



OIL SEARCH LIMITED

(Incorporated in Papua New Guinea)

ARBN – 055 079 868

REPORT TO THE AUSTRALIAN SECURITIES EXCHANGE Activities for the Quarter ended 30 June 2012 24 July 2012

HIGHLIGHTS

- Good progress was made on PNG LNG Project construction activities during the second quarter of 2012. Highlights included the completion of the offshore pipeline lay and the raising of both LNG storage tank roofs at the LNG plant site near Port Moresby.
- Oil Search's total oil and gas production for the second quarter was 1.80 million barrels of oil equivalent (mmboe). This was 24% higher than first quarter production of 1.46 mmboe, with operations back to normal following the previous quarter's planned facilities shutdown for work related to the PNG LNG Project. The strong second quarter performance took total production for the 2012 first half to 3.26 mmboe (3.56 mmboe in the first half of 2011).
- Total operating revenue for the quarter was US\$211.3 million, 13 % higher than in the first quarter of 2012 (US\$187.2 million), reflecting 28 % higher oil liftings, offset by lower oil prices. Total operating revenue in the first half of 2012 was US\$398.5 million, 7 % higher than in the corresponding period of 2011.
- Total oil sales for the quarter were 1.61 million barrels (mmbbl), compared to oil production of 1.54 mmbbl. Crude inventory awaiting sale at the end of June 2012 was 0.06 mmbbl.
- The average realised oil price in the second quarter was US\$108.73 per barrel, 12 % lower than the price achieved in the first quarter of US\$124.14 per barrel, due to a decline in global oil prices. The average realised price for the first half was US\$115.48 per barrel, compared to US\$116.89 per barrel in the previous corresponding period.
- During the quarter, Oil Search completed drilling the P'nyang South 1 ST1 well. A substantial gas accumulation was discovered in the primary reservoir objective, which is expected to result in a material increase in estimated gas resources at P'nyang. Resource evaluation and preliminary analysis of development options for the P'nyang field is now underway. The P'nyang well is the first in a series of potentially high impact wells to be drilled in PNG and overseas over the next 18 months.
- During the quarter, Trapia 1, an exploration well in the Highlands region of PNG, commenced drilling. The well is targeting a gas structure on trend with the Hides and Angore PNG LNG gas fields. The Taza well in the

Kurdistan region of Iraq, drilling a substantial oil and gas prospect, spudded shortly after the end of the quarter.

- **Bids have been received from a number of parties to acquire an interest in Oil Search's acreage in the Gulf of Papua. Negotiations are expected to conclude shortly.**
- **At the end of June 2012, Oil Search held US\$852.2 million in cash, excluding joint venture balances, while its revolving oil facility, with a commitment limit of US\$217.5 million, remained undrawn, providing total liquidity of US\$1.07 billion. US\$2,349.2 million had been drawn down from the PNG LNG Project finance facility at the end of June.**
- **During the quarter, US\$73.8 million was spent on exploration and evaluation activities, US\$421.2 million on the PNG LNG Project and US\$17.9 million on oil field development work.**

Commenting on the quarter, Managing Director, Peter Botten, said:

PNG LNG Project

"During the second quarter of 2012, a number of construction milestones were reached on the PNG LNG Project. Laying of the 407 kilometre offshore pipeline was successfully completed and the deep water pipelay vessel demobilised. At the PNG LNG plant site, the roofs of both LNG storage tanks were raised, the Train 1 propane compressors were set onto the foundations and the jetty trestle construction was completed. By the end of the quarter, most of the steelwork for Trains 1 and 2 had been erected. Installation of the piperacks, pipe and heavy equipment on the process trains had also commenced.

Route clearance and stringing of the onshore pipeline reached Kutubu during the quarter, with over 180 kilometres of the onshore pipeline welded, trenched and buried as at the end of June. Installation of the Central Processing Facility and PNG LNG Project interface equipment continued, as part of the Oil Search-operated Associated Gas Project. The oil fields remain on track to commence delivery of commissioning gas to the Project in the second quarter of 2013.

Earthmoving activities at the Komo airfield continued to make good progress and pavement trials commenced. A contract for the Antonov heavy lift aircraft, which will transport the major heavy items of equipment for the Hides Gas Conditioning Plant (HGCP) construction to site, was awarded.

At the HGCP, the process area was handed to the construction contractor who commenced installation of structural steel and underground piping. Mobilisation and commissioning of Rig 702, the first of the two new drill rigs, was ongoing during the quarter. The first Hides well is planned to commence drilling soon. The second rig, Rig 703, is being mobilised to Hides, with drilling expected to commence later in the year."

Production and revenue performance for the quarter and the half year

"Production of oil and gas in the second quarter of 2012 was 1.80 mmbob, 24% higher than in the first quarter of 2012 (1.46 mmbob). Oil production benefited from a full quarter's uninterrupted operations of the Central and Agogo Processing Facilities, following the 16 day planned shutdown in the previous quarter, partially offset by a one week shutdown of the Gobe Processing Facility (GPF) for planned compressor maintenance. A two week GPF shut-down remains planned for the fourth quarter, to complete PNG LNG Project work. Total production for the first half of 2012 was 3.26 mmbob, compared to 3.56 mmbob in the first half of 2011.

Oil sales revenue was 12% higher than in the first quarter, due to 28% higher liftings, offset by lower realised oil prices, which fell from US\$124.14 per barrel to US\$108.73 per barrel, in line with lower global oil prices. Revenues from the Hides Gas to Electricity Project were similar to the first quarter, reflecting the terms of an interim sales agreement which is in place pending the completion of negotiations of a new long term contract.

Total operating revenue for the quarter was US\$211.3 million, taking operating revenue for the first half of 2012 to US\$398.5 million, 7% higher than in the corresponding period of 2011."

Gas resources expansion activities

"A major success was achieved in Oil Search's Highlands gas maturation programme during the quarter, with the discovery of a larger than anticipated gas column in the P'nyang South 1 ST1 well. The results of P'nyang South 1 ST1, which successfully intersected the P'nyang South structure's gas:water contact, should lead to a material increase in the total estimated gas resources in the P'nyang field. During the quarter, studies to confirm resource estimates and preliminary analysis of potential development options commenced, while joint venture commercial discussions are planned for the second half of 2012.

Trapia 1, the second well in the programme, commenced drilling in June. Trapia is an exploration well on a large structure to the east of the Hides and Angore fields. Oil Search is drilling Trapia under contract with the Operator, Esso Highlands Limited. While initial progress was impacted by poor hole stability in the surface section of the well, drilling is now underway and the well is expected to reach target depth late in the third quarter.

As mentioned, drilling on the Hides gas field is scheduled to commence imminently. The drilling programme is part of the PNG LNG Project development, operated by Esso Highlands Limited. Early in the development drilling programme, a water disposal well in the southern section of the field will be drilled to establish the location of the gas:water contact. This, together with a well in the northern section, will help delineate the size of the Hides gas field. The PDL 1 Joint Venture also recently approved pre-drill funds to evaluate the hydrocarbon potential of deeper sands within the Hides structure.

The aim of the Highlands programme is to evaluate the area's gas potential and build a resource base to underwrite further gas development and LNG expansion opportunities.

In the Gulf of Papua, work continued on prospect selection in preparation for a two firm, plus two well options, drilling programme, planned to commence in late 2012 with the Stena Clyde semi-submersible rig. An additional 1,050 square kilometres of 3D seismic data was successfully acquired during the quarter, with preliminary interpretation available in the third quarter. Bids were received and negotiations are continuing with potential farm-in partners, with completion of a farm-out expected to conclude shortly."

Refinancing of corporate facility

"Oil Search has commenced discussions with a range of banks regarding the refinancing of its undrawn corporate facility, which expires in late 2013. The Company has received committed offers of finance from a number of these banks and expects to complete the refinancing in the second half of 2012."

PNG Election has minimal impact

"It is pleasing to note that the recent election in PNG has had minimal impact on our operations across the country.

We look forward to working closely with the new Government, when formed, to ensure ongoing developments are delivered on time and on budget, with benefits streams delivered appropriately across the community in PNG."

Factors affecting profit in the first half of 2012

"The 2012 first half results are scheduled to be released to the market on Tuesday 21 August.

Normalised cash operating costs in the first half of 2012 are expected to be towards the lower end of the previous guidance range of US\$21–24/boe. This is due to the phasing of the workover programme, which is skewed to the second half of the year, partially offset by the adverse impact of the continued strong kina and Australian dollar. There will be additional cash operating expenditure of approximately US\$19 million in the half year, related to higher gas purchase costs. As highlighted in the first quarter report, the impact of higher gas sales revenue resulting from the interim gas sales agreement with Barrick Gold for the Hides Gas to Electricity Project will be largely offset by ongoing higher gas purchase costs, based on a back-to-back revised gas acquisition agreement with the PDL 1 Joint Venture.

Non-cash charges are anticipated to be towards the top end of the previous US\$7-9/boe guidance range. This is due to the introduction of a second rig into the drilling programme, increasing depreciation charges.

Exploration costs of US\$56.5 million were expensed in the first half of 2012 (see page 6 of this report). This primarily related to the write-off of current and past costs for the exploration component of the IDT 25 well, following the unsuccessful Koi Iange test, and the expensing of seismic costs. The first half 2012 effective tax rate is expected to be in the low 50% range of profit before tax.

Interest expense will include fees on the Company's currently undrawn corporate facility and a finance charge relating to future site restoration commitments, offset by interest earned on the Company's cash balances. Interest and fees relating to funds drawn down from the PNG LNG Project finance facility will continue to be capitalised until the commencement of LNG production.

The production forecast for the 2012 full year remains unchanged at 6.2 – 6.7 mmbœ."

PETER BOTTEN, CBE
Managing Director
24 July 2012

2012 SECOND QUARTER PERFORMANCE SUMMARY^{1,2}

Note: 2012 figures are unaudited

	Quarter End			Half Year		Full Year
	June 2012	Mar 2012	June 2011	Jan-Jun 2012	Jan-Jun 2011	Dec 2011
PRODUCTION DATA						
Crude oil production ('000 bbls)	1,538	1,235	1,497	2,774	3,020	5,631
Gas production (mmscf)	1,403	1,177	1,416	2,581	2,811	5,562
Hides condensate ('000 bbls)	30	25	35	55	69	130
Barrels of oil equivalent ('000 boe)	1,802	1,457	1,768	3,259	3,558	6,688
SALES DATA						
Internal oil usage ('000 bbls) ³	19	17	19	36	42	78
Oil Sales volume ('000 bbls)	1,609	1,254	1,605	2,863	2,838	5,636
Gas equivalent sales (mmscf) ⁴	1,479	1,222	1,435	2,701	2,876	5,742
Hides other condensate ('000 bbls) ⁵	8	7	10	16	17	34
Crude inventory ('000 bbls) ⁶	56	152	433	56	433	198
Barrels of oil equivalent sold ('000 boe)	1,864	1,465	1,854	3,329	3,334	6,627
SALES DATA						
Oil sales (US\$m)	174.9	155.6	197.8	330.6	331.7	654.3
Gas and refined product sales (US\$m)	24.8	23.2	12.2	48.0	23.8	49.0
Other field revenue (US\$m) ⁷	11.6	8.4	7.8	19.9	15.6	29.6
Total operating revenue (US\$m)	211.3	187.2	217.8	398.5	371.1	732.9
Average realised oil price (US\$ per bbl)	108.73	124.14	123.28	115.48	116.89	116.09
Cash (US\$m) ⁸	852.2	904.5	1,216.4	852.2	1,216.4	1,037.7
Debt (US\$m)						
- PNG LNG financing	2,349.2	2,014.1	1,321.0	2,349.2	1,321.0	1,747.6
- Revolving oil facility ⁹	Nil	Nil	Nil	Nil	Nil	Nil
Net cash/(debt) (US\$m)	(1,497.0)	(1,109.6)	(104.6)	(1,497.0)	(104.6)	(709.9)

1 Prior period comparatives updated for subsequent changes.

2 Numbers may not add due to rounding.

3 Oil used within Oil Search's operations and not available for sale.

4 Gas equivalent sales includes some Hides condensate sold under the same commercial arrangement.

5 Hides other condensate includes various other refined products (naphtha and diesel).

6 Includes minor field quality adjustments.

7 Other field revenue consists largely of rig lease income and infrastructure tariffs.

8 Excludes share of cash balances of joint venture interests.

9 At the end of June 2012, the Company had an undrawn revolving oil facility of US\$217.5 million.

Total production in the second quarter of 2012 was 1.80 mmbbl net to Oil Search, produced at an average rate of 19,800 barrels of oil equivalent per day.

Oil production available for sale (production less internal usage) in the quarter was 1.52 mmbbl. Oil sales for the period were 1.61 mmbbl and the crude inventory at the end of the quarter was 0.06 mmbbl. The average oil price realised for the quarter was US\$108.73 per barrel. The Company did not undertake any oil hedging transactions during the period and remains unhedged.

Sales revenue from oil, gas and refined products for the period was US\$199.7 million. Oil revenue increased by US\$19.3 million compared to the first quarter, due to increased production and higher liftings, partially offset by a lower realised oil price. Gas sales revenue for the quarter was stable. Other field revenue was US\$11.6 million, largely comprising rig lease income and infrastructure tariffs.

At 30 June 2012, Oil Search had cash of US\$852.2 million (excluding joint venture balances), compared to US\$904.5 million at the end of March 2012. US\$2,349.2 million had been drawn down under the PNG LNG Project finance facility (US\$2,014.1 million at the end of March). The Company's oil facility had a committed limit of US\$217.5 million, with the facility remaining undrawn.

Exploration and evaluation expenditure during the quarter was US\$73.8 million, spent primarily on the P'nyang South 1 and P'nyang South 1 ST1 wells, Trapia well site preparations and initial drilling costs, the PNG seismic programme and on Taza 1 well site preparations in Kurdistan.

Oil Search's share of PNG LNG Project costs was US\$421.2 million during the quarter, funded 70% by drawdowns of funds from the PNG LNG Project finance facility and the remaining 30% by cash reserves. Expenditure on producing assets and other capital costs totalled US\$18.9 million, mainly spent on Kutubu well workovers and on the Central Processing Facility.

During the quarter, US\$23.0 million of exploration and evaluation costs were expensed, of which US\$19.0 million related to seismic acquisition costs.

Note: 2012 figures are unaudited

(US\$ million) ^{1, 2, 3}	Quarter End			Half Year		Full Year
	June 2012	Mar 2012	June 2011	Jan-Jun 2012	Jan-Jun 2011	Dec 2011
SUMMARY OF INVESTMENT EXPENDITURE						
Exploration & Evaluation:						
PNG – Oil and Gas	65.8	44.4	11.8	110.2	48.6	89.4
Gas Commercialisation	-	-	-	-	0.5	-
MENA	8.0	7.5	1.4	15.5	4.7	55.1
Total Exploration & Evaluation	73.8	51.9	13.2	125.7	53.8	144.6
Development	421.2	357.8	348.4	779.0	594.9	1,286.5
Production	17.9	21.5	35.2	39.4	57.1	129.4
Other Property Plant & Equipment	1.0	0.6	1.9	1.6	3.0	7.2
Total investment expenditure	513.9	431.8	398.7	945.7	708.8	1,567.7
SUMMARY OF EXPLORATION & EVALUATION EXPENSED¹						
From current year expenditure:						
PNG – Oil and Gas	20.7	16.9	17.4	37.6	30.2	47.5
Gas Commercialisation	-	-	-	-	0.5	-
MENA	2.3	4.5	1.8	6.8	4.2	9.0
Total	23.0	21.4	19.2	44.4	34.9	56.5
Prior year expenditures expensed:	-	12.1	4.1	12.1	4.1	4.1
Total exploration & evaluation expensed	23.0	33.5	23.3	56.5	39.0	60.6

1 Prior period comparatives updated for subsequent changes.

2 Numbers may not add up due to rounding.

3 Exploration expensed includes costs of unsuccessful wells except where costs continue to be capitalised, general administration costs, and geological and geophysical costs of new venture activity. Costs relating to permit acquisition costs, expenditure associated with the drilling of wells that result in a successful discovery of potentially economically recoverable hydrocarbons and expenditures on exploration and appraisal wells pending economic evaluation of recoverable reserves are capitalised.

PERFORMANCE SUMMARY FOR THE FIRST HALF OF 2012

Oil and gas production for the first half of 2012 was 3.26 mmboe, compared to 3.56 mmboe in the first half of 2011.

Oil production was 2.77 mmbbls, 8% lower than in the corresponding period in 2011. This was primarily due to the planned facilities shutdown for work related to the PNG LNG Project in the first quarter of 2012. Strong production from recent near field PNG wells (Agogo 6 and Hedinia 10), helped to mitigate natural field decline. Total oil liftings for the first half of 2012 were 2.86 mmbbls, similar to liftings in the first half of 2011.

Total operating revenue in the first half of 2012 was US\$398.5 million, 7% higher than in the corresponding period of 2011. Oil revenues were largely unchanged at US\$330.6 million (US\$331.7 million in the first half of 2011) with the revenue increase reflecting the interim Hides Gas to Electricity Project gas sales agreement containing revised terms. From a profit perspective, the increase in revenue is expected to be largely offset by higher gas purchase costs, based on an interim revised gas acquisition agreement.

PRODUCTION^{1,2}

	Quarter End			Half Year		Full Year
	June 2012	Mar 2012	June 2011	Jan-Jun 2012	Jan-Jun 2011	Dec 2011
Oil Production ('000 bbls)						
- Kutubu - PDL 2	919	740	794	1,660	1,590	3,028
- Moran	546	417	624	964	1,256	2,296
- SE Mananda	8	11	14	19	37	57
- Gobe Main	11	9	11	20	24	41
- SE Gobe	54	58	54	112	113	208
Total oil ('000 bbls)	1,538	1,235	1,497	2,774	3,020	5,631
Hides gas production (mmscf)	1,403	1,177	1,416	2,580	2,811	5,562
Hides condensate ('000 bbls)	30	25	35	55	69	130
Total Production ('000 boe)	1,802	1,457	1,768	3,258	3,558	6,688

1 Prior period comparatives updated for subsequent changes.

2 Numbers may not add due to rounding.

Kutubu (PDL 2 – 60.0 %, operator)

Second quarter production net to Oil Search was 0.92 million barrels, 24% higher than the first quarter of 2012. Gross production rates averaged 16,825 barrels of oil per day (bopd) during the period, up from 13,545 bopd in the previous quarter. The increase reflected uninterrupted production during the quarter, compared to the first quarter when there was a two week shutdown for facility modifications for the PNG LNG Project.

At Kutubu, production from the Hedinia Digimu reservoir continued to perform well and a swing trial at the UDT 13 well in Usano resulted in incremental production of up to 1,700 bopd. The well has now been returned to gas injection, but additional production periods will be considered in the future.

At the IDT 25 well in Kutubu, the completion across the Toro reservoir was successfully installed and each zone sequentially tested. The well is now on production at rates of approximately 700 bopd.

A strong performance was achieved from the Agogo field, reflecting a focus on optimising production from new and existing wells. At the Agogo 6 ST1 well, sequential testing of the five completion intervals continued during the quarter and the well is currently producing at approximately 1,200 bopd.

Moran Unit (49.5 %, based on PDL 2 – 60.0 %, PDL 5 – 40.7 % and PDL 6 – 71.1 %, operator)

Oil Search's share of Moran 2012 second quarter production was 0.55 million barrels, 31% higher than in the first quarter. The field produced at a gross average rate of 12,125 bopd compared to 9,264 bopd in the first quarter, reflecting a full quarter's production following the two week shutdown during the previous quarter.

During the period, a zone change at the Moran 2X well resulted in improved production rates, reflecting an increase in reservoir pressure following sustained gas injection at the Moran 5 well.

A number of in-field opportunities are being assessed for potential drilling, with the programme commencing with the Moran MA well in the fourth quarter of 2012.

Gobe (PDL 3 - 36.4 % and PDL 4 - 10 %, operator)

Oil Search's share of production from the Gobe fields in the second quarter of 2012 was 0.065 million barrels, down 4% from first quarter 2012 production levels.

The gross average production rate for Gobe Main was 27% higher than in the first quarter, at 1,205 bopd. This increase was due to strong production from the Upper lagifu zone in GM 2 ST1 which more than compensated for a scheduled seven day shutdown for facility maintenance during the quarter.

The gross average rate at SE Gobe was 8% lower than the previous quarter at 2,306 bopd, largely due to the scheduled facility shutdown and flowline repairs which have impacted production from the G7X and SEG 4 wells. Repairs are expected to be completed early in the third quarter.

SE Mananda (PDL 2 – 72.3 %, operator)

Oil Search's share of second quarter production from the SE Mananda field was 0.01 million barrels, down 26% from first quarter 2012 production levels. This was due to the shut-in of the SEM 4 well for slickline work. Due to poor weather conditions, this well is likely to be shut-in until work can recommence in the fourth quarter. The gross average daily production rate from the field was 122 bopd compared to 165 bopd in the first quarter of 2012.

Hides Gas to Electricity Project (PDL 1 - 100 %)

2012 second quarter production of gas for the Hides Gas to Electricity Project was 1.4 billion cubic feet, produced at an average daily rate of 15.4 million cubic feet per day. This was higher than first quarter production of 12.9 million cubic feet per day due to customer downtime in the previous quarter. 30,000 barrels of condensate were produced for use within the Hides facility and for local sales.

PNG LNG PROJECT

2012 second quarter activities on the PNG LNG Project included the following:

- Significant progress was achieved at the LNG plant site near Port Moresby. Major pieces of equipment, including compressors, were placed on their foundations and piperacks, pipe and heavy equipment was installed on the process trains. A milestone was achieved during the quarter with both LNG storage tank roofs installed into position. In addition, the LNG plant site camps were completed during the period.
- Laying of the 407 kilometre offshore export pipeline was completed during the quarter and the deep water pipelay vessel was demobilised.
- Line clearing, laying, welding and trenching along the onshore pipeline route progressed well. By the end of the quarter, over 60% of the pipeline had been welded. Work fronts are now opening up beyond the Kutubu oil fields.
- In the Highlands, good progress was made at the Komo airfield, with bulk earthworks continuing and the pavement underway. Construction of the Hides spine road also progressed well.
- At the Hides Gas Conditioning Plant, pile driving in the process area was completed. This area was handed over to the construction contractor who commenced installation of structural steel and underground piping.
- Mobilisation and commissioning of Rig 702 continued during the quarter. The first Hides well is planned to commence drilling soon on Well Pad B. Rig 703 is currently being mobilised to Hides.
- Another milestone was reached on the Oil Search-operated Associated Gas Project, with mechanical completion of the commissioning gas skid, which is a key piece of equipment required for commissioning and start up.
- The first stage of the PL 2 Life Extension Project was successfully completed and all major offshore equipment was demobilised.

GAS GROWTH AND EXPLORATION ACTIVITY

Gas Growth

Drilling at the P'nyang South 1 ST1 well (PRL 3 - Oil Search 38.5%) was completed during the quarter and the rig is currently being demobilised. As previously reported, this well successfully intersected the gas:water contact and discovered a larger than anticipated gas column. Interpretation of the well results is ongoing and indicates the total gas column in the P'nyang South field extends to over 650 metres. The results from the P'nyang South 1 and P'nyang South 1 ST1 wells should lead to a material increase in the total estimated gas resources in the P'nyang field.

During the quarter, the PRL 3 Joint Venture commenced studies on resource estimates and development options. Work on potential commercialisation is planned for the second half of 2012.

The Trapia 1 exploration well (PRL 11 - Oil Search 52.5%), the second well in the Highlands gas maturation programme, commenced drilling in June. This well is targeting a large structure to the east of the Hides and Angore fields, with the Toro and Digimu sandstones the primary objectives. While initial drilling progress at Trapia was impacted

by poor hole stability in the surface section of the well, this interval has now been stabilised. The well is expected to reach target depth late in the third quarter. Trapia is one of a number of seismically defined structures located east of Hides and success in one or more would provide additional gas resources in close proximity to the PNG LNG Project facilities.

The detailed evaluation programme to establish the available gas upside in the Associated Gas fields also continued throughout the quarter.

In the Gulf of Papua, discussions with potential farm-in partners advanced during the quarter, with a number of bids received, and negotiations are expected to conclude shortly. Work progressed on prospect selection for the upcoming offshore drilling programme and associated contracting and logistics. The two firm plus two well options drilling programme is planned to commence in late 2012 with the Stena Clyde semi-submersible rig. In addition, 1,050 square kilometres of 3D seismic data was successfully acquired during April and May. Preliminary interpretation is scheduled to be available in the third quarter.

PNG Oil Exploration

A 90 kilometre 2D seismic programme over the Mananda 5 discovery in PPL 219 (Oil Search 71.25%, operator) and a number of near field exploration targets in PDL 2 was completed during the quarter. Data processing and interpretation progressed well during the period and has confirmed the viability of drilling a well to appraise the Mananda 5 discovery. Subject to Joint Venture approval, it is planned to drill the well, Mananda 6, in early 2013.

Elsewhere in the Highlands, 30 kilometres of 2D seismic data was acquired during Phase I of the Kokomo survey in PPL 233 (Oil Search 52.5%) and PPL 277 (Oil Search 50% - subject to approvals). Phase II of the Kokomo survey, targeting a number of leads adjacent to, and on trend with, the Angore gas field, is scheduled to commence in the third quarter after the Highlands wet season.

Middle East / North Africa Exploration

In the Kurdistan Region of Iraq, site construction, civil works and rig mobilisation were completed in preparation for drilling the Taza 1 well in the Taza PSC (Oil Search equity interest 60%, paying interest 75%, operator). The well spudded shortly after the end of the quarter.

In Tunisia, preparations continued for drilling a commitment well on the Semda prospect in the Tajerouine PSC (Oil Search 100%). Tendering for a drilling rig, services and long lead items took place. A surface location has been identified and well pad construction will commence in the third quarter with the well planned to spud, subject to rig timing, in the fourth quarter of 2012.

The sale process of Oil Search's 40% interest in Block 3, Yemen, to Total S.A. continued with Joint Venture and Government approvals underway. Sale completion and formal handover of Operatorship is targeted for the third quarter of 2012.

Block 7, Yemen (Oil Search 34%) remains in a state of force majeure. The Company continues to closely monitor the political and security situation in Yemen. Oil Search's top priority remains the safety of its staff.

DRILLING CALENDAR

Subject to Joint Venture approvals, the forward 2012/2013 exploration, appraisal and development programme is as follows:

Well	Well type	Licence	OSH interest	Timing
PNG				
Trapia 1	Exploration	PRL 11	52.5%	Drilling
Hides drilling programme	Development/ Appraisal	PNG LNG Project	29.0%	Commences mid-2012
Agogo ADT A	Appraisal	PDL 2	60.0%	4Q 2012
Moran MA	Development	Moran Unit	49.5%	4Q 2012
Gulf of Papua programme	Exploration	various	various	4Q 2012
Mananda 6	Appraisal	PPL 219	71.25%	1Q 13

Kurdistan Region of Iraq				
Taza 1	Exploration	Taza PSC	60.0%	Drilling

Tunisia				
Tajerouine 1	Exploration	Tajerouine	100.0%	4Q 2012

Note: Wells and timing subject to change

For further information or questions regarding this report, please contact:

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