# Event Transcript

**Company:** Oil Search Limited
**Title:** Investor Day
**Date:** 19 November 2020
**Time:** 9:00 AEDT

**Start of Transcript**

Ann Diamant: Good morning, everyone. My name is Ann Diamant, I'm the Senior Vice President of Investor Relations at Oil Search, and I'm delighted to welcome you to Oil Search's 2020 Investor Briefing. Some of you may have already seen from the ASX release that we made this morning, we've got a fairly full agenda this morning as we take you through our revised strategy and an update on all our activities.

I'm delighted to be joined today by Rick Lee, Oil Search's Chairman, who'll open the session, and then this will be followed by presentations from our Managing Director, Keiran Wulff; our EVP of Alaska, Bruce Dingeman, who's joining us from Anchorage, thanks Bruce for staying a bit later. Diego Fettweis, our EVP Commercial, he'll take you through our PNG activities. Beth White, who is in the newly created position of EVP Sustainability and Technology, which is increasingly a really important area for the Company. Last, but not least, Stephen Gardiner, who is our CFO, he'll take you through our capital management plans.

We'll have time for Q&A after the sessions, after the presentations. Unless you have pre-registered to call in to the teleconference, please can you submit any questions through the webcast? You can do this by clicking on the text at the bottom right-hand corner of your screen where it says submit a question. Just click on that, a text box will come up, write in your questions and then just remember to press submit.

We'll obviously try to cover off as many questions as we can during the session before we stop at 12:30, but if we don't reach your question, we'll come back to you directly and follow up later on this afternoon or in coming days. Before I hand over to the Chairman, I'd just like to draw your attention to our disclaimer. In today's presentation, we'll be making some forward-looking statements that refer to our estimates, plans and expectations. Actual results and outcomes could differ materially due to the factors which we note on both the slides but also in the releases to the ASX and the PNGX.

Now, delighted to hand over to Rick Lee to commence the presentation. Thank you.

Rick Lee: Thank you, Ann, and let me add my own welcome to everyone on the webcast, thank you very much for joining us. This morning we are outlining a refreshed ambition and clarity on our strategy for meeting that ambition. Importantly, we will outline our approach to sustainability and capital management as well as our roadmap for executing our strategy.

Before Keiran and the team explain the details of our refreshed strategy, I want to outline the insights and strategic foundations which the Board have considered in reaching the decision on Oil Search's strategic priorities. The first is reality, the energy industry is entering a new paradigm that has to be considered by any company looking to be part of the long-term energy market. The world is transitioning towards lowering carbon emissions and our industry has a very big role to play.

Following extensive reviews and analysis, it is clear that responsibly produced low-cost oil and gas will continue to play a critical role during this transition. With the recent drive to carbon neutrality in a number of countries by the middle of this century, LNG will increasingly be important as a transition fuel for baseload power as countries strive to meet their emission reduction targets necessitating a move away from coal, especially in our Asian LNG market region. We believe Oil Search is very well placed to deliver projects that assist countries to meet their emission reduction targets, while also delivering our low carbon intensity oil development project in Alaska.

This has been the subject of intense review, to optimise the development phasing to support lower costs without compromising long-term value. Our projects must be low cost and resilient to price volatility if they are to be competitive in this new paradigm.

The second and related foundation is that investor and societal expectations have fundamentally changed. Measurable action on sustainability is essential. Community betterment has been a core strength of Oil Search for many years, we are a genuine leader in our commitment and delivery of services to the communities with and within whom we work. We will broaden that commitment to also be a leader across all areas of sustainability. Beth White will go into detail on this shortly.

Fundamentally, sustainability will be at the core of our decision making. Not just ESG reporting, but measurable delivery against commitments to create a balanced Company that contributes to the long-term wellbeing of society generally.

Finally, we have learned some hard lessons this year. We have been listening to our investors and to the market. We have reviewed our past performance. We are clear we need to prioritise free cash flow generation and returns through resilient operations. We need disciplined capital management and rigorous downside planning. This is critically important to our refreshed strategy.

This year we have responded to a uniquely challenging backdrop to enhance our resilience with sustained cost improvements, and a focus on commercialising our growth at the lowest possible break evens. We have been impacted more than others by the downturn, but we have now positioned the Company first to be more resilient. Then to be ready to adjust our plans flexibly if market conditions require, and finally to be capable of delivering greater upside when market conditions turn for the better.

The strategic review is the culmination of many months of work, informed by our current position by in-depth analysis of global trends, and importantly by shareholder feedback. We have sought and incorporated independent analysis of our situation and outlook and have opened ourselves up for detailed external scrutiny.

Oil Search's updated purpose and ambition reflect our response to these strategic foundations that I am sure all of our stakeholders can relate to. We are now clear in our purpose. We will deliver low cost, high value energy that meets society's needs. We have left no stone unturned to ensure we achieve our ambition to be the preferred energy company for all stakeholders, including our shareholders, our joint venture partners and the communities and governments with whom we work, and of course our employees who are absolutely key to delivering this ambition.

The Board is confident that the new strategy drives a compelling investor proposition. It has the Board's full support. Despite being a very difficult year, we have used this as a catalyst for making the necessary changes to take us into the future with confidence and with capability.

I would like to thank every member of the Oil Search team for their hard work and extraordinary commitment and contribution during 2020, and I now introduce our Managing Director, Dr Keiran Wulff, to present the refreshed strategy.

Dr Keiran Wulff: Okay, thank you very much, Rick. Firstly, on behalf of Oil Search, I'd like to acknowledge the traditional custodians of the lands and the regions we work and operate. We acknowledge their ongoing connections to land, sea and community, and we are fully respectful of their culture.

Well, we have a very exciting future and a proud heritage, but 2020 has been a very humbling year for the Company. It's been a time of introspection, considered yet clinical decision making and being absolutely focused for a reset for the future. This year has necessitated Oil Search taking some tough decisions at every level and challenging the way we do business going forward. We've been one of the companies most effected by the downturn, but we're also one of the most [unclear] leveraged to the upturn which will inevitably happen.

The demands on our staff this year have been enormous and they've been simply wonderful, despite all of the uncertainties our team has delivered across the business at every level, and aside from the oil price we've had a very, very strong year. Whether it be in the field maintaining our operations safely and production reliably in a COVID restricted world where many of our team are away from their families for more than four months at a time. Our PNG BU or business unit, supporting the field operations and driving efficiencies into the business whilst building new and trusted relationships with the PNG Government.

The Alaskan team driving costs down and constructing civils well below budget, that have allowed us to consider a paradigm change in the way that we develop the field and manage our CapEx to make the project in our giant Pikka oil field, resilient at low oil prices whilst maintaining our ability to drill to achieve full value. Our corporate teams overhauling our capital management approach and driving long-term costs out of the business whilst undertaking a very soul-searching transparent and critically important strategic review that will set the directions for the Company for many years.

Our sustainability team enhancing our culture and building our capability and our appeal across, and our commitment to the community as a whole and expanding it across the company has been incredibly important. But in addition, I would also very much like to acknowledge the Board's engagement and involvement this year, which has been unparalleled in the Company's history.

What you'll be seeing today is the results of an absolute team effort that has the buy-in of all of us. We are committed to delivering on our enormous potential and making this Company simply the preferred Company for all stakeholders.

Global trends. During the strategic review, the Company has considered many macro trends that are fundamentally changing the way energy companies are doing business, to be successful. We've incorporated the views of researchers, leading global specialists, advisers across all areas including climate change, energy and pricing outlooks, investor sentiment, employee motivation. We've reviewed the potential for disrupting technologies as well as having an independent view of the quality of our assets and the capability of our people to deliver on those assets.

On some external issues, many have differing views, but many say one thing in common, our industry is still critically important and has a material role to play for many years. However, the reality is that the world is changing to a lower carbon future, and energy companies need to consider any number of issues and opportunities.

COVID and its impact short and long-term on global energy and capital markets as well as general behaviours. Between 7 million to 9 million barrels have been taken out of global demand this year, relative to 2019. Whilst demand is returning strongly, especially in China and other Asian countries to return to pre-COVID levels, the reality is that returning to those levels will be totally dependent on the roll-out of the vaccine, which is now looking very much more positive.

Recently, highly respected analysts are now suggesting it may be as early as 2022 when demand reaches pre-COVID levels, which is much earlier than previously considered. The precipitous oil price drop, the near-term volatility and the uncertain energy demand outlook is a key area we all need to consider. Long-term oil prices for many majors are now centring in the $50 to $65 per barrel range. Whilst there are some calling for peak oil in this decade, the reality is that oil is embedded in our world and will take some time to unwind.

Quality projects that are low intensity, low sulphur, close to infrastructure and demand will be well sought for, for a while yet. The role of LNG as a major transition fuel as the world moves to a lower carbon future, and the need to replace high emission greenhouse gas fossil fuels. LNG will be a key transition fuel for the planet, it not only provides a pathway to a lower carbon future, but also provides that certainty for governments around the world to develop energy policies that support economic stability and growth, as well as meeting obligations under the Paris Accord.

Investor sentiment on the role of oil and gas in tackling global climate change, challenging regional politics and trade routes and attracting funding for projects which will increasingly be challenging for those companies that do not adopt a more committed and tangible approach to sustainability. These are all paradigm changes that must be committed, and as a result the company needs to focus on delivering tangible reductions in our emissions and reducing our environmental footprint, ensuring that we have the lowest cost of supply.

Having absolutely strict capital discipline and strengthening our balance sheet through a number of different means. An ability to upscale projects subject to market conditions, and we have to be aligned with the interest of host governments and the stakeholders where we work. At Oil Search, we are incredibly fortunate to have a world class asset base with a commitment to sustained ability going forward.

As a result, whilst no doubt there are challenges ahead, we are actually very excited to be in the position to deliver our value and continue to evolve to meet society's needs long-term. Rick has outlined our new vision and purpose, and Bruce, Diego, Beth and Stephen will outline how we intend to meet the external challenges and deliver value sustainably and responsibly.

Who is Oil Search? After 91 years, I don't think I need to tell you terribly much, but what I want to talk about is what the key theme of our strategy is, and it's shown on this slide. Fundamentally, we do not need to explore for more resources. We have an existing resource-base that can deliver material value for our shareholders for many years. We've only commercialised around 25% of our existing 2C resource base. The programs we're putting in place and the alignment we're building with our joint venture partners in both core projects have the potential to nearly double our production and commercialise over 75% of our discovered 2C resource.

Based on the plans we're producing, we'll develop programs that will increase our production to over 150,000 barrels of oil equivalent per day of slow decline conventional resources later this decade, without the requirement for material sustaining capital. We have first class, challenging environment operating capability, demonstrated in PNG and more recently in Alaska where we have built a highly experienced Alaskan team who have already demonstrated leading performance and have set drilling records in that region.

As you will see, we're making serious strides in advancing those areas we can control, lowering break-even and ensuring we're positioned strongly for the future.

What have been our achievements and challenges in 2020? Well, there's been many of them. In 2020 we've made decisive steps in enhancing the resilience and stability of our business through the liquidity raise, reducing costs, cutting all discretionary expenditure, right-sizing our organisation for the future and driving performance across the business. With the support of our incredible workforce and through early and decisive action, we operated in PNG through the challenges of COVID and continue to do so without disruption and with a world class safety performance, our best in the Company's history.

In Alaska we've also had an incredibly successful field season, as you will see, with two material discoveries close to infrastructure, and most importantly we've built the construction of a road into the centre of our giant Pikka field, which will be the foundation for our phased development going forward. Whilst we were very disappointed to be in the position to have to raise capital, we felt that it was in the best interests of the shareholders, and we've learnt a serious lesson around ensuring resilience to lower oil prices.

We ensured that every single new share went to existing shareholders to minimise dilution. Based on yesterday's share price, the shareholders who participated would have made an approximately 80% gain on the issue price, we hope that they make much, much more going forward. We have also reduced our production costs by just under $2 a barrel and have implemented a dedicated office to continue to drive performance and continuous improvement across our business.

We are absolutely committed to building on the cost breakeven efficiency gains that we've made. We've also developed very clear priorities, focused on commercialising our 2C resource base, and with our partner, Repsol, are advancing a development plan in Alaska that will halve our initial CapEx requirements, enhance returns, reduce long-term funding requirements, manage risk and ensure that we're in the position to deliver full value from our giant Pikka oil field, and it is within our control.

PNG has been a challenging place for the last couple of years, with delays to the major projects adversely impacting our Company, and also the investment climate in PNG more broadly. It's actually very interesting to see how things would have worked out though. I'm not sure if a development committed to a year or so ago would have advanced very far under current global conditions, market pricing, and the cost incurred would have been material.

As you will see from Diego, there's a significant increase in interest from all parties to simplify PNG LNG expansion and initially focus on Papua LNGs two trains. Whilst discussions are ongoing, all relevant parties recognise the importance of working together to determine how best to tie in P'nyang in the future. That decision will be made going forward, but the intent is still to ensure the synergies of tying the Papua LNG project into the downstream facilities at Port Moresby remain.

I've recently been in PNG and in quarantine three out of five weeks, and I'm very aware the importance the government places on advancing LNG projects. We are generally encouraged by the level of support we're seeing from both sides of politics in PNG, and we're getting increasingly enthused about PNG's future. It has the potential to be a very bright one.

Whilst PNG is certainly the land of the unexpected, recent events in PNG are worth following closely, and public comments by Total, the PNG Government and the PNG opposition, are increasingly supportive of advancing the Papua LNG project in PNG. We believe that a delinked and sequential expansion in PNG is in the interests of all parties, which when combined with the halving of our CapEx in Alaska, manages our capital demands well over the coming years, and Steve will outline this in the capital session going forward.

One of the most significant and frankly, exciting changes that we have made this year is the elevation of sustainability across every facet of our business. We've elevated this critical role to the Executive, and with Beth's understanding of our assets, her strong commercial acumen and a passion for sustainability, she's ideally placed to drive that across our business. She'll be commenting on our commitments and initiatives later in this presentation.

Our strategy, well, as Rick said in his opening remarks, we want our [purpose] to be something that all key stakeholders can relate to, we simply want to be the preferred energy company. Our strategy is simple, it's about having absolute focus, driving sustainable costs lower, focusing our PNG operations and activities on those that matter and have the material impact on the Company, reducing Alaska's cost of supply and CapEx, and making that a self-funding project going forward.

Optimising the organisation for the future, phase 2 will all be about delivering, commercialising our Pikka development, prioritising and progressing Papua LNG and optimising our PNG LNG expansion with a P'nyang integration approach. We're looking at also further decreasing the breakeven of our oil production in PNG, and we're looking at establishing tangible carbon offset programs and greenhouse gas emission reduction programs and decreasing our environmental footprint across the Company.

Longer term phase 3, for us this is all about ensuring that we maintain long-term shareholder returns and material free cash flow across the Company. It's about ensuring that we deliver Alaska's full potential. We will consider targeted and complementary energy investments, like the Biomass project, which have to make money unto themselves. We may consider value accretive M&A, only if it rates above our internal value options, and only if we believe it's strongly in the interests of our shareholders.

A key factor in our strategy is an absolute focus and discipline around capital management and flexibility, and sustainability will be at the core of all of our decision making. One of the things we've learnt through the strategic review is ensuring we focus on those things that we can control, and absolutely manage the risk of those areas that we don't. This year we've optimised our cost base with over $90 million of actual operating cost savings, which includes some one-off restructuring costs and COVID-related costs.

Bruce will provide much more detail on the paradigm change to our approach in Alaska, where we've reduced our CapEx requirements in Alaska by 50%, reduced our breakevens fully loaded with a 10% return on capital, to less than $40 a barrel, and we're well on the way to achieving our target of $35 a barrel. We are reducing our new capital spend by 75% going forward, limiting exploration and only focusing on projects that have low break evens, early payouts and are close to facilities.

By simplifying our portfolio and focusing on highest return assets, we'll also be making material future capital savings in excess of $200 million, simply by not doing things that do not have near term commercialisation opportunities or have high breakeven. We are focusing on the highest and fastest return to capital that is within our control.

Underpinning the Company's strategy and strength is the simple fact that we have some of the best conventional gas and oil resources on the planet, and that we are well placed in terms of access to existing infrastructure, low breakeven costs, and in areas where host governments and communities are strongly supportive of responsible developments. In PNG, despite the fantastic performance from our PNG LNG assets, which have averaged around 8.5 million tonnes per annum, we've actually increased our PNG resource base over the last five years by 12%. We've only commercialised around a third of our 2P to 2C.

In Alaska, we've achieved incredible growth in our 2C resource base, which has recently been certified by Ryder Scott. In 2018 when we started, we had 128 million barrels of 2C, which has now grown over 400% to over 494 million barrels net. These resources are all within access to existing facilities and would be commercialised by the thorough phased development program that Bruce will cover shortly.

Importantly, we're also now very aligned with our joint venture partner, who will also be having their investor day, next week. Given the scale, the conventional nature, proximity to infrastructure and the opportunity to create much more further value, we are seeing increased interest in our project, and we'll be launching our divestment next year in cooperation with Repsol, ahead of FID, which is scheduled for 2021.

This is a slide that I really like, and it really demonstrates the materiality and the comparative strength of our value portfolio against peer projects globally. The graph on the left is a simplification that just shows our forecast build on production, which is a doubling of our production over the course of this decade, contributed through PNG and Alaska. The chart on the right displays the development costs per barrel, which is a bang for your buck slide, and it shows the Pikka development relative to other global peers.

It demonstrates that in terms of dollars per barrel, development costs per barrel, Pikka rates incredibly well, and the attractiveness of phase 1 at 80,000 barrels a day can simply be scaled up by 40,000 barrels per day modules. It highlights that the resource base we have in Alaska has enormous upside that also can be funded through cash flow from earlier phases.

I'd now like to talk about the role of sustainability, and Beth will go into much, much more detail. But sustainability in the community is not new to Oil Search. Under Peter's stewardship, Oil Search became well renowned for its commitment to communities in Papua New Guinea. Moving forward, we're building on that commitment strength to expand our leading approach to minimising our environmental footprint and minimising our carbon intensity across the business.

We are genuinely excited by the increased focus on sustainability, we see it as a massive opportunity for the Company to differentiate itself from others. We're extending our focus across seven pillars of sustainability, which Beth will explain, and community is only one. Based on our analysis, our Pikka oil field and existing new LNG assets in PNG are ideally placed to support our alignment with the Paris Accord and beyond.

In this exciting time for those companies in the industry with quality assets close to existing infrastructure, and an ability to have a low emission intensity future, we are excited by what we have. Our activities will be transparent, tangible, and we'll continually build our commitment over time. This slide simply displays a number of chronologies of some key activities over the last five years and is by no means exhaustive.

From establishing a leading health foundation, initiating programs to assist and protect women from domestic violence, being a friend in times of need when negotiating landmark land usage agreements that genuinely ensure communities are better off as a result of our involvement, will ensure that our commitment to sustainability is the foundation for our purpose of being the preferred energy company for all stakeholders.

The future of Oil Search. The tangibility of our value is demonstrated in this slide. We have a phenomenal, discovered resource base that will be the focus of our strategy over the next five years. We have the resources and the potential to more than double our production to over 150,000 barrels of oil equivalent today. Subject to oil and gas prices with reduced CapEx and sequence value programs, combined with the payout of our PNG LNG debt in 2026, we have the potential for our existing assets to deliver a massive increase in free cash flow from our production base, which Stephen will go through, based on low break evens later this decade.

Our focus on commercialising our resource base is at the core of our strategy, and we'll be looking at having the 2C to 2P conversion rates increasing from 25% to 75%. Very importantly, we will also be reducing our carbon intensity and setting targets of at least 30% reduction in intensity of our carbon emissions, and Beth will provide more detail shortly.

A key for us is frankly that we do not over-promise. We have been very systematic and focused to identify all those levers that we can control, and ensure we risk and consider all those areas we don't. It is our intention to be very transparent and bring our investors along with the journey. We're targeting regular milestones that will continually de-risk our portfolio and create value events for our shareholders. Subject to oil prices, the progress we have made in Alaska at every level has enabled us to advance the commercialisation of our giant Pikka oil field, and adjacent discoveries progressively will be coming over future years.

Following the couple of frustrating years recently, we believe that the signs are good for advancing the Papua project, targeting a 2027 first gas window. The recent legislation to support the gas agreement last week, public comments made by the PNG Government and Total, support this direction. But we will have to wait for the parties to meet, which we understand is planned in the near future. There are still many hurdles to overcome before the Papua gas project progresses, least of all a confirmation of the market.

The quality of our asset base in all areas that support responsible projects, bodes well for an exciting future for oil search and the multiple de-risking and value events for our shareholders. So, key messages is that Oil Search genuinely has a world class asset base, but the importance or resilience, capital management, balance sheet strength, reducing our costs while still motivating our employees, and understand macrotrends with a clear understanding of what we control and what we don't, is critical to long-term success.

It is also key for enhancing the confidence of our investors and key stakeholders in our Company. The strategy about renewing purpose and ambition and ensuring we're aligned with our shareholders and key stakeholders, is fundamental. It's about ensuring we deliver on the value of the Company through a laser focus on costs and capital management and flexibility in a manner that meets society's expectations. In Oil Search there are no sacred cows, it's all about shareholder value.

Our approach will be disciplined and sustainable in all areas of the business, which will be fundamental, and sustainability will be fundamental and a core consideration in all decisions. The reality is that our journey has already begun, utilising our recent company-wide engagement survey, we're building a performance culture across the Company focused on safety, operating integrity, delivery, costs and empowerment of our employees so that they can reach their full potential across the business.

We genuinely have the capacity to deliver our world class assets. They are conventional assets based in the lowest quartile cost and they are large in terms of materiality and have the potential to more than double our production, as you've seen. The strategy we're outlining today is very simple, it's about focusing our capital to commercialise on our discovered resources responsibly, to generate long and material cash flow for our shareholders, and ensure that the Company has the capital strength and capability to deliver.

I'm now very pleased to hand over to Bruce in Alaska, and then Bruce will be followed by Diego for PNG, Beth on sustainability and Stephen, and they'll give you much more detail in regard to our strategy going forward. I'll hand over to Bruce.

Bruce Dingeman: Great, thank you, Keiran. As Keiran mentioned, my name is Bruce Dingeman, I lead the Alaska business unit reporting to Keiran, and I'm joining today from Anchorage. We'll start with a brief two-minute video showing the significant progress we've made over the past year in both our exploration and civil works programs. You'll see several alternating scenes between winter and summer, you'll see for example an exploration rig drilling on an ice pad in the winter, and then you'll see a vignette of the reclaimed site with the mound of dirt over the former well location.

Similarly, you'll see ice roads that were laid in the winter to lay our gravel roads and paths, and then you'll see those reworked in the summer scene and compacted and graded. Additionally, you'll see the bridge installation from our civils program in the winter, and a completed view of that bridge in the summer. So, pay attention to the alternating winter and summer scenes to see the contrast of our environmental conditions under which we operate.

A couple of key points that I think you'll take away after viewing the video include the significant amount of work that was done. There's a lot of tangible progress has been made in delivering our project, for example the gravel lay itself included putting down 1.8 million cubic metres of gravel. We installed three pads covering a surface area of over 22 hectares, and we put down over 17 kilometres worth of road. So, this is quite an achievement for the team and was done in a very safe and environmentally responsible way. So, I hope you enjoy the video. Let's go ahead and kick off with that and then I'll join back here shortly.

[Video playing]

Bruce Dingeman: Okay, if you could back up the slide please. Thanks very much for showing the video, and also thanks to our external affairs team, Amy, Matthew and crew for pulling that together, it was really fun to see the progress over the past year.

As Keiran mentioned at the offset, we've pivoted to a phased development, and this was really born out of the confluence of two key events. First, the obvious one, the drop in price, and second, the running room that was introduced by our successful exploration efforts. So, the phased approach really opens the door with an initial high-return, low-cost development, which we followed by subsequent phases that will benefit from both the learnings from that first phase as well as the cash flow it generates.

So, it really represents a commercialisation pathway to volumes that go way beyond what we formerly envisaged. So, I think you'll see the incremental value that we build for each increment as we go through the coming slides. On this slide that's in front of you now, you can see from the video that we played earlier that we did make tangible progress on the placement of our backbone road. So, that picture on the left is of our bridge crossing, that's the Miluveach River, it's a 58-metre span and it was built using a high technology, lightweight precast girders.

Our team delivered basically the largest civils program on the Slope in over 20 years, and at its peak included over 800 workers. The next column shows two drilling rig vignettes, one of those is from our Mitquq location, which is located 10 kilometres to the east of our planned Pikka processing facility. So, with further appraisal there, it will be developed in a very capitally efficient way, as a tieback to that facility. Similarly the Stirrup well, which was drilled in the south of our core area, will underpin a new development hub in the future.

Then the last column to the right is our seawater supply solution. We've optimised it to improve production efficiency in our water flood displacement process. Important to know we received the key environmental permit modification from the United States Army Corp of Engineers, and we've incorporated this new standalone seawater treatment plant into our development plan. This provides several benefits. One, it gives us greater supply surety of water, it also gives us an improved water quality versing having sourced waters from others. It's important to note together that these activities demonstrate our ability to execute projects and it makes us more confident in our ability to deliver and operate the Pikka project itself.

If we could move to the next slide, please. As we've shared in the past, our holdings are surrounded by infrastructure, and we have a world class asset that's bound on the west by Alpine field and on the east by Kuparuk. It's situated east of the Colville River, which gives us road access back to the service hub of Deadhorse. We've got good pipeline takeaway capacity through open access lines all the way to the seaport of Valdez. So, it's important to note here that the yellow blocks represent our leasehold, those are all on state lands.

The long green image there is the Pikka trend, and then you can see labelled the recently drilled Stirrup and Mitquq areas as well. You can also see the network of pipelines and roads displayed, highlighting our access to infrastructure. Finally, it might be a little hard to see, but you can see the black line represents the road we laid this winter, and the three green squares represents the pads that we put down. So, the one to the farthest to the north west is the NDB drill site, or middle drill site, the middle square represents our processing facility pad, and then the eastern most square represents our operation centre.

The two black squares represent future expansion into phase 2, which would be our A and C drill sites respectively. So, the key takeaway here is that we're surrounded by infrastructure, we've got plenty of roads and pipelines and our development is well progressed to tap into that network.

If we could move to the next slide, please. So, this is a bit of a zoom in, the prior slide was a large regional overview. If you zoom into our leasehold, those light-yellow squares represent our acreage position. The darker green image represents the Pikka trend, that's the most mature and advanced, and that's where we'll focus our activities for Phase 1. You can see the red line representing the installed gravel road from this winter, and then you can see the zoom in for the Mitquq wells, we drilled a mother bore and a side track there, as well as the Stirrup well to the south west.

The brighter green colour represents the higher confidence resource volume, and then the lighter colour represents the extent of the trend. So, you can see that with further appraisal, both of those features, the Mitquq trend and the Stirrup trend, have potential to be the scale of Pikka itself. We've called Mitquq the well location. That trend we've called Quokka. And the Stirrup well is combined with Horseshoe. We call that the Horseshoe area.

So, lots of significant growth in our resource, as you can see from that map. To the right, this is a gross 2C resource volume, and as Keiran highlighted, we've had an independent third-party reserve audit by Ryder Scott certify these volumes. Back at the acquisition, we carried 500 million barrels of 2C resource, dominated by the Pikka area. Then you'll recall in 2019 we drilled the Pikka B and Pikka C locations, which are also annotated on the map. That resulted in a resource uplift, bringing us to a little over 700 million barrels.

This year of late we've acquired additional offset well data, we've done more technical work, including integration of key seismic data and other information, and that has added an additional 40 million barrels, bringing us to over 0.75 billion barrels of 2C resource certified by Ryder Scott. The last wedge represents the initial increment from Mitquq and Stirrup, the Quokka and Horseshoe trends respectively, bringing us to nearly a billion barrels of 2C resource.

I'd like to add that this does not include the prospective volumes that run beyond that but suffice it to say we think that these trends have potential to be Pikka-like in scale.

Thanks for advancing to the next slide. Phase 1 is really the first step in the commercialisation pathway. There's quite a few numbers on this slide. Before we get into those I'd like to just clear what we have here. The column on the left are the key parameters, so the resource developed, the capacity, the facility or the throughput, the cost for both facilities and wells, our operating costs. Then the bottom two lines represent economic outputs from those inputs.

One is the cost to supply, that includes a 10% return. So in other words it's the price level that would realise at 10% return. Then the IRR is the return we expect to achieve, given our price outlook. So, that's the key parameters. Across the top, the columns, phase one represents our first project increment, which would be that Nanushuk drill site B, the middle drill site we highlighted and that we've installed gravel to this past season.

Phase 2 represents two additional drill sites that are within the permitted scope, that's the A and C drill sites to the north and south of that central B drill site. Together, those represent the former scope that we had planned to undertake but with further volumes and efficiencies within them. Then the far-right column represents the first drill site at Mitquq, which again could go beyond that single drill site. It could include more but for planning purposes we've included this first drill site increment there.

So going through the numbers themselves, Phase 1 we'd expect to develop between 350 and 400 million barrels gross. That will be from a single drill site. That represents about half of the volume we were formerly going to develop but it's from one drill site rather than three.

Additionally, below that is the facility capacity of 80,000 barrels a day. That represents two-thirds of our former nameplate capacity and it's done using modular facilities that have standardised equipment which allows us to have both a lower cost but also a shorter timeline for development.

The CapEx, if you sum up the facilities in drilling CapEx, that's in the US$3 billion range and includes a 15% to 25% contingency which varies by project element. This is roughly half of the former capital estimate and that cost reduction is realised principally through design and value engineering work. Additionally, we've high-graded to focus on the very best parts of the reservoir.

The other - all these factors - well before I jump to that. The operating cost is the next parameter and that's been reduced by virtue of integrating and optimising a sea water solution into our plan rather than sourcing volume from others. So together, as a consequence, this yields less than US$40 per barrel break-even cost of supply. As I mentioned, that includes a 10% return and at expected pricing, yields an excess of 20% greater return.

The key take-away from this is that we're realising two thirds of the production capacity and half the capital to make it a very efficient and high return project but we haven't lost site of the total value prize. So if you move to the next column under Phase 2, you can see that we'll unlock a comparable volume from the already permitted drill sites of A and C. Another 350 to 400 million barrels. As you'll recall from the previous slide, the resource potential is increased by 40 million barrels and part of that is attributable to Phase 2.

We'll be able to undertake an efficient facility expansion of 40,000 barrels a day to tap that Phase 2 volume and it's important to note that for 15% to 20% cost reduction of facilities, drilling, operating costs, 15% to 20%, that translates to roughly a US$5 per barrel improvement in the break-even cost of supply which frankly, we feel is achievable given the synergies we would expect as we go from Phase 1 to Phase 2. Again, that would yield a superior return to what we see in Phase 1 on rate of return as well.

Moving to the third column, Mitquq is as I mentioned, it's only 10 kilometres to the east of our processing facility so it represents an easy tie-back to our facility and with additional appraisal and permitting, it could be produced either as backfill to that facility or, depending on reservoir performance, an expansion. So this efficient development would target further improvement in the break-even cost of supply and return.

So a couple key points before we move off this slide. The sum of these phases exceeds our former plans in terms of value while delivering it in an efficient and importantly with increased optionality and flexibility. Each of these columns represent separate and discrete investment decisions that we can take and manage the timing of, depending on the business environment and price conditions that we find ourselves in.

Okay, if you could move to the next slide, please. So I've touched briefly on our how our optimised design lowers the cost of supply. The modular design itself uses standardised equipment that not only reduces cost but allows for a shorter period to first oil. It additionally is less beholden to seasonality because it doesn't necessarily rely on a sea lift for installation.

Our design includes no flaring and its high efficiency electric generation to minimise emission intensity as well. So we're doing this not only in low cost but in an environmentally responsible way as well.

The waterfall chart you see here starts out with our former view where were in that US$45 per barrel range which, if you look above that, the brent future strip price is in the US$45 to US$50 range. So it really didn't give us much risk abatement relative to that price outlook for that case. That was part of the - what motivated us to look for this improved development plan that we've been discussing.

So we high-graded to this NDB central drill site, single phase - initial phase development. Adopted the modular facility approach, of which we've locked in a significant cost savings, driving us to sub-US$40, but we see that there's potential for further cost reduction as well as other commercial synergies such as outsourcing and other improvements to our economics.

So our target, by the time we get to FID is in the US$35 per barrel range which, if you look at WoodMac and other benchmarking data, even at the US$40 - sub-US$40 level, puts us in the upper quartile of greenfield developments.

Okay, if we could move to the next slide, please. This schematic you may have seen before. What's changed is that we've greyed out the NDA and NDC drill sites because they'll be prosecuted as part of Phase 2. Then we've added the first drill site at Mitquq, which is greyed out, which will represent a Phase 2 plus expansion.

You also notice that the central backbone is darker grey. That represents the already installed road base that goes from the existing road at Mustang, all the way out to our drill site NDB. Then you can see the three pads themselves that we've already installed. NDB is the drill site, NPF is our processing facility and NOP is our operations centre.

Finally, you can see the pipeline network overlay that ties us back to the open access pipeline for crude evacuation.

I think I already mentioned that the permitted scope already includes A and C, so Phase 2 is already fully permitted and we view the Mitquq piece as a relatively straightforward appraisal and permitting process for it to be captured.

Okay, if we could move to the next slide, please. This represents a - the phase production represents approximate production profiles by phase. As you can see, our current thinking is that we'll have first oil in 2025 at 80,000 barrels a day gross and that will be realised using a pre-drilled well stock to ensure that the facility is loaded from the start.

Our Phase 2 increment comes on the heels of that and then Mitquq first drill site in addition to that. So you can see that the total area under those shaded curves exceeds what was our original production outlook. That's the solid blue line and we've shifted it a bit to the right because of the price downturn and the recycle that it imparted but the total value picture is actually larger because of that increased volume but also because of the efficiencies we've imparted by lowering cost.

Okay, if you look at the bottom, there's a few vignettes there showing - talking about how we go from Phase 1 to Phase 2 and Mitquq and beyond but I think I've covered most of those points already.

Okay, if we could move to the next slide, please. So this is another cut at the resource picture. You'll recall on an earlier slide, we showed the resource progression of 2C resource and this breaks it out along those trends. So the Pikka trend, Quokka where we drilled the Mitquq wells and then Horseshoe where we drilled the Stirrup well.

The grey bars represent our prospective resource volumes. So we see additional resource volume at Pikka, principally through the clinoforms that are a bit east of our existing - our planned drill sites. These could represent real value accretive infill opportunities to our development plan.

The next column shows the running room along the Quokka trend and as I mentioned, an exploration well there was drilled last year and a further appraisal will prove up those prospective volumes. Similarly, the Horseshoe has significant running room there as well, although it would be developed as a new hub rather than as a tie-back facility like Mitquq.

Okay, if we could move to the next slide. So sustainability is a - it's a core value that has been exemplified through our development plan. We've incorporated key technical solutions to yield greenhouse gas emission improvements and we've addressed community input in our development plan as you may have noticed in the video earlier.

If you read through each of those - I won't read through each of the sustainable practices that we've adopted but the last one is worth calling out. We're really putting a high degree of emphasis on youth education as a priority.

Moving to the upper right-hand corner of this display, Rex Rock Senior leads the largest Native Corp in Alaska ASRC, Arctic Slope Regional Corporation and his comment about our sustainability mindset is a real affirmation of our approach.

They're very much a trusted partner, as is - in the lower right-hand corner is a photo of Keiran with - handshaking with Joe Nukapigak. He's the president of Kuukpik - the president of the Kuukpik Native Corp and the photo represents a signing ceremony where we executed our landmark land use agreement. It sets forth our partnership and cooperation principles and grants land access over the life of the Pikka field.

So it was a very, very key event. It's one that we took with a lot of humility and with a lot of time and thought. It really puts forward the partnership under which we'll operate for years to come at Pikka and the developing area around it.

So moving to my final slide, we talked about the design of the modular and low CapEx approach and our resilience to price being a key - making the project investable, even in a difficult environment. Keiran mentioned that we did this in alignment with our joint venture partner, Repsol, and so we're progressing in lockstep with them in this project maturation.

Under the second column, you saw the video. You saw the work we've done installing the gravel and road base. The wells we've drilled. We've demonstrated our capability to operate at a high level and responsibly in Alaska. Keiran mentioned our drilling performance record. We had the earliest spud off ice in 43 years on the slope and we've operated to date without any major environmental or safety incidents.

We've been adopters of the latest technology. You saw the bridge deck which was built from lightweight composites. We've adopted Tier 4 generation which leads to the third column, which will provide low emission intensity for our operations.

We've minimised our footprint. You saw the pad approach where we'll drill wells in clusters from pads rather than in a dispersed way and we've taken that footprint approach to the minimum impact possible.

Keiran also touched on our intent of conducting a divestment. A partial divestment. Now that we've adopted our new phased approach and finalised the detailed Phase 1 scope and timeline, we'll be proceeding with that, moving from 51% to 36% and we'll be doing that in cooperation with our joint venture partner.

Then, on the far right, we're always looking for ways to further improve how we work in the spirit of continuous improvement and that includes with all of our stakeholders.

The final thought I'll leave you with is that the phasing approach we've adopted imparts a lot of flexibility. With that, comes option value. So we have a significant value proposition in our leasehold, our reserve base and we have the flexibility to prosecute it in ways that fit with our - not only risk appetite and price environment but also our funding capacity. So it really represents a significant improvement on our project.

So with that, I'll turn it over to Diego and give you back the floor. Thanks very much.

Diego Fettweis: Thank you, Bruce. It is my pleasure today to present our new strategy direction and an update on Oil Search operations and projects in PNG. But first, let me start by showing you a short video as a helpful overview of operations and projects in PNG.

[Video played]

Diego Fettweis: PNG has not escaped the turmoil caused by the twin challenges of low oil price and the COVID pandemic in 2020. These exceptional circumstances have driven us to further enhance our resilience and to more than ever prioritise our people and our operations.

I am delighted to say that we have achieved a significantly improved safety performance since the beginning of this year and with continued focus through to the end of the year, we are on track to achieve our best safety performance in our history. This is illustrated by the graph on the left side showing our total recordable incident rate dropping to a record level of 0.73, year to date in 2020.

As far as the health and wellbeing of our employees and contractors are concerned, it is also fair to say that we have led the way in PNG in terms of putting in place very quickly a taskforce to help safeguard our people against COVID and to ensure resilient and sustainable operations.

All people entering the fields are subjected to a period of quarantine and the workforce in the field is segregated to minimise the risk of transmission among the business-critical field teams. We are pleased to say that to date, we have not had one single case of COVID at our operation sites. We are grateful to everyone who've gone above and beyond and have worked every single day to keep all such people safe.

But we also have leveraged a focus on resilient and sustainable operations to embed operational excellence initiatives and to push for significant cost reductions across the organisation. This has helped us achieve material operational performance improvement, including increased up-time of our operated facilities.

Our efforts to reduce organisational costs and third party spend have been critical to achieve our revised cost guidance. Overall, these efforts are on track to realise over 20% reduction in our production costs for this year. Going forward, our attention will remain centred on three pillars. Firstly, embedding relentless capital discipline and cost reduction initiative by leveraging enhanced planning and the introduction of new proven technology to improve tool time and realise wider efficiencies.

We'll continue the ongoing third party spend reduction work stream and continue investing in our staff and landowner company capabilities while further rationalising our support infrastructure. A transformation office has been established to set, support and monitor targets for the organisations, based on external benchmarking studies and detailed review of existing opportunities. This office will help govern and deliver the various workstreams with an overall objective to reduce our operated cost by 40% by 2023, relative to a baseline of 2019.

The second pillar is the further simplification of our business by focussing on the highest value licenses and portfolio optimisation to maximise return on capital. This will also lead to a 75% reduction in our average annual exploration expenditures for the coming three years, compared to the period 2017 to 2019.

The last pillar is to boost our production by drilling wells with a quick payback period and a high return and solely targeting in-field wells to maximise use of our existing infrastructure. This program has the potential to offset the natural decline of our operated oil production.

Moving on to our wider PNG portfolio and the world class PNG LNG project. First, it is worth highlighting the critical role which Oil Search operated assets play in PNG LNG. As crucially, our operated oil fields represent over 20% of the PNG LNG gas volumes with the Oil Search operated share of current production forecast to grow over the coming years.

Current development plans include the full integration of our operated assets into PNG LNG by no later than 2027. In other words, by that time, the Agogo production facilities are expected to export gas to the LNG plant.

Through operations in-country, we have also helped build capabilities with our landowner companies which the PNG LNG Project has also benefited from. The PNG LNG project of course remains the cornerstone of our current production, having achieved production levels close to 30% above nameplate capacity without additional capital spend.

The project is also expected to become the Oil Search cash engine once the project finance debt is repaid in 2026 and many options exist to extend current production which enables this truly world class project to deliver superior value long into the future.

With current resource base sufficient to sustain production for over 30 years, for the PNG LNG and expansion projects. The consistent oil performance by PNG LNG is well illustrated by the steady increase of annualised volumes every single year since the project start-up in 2014, with the exception of 2018, the year where a powerful earthquake struck the highlands of PNG.

In 2020, PNG LNG is well on track to deliver 8.8 million tonnes of LNG with an uptime of over 99%. A truly exceptional performance by ExxonMobil, especially given the extraordinary challenges posed by COVID. This operational performance will generate significant cashflows and we anticipate more than a doubling of net cashflow from PNG LNG once financing will have been fully repaid by 2026.

Now, shifting gears and looking into the future. Our gross projects are ideally positioned to benefit from the anticipated global LNG supply gap forecast in the later part of 2020s. Besides expectation that Papua LNG will coincide with the opening of the supply window in the Asian LNG market, an added differentiator is that the Papua project will deliver high quality rich LNG, just as rich LNG supply is diminishing.

The US LNG supply evolution has created a forward preference for premium rich high heating value supply in Asia. The recent announcement made by the governments of our target markets, such as Japan, China, Korea and Taiwan, regarding their new zero carbon policy, further reinforced LNG as a transition fuel of choice to enable displacement of coal and nuclear.

Moreover, in order to meet this net-zero goals, it is increasingly apparent that gas will need to become a core baseload fuel for the power generation sectors of our target north Asian markets. It is also worth pointing out that besides the expected boost in LNG and demand growth, concurrently there will be a large number of contracts expiring in our target markets.

With cumulative volumes of over 60 million tonnes per annum by 2025, this represents an additional and exciting opportunity for Oil Search. As Oil Search is preparing for equity marketing of its share of LNG, we have spent significant time building relationships with bankable long-term customers.

To this end, the key advantages for Papua LNG can be summed up in one sentence. Papua LNG is a low cost of supply brownfield expansion, providing premium rich LNG from world class operators within the Asian Pacific region.

In addition, Oil Search equity marketing will offer point to point sales as opposed to portfolio sales. This will ensure quality of our product to our customers. Our target customers said - has reinforced to us the value of being able to forecast the consistency - the consistent delivery of rich high heating value LNG versus managing cargoes of disparate qualities within a given annual delivery program year from portfolio suppliers.

PNG is also ideally positioned to the Asian markets thanks to its close proximity and the absence of pinch-points or geopolitical considerations such as trade tensions, the Panama Canal or Strait of Hormuz.

Finally, customers have a preference for brownfield expansions with a low cost of supply.

Overall, there is broad support for Papua LNG, starting with a strong desire from relevant parties to progress the project. Obviously there are other synergies with PNG LNG, which as this picture illustrates, has the capacity to accommodate the expansion trains and with Total and ExxonMobil as respectively the upstream and downstream operators, the project will benefit from unparalleled operations and project execution capabilities.

Recently, the project has also received additional support from the PNG Government. On 11 November, the PNG parliament overwhelmingly passed all remaining legislative amendments to implement the fiscal stability for the Papua Gas Agreement. The government has also reiterated its strong commitment to Papua LNG and the need to prioritise the project.

In a separate statement, the Prime Minister has confirmed that Papua LNG is now fully cleared and that its government's attention will shift towards the P'nyang project.

In conclusion, the Papua LNG project is well positioned and we expect a further [update] on the back of the planned visit of a Total delegation in-country in the beginning of December.

I would like to leave you with five key messages of what you can expect from Oil Search business activities in PNG. Firstly, we are committed to continuing our efforts to protect our people and assets, supported by the recent change to our operating models and implementation of our operational excellence program with broad ranging initiatives.

Secondly, we've built a solid foundation for the LNG expansion project by leveraging the PNG LNG project with Papua LNG well positioned to be progressed now. Thirdly, we will further simplify our business and maintain a right size organisation whilst sustaining capital discipline and the cost-savings efforts.

Fourthly, we will keep working closely with ExxonMobil to support the superior performance of the world class PNG LNG project and further integrate our operated asset with PNG LNG.

Finally, we will maximise the value of our equity LNG production by targeting the premium north Asian market and leveraging the quality of our product and PNG location by offering point to point sales.

I would like to thank you for your attention today. We will now take a short break and be re-convening in 10 minutes with our sustainability which Beth will be presenting. Thank you.

[Presentation adjourned]

Beth White: Hi and welcome back. Before I detail some of our plans and new commitments, we'd like to take an opportunity to take you on a brief tour of our beautiful and unique operating areas and communities through the lens of sustainability.

[Video played]

Beth White: Sustainability has been a key foundation of Oil Search's 91-year history. We have a long and proven track record of partnering with communities, host governments and other key stakeholders to deliver enduring and tangible positive impacts.

In 2015, the Oil Search foundation was created from the Oil Search Health Foundation to promote improved health services, education and women's empowerment in our project impact areas. You've seen some of the incredible statistics just now of what has been achieved over the last five and a half years. Over 1 million vaccinations, 4000 survives of family and sexual violence helped to gain access to healthcare, accommodation and justice and the list goes on.

Our efforts as a first responder during the 2018 earthquake have been well documented but what is less well known is that we've stood by our communities in the rebuilding phase, providing support such as the installation of water tanks to assist villages in getting back on their feet.

On the North Slope, we've partnered with the Arctic Slope Regional Corporation to provide our neighbours in Nuiqsut Search and Rescue with subsistence emergency shelters built to withstand North Slope conditions and placed within local use areas to support safe subsistence activities.

Why do we go to these efforts? Well it's good for business, providing improved stability in our operational areas. It's the right thing to do and we are uniquely placed to have a meaningful impact and it's expected. Not only by society but also by our employees with the Company's social conscience or heart often cited as a key reason why people like to work for oil search.

We share our achievements with our host governments whose support we require and whose institutions and agencies are key to the successful delivery of real and sustainable outcomes as well as with other communities and key stakeholders with whom we partner.

We will continue to partner with our communities to build development plans for the next five years, ensuring that our investment is targeted, wanted and impactful.

While we are justifiably proud of these achievements, they're raised today for a specific reason, to describe the benchmark we have set ourselves to deliver in other areas of sustainability. We recognise there is an increasingly and justified focus on climate change and the energy transition.

As an upstream energy Company, managing the risks and opportunities posed by the energy transition is critical for our long-term success. As such, we are pleased to announce new and ambitious commitments in the areas of climate and environment to complement our initiatives in community areas.

We are committed to a sustainable future as the preferred energy Company for all stakeholders and in this role, we will responsibly deliver low cost, low greenhouse gas intensity energy. We will achieve this goal through the setting of a target to reduce the GHG intensity of our operated assets in excess of 30% by 2030 and our targets will be liked to executive remuneration.

We have simplified our portfolio to focus on Paris Agreement aligned growth projects, namely our Pikka and LNG expansion opportunities and we will make targeted and prudent investments in renewable energy and carbon offset projects that fit with our values of supporting community such as the advancement of our PNG Biomass Project, currently subject to FID.

These will help position the Company within the future energy transition. While our Company's performance on GHG emissions and our own positions on climate change are most important, we know it's also important that our industry associations and member organisations are aligned with the objectives of the Paris Agreement.

In 2021, we are committing to conduct an assessment of our industry associations, their climate positions and alignment with our own positions and we will publish those results in our 2022 sustainability report.

We continue to respect the unique environments in which we operate by minimising our environmental footprint, developing assets close to infrastructure and we commit to no net loss of biodiversity in our new projects.

Of course, we remain committed as ever to our communities with a renewed focus on partnering with key stakeholders to support youth in our project impact areas for a better, independent and self-sustaining future.

Sustainability is integrated into all areas of the business with a seven-pillar model for action. Performance is monitored by our Board's sustainability commitment - committee and outcomes are linked to executive remuneration. While I will deep dive into the areas of climate, environment and community to provide more detail on our new commitments, I would also like to briefly touch on other pillars which describe who we are and how we conduct business.

Our commitment to protecting and enhancing the health and safety of our employees, contractors and communities is unwavering. Since 2013, we have seen a 58% reduction in Tier 1 and 2 process safety events and a 32% reduction in total recordable incident rate and we are tracking well in 2020, as Diego has shown.

An early and decisive COVID-19 response this year has been critical to protecting people and assets, however, we are never complacent, retaining the chronic sense of unease necessary to ensure continual improvement in all areas of health and safety.

Our people remain our greatest asset and we aspire to be a trusted and preferred employer of choice. Currently, 88% of our PNG workforce are PNG citizens, including the introduction of key leadership positions this year and in 2015 - since 2015, we've seen a 39% increase in the percentage of women in leadership roles. However, we are never satisfied with these results either, continually seeking improvement in ensuring a robust and diverse workforce.

Integrity has always been core to everything we do and all our interactions, becoming a signatory to the United Nations Global Compact in 2011; publishing our first sustainability data book and transparency report, also in 2011; and being a proactive Extractive Industries Transparency Initiative in PNG since 2013.

Of course, we cannot help others without a stable operating business and therefore economic sustainability is a key pillar to our overall sustainable business model. This pillar will be covered by Steve Gardiner in the capital management portion of the presentation.

Since the Paris Agreement was signed with the world's governments committing to keep the increase in global temperature to well below two degrees Celsius. Oil Search has taken action. We were one of the first ASX listed companies to publish a TCFD aligned climate change report in early 2018. We have conducted and published the results of climate change scenario analysis, examining our resilience of our assets under two-degree and 1.5-degree scenarios.

We have implemented an internal carbon price and assessed physical climate change risks in PNG and Alaska and we've published these results in our sustainability report. We've also signed an MOU with PNG's Climate Change Development Authority, the CCDA, on climate change adaptation in PNG.

Oil Search is now building on this strong base by expanding our climate change commitments, setting a new and ambitious climate change target, we will reduce the GHG intensity of our operated assets in excess of 30% by 2030. Beginning in 2021, the GHG reduction target will be linked to executive remuneration. In 2021, we will also commence reporting of our equity emissions.

Over the medium-term, we will achieve our reduction in operated GHG intensity through our investment in low-cost, low-intensity assets aligned to the Paris Agreement, such as our Pikka development.

Pikka represents a step-change reduction in GHG intensity for Oil Search, being 50% lower than our current operated portfolio and 75% lower intensity compared to the north slope average. Pikka is low on the cost curve and well positioned to supply energy required in a two-degree pathway.

Over the next five years, we will also make prudent and targeted investments that are appropriate for the size of our Company, to help prepare Oil Search for a future energy transition, support our host government's commitments under the Paris Agreement and remain true to our Company DNA in supporting communities to build independent and sustainable livelihoods into the future. Subject to FID, PNG Biomass will be Oil Search's first and targeted investment not the energy transition.

Now, a little bit more detail on our plans. To achieve our ambitious GHG emission intensity reduction target, we have established a program to improve our operated assets, including development of a carbon marginal abatement cost curve to ensure that we are investing capital in the opportunities with the largest benefit.

This program will focus on a reduction in flaring emissions and methane emissions, integrating renewables in batteries and operations and driving operational excellence to achieve lasting and sustainable improvements which also improve reliability, up time and overall safety and production performance.

We have established a climate change steering committee in the PNG business unit to steward the implementation of GHG reduction opportunities and drive continual improvement. We have scheduled and budgeted projects for implementation in 2021, including a flaring reduction project at our central processing facility.

To reiterate, many of the GHG reduction initiatives we have identified will also improve efficiency in our PNG operations, reduce maintenance expense, improve health and safety, lower costs and increase production. Sustainability is good for business.

Over the medium term, we will achieve our 30% reduction in GHG intensity by ensuring our projects are responsibly delivered, low cost and aligned with the Paris Agreement. By doing this, we are managing our main climate change transition risk, the risk of low future oil and gas prices. We will achieve our lower cost ambitions and manage transition risk by focussing on projects near existing and underutilised infrastructure rather than frontier and use an oil price in our investment decision process that considers the goals of the Paris Agreement and two-degree scenarios.

We believe the focus on low cost projects will materially reduce the risk of future stranded assets while providing returns to our investors.

While our immediate focus is on delivering our low cost and low emission intensity growth projects in PNG and Alaska, this does not mean we are blind to the energy transition and the risks and opportunities it presents for our Company.

Subject to FID, Biomass will be Oil Search's first and prudent targeted investment into the energy transition. This is a measured investment that also has expansion opportunities for regional renewable power production and carbon offsets. It's a regionally focussed project that makes sense for Oil Search. Biomass is aligned with the priorities of the PNG Government by supporting base load electricity and support for agriculture in communities, whilst providing returning on investment.

PNG Biomass will generate and sell 100% base load renewable energy into the grid, generating 160,000 tonne of offsets per year. We've planted four million trees to date, set to increase to 20 million.

While all of these credentials are impressive on their own, PNG Biomass is a project that fits Oil Search's values in supporting communities. The project is expected to generate 500 permanent direct jobs with thousands of indirect jobs creating a multiplier effect in the community.

Beyond current nursery and planting operations, the project supports the community by providing for inter-cropping whereby local communities, mostly women, are encouraged to plant short-term crops between the rows of trees, helping supplement their income.

Over the long-term, this project will give Oil Search exposure to renewable energy and expertise in developing and owning carbon offsets and/or other nature-based solutions. However, being a responsible steward of the unique environments in which we operate goes further than addressing climate change impacts alone and Oil Search is committed to respecting the local environment and minimising our environmental footprint overall.

Our assets are based in the sensitive regions such as the PNG highlands and North Slope of Alaska and we recognise it is a privilege to operate in these areas. We are committed to protecting the local biodiversity for future generations. While the biodiversity between these geographies are vastly different, our commitment to conserving and managing biodiversity is the same.

We will achieve no net loss of biodiversity values in our new projects and we will not operate any exploration activities in the Arctic offshore or inside the boundary of officially inscribed UNESCO World Heritage sites.

We will use our unique position to contribute to the global knowledge of biodiversity by establishing long-term data collection programs and sharing data and local knowledge from our operational areas. This includes weather and hydrology data to assess climate change impacts. Flora and fauna studies to help map the distributions of biodiversity and improve understanding of these populations, leading to better protection outcomes.

Our data will be made available to government and private institutions by agreement so others can benefit and we can contribute to global knowledge.

We are developing projects which are close to existing infrastructure, allowing us to minimise our footprint using existing export pipelines and road networks where possible. In Alaska, we operate in a highly regulated environment and our environmental management is built on decades worth of industry data and key learnings.

However, above and beyond regulations, we closely consult with our local communities, to understand their concerns relating to the impacts of development on their local environment and ways of living. This, from the people who know the environment best.

Based on these consultations, we have made 26 changes, to take into account the concerns of the community. Changes included moving the location of the drill pad back from the Colville River, changing the gravel source to one further from the community, to limit noise impacts, and narrowing road widths, to reduce footprint.

In PNG we are continuously working to improve our knowledge and management of our operational environment, through specific studies. These include data collection related to air emissions, allowing us to better monitor, improve and externally report emissions of NOx, SOx and VOCs, better baseline hydrology and water studies to improve assessment of any impacts of water extraction, and, through surveying, all new aspiration footprints for biodiversity, which sometimes includes discovery of species potentially new to science, such as the microhylid frog, at the Muruk 2 well site.

We recognise that our stakeholders expect us to report clearly and consistently on environmental metrics and we are committed to the improvement of the breadth and detail of our reporting of environmental performance, externally.

As I walked you through at the beginning of my presentation, social development investment is what we do, and it's in our DNA. We seek to create sustainable socioeconomic benefits to help support diversified and resilient communities. We recognise our operations may impact the rights of community members, and we are committed to the protection of their human rights. We uphold the principles of the voluntary principles for security and human rights, including the universal declaration of human rights.

In both of Oil Search's operating contexts, the proportion of youth in the local population is high and growing. The United Nations Population Fund and PNG National Statistical Office estimate that in PNG circa 60% of the population is under the age of 25. This demography will undoubtedly place increased pressure on local education and employment opportunities in the future, and we are committed to prioritising investment in a self-determining, independent and sustainable future for the youth in our communities.

While our social development investment to date has yielded great success in strengthening the resilience of local health infrastructure, our future investment efforts will be brought into a more structured planning process, worked with our communities and host government agencies, to produce five-year plans for both business units. These multi-year plans will enable a longer term view and help facilitate program design, focused on ensuring benefits remain, after Oil Search's involvement ends.

Our priority will be to partner with government and community institutions, to target development areas, which will most profoundly enable the youth in our communities to be the leaders needed tomorrow. These include improved health outcomes, because healthy families mean kids can learn, develop and grow, gender equality, because inequality of any kind undermines the full participation and contribution of all, to a better society. Education, because education, skills and trade enable young people to contribute to a prosperous community, and sustainable livelihoods, because stability and sustainable growth is underpinned by a fully functioning and inclusive economy.

In PNG the Oil Search Foundation will continue to play a key role in the delivery of our prioritised social development investment programs. Performance against our social development and investment framework and objectives will be monitored at Board level and reported externally. As always, we will seek to meaningfully engage with community members and undertake the consultation and due diligence required to ensure we understand and mitigate any potential impacts our operations may have on our community.

We will build upon our strong foundations and we are committed to a sustainable future as the preferred energy Company for all stakeholders. Our model is set up to promote sustainability as the way we do business, rather than something added on.

Our future is focused on the responsible delivery of low cost, low GHG intensity energy, setting measurable targets, to reduce our operated GHG intensity, and committing to Paris-aligned growth projects, as well as the prudent and targeted investment in projects to position the Company in the future energy transition.

We will continue to partner with our communities and host governments, to ensure that Oil Search's initiatives are coordinated with their own needs and plans, are enduring, independent and positive. We will continue to test our portfolio's resilience and report in alignment with TCFD recommendations, while consistently disclosing our sustainability performance, and chasing continual improvement, including the content of our already robust and detailed data centre, which I would encourage you to visit.

Thank you very much for your time. I now have the pleasure of handing you over to Stephen Gardiner to speak through the Company's economic sustainability and capital management plans.

Stephen Gardiner: Thanks very much, Beth, and good morning, everybody.

As noted by a number of my colleagues already, the unprecedented collapse in the oil price in March, together with the wider COVID-19 impact on global economic activity, left Oil Search in a particularly exposed and precarious position earlier in the year. It required a very swift and decisive response across three key areas, and I'm pleased to say that we've made excellent progress on all of them.

The first area was really around protecting and enhancing our operating and free cash flow, and as you've heard, within three months, we've managed to rebase our operating costs to a 20% lower level, we've slashed our planned 2020 CapEx by around 40% and limited our spend to only committed and business essential items. The outcome of all that, and the benefit we've also received, is that PNG LNG and our operated oil field assets have delivered exceptional production performance, despite the COVID restrictions we've faced.

The second area of focus was on strengthening our balance sheet. As Keiran mentioned, the US$700 million equity raising in early April was executed with very strong shareholder support and despite huge market turbulence at the time. We enhanced our near term liquidity by pushing out the expiry dates on some of our short term facilities, and also, importantly, proactively engaging with our corporate banks on covenant compliance, to make sure we had no exposure on that front. Finally, we've done a lot of work in developing a financing plan for 2021 and beyond that, to make sure that we are now focused on funding the growth opportunities ahead of us.

The third area that we focused on was enhancing capital efficiency. As already noted on a number of occasions, the Alaska development CapEx has been halved, delivering better returns and substantially reduced pressure on the balance sheet, through to first production.

The possible revisions to the PNG LNG expansion in PNG focused on Papua LNG initially, also is likely to deliver a lower spend and a higher return in capital profile.

We've stress tested our growth portfolio, under a range of commodity, price, timings and cost assumptions, to assess resilience. We've also focused on our investment processes, to structurally embed the discipline required this year to ensure that it's not diluted in future years.

Despite soft oil prices and North Asian LNG spot prices hitting a record low earlier in the year, our current total liquidity is solid at about US$1.6 billion at the moment. Net debt is now at US$2.4 million, with gearing at 29%. That's the lowest level since 2011 for the Company.

Aside from US$300 million of short term bank loans due for repayment mid next year, our debt repayment profile consists of semi-annual, non-recourse PNG LNG tranches that will be fully repaid by mid-2026. All PNG LNG cash flow becomes totally unsecured and deleveraged from that point, materially improving our financial flexibility.

Importantly, the challenges of 2020 have validated the quality of our producing assets, and you've already heard a lot of information on that from Diego. Our 2020 production is on track to be at the upper end of our guidance for the year. That's despite the Hides GTE project being shut in from late April. Our unit production cost guidance was lowered by US$0.50 in August, in recognition of success of our cost reduction initiatives.

Turning to next year, we're still finalising our 2021 budgets and work programs with our Board and joint venture partners, but indicatively, we expect the one-off negative impact on production and operating costs, due to a major planned maintenance at the PNG LNG plant site that was deferred from this year, due to the impact of COVID, and also, some major maintenance at our main operated producing facilities. However, as noted by Diego, further opportunities to secure sustainable underlying cost reductions will be pursued over the next few years, with a focus on optimising supply chain and third party contractor spend in particular.

Investment spend is likely to be below 2020 levels, with the priority on projects that deliver our strategy. We expect PNG LNG's Angore field development project to recommence in the second half of next year. No capital is being allocated to greenfield exploration. Our priority is to commercialise our discovered, high return resources. A precondition, though, on progressing our development projects, is that market conditions are supportive.

As already noted, a positive by-product of the global dislocation this year was space provided to reshape and rephase our growth projects, to make them far more resilient to lower oil prices. Revised development timelines still deliver a material uplift in production from 2025, but with a far more manageable CapEx profile, as shown in the chart on the right. The profile is lower, and not as peaky as it was previously, due not only to a reduction in the Alaskan CapEx, but also a spreading out of the development phases for Alaska and LNG expansion.

The growth projects previously were planned to progress on the same timeline. With deferral of LNG expansion activities, due to both PNG specific and global factors, commencement of material LNG PNG spend will now lag Alaska by about two years, and will also help in flattening the CapEx curve and reduce the cumulative debt funding requirement over the next several years.

Assuming oil prices continue to recover gradually over time, our gearing should remain broadly around current levels of 30% over the forthcoming growth period, with additional debt taken on to fund our new projects largely offset by accelerating repayment of PNG LNG project debt. Contrast this to the foundation PNG LNG project, where our gearing peaked at over 50% prior to first production.

Our base case financing plans to underwrite the growth projects are in good shape and ready to execute as we move into 2021. For Alaska, our share of development costs, after a 15% equity selldown, are now in the order of US$800 million to US$900 million, with about half of that amount targeted to be financed at the project level via both secured debt and potentially third party infrastructure ownership.

Our financing plans for Papua LNG are very mature, with a joint venture and the PNG government aligned on a project financing approach similar to the successful PNG LNG financing. All the key finance agreements are drafted and the joint venture is ready to engage with prospective lenders at the right time. Our intention is to commence the process of refinancing our corporate bank facilities in the new year, to lengthen commitment terms and increase overall liquidity, as we move towards the growth of CapEx phase.

2020 has highlighted that we may also need access to alternative funding and cash generation options, in the event that traditional debt markets become challenged. We continue to explore the merits of accessing debt capital markets, the potential of asset sales, commodity price hedging at the right price to reduce exposure to downside risk and off balance sheet funding, amongst a range of options that we need to consider.

The key message, though, is that we will not place the balance sheet under stress during the next phase of growth, and we're committed to prioritising capital expenditure, including optimisation of LNG expansion and moving to FID for Alaska only when we're satisfied that we have a robust funding plan in place and confidence in the ongoing recovery of and positive outlook for oil and LNG prices.

Our capital priorities are now clearly defined, and designed to support the economic sustainability pillar highlighted by Beth. First, we will continue to fund expenditure necessary to deliver safe and reliable operational performance and maximise operating cash flow. Our next priority is to continue to build a strong balance sheet and access to liquidity sufficient to carry us through periods of oil price volatility, as we head into the next growth phase.

With those foundations we'll be well placed to drive value from commercialising the world class Pikka and Papua resources.

Our proportional dividend policy, with a current target payout of 35% to 50% of core net profit after tax, at the Board's discretion, is consistent with maintaining a balance sheet strength, particularly with the lever of reactivating our DRP, if considered appropriate. Successful execution of the growth phase will then leave us in the position of being able to return excess capital to our shareholders in the future.

M&A is not a priority at the present. Our absolute focus is on capturing value from our growth assets and having that value fully reflected in our share price.

So, to summarise, 2020 has provided a very powerful reminder on the fundamental importance of cost control, balance sheet strengths and disciplined management decisions, not only for Oil Search, but for our industry generally. That's also overlaid with the need for downside planning to identify mitigants if and when the world changes for the worse.

Our capital management strategic priorities are clear. We're focused on maximising and preserving operating cash flow, selling down Alaska to free up cash and reduce development CapEx, optimising our balance sheet by assessing a range of funding options, and locking in funding for Alaska prior to FID.

Underlying these priorities is the need to build a balance sheet that can cope with the vagaries of commodity prices through the full cycle. There's plenty of work still to be done on that front.

Finally, we must maintain discipline in how we allocate capital, including the balance between earnings retained to fund growth and distributions to our shareholders.

Now I'll hand back to Keiran, to bring it home.

Keiran Wulff: Right. Well, thank you very much, Stephen.

With respect to final remarks, I hope you all see today that we're being incredibly focused, very disciplined and that we're all genuinely excited about the transformation value that we intend to deliver for our shareholders, and the commitment that we're also making around sustainability. But as Stephen quite rightfully said, we're far from finished in any area.

Oil Search actually has a renewed sense of purpose and ambition this year that's motivating our staff, and hopefully our key stakeholders. We've been laser-focused on cost, performance, capital discipline, and as we set our strategy to increase our conversion of 2C resources, which we'll see a commercialisation of up to 75% of our existing portfolio. We have material developments, low break evens and material upside.

Our commitment to sustainability will be tangible, it'll be measurable and it'll be aligned with our ambition.

At Oil Search, we know we work for shareholders. We know we have a huge responsibility and we're absolutely focused on being the preferred energy Company for all stakeholders.

The strategy on a page. We've gone through this in detail over the last two hours and I don't intend to repeat it again, but what I wanted to do is to provide it to you as a basis from which to measure our performance each year, as we come back at our Investor Day and we provide you an update on our progress. I can assure you that we're very committed to realising the value of this great Company for all of our stakeholders. This year has been not only humbling, but has also been a time where we've reset the Company for the future, taking into account all of the many issues that companies have to face, going forward.

I'd like to thank you for all your attention. Again, this is a strange world, talking to you across the internet and elsewhere, but I appreciate your support, appreciate your involvement with this Company, going forward.

I'd also like to thank all of the staff in Oil Search who have been involved in this mammoth task over last eight months. They've just been an incredible group to work with, and it's been humbling to lead them.

We'll take Q&A. Our first, we'll take questions from the teleconference, and so I'll now hand over to the teleconference audience to take questions. We'll then take questions from the webcast after we've finished with the tele audience. So, I'll had it over to you.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up your handset to ask your question.

Your first question comes from Mark Wiseman from Macquarie. Please go ahead.

Mark Wiseman: (Macquarie, Analyst) Good morning, Keiran, Rick and the management team. I have a couple of questions to clarify some of the guidance on Alaska. Firstly, could you just clarify how many wells you're intending to drill to produce out this Phase 1? I think your previous guidance was 50 to 55 well pairs. I'm just interested in how that's changed.

Also, on Phase 2, you talk about a 15% to 20% cost reduction versus phase 1 - that the capacity of Phase 2 is half the capacity of Phase 1. I'm just wondering, is that a unit cost reduction or an absolute, versus those numbers that you've provided for those lines? Thanks.

Keiran Wulff: Hi, Mark. They're good questions. In relation to the first, the number of wells we'll be drilling is somewhere between 40 to 50 wells. A lot of it will depend on the extent of the wells and the success of the fracking, or the stimulation that we'll be doing with some of the long-reach wells, but currently, we're looking in the order of 40 to 50.

In regard to the reduction in the CapEx estimates for the subsequent phase, we're looking at that on a unit cost basis, on the simple fact that we've got existing infrastructure in which to tie, and there'll be a lot of benefits that we won't have to repeat in the initial project, so that's a unit cost basis.

Mark Wiseman: (Macquarie, Analyst) Okay, thank you. Can I clarify, on slide 25, you've talked about a US$40 breakeven. Can I just clarify that the US$35 target, will that be on Phase 1 only, or will that be considering Phase 1 and Phase 2 together, at the point of FID?

Keiran Wulff: No. What we're doing is we're looking at targeting US$35 at FID. We're currently below US$40 based on our current costs, and as Bruce said, that still includes a contingency of between 15% and 25%, so we set ourselves a target, along with our joint venture partner, to make sure that this was an investible project below US$40. So, what we're looking at doing is that US$35 target is a breakeven target, is also is for our Phase 1, but that'll also be the breakeven target for subsequent phases.

Mark Wiseman: (Macquarie, Analyst) Okay. Thank you. Just a final question from me, before I hand it over, with the selldown process, obviously there are a lot of assets for sale from the majors. It is, I would imagine, going to be a challenging period, as a seller. If we can't find a buyer through the course of 2021, what's your stance on proceeding at 51% versus deferring the project, in that scenario?

Keiran Wulff: A lot of that will also depend on what our joint venture partner does, as well. Frankly, it's fundamentally determined by the price of oil at that time. For us, our intention is absolutely to divest prior to FID. We're feeling confident, now that we have alignment with our joint venture partner, to do so, but we'll make that decision. Importantly, it's within our control, if the market conditions are such that they don't support an FID decision, or our capital management or our capital and our balance sheet is in a strong enough position to do it without risk, then we won't progress with the FID decision.

Mark Wiseman: (Macquarie, Analyst) Okay. Thanks very much.

Operator: Thank you. Your next question comes from Daniel Butcher, from CLSA. Please go ahead.

Daniel Butcher: (CLSA, Analyst) Hi everyone. I have a couple of questions on Alaska and then one on the base project.

First, on slide 27, Mitquq, where you have producing at the same time as Phase 2, it looks like it's got roughly, or maybe slightly less production than Phase 2, which suggests pretty close to 300 million barrels of production for Mitquq. Is that - obviously it assumes some appraisal success? Or what assumptions are going to that production?

Keiran Wulff: All right. Thanks, Dan. It's a good question. One of the things we're doing at the moment with respect to Mitquq is that Mitquq, we believe, is - it covers a similar geographic area what the Pikka or the Nanushuk does in the Pikka unit, so, it needs some further appraisal. It is - what we're looking at there is 40,000 barrel per day modules, because this is a very - the way that we're driving costs across - or costs down, is to have a very modular, very fixed basis of design. So, the Mitquq, if that looks like it's a smaller number, it's actually a 40,000 barrel a day module, but the intention is to appraise that, not in the next drilling season, but the following drilling season, once we have personnel and equipment in the area.

Daniel Butcher: (CLSA, Analyst) Okay. I'm just curious, with your breakevens, it looks like, from the slide, where you've got Phase 1, 2 and then Mitquq, that perhaps you think Phase 3 costs will be lower per unit than Phase 1. I'm just curious, because my understanding was that you were high-grading Phase 1 and that's what was a large part of bringing the costs down, and also avoiding sealift, which wouldn't be avoidable for the other areas. I'm just wondering if you can talk about how you're going to get costs down for second phase, when there's lower grade wells and so forth?

Keiran Wulff: It's not totally lower grade wells. In fact, some of the best parts of the reservoir that we're seeing are in between the areas adjacent to the B location, moving down to the C location. There's some recent production data in those reservoirs that could we confirm that.

No, we're looking at the fact that we'll have a road infrastructure. There won't be a requirement for large sealifts. We have modular 365-day a year access. We won't have to construct those roads. Those roads will still be in place. We won't have to construct infrastructure. It'll be a simple matter of tying in those well pads to those locations.

One of the other areas that we actually haven't built in yet, or incorporated, is the lessons that it would be learning from the drilling. As you appreciate, I mentioned to Mark, you'd be drilling some 40 to 50 wells from the B location. There's a lot of lessons learned during the drilling of those wells, and you only have to look at the achievements in drilling cost reduction programs within the Lower 48, when you have a significant amount of batch drilling programs.

We haven't incorporated all those lessons, so we're very comfortable that there will be a material reduction, to achieve those targets.

Daniel Butcher: (CLSA, Analyst) Right, okay. Something that Stephen said piqued my interest about the financing, so it's about half the Alaska cost, that will be project financed or secured or other sorts of lending. That's obviously stepped down from the 60% or 70% you were saying before. Can you maybe talk a little bit more about the challenges there and maybe the challenges of rolling over that debt, if it's not bank debt, as well?

Keiran Wulff: Sure. I'll pass that over…

Daniel Butcher: (CLSA, Analyst) Given that you assume [unclear].

Keiran Wulff: I'll pass that question over to Stephen.

Stephen Gardiner: Sure. Thanks, Dan. We're very conscious that raising financing for the Arctic Circle the North Slope is challenging. There are a number of banks that have policies in place where they're not permitted to provide funding for new developments on the North Slope. Having said that, by reducing the total funding requirement by 50%, we're down to a total funding amount of around US$0.5 billion, and we've already identified a number of banks that are still very open for this business, to support oil search in moving that Pikka project forward.

It's very important for us to have a very strong story around sustainability and ESG on the North Slope, and you've heard today that we've got an excellent story on that front. We've already presented that to a number of banks, and they're very excited about supporting Oil Search. So, while there are a number of banks that we can't approach, there are more than enough banks available, globally, particularly in Asia, and even here in the Australian market, and parts of North America, that are still very open to discussing moving the development forward and supporting Oil Search. So, we're very comfortable that we'll have access to the debt funding.

We are looking at other options. There's some infrastructure that we'll build, or that could be built by others, and we're looking at that opportunity as well, just to reduce the amount of funding we have to put directly into the project.

Daniel Butcher: (CLSA, Analyst) Okay, great. One more question, if I can, just on the base project. It might be for Keiran, perhaps. You've got, I think, gross 2.1 PPF of PNG LNG gas undeveloped. From memory, that's Angore and Juha. I just hope you could speak briefly about the scope of works that are required to develop that, and if you dare, a rough guide of what that might cost, at this stage?

Keiran Wulff: Well, actually, I might hand it over to Diego, but I'll just talk - bring Diego to come up and talk about the project itself, but in relation to the resource base, the resource base has been largely certified and we're very comfortable with the resources that we've mentioned, are here.

In regard to the CapEx estimates, you're quite right, I'm not brave enough right now to give you an estimate of what those are, but what I can say is that there is confidence amongst the Total and others, about the potential for having a lower CapEx, with the current climate, and the lack of projects that are proceeding. So, there's a lot more hunger, amongst the contractors to commit themselves to large, quality projects like we have in Papua New Guinea. So, at the moment we're not providing any updated guidance to our projects there, but I might see if Diego's got anything else to say, specifically about the resources.

Diego Fettweis: Well, I think, Dan, you also had a specific question around Angore, so, with regard to Angore, repeating the comments that Keiran just made about taking advantage of the downturn to ensure that we can minimise the capital spend, is definitely some work that we are progressing, in collaboration with the operator. As you'll know, we've already started progressing the Angore project. We had to demobilise the project in the last year, due - in the beginning of this year, due to the COVID crisis, and we're looking at remobilising the project team in 2021. This is a priority for PNG LNG. That's going to help sustain the production at the record level that we're seeing now, and it will be round about a three-year development program, to come to first production on Angore.

Daniel Butcher: (CLSA, Analyst) All right, and the timing for Juha? Sorry, last question, can you comment on Juha about the timing?

Diego Fettweis: Well, at this stage we're very much focused on Angore. There are different options, in terms of what comes next in the gas sequencing. We've got Angore. There is the option of as I talked about the export out of the associated gas fields, specifically out of the Agogo production facilities. There is Juha, there is Muruk and the optimisation of the gas sequence is now being worked with the operator. So we'll provide an update to the market in due course, when we've made sure that work a bit more.

Daniel Butcher: (CLSA, Analyst) Okay, thank you very much, guys.

Operator: Thank you. Your next question comes from James Byrne from Citi. Please go ahead.

James Byrne: (Citi, Analyst) Hi. Good morning. Thanks for taking my question. I'm going to refer a bit to slide 53, just about the options for funding the CapEx over the next few years, and I hope you'll indulge me, Keiran, in a bit of preamble, because I really want to set the context here, with the balance sheet and the capital structure. For me, the hardest lesson of 2020 has been how that capital structure poses a risk to the equity holders of Oil Search, because if you do get those exogenous shocks, and effectively, Oil Search, at the corporate level, effectively paralyses PNG LNG goes into cash lockup.

So, if I look at the CapEx profile, there's this period between mid-2023 and about 2026, where you've got CapEx for Alaska, you've got CapEx for Papua LNG, and you're still paying down the PNG LNG project finance. So, for me, that's a really risky period for equity holders, and they'd have to stomach the fact that that's got that capital structure, while your balance sheet is quite exposed to those exogenous shocks.

Now, as I look at slide 53, and you've got those levers to potentially support your balance sheet, to me, the only one that reduces risk to equity during that period is asset sales, to say that you can reduce your exposure to PNG LNG project finance by selling a stake in that project. So, I'm wondering if you agree there with my thesis, and then, how you're thinking about juggling that balance sheet risk against the risk to equity? Thanks.

Keiran Wulff: Okay, I'll start, and I'll ask Stephen to finish.

One of the things that I've been very clear about, even as early as April, is that there are no sacred cows in Oil Search, and we've looked at everything, and we will look at everything, in relation to funding our growth in the interests of shareholders. So, asset sales are certainly being considered in some areas, but so are a number of other funding options that we're looking at.

I might get Stephen just to talk about the specifics of the options that we've got and the period that you refer to.

Stephen Gardiner: Sure. Thanks, Keiran. Hi James. The reality is that we do have some opportunities to decide how much capital exposure we take on over the next two or three years, and that's the first key point. So we've got a key decision at the end of next year, around FID for Alaska. If that doesn't make sense, from a balance sheet capacity fund point of view, then we have the option to delay.

Likewise, then we've got a decision one to two years later on LNG expansion. So, there are points, over the next few years, where, we, as a Company, if we believe that it's going to place too much stress on our balance sheet, then we can reduce our exposure to CapEx and leverage the cash flows that are coming out of PNG LNG and focus on that.

We're comfortable about exposure to lockups in PNG LNG. Under our low price scenarios, we're still getting distributions out of that project, and at the end of the day, the cash is still building up, even if it's locked up and we get access to it at some point, and we can bring that access forward, by putting up it as a credit if we need to.

The other key thing is remembering that, too, we are deleveraging the current debt very rapidly over the next four to five years, and that's creating further debt funding capacity. The other thing I'd highlight that probably is not captured in some of the models is that the debt that we borrow for the new projects all gets capitalised into the costs of those projects, so it doesn't impact on our interest cover ratios. Not only the debt that's project specific, but any corporate debt that we use to fund our equity share of funding those projects all gets capitalised. So, our actual covenant ratios are looking more and more healthy over time, as we continue to repay down PNG LNG debt, and reduce the amount of interest servicing required on that element of our capital structure.

James Byrne: (Citi, Analyst) Sorry, just to be crystal clear that, Stephen, the corporate level debt that you intend to raise there, for Alaska, you're saying is effectively going to be secured against future cash flows in a way that you're not going to have covenants applied to it while you're spending the CapEx? Like, pre, pre first oil?

Stephen Gardiner: No, we don't have to do any security, just under the accounting standards, any debt that we use to fund our development gets capitalised, whether it's secured or unsecured, whether it's at the corporate level or at the project level. So, our interest cover test, for instance, is done on an accounting interest expense test, not a cash interest expense test. So, we're in a very healthy position, from an interest cover ratio point of view, and I've already mentioned that based on our modest assumptions around a recovery in the oil price, we're not seeing our gearing levels change too much from current levels, as we go through this next phase of funding.

James Byrne: (Citi, Analyst) Yes, okay, that makes sense.

Keiran, you've just been in PNG. Interested to understand a little bit about P'nyang, and I appreciate maybe it's sensitive to give us much colour, because negotiations are presumably ongoing there, but what I want to understand is, what sort of timelines are you up against, whereby it no longer makes sense to think about a train three expansion for PNG LNG? What would the monetisation alternatives be for P'nyang, around backfill and potentially debottlenecking of the existing facilities?

Keiran Wulff: It's, again, a good question, and you're right, James, I can't go into much detail, but what I can say is that we are coming up to an inflection point when it comes to having a decision around P'nyang. All the parties, frankly, are being very realistic. One thing that COVID's done is make everyone realise the importance of simplifying projects and getting to the core issues. So, in relation to P'nyang, it's good that we're simplifying the rhetoric and focusing on getting the Papua LNG project, the legislative amendments over the line, and having some progress on that, so that we can start looking at moving that forward.

That's not to say that it's still - there's not integrated, nor are there - we're removing the synergies with the PNG LNG project and potentially P'nyang, longer term. It's just simply that we're focusing on things that are more certain right now.

The discussions with P'nyang will be, and are being, held between the operator and the government, and the Prime Minister talked about that in his recent announcement, after the legislative amendment. So, P'nyang is front of mind for all parties up there.

In regard to how it's commercialised and utilised, going forward, as I said, you're coming up to an inflection point. There's been multiple years' delays. The LNG project has continued to produce exceedingly well, using some of those foundation volumes. So a decision needs to be made on that in the not too distant future.

The potential for P'nyang to come in and backfill, and for all the sorts of things, effectively, you've answered your own question. Debottlenecking, optimisation of PNG LNG is one of those such options, so, all of those things are being considered right now. But what I can say is there's an absolute focus from everyone in Papua New Guinea to move these projects forward.

James Byrne: (Citi, Analyst) Great. Third and final question is for Beth, just around reducing emissions. I think I caught you say that you've got an assumption for a carbon price. I just want to understand here, 30% reductions in emissions over the next 10 years, do you have an estimate on the cost of carbon to achieve that outcome that you're willing to disclose?

Then on biomass, I was hoping for a bit more details, actually, just to understand magnitude of CapEx, kind of IRRs you expect for that project and when you're taking FID?

Beth White: Okay, thanks, James, very much for those questions. I might just tackle the first one. What we're looking at doing is reducing our operated GHG emissions intensity by 30% over 2030, and I think I mentioned that we've built an abatement curve to do that. As part of that, we've got what we call the 10-10. So, we've got opportunities to improve our operated assets, and essentially existing production right now, by about 10% of our operated emissions intensity, at about US$10. That's what we're looking at.

We've also got different other opportunities. It's essentially a very large hopper. We'll continue to work those more expensive opportunities to bring those costs down, but we have a good number of opportunities right now that we're maturing that are in that low cost range. In fact, some of them are negative costs. Some of them actually will make money through improved reliability and production.

On biomass, I think your question was related to future capital. We're looking at about US$200 million for that project, and targeting FID next year. Did you want to add anything to that, Keiran?

Keiran Wulff: Sure. What I will say, though, is it's not our intention to hold 100% of that project long term. We've had a number of parties who are interested in actually joining us in that project, because it really is a regionally leading project and something that generates not only your carbon offsets, but a lot of material jobs for the local community.

In regard to a return, we're looking at it being in the early double digits, but that's subject to some final discussions. Importantly, this is a better than a normal annuity return, but what we're absolutely focused on is getting the project to a stage where it can be FIDed, and that can only be done once we finalise agreements on offtake certainty with our PPL. Steve Gardiner will pop up as well, talking about funding.

Stephen Gardiner: Yes, sure. Thank you, Keiran. Also worth highlighting that this really is an important project from a regional government perspective, as well. We've got a lot of financial support for the project from some of the largest regional development banks and export credit agencies, who are committing funding and funding on a concessional basis, because they see this as a project that is, when successful, will hopefully be duplicated around the Pacific. So funding's already effectively been locked into this project at about 50% of the total capital costs, so we're encouraged by that, as well.

James Byrne: (Citi, Analyst) If there's the potential to duplicate it around the Pacific and you're getting double-digit IRRs, would you consider putting more capital in, and being the project sponsor for that - for rollout in the region?

Keiran Wulff: James, it's a project that I know exceedingly well, as you're aware. The focus from us is absolutely capital discipline, and so for us, it's about where we spend shareholders' funds in the wisest manner.

The project needs to be - it needs to get up off the ground, and as Beth quite rightfully highlighted, potential expansions and offset programs may be considered in the future. So this project is expandable, but right now, we're focused on simplifying our story and actually just getting this project up, seeing how it goes and then seeing how expandable it is, going forward. It certainly provides the Company with options, but it's not in our near term planning.

James Byrne: (Citi, Analyst) All right. Thanks a lot for your disclosures. Well done. Thanks.

Stephen Gardiner: I was just going to say too, that also, it's not our intention necessarily to hold 100% of the project over time. We've got a lot of interest, again, from various parties, to invest in the project, and certainly selling down equity is something we'll be focusing on, as well, at the right time.

Keiran Wulff: Yes, absolutely.

James Byrne: (Citi, Analyst) Cheers.

Operator: Thank you. Your next question comes from Mark Samter from MST Marquee. Please go ahead.

Mark Samter: (MST Marquee, Analyst) Morning, guys. I'm hoping to ask this question in a way that avoids a stock standard answer of everything's on the table, so I'll give it a go. When we look around the world at the moment, there's been a number of big deals in the last couple of months, where there are some very low premium scrip mergers, frankly, where one of the parties has a lot of similarities to a business like Oil Search, where you've got very high quality assets that are a struggle to fund and probably present material synergies to the suitor.

Do you believe you're open to the concept that actually, your assets are worth a lot more to your current shareholders as part of a big entity, and some of it is just what scale brings in the new world? Some of it is the synergies that are on offer and some of it is funding capacity? I'm just keen to get a feel for your guys' openness, attitude towards what's I think going to be an increasing trend around the world.

Keiran Wulff: Mark, the answer's quite simple, frankly. For us, it's about shareholder value. For us it's about - we believe that, and it should be pretty clear today that we're setting the Company up to be able to deliver the material value. We're massively undervalued where we are today, but we've got a pathway to absolutely focus our capital on delivering high quality asset.

Oil Search, we've done a lot of comparative analysis of our assets relative to those that are elsewhere in the market and those that have been sold. Our assets are conventional. They're slow to decline. They're high value. They're in the lowest cost quartile, and they are genuinely world class assets, when you compare them to others. But for us, it's all about shareholder value, and yet we made those decisions on the basis, but it's our absolute intention to drive value for shareholders on the basis of what we've presented today.

Mark Samter: (MST Marquee, Analyst) Thanks. Just a second question, slightly around the same theme, but with the Alaska selldown, and I guess there's two assets to that selldown. There's obviously the quantum of cash through the door, but the fact it allows you to proceed to FID and obviously the reduced CapEx bill from owning less of it. Should we think you've got a pretty hard line in the sand on - again, this is a hard question to answer, not how you feel when people off these rhetorical questions you can't answer, but should we think about a hard line in the sand on pricing? Or maybe you wouldn't even consider selling below book value, or something like that? Or is there going to be a bit of a - there's both sides of the equation - would you think about the ability to progress the budget?

Keiran Wulff: Again, it's a good question. Not one that we haven't asked ourselves many times. You don't get assets like Alaska very often. Big oil fields get bigger and the fact that when you actually look at the North Slope, the companies that have been up there for many years have generated huge value by tying in satellite fields to the existing facilities, and we can actually do that in spades, as demonstrated by our recent discoveries.

So, for us, Alaska isn't for sale at any price. Alaska is a quality asset that, as I said, is very rare in anyone's portfolio. So, for us, it's about the quality of the deal. It's about the quality of the partner, but also, there are many different types of deals. You can get cash and you can get future payments. You can get future carries on different work, so, we'll look at any proposal, but we will need to recognise the value of the asset, otherwise it's actually in our shareholders' interests to find funding to take it forward.

Mark Samter: (MST Marquee, Analyst) Okay, I guess a question I probably should ask about Alaska as well, the new development. If we take macro assumptions that have underlaid it out of it, did the new development plan deliver a lower NPVNPV than the old one? I mean, again, how much do we think this is being driven by an inability to fund the new development plan? Or how much of this is actually a [very] net improvement on your expectations on NPVNPV?

Keiran Wulff: Again, it's a good question, and Bruce actually touched on that at length in his presentation. The reality is that we have a higher NPVNPV per barrel as a result of reducing our costs and increasing our IRR. So, the actual NNPV of the total project has gone up, so we've got additional optionality, we can bring in Mitquq. Our original project was sitting at 120,000 barrels a day, with a high breakeven. We now see modules where we can go from 120,000, to potentially 160,000 barrels a day, but that will be determined over time.

It's a function of the value of the barrels and that was also demonstrated in the slide when we looked at the development cost per barrel, and just showed how significant Pikka was, relative to other projects, not only in the region, but in Australia and Africa and elsewhere. The Pikka project, because it's close to infrastructure, and because we're actually doing it in a more phased development, is a lot higher value on an NNPV per barrel basis.

Mark Samter: (MST Marquee, Analyst) And versus - I'm splitting hairs here, but versus all - because I'm guessing that chart you put up. US$45 a barrel was the original concept, slightly lost track, but I think at one stage we were talking about it being US$29 a barrel breakeven, I think, so we've had a few evolutions of it, but you would say, versus any development plan you've had, over the last few years, that this one is still more NPV positive than the previous ones?

Keiran Wulff: No, it is. Mark, I don't know where the US$29 per barrel came from. It's not a number that I'm familiar with, so I can't comment on that. We were originally, when we bought it, in the $50 per barrel, you know, when we had some investor presentations and field trips we took. I think we had it about US$46 a barrel, but we've continually got it down, and this is a very mechanical thing, and very, very demonstrable.  So we'll be happy to provide greater guidance on that to justify exactly how we've got to that below US$40 a barrel, because, frankly, it's going to be in a data room for divestment, anyway.

Mark Samter: (MST Marquee, Analyst) Great. Thanks.

Operator: Thank you. Your next question comes from Saul Kavonic, from Credit Suisse. Please go ahead.

Saul Kavonic: (Credit Suisse, Analyst) Hi, Keiran, hi team. Three questions, if I may. First question is, Keiran, following your comments about Papua moving forward, would Oil Search consider selling down Papua to Santos and JX to help align the Papua expansion?

Keiran Wulff: If I think if it was in the shareholders' interest, Saul, you know we're open to all things. As I said, for us, it's about delivering shareholder value, so we're not closing off any of those sorts of considerations, but it would be something that would be considered by the joint venture as a whole, I'm sure.

Saul Kavonic: (Credit Suisse, Analyst) Great. Then just further, on the Papua side, now that you're saying Papua seems to be prioritised as being moving ahead I guess with or without P'nyang, does this also represent ExxonMobil's position, given obviously none of this can happen without ExxonMobil accommodating it?

Keiran Wulff: So, the obvious answer to that question is you have to ask ExxonMobil. ExxonMobil will make their own decisions about the projects and such going forward but as I said before, all parties recognise the importance of moving projects ahead in Papua New Guinea. There's a lot of encouragement from both sides of politics in Papua New Guinea to move those projects forwards and moving a project forward in Papua New Guinea is very important for Papua New Guineans, so I'm sure that all parties will be aligned in what's in the best interests of the country.

Saul Kavonic: Great. Moving to the base project for my second question, again, I just want to follow on from I can't recall who asked the question earlier but post-Angore, when is decline expected to begin absent finding – putting in at Juha or Muruk or something after that?

Keiran Wulff: I'll hand that question over to Diego.

Diego Fettweis: Good morning, Saul. If you wouldn't mind, could you please repeat your question?

Saul Kavonic: My question is, post-Angore's development, when is decline in the PNG LNG base project expected to start before you then were to pursue other fields like Juha or Muruk or something else?

Diego Fettweis: Look, again, we are in a very privileged position to having had extremely good performance of the PNG LNG project with production close to 30% over nameplate capacity, so in a way we're blessed with that. On the other side, it does well mean that we need to go and develop Angore and subsequent fields to maintain that production. This work is ongoing. We're still discussing that with the operator as to exactly when and what will be coming after Angore and that's also going to be in light of discussions we're having around P'nyang and what's happening in that space about how best to optimise the integration of P'nyang into PNG LNG.

Again, we've got a lot of optionality there. We've got – you mentioned Muruk we've got Juha; we also have the Associated Gas fields that we'll at some stage need to export out of the Agogo production facilities. We'll also see a ramp-up out of the Kutubu production facilities, so there's quite a lot of optionalities there. Also, I always envisaged that P'nyang would also be filling part of the foundation product, so that is also a part of the whole gas sequences, so it's very much at the moment the focus of the joint venture is to make sure that we can remobilise the Angore project team, go after Angore. It's a three-year development program and we'll have a few years of plateau following that and so we still have time to look at what is the best way to fill that gap when it arises.

Saul Kavonic: Great. Perhaps another way of me asking the question – because this is the way I think many of us are modelling Angore [and Juha in there] - are you able to give us just a rough estimate of the size of what you're expecting Angore to be and also if Juha's developed, what is your current best estimate of CapEx for Juha?

Diego Fettweis: Look, we'll be providing those CapEx estimates as we progress the studies and the project, so at this stage, it's too immature to provide any further guidance versus what we provided in the past and the same is valid for Angore. We're working closely with the operator to make sure that we are benefitting from - as much possible from the downturn to minimise the capital spend and we expect to be able to provide that guidance in the early part of next year before the project be remobilised. We're still waiting ourselves for those final recommendations from the operator.

Saul Kavonic: Right, great. So, just to clarify, we've got three years to develop Angore which takes us I think to about 2024 and then you're saying a few years of plateau from Angore, which takes us to '26, '27. So am I missing something to think that PNG LNG declines from 2026, 2027 and you'll need CapEx on Juha or P'nyang or something else before then in order to bring production on and maintain plateau from 2026, 2027? Is my rough inference there right or have I missed something?

Diego Fettweis: I don't think you missed anything. That would be about right. Again, look at the different optionalities that we've got; we haven't yet made that decision within the joint venture but there's plenty of options and we'll be, of course, making sure that we optimise that gas queue, looking into a locus of supply combined with the volumes that we could get out of the next development.

Saul Kavonic: Understood. Thanks. If I may, Keiran, just one last question on Alaska, following on to your comment that the net present value per volume is essentially higher now than the previous development concept which I guess leads me to the question of why was this current high NPV development concept not the plan prior to COVID?

Keiran Wulff: Again, Saul, it's a good question but the reality was we inherited a development plan that was going through the Corps of Engineers and we made a number of amendments and the important point about that development plan was that it incorporated the entire Pikka unit. That process, when you take it through the Corps of Engineers, is a four-year process so for us to stop the process to restart, we would now be starting an extensive approval process through the Corps of Engineers.

So, we were actually very fortunate that the larger development program looking at the environmental impact across that larger development program was considered as the initial priority. What it now allows us to do that we've got the environmental approval is to consider that larger project, is to work out how do we optimise that development? So, that's the simple reason. We inherited the project, it was [going] through the Corps of Engineers, we've now been having the time that we've got the Corps of Engineers approval to actually optimise it going forward.

Saul Kavonic: Understood and on the well count, [suggesting] it's 40 or 50 wells there now versus 50 to 55 before. Can you just give some colour on what new data set has enabled you to – what I assume it essentially means you're assuming much better well productivity versus again what you've told us six months ago?

Keiran Wulff: Yes, look, one of the reasons – what I can say is about the data that we base it on. We've effectively traded data with nearby operators and the data is incredibly confidential but it gives us a lot of confidence and it's looking at similar or the same reservoirs as what we're testing. So, we've now got a lot more information around that to incorporate with our own drilling and our own analysis following the special core analysis work and other work that we've done on the field.

So, we've also undertaken a – with the largest reprocessing of the 3D seismic program that's ever been done on the North Slope, so we have a very, very strong understanding of the reservoir distribution linked to the well data which we didn't have before. Before, it was a multitude of different vintages that didn't tie to the data but now we have not only the production data, we have the well data and we have the 3D seismic and as I said, we have a certified 2C resource from a very reputable certifier [on stage] with Ryder Scott, so we're feeling increasingly comfortable.

Saul Kavonic: Great, thank you very much.

Operator: Thank you. Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from Gordon Ramsay from RBC Capital Markets. Please go ahead.

Gordon Ramsay: (RBC Capital Markets, Analyst) Thank you very much. Keiran, well done with the last of your cost down. Just trying to get a better handle on where that's all coming from. If you look at your drilling CapEx, you're talking about Phase 2 at 15% to 20% cost reduction. Is that purely from just less number of wells or are you actually getting smarter at drilling the wells?

Keiran Wulff: No, in relation to the wells, we actually haven't materially reduced our cost per well because we wanted to have some degree of conservatism. One of the earlier questions I think from Mark talked about the confidence around driving our costs lower. A lot of the confidence will happen out of the lessons and the learnings that we get from drilling those 40 to 50 wells for the next phase. The reductions that we've got is having a lot more efficient modular system which can be land transported rather than sea transported.

We're looking at slightly smaller modules that will fit on trucks. We've looked at every single bridge that goes from the location down to the area where the equipment and the modules will be fabricated and we're very, very confident that the transportation by road is much, much cheaper and much more efficient than taking it in through sea lift. We've been fortunate that ConocoPhillips recently brought in a huge rig along those roads so we were able to use a lot of that data and that gave us a lot of confidence that our module project would be absolutely achievable, given that that was already achieved by ConocoPhillips when they brought their super rig in on a very similar route.

Gordon Ramsay: (RBC Capital Markets, Analyst) Okay, thank you for that. On slide 25, you've high-graded depletion plans and in terms of the single-phase drill sites, I'm just trying to understand what that means.

Keiran Wulff: Okay, what we've got is some more information with the 3D seismic tying into the well data and there was a significant amount of well data in this field that was drilled by Repsol and Armstrong before us. So, we now have a very strong understanding as to the extent and the thickness and the overall directions of these sands within the Nanushuk 2 and 3 and we're increasingly confident in terms of our orientation of the laterals that we'll be drilling from the NDP location.

So, what we've been able to do is high grade the depletion plan aligned with that additional information. We've also got more information out of the scale work that we've done on the extensive cores. You'd be aware that we acquired over 700 metres of cores through the reservoir, so we now – and we've got the results back on that so we now understand the deliverability and the stimulation opportunities that we have with those reservoirs. We also have now more information from some regional data around the interconnectivity between wells and the interference between wells, the producer and the injector. So, that's where the high graded depletion plan comes from.

Gordon Ramsay: (RBC Capital Markets, Analyst) Okay, thank you. Just lastly from me, just still on Alaska, I'm just interested in the map on page 22 where you've got Federal land, the Pikka trend looks like it's going through there. Assuming Joe Biden becomes the President of the United States, he is effectively going to ban drilling on Federal land, so does that mean that area – you'll be unable to evaluate that going forward?

Keiran Wulff: Well, fortunately that's in ConocoPhillips's area, so if you look in our area of yellow, we're absolutely fine. All of our lands in that particular trend are in state lands, so that's a question for ConocoPhillips more than us.

Gordon Ramsay: (RBC Capital Markets, Analyst) Excellent. Okay, thank you very much, Keiran.

Operator: Thank you. Your next question comes from Tom Allen from UBS. Please go ahead.

Tom Allen: (UBS, Analyst) Morning, Rick and team. Just again on Alaska, noting the challenge with financing oil projects on the North Slope and just following up the comments that Stephen made earlier, that you're having constructive discussions with banks in Asia and Australia, can you share any – recognising it's a tough question, but can you share any indicative data points on how that reduced access to debt markets might influence your project financing lending costs and capacity into the future? Then also, how might options to optimise your infrastructure cost via third party infrastructure ownership support your capital requirement?

Keiran Wulff: Sure, I'll actually hand it over, Stephen. I might be able to touch the last one, but…

Stephen Gardiner: Yes, sure. Look, we're at early stages. We did commence a process at the beginning of this year on a very different development plan and started working up a financing strategy and approach and engage with a broad group of prospective banks to introduce the project. Now, the project's changed quite a bit and quite a bit for the better from a financing point of view, so it's gotten much better economics obviously than what we were previously looking at in terms of the model we were developing.

Offsetting that I guess though is the reality that lenders are going to be somewhat more conservative on their oil price assumptions going into any new financing, but I think with the resizing of the project and the improved economics, the improved cash flow generation, it's still a very bankable project and easily supports based on pretty standard debt service cover ratios and lending metrics, the amount of debt we're looking to raise.

So, that's the first issue and the second one as I think I've already covered is that we're now comfortable based on the assessment of available pool of bank lenders that there's more than enough capacity in the market to get the financing done. Now, having said that, it's always nice to have some other levers in place and there's some really interesting infrastructure assets as part of this development that are ideally suited potentially to third party ownership and funding and Keiran might want to talk about that.

Keiran Wulff: Yes, so I suppose there's been discussions already with some parties about whether they be roads, grind and inject facilities, even a seawater treatment plan, whether some of that ownership is better in the hands of others and we actually swap CapEx for OpEx. So, those discussions are quite advanced in some areas. It's a strong way of creating business opportunities for some of the local companies and the regional corporations, so we're actually quite excited about a real win-win here.

But I think more to follow but at the moment, we're being conservative. We're incorporating the CapEx for each and every one of the projects that are required for this development in our CapEx scenario, so they're all included in our circa $3 billion estimate.

Tom Allen: (UBS, Analyst) Sure, and on those infrastructure partners, are you referencing that MOU that you have with the Alaska Industrial Development and Export Authority or are you referring to other parties as well?

Keiran Wulff: Other parties as well. The MOU was an early opportunity but frankly, the opportunity is also greater for long-term development opportunities as I said for some of the regional players to develop training, business opportunities and things that we can provide support but are more aligned with being held by contractors and third party suppliers.

Tom Allen: (UBS, Analyst) Okay, thanks. Then just regarding marketing your equity share of LNG for Papua LNG, can you just share what level of contracting you're targeting or that you require to make your FID?

Keiran Wulff: Sure. I'll hand that over to Diego who looks after the marketing group.

Diego Fettweis: Thank you for your question. Look, that is first and foremost primarily driven by the project finance consideration so if you've got any further questions around that, I would refer to Steve to answer them. But at this stage, the guidance we're getting is that we'll be very much looking at marketing 100% of nameplate capacity under long-term sales agreements, of course, which [answers] your question.

Tom Allen: (UBS, Analyst) 100%, okay. Thanks Diego, thanks all.

Operator: Thank you. Your next question comes from Baden Moore from Goldman Sachs. Please go ahead.

Baden Moore: (Goldman Sachs, Analyst) Hi Keiran, thanks for the presentation this morning. I guess I was looking at the recent sale of the Elevala and Ketu resources that went for a fairly small sum. I thought they might have been handy for your future DMO obligations. Is there anything you can say on why they weren't appealing and what that signals to how you're taking your investment forward in PNG?

Just one quick one for Stephen, just he mentions that the FY21 refinancing should be resolved I think shortly. Is there a key date that we can look at for that?

Keiran Wulff: Thanks, Baden, and good questions. It's not as if we didn't look at them but again, it goes back to the heart of what our strategy is and it's about discipline and about return on capital. Buying the assets is one thing, developing remote assets is another and those assets – and also the materiality of those assets for our shareholders. We've got a good plan for the domestic market obligation integrated with our projects already. We don't need to water down or dilute our focus on high-returning projects in relation to pursuing Elevala Ketu and I wish Arran well; in fact, they're an ideal small company to actually pursue those projects.

But it's the materiality, it's the discipline that we need to have a return on capital around what is. We have a certain amount of capital and it has to be deployed in the areas that have the most impact, so quite simply, Ketu Elevala didn't meet the thresholds for investment that this company requires going forward. I'll hand to Stephen just to talk about the…

Stephen Gardiner: Yes, thanks Baden. So, the financing plan, now that we've got the strategy clearly outlined and we've got a much clearer understanding of what we want to finance, we're going to be going full speed early next year and executing that plan. We really need to have both our corporate facilities refinanced and extended and obviously, the project or asset-specific financing for Alaska in place prior to FID, so that's the timeline. We'll be focusing on that as a priority commencing as soon as possible, in fact almost now, and getting prepared for that process, looking not only just at the bank funding sources but potentially also the debt capital market solutions for the company, if that makes sense.

Baden Moore: (Goldman Sachs, Analyst) Sorry if I missed it earlier, but is the intention to expand the size of those facilities or are you just trying to roll what you've got?

Stephen Gardiner: Look, we'd like to roll and potentially increase in size. We'll see what the market capacity is and appetite, but it'd be nice to actually increase the amount of liquidity available to the Group as we move forward. So, the preference would be to increase in size but we don't need to.

Baden Moore: (Goldman Sachs, Analyst) Great, thank you.

Operator: Thank you. Your next question is a follow-up question from Daniel Butcher from CLSA. Please go ahead.

Daniel Butcher: (CLSA, Analyst) Hi. A couple of detailed ones, if you don't mind. [Unclear] 21% Federal tax rate is what [unclear] of $40 a barrel breakeven or less, [unclear] I think if Biden or the Democrats win the Senate and the tax rate moves to [20%] this coming season or next season in '22, that will probably change [unclear] by about 10%, is that about right, and therefore push your break-even back to the low 40s a barrel?

Keiran Wulff: Dan, it's a good question. Obviously, when we bought the original asset, we benefitted from those amendments to the tax. We've been looking at that and what the impacts of a Democratic win would be on the government. Clearly, there's some talk about changing corporate tax rates in the long-term. We've incorporated that into some of our modelling but at the moment we are still including the current tax rates in our estimates of our breakevens. I will emphasise, frankly while we haven't stopped at sub-$40, we're absolutely focused on getting down lower.

Daniel Butcher: (CLSA, Analyst) Sure. If I can just detailed one, I'm sorry to ask, [push you up] to the half-year results, but just curious why your principal repayments on PNG LNG were so low in the first half, they seem to be about three-quarters or two-thirds of the normal principal amount? I'm just wondering whether there's some sort of leeway given there due to COVID or whether there was something else going on.

Stephen Gardiner: Dan, the repayment schedule was actually set in place back in 2009 when we negotiated the financing and it originally was sculpted around assumed timelines for some of the further development activity including Angore, and so there was a little bit of a dip in the repayment curve for a couple of years to smooth out the cover ratios based on the model as it existed in 2009. So, that's probably the reason why you saw a bit of a dip.

Underlying it though, it was done as a mortgage style repayment profile as you understand, so over time the principal repayments increase as the amount of interest expense lowers so that the total debt payments each year are meant to be roughly stable, but there was this sculpting built into it to allow for some development spend that had to be funded out of cash flows from the project.

Daniel Butcher: (CLSA, Analyst) That's interesting. You said it was down for a couple of years [unclear] …

Stephen Gardiner: Well, that was really last year and the prior year, so we'll see next year an increase in principal repayments. It's shown in the chart I think that we actually have in the slide pack. You can see it pick up a bit, but offsetting that is obviously a much lower interest expense, not only due to lower Libor rates which are historic lows, as you know, but also just the amount of principal outstanding is reducing over time quite quickly.

Daniel Butcher: (CLSA, Analyst) Right, okay. The reason I ask – and this might be a bit cheeky – but if I assume the normal level of principal repayment, it looks like you're pretty close to lockup in the credit finance facility [unclear], maybe even to be into the DSRA to pay it. Is that fair?

Stephen Gardiner: No, it's not. No need to touch the DSRA, it's fully funded. We're comfortable that we've got more than enough cash to cover all our expenses, whether we have sufficient surplus above that to allow distribution is really dependent on fluctuations in oil prices and spot LNG prices, but at current prices, we would still see releases come out of the project.

Daniel Butcher: (CLSA, Analyst) For second half. Okay, thank you.

Stephen Gardiner: For this second half? This second half, it's going to be a fairly marginal release in the second half, if there is one, but for next year I was really referring to we see it, given that we've been through the…

[Over speaking]

Stephen Gardiner: Yes, thank you.

Operator: Thank you. There are no further questions from the phones at this time. I will now hand back.

Keiran Wulff: Okay.

Ann Diamant: Hi, so Keiran, there are a couple of questions through the webcast. The first is from James Hood from Regal Asset Management. Actually, the question is probably more for Stephen. It says, you have stated that you have learnt some serious lessons around downside planning through the COVID demand side shock. What does that actually mean in terms of how you intend to manage your oil price risk exposure going forward? For example, will you implement a hedging policy or will you begin to opportunistically hedge your oil exposure if or when the oil price increases?

Stephen Gardiner: No, thanks for the question. I did mention that we're reviewing our – we have a hedging policy; it's around preserving cash flow when we've got commitments in place. So, we were thinking about a hedging strategy as we moved into FID for these major projects. I think we're now looking to refine that and look at some more permanent hedging protection, if it makes sense.

Now, clearly at current prices and the current forward curve, that's well below our expectations of where we believe the oil price is going to recover to over the next several years so it will have to be based on a view that we're actually adding to our liquidity position, not restraining it.

But certainly, that's work that's ongoing with our Board to discuss appropriate revisions to our hedging policy, certainly to protect against the downside. That's really the lesson we've learnt, it really makes a lot of sense to make sure that you've got some mitigate in place to - the collapse in oil price that we've seen over the last several months.

Ann Diamant: Thanks, Stephen. The second question is from Scott Ashton from SHA Energy Consulting. I think Diego, this is probably one for you. Please could we get a general update on the cost timing and implications of the Oil Search operated AGX project? How does this rank in terms of competing for capital within Oil Search's portfolio? A secondary question to that is, how does Oil Search manage the conversion of the oil fields to gas fields without losing too much oil?

Diego Fettweis: Thanks for the question and look, just making sure that I clarify for everyone what AGX is about, it's the Associated Gas in Expansion and when we last presented AGX, it was clearly going to be part of the third train ahead of P'nyang and as we are now discussing how best to optimise P'nyang development within PNG LNG, we wouldn't envisage at this stage AGX having the same format as when it was last presented.

As I commented earlier around the gas sequencing for PNG LNG, there is definitely still a role that the Associated Gas field will be playing in maintaining the production in PNG LNG and so we will be expecting that the AGX concept will be significantly reduced in scope and we'll be most looking at the export out of the Agogo production facilities.

Now, by reducing the scope, reducing the gas rate expected from those facilities, that will have less of a strain on the oil production. Actually, we're going to be able to continue the reinjection of gas into the field to maintain the oil production and to further optimise the oil production as we start the gas export out of the Agogo [unclear] field through the Agogo production facilities.

Ann Diamant: Thanks, Diego. A question for Beth, also from Scott Ashton. Scott asks, is Oil Search considering or exploring the potential application of hydrogen to augment existing oil and gas assets? How would this sit or compete with PNG biomass?

Beth White: Thanks very much Scott for your question. We are committed to making targeted improvement investments in the energy transition and PNG biomass, once it gets to FID, will be that first investment because it fits so many of our criteria. Not only does it place us well within the energy transition, it gives us that exposure to owning renewable energy and offset projects and it also fits so well with our values around supporting community.

Specifically to your question around hydrogen, we have not pursued any options in hydrogen technology to date but we do keep a very close watching brief on it and I suppose I would leave that open for the future. Thanks for your question, Scott.

Keiran Wulff: I will say one thing though in relation to oil technologies, and this actually just doesn't apply with the management but it also applies with the Board. We regularly bring in experts around energy transition so that the Board is made aware of what's happening and when, the likely capital and how it compares and competes with oil and gas assets. So, hydrogen is one of those new technologies that the Board and the company will be made more aware of going forward because it is a potential for a disrupting technology going forward.

Ann Diamant: Thanks. This is a question for Bruce, if he's on the line, or if not, Keiran, from Michael Murphy from BMO in the US. Does Oil Search view Narwhal and Pikka as two discrete pools or one continuous pool? How do you see the unitisation evolving here and at Mitquq, if at all?

Keiran Wulff: I'll hand it over to Bruce, I see him [unclear].

Bruce Dingeman: So, the Nanushuk reservoirs were actually deposited in a [unclear] fashion, so they're clinoforms that were laid down progressing from west to east. Narwhal is principally what we call the Nanushuk number 2 clinoform and Pikka is principally the number 3 clinoform. We don't see unitisation as a requirement; however, there is a regulatory body called the AOGCC and we'll manage any lease line issues through pool rules and that type of approach. It applies similarly as you move towards the east side where Mitquq is in the Nanushuk 9 clinoform, so similar issue on the east side.

Ann Diamant: Thanks, Bruce. Another question on Alaska. What is the timeline for launching the Alaska 15% divestment process? The presentation implied that Repsol was also considering farming down a portion of its interest. Can you confirm that this is the case?

Keiran Wulff: Look, I'll take that one. There's been a lot of discussion with Repsol over many things this year to make sure that we're totally aligned. In relation to our process - and we'll be starting the process in the first quarter subject to oil prices and after the Christmas or the festive period – the intention for us is to run that process starting probably around February. We're looking to complete it around September to October prior to an FID decision.

In relation to Repsol, that's a decision for Repsol to announce. It's not for me to talk about whether Repsol are divesting or not. All I can say is that ourselves and Repsol are very aligned with approach and I'll let Repsol answer that question themselves.

Ann Diamant: Thanks, Keiran. The final question is actually something fairly akin to that, so it's also from Scott Ashton and he asks, is the potential future selldown of a partial interest in PNG LNG still on the cards as a way of avoiding potential dilution if an Alaskan selldown does not occur in the required timeframe or if Brent oil prices and therefore LNG prices remain subdued for longer?

Keiran Wulff: Again, I've been very clear from the very outset when we raised capital earlier in the year, every option is open to Oil Search if we think it's in the interests of our shareholders to do so. However, you rarely get the quality of assets like PNG LNG and Alaska so we'll only sell them if we think that that it's in the shareholders' interests to do so in terms of value and also realising greater value out of our portfolio going forward.

So, we will look at each of those things. There are a number of parties who may be interested in an interest or a small interest in PNG LNG related to our marketing strategy, so the reality is that we'll be looking at all of those options going forward but we're not just rushing to run a data room in the interest of pursuing one particular option.

Ann Diamant: Thanks, Keiran. There are no further questions from the webcast.

Keiran Wulff: Okay, well, with that I'd just like to thank you all. We've pretty well finished on time which I'm very pleased about. It's a massive commitment, it's been a huge year for Oil Search but one of the key takeaways is the discipline, the focus and the commitment of all of us at Oil Search from the Board to the field across to Alaska and in Sydney and Papua New Guinea to delivering value from this company for our shareholders.

We are absolutely aware of the challenges ahead and I hope that we've been very transparent that we are focused on what we can control and we're considering those things that we don't control, but this company has an incredibly exciting future to deliver what we have and I very much look forward to you supporting the company and participating with us. We will be conducting these Investor Days on an annual basis and as I said, I left the plan on a page for you to pull out next year and I hope that we've not only met them but we've exceeded those deliverables. I wish you all well, I wish all your families well and be safe. Thank you very much.

**End of Transcript**