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# Oil Search delivers strong results despite devastating earthquake

**PNG Media Release**

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**19 February, 2019**

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Oil Search has reported very strong financial results for 2018 despite its operations being affected by the February earthquake in the highlands of PNG a year ago.

Releasing the company's 2018 full year results yesterday (Tuesday, 19 February), Oil Search announced a net profit after tax increase of \$US341 million, up 13 per cent from 2017.

Commenting on the results, Oil Search Managing Director Peter Botten said the strong performance came on the back of stronger global oil and gas prices, with the average realised oil and condensate price up 27% and LNG and gas price 31% higher.

He said this more than offset a 17% decline in production and sales volumes due to the temporary shut-in of production following the February earthquake in PNG and resulted in a 6% increase in total revenue, to US\$1,535.8 million.

It also reflected a 10% increase in production costs resulting from earthquake-related remediation work to repair infrastructure and reinstate production, net of insurance recoveries, and an 86% increase in exploration expense, reflecting the extensive seismic acquisition programme conducted in the onshore Gulf and Forelands regions in PNG as well on the Alaska North Slope.

Mr Botten said Oil Search and its joint venture partners also made significant progress on LNG expansion in PNG. A Memorandum of Understanding was signed between the PRL 15 joint venture and the PNG Government in November, outlining key terms and conditions for the Papua LNG Gas Agreement, and material advances were made in the commercial agreements required to move to the Front-End Engineering and Design (FEED) phase.

He said the Government and the PRL 15 joint venture are on track for finalising the Papua LNG Gas Agreement before the end of March 2019. A Gas Agreement for the P'nyang PRL 3 is expected to be finalised shortly after, which will allow aligned FEED entry decisions to be made on the proposed three-train LNG expansion. Upstream pre-FEED work is largely complete, with preliminary market engagement underway. Downstream pre-FEED technical work is also going well and remains on schedule for completion toward the end of the first quarter of 2019.

The Company also recorded a marked improvement in its 2018 safety performance, with the production operations achieving one-year Total Recordable Injury (TRI) free in November.

Oil Search's Total Recordable Injury Rate (TRIR) (recordable incidents per million work hours) decreased more than 18%, from 1.93 in 2017 to 1.58 in 2018. While it continues to strive for zero injuries, the downward trend in TRIR was a pleasing result, particularly considering the devastating earthquake, which fortunately did not result in any injuries to Oil Search staff or contractors.

Looking back on the year's challenges, achievements and aspirations Mr Botten said: "The earthquake in February 2018, along with the numerous strong aftershocks had a significant impact on our operations, and whilst none of our staff and contractors were injured, our communities in and around our operations were seriously impacted.

Many people were injured, people were buried under landslides, many communities were cut off, food gardens cut off and food gardens wrecked. There were also significant infrastructure damages, including roads, schools, health centres and churches throughout the area.

Kutubu High School, which enrolls 700 students from Southern Highlands Province only resumed classes last week since the earthquake. Oil Search is assisting them to achieve this as part of our ongoing earthquake assistance to our communities.

Oil Search continues to provide long-term recovery assistance to the communities in the Hela, Southern Highlands and Western provinces impacted by the disaster. In partnership with the Oil Search Foundation, we are working to provide access to clean water and sanitation facilities, re-establish gardens to support subsistence lifestyles and rebuild houses, roads and infrastructure.

Towards the end of 2018, Oil Search received two awards, the 2018 Platts Global Energy Award for Corporate Social Responsibility and the inaugural PNG Chamber of Mines and Petroleum Outstanding Humanitarian Initiative Award, for the Company's relief efforts following the earthquake. These awards are recognition of the many who returned to site or chose to stay behind, working long hours to rebuild camps and deliver emergency relief to the surrounding communities despite the ongoing threat of further aftershocks.

We played a critical first responder role in the unfolding crisis, with the United Nations estimating that we delivered approximately 80% of total food supplies to affected areas in the first four weeks following the earthquake. I would like to thank our employees and contractors who showed excellent professionalism and went beyond the call of duty, performing tasks outside their normal roles to protect our people, environment and facilities and to deliver the earliest possible return to safe, sustainable and reliable operations.

In November 2018, Oil Search's PNG production operations recorded one-year TRI-free, which was an excellent achievement given the challenges post-earthquake.

Commenting on Oil Search's international expansion, Mr Botten said PNG is home to Oil Search, and it has been good to us.

"We have not changed our focus on PNG nor do we intend to do so. However, for some time, Oil Search has been seeking to acquire oil interests to complement our PNG gas assets, to create a more balanced portfolio that is less exposed to one single commodity and one country.

"The key challenge has been to achieve this without diluting the Company's world class, high returning PNG assets. Utilising our existing relationships, this Alaska North Slope opportunity was proactively pursued, and an agreement structured to the benefit of all parties. The interests acquired provide a unique opportunity for Oil Search to participate in a world class, high returning, proven oil province that can add material value to the Company.

"Oil Search has matured and grown with Papua New Guinea; and has played a significant role in the development of PNG's oil and gas industry, with aspirations and strategies closely aligned to those of government in developing a sustainable oil and gas industry.

"Papua New Guinea and Oil Search's interests have been aligned for nine decades now. This year marks the company's 90<sup>th</sup> anniversary of continuously investing in PNG, since being established in 1929, well before the country became independent.

"It is a success story of a home-grown PNG company, that is now spreading its wings internationally, and proudly flying the PNG flag. "

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