



OIL SEARCH LIMITED

(Incorporated in Papua New Guinea)

ARBN – 055 079 868

OIL SEARCH 2011 FIRST HALF RESULTS

23 August 2011

- Oil Search (ASX: OSH; ADR: OISHY) reports that profit after tax for the six months to 30 June 2011 was US\$114.5 million, compared to US\$52.9 million in the corresponding period of 2010. The 117% increase in net profit was primarily driven by a 53% increase in realised oil prices.
- During the first half of the year, good progress was made on the execution of the PNG LNG Project, operated by Esso Highlands Limited, an affiliate of ExxonMobil Corporation. Milestones included ground breaking and pouring of the first foundations at the LNG site near Port Moresby and laying and welding of sections of the onshore pipeline, which runs from the south coast of PNG to the Highlands.
- The Company's near field exploration activities in PNG continued, with the deepening of the IDT 25 development well at Kutubu to the Koi lange reservoir. Hydrocarbon indications were seen and there are plans to test the interval in the fourth quarter of 2011. This follows the discovery of oil at Mananda 5, which was successfully tested in early 2011.
- Shortly after the end of the period, Oil Search exercised its Option Agreement in the Taza Block (formerly K42) in the Kurdistan region of Iraq into a Production Sharing Contract. The Block contains a material exploration prospect, which will be drilled in 2012.
- At the end of June 2011, Oil Search had cash of US\$1,229 million. US\$1,321 million had been drawn down under the PNG LNG Project finance facility while the Company's revolving credit facility remained undrawn.
- The Board has approved the payment of an unfranked interim dividend for 2011 of two US cents per ordinary share, payable on or around 10 October 2011. The dividend payment will be funded by a fully underwritten dividend reinvestment plan.

Commenting on the first half results, Peter Botten, Oil Search's Managing Director, said:

"Oil Search reported a sharp rise in profitability in the first half of 2011. The primary driver of this good result was the oil price, with the Company realising an average price of US\$116.89 per barrel, 53% above the corresponding period of 2010. This helped lift total revenue from US\$276.6 million in the first half of 2010 to US\$371.1 million, despite 10% lower oil and gas sales.

Total oil and gas production in the first half was 3.56 million barrels of oil equivalent (mmboe). While 10% lower than in the first half of 2010, this was a satisfactory result, given the maturity of the PNG oil fields, with production benefiting from infield development activity and field optimisation.

As anticipated, cash operating costs (including corporate costs) increased during the half, from US\$15.13 per boe in the 2010 full year to US\$19.24 per boe. This reflected higher labour, contractor and services costs in PNG, due to the inflationary impact of the PNG LNG Project, and

AUSTRALIAN REGISTERED OFFICE

Level 27 Angel Place, 123 Pitt Street, Sydney NSW 2000 Australia.

GPO Box 2442, Sydney NSW 2001 Australia.

Telephone: (61) 2 8207 8400 Facsimile: (61) 2 8207 8500

the negative currency impacts from the strong Australian dollar and Kina, with costs spread over a lower production base. In addition, the first half of 2011 included the commencement of a substantial well workover programme and a number of operational maintenance activities accelerated from the second half of 2011.

Following the significant one-off downwards shift in 2010 due to the recognition of gas reserves, non-cash charges increased slightly in the first half of 2011. This was due to a less favourable mix of production from fields with higher amortisation rates and higher drilling rig utilisation, with both Oil Search rigs operating throughout the period (one rig contracted to third parties). The impact of higher non-cash costs was more than offset by lower exploration expense of US\$39.0 million, compared to US\$97.8 million in the first half of last year, with last year's expense including costs associated with the Korka and Wasuma wells.

The effective tax rate of 51.8% was slightly above the PNG 50% statutory rate for oil, due to the non-deductibility of exploration expense in MENA.

The Board has approved the payment of a 2011 interim dividend of two US cents per share. The Company's shares will commence trading ex-dividend on 9 September 2011, the record date for the dividend is 15 September 2011 and payments will be made to shareholders on or around 10 October 2011. A fully underwritten Dividend Reinvestment Plan will fund this payment."

Safety performance

"The Company achieved a Total Recordable Incident Frequency Ratio (TRIFR) of 1.47 per million hours worked for the first half of 2011, compared to a TRIFR of 1.71 in the same period of 2010. The reduction reflected a continued focus on safety throughout the Company, with a number of safety forums held during the first half, targeting ways to improve performance in the context of significantly increased activity levels."

PNG LNG Project construction activities continue

"Good progress was made by the Operator, Esso Highlands Limited, on the PNG LNG Project during the first half of 2011. Site preparation and infrastructure development activities continued, while the Project also moved into the heavy construction phase during the period. Several key construction milestones were celebrated, including:

- A ground breaking ceremony for the handover of the LNG process area to the subcontractor for construction of the LNG trains.
- The pouring of the first concrete foundations for the Train 1 process area/pipe rack and the commencement of pile driving for the LNG Plant marine jetty.
- The commencement of welding, trenching and lowering of the 292 kilometre onshore pipeline.
- The completion of work at the Juni Construction Training Facility in the Highlands.

Work on the offshore pipeline began, with construction on the Caution Bay pipeline shore approach support site, including the installation of a small construction yard and fencing. The Mubi River Bridge was completed, which opened up the southern logistics route, and road repair work took place on the Highlands Highway, the major logistics route for construction supplies into the Komo and Hides area. Despite heavy rainfall in the Hides region, activities in the area included earthworks at the Hides Gas Conditioning Plant industrial park and work on the flyway laydown area, fuel facility, medical centre, waste management areas and groundwater wells. Work also continued at the Komo airfield, where engagement with local communities and downtime associated with weather and logistics are being managed by Esso Highlands as part of its normal operating role.

Towards the end of the half year, commissioning of the first drilling rig commenced. Preparatory works at the Central Processing Facility for the Associated Gas tie-in project were also ongoing during the period.

As the Project's construction activities gain momentum, use of PNG suppliers and the local PNG workforce is growing. Developing Landowner Companies (Lancos) remained a priority during the period, with the ongoing effort to build these businesses supported by the PNG LNG Enterprise Centre capacity building programmes. Lancos now supply a broad range of services to the Project including catering, linen services, equipment hire, camp management, security, highway trucking and the recruitment and hiring of construction labour. In addition to Lancos, the Project continued to engage other PNG businesses to meet the growing needs of the Project construction.

The Project is still relatively early in its construction phase and project components often fluctuate through the life of a project. This includes the Project's exchange rate exposure which, as highlighted in the 2011 second quarter report, continues to be closely monitored. The Operator is managing these fluctuations and has recently confirmed it continues to make good progress towards the 2014 delivery window."

Gas appraisal and exploration activities

"Oil Search is poised to embark on one of the largest drilling programmes in the Company's history, starting in the fourth quarter of 2011 and continuing through 2012 and into 2013. This programme is aimed at maturing gas resources to underwrite future gas commercialisation options, with multi-tcf risked resource potential, as well as finding oil near our existing oil fields and in high graded opportunities outside PNG.

Plans for an integrated exploration and appraisal drilling programme in the Highlands of PNG were finalised during the first half of 2011. Drilling is targeted to commence in the fourth quarter of 2011, with an appraisal well on the P'nyang gas field. This will be followed by an exploration well in PRL 11 (formerly called Huria), east of Hides and Angore, targeted for the first quarter of 2012, following completion of the P'nyang well.

As previously advised, drilling on the Hides field is also scheduled to commence in the fourth quarter of 2011 and a well to determine the extent of the gas column in the Hides field (the gas:water contact well) will be one of the first wells to be drilled.

In addition, Oil Search, as operator of the Associated Gas fields, is conducting detailed technical work focused on defining the potential reserves upside in these fields. We are targeting securing PNG LNG Co-Venturer alignment on the amount of these additional volumes during 2012.

Oil Search anticipates that the results of this reserves assessment programme will be known by mid-late 2012, providing insight into whether sufficient reserves have been discovered to underwrite LNG expansion or whether additional appraisal is required.

Good progress was also made during the period in Oil Search's second key gas focus area, offshore and immediately onshore the Gulf of Papua. The results of the first phase of a major 3D seismic survey, acquired during 2010 over parts of PPL 244, were interpreted and acquisition of the second phase of the survey, over other offshore licences, was completed. A 2D seismic programme over onshore licence PPL 338 was also completed, while acquisition over PPL 339 was ongoing at the end of the period. The results of the small first phase seismic have been encouraging. The initial integrated results of the total programme are expected to be available in the fourth quarter of 2011.

Preliminary discussions with a number of potential partners have taken place and the availability of offshore rigs is being assessed and tracked. In addition, a long lead item procurement process has commenced. The forward strategy with respect to partner selection and rig choice will be

determined after the results of the seismic surveys have been assessed and the prospectivity of the area has been established, with drilling expected to commence in 2012.”

Near field oil discoveries at Mananda 5 and IDT 25

“During the first half, the Mananda 5 oil discovery, made in late 2010, was successfully tested and work began on evaluating options for commercialisation. These activities are on track for a decision in the fourth quarter of 2011 on whether to proceed directly with a development or undertake further appraisal activities.

Also during the period, the Kutubu IDT 25 well was drilled. It successfully accessed hydrocarbons in the primary Toro reservoir. The well was then deepened to an exploration target in the Koi lange reservoir which showed indications of hydrocarbons. The well has been suspended pending mobilisation of the Hydraulic Work-over Unit, currently operating in the Gobe area, to IDT 25, which will allow the Koi lange reservoir to be tested, prior to completion of the Toro.

Both these wells support the studies undertaken during the 2010 Strategic Review, highlighting the potential for significant volumes of hydrocarbons to be found close to the existing oil fields.”

Taza Block in Kurdistan

“In August, Oil Search announced that it had reached agreement with the Kurdistan Regional Government (KRG) to exercise Oil Search’s Option Agreement over the Taza Block (formerly Block K42) into a full Production Sharing Contract. Oil Search now has a 60% working interest in the PSC, with the balance being held 20% by ShaMaran Petroleum and 20% by the KRG, with the KRG’s costs carried by Oil Search and ShaMaran. The Kurdistan region of Iraq is an area of high industry interest and activity, with significant potential.

The seismic acquired in 2010 has identified a four-way dip closed structure, which lies on structural trend with the giant producing Jambur field to the northwest, with reported reserves of over one billion barrels of oil, and the recently announced Western Zagros Sarqala oil discovery to the southeast, with reported test rates of over 9,000 barrels of oil per day from the Jeribe formation. The Jeribe will be one of the main targets for the upcoming exploration well on the identified prospect, which is expected to be drilled in 2012.”

Operating conditions in PNG

“Over the past 20 years, PNG has had an excellent track record of fiscal stability and developing a predictable operating environment. This has attracted unprecedented investment in the resources sector.

The fiscal regime comprises one of the most comprehensive packages for landowner involvement in a resources development anywhere in the world. Landowners are entitled to direct equity and receive royalties, development levies, employment and training opportunities and landowner company involvement, together with Government grants for infrastructure and services.

Improvement in the delivery and distribution of these considerable benefit streams is a focus for the developers and governments in PNG, especially in light of the major project developments in the oil, gas and minerals sectors currently underway. It is recognised by all parties that there needs to be a greater level of governance in this distribution, with benefits going to the Project Area landowners, as well as to the rest of PNG.

Dialogue between the Government and Project Developers about improving the system, transparency and governance for benefits distribution has always been constructive and we are

confident that these discussions, on improving the efficiency of benefits delivery, will continue with the new Government in PNG, led by Prime Minister, Peter O'Neill.

Given the inevitable economic and social pressures brought on by rapid growth in the economy, caused by the development of major resource projects in the country, Oil Search has enhanced and established a number of new operating initiatives that are designed to provide a stable operating environment for our PNG oil and gas activities.

These include initiatives that will improve the efficiency of distribution of benefits arising from oil and gas projects, transparency and governance. Recent discussion on the establishment of a sovereign wealth fund to facilitate management of a proportion of the benefits is particularly encouraging.

One of the Company's initiatives to facilitate service delivery is the recent establishment of the Oil Search Health Foundation, as a not-for-profit charity that will leverage off and expand a number of our existing successful community health programmes. The Foundation has been nominated as a Principal Recipient for grants from The Global Fund, with a budget of over US\$70 million, to help manage HIV/AIDS, malaria, TB control and maternal and child health programmes in nine provinces across PNG. The Foundation will work collaboratively with the PNG National Department of Health and other government and non-government organisation on the delivery of these major programmes.

The Company sees these activities as part of a holistic programme of managing operating risk in PNG, as well as delivering excellent social outcomes."

OUTLOOK

On the outlook for the second half of 2011, Mr Botten said the following:

PNG LNG Project activities

"During the second half of the year, activity will continue on all of the PNG LNG work fronts including:

- Continued construction of Train 1, the marine jetty and associated facilities at the LNG plant site near Port Moresby.
- Mobilisation of the offshore contractor to PNG and the commencement of offshore pipe laying.
- Continuation of the onshore pipe lay.
- Construction at the HGCP and Komo Airfield sites.
- The commencement of well pad development.
- Installation of the gas dehydration units at the Central Processing Facility (see below)."

Production outlook

"As part of Oil Search's associated gas construction programme, a two week planned shutdown of the Central Processing Facility (CPF) and Agogo Processing Facility (APF) began on 16 August. Critical tie-in work is being completed for the first of two new gas dehydration units in the CPF,

along with a variety of works on the crude oil storage tanks, commissioning gas unit and various utility and control systems.

As a result of the shutdown, second half production is expected to be lower than in the first half. Consequently, despite the strong first half performance, Oil Search's guidance for 2011 full year production remains unchanged at between 6.2 – 6.7 mmbob.

Development activities planned for the second half include drilling the Agogo 6 well, an appraisal well of the Toro reservoir in the Agogo forelimb, following up the successful ADT 2 ST3 well, which has been consistently producing oil from the forelimb of the Agogo field since late 2009. There will also be ongoing work-over activity in both the Gobe and Kutubu complex fields."

Drilling Activity

"The Company is close to starting its largest ever drilling programme, which will include the following activities:

- Appraisal and development drilling on the Hides gas field.
- Appraisal drilling at the P'nyang gas field.
- Exploration drilling in the Huria area.
- Appraisal and near field exploration in our core oil fields areas at Kutubu, Moran and possibly Mananda.
- Exploration in the Gulf area of PNG, subject to final seismic evaluation.
- Exploration drilling in the Taza Block in Kurdistan.

This programme will commence in the last quarter of 2011 and continue through 2012 and into 2013, addressing multi-tcf risked resources and several hundred million barrels of oil potential. The programme has the potential to underwrite further growth in gas commercialisation as well as oil production.

Specific exploration activities in the second half of 2011 include:

- Hedinia 10 (PDL 2, OSH – 60%, Operator). Hedinia 10, which is currently drilling ahead, is targeting a forelimb prospect which lies underneath the Hedinia producing oil field, analogous with ADT 2 ST3 in the Agogo field.
- P'nyang 3 (PRL 3, OSH – 38.51%, operating on behalf of ExxonMobil). P'nyang 3 is an appraisal well on the P'nyang gas field, located 95 kilometres north west of Juha.
- Seismic Acquisition, PNG. The remaining onshore seismic programme over PPL 339, located adjacent to the Gulf of Papua, is expected to be finalised in the third quarter of 2011."

2011 cost guidance

"Cash operating costs are expected to be slightly higher in the second half than in the first, due to a higher level of work-over activity. However, our guidance of costs for the 2011 full year remains unchanged at US\$19 – 21 per bob (including corporate costs). Guidance for non-cash charges, including depreciation, depletion and amortisation, is also unchanged at between US\$7 - 9 per bob.

Total investing capital expenditure for the 2011 full year is expected to be similar to that announced in February 2011. Expenditure on the PNG LNG Project is anticipated to be between US\$1.2 – 1.4 billion, depending on phasing of construction activities and cash calls from the Operator. Spending on production activities is expected to increase in the second half, due to higher work-over activity and an additional development well (Agogo 6), with total spend for the year expected to be in the range of US\$130 – 150 million.

Exploration and evaluation expenditure in the second half of 2011 includes a US\$40 million signature bonus on the Taza Block in Kurdistan (which will be capitalised), with total exploration expenditure for the year forecast at between US\$160 – 180 million. Together with approximately US\$10 million spent on corporate costs, total capital expenditure for the 2011 full year is expected to be between US\$1.50 – 1.75 billion. These expenditures can be funded comfortably from the continued strong cash flows being generated by our oil operations, our healthy existing cash position of over US\$1.2 billion and ongoing draw-downs from the PNG LNG project finance facility."

Peter Botten, CBE
Managing Director
OIL SEARCH LIMITED

23 August 2011

FINANCIAL SUMMARY

Six months to June	2011	2010	% change
SALES DATA			
Total oil and gas production (mmboe)	3.558	3.947	-10
Total saleable oil production (mmbbl)	2.978	3.379	-12
Total oil liftings (mmbbl)	2.838	3.224	-12
Gas equivalent sales (mmscf)	2,876	2,892	-
Total oil and gas sales (mmboe)	3.334	3.717	-10
Realised oil price (US\$/bbl)	116.89	76.31	+53
FINANCIAL DATA (US\$m)			
Total revenue	371.1	276.6	+34
Net operating expenses	(63.8)	(47.8)	+33
EBITDA before exploration expense	307.3	228.8	+34
Exploration costs expensed	(38.9)	(97.8)	-60
Amortisation, depreciation & site restoration	(26.4)	(25.2)	+5
Business development costs expensed#	(4.5)	-	-
EBIT	237.6	105.7	+125
Profit on sale of investment	-	3.9	-
Net interest expense	(0.1)	(1.2)	-92
Profit before tax	237.5	108.4	+119
Taxation expense	(123.0)	(55.6)	+121
Profit after tax before significant items	114.5	52.9	+117
PER SHARE DATA (US cents)			
Basic EPS	8.7	4.1	+114
Diluted EPS	8.7	4.0	+114
Net Operating Cash Flow per share	19.7	15.5	+27
Interim Dividend	2.0	2.0	unch

Notes:

- Numbers and percentage moves may not match due to rounding.
- # Business development costs included within exploration expense in prior years

FACTORS AFFECTING THE RESULTS

Oil production / sales

Oil Search's oil and gas production in the first half of 2011 was 3.56 million barrels of oil equivalent, of which 87% was oil and liquids and the balance gas. After internal usage, oil production available for sale was 2.98 million barrels, of which 2.84 million barrels was sold during the period and the balance held as inventory.

Realised oil prices

Oil Search realised an average oil price of US\$116.89 per barrel for the first half of 2011, compared to US\$76.31 per barrel in the previous corresponding period. No hedging was undertaken during the period.

Revenue

Total revenue from operations was US\$371.1 million, 34% higher than in the first half of 2010. Revenue was comprised as follows:

Revenue (US\$ million)			
Six months to June	2010	2011	% change
Sale of oil	246.0	331.7	+35
Sale of gas and refined products	18.4	23.7	+29
Other revenue*	12.1	15.6	+29
Total	276.6	371.1	+34

* Primarily tariff and rig income

Cash costs

Cash operating costs (US\$ million)			
Six months to June	2010	2011	% change
Field costs	33.1	43.2	+31
Other opex	8.2	8.5	+4
Net corporate costs	7.8	11.1	+42
FX (gains)	(1.2)	1.0	+180
Cash operating costs	47.8	63.8	+33

On an absolute basis, total cash costs were 33% higher than in the previous corresponding period. This was due to the 15% appreciation of the A\$ against the US\$ and the strengthening of the Kina between the two periods, impacting non-US\$ denominated costs. In addition, higher royalties and development levy payments (a result of higher oil prices), the commencement of a well workover programme and accelerated facility maintenance costs impacted 2011 costs. In addition to the foreign exchange impacts, corporate costs rose due to increases in staff and contractor costs.

Cash costs, on a per barrel of oil equivalent basis, increased from US\$15.13 per boe in the 2010 full year to US\$19.24 per boe in the first half of 2011, towards the lower end of the guidance range previously indicated.

Non-cash costs

Non-cash costs (US\$ million)			
Six months to June	2010	2011	% change
Amortisation	17.0	19.2	+13
Depreciation	4.6	6.1	+33
Site restoration	3.6	1.1	-70
Total	25.2	26.4	+5

Depreciation, amortisation and site restoration increased from US\$25.2 million to US\$26.4 million due to a less favourable mix of production from fields with higher amortisation rates and higher rig utilisation, which increased the accompanying amortisation charges.

Exploration expense

During the first half of 2011, exploration and evaluation expenditure was US\$53.8 million. This included expenditure on the Mananda 5 well (US\$18.4 million) and the coal seam gas wells (US\$8.1 million) as well as \$19.5 million spent on PNG seismic. In line with the Successful Efforts accounting policy, all costs associated with unsuccessful drilling, seismic work and other support costs related to exploration were expensed, resulting in a charge of US\$38.9 million, comprising US\$12.2 million of current and past period costs in relation to the coal seam gas drilling programme and US\$26.7 million related to PNG seismic costs. As at 30 June 2011, total carried forward exploration costs totalled US\$296.8 million (US\$256.6 million in June 2010).

Business development costs of US\$4.5 million, comprising evaluation of gas commercialisation options and other growth assessment activities, were expensed during the year. These costs were included within the exploration expense in prior years.

Interest income / expense

Interest income in the first half of 2011 was US\$3.7 million. While the Company maintained a high cash balance throughout the period, these funds are invested in short term US dollar deposit accounts, which attracted low interest rates. Amortisation of upfront fees and expensing of commitment fees related to the Company's revolving credit facility was US\$1.8 million compared to US\$2.1 million in the first half of 2010. Including a US\$2.1 million time-value charge for future site restoration commitments, total financing costs were US\$3.9 million (US\$4.0 million in the first half of 2010). Interest and finance fees on the PNG LNG Project are capitalised until completion of the Project.

Taxation expense

Tax expense of US\$123.0 million was 121% higher than in the corresponding period of 2010 due to higher operating earnings. The effective tax rate for the period was 51.8%, slightly above the PNG statutory rate of 50%, but similar to the rate of 51.2% in the first half of 2010.

Operating cash flows

2011 first half operating cash flows were 28% higher than in 2010, due to higher oil prices during the period.

Cash Flow (US\$ million)			
Six months to June	2010	2011	% change
Net Receipts	239.5	317.0	+32
Net Interest income/(expense)	0.8	2.4	+200
Tax Paid	(37.9)	(55.1)	+45
Operating Cash Flow	202.4	259.8	+28
Net Investing cash flow	(579.0)	(690.9)	+19
Net financing cash flow	506.1	396.8	-22
Net Cash flow	129.6	(34.3)	-74
Net Operating Cash Flow/share (US cents)	15.5	19.7	+27

Over the first half of 2011, Oil Search's net investing cashflow included:

- Expenditure of US\$57.8 million on exploration and evaluation, compared to US\$108.3 million in the first half of 2010.
- US\$515.7 million on development asset expenditure, namely the PNG LNG Project (US\$295.7 in 2010).
- US\$60.9 million on producing activities (US\$20.1 million in first half of 2010).
- US\$3.4 million on property, plant and equipment (US\$2.0 million in first half of 2010).

Net cashflows from financing activities included the drawdown of US\$391.3 million from the PNG LNG Project finance facility and US\$19.0 million of proceeds received from the underwriter of the dividend reinvestment plan. The balance of the 2010 final dividend was funded via shareholder reinvestments.

Balance Sheet

Balance Sheet (US\$ million)			
As at	June 2010	Dec 2010	June 2011
Cash and cash equivalents	1,417.6	1,263.6	1,229.3
Debt	503.0	929.7	1,321.0
Shareholders' Equity	2,654.4	2,798.5	2,921.3

At the end of June 2011, Oil Search had a net debt position of US\$91.7 million, comprising US\$1,229.3 million in cash and US\$1,321.0 million in debt.

DIVIDENDS

The Board of Directors announced an interim dividend for 2011 of two US cents per share. The shares will commence trading ex-dividend on 9 September 2011, the record date for the dividend is 15 September 2011 and payments will be made to shareholders on or around 10 October 2011.

The Company's Dividend Reinvestment Plan will operate for the interim dividend and it is intended that the reinvestment shortfall be underwritten.

FIRST HALF 2011 PRODUCTION SUMMARY

Six month to June	2010		2011		% Difference	
Oil production	Gross daily production (bopd)	Net to OSH (mmbbls)	Gross daily production (bopd)	Net to OSH (mmbbls)	Gross daily production	Net to OSH
Kutubu	16,970	1.844	14,629	1.590	-14	-14
Moran	15,140	1.357	14,014	1.256	-7	-7
Gobe						
Gobe Main	1,794	0.032	1,369	0.025	-24	-24
SE Gobe	2,834	0.131	2,442	0.113	-14	-14
Total Gobe	4,627	0.163	3,811	0.138	-18	-15
SE Mananda	427	0.056	280	0.037	-34	-34
Total Oil	37,164	3.420	32,734	3.020	-12	-12
Hides Liquids	380	0.069	382	0.069	0	0
Gas production	m mscf / d	m mscf	m mscf / d	m mscf		
Hides Produced Gas	15.17	2,746	15.53	2,811	+2	+2
Total Oil and gas production	(boepd)	(mmboe)	(boepd)	(mmboe)		
Total production	40,072	3.947	35,704	3.558	-11	-10

Notes:

1. Numbers may not add due to rounding.
2. Prior period comparatives updated for subsequent changes

For more information regarding this report, please contact:

Ms Ann Diamant
Investor Relations Manager

Tel: +612 8207 8440
Mob: +61 407 483 128

Oil Search will be holding a presentation for analysts and fund managers at 11.15 am AEST today, 23 August 2011. The presentation will be webcast live over Oil Search's website. To listen to the webcast, please log on to www.oilsearch.com. If you have any technical difficulties, please call +612 9338 8850

The webcast will be available in archive form on the Oil Search website 2 -3 hours after the completion of the presentation.

www.oilsearch.com

OIL SEARCH LIMITED
and its subsidiaries
ARBN 55 079 868

Half yearly report
30 June 2011

APPENDIX 4D

**This information should be read in conjunction with the
Financial Report for the half-year ended 30 June 2011**

Results for announcement to the market

			Half-year ended 30 June 2011		Half-year ended 30 June 2010	
			US\$'000	A\$'000 ^a	US\$'000	A\$'000 ^a
Revenue from operations	<i>up</i>	34.2%	371,132	359,345	276,619	309,313
EBITDAX ^b	<i>up</i>	34.3%	307,297	297,538	228,775	255,815
EBIT ^c	<i>up</i>	124.8%	237,588	230,043	105,694	118,186
Net profit after tax, before significant items	<i>up</i>	116.6%	114,504	110,868	52,861	59,109
Net profit after tax attributable to members	<i>up</i>	116.6%	114,504	110,868	52,861	59,109
Net operating cash flow	<i>up</i>	28.4%	259,810	251,559	202,409	226,332
			Half-year ended 30 June 2011		Half-year ended 30 June 2010	
			US cents	A cents	US cents	A cents
Interim dividend paid per security ^d			2.00	TBA ^e	2.00	2.14 ^e
Basic earnings per share (before significant items)	<i>up</i>	114.3%	8.70	8.42 ^a	4.06	4.54 ^a
Net operating cash flow per share	<i>up</i>	27.0%	19.74	19.11 ^a	15.54	17.37 ^a

a. Amounts shown have been converted from US\$ to A\$ at the average exchange rate for the half-year of 1.0328 (2010: 0.8943).

b. Earnings before interest, financing costs, income tax, depreciation, amortisation, exploration costs expensed, business development costs and profit on sale.

c. Earnings before interest, financing costs, income tax, and profit on sale.

d. No franking credits available on dividends, as Oil Search Limited is incorporated in Papua New Guinea.

e. The Australian dollar amount will be fixed at the rate of exchange applicable on the day of the record date for determining entitlements to the interim ordinary dividend, being 15 September 2011 (2010: 17 September 2010).

OIL SEARCH LIMITED
and its subsidiaries

ARBN 055 079 868

Consolidated Financial Report
for the half-year ended 30 June 2011

OIL SEARCH LIMITED
and its subsidiaries

Consolidated Financial Report for the half-year ended
30 June 2011

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OIL SEARCH LIMITED
and its subsidiaries

Directors' report

The directors submit their report for the half-year ended 30 June 2011.

DIRECTORS

The names, details and shareholdings of the directors of the company in office during or since the end of the financial half-year are:

Mr BF Horwood, B.Comm., F.A.I.C.D., F.C.P.A. (Chairman), Non-Executive, 69 years

Mr Horwood was appointed a director on 28 May 2004 and Chairman of Oil Search on 1 June 2004. Prior to joining Oil Search, Mr Horwood had 35 years experience with the Rio Tinto Group, having held executive positions in Australia, the United Kingdom and Papua New Guinea. Most recently, Mr Horwood was Managing Director, Rio Tinto-Australia. Mr Horwood was previously the Chairman of Energy Resources of Australia Limited and Coal and Allied Industries Limited. He has been a member of the Business Council of Australia and a director of the Minerals Council of Australia.

Ordinary shares, fully paid: 12,500; Options: nil

Mr PR Botten, CBE, B.Sc. ARSM, (Managing Director), Executive, 56 years

Mr Botten was appointed Managing Director on 28 October 1994, having previously filled both exploration and general manager roles in the company since joining in 1992. He has extensive worldwide experience in the oil and gas business, previously holding various senior technical and managerial positions in a number of listed and government owned organisations. Mr Botten is immediate past President of the Papua New Guinea Chamber of Mines and Petroleum and is on the Executive Committee of the Australia PNG Business Council. He is also a Director of Business for Millennium Development. He was awarded Commander of the Order of the British Empire (CBE) in the 2008 Queen's Birthday Honours List for services to commerce and the mining and petroleum industry in Papua New Guinea.

Ordinary shares, fully paid: 1,801,599; Options: nil; Performance Rights: 1,116,700; Restricted shares: 206,969

Mr G Aopi, CBE, Executive, 57 years

Mr Aopi was appointed an Executive Director on 18 May 2006 and presently holds the position of Executive General Manager, External and Government Affairs and Sustainability (Papua New Guinea), a role he took up in August 1998. Mr. Aopi has substantial public service and business experience in Papua New Guinea, having had a long and distinguished career in government, filling a number of important positions, including Secretary for Finance and Planning and Managing Director of Telikom PNG Ltd. He is Chairman of Independent Public Business Corporation (IPBC) and Telikom PNG Ltd. Mr Aopi is a director of Steamships Trading, Bank of South Pacific and a number of other private sector and charitable organisations in Papua New Guinea.

Ordinary shares, fully paid: 183,692; Options: nil; Performance Rights: 270,272; Restricted shares: 151,831

OIL SEARCH LIMITED
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Directors' report

Mr KG Constantinou, OBE, Non-Executive 54 years

Mr Constantinou joined the Board on 16 April 2002. Mr Constantinou is a prominent business figure in Papua New Guinea, holding a number of high level public sector and private sector appointments. He is a director of various private companies, including Airways Hotel & Apartments Limited, Lamana Hotel Limited, Heritage Park Hotel and Gazelle International Hotel. Mr Constantinou also holds board positions with two listed companies. He is Chairman of Bank South Pacific Limited and director of Airlines of PNG Limited. Mr Constantinou is Deputy President of the Employers Federation of Papua New Guinea, Honorary Consul for Greece in Papua New Guinea and Trade Commissioner of Solomon Islands to Papua New Guinea.

Ordinary shares, fully paid: nil; Options: nil

Mr R Igara, CMG, B.Econ., Grad.Dip. (Intl. Law), MBA, M.A.I.C.D., PNGID, Non-Executive, 58 years

Mr Igara joined the Board on 16 April 2002. At that time he was one of Papua New Guinea's most highly placed civil servants and he has extensive experience in the public sector, in international relations and multilateral development and financial matters. He served as a diplomat in Suva and Canberra and as the Secretary to the Department of Trade & Industry. He was formerly Chief Secretary to Government in Papua New Guinea, Acting Secretary for Treasury and Chairman of Mineral Resources Development Company Limited. Mr Igara was an independent director of Orogen Minerals and a member of the Board of the Bank of PNG. He has also held chairmanships of other boards of statutory bodies, including the PNG Investment Promotion Authority. He was the founding Chief Executive Officer of PNG Sustainable Development Program Ltd, a company which has a 52% interest in Ok Tedi Mining Ltd, and Executive Director (Strategic Investments Group) within PNGSDP Ltd. Mr Igara currently manages his family business and undertakes public policy and management advisory services. He also serves on the boards of several community and not-for-profit organisations in Papua New Guinea and the Pacific.

Ordinary shares, fully paid: 10,000; Options: nil

Mr MDE Kriewaldt, B.A., LLB. (Hons), F.A.I.C.D., Non-Executive, 61 years

Mr Kriewaldt joined the Board on 16 April 2002. Mr Kriewaldt is a director of Macarthur Coal Limited, BrisConnections and ImpediMed Limited. He is Chairman of Opera Queensland and immediate past President of the Queensland division of the Institute of Company Directors. He has previously served as a director of Suncorp Metway Limited, Campbell Brothers Limited, GWA International Limited, Peptech Limited and Orogen Minerals Limited and as Chairman of Suncorp Insurance and Finance, Infratil Australia Limited, Hooker Corporation Limited and Airtrain Citylink Ltd.

Ordinary shares, fully paid: 14,590; Options: nil

OIL SEARCH LIMITED
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Directors' report

Dr AJ Kantsler, B.Sc (Hons), Ph.D, G.A.I.C.D., FTSE, Non-Executive, 60 years

Dr Kantsler was appointed to the Board on 19 July 2010. Until his retirement in mid 2010, Dr Kantsler worked with Woodside Petroleum for 15 years, where he was most recently the Executive Vice President Health, Safety and Security. Prior to this, Dr Kantsler was Woodside Petroleum's Executive Vice-President Exploration & New Ventures from 1996 to 2009. Before joining Woodside Petroleum, Dr Kantsler had extensive experience with the Shell Group of companies working in various exploration roles in Australia and internationally. Dr Kantsler has been a councillor and director of the Australian Petroleum Production and Exploration Association (APPEA) for 15 years where, as well as being chairman of several APPEA committees, he was Chairman from 2000 - 2002. In 2005, Dr Kantsler was awarded the APPEA Reg Sprigg Medal for his outstanding contribution to the oil and gas industry in Australia. Dr Kantsler was also a founding member of the Australian Government's Council for Australian Arab Relations (CAAR) where he served for two terms.

Ordinary shares, fully paid: 7,000; Options: nil

Mr JL Stitt, M.A. (Hons), F.A.I.C.D., Non-Executive, 68 years

Mr Stitt joined the Board on 2 April 1998. He has extensive experience in the international oil and gas business, having worked for 33 years with the Royal Dutch/Shell Group of companies including inter alia being responsible for Shell's world wide procurement, Director of Finance for Shell Australia, and President and CEO of Shell Japan. Mr Stitt is a former director of Woodside Petroleum Limited, Mitsubishi Chemicals K.K. and Showa Shell Sekiyu K.K.

Ordinary shares, fully paid: 42,190; Options: nil

Dr ZE Switkowski, B.Sc (Hons), PhD, F.A.I.C.D., FTSE, Non-Executive, 63 years

Dr Switkowski was appointed to the Board on 22 November 2010. Dr Switkowski's career highlights include serving as Chief Executive Officer and Managing Director of Telstra, Chief Executive Officer of Optus and Chairman of Kodak (Australia). Dr Switkowski currently serves as a Director of Suncorp Metway, Tabcorp Holdings and Lynas Corporation Ltd and is Chairman of Opera Australia. He is the immediate past Chairman of the Australian Nuclear Science and Technology Organization. In January 2011, Dr Switkowski assumed the position of Chancellor of Royal Melbourne Institute of Technology (RMIT University). Dr Switkowski holds an honours degree in science and a PhD in nuclear physics from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors.

Ordinary shares, fully paid: 100,000; Options: nil

GROUP SECRETARY

Mr SW Gardiner, B.Ec. (Hons), ASA, 53 years

Mr Gardiner joined Oil Search Limited in 2004, after a twenty year career in finance at two of Australia's largest multinational construction materials companies and a major Australian telecoms company. His roles at Oil Search have covered senior corporate finance responsibilities, including Acting Chief Financial Officer. In April 2011, he was appointed to the role of Executive General Manager, Corporate Sustainability and Services. Mr Gardiner is also the Group Secretary of Oil Search, a role he has held since May 2009.

Ordinary shares, fully paid: 120,824; Options: nil; Performance Rights: 180,053; restricted shares: nil

OIL SEARCH LIMITED
and its subsidiaries

Directors' report

RESULTS AND REVIEW OF OPERATIONS

Financial

During the period, the consolidated entity made a net profit after tax of US\$114.5 million (June 2010: US\$52.9 million). The net profit was after providing for income tax of US\$123.0 million (June 2010: US\$55.6 million).

Operations

Revenue from operations for the first six months of 2011 was US\$371.1 million, 34.2% higher than the first half 2010 outcome of US\$276.6 million. This result reflected higher oil prices, compared to the previous corresponding period. The average realised oil price for the first half of 2011 was US\$116.89 per barrel, or US\$40.58 higher than the US\$76.31 price realised in the first half of 2010. The Company did not establish any oil hedges during the period and remains unhedged to oil price movements.

Total oil, gas and condensate production for the first half of 2011 was 3.558 million barrels of oil equivalent, or 9.9% lower than in the first half of 2010 (3.947 million barrels). Closing oil inventory at 30 June 2011 was 433,000 barrels. Operating expenses were US\$9.3 million higher at US\$45.8 million, compared to US\$36.5 million in the previous corresponding period.

Amortisation and depreciation charges increased by 4.8% or US\$1.2 million from US\$25.2 million to US\$26.4 million, due to a less favourable mix of production from fields with higher amortisation rates and higher rig utilisation.

Exploration and evaluation costs expensed in the first half of 2011 totalled US\$38.9 million compared to US\$97.8 million in the previous corresponding period, due to lower exploration activity in the current period and the prior period writeoff of two unsuccessful PNG wells totalling \$73.4 million. As at 30 June 2011, total carried forward exploration costs totalled US\$296.8 million (June 2010: US\$256.6 million).

Income tax expense increased to US\$123.0 million in the first half of 2011 compared to US\$55.6 million in the prior corresponding period, in line with the higher profit from operating activities and representing an effective tax rate of 52% (2010: 51%).

Operating cash flow of US\$259.8 million (June 2010: US\$202.4 million) was received during the half-year, an increase of 28.4% on the corresponding period in 2010. At 30 June 2011 the Company held cash of US\$1,229.3 million (December 2010: US\$1,263.6 million) inclusive of joint venture cash balances. Debt totalled US\$1,321 million, representing drawdowns under the PNG LNG Project finance facility.

OIL SEARCH LIMITED
and its subsidiaries

Directors' report

DIVIDENDS

Subsequent to balance date, the directors have approved the payment of an unfranked interim dividend of US 2 cents per ordinary share to ordinary shareholders in respect of the half-year ended 30 June 2011. The due date for payment is 10 October 2011 to all holders of ordinary shares on the Register of Members on 15 September 2011. Dividends paid and declared during the period are recorded in note 7 to the financial statements.

The Company's Dividend Reinvestment Plan will operate for the interim dividend and the reinvestment shortfall will be fully underwritten.

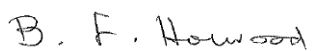
AUDITORS' INDEPENDENCE DECLARATION

Deloitte Touche Tohmatsu's Independence Declaration is included on page 6.

ROUNDING

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

Signed in accordance with a resolution of the Directors.



.....
BF HORWOOD
Chairman



.....
PR BOTTEN
Managing Director

Sydney, 22 August 2011

The Board of Directors
Oil Search Limited
Level 27, Angel Place
123 Pitt Street
Sydney NSW 2000

22 August 2011

Dear Directors

Oil Search Limited

I am pleased to provide the following declaration of independence to the directors of Oil Search Limited.

As lead audit partner for the review of the financial report of Oil Search Limited for the financial half-year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review;
and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountant

OIL SEARCH LIMITED
and its subsidiaries

**Consolidated statement of comprehensive income
for the half-year ended 30 June 2011**

		Half-year ended 30 June 2011 US\$'000	Half-year ended 30 June 2010 US\$'000
	Note		
Revenue from operations	2	371,132	276,619
Operating expenses		(45,777)	(36,493)
Amortisation - site restoration		(1,083)	(3,592)
Amortisation - oil and gas assets		(19,190)	(17,003)
Depreciation - operating assets		(3,868)	(1,952)
Royalties, development and mining levies		(5,940)	(4,719)
Costs of sales		(75,858)	(63,759)
Gross profit from operating activities		295,274	212,860
Other expenses	3	(14,348)	(9,328)
Profit from operating activities		280,926	203,532
Exploration costs expensed		(38,852)	(97,838)
Business development costs		(4,486)	-
Profit on sale of other non-current assets		16	3,901
Interest income		3,734	2,804
Financing costs	4	(3,880)	(3,986)
Profit from continuing operations before income tax		237,458	108,413
Income tax expense	5	(122,954)	(55,552)
Net profit after tax		114,504	52,861
Other comprehensive income			
Foreign currency translation differences for foreign operations		(2,552)	(2,918)
Total comprehensive income for the period		111,952	49,943
Earning per share (cents per share)		US cents	US cents
Basic earnings per share	6	8.70	4.06
Diluted earnings per share	6	8.67	4.04

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

OIL SEARCH LIMITED
and its subsidiaries

Consolidated statement of financial position
as at 30 June 2011

	Note	30 June 2011 US\$'000	31 December 2010 US\$'000
Current assets			
Cash and cash equivalents		1,229,308	1,263,589
Receivables		88,381	87,912
Inventories		65,044	60,190
Other current assets		96,989	85,771
Total current assets		1,479,722	1,497,462
Non-current assets			
Receivables		4,131	3,326
Other non-current assets		625	916
Exploration and evaluation assets	9	296,791	281,840
Oil and gas assets	10	2,941,997	2,311,194
Other property, plant and equipment		69,359	72,108
Investments		29	29
Deferred tax assets		197,057	203,192
Total non-current assets		3,509,989	2,872,605
Total assets		4,989,711	4,370,067
Current liabilities			
Payables		341,442	301,042
Provisions		5,273	5,540
Current tax liabilities		129,398	69,660
Total current liabilities		476,113	376,242
Non-current liabilities			
Provisions		115,033	111,408
Loans and borrowings		1,321,013	929,720
Deferred tax liabilities		156,220	154,230
Total non-current liabilities		1,592,266	1,195,358
Total liabilities		2,068,379	1,571,600
Net assets		2,921,332	2,798,467
Shareholders' equity			
Share capital	8	1,656,442	1,610,667
Reserves	12	5,668	16,818
Retained profits		1,259,222	1,170,982
Total shareholders' equity		2,921,332	2,798,467

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

OIL SEARCH LIMITED
and its subsidiaries

Consolidated statement of cash flows
for the half-year ended 30 June 2011

	Note	Half-year ended 30 June 2011 US\$'000	Half-year ended 30 June 2010 US\$'000
Cash flows from operating activities			
Receipts from customers		360,674	295,552
Payments to suppliers and employees		(43,639)	(56,028)
Interest received		3,892	2,206
Borrowing costs paid		(1,540)	(1,420)
Income tax paid		(55,091)	(37,901)
Payments for business development		(4,486)	-
Net cash from operating activities		259,810	202,409
Cash flows from investing activities			
Payments for property, plant and equipment		(3,382)	(1,958)
Payments for exploration and evaluation expenditure		(57,845)	(108,268)
Payments for development asset expenditure		(515,658)	(295,657)
Interest paid and capitalised into developing assets		(52,871)	(152,973)
Payments for producing asset expenditure		(60,898)	(20,068)
Payments for site rehabilitation		(210)	-
Net cash outflow on investment		-	(29)
Net cash used in investing activities		(690,864)	(578,953)
Cash flows from financing activities			
Proceeds from underwriter of dividend reinvestment plan (DRP)		18,965	17,002
Dividend payments (net of DRP) ¹	7	(18,934)	(16,948)
Cash received from option/right share issues		5,671	3,355
Costs relating to dividend reinvestment plan		-	(38)
Proceeds from borrowings		391,293	503,044
Loans to related entities		(222)	(318)
Net cash from financing activities		396,773	506,097
Net increase/(decrease) in cash and cash equivalents		(34,281)	129,553
Cash and cash equivalents at the beginning of the period		1,263,589	1,288,077
Cash and cash equivalents at the end of the period ²		1,229,308	1,417,630

¹ Total dividend payments including cash and dividend reinvestment was \$26.2 million (2010: \$26.0 million). Total dividend payments net of dividends reinvested under the dividend reinvestment plan was \$18.9 million (2010: \$16.9 million).

² Includes US\$22.5 million (2010: \$22.5 million) in a debt service reserve account held with Australian & New Zealand Banking Group Limited, as required by the US\$435 million revolving facility agreement. Also includes US\$622.2 million (2010: US\$801.8 million) held in escrow with ANZ, secured to the lenders of the PNG LNG project, as required by the LNG project financing facility.

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

OIL SEARCH LIMITED
and its subsidiaries

Consolidated statement of changes in equity
for the half-year ended 30 June 2011

Consolidated	Share capital	Foreign currency translation reserve	Reserve for treasury shares	Employee equity compensation reserve	Retained profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2010	1,550,213	2,737	(16,821)	19,531	1,037,521	2,593,181
Dividends provided for or paid	-	-	-	-	(25,964)	(25,964)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	52,861	52,861
Other comprehensive income:						-
Foreign currency translation differences for foreign operations	-	(2,918)	-	-	-	(2,918)
Total comprehensive income for the period	-	(2,918)	-	-	52,861	49,943
Transactions with owners, recorded directly in equity						
Issue of shares through dividend reinvestment plan	26,017	-	-	-	-	26,017
Costs associated with dividend reinvestment plan share issue	(38)	-	-	-	-	(38)
Transfer of vested shares	9,305	-	-	(9,305)	-	-
Release of treasury shares on vesting	(4,490)	-	4,490	-	-	-
Issue of shares on exercise of options and rights	3,356	-	-	-	-	3,356
Employee share-based remuneration	-	-	-	6,524	-	6,524
Issue of treasury shares	2,316	-	(2,316)	-	-	-
Net exchange differences	-	-	1,327	37	-	1,364
Trust distribution	-	-	-	-	(7)	(7)
Total transactions with owners	36,466	-	3,501	(2,744)	(7)	37,216
Balance at 30 June 2010	1,586,679	(181)	(13,320)	16,787	1,064,411	2,654,376

Consolidated	Share capital	Foreign currency translation reserve	Reserve for treasury shares	Employee equity compensation reserve	Retained profits	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2011	1,610,667	1,942	(6,378)	21,254	1,170,982	2,798,467
Dividends provided for or paid	-	-	-	-	(26,253)	(26,253)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	114,504	114,504
Other comprehensive income:						-
Foreign currency translation differences for foreign operations	-	(2,552)	-	-	-	(2,552)
Total comprehensive income for the period	-	(2,552)	-	-	114,504	111,952
Transactions with owners, recorded directly in equity						
Issue of shares through dividend reinvestment plan	26,284	-	-	-	-	26,284
Transfer of vested shares	13,070	-	-	(13,070)	-	-
Release of treasury shares on vesting	(1,039)	-	2,996	(1,957)	-	-
Issue of shares on exercise of options and rights	5,671	-	-	-	-	5,671
Employee share-based remuneration	-	-	-	5,495	-	5,495
Issue of treasury shares	1,789	-	(1,789)	-	-	-
Net exchange differences	-	-	-	(273)	-	(273)
Trust distribution	-	-	-	-	(11)	(11)
Total transactions with owners	45,775	-	1,207	(9,805)	(11)	37,166
Balance at 30 June 2011	1,656,442	(610)	(5,171)	11,449	1,259,222	2,921,332

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

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2011

1 Summary of significant accounting policies

(a) Reporting entity

Oil Search Limited (Oil Search) is a company domiciled in PNG. The Consolidated Interim Financial Report (Half-Year Financial Report) of Oil Search as at and for the six months ended 30 June 2011 comprises Oil Search and its subsidiaries (Oil Search Group) and the Oil Search Group's interest in jointly controlled entities.

(b) Statement of compliance

The Half-Year Financial Report is presented in US dollars and is a general purpose Financial Report which has been prepared in accordance with the reporting requirements of the Australian Securities Exchange Listing Rules and IAS 34: "Interim Financial Reporting". The Half-Year Financial Report does not include all of the information required for a full Annual Financial Report and should be read in conjunction with the Consolidated Annual Financial Report of the Oil Search Group for the year ended 31 December 2010. This report should also be read in conjunction with any public announcements made by Oil Search during the half year in accordance with the continuous disclosure requirements arising under the ASX Listing Rules. This Half-Year Financial Report was authorised for issue by the directors on 22 August 2011.

(c) Basis of preparation

The concise consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in US dollars, unless otherwise noted.

(d) Rounding of amounts

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

(e) Significant accounting policies

The accounting policies applied by the Oil Search Group in this Financial Report are the same as those applied by the Oil Search Group in the Consolidated Financial Report for the year ended 31 December 2010.

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2011

	Half-year ended 30 June 2011 US\$'000	Half-year ended 30 June 2010 US\$'000
2 Revenue from operations		
Oil sales	331,717	245,993
Gas and refined product sales	23,764	18,450
Other field revenue	15,651	12,176
Total revenue from operations	371,132	276,619
3 Other expenses		
Salaries and employee benefits	(26,382)	(23,843)
Post-employment benefits	(1,202)	(1,189)
Employee share-based remuneration	(5,495)	(6,524)
Premises, and equipment - operating leases	(2,265)	(2,055)
Other expenses	(12,144)	(9,145)
Corporate cost recoveries	36,341	34,913
Net corporate expenses	(11,147)	(7,843)
Depreciation	(2,230)	(2,696)
Foreign currency gains/(losses)	(971)	1,211
Total other expenses	(14,348)	(9,328)
4 Financing costs		
Borrowing costs	(1,758)	(2,117)
Unwinding of discount on site restoration	(2,122)	(1,869)
Total finance costs	(3,880)	(3,986)

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2011

	Half-year ended 30 June 2011 US\$'000	Half-year ended 30 June 2010 US\$'000
5 Income tax		
The major components of tax expense are:		
Current tax expense	111,275	73,496
Adjustments for current tax of prior periods	3,140	8
Deferred tax expense/(income)	8,539	(17,952)
Income tax expense	122,954	55,552
Reconciliation between tax expense and the pre-tax profit multiplied by the applicable tax rate is set out below:		
Pre-tax net profit	237,458	108,413
Tax at PNG rate for petroleum (50%) (2010: 50%)	118,729	54,207
Effect of differing tax rates across tax regimes	(497)	(1,478)
	118,232	52,729
Tax effect of items not tax deductible or assessable:		
Non-assessable income	-	(25)
Under provisions in prior periods	3,140	8
Write-back of deferred tax liabilities	-	(4,306)
Non-deductible expenditure	1,816	7,146
Other	(234)	-
Income tax expense	122,954	55,552
The amount of the deferred tax (income)/expense recognised in the net profit in respect of each type of temporary difference:		
Exploration and development	4,310	(20,695)
Other assets	2,100	946
Provisions	(1,005)	(238)
Other items	-	14
Tax losses	3,134	2,021
	8,539	(17,952)

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2011

	Half-year ended 30 June 2011 US cents	Half-year ended 30 June 2010 US cents
6 Earnings per share		
Basic earnings per share	8.70	4.06
Diluted earnings per share	8.67	4.04

Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares (basic)	1,315,832,829	1,302,795,166
Effect of employee share options/share appreciation rights	525,826	620,495
Effect of employee performance rights	4,786,802	6,095,311
Weighted average number of ordinary shares (diluted)	1,321,145,457	1,309,510,972

Basic earnings per share excluding significant items have been calculated on a net profit after tax of US\$114.5 million (2010: US\$52.9 million).

Diluted earnings per share have been calculated on a net profit after tax of US\$114.5 million (2010: US\$52.9 million). There are 596,617 options (2010: 4,908,510), 1,466,800 share appreciation rights (2010: nil) and 5,336,450 performance rights (2010: 7,014,402) which are dilutive potential ordinary shares and are therefore included in the number of shares for the calculation of diluted earnings per share.

The average market value of the company's shares for the purpose of calculating the dilutive effect of share options and rights was based on quoted market prices for the period 1 January 2011 to 30 June 2011.

	Half-year ended 30 June 2011 US\$'000	Half-year ended 30 June 2010 US\$'000
7 Dividends paid or proposed		
Unfranked ^b dividends in respect of the half-year, proposed subsequent to the reporting period:		
Ordinary dividends ^a	26,413	26,166
Unfranked ^b dividends paid during the period in respect of previous year	26,253	25,964

a. On 22 August 2011, the directors declared an interim unfranked dividend in respect of the current half-year, of US 2 cents per ordinary share, to be paid to the holders of ordinary shares on 10 October 2011. The proposed dividend is payable to all holders of ordinary shares on the Register of Members on 15 September 2011. The estimated dividend to be paid is US\$26,412,968 and has not been included as a liability in these financial statements.

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

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2011

			30 June 2011 US\$'000	31 December 2010 US\$'000
8 Share capital				
(a) Issued and fully paid shares				
1,320,648,378 ordinary shares (no par value) (2010: 1,312,888,303)			1,656,442	1,610,667
	Six months ended 30 June 2011	Six months ended 30 June 2010	Six months ended 30 June 2011 US\$'000	Six months ended 30 June 2010 US\$'000
	Shares	Shares		
(b) Movement in issued and fully paid shares				
Balance at the beginning of the period	1,312,888,303	1,299,562,220	1,610,667	1,550,213
Transfer of vested shares from employee compensation reserve	-	-	13,070	9,305
Release of treasury shares on vesting	-	-	(1,039)	(4,490)
Ordinary shares issued on exercise of options and rights, and grant of restricted shares	3,975,651	3,900,448	7,460	5,672
DRP underwriting agreement ¹				
Ordinary shares issued at US\$5.44 (2009 final dividend)	-	3,125,015	-	17,001
Ordinary shares issued at US\$6.98 (2010 final dividend)	2,715,366	-	18,965	-
DRP ²				
Ordinary shares issued at US\$5.33 (2009 final dividend)	-	1,691,539	-	9,016
Ordinary shares issued at US\$6.85 (2010 final dividend)	1,069,058	-	7,319	-
Share issue costs	-	-	-	(38)
	1,320,648,378	1,308,279,222	1,656,442	1,586,679

¹ The DRP was fully underwritten for the 2008 final dividend and all dividends since then.

² The price for shares issued under the DRP was calculated in accordance with the DRP Rules and is the arithmetic average of the daily volume weighted average sales price of all Oil Search shares sold on the Australian Securities Exchange (excluding off-market trades) during the trading days immediately after the Record Date for the dividend less a discount of 2.00%.

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Notes to the financial statements
for the half-year ended 30 June 2011

	30 June 2011 US\$'000	31 December 2010 US\$'000
9 Exploration and evaluation assets		
At cost	327,190	312,239
Less impairment	(30,399)	(30,399)
	296,791	281,840
Balance at start of year	281,840	808,318
Transferred to assets in development	-	(559,377)
Transferred to producing assets	-	(70)
Additions	53,803	175,980
Exploration costs expensed during the period	(38,852)	(128,106)
Impairment losses	-	(14,899)
Net exchange differences	-	(6)
Balance at end of period	296,791	281,840
10 Oil and gas assets		
Assets in development		
At cost	2,698,788	2,063,629
Balance at start of year	2,063,629	-
Transferred from exploration and evaluation assets	-	559,377
Transferred from producing assets	40,249	367,060
Additions	541,818	944,683
Borrowing costs capitalised (LNG project)	53,092	194,375
Development costs expensed during the period	-	(1,866)
Balance at end of period	2,698,788	2,063,629
Producing assets		
At cost	1,383,817	1,366,642
Less accumulated amortisation and impairment	(1,140,608)	(1,119,077)
	243,209	247,565
Balance at start of year	247,565	638,026
Transferred from exploration	-	70
Transferred to development	(40,249)	(367,060)
Additions	57,148	41,850
Producing costs expensed during the period	-	(1,216)
Disposals	-	(1,885)
Changes in restoration obligations	276	(23,820)
Amortisation of site restoration	(855)	(7,200)
Amortisation	(20,676)	(31,200)
Balance at end of period	243,209	247,565
Total oil and gas assets	2,941,997	2,311,194

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Notes to the financial statements
for the half-year ended 30 June 2011

11 Segment reporting

Information about reportable segments

The Group's segments are arranged primarily by location of operation (e.g. PNG, MENA and Australia) followed by the commodity (e.g. oil, gas or LNG).

Each managed segment has a management team that is accountable to the Managing Director.

The Group's Executive Management team evaluates the financial performance of the Group and its segments principally with reference to earnings before interest and tax, and capital expenditure on exploration and evaluation assets, oil and gas assets, and property, plant and equipment.

US\$'000	PNG				MENA		Corporate		Total	
	Oil and gas		LNG		Oil and gas		30 June		30 June	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
External revenues	371,132	276,619	-	-	-	-	-	-	371,132	276,619
Amortisation - site restoration	(1,083)	(3,592)	-	-	-	-	-	-	(1,083)	(3,592)
Amortisation - oil and gas assets	(19,190)	(17,003)	-	-	-	-	-	-	(19,190)	(17,003)
Depreciation - operating assets	(3,868)	(1,952)	-	-	(54)	(95)	(2,176)	(2,601)	(6,098)	(4,648)
Foreign currency gains/(losses)	(1,460)	1,466	-	-	-	1	489	(256)	(971)	1,211
Exploration, development and production costs expensed	(34,682)	(89,643)	-	-	(4,170)	(8,195)	-	-	(38,852)	(97,838)
Business development costs	(3,935)	-	-	-	(551)	-	-	-	(4,486)	-
Employee share based remuneration	-	-	-	-	-	-	(5,495)	(6,524)	(5,495)	(6,524)
Operating costs	(54,764)	(42,222)	-	(34)	(141)	(222)	(2,464)	(53)	(57,369)	(42,531)
EBIT	252,150	123,673	-	(34)	(4,916)	(8,511)	(9,646)	(9,434)	237,588	105,694
Profit on sale of other non-current assets									16	3,901
Unwinding of discount on site restoration									(2,122)	(1,869)
Interest income									3,734	2,804
Interest expense									(1,758)	(2,117)
Reportable segment profit before income tax									237,458	108,413
Income tax expense									(122,954)	(55,552)
Net profit after tax									114,504	52,861
Capital expenditure										
Exploration and evaluation assets	(49,143)	(89,202)	-	-	(4,660)	(15,625)	-	-	(53,803)	(104,827)
Oil and gas assets - development and production	(57,148)	(10,761)	(594,910)	(517,468)	-	-	-	-	(652,058)	(528,229)
Property, plant and equipment	(813)	(686)	-	-	-	-	(2,159)	(1,187)	(2,972)	(1,873)
Total capital expenditure	(107,104)	(100,649)	(594,910)	(517,468)	(4,660)	(15,625)	(2,159)	(1,187)	(708,833)	(634,929)

Geographical segments

The Oil Search Group operates primarily in Papua New Guinea but also has activities in Yemen, Libya, Iraq, Tunisia and Australia.

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

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

US\$'000	Revenues		Non-current assets	
	30 June		30 June	31 December
	2011	2010	2011	2010
PNG	371,132	276,619	3,414,221	2,778,024
Australia	-	-	16,656	16,712
MENA	-	-	79,112	77,869
Total	371,132	276,619	3,509,989	2,872,605

Major customers

Revenue from one customer of the Group's PNG oil and gas segment represented approximately \$281.6 million or 79% of the Group's total oil and gas sales revenues (2010: \$122.4 million, 46%) and 76% of the Group's total revenue of \$371.1 million (2010: 44% of \$276.6 million).

For the six months to 30 June 2011, revenue from one other customer represented 14.1% of the Group's total oil and gas sales revenue.

Revenue from each of the other customers is less than 10% of total revenue for the Group.

OIL SEARCH LIMITED
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Notes to the financial statements
for the half-year ended 30 June 2011

	30 June 2011	31 December 2010
	US\$'000	US\$'000
12 Reserves		
Foreign currency translation reserve	(610)	1,942
Reserve for treasury shares	(5,171)	(6,378)
Employee equity compensation reserve	11,449	21,254
	5,668	16,818

13 Events after balance sheet date

(a) Dividends

Subsequent to balance date, the Directors declared an unfranked interim dividend of US 2 cents per share in respect of the current half-year to the holders of ordinary shares, to be paid on 10 October 2011.

(b) Dividend Reinvestment Plan (DRP)

A DRP is currently in operation. It provides shareholders with the option of reinvesting all or part of their dividends in additional Oil Search shares. The DRP will be fully underwritten for the 2011 interim dividend.

There were no other significant events after balance date.

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Directors' Declaration

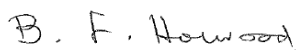
In accordance with a resolution of the directors of Oil Search Limited, the directors declare that:

- (a) the attached financial statements and notes thereto of the consolidated entity:
 - (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and
 - (ii) comply with International Financial Reporting Standards; and
 - (iii) the attached financial statements and notes thereto comply with the reporting requirements of the Australian Securities Exchange Listing Rules; and
- (b) in the opinion of the directors, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due or payable.

This declaration has been made after receiving unqualified declarations from the Managing Director and the Chief Financial Officer, that are consistent with requirements under section 295A of the Australian Corporations Act 2001, for the half year ended 30 June 2011.

Signed in accordance with a resolution of the directors.

On behalf of the Board of Directors



.....
BF HORWOOD
Chairman



.....
PR BOTTEN
Managing Director

Sydney, 22 August 2011

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

We have reviewed the accompanying half-year financial report of Oil Search Limited, which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of cash flows, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with International Financial Reporting Standards (including the interpretations of the IFRS Interpretations Committee) and the *Companies Act 1997*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Companies Act 1997* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with International Accounting Standard IAS 34 *Interim Financial Reporting* and the *Companies Act 1997*. As the auditor of Oil Search Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oil Search Limited is not in accordance with the *Companies Act 1997*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- (b) complying with International Accounting Standard IAS 34 *Interim Financial Reporting* and the *Companies Act 1997*.

Other Information

We have no interest in the company or any relationship other than that of the auditor of the company.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants
Registered Company Auditor in Australia
Sydney, 22 August 2011



Suzaan Theron
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby, 22 August 2011



OIL SEARCH LIMITED

Incorporated in Papua New Guinea
ARBN 055 079 868

OIL SEARCH LIMITED 2011 Interim Dividend and Dividend Reinvestment Plan

Oil Search Limited will pay an interim dividend of US\$0.02 (two US cents) per ordinary share on Monday, 10 October 2011.

The record date is Thursday, 15 September 2011 and the ordinary shares will trade ex-dividend from Friday, 9 September 2011.

The dividend will be paid in PNG Kina for those shareholders domiciled in Papua New Guinea, in GB Pounds for those shareholders that have lodged direct credit details requesting a GB Pounds credit and in Australian dollars for all other shareholders.

The exchange rates used for converting the United States dollar dividend into the payment currencies will be the rates on the record date.

The dividend will be unfranked and no withholding tax will be deducted.

The Company also advises the continuation of its Dividend Reinvestment Plan (DRP) for eligible shareholders, currently being all shareholders with a registered address in Australia, Papua New Guinea, the United Kingdom, New Zealand, Hong Kong or Singapore. The DRP will be fully underwritten for the 2011 interim dividend.

The specific terms of the DRP for the 2011 interim dividend will be as follows:

- The period for calculating the issue price of DRP shares will be the volume weighted average price (VWAP) over the period from and including Monday, 19 September 2011 to and including Friday, 30 September 2011;
- The price of shares issued under the DRP will be at a 2.0% discount to the VWAP;
- The issue price of the DRP shares will be announced on Tuesday, 4 October 2011; and
- The DRP shares will be issued on Monday, 10 October 2011.

Shareholders that haven't elected to participate in the DRP, but wish to do so, must notify Computershare, by way of an election notice, of their intention to participate in the DRP **before 5.00pm (AEST) on Thursday, 15 September 2011.**

Yours faithfully
OIL SEARCH LIMITED

STEPHEN GARDINER
Group Secretary

Tuesday, 23 August 2011