



Oil Search

The power
of PARTNERSHIP

2017 HALF YEAR UPDATE

+405%

NET PROFIT AFTER TAX

Net profit after tax (NPAT) of US\$129.1 million, up 405%, reflecting higher sales revenue and lower costs

US\$8.52/boe

UNIT PRODUCTION COST

Average unit production cost a very competitive US\$8.52/boe, with operating margin increasing to 74%

US\$1.8BN

LIQUIDITY

Net debt reduced to US\$2.8 billion. Strong operating cash flows funded growth activities, scheduled debt repayments and dividend distributions

US4¢

DIVIDEND PER SHARE

300% increase in interim dividend, representing 47% dividend payout ratio, towards upper end of payout guidance range of 35-50% of core NPAT



Letter to shareholders from the
MANAGING DIRECTOR

Oil Search delivered a 2017 first half net profit after tax of US\$129.1 million, more than five times net profit in the first half of 2016. This strong improvement reflected a 16% increase in total revenue, driven by higher realised oil and gas prices, combined with a continued focus on ensuring the Company remains globally cost competitive. As a result of higher profits, the Board approved a three-fold increase in the interim dividend, to four US cents per share compared to one US cent per share in the first half of 2016.



Oil Search's financial position also improved substantially over the half year. We repaid US\$153 million of PNG LNG project finance debt, while at the same time our cash position increased from US\$863 million to US\$974 million. At the end of June 2017, Oil Search had access to total liquidity of US\$1.82 billion, including US\$850 million of undrawn corporate credit facilities.

Since ExxonMobil's completion of its acquisition of InterOil in February and its entry into the Elk-Antelope gas fields, discussions between Oil Search and global supermajors ExxonMobil and Total, on determining the optimal, coordinated LNG development concept for the Elk-Antelope and P'nyang gas resources, have intensified. The talks are focused on how to best utilise the existing

infrastructure at the PNG LNG plant site, to reduce costs and maximise the synergies of future LNG developments. The companies are aiming to present an aligned view on LNG development to the PNG Government in the fourth quarter of 2017, allowing discussions on fiscal terms to commence and entry into Front End Engineering and Design (FEED) to take place.

Elections in PNG concluded in August, with the Hon. Peter O'Neill returned as Prime Minister, leading a strong coalition Government. We look forward to working closely with the new ministerial team, to ensure future LNG developments are delivered on time and on budget, with benefits distributed in a timely and appropriate manner to the people of PNG.

Oil Search enters the second half of 2017 in an excellent position. Our robust, high quality, high margin producing assets are complemented by high returning LNG expansion opportunities. The Company's financial strength enables us to not only invest in these projects, but also in further exploration in PNG, where we have identified material upside potential that can drive continued long-term growth.

A handwritten signature in blue ink that reads "Peter Botten". The signature is stylized and cursive.

Peter Botten, CBE, BSc, ARSM
MANAGING DIRECTOR

SAFETY IS OUR KEY PRIORITY

During the first half of 2017, Oil Search recorded a Total Recordable Incident Rate (TRIR) of 1.90 per million hours worked, up from a TRIR of 1.53 per million hours worked for the 2016 full year. The deterioration in safety performance reflected a number of incidents which occurred during April. Safety improvement workshops have been conducted to identify both the root causes of the incidents and opportunities for improvement, with corrective actions now in progress.

While the operating environment in our areas of operation was tense during the PNG election, it is pleasing to note that no serious security incidents were recorded during this period.

EXCEPTIONAL PERFORMANCE FROM PNG LNG PROJECT

Following maintenance and compressor upgrades in May, the PNG LNG Project produced at monthly annualised rates of more than 8.6 MTPA during June and July, the highest since start-up and approximately 25% above nameplate capacity. Further work on the compressors is planned for later in 2017, which should enable these higher levels of production to be maintained or exceeded.

During the first half, ExxonMobil commenced marketing up to an additional 1.3 MTPA from the PNG LNG Project, with high levels of interest received from potential customers. It is expected that terms will be agreed with customers by the end of the year and then formalised in binding LNG sale and purchase agreements.

DEVELOPING DIALOGUE ON THE NEXT PHASE OF LNG EXPANSION/GROWTH

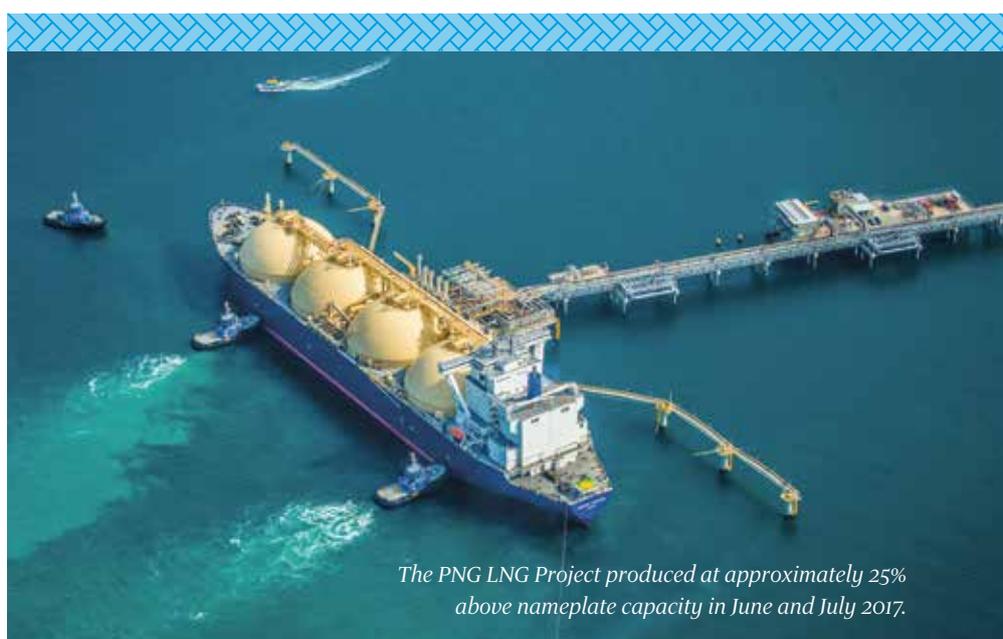
Discussions between Oil Search, ExxonMobil and Total on the various integrated development options for the Elk-Antelope gas fields in PRL 15 and the P'nyang gas field in PRL 3 are ongoing, with various coordinated development options and technical/commercial structures under review. Key areas of discussion include establishing integration principles, including capacity and cost sharing, the optimal commercial model for asset ownership and financing, whether to joint or equity market the LNG and reaching alignment on future exploration acreage ownership and activities.

HALF YEAR PERFORMANCE SUMMARY

Six months to	Jun 2015	Dec 2015	Jun 2016	Dec 2016	Jun 2017
Total production (mmbobe)	14.32	14.93	14.89	15.35	14.81
Total sales (mmbobe)	14.45	14.31	15.17	15.42	14.18
Realised oil & condensate price (US\$/bbl)	56.64	46.4	41.61	48.49	53.35
Total revenue (US\$m)	863.8	721.9	580.8	655.1	676.2
EBITDAX (US\$m)*	644.1	507.2	377.4	474.8	500.5
Net profit after tax (US\$m)**	227.5	(266.9)	25.6	64.2	129.1
EPS (US cents)***	14.9	(17.5)	1.7	4.2	8.5
DPS (US cents)	6.0	4.0	1.0	2.5	4.0
Operating cash flow (US\$m)	516.8	435.9	239.2	315.9	419.2
Net debt (US\$m)	3,443.0	3,318.2	3,304.4	3,076.6	2,812.2

* EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration) is a non-IFRS measure that is presented to provide a more meaningful understanding of the performance of Oil Search's operations. The non-IFRS financial information is unaudited but is derived from the financial statements which have been subject to review or audit by the Company's auditor.

** Includes significant items. *** Basic EPS including significant items.



The PNG LNG Project produced at approximately 25% above nameplate capacity in June and July 2017.

The companies are aiming to present an aligned view on the proposed coordinated development concept to the PNG Government in the fourth quarter of 2017, which will enable fiscal discussions to commence, prior to FEED entry.

PNG ELECTIONS RESULTS PROVIDE CONTINUITY

The recently re-elected Prime Minister of PNG, the Hon. Peter O'Neill, has highlighted the importance for the country of stimulating economic growth. FEED entry in 2018 for PNG LNG Project expansion and early

works at Papua LNG are part of the Government's 100 Day Plan, as are the construction of a gas-fired power station in Port Moresby and a Biomass Project near Lae, both in which Oil Search has interests. LNG expansion will provide a major boost to the economy, both through the construction and the operating phases. Improving benefits distribution mechanisms for PNG LNG, with measurable progress on resolution of landowner issues, has also been highlighted as a Government priority.

STEP-UP IN EXPLORATION/ APPRAISAL ACTIVITY FOLLOWING MURUK EXPLORATION SUCCESS

Production testing of the Muruk gas discovery in the first half of 2017 has confirmed the presence of a good quality gas reservoir with high deliverability. Subject to final joint venture approval, an appraisal well, Muruk 2, located approximately 10 kilometres north-west of Muruk 1, is being planned for early 2018. The discovery of the Muruk gas field has reduced the risk on several leads and prospects along the Hides to P'nyang trend. Subject to seismic results and joint venture approvals, one or more of these prospects may be drilled in 2018/2019.

The P'nyang South 2 well, being operated by Oil Search on behalf of the PRL 3 Joint Venture, is expected to commence drilling in the fourth quarter of 2017. While the primary objective of the well is to migrate 2C gas resource volumes to the 1C category, it may also verify recent work by Oil Search which has highlighted material 2C upside potential.

The upside at P'nyang, the Muruk discovery and the high grading of prospects along the Hides to P'nyang trend supports the potential for gas volumes beyond the current 10 tcf booked at Elk-Antelope and P'nyang. This would increase the options for gas supply to support future LNG expansion.

Appraisal of the Barikewa and Kimu gas fields is expected to commence in 2018. Subject to results, commercialisation options for these fields include the delivery of third party gas for LNG expansion or small scale LNG, which represents a potential competitive source of fuel for domestic and/or regional markets that are currently dependent on diesel.

A seismic acquisition programme over several licences in the onshore Papuan Gulf Basin, which Oil Search is conducting on behalf of ExxonMobil, is underway. These licences are located adjacent to the world-class Elk-Antelope gas fields and contain the Triceratops, Bobcat and Raptor discoveries.

Muruk 1 well in the North-West Highlands of PNG.



REPORTING CALENDAR - SECOND HALF OF 2017

July	18	Release of 2017 2nd quarter results
August	22	Release of 2017 half year results
September	5	Ex-dividend date for 2017 interim dividend
	6	Record dated for 2017 interim dividend
	26	Payment of 2017 interim dividend
October	17	Release of 2017 3rd quarter results
December	31	End of financial year

SHAREHOLDER INFORMATION

Information on Oil Search is available on the Company's website: www.oilsearch.com

SHARE ENQUIRIES

For information about your shareholding, including dividend enquiries and any changes in shareholder details, please contact Oil Search's share registry, Computershare:

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For other investor information, please send an email to investor@oilsearch.com

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