



OIL SEARCH LIMITED

(Incorporated in Papua New Guinea)

ARBN – 055 079 868

OIL SEARCH 2012 FIRST HALF RESULTS **21 August 2012**

HIGHLIGHTS

- Oil Search (ASX: OSH; ADR: OISHY) reports that profit after tax for the six months to 30 June 2012 was US\$107.5 million, compared to US\$114.5 million in the corresponding period of 2011. Sales revenue increased by 7%, due to higher gas sales and rig income, underwritten by continued strong oil production and a healthy oil price, with the 6% fall in profitability largely reflecting an increase in expensed exploration costs.
- Operating cash flow for the first six months was US\$198.3 million, which was used to fund Oil Search's active exploration and development drilling programme. PNG LNG Project expenditures were funded from cash and by drawdowns from the PNG LNG Project finance facility.
- During the first half of the year, continued progress was made on the construction of the PNG LNG Project, operated by Esso Highlands Limited, an affiliate of ExxonMobil Corporation. Milestones included the installation of several of the key items of LNG train equipment, including the Train 1 main cryogenic heat exchanger, and the completion of the offshore pipeline. The US\$15.7 billion Project remains on track for first LNG sales in 2014.
- A key highlight for the period was the discovery of a substantial gas accumulation at P'nyang South. With resource evaluation and preliminary analysis of development options now underway, Oil Search believes the P'nyang field could provide a key underpinning volume for LNG expansion.
- The Company has embarked on one of the largest drilling programmes in its long history, with the objective of finding oil and gas resources to underwrite further growth beyond the present two train PNG LNG development. P'nyang South was the first well in this programme, with two high potential wells currently being drilled. Trapia 1, an exploration well in the PNG Highlands, is targeting a gas structure east of the Hides and Angore gas fields, while Taza-1, located in the Kurdistan region of Iraq, is drilling a substantial oil prospect. Success in either well could have a significant impact on Oil Search's value.
- The exploration programme will continue over the balance of 2012 and into 2013, with Mananda 6 in the Highlands, the Gulf of Papua offshore programme and the Semda-1 well in Tunisia.
- Oil Search's balance sheet remains very solid. At the end of June 2012, the Company had a cash balance of US\$852.7 million while US\$2,349.2 million had been drawn down under the PNG LNG Project finance facility. The Company's revolving credit facility, totalling US\$217.5 million at the end of June, remained 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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- Significant progress has been made in refinancing the Company's existing corporate debt facility, with strong support received from a range of domestic and international banks. Committed offers have been received for in excess of US\$500 million and the facility is expected to be finalised shortly. The new facility will provide additional funding flexibility with a term beyond the commencement of cash flows from the PNG LNG Project.
- The Board has approved the payment of an unfranked interim dividend for 2012 of two US cents per ordinary share, payable on or around 8 October 2012. The dividend payment will be funded by the Company's fully underwritten Dividend Reinvestment Plan.

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

"Oil Search performed well in the first half of 2012, achieving a net profit after tax of US\$107.5 million, which was only a little lower than in the corresponding period of 2011. Oil production remained strong in the first half, with a number of new wells and workovers contributing to the result, partially offset by a two week scheduled facilities shut-down for PNG LNG related work. Oil and gas sales were similar to first half 2011 levels, due to the timing of oil shipments. Global oil prices remained firm for most of the half year, with the Company realising an average price of US\$115.48 per barrel, comparable to the corresponding period of 2011.

The Board has approved the payment of a 2012 interim dividend of two US cents per share, the same as the 2011 interim and final dividends. The Company's shares will commence trading ex-dividend on 7 September 2012, the record date for the dividend is 13 September 2012 and payments will be made to shareholders on or around 8 October 2012. A fully underwritten Dividend Reinvestment Plan will fund this payment."

PNG LNG Project construction activities making good progress

"Construction activities at the many PNG LNG Project operating sites continued apace during the period. Some of the milestones achieved included the completion of the outer shells and roof installation for the two LNG tanks, installation of key vessels and equipment on the LNG trains and the completion of the 2.4-kilometre jetty trestle and the offshore pipeline lay. Pleasingly, the recent Government elections caused no significant disruptions to activities at any of the work fronts.

The Project's construction activities have now reached their peak level, with a workforce in excess of 17,600 people. At the end of June 2012, more than 8,500 PNG citizens had received training for both construction and production roles across the Project and more than 1,300 local businesses had been supported through training and business development programmes. This leaves a strong legacy of skills and experience for use on future major developments, both in PNG and elsewhere.

While substantial construction activities still remain to be completed, the Project is presently on track to meet the revised budgeted capital cost of US\$15.7 billion and continues to make good progress towards the 2014 delivery window."

Early success in Oil Search's gas expansion drilling programme

"Oil Search's new drilling programme has had an excellent start, with the discovery of a major gas resource at the P'nyang South prospect. Work is presently underway on further defining the resource and analysing various development options. Based on data to date, Oil Search believes that P'nyang has the potential to be a key underpinning resource for LNG expansion, particularly in combination with the gas reserves upside in the Associated Gas fields.

The second well in the gas expansion programme, Trapia 1, is currently drilling. This is a higher risk, exploration play but the prospect lies close to the existing PNG LNG fields and infrastructure

so, if successful, would be a very valuable source of gas. There are a number of additional structures on trend with Angore and Trapia, which provide independent follow-up.

In the offshore Gulf of Papua farm-down process, the data room has closed and bidding has concluded, with a range of competitive offers received. Discussions with preferred farm-in partners are at an advanced stage and a farm-down is expected to be concluded shortly. The Stena Clyde drillship is now scheduled to be on-site and start drilling in January 2013."

High potential oil exploration underway

"The Taza 1 exploration well in the Kurdistan region of Iraq commenced drilling in early July. The well is targeting a substantial 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 Western Zagros Sarqala oil field to the southeast. If successful, the Taza structure has the potential to contain recoverable oil reserves of between 250 – 500 million barrels. If this well is a discovery, it could have a meaningful value impact on Oil Search, which holds a 60% participating interest in the PSC. The well is expected to reach total depth early in the fourth quarter of 2012."

Revised Hides Gas to Electricity contract terms

"The Hides Gas to Electricity Project contract, under which gas is sold to Barrick Energy to generate electricity for the Porgera Gold Mine, expired in late 2011. An interim sales agreement has been in place since the beginning of 2012 and a new long term contract is expected to be signed shortly. This long term agreement will provide the Porgera Gold Mine with energy supply certainty into the 2020s."

Safety performance

"The Company achieved a Total Recordable Incident Frequency Ratio (TRIFR) of 3.20 per million hours worked for the first half of 2012, compared to a TRIFR of 1.47 in the same period of 2011. The increase in safety incidents is disappointing, given it follows several years of top quartile safety performance. This reflects a combination of increased activity levels in higher risk construction activities, with a significant number of contractor personnel having less experience of operations in PNG and a less well developed safety culture. There was also a greater proportion of work being conducted at very remote locations. A major safety-focus programme, including visits to, and workshops at, operational locations involving the whole senior management team, has been initiated, aimed at improving performance."

New Government in PNG

"Elections in PNG have recently concluded, with the Hon. Mr Peter O'Neill returned as Prime Minister, leading a strong coalition Government. We would like to congratulate Mr O'Neill on his reappointment and look forward to working with him and his new ministerial team.

PNG has an excellent track record of fiscal stability and of delivering a predictable operating environment. This has attracted unprecedented investment in the resources sector. We are confident that under the new Government, PNG will remain an attractive country in which to invest, with Oil Search itself spending some US\$2 billion in PNG in 2012.

Government and landowner revenues are poised to increase markedly with the commencement of cash flows from the PNG LNG Project in 2014, so improving the systems, transparency and governance of the delivery and distribution of the considerable benefit streams is a key focus for both the Project developers and the Government in PNG. Dialogue on benefits distribution is expected to recommence shortly, with a focus on ensuring the benefits not only reach the landowners in the Project region but are also shared appropriately across the rest of the country."

Health Foundation Launch

“Building on our reputation as a socially responsible operator, the Company launched the Oil Search Health Foundation in March this year. The Foundation, in partnership with the PNG Government and with funding from the Global Fund, AusAID and others, is now carrying out a range of programmes for the prevention and treatment of HIV/AIDS, malaria and the improvement of child and maternal health across PNG.

The development of this private/public partnership between the Company, Government and aid agencies is seen as a new and positive way these organisations can work together to deliver positive change to communities in which we work.”

OUTLOOK

On the outlook for the second half of 2012, Mr Botten said the following:

PNG LNG Project activities

“During the second half of the year, PNG LNG Project activity is expected to include the following:

- Continued construction of Trains 1 and 2, the marine jetty and associated facilities at the LNG plant site near Port Moresby.
- Continuation of the onshore pipe lay, past Kutubu and towards Hides.
- The first flights into the Komo Airfield and the commencement of equipment installation at the Hides Gas Conditioning Plant.
- Continued drilling and well pad development at the Hides field.
- Completion of the key components of the Associated Gas Project by Oil Search.”

Production outlook for 2012

“The strong underlying oil field performance recorded in the first half of 2012 is expected to continue in the second half of the year, with continued good contributions from 2011 development wells and from recent successful workovers. Partly offsetting this, production will be impacted by the recent shut-in to allow an inspection of the Kumul loading system, as well as a planned two-week shutdown of the Gobe oil fields in the fourth quarter to allow tie-in work for the PNG LNG Project to be completed (the last of the scheduled shutdowns).

Following the observation of a very small quantity of oil droplets on the water surface during an oil tanker loading in July, loading was suspended as a precautionary measure, pending an inspection of the Kumul loading line. The Company carried out a comprehensive testing programme which included an inspection and analysis of line integrity with pressure testing at twice the normal operating levels. No source of any leak in the oil export system has been found and oil loading and production is due to recommence imminently. Due to the shut-in of production, approximately 0.3 mmbbl has been deferred. The Company took the opportunity provided by the shutdown to undertake some maintenance work on the fields and facilities, originally planned for later in the year.

As a result of the GPF shutdown and the Kumul incident, second half production is expected to be slightly lower than in the first half. Nonetheless, production for the 2012 full year is still expected to be within the previous guidance range of between 6.2 – 6.7 mmboe.

Development activities planned for the second half include drilling the Moran MA well, targeting the Toro C and Digimu sands down dip of Moran 6 and 14, and the Agogo ADT A well, a further appraisal of the Toro hanging wall reservoir. There will also be ongoing work-over activity in the Kutubu, Usano, Agogo and Moran fields."

Exploration activity

"As previously highlighted, the Trapia well in the Highlands of PNG and the Taza well in Kurdistan are both currently drilling ahead and expected to reach target depth late in the third quarter/early fourth quarter. Success in either well would have a meaningful impact on Oil Search. The Company's largest ever exploration drilling programme will continue in the fourth quarter of 2012, with the Semda 1 well in the Tajerouine PSC in Tunisia, and into early 2013 with the commencement of the offshore drilling programme in the Gulf of Papua and the spudding of Mananda 6, a follow-up well to the Mananda 5 oil discovery.

In addition, a seismic survey over a number of leads adjacent to, and on trend with, the Angore gas field is now underway. The results will assist in maturing further gas prospects in this region of the PNG Highlands.

The 2012/13 drilling programme is targeting multi-tcf of potential gas resources and several hundred million barrels of oil potential."

Refinancing of corporate facility

"The refinancing of Oil Search's corporate debt facility, which is due to expire in late 2013, has made significant progress, with strong support from a range of domestic and international banks. The refinancing has been oversubscribed and committed offers have been received for in excess of US\$500 million, for a five year, non-amortising revolving facility. The terms of the facility are very attractive and provide funding flexibility to well beyond the commencement of cash flows from the PNG LNG Project.

The high level of interest and commitment from the banking community has been very pleasing and is a strong endorsement of the Company's prospects and the positive outlook for PNG. The refinancing is expected to be completed shortly."

Cost guidance for the 2012 full year

"Normalised cash operating costs in the second half are expected to be higher than in the first half, due to an increased level of work-over activity and the timing of some key work programmes. Operating costs for the 2012 full year are forecast to be in the range of US\$23 – 25 per boe. Additional cash costs related to the new PDL 1 Hides GTE contract are expected to be comparable to those incurred in the first half, of US\$18.7 million, assuming a similar oil price. Second half non-cash charges, comprising depreciation, amortisation and site restoration, are expected to be slightly higher than the first half charge of US\$8.57 per boe, reflecting a full period of a two-rig drilling programme.

Total investing capital expenditure for the 2012 full year is forecast to be approximately US\$2.0 billion. Expenditure on the PNG LNG Project is anticipated to be in the range of US\$1.55 – 1.65 billion, depending on phasing of construction activities and cash calls from the Operator. Due to higher work-over activity, spending on production activities is expected to rise in the second half, with total spend for the year of US\$130 – 140 million. The Company has an extremely active exploration and evaluation programme planned for the second half of 2012, including the Trapia, Taza and Semda wells, preparations for the start of Gulf and Mananda 6 drilling and seismic acquisition. Total exploration expenditure for the full year, including gas growth, is forecast to be between US\$270 - 290 million.

PNG LNG expenditures will continue to be funded 30% from our existing cash position, presently a healthy US\$850 million, and 70% from ongoing draw-downs from the PNG LNG project finance

facility. Other expenditures will be funded largely from the continued strong cash flows being generated by our oil operations. The new corporate facility, which is expected to be finalised shortly, will provide further head-room for our ability to finance medium term demands for capital. Oil Search remains in a very strong financial position to fund all current activities as well as pursue growth opportunities”

Peter Botten, CBE
Managing Director
OIL SEARCH LIMITED

21 August 2012

FINANCIAL SUMMARY

Six months to June	2011	2012	% change
SALES DATA			
Total oil and gas production (mmboe)	3.558	3.259	-8
Total saleable oil production (mmbbl)	2.978	2.738	-8
Total oil liftings (mmbbl)	2.838	2.863	+1
Gas equivalent sales (mmscf)	2,876	2,701	-6
Total oil and gas sales (mmboe)	3.334	3.329	-
Realised oil price (US\$/bbl)	116.89	115.48	-1
FINANCIAL DATA (US\$m)			
Revenue from operations	371.1	398.5	+7
Operating expenses	(45.8)	(73.0)	+59
Royalties and levies	(5.9)	(6.7)	+13
Other expenses	(12.1)	(8.8)	-28
EBITDAX	307.3	310.1	+1
Exploration costs expensed	(38.9)	(56.5)	+45
Site restoration	(1.1)	(5.6)	+415
Amortisation/depreciation	(25.3)	(22.8)	-10
Business development costs	(4.5)	(6.0)	+34
EBIT	237.6	219.3	+8
Net financing (costs)/income	(0.1)	(1.2)	+704
Profit on sale of investment/adjustments	-	-	-
Impairment	-	-	-
Profit before tax	237.5	218.1	-8
Taxation expense	(123.0)	(110.6)	-10
Profit after tax before significant items	114.5	107.5	-6
Profit after tax after significant items	114.5	107.5	-6
PER SHARE DATA (US cents)			
Basic EPS	8.7	8.1	-7
Diluted EPS	8.7	8.1	-7
Net Operating Cash Flow per share	17.7	14.9	-15
Interim Dividend	2.0	2.0	unch

Notes:

- Numbers and percentage moves may not match due to rounding.
- In accordance with IFRS 8 "Accounting Policies Changes in Accounting Estimates and Errors", prior year comparatives have been restated where applicable.

FACTORS AFFECTING THE RESULTS

Oil production / sales

Oil Search's oil and gas production in the first half of 2012 was 3.26 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 2.74 million barrels. 2.86 million barrels were sold during the period, resulting in a decline in inventory levels, from 0.20 million barrels at the end of December 2011 to 0.06 million barrels at the end of June 2012.

Realised oil prices

Oil Search realised an average oil price of US\$115.48 per barrel for the first half of 2012, compared to US\$116.89 per barrel in the previous corresponding period. No hedging was undertaken during the period.

Revenue

Total revenue from operations was US\$398.5 million, 7.4% higher than in the first half of 2011. The increase was driven by substantially higher gas sales revenue, reflecting the terms of an interim sales agreement for the Hides GTE Project, and a rise in rig revenue, with both of Oil Search's rigs in operation for much of the period.

Revenue (US\$ million)			
Six months to June	2011	2012	% change
Sale of oil	331.7	330.6	-
Sale of gas and refined products	23.7	48.0	+102
Other revenue*	15.6	20.0	+28
Total	371.1	398.5	+7

* Primarily tariff and rig income

Cash costs

Cash operating costs (US\$ million)			
Six months to June	2011	2012	% change
Oil field costs	38.5	47.5	+23
Hides field costs	4.7	4.5	-4
Gas purchase costs	-	18.7	na
Other opex	8.5	9.0	+6
Net corporate costs	11.1	8.9	-20
FX (gains)/losses	1.0	(0.2)	-120
Cash operating costs	63.8	88.4	+39

On an absolute basis, total cash costs were 39% higher than in the previous corresponding period. This was primarily due to the interim gas purchase agreement with the PDL 1 Joint Venture relating to the Hides GTE project, which resulted in US\$18.7 million of gas purchase costs (matched by proportionately higher sales revenue). Oil operating costs increased by US\$9.0 million, reflecting the adverse impact of Kina appreciation relative to the US dollar and increased wages, camp and maintenance costs due to PNG inflation.

Cash costs, on a per barrel of oil equivalent basis, increased from US\$19.24 per boe in the first half of 2011 to US\$21.04 per boe in the first half of 2012 on a normalised basis and to US\$26.68 per boe inclusive of the gas purchase costs.

Non-cash costs

Non-cash costs (US\$ million)			
Six months to June	2011	2012	% change
Amortisation	19.2	16.6	-13
Depreciation	6.1	6.2	+1
Site restoration	1.1	5.6	+415
Total	26.4	28.4	+8

Depreciation, amortisation and site restoration increased from US\$26.4 million to US\$28.4 million. This was primarily due to higher site restoration amortisation, driven by an increase in estimated future asset values, and increased depreciation relating to higher rig utilisation.

Exploration expense

During the first half of 2012, exploration and evaluation expenditure was US\$125.7 million. This included expenditure on the P'nyang South 1 and P'nyang South ST1 wells (US\$31.7 million), Trapia site preparation and early drilling costs (US\$31.4 million) and the exploration component of the IDT 25 well (US\$8.0 million). In addition, US\$6.2 million was spent on site preparations for the Taza well.

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\$56.5 million. This included US\$20.8 million of current and past costs in relation to the unsuccessful IDT 25 Koi lange test, US\$25.2 million on PNG seismic costs and US\$10.5 million related to general exploration expenses.

As at 30 June 2012, carried forward exploration costs totalled US\$397.1 million (US\$296.8 million at June 2011).

US\$6.0 million of business development costs, comprising evaluation of gas commercialisation options and other growth assessment activities, were expensed during the half year.

Interest income / expense

Interest income in the first half of 2012 was US\$3.0 million. While the Company maintained a high cash balance throughout the period, these funds are invested in short term US dollar deposit accounts, with US deposit rates at historically low levels. Amortisation of upfront fees and expensing of commitment fees related to the Company's revolving credit facility totalled US\$1.5 million compared to US\$1.8 million in the first half of 2011. Including a US\$2.7 million time-value charge for future site restoration commitments, total financing costs were US\$4.2 million (US\$3.9 million in the first half of 2011). Interest and finance fees on the PNG LNG Project continue to be capitalised until completion of the Project.

Taxation expense

Tax expense of US\$110.6 million was 10% lower than in the corresponding period of 2011, primarily due to a reduction in pre-tax profit. The effective tax rate for the period was 50.7%, slightly above the PNG statutory rate of 50% for oil profits, due to the non-deductibility of exploration expenses in MENA.

Operating cash flows

2012 first half operating cash flows were 15% lower than in 2011, due to working capital movements and an increase in tax payments.

Over the first half of 2012, Oil Search's net investing cashflow included:

- Expenditure of US\$77.7 million on exploration and evaluation, compared to US\$30.9 million in the first half of 2011.
- US\$802.6 million on the PNG LNG Project (US\$515.7 in the first half of 2011).
- US\$55.6 million on producing activities (US\$60.9 million in first half of 2011).
- US\$2.0 million on property, plant and equipment (US\$3.4 million in first half of 2011).

Cash Flow (US\$ million)			
Six months to June	2011	2012	% change
Net Receipts	316.8	292.5	-8
Net Interest income/(expense)	2.4	1.9	-22
Tax Paid	(55.1)	(69.4)	+26
Expensed exploration and evaluation business development and site restoration	(31.6)	(26.7)	-16
Operating Cash Flow	232.5	198.3	-15
Net Investing cash flow	(610.9)	(941.4)	+54
Net financing cash flow	344.1	548.4	+59
Net Cash flow	(34.3)	(194.7)	+468
Net Operating Cash Flow/share (US cents)	17.7	14.9	-15

Net cashflows from financing activities included the drawdown of US\$544.7 million under the PNG LNG project finance facility (excluding capitalised interest and financing fees) and US\$14.6 million of proceeds received from the underwriter of the Dividend Reinvestment Plan. The balance of the 2011 final dividend was funded via shareholder reinvestments.

Balance Sheet

Balance Sheet (US\$ million)			
As at	June 2011	Dec 2011	June 2012
Cash and cash equivalents	1,229.3	1,047.5	852.7
Debt	1,321.0	1,747.6	2,349.2
Shareholders' Equity	2,921.3	3,017.2	3,133.6

At the end of June 2012, Oil Search had a net debt position of US\$1,497.0 million. This comprised US\$852.2 million in cash, US\$0.5 million in Joint Venture balances and US\$2,349.2 million in debt (all of which represented PNG LNG project finance facility debt).

DIVIDENDS

The Board of Directors announced an interim dividend for 2012 of two US cents per share. The shares will commence trading ex-dividend on 7 September 2012, the record date for the dividend is 13 September 2012 and payments will be made to shareholders on or around 8 October 2012.

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

FIRST HALF 2012 PRODUCTION SUMMARY

Six month to June	2011		2012		% 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	14,629	1.590	15,185	1.660	+4	+4
Moran	14,014	1.256	10,694	0.964	-24	-23
Gobe						
Gobe Main	1,369	0.025	1,076	0.020	-21	-21
SE Gobe	2,442	0.113	2,409	0.112	-1	-1
Total Gobe	3,811	0.138	3,485	0.132	-9	-4
SE Mananda	280	0.037	143	0.019	-49	-49
Total Oil	32,734	3.020	29,508	2.774	-10	-8
Hides Liquids	382	0.069	301	0.055	-21	-21
Gas production	mmscf / d	mmscf	mmscf / d	mmscf		
Hides Produced Gas	15.53	2,811	14.18	2,580	-8	-8
Total Oil and gas production	(boepd)	(mmboe)	(boepd)	(mmboe)		
Total production	35,704	3.558	32,172	3.258	-10	-8

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:

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Oil Search will be holding a presentation for analysts and fund managers at 2.00pm AEST today, 21 August 2012. 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 9556 8867 or 9556 7941

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 2012

APPENDIX 4D

**This information should be read in conjunction with the
Financial Report for the half-year ended 30 June 2012**

Results for announcement to the market

			Half-year ended 30 June 2012		Half-year ended 30 June 2011	
			US\$'000	A\$'000 ⁽¹⁾	US\$'000	A\$'000 ⁽¹⁾
Revenue from operations	<i>up</i>	7.4%	398,545	385,776	371,132	359,345
Net profit after tax attributable to members	<i>down</i>	-6.2%	107,453	104,010	114,504	110,868
Net operating cash flow	<i>down</i>	-14.7%	198,310	191,956	232,471	225,088 ⁽⁴⁾
			Half-year ended 30 June 2012		Half-year ended 30 June 2011	
			US cents	A cents	US cents	A cents
Interim dividend paid per security ⁽²⁾			2.00	TBA ⁽³⁾	2.00	1.95 ⁽³⁾
Basic earnings per share (including significant items)	<i>down</i>	-7.0%	8.09	7.83 ⁽¹⁾	8.70	8.42 ⁽¹⁾

(1) Amounts shown have been converted from US\$ to A\$ at the average exchange rate for the half-year of 1.0331 (2011: 1.0328).

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

(3) 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 13 September 2012 (2011: 15 September 2011).

(4) Prior year comparatives have been restated in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" upon adoption of the "Improvements to IFRS's", specifically IAS 7 "Statement of Cash Flows".

OIL SEARCH LIMITED
and its subsidiaries

ARBN 055 079 868

Consolidated Financial Report
for the half-year ended 30 June 2012

OIL SEARCH LIMITED
and its subsidiaries

Consolidated Financial Report for the half-year ended
30 June 2012

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OIL SEARCH LIMITED
and its subsidiaries

Directors' report

The Directors submit their report for the half-year ended 30 June 2012.

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, 70 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: 25,000; Options: nil

Mr PR Botten, CBE, B.Sc. ARSM, (Managing Director), Executive, 57 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 Millenium 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: 2,139,122; Options: nil; Performance Rights: 953,272; Restricted shares: 112,493

Mr G Aopi, CBE, Executive, 58 years

Mr Aopi joined the Board as an Executive Director on 18 May 2006 and presently holds the position of Executive General Manager External & Government Affairs and Sustainability. Mr Aopi has substantial public service and business experience in Papua New Guinea, having had a long and distinguished career in government, and filling a number of important positions, including Secretary for Finance and Planning and Managing Director of Telikom PNG Ltd. He is presently Chairman of Telikom PNG Ltd and was the Chairman of Independent Public Business Corporation (IPBC). 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: 243,526; Options: nil; Performance Rights: 240,736; Restricted shares: 128,046

Mr KG Constantinou, OBE, Non-Executive, 55 years

Mr Constantinou joined the Board on 16 April 2002. He is a prominent business figure in Papua New Guinea, holding a number of high level public sector and private sector appointments. Mr Constantinou is Chairman of various companies, including Airways Hotel & Apartments Limited, Lamana Hotel Limited, Lamana Development Limited, Hebou Constructions, Alotau International Hotel, Pacific Games 2015 Authority and Bank of South Pacific. He is a Director of Heritage Park Hotel in Honiara, Gazelle International Hotel in Kokopo, Grand Pacific Hotel in Fiji and Airlines PNG Limited. Mr Constantinou is also Vice President of the Employers Federation of Papua New Guinea, Deputy Chairman of St John Council, 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

OIL SEARCH LIMITED
and its subsidiaries

Directors' report

Mr R Igara, CMG, B.Econ., Grad.Dip. (Intl. Law), MBA, M.A.I.C.D., PNGID, Non-Executive, 59 years (Resigned 5 June 2012)

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 (PNGSDP 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, management and investment advisory services. He also serves on the board of Innovative Agro Industry Ltd as well as 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, 62 years (Resigned 8 May 2012)

Mr Kriewaldt joined the Board on 16 April 2002. Mr Kriewaldt is a director of 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 Macarthur Coal Limited, 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

Dr AJ Kantsler, B.Sc (Hons), Ph.D, G.A.I.C.D., FTSE, Non-Executive, 61 years

Dr Kantsler joined 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 Director of Forte Consolidated Limited. He was also Councillor and Director of the Australian Petroleum Production and Exploration Association (APPEA) for 15 years, where, as well as being chairman of several of APPEA's committees, he was Chairman from 2000 to 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. He is Director of Savcor Group Limited and the Chamber of Commerce & Industry, WA.

Ordinary shares, fully paid: 17,045; Options: nil

OIL SEARCH LIMITED
and its subsidiaries

Directors' report

Mr RJ Lee, BEng (Chem) (Hons), MA (Oxon), F.A.I.C.D., Non-Executive 62 years

Mr Lee joined the Board on 9 May 2012. Mr Lee has extensive investment banking and international commercial experience. His previous senior executive roles include 16 years with CSR Limited and the position of Chief Executive Officer of NM Rothschild Australia Limited. Mr Lee is Chairman of Salmat Limited, the Australian Institute of Company Directors and Deputy Chairman of Ridley Corporation Limited. He is a Director of Newcrest Limited.

Ordinary shares, fully paid: 20,000; Options: nil

Mr KW Spence, BSc (Geophysics) Hons, Non-Executive 58 years

Mr Spence joined the Board on 9 May 2012. Mr Spence brings over thirty years of oil and gas experience to the Board, having served in senior executive positions with Woodside Petroleum Limited, including Chief Operating Officer and Acting Chief Executive. Mr Spence was with Shell for 18 years prior to Woodside. Mr Spence is Chairman of Clough Limited and Geodynamics Limited. He is a Director of Verve Energy and also chairs a number of other bodies including the National Offshore Petroleum Safety and Environmental Management Authority Advisory Board and the Australian Institute of Management (WA).

Ordinary shares, fully paid: nil; Options: nil

Mr JL Stitt, M.A. (Hons), F.A.I.C.D., Non-Executive, 69 years (Resigned 8 May 2012)

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 worldwide 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, 64 years

Dr Switkowski joined 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 and Managing Director of Kodak (Australasia). Dr Switkowski currently serves as a Director of Tabcorp Limited and Lynas Corporation Limited and is Chairman of Suncorp Group and Opera Australia. He is also Chancellor of the Royal Melbourne Institute of Technology (RMIT University). Dr Switkowski is former Chairman of the Australian Nuclear Science and Technology Organisation. He 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: 175,000; Options: nil

GROUP SECRETARY

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. Mr Gardiner's roles at Oil Search have covered senior corporate finance responsibilities. In April 2011, Mr Gardiner was appointed to the role of Executive General Manager, Corporate Sustainability and Services and also assumed Acting Chief Financial Officer responsibilities in late June 2012. He is also the Group Secretary of Oil Search, a role he has held since May 2009.

Ordinary shares, fully paid: 151,420; Options: nil; Performance Rights: 185,060; restricted shares: 8,178

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\$107.5 million (June 2011: US\$114.5 million). The net profit was after providing for income tax of US\$110.6 million (June 2011: US\$123.0 million).

Operations

Revenue from operations for the first six months of 2012 was US\$398.5 million, 7.4% higher than the first half 2011 outcome of US\$371.1 million. This result reflected higher oil volumes and gas prices, compared to the previous corresponding period. The average realised oil price for the first half of 2012 was US\$115.48 per barrel, or US\$1.41 lower than the US\$116.89 price realised in the first half of 2011. 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 2012 was 3.259 million barrels of oil equivalent, or 8.4% lower than in the first half of 2011 (3.558 million barrels of oil equivalent). Closing oil inventory at 30 June 2012 was 56,000 barrels. Operating expenses were US\$27.2 million higher at US\$73.0 million, compared to US\$45.8 million in the previous corresponding period, largely reflecting higher gas purchase costs.

Amortisation and depreciation charges increased by 7.7% or US\$2.0 million from US\$26.4 million to US\$28.4 million, due to the decrease in the US Bond rate and higher rig utilisation.

Exploration and evaluation costs expensed in the first half of 2012 totalled US\$56.5 million compared to US\$38.9 million in the previous corresponding period, due to increased exploration activity in the current period and expensing of prior period expenditure. As at 30 June 2012, total carried forward exploration costs totalled US\$397.1 million (December 2011: US\$337.6 million).

Income tax expense decreased to US\$110.6 million in the first half of 2012 compared to US\$123.0 million in the prior corresponding period, due to the impact of increased exploration and business development expenses resulting in lower pre tax earnings and representing an effective tax rate of 51% (2011: 52%).

Operating cash flow of US\$198.3 million (June 2011: US\$232.5 million) was received during the half-year, a decrease of 14.7% on the corresponding period in 2011. At 30 June 2012 the Company held cash of US\$852.7 million (December 2011: US\$1,047.5 million) inclusive of joint venture cash balances. Debt totalled US\$2,349.2 million (December 2011: US\$1,747.6 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 2012. The due date for payment is 8 October 2012 to all holders of ordinary shares on the Register of Members on 13 September 2012. Dividends paid and declared during the period are recorded in note 8 to the financial statements.

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

AUDITOR'S INDEPENDENCE DECLARATION

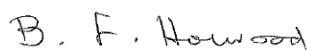
Deloitte Touche Tohmatsu's Independence Declaration is included on page 6.

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.

On behalf of the Directors



.....
BF HORWOOD
Chairman



.....
PR BOTTEN
Managing Director

Sydney, 20 August 2012

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

20 August 2012

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 2012, 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



Jason Thorne
Partner
Chartered Accountant

OIL SEARCH LIMITED
and its subsidiaries

Consolidated statement of comprehensive income
for the half-year ended 30 June 2012

	Note	Half-year ended 30 June 2012 US\$'000	Half-year ended 30 June 2011 US\$'000
Revenue from operations	2	398,545	371,132
Operating expenses		(72,953)	(45,777)
Amortisation - site restoration		(5,578)	(1,083)
Amortisation - oil and gas assets		(16,643)	(19,190)
Depreciation - operating assets		(4,012)	(3,868)
Royalties, development and mining levies		(6,683)	(5,940)
Costs of sales		(105,869)	(75,858)
Gross profit from operating activities		292,676	295,274
Other expenses	3	(10,949)	(14,348)
Profit from operating activities		281,727	280,926
Exploration costs expensed		(56,455)	(38,852)
Business development costs		(6,012)	(4,486)
Profit on sale of other non-current assets		-	16
Interest income		2,994	3,734
Financing costs	4	(4,168)	(3,880)
Profit from continuing operations before income tax		218,086	237,458
Income tax expense	5	(110,633)	(122,954)
Net profit after tax		107,453	114,504
Other comprehensive income			
Foreign currency translation differences for foreign operations		(613)	(2,552)
Total comprehensive income for the period		106,840	111,952
Earning per share (cents per share)		US cents	US cents
Basic earnings per share	7	8.09	8.70
Diluted earnings per share	7	8.07	8.67

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 2012

	Note	30 June 2012 US\$'000	31 December 2011 US\$'000
Current assets			
Cash and cash equivalents		852,734	1,047,463
Receivables		171,596	102,253
Inventories		82,235	59,862
Other current assets		110,534	85,600
Assets held for sale	6	10,695	-
Total current assets		1,227,794	1,295,178
Non-current assets			
Receivables		13,990	3,966
Other non-current assets		160	329
Exploration and evaluation assets	10	397,111	337,611
Oil and gas assets	11	4,641,251	3,778,161
Other property, plant and equipment		63,797	67,977
Investments		29	29
Deferred tax assets		257,186	218,783
Total non-current assets		5,373,524	4,406,856
Total assets		6,601,318	5,702,034
Current liabilities			
Payables		442,511	415,946
Provisions		7,205	5,556
Current tax liabilities		146,393	106,908
Total current liabilities		596,109	528,410
Non-current liabilities			
Payables		12,874	4,899
Provisions		278,058	212,429
Loans and borrowings		2,349,174	1,747,567
Deferred tax liabilities		231,506	191,497
Total non-current liabilities		2,871,612	2,156,392
Total liabilities		3,467,721	2,684,802
Net assets		3,133,597	3,017,232
Shareholders' equity			
Share capital	9	1,724,434	1,683,492
Reserves	13	7,440	12,956
Retained profits		1,401,723	1,320,784
Total shareholders' equity		3,133,597	3,017,232

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 2012

	Half-year ended 30 June 2012	Half-year ended 30 June 2011
Note	US\$'000	US\$'000
Cash flows from operating activities		
Receipts from customers	370,679	360,674
Payments to suppliers and employees	(78,220)	(43,861)
Interest received	3,186	3,892
Borrowing costs paid	(1,252)	(1,540)
Income tax paid	(69,384)	(55,091)
Payments for exploration and evaluation - seismic, G&A, G&G ¹	(19,308)	(26,907)
Payments for site rehabilitation	(1,379)	(210)
Payments for business development	(6,012)	(4,486)
Net cash from operating activities	198,310	232,471
Cash flows from investing activities		
Payments for property, plant and equipment	(2,002)	(3,382)
Payments for exploration and evaluation expenditure ¹	(77,660)	(30,938)
Payments for development asset expenditure	(802,569)	(515,658)
Payments for producing asset expenditure	(55,571)	(60,898)
Loan to third party in respect of exploration and evaluation	(3,641)	-
Net cash used in investing activities	(941,443)	(610,876)
Cash flows from financing activities		
Proceeds from underwriter of dividend reinvestment plan (DRP)	14,643	18,965
Dividend payments (net of DRP) ²	(14,617)	(18,934)
Cash received from option/right share issues	3,699	5,671
Proceeds from borrowings	544,679	338,422
Net cash from financing activities	548,404	344,124
Net decrease in cash and cash equivalents	(194,729)	(34,281)
Cash and cash equivalents at the beginning of the period	1,047,463	1,263,589
Cash and cash equivalents at the end of the period³	852,734	1,229,308

¹ Prior year comparatives have been restated in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" upon adoption of the "Improvements to IFRS's", specifically IAS 7 "Statement of Cash Flows".

² Total dividend payments including cash and dividend reinvestment was \$26.5 million (2011: \$26.3 million). Total dividend payments net of dividends reinvested under the dividend reinvestment plan was \$14.6 million (2011: \$18.9 million).

³ Includes US\$22.5 million (2011: \$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\$409.4 million (2011: US\$622.2 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 2012**

Consolidated	Share capital US\$'000	Foreign currency translation reserve US\$'000	Reserve for treasury shares US\$'000	Employee equity compensation reserve US\$'000	Retained profits US\$'000	Total 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 underwritten 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

Consolidated	Share capital US\$'000	Foreign currency translation reserve US\$'000	Reserve for treasury shares US\$'000	Employee equity compensation reserve US\$'000	Retained profits US\$'000	Total US\$'000
Balance at 1 January 2012	1,683,492	426	(5,601)	18,131	1,320,784	3,017,232
Dividends provided for or paid	-	-	-	-	(26,511)	(26,511)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	107,453	107,453
Other comprehensive income:						
Foreign currency translation differences for foreign operations	-	(613)	-	-	-	(613)
Total comprehensive income for the period	-	(613)	-	-	107,453	106,840
Transactions with owners, recorded directly in equity						
Issue of shares through underwritten dividend reinvestment plan	26,537	-	-	-	-	26,537
Transfer of vested shares	8,879	-	-	(8,879)	-	-
Release of treasury shares on vesting	-	-	1,844	(1,844)	-	-
Issue of shares on exercise of options and rights	3,699	-	-	-	-	3,699
Employee share-based remuneration	-	-	-	5,722	-	5,722
Issue of treasury shares	1,827	-	(1,827)	-	-	-
Net exchange differences	-	-	-	81	-	81
Trust distribution	-	-	-	-	(3)	(3)
Total transactions with owners	40,942	-	17	(4,920)	(3)	36,036
Balance at 30 June 2012	1,724,434	(187)	(5,584)	13,211	1,401,723	3,133,597

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 2012

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 2012 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 interim 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 2011. 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 20 August 2012.

(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 2011.

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2012

	Half-year ended 30 June 2012 US\$'000	Half-year ended 30 June 2011 US\$'000
2 Revenue from operations		
Oil sales	330,550	331,717
Gas and refined product sales	48,029	23,764
Other field revenue	19,966	15,651
Total revenue from operations	398,545	371,132
3 Other expenses		
Salaries and employee benefits	(31,509)	(26,382)
Post-employment benefits	(1,245)	(1,202)
Employee share-based remuneration	(5,722)	(5,495)
Premises and equipment - operating leases	(2,493)	(2,265)
Other expenses	(14,504)	(12,144)
Corporate cost recoveries	46,528	36,341
Net corporate expenses	(8,945)	(11,147)
Depreciation	(2,170)	(2,230)
Foreign currency gain/(loss)	166	(971)
Total other expenses	(10,949)	(14,348)
4 Financing costs		
Borrowing costs	(1,478)	(1,758)
Unwinding of discount on site restoration	(2,690)	(2,122)
Total finance costs	(4,168)	(3,880)

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2012

	Half-year ended 30 June 2012 US\$'000	Half-year ended 30 June 2011 US\$'000
5 Income tax		
The major components of tax expense are:		
Current tax expense	117,662	111,275
Adjustments for current tax of prior periods	(1,144)	3,140
Deferred tax (income)/expense	(5,885)	8,539
Income tax expense	110,633	122,954
Reconciliation between tax expense and the pre-tax profit multiplied by the applicable tax rate is set out below:		
Pre-tax net profit	218,086	237,458
Tax at PNG rate for petroleum (50%) (2011: 50%)	109,043	118,729
Effect of differing tax rates across tax regimes	(7,196)	(497)
	101,847	118,232
Tax effect of items not tax deductible or assessable:		
(Over)/under provisions in prior periods	(1,140)	3,140
Non-deductible expenditure	9,926	1,816
Other	-	(234)
Income tax expense	110,633	122,954
The amount of the deferred tax (income)/expense recognised in the net profit in respect of each type of temporary difference:		
Exploration and development	17,653	4,310
Other assets	88	2,100
Provisions	(22,070)	(1,005)
Other items	(4,689)	-
Tax losses	3,133	3,134
	(5,885)	8,539
6 Assets held for sale		
Exploration and evaluation assets	10,461	-
Other debtors	234	-
	10,695	-

Oil Search has signed a Sales and Purchase Agreement to sell its 40% interest in Block 3 (Gardan) in Yemen to Total S.A. of France (Total), for a consideration of US\$44.0 million. As a part of this transaction, Total will assume Operatorship of Block 3.

The completion of the transaction is subject to approvals from the Yemen Government. Oil Search expects to recognise a profit on completion of the sale.

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2012

	Half-year ended 30 June 2012 US cents	Half-year ended 30 June 2011 US cents
7 Earnings per share		
Basic earnings per share	8.09	8.70
Diluted earnings per share	8.07	8.67

Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares (basic)	1,327,493,682	1,315,832,829
Effect of employee share options/share appreciation rights	225,606	525,826
Effect of employee performance rights	4,228,844	4,786,802
Weighted average number of ordinary shares (diluted)	1,331,948,132	1,321,145,457

Basic earnings per share have been calculated on a net profit after tax of US\$107.5 million (2011: US\$114.5 million).

Diluted earnings per share have been calculated on a net profit after tax of US\$107.5 million (2011: US\$114.5 million). There are 241,042 options (2011: 596,617), 1,385,100 share appreciation rights (2011: 1,466,800) and 6,012,249 performance rights (2011: 5,336,450) 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 2012 to 30 June 2012.

	Half-year ended 30 June 2012 US\$'000	Half-year ended 30 June 2011 US\$'000
8 Dividends paid or proposed		
Unfranked ² dividends in respect of the half-year, proposed subsequent to the reporting period:		
Ordinary dividends ¹	26,627	26,410
Unfranked ² dividends paid during the period in respect of previous year	26,511	26,253

¹ On 20 August 2012, 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 8 October 2012. The proposed dividend is payable to all holders of ordinary shares on the Register of Members on 13 September 2012. The estimated dividend to be paid is US\$26,627,121 and has not been included as a liability in these financial statements.

² 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 2012

			30 June 2012 US\$'000	31 December 2011 US\$'000
9 Share capital				
(a) Issued and fully paid shares				
1,331,356,047 ordinary shares (no par value) (31 December 2011: 1,325,155,171)			1,724,434	1,683,492
	Six months ended 30 June 2012	Six months ended 30 June 2011	Six months ended 30 June 2012	Six months ended 30 June 2011
	Shares	Shares	US\$'000	US\$'000
(b) Movement in issued and fully paid shares				
Balance at the beginning of the period	1,325,155,171	1,312,888,303	1,683,492	1,610,667
Transfer of vested shares from employee compensation reserve	-	-	8,879	13,070
Release of treasury shares on vesting	-	-	-	(1,039)
Ordinary shares issued on exercise of options and rights, and grant of restricted shares	2,510,333	3,975,651	5,526	7,460
DRP underwriting agreement ¹				
Ordinary shares issued at US\$6.98 (2010 final dividend)	-	2,715,366	-	18,965
Ordinary shares issued at US\$7.26 (2011 final dividend)	2,017,775	-	14,643	-
DRP ²				
Ordinary shares issued at US\$6.85 (2010 final dividend)	-	1,069,058	-	7,319
Ordinary shares issued at US\$7.11 (2011 final dividend)	1,672,768	-	11,894	-
	1,331,356,047	1,320,648,378	1,724,434	1,656,442

¹ A fully underwritten DRP has been utilised for all dividends paid during the period covered by the financial statements.

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 ten trading days shortly 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 2012

	30 June 2012	31 December 2011
	US\$'000	US\$'000
10 Exploration and evaluation assets		
At cost	460,737	401,237
Less impairment	(63,626)	(63,626)
	397,111	337,611
Balance at start of year	337,611	281,840
Transferred to assets held for sale	(9,782)	-
Additions	125,678	144,606
Exploration costs expensed during the period	(56,455)	(60,633)
Impairment losses	-	(33,227)
Changes in restoration obligations	69	4,952
Net exchange differences	(10)	73
Balance at end of period	397,111	337,611
11 Oil and gas assets		
Assets in development		
At cost	4,380,413	3,467,975
Balance at start of year	3,467,975	2,063,629
Transferred from producing assets	73,693	98,509
Additions	722,061	1,176,824
Borrowing costs capitalised (LNG project)	56,928	109,718
Changes in restoration obligations	59,756	19,295
Balance at end of period	4,380,413	3,467,975
Producing assets		
At cost	1,440,738	1,468,712
Less accumulated amortisation and impairment	(1,179,900)	(1,158,526)
	260,838	310,186
Balance at start of year	310,186	247,565
Transferred to assets in development	(73,693)	(98,509)
Additions	39,380	129,396
Changes in restoration obligations	6,339	71,183
Amortisation of site restoration	(5,667)	(1,284)
Amortisation	(15,707)	(38,165)
Balance at end of period	260,838	310,186
Total oil and gas assets	4,641,251	3,778,161

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Notes to the financial statements
for the half-year ended 30 June 2012

12 Segment reporting

Information about reportable segments

The Group's segments are arranged primarily by location of operation (e.g. Papua New Guinea (PNG), Middle East and North Africa (MENA) and Australia (Corporate)) 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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
External revenues	398,545	371,132	-	-	-	-	-	-	398,545	371,132 ▼
Amortisation - site restoration	(5,578)	(1,083)	-	-	-	-	-	-	(5,578)	(1,083)
Amortisation - oil and gas assets	(16,643)	(19,190)	-	-	-	-	-	-	(16,643)	(19,190)
Depreciation - operating assets	(4,012)	(3,868)	-	-	(56)	(54)	(2,114)	(2,176)	(6,182)	(6,098)
Foreign currency gains/(losses)	(15)	(1,460)	-	-	-	-	181	489	166	(971)
Exploration, development and production costs expensed	(49,673)	(34,682)	-	-	(6,782)	(4,170)	-	-	(56,455)	(38,852)
Business development costs	(3,484)	(3,935)	-	-	(2,528)	(551)	-	-	(6,012)	(4,486)
Employee share based remuneration	-	-	-	-	-	-	(5,722)	(5,495)	(5,722)	(5,495)
Operating costs	(80,603)	(54,764)	-	-	(251)	(141)	(2,005)	(2,464)	(82,859)	(57,369)
EBIT	238,537	252,150	-	-	(9,617)	(4,916)	(9,660)	(9,646)	219,260	237,588
Profit on sale of other non-current assets									-	16
Unwinding of discount on site restoration									(2,690)	(2,122)
Interest income									2,994	3,734
Borrowing costs									(1,478)	(1,758)
Reportable segment profit before income tax									218,086	237,458
Income tax expense									(110,633)	(122,954)
Net profit after tax									107,453	114,504
Capital expenditure										
Exploration and evaluation assets	(110,225)	(49,143)	-	-	(15,453)	(4,660)	-	-	(125,678)	(53,803)
Oil and gas assets - development and production	(39,380)	(57,148)	(778,989)	(594,910)	-	-	-	-	(818,369)	(652,058)
Property, plant and equipment	(23)	(813)	-	-	(345)	-	(836)	(2,159)	(1,204)	(2,972)
Total capital expenditure	(149,628)	(107,104)	(778,989)	(594,910)	(15,798)	(4,660)	(836)	(2,159)	(945,251)	(708,833)

Geographical segments

The Oil Search Group operates primarily in PNG but also has activities in Yemen, Iraq, Tunisia (collectively MENA) 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
	2012	2011	2012	2011
PNG	398,545	371,132	5,249,703	4,294,018
Australia	-	-	23,226	21,340
MENA	-	-	100,595	91,498
Total	398,545	371,132	5,373,524	4,406,856

Major customers

There are two customers with revenues exceeding 10% of the Group's total oil and gas sales revenue.

Revenue from one customer represents approximately \$330.6 million or 87% of the Group's total oil and gas sales revenues (2011: \$281.6 million, 79%) and 83% of the Group's total revenue of \$398.5 million (2011: 76% of \$371.1 million).

Revenue from one other customer represents approximately \$39.9 million or 11% of the Group's total oil and gas sales revenues (2011: \$16.1 million, 4.5%) and 10% of the Group's total revenue of \$398.5 million (2011: 4.4% of \$371.1 million).

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

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2012

	30 June 2012	31 December 2011
	US\$'000	US\$'000
13 Reserves		
Foreign currency translation reserve	(187)	426
Reserve for treasury shares	(5,584)	(5,601)
Employee equity compensation reserve	13,211	18,131
	7,440	12,956

14 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 8 October 2012.

(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 2012 interim dividend.

There were no other significant events after balance date.

OIL SEARCH LIMITED
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Directors' Declaration

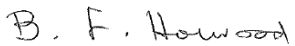
In accordance with a resolution of the Directors of Oil Search Limited, the Directors declare that:

- (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 2012 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 2012.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



.....
BF HORWOOD
Chairman



.....
PR BOTTEN
Managing Director

Sydney, 20 August 2012

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 2012, 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 2012 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 2012 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, 20 August 2012



Paul Barber
Partner
Chartered Accountants
Registered under the Accountants Act, 1996

Port Moresby, 20 August 2012



OIL SEARCH LIMITED

Incorporated in Papua New Guinea
ARBN 055 079 868

OIL SEARCH LIMITED

2012 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, 8 October 2012.

The record date is Thursday, 13 September 2012 and the ordinary shares will trade ex-dividend from Friday, 7 September 2012.

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 US 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. It is intended that the DRP will be fully underwritten for the 2012 interim dividend.

The specific terms of the DRP for the 2012 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, 17 September 2012 to Friday, 28 September 2012;
- 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, 2 October 2012; and
- The DRP shares will be issued on Monday, 8 October 2012.

Shareholders that have not elected to participate in the DRP, but wish to do so, must notify Oil Search's share registry, Computershare, by way of an election notice, of their intention to participate in the DRP **before 5.00pm (AEST) on Thursday, 13 September 2012.**

Yours faithfully
OIL SEARCH LIMITED

STEPHEN GARDINER
Group Secretary

Tuesday, 21 August 2012