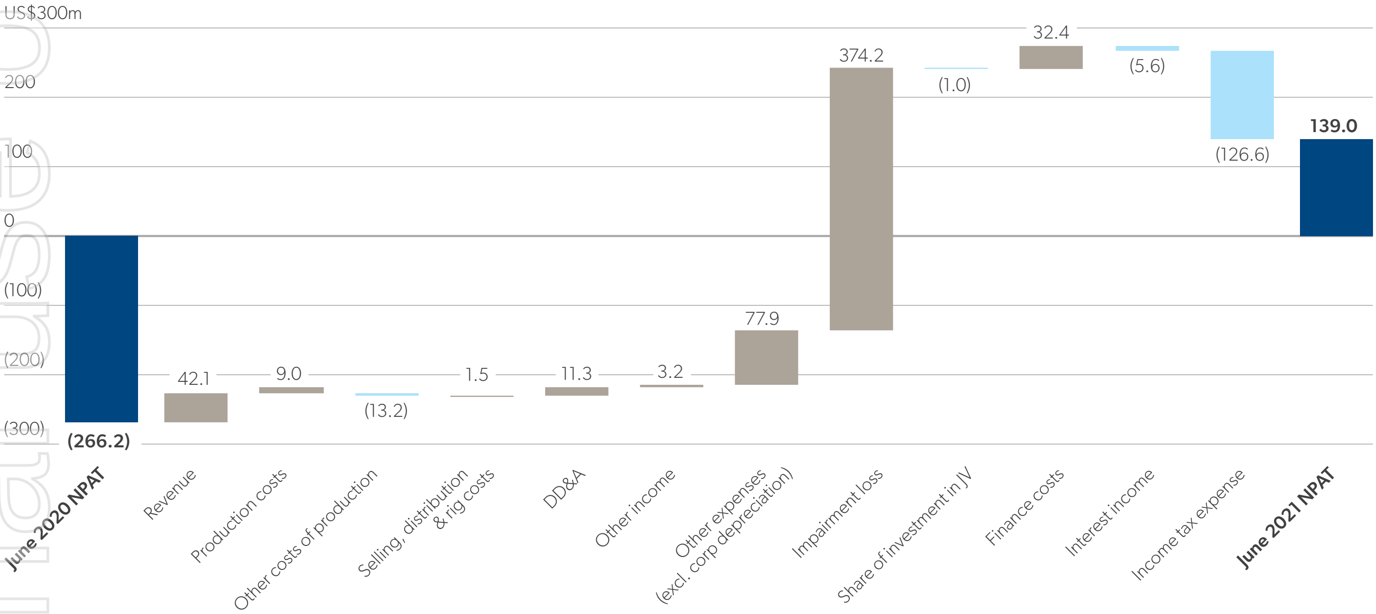
Financial Overview

Continued

Financial performance

A net profit after tax (NPAT) of US$139.0 million was realised for the six-month period ended 30 June 2021 and was underpinned by strong production performance and the continued recovery in commodity prices. This compared to a net loss after tax of US$266.2 million for the corresponding six-month period ended 30 June 2020 and was achieved despite lower production due to planned maintenance on the PNG LNG Project.

Reconciliation of net profit/(loss) after tax



Key NPAT movements 1H 2021 vs 1H 2020

Revenue

Revenue increased by US$42.1 million (7%) to US$667.7 million, primarily driven by the higher average realised oil and condensate price which continued to recover from the challenging market conditions experienced in 2020 resulting in an average of US$64.66/bbl (+80%) for 1H 2021. This was partially offset by a 5% decrease in the average LNG and gas price to US$7.85/mmBtu for 1H 2021 due to the lagged effect of contracted LNG price setting.

Volumes sold decreased by 2% to a total of 13.4 mmboe, which despite being impacted by the planned major maintenance work completed at the PNG LNG plant and the Hides Gas Conditioning Plant, was partially offset by higher volumes sold from the Company's operated Moran field. The Hides Gas-to-Electricity project continued to be offline during 2021 due to the ongoing shut-in of the Porgera gold mine.

Production costs

Production costs decreased by US$9.0 million (6%) to US$143.1 million in 1H 2021, largely due to the deferral of non-critical work across both the operated and non-operated assets due to COVID-19 restrictions, one-off restructure costs incurred in 2020, partially offset by higher PNG LNG earthquake remediation activities (net of insurance recoveries) and higher COVID-19 response costs. Unit production costs per barrel of oil equivalent (boe) increased by 2% to US$10.63/boe in 1H 2021 driven by the lower production volumes from the planned PNG LNG maintenance work completed.

Other costs of production

Other costs of production increased by US$13.2 million due to unfavourable inventory movements, higher royalties and levies as a result of higher commodity prices, partially offset by lower gas purchases relating to the shut-in of the Hides Gas to Electricity project.

Depreciation, Depletion and Amortisation (DD&A)

Depreciation and amortisation decreased by US$11.3 million driven by the decrease in production volumes and lower rig utilisation.

Other expenses

Other expenses (excluding depreciation on corporate assets included in DD&A above) decreased by US$77.9 million due to higher exploration costs expensed in 1H 2020 relating to the unsuccessful Gobe Footwall well and various seismic activity, lower site restoration activities costs relating to fully written down assets, offset by cost of hedging and unfavourable foreign exchange movements.

Impairment

No impairment was recognised in 1H 2021 compared to the non-cash, pre-tax impairment charge of US$374.2 million recognised in 1H 2020 relating to various PNG exploration licenses, Alaska leases, and the Hides Gas-to-Electricity project which were fully written down.

Finance costs

Finance costs decreased by US$32.4 million benefiting from lower interest rates and lower debt drawn.

Financial Overview

Continued

Key NPAT movements 1H 2021 vs 1H 2020 *continued*

Taxation

The tax expense in 1H 2021 of US$59.8 million resulted in an effective tax rate of 30%, compared to a tax benefit of US$66.8 million in 1H 2020 which was driven by the impairment and derecognition of certain deferred tax assets.

Investment expenditure

Investment expenditure in 1H 2021 totalled US$75.1 million, a decrease from US$318.7 million in 1H 2020 in line with the Company's commitment to prioritising capital allocation. 1H 2021 investment expenditure, consisted of:

- Exploration expenditure of US$51.1 million largely driven by FEED activities in relation to the Pikka project and LNG pre-FEED expansion activities in Alaska and PNG respectively
- Development expenditure of US$3.7 million driven by progress on the Company's share of the PNG LNG Angore development project
- Production expenditure of US$12.1 million relating to various sustaining capital expenditures and remediation activities on the Ridge Water Treatment Plant and Kutubu Refinery, which were damaged during the 2018 earthquake
- Expenditure on property, plant and equipment of US$8.2 million relating to the implementation and optimisation work associated with the Company's Enterprise Resource Planning system and progress of the Biomass project

Dividend

The Company's Board declared an interim dividend of 3.3 US cents per share for 1H 2021 representing 49% of Core NPAT. Dividends paid and declared during 1H 2021 are recorded in Note 11 to the financial statements.

In 1H 2021, the Company distributed US$10.4 million to shareholders by way of the 2020 final dividend.

Net debt and liquidity

At 30 June 2021, the Company had net debt (total borrowings excluding lease liabilities, less cash) of US$2,122.2 million, an 11% decrease from the net debt position of US$2,376.2 million as at 31 December 2020.

At 30 June 2021, the Company had US$2,425.8 million and US$200.0 million outstanding under the PNG LNG project finance and corporate credit facilities, respectively.

The Company's total liquidity of US$1,200.6 million at 30 June 2021 consisted of cash of US$503.6 million (including US$316.0 million in PNG LNG escrow accounts) and US$697.0 million available under corporate facilities. During the year, US$191.2 million and US$100.0 million net repayments were made for the PNG LNG debt and bilateral/syndicated facilities respectively. In April 2021, the US$300.0 million short-term bilateral facilities were fully repaid and terminated prior to their 30 June 2021 maturity date.

PNG

PNG LNG is a US$19 billion integrated development project that includes gas production and processing facilities that extend from the PNG Highlands to the LNG plant at Port Moresby. Oil Search owns a 29% equity interest in PNG LNG, operated by ExxonMobil.

The PNG LNG plant consists of two LNG trains that have the capacity to produce more than 8 million tonnes of LNG annually.

In the six months ended 30 June 2021, PNG LNG contributed 11.91 mmboe of Oil Search production, comprising 10.56 mmboe of LNG and 1.35 mmboe of condensate and naphtha.

Gross throughput averaged 8.24 million tonnes per annum (MTPA) during the first half of 2021, representing 119% of the 6.9 MTPA nameplate capacity. This result was achieved notwithstanding a major planned maintenance at the Hides Conditioning Plant and the LNG plant which lasted approximately five weeks.

The major planned maintenance at PNG LNG was completed approximately one week ahead of schedule amidst ongoing COVID-19 constraints, with no recordable incidents.

Operated assets

In PNG, Oil Search operates the Kutubu, Agogo, Moran and Gobe fields, which produce all of PNG's oil and will supply about 20% of the raw gas used in PNG LNG. In addition, Oil Search operates the Hides Gas to Electricity (GTE) Project, which provides gas for power generation at the Porgera gold mine.

Net oil production from our operated PNG assets was 1.42 mmbbl, 3% higher compared to the same period in 2020. Hides GTE is offline due to the ongoing shut-in of the Porgera gold mine. Moran and Agogo have significantly outperformed expectations in 2021.

As part of the corporate strategy, Oil Search continues to embed a number of 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.

LNG expansion

Papua LNG

Oil Search and its partners are seeking to commercialise the Elk-Antelope fields located in Petroleum Retention License (PRL) 15 in the Gulf Province of Papua New Guinea. Two LNG trains are planned to be developed near Port Moresby and would have the capacity to process 5.6 MTPA. Oil Search owns a 22.8% equity interest in Papua LNG, operated by TotalEnergies.

Significant progress was made on the Papua LNG project during the first half of 2021. In February 2021, the PNG Government and the Papua LNG project participants executed the Papua LNG Fiscal Stability Agreement to guarantee Papua LNG project fiscal stability. The PRL 15 licence holders were granted the retention licence extension on 22 March 2021.

Technical and commercial work (including separate LNG marketing activities) are progressing in preparation for a further ramp up in project activity in the second half of 2021. Key deliverables from this preliminary work will allow the project to progress towards its objective of entering Front End Engineering and Design (FEED) in 2022.

P'nyang Gas Agreement negotiations

The P'nyang gas field is in PRL 3 located in the Western Province of PNG. An independent certification study by Netherland Sewell and Associates certified a recoverable resource at 4.36 trillion cubic feet of gas. Oil Search owns a 38.5% equity interest in P'nyang, operated by ExxonMobil.

During the second quarter of 2021, P'nyang Gas Agreement negotiations restarted between ExxonMobil and the Papua New Guinea Government, with the government stating that it was targeting execution of the agreement later in 2021.

ALASKA

The Pikka project is situated amongst some of the largest oil fields in North America and all of the support infrastructure associated with those fields including an extensive network of roads and pipelines.

Pikka project

Oil Search acquired a 51% interest in and became operator of the Pikka project through two transactions completed in 2018 and 2019.

Pikka is an onshore conventional oil field located on the North Slope of Alaska, on land owned by the State of Alaska and Alaska Native corporations that represent the interests of the indigenous people of the region.

The primary elements of Pikka Phase I include a single drill site, an oil processing facility, an operations area, and a seawater treatment facility. Roads and pads for Pikka Phase I were installed and completed in 2020. The project is slated to produce 80,000 barrels of oil per day beginning in 2025.

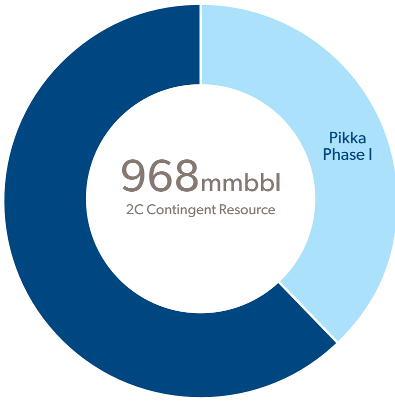
Subsequent phases of the Pikka project are planned to take advantage of the modular design approach adopted by the project participants in 2020. Pikka Phase I entered FEED during the first half of 2021 and activities are progressing well and on schedule. The FEED engineering scope on all major components, is nearing completion and the project team is undergoing internal assurance reviews.

The procurement strategy for the project has been developed to minimise project cost overrun risk and to result in a competitive project while maximising local content and strengthening community involvement.

Oil Search is pursuing a number of funding options for the Pikka project including the sell down of an equity interest to 36% (in conjunction with our co-venture partner), the sale of mid stream infrastructure and other appropriate debt funding options for a project of this type. FID timing is dependent on completing FEED work, achieving the desired ownership structure, securing appropriate project funding, and the receipt of partner approvals.

Alaska – 2C Contingent Resource

Oil Search holds other leases near Pikka which contribute to the current certification of 968 million barrels of Gross 2C resource (494 million net to Oil Search)[1].



1. Net before royalties.

Directors' Report

The Directors submit their report for the financial half-year ended 30 June 2021.

Directors

The names of the Directors of the Company in office during the half-year and up to the date of this report are below:

Non-executive Directors

- Mr Richard J Lee, AM, BEng (Chem) (Hons), MA (Oxon), FAICD (Chairman)
- Dr Bakheet S Al Katheeri, PhD, BASc, MSc, Executive MBA (Hons), ceased 24 June 2021
- Sir Kostas G Constantinou, OBE
- Ms Susan M Cunningham, BA Geol & Geog
- Dr Eileen J Doyle, BMath (Hons), MMath, PhD, FAICD
- Ms Fiona E Harris, AM, BCom, FCA (Aust), FAICD
- Dr Agu J Kantsler, BSc (Hons), PhD, GAICD, FTSE
- Mr Michael J Utsler, BSc (Ptrl Eng), GAICD, appointed 30 April 2021
- Mr Musje M Werror, BSc (Chem), MBA, MProfAcc, appointed 23 February 2021

Executive Directors

- Dr Keiran Wulff, PhD, BASc (Managing Director), ceased 21 July 2021

Group Secretary

Mr Michael Drew, LL.B (Hons)

Operating and Financial Review

The Group reported a consolidated net profit after tax of US$139.0 million for the 2021 half year (net loss after tax of US$266.2 million for the 2020 half year) after providing for income tax expense of US$59.8 million (2020: income tax benefit of US$66.8 million). The Group's financial results reflected the strong production performance and recovery in oil prices realised in the first half of the year. Further details on the Group's performance and financial position are included in the Financial Overview, PNG and Alaska sections commencing on page 05.

Subsequent Events

Subsequent to 30 June 2021, the Group has received a revised non-binding and indicative merger proposal from Santos Limited ("Santos") under which Santos would acquire all of the shares in Oil Search Limited ("Oil Search") for a consideration of 0.6275 new Santos shares for each Oil Search share held. Under this proposal, Oil Search shareholders would own approximately 38.5% of the merged group. The proposal implies a transaction price of AUD$4.52 per Oil Search share, based on the closing price of Santos shares on 24 June 2021, representing a 19.7% premium to Oil Search's shares. The revised non-binding and indicative merger is subject to the completion of confirmatory due diligence, the agreement of a binding Merger Implementation Deed, shareholder, regulatory and government approvals.

The Group's Managing Director Dr Keiran Wulff resigned on 19 July 2021 (effective 21 July 2021). Mr Peter Fredricson has taken up the role of Acting Chief Executive Officer. In accordance with his employment contract Dr Keiran Wulff received a payment in lieu of notice equal to six months of Total Fixed Remuneration plus statutory entitlements (untaken annual leave and long service leave). In accordance with the LTI Plan Rules, any unvested deferred STI awards as at the resignation date are retained in full and will vest in the normal course. Any unvested Performance Rights and Alignment Rights have been pro-rated with the retained portion to be measured against the relevant performance conditions in the normal course. Any vesting of retained awards will be subject to, and in accordance with, the relevant plan rules. The total amount paid to Dr Keiran Wulff will be disclosed in the remuneration report for the year ending 31 December 2021.

The Directors have declared an unfranked dividend of 3.3 US cents per share to be paid on 21 September 2021. The proposed interim dividend for 2021 is payable to all holders of ordinary shares on the Register of Members on 31 August 2021.

There were no other material events subsequent to 30 June 2021 and up until the authorisation of the financial report for issue.

Auditor Independence

Deloitte Touche Tohmatsu's Independence Declaration, which forms part of this report, is attached on page 11.

Signed in accordance with a resolution of the directors.

RJ Lee
Chairman

FE Harris
Non-Executive Director

Sydney, 23 August 2021

Auditor's Independence Declaration

Deloitte.

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

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Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

23 August 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 review of the financial statements of Oil Search Limited and its controlled subsidiaries for the half-year ended 30 June 2021, 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 Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jacques Strydom
Partner
Chartered Accountants

Condensed consolidated statement of comprehensive income

For the half-year ended 30 June 2021

	Note	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
Revenue	3	**667,686**	625,589
Cost of sales	4	**(352,128)**	(361,609)
Gross profit		**315,558**	263,980
Other income	5	**28,313**	25,128
Other expenses	6	**(66,897)**	(143,945)
Impairment expense	7	**—**	(374,207)
Profit / (Loss) from operating activities		**276,974**	(229,044)
Finance costs	8	**(83,910)**	(116,324)
Interest income		**3,842**	9,445
Share of net profit from investments in joint ventures		**1,851**	2,907
Profit / (Loss) before income tax		**198,757**	(333,016)
Income tax (expense) / benefit	9	**(59,773)**	66,837
Net profit / (loss) after tax		**138,984**	(266,179)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		**(680)**	2,587
Cost of hedging:			
Changes in the fair value of cash flow hedges – net of tax	12	**(19,690)**	—
Cumulative losses reclassified to profit or loss – net of tax	12	**5,150**	—
Total comprehensive income / (loss) for the period		**123,764**	(263,592)
		cents	cents
Basic earnings per share	10	**6.69**	(14.97)
Diluted earnings per share	10	**6.66**	(14.97)

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

Condensed consolidated statement of financial position

As at 30 June 2021

	Note	30 June 2021 $'000	31 December 2020 $'000
Current assets			
Cash and cash equivalents		**503,599**	540,842
Receivables		**186,197**	169,446
Inventories		**131,396**	127,789
Prepayments		**20,058**	29,958
Derivative financial instruments	12	**1,302**	—
Total current assets		**842,552**	868,035
Non-current assets			
Other assets		**79,470**	80,161
Other financial assets		**78,654**	75,206
Exploration and evaluation assets	13	**2,788,228**	2,740,763
Oil and gas assets	14	**5,717,920**	6,020,599
Other plant and equipment	14	**448,417**	472,943
Investments in joint ventures		**61,384**	59,534
Deferred tax assets		**1,038,265**	1,071,024
Total non-current assets		**10,212,338**	10,520,230
Total assets		**11,054,890**	11,388,265
Current liabilities			
Payables		**169,085**	187,139
Provisions	15	**24,504**	7,595
Borrowings		**442,925**	725,376
Current tax payable		**70,661**	49,346
Total current liabilities		**707,175**	969,456
Non-current liabilities			
Payables		**19,157**	18,579
Provisions	15	**698,646**	849,520
Borrowings		**2,556,546**	2,581,418
Deferred tax liabilities		**1,389,684**	1,398,993
Total non-current liabilities		**4,664,033**	4,848,510
Total liabilities		**5,371,208**	5,817,966
Net assets		**5,683,682**	5,570,299
Shareholders' equity			
Share capital	16	**3,857,120**	3,857,120
Reserves	16	**(14,475)**	737
Retained earnings		**1,841,037**	1,712,442
Total shareholders' equity		**5,683,682**	5,570,299

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

Condensed consolidated statement of cash flows

For the half-year ended 30 June 2021

	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
Cash flows from operating activities		
Receipts from customers and third parties	648,556	732,527
Payments to suppliers and employees	(167,006)	(239,064)
Interest received	892	5,949
Finance costs paid	(78,512)	(109,269)
Income tax paid	(9,734)	(6,868)
Payments for exploration and evaluation – seismic, G&A, G&G	(9,902)	(50,749)
Payments for site restoration	(992)	(13,570)
Purchase of derivative financial instruments	(29,430)	—
Net cash from operating activities	353,872	318,956
Cash flows from investing activities		
Payments for other plant and equipment	(10,546)	(16,230)
Payments for exploration and evaluation	(39,847)	(117,104)
Payments for development assets	(6,016)	(119,291)
Payments for producing assets	(12,623)	(23,854)
Loan to third party in respect of exploration and evaluation	(500)	(604)
Net cash used in investing activities	(69,532)	(277,083)
Cash flows from financing activities		
Dividend payments	(10,389)	(68,641)
Loan provided to third party	(500)	(604)
Proceeds from issue of share capital	—	713,486
Transaction costs associated with share issue	—	(15,261)
Purchase of treasury shares	(4,697)	(2,923)
Repayment of borrowings	(621,197)	(490,879)
Proceeds from borrowings	330,000	275,000
Lease payments / other	(14,800)	(16,844)
Net cash (used in) / from financing activities	(321,583)	393,334
Net (decrease) / increase in cash and cash equivalents	(37,243)	435,207
Cash and cash equivalents at the beginning of the period	540,842	396,232
Cash and cash equivalents at the end of the period	503,599	831,439

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

Condensed consolidated statement of changes in equity

For the half-year ended 30 June 2021

Consolidated	Share capital $'000	Foreign currency translation reserve $'000	Cost of hedging reserve $'000	Reserve for treasury shares $'000	Employee equity compensation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2021	**3,857,120**	**(22,330)**	**—**	**13,855**	**9,212**	**1,712,442**	**5,570,299**
Dividends provided for or paid	—	—	—	—	—	(10,389)	(10,389)
Total comprehensive income for the period							
Net profit after tax for the period	—	—	—	—	—	138,984	138,984
Other comprehensive income:							
Exchange differences on translation of foreign operations	—	(680)	—	—	—	—	(680)
Changes in the fair value of cash flow hedges – net of tax	—	—	(19,690)	—	—	—	(19,690)
Cumulative losses reclassified to profit or loss – net of tax	—	—	5,150	—	—	—	5,150
Total comprehensive income for the period	—	(680)	(14,540)	—	—	138,984	123,764
Transactions with owners, recorded directly in equity							
Transfer of vested shares	—	—	—	5,108	(5,108)	—	—
Employee share-based remuneration	—	—	—	—	4,705	—	4,705
Purchase of treasury shares	—	—	—	(4,697)	—	—	(4,697)
Total transactions with owners	—	—	—	411	(403)	—	8
Balance at 30 June 2021	**3,857,120**	**(23,010)**	**(14,540)**	**14,266**	**8,809**	**1,841,037**	**5,683,682**
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 period							
Net (loss) after tax for the period	—	—	—	—	—	(266,179)	(266,179)
Other comprehensive income:							
Exchange differences on translation of foreign operations	—	2,587	—	—	—	—	2,587
Total comprehensive income for the period	—	2,587	—	—	—	(266,179)	(263,592)
Transactions with owners, recorded directly in equity							
Transfer of vested shares	—	—	—	10,243	(10,243)	—	—
Employee share-based remuneration	—	—	—	—	1,854	—	1,854
Purchase of treasury shares	—	—	—	(2,923)	—	—	(2,923)
Ordinary shares issued	713,486	—	—	—	—	—	713,486
Costs associated with shares issue	(15,261)	—	—	—	—	—	(15,261)
Total transactions with owners	698,225	—	—	7,320	(8,389)	—	697,156
Balance at 30 June 2020	**3,856,615**	**(18,660)**	**—**	**13,855**	**4,604**	**1,766,920**	**5,623,334**

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

Notes to the financial statements

1 Significant accounting policies

a) Corporate information

Oil Search Limited (the 'Company' or 'Oil Search') is incorporated in Papua New Guinea (PNG). The condensed consolidated interim financial report for the half-year ended 30 June 2021 comprises Oil Search Limited and its controlled entities (together, 'the Group').

The condensed consolidated interim financial report was authorised for issue by the Board of Directors on 23 August 2021 and is presented in United States Dollars (US$).

b) Basis of preparation

The condensed consolidated interim financial report for the half-year reporting period ended 30 June 2021 has been prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's annual report for the year ended 31 December 2020, with the addition of the new accounting policies on derivative financial instruments and hedge accounting, described below, as a result of the Group entering into Brent oil put options in order to hedge against the downside exposure to oil prices over the period May 2021 to December 2021.

This report should be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX and PNGX Listing Rules.

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

Accounting developments relating to the current period

The Group is exposed to a range of interbank offered rates (IBORs) through various financial arrangements. Some IBOR quotations are likely to cease being published from 1 January 2022, others from 1 July 2023.

The Group has set up an internal working group to manage the transition to alternative benchmark rates. The impacts on contracts and arrangements that are linked to existing interest rate benchmarks, for example, financial assets and borrowings, have been assessed and are not expected to have a significant impact on the Group's financial statements. The transition plans are being developed.

COVID-19 financial implications

The COVID-19 pandemic continues to have an impact on global economies and remains a source of uncertainty. The impact of COVID-19 on the current economic environment has been considered in determining the estimates, assumptions and judgements used to prepare this condensed consolidated interim financial report.

c) Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition to profit or loss depends on the nature of the hedge relationship (see hedge accounting policy below).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. They are presented as current assets or liabilities to the extent they are expected to be realised or settled within twelve months after the end of the reporting period.

d) Hedge accounting

At inception of the relevant arrangement, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transaction. Furthermore, at the inception of the hedge and on an ongoing basis, the Group assesses and documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument,
- the effect of credit risk does not dominate the value changes that result from that economic relationship, and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulate under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit and loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

At the inception of the hedge relationship, the time value of an option may be excluded from the designation as a hedging instrument by the Group and accounted for as a cost of hedging. The fair value changes in time value of an option are recognised in other comprehensive income under the heading of cost of hedging reserve and depending on the nature of the hedged item, will be transferred to profit or loss in the same period that the underlying hedged item, on a transaction basis, affects the statement of comprehensive income.

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 also 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 investment expenditure categorised across exploration and evaluation assets, oil and gas assets, and property, plant and equipment.

	PNG BU		Alaska BU		Centre		Total	
$'000	**30 Jun 21**	30 Jun 20	**30 Jun 21**	30 Jun 20	**30 Jun 21**	30 Jun 20	**30 Jun 21**	30 Jun 20
External revenues	**667,520**	625,406	**—**	—	**166**	183	**667,686**	625,589
Costs of production	**(149,754)**	(145,574)	**—**	—	**—**	—	**(149,754)**	(145,574)
Selling and distribution costs	**(13,874)**	(15,475)	**—**	—	**(750)**	(275)	**(14,624)**	(15,750)
Rig operating costs	**—**	(384)	**—**	—	**—**	—	**—**	(384)
Corporate	**(117)**	—	**(563)**	(751)	**(23,933)**	(16,153)	**(24,613)**	(16,904)
Foreign currency gains/(losses)	**(2,447)**	4,194	**(650)**	977	**241**	(4,273)	**(2,856)**	898
Power costs expensed	**(297)**	(382)	**—**	—	**—**	—	**(297)**	(382)
Other income	**12,313**	13,894	**3,751**	3,146	**12,249**	8,088	**28,313**	25,128
Other expenses	**(11,247)**	(19,083)	**(141)**	(132)	**(3,682)**	(599)	**(15,070)**	(19,814)
EBITDAX[1]	**502,097**	462,596	**2,397**	3,240	**(15,709)**	(13,029)	**488,785**	452,807
Depreciation	**(188,856)**	(203,088)	**(2,771)**	(2,992)	**(10,378)**	(7,197)	**(202,005)**	(213,277)
Exploration costs expensed	**(2,551)**	(60,597)	**(7,255)**	(33,770)	**—**	—	**(9,806)**	(94,367)
Impairment	**—**	(363,617)	**—**	(10,590)	**—**	—	**—**	(374,207)
Share of net profit from investments in joint ventures	**1,851**	2,907	**—**	—	**—**	—	**1,851**	2,907
EBIT[1]	**312,541**	(161,799)	**(7,629)**	(44,112)	**(26,087)**	(20,226)	**278,825**	(226,137)
Net finance costs	**(70,619)**	(92,914)	**(316)**	(150)	**(9,133)**	(13,815)	**(80,068)**	(106,879)
Profit / (Loss) before income tax							**198,757**	(333,016)
Income tax (expense) / benefit							**(59,773)**	66,837
Net profit / (loss) after tax							**138,984**	(266,179)
Investment expenditure								
Exploration and evaluation assets	**(9,392)**	(46,509)	**(41,674)**	(110,751)	**—**	—	**(51,066)**	(157,260)
Oil and gas assets – development and production	**(19,572)**	(53,774)	**3,777**[2]	(89,804)	**—**	—	**(15,795)**	(143,578)
Other plant and equipment	**(4,711)**	(3,960)	**(107)**	(397)	**(3,436)**	(13,454)	**(8,254)**	(17,811)
	(33,675)	(104,243)	**(38,004)**	(200,952)	**(3,436)**	(13,454)	**(75,115)**	(318,649)

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 Includes prior period cost true-ups.

Notes to the financial statements

Continued

2 Segment reporting *continued*

Geographical segments

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

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

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

	Revenue		Non-current assets[1]	
$'000	**Half-year ended 30 June 2021**	Half-year ended 30 June 2020	**30 June 2021**	31 December 2020
PNG	**667,520**	625,406	**7,649,190**	7,946,171
USA	**—**	—	**1,246,659**	1,217,591
Australia	**166**	183	**122,224**	133,546
Other	**—**	—	**156,000**	151,898
Total	**667,686**	625,589	**9,174,073**	9,449,206

1 Non-current assets exclude deferred tax assets of $1,038.3 million (2020: $1,071.0 million).

3 Revenue

	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
Revenue from Contracts with Customers		
Liquefied natural gas sales	**467,371**	505,464
Oil and condensate sales	**180,932**	85,948
Gas sales	**1,753**	17,690
Other revenue	**17,630**	14,194
	667,686	623,296
Drilling rig and camp lease revenue	**—**	2,293
Total revenue	**667,686**	625,589

4 Cost of sales

	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
Costs of production		
Production costs	**(143,100)**	(152,105)
Royalties and levies	**(6,441)**	(4,087)
Gas purchases	**(797)**	(7,438)
Inventory movements	**6,122**	23,809
Other costs of production	**(5,538)**	(5,753)
	(149,754)	(145,574)
Selling and distribution costs	**(14,624)**	(15,750)
Rig operating costs	**—**	(384)
Depreciation and amortisation		
Oil and gas assets	**(172,668)**	(182,412)
Transport and logistics	**(15,082)**	(16,285)
Rig assets	**—**	(1,204)
Total cost of sales	**(352,128)**	(361,609)

Notes to the financial statements

Continued

5 Other income

	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
Capital cost recoveries (including from leased assets)	**27,305**	23,919
Other	**1,008**	1,209
Total other income	**28,313**	25,128

6 Other expenses

	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
Corporate	**(24,613)**	(16,904)
Exploration costs expensed	**(9,806)**	(94,367)
Power costs expensed	**(297)**	(382)
Depreciation	**(14,255)**	(13,376)
Foreign currency (loss)/gain	**(2,856)**	898
Cost of hedge reclassified to profit and loss	**(7,358)**	—
Other expenses	**(7,712)**	(19,814)
Total other expenses	**(66,897)**	(143,945)

7 Impairment expense

	Note	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
Exploration and evaluation assets	13	**—**	(364,733)
Oil and Gas assets	14	**—**	(9,474)
Total impairment expense		**—**	(374,207)

8 Finance costs

	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
Borrowing costs	**(60,230)**	(89,979)
Finance charge on lease liabilities	**(17,876)**	(18,674)
Unwinding of discount on site restoration	**(5,804)**	(7,671)
Total finance costs	**(83,910)**	(116,324)

Notes to the financial statements

Continued

9 Income tax expense

	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
The major components of tax (expense) / benefit are:		
Current tax expense	(30,932)	(9,656)
Adjustments for current tax of prior periods	14	328
Deferred tax (expense) / benefit	(28,855)	76,165
Income tax (expense) / benefit	**(59,773)**	66,837
Reconciliation of income tax expense to prima facie tax payable:		
Profit / (Loss) before tax	198,757	(333,016)
Tax (expense) / benefit at PNG rate of 30%	(59,627)	99,904
Effect of differing tax rates across tax regimes	913	989
	(58,714)	100,893
Tax effect of items not tax deductible or assessable:		
Non-deductible expenditure	(298)	(2,431)
Non-assessable income	1,440	2,562
Adjustments for current tax of prior periods	14	328
Movement in unrecognised deferred tax balances	429	(33,127)
Other movements	(2,644)	(1,388)
Income tax (expense) / benefit	**(59,773)**	66,837
Deferred tax (expense) / benefit recognised in net profit/loss for each type of temporary difference:		
Exploration and development	(10,542)	(11,538)
Other assets	12,244	2,098
Provisions and accruals	(41,505)	47,057
Other items	(2,214)	(3,265)
Tax losses	13,162	61,991
Tax credits	—	(20,178)
Deferred tax (expense) / benefit	**(28,855)**	76,165

10 Earnings per share

	Half-year ended 30 June 2021 cents	Half-year ended 30 June 2020 cents
Basic earnings per share	6.69	(14.97)
Diluted earnings per share	6.66	(14.97)

	Number	Number
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:		
Weighted average shares on issue	2,077,850,664	1,778,380,164
Employee share rights	4,874,089	—
Employee performance rights	4,811,931	—
Weighted average diluted shares on issue	2,087,536,684	1,778,380,164

Notes to the financial statements

Continued

11 Dividends paid or proposed

	Half-year ended 30 June 2021 $'000	Half-year ended 30 June 2020 $'000
Unfranked[1] dividends in respect of the half-year, proposed subsequent to the period end:		
Ordinary dividend	**68,569**	—
	68,569	—
Unfranked[1] dividends paid during the period in respect of the previous period:		
Ordinary dividend	**10,389**	68,641
	10,389	68,641

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

12 Derivative financial instruments

	Balance at 30 June 2021 $'000	Balance at 31 December 2020 $'000
Cash flow hedges (oil put options)	**1,302**	—

During the period, the Group entered into Brent oil price derivative hedges, via the purchase of put options, with a floor price of US$55 per barrel covering nine million barrels of oil equivalent production over the period from May 2021 to December 2021. The put options were entered into for the purpose of managing the downside exposure of a decline in oil prices in 2021.

The put options have been designated as cash flow hedges, and in the current period, changes in the fair value of the options of US$28.1 million pre-tax (US$19.7 million net of tax) have been recognised in the cost of hedging reserve within equity, of which US$7.4 million pre-tax (US$5.2 million net of tax) has been reclassified to profit and loss. As at 30 June 2021, no losses were recognised in profit and loss for hedge ineffectiveness and 6.8 million barrels remain outstanding and hedged as part of the put options.

The fair value of the derivative financial asset as at 30 June 2021 was determined based on observable Brent forward prices and volatilities used within an option pricing model and is classified as Level 2 on the fair value hierarchy.

13 Exploration and evaluation assets

	Balance at 30 June 2021 $'000	Balance at 31 December 2020 $'000
At cost	**3,805,229**	3,757,764
Accumulated impairment	**(1,017,001)**	(1,017,001)
	2,788,228	2,740,763
Balance at start of period	**2,740,763**	2,998,021
Additions	**51,066**	202,636
Exploration costs expensed	**(9,806)**	(103,347)
Impairment expense	—	(364,733)
Changes in restoration obligations	**6,205**	1,345
Net exchange differences	—	6,841
Balance at end of period	**2,788,228**	2,740,763

Notes to the financial statements

Continued

14 Property, plant and equipment

	Oil and gas			Other plant and equiopment			
	Development $'000	Producing $'000	Total $'000	Transport & logistics $'000	Rigs $'000	Corporate $'000	Total $'000
2021							
At cost	291,671	9,271,384	9,563,055	316,034	94,192	398,888	809,114
Accumulated depreciation and impairments	—	(3,845,135)	(3,845,135)	(98,775)	(77,179)	(184,743)	(360,697)
	291,671	**5,426,249**	**5,717,920**	**217,259**	**17,013**	**214,145**	**448,417**
Balance at 1 January 2021	294,939	5,725,660	6,020,599	232,341	17,013	223,589	472,943
Additions	3,739	12,056	15,795	—	—	8,254	8,254
Disposals	—	—	—	—	—	—	—
Changes in restoration obligations[1]	(7,007)	(138,799)	(145,806)	—	—	—	—
Net exchange differences	—	—	—	—	—	(3,443)	(3,443)
Depreciation	—	(172,668)	(172,668)	(15,082)	—	(14,255)	(29,337)
Balance at 30 June 2021	**291,671**	**5,426,249**	**5,717,920**	**217,259**	**17,013**	**214,145**	**448,417**
2020							
At cost	294,939	9,398,127	9,693,066	316,034	94,192	394,077	804,303
Accumulated 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
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**

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

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

	Other plant and equipment		
	Transport & logistics $'000	Corporate $'000	Total $'000
Balance at 1 January 2021	232,341	66,451	298,792
Depreciation expense	(15,082)	(3,728)	(18,810)
Net exchange differences	—	(378)	(378)
Balance at 30 June 2021	**217,259**	**62,345**	**279,604**
Balance at 1 January 2020	262,506	71,925	334,431
Depreciation expense	(30,165)	(7,892)	(38,057)
Net exchange differences	—	2,418	2,418
Balance at 31 December 2020	**232,341**	**66,451**	**298,792**

The was no expense recognised in the income statement for short term and low value leases for the half year ended 30 June 2021 (2020: $9.0 million).

Notes to the financial statements

Continued

15 Provisions

	Balance at 30 June 2021 $'000	Balance at 31 December 2020 $'000
Current		
Employee entitlements	**7,416**	7,595
Site restoration	**14,888**	—
Other provisions	**2,200**	—
	24,504	7,595
Non-current		
Employee entitlements	**9,200**	8,642
Site restoration[1]	**689,446**	840,878
	698,646	849,520

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

16 Share capital and reserves

	Note	Balance at 30 June 2021 $'000	Balance at 31 December 2020 $'000
Share capital			
Issued 2,077,850,664 (2020: 2,077,850,664) Ordinary shares, fully paid (no par value)		**3,857,120**	3,857,120
Reserves			
Foreign currency translation reserve	(i)	**(23,010)**	(22,330)
Cost of hedging reserve	(ii)	**(14,540)**	—
Reserve for treasury shares	(iii)	**14,266**	13,855
Employee equity compensation reserve	(iv)	**8,809**	9,212
		(14,475)	737

i) The foreign currency translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of subsidiaries with functional currencies other than US Dollars.

ii) The cost of hedging reserve is used to record gains and losses on the time value of hedge instruments when these elements are not designated as part of hedging arrangement. Gains and losses accumulated in the reserve are taken to the statement of comprehensive income depending on the nature of the hedged item.

iii) The reserve for treasury shares is used to record the cost of purchasing Oil Search Limited shares by the Restricted Share Plan Trust and the issue of shares to settle vested share based obligations.

iv) The employee equity compensation reserve is used to record the share-based remuneration obligations to employees in relation to Oil Search Limited ordinary shares as held by the Employee Options and Rights Share Plans and Share Appreciation Rights Share Plans, which have not vested as at the end of the period.

17 Subsequent events

Subsequent to 30 June 2021, the Group has received a revised non-binding and indicative merger proposal from Santos Limited ("Santos") under which Santos would acquire all of the shares in Oil Search Limited ("Oil Search") for a consideration of 0.6275 new Santos shares for each Oil Search share held. Under this proposal, Oil Search shareholders would own approximately 38.5% of the merged group. The proposal implies a transaction price of AUD$4.52 per Oil Search share, based on the closing price of Santos shares on 24 June 2021, representing a 19.7% premium to Oil Search's shares. The revised non-binding and indicative merger is subject to the completion of confirmatory due diligence, the agreement of a binding Merger Implementation Deed, shareholder, regulatory and government approvals.

The Group's Managing Director Dr Keiran Wulff resigned on 19 July 2021 (effective 21 July 2021). Mr Peter Fredricson has taken up the role of Acting Chief Executive Officer. In accordance with his employment contract Dr Keiran Wulff received a payment in lieu of notice equal to six months of Total Fixed Remuneration plus statutory entitlements (untaken annual leave and long service leave). In accordance with the LTI Plan Rules, any unvested deferred STI awards as at the resignation date are retained in full and will vest in the normal course. Any unvested Performance Rights and Alignment Rights have been pro-rated with the retained portion to be measured against the relevant performance conditions in the normal course. Any vesting of retained awards will be subject to, and in accordance with, the relevant plan rules. The total amount paid to Dr Keiran Wulff will be disclosed in the remuneration report for the year ending 31 December 2021.

The Directors have declared an unfranked dividend of 3.3 US cents per share to be paid on 21 September 2021. The proposed interim dividend for 2021 is payable to all holders of ordinary shares on the Register of Members on 31 August 2021.

There were no other material events subsequent to 30 June 2021 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 30 June 2021, and its performance for the half-year ended on that date; and

ii) comply with International Financial Reporting Standards; and

iii) comply with the reporting requirements of the Australian Securities Exchange Listing Rules; and

b) in the opinion of the Directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due or payable.

This declaration has been made after receiving an unqualified declaration from the acting Chief Executive Officer and the Chief Financial Officer, that is consistent with requirements under section 295A of the *Australian Corporations Act 2001*, for the half-year ended 30 June 2021.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

RJ Lee
Chairman

FE Harris
Non-Executive Director

Sydney, 23 August 2021

Independent Auditor's Report

Deloitte.

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

We have reviewed the accompanying half-year financial report of Oil Search Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2021, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 12 to 24.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. The directors' responsibility also includes such internal control as the directors determine is necessary for the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ISRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*. As the auditor of Oil Search Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Oil Search Limited does not present fairly, in all material respects, the consolidated entity's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date in accordance with International Accounting Standard IAS 34 *Interim Financial Reporting*.

Independent Auditor's Report

DELOITTE TOUCHE TOHMATSU

Jacques Strydom
Partner
Chartered Accountants
Registered Company Auditor in Australia
Sydney, 23 August 2021

DELOITTE TOUCHE TOHMATSU

Helen Hamilton-James
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby, 23 August 2021

Glossary

$, $m, $bn	Dollars stated in US dollar terms unless otherwise stated
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
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 5,100 scf = 1 boe
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
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
JV	Joint venture
LNG	Liquefied natural gas
MENA	Middle East/North Africa
mmbbl	Million barrels
mmboe	Million barrels of oil equivalent
mmBtu	Million British thermal units
MTPA	Million tonnes per annum (LNG)
NPAT	Net profit after tax
Net debt	Total debt less cash and cash equivalents
PDL	Petroleum Development Licence
PL	Pipeline Licence
PNG	Papua New Guinea
PPFL	Petroleum Processing Facilities Licence
PPL	Petroleum Prospecting Licence
PRL	Petroleum Retention Licence
scf	Standard cubic feet, a measure of gas volume
STI	Short–term incentive
tcf	Trillion cubic feet, a measure of gas volume
TRIR	Total Recordable Injury Rate
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 reserves	Proved reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved reserves are limited to those quantities of oil and gas which can be expected, with little doubt, to be recoverable commercially at current prices and costs, under existing regulatory practices and with existing conventional equipment and operating methods. Proved (1P) reserves are probabilistically calculated reserves having a 90 per cent confidence level (P90); such reserves have a 90 per cent likelihood of being equalled or exceeded.
Probable reserves	Probable reserves are those reserves which geological and engineering data demonstrate to be potentially recoverable, but where some element of risk or insufficient data prevent classification as proven. Probable reserves are calculated by subtracting proven reserves from those probabilistically calculated reserves having a 50 per cent confidence level (P50). Therefore, "Proved plus Probable" (2P) reserves are defined as those reserves which have a 50 per cent likelihood of being equalled or exceeded.
Contingent resources	The Company's technically recoverable resources for its discovered but uncommercialised oil and gas volumes are classified as contingent resources. 2C denotes the best estimate of contingent resources.

Corporate Directory

Oil Search Limited

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PNGX: OSH
ADRs: OISHY

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