



OIL SEARCH LIMITED

(Incorporated in Papua New Guinea)
ARBN – 055 079 868

PNG LNG PROJECT UPDATE 1 December 2011

Esso Highlands Limited, a subsidiary of Exxon Mobil Corporation and operator of the PNG LNG Project, has provided the PNG LNG Project co-venturers a Project update.

The Operator has confirmed that the Project remains on track to achieve first LNG sales in 2014, with good progress being made on all aspects of the Project. In particular, at the LNG Plant more than 100 tonnes of structural steel has been erected on the Train 1 pipe racks and over one kilometre of the 2.4 kilometre marine jetty has been constructed. Upstream, more than 60 kilometres of the onshore pipeline has been welded, while the offshore pipelay has commenced. Following some early difficulties, earthworks at the Komo airfield are now well underway and the first foundation piles have arrived at the Hides Gas Conditioning Plant site and welding has commenced.

The Operator has also advised that, apart from the impact of foreign exchange fluctuations, the Project budget is largely unchanged. The budget is now US\$15.7 billion, with the increase from US\$15 billion primarily reflecting foreign exchange impacts. Costs of project components often fluctuate throughout the life of a project and Esso Highlands continues to manage these as a routine and continuous part of its operatorship.

The capital cost increase will be funded in line with the Project's existing financing terms, namely 70% by debt and 30% by equity contributions from the Project co-venturers. The Project's existing US\$14 billion project finance facility provided by key export credit agencies, commercial banks and lending from co-venturers, fully covers the component of the increased cost that will be funded by debt.

Oil Search has ample liquidity to fund its increased equity contribution to the PNG LNG Project while continuing to pursue an aggressive exploration and appraisal programme in PNG and overseas.

Based on the revised capital costs, Oil Search's remaining equity share of costs up to first gas is approximately US\$0.75 billion. This is fully covered by the Company's current cash position of over US\$1.0 billion. Due to strong oil prices and buoyant production, Oil Search continues to generate strong cash flows from operations and the Company also has a corporate debt facility of US\$263 million, which is currently undrawn.

A U S T R A L I A N R E G I S T E R E D O F F I C E

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Peter Botten, Oil Search's Managing Director said:

"ExxonMobil has a long history of successful management and execution of complex, integrated, large scale projects. We are pleased that, despite today's highly competitive construction environment, the Operator has confirmed the Project schedule and that apart from exchange rates impacts, which, as highlighted previously, we have been monitoring for some time, the budget is largely unchanged."

Peter Botten
Managing Director
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