



OIL SEARCH LIMITED

(Incorporated in Papua New Guinea)

ARBN – 055 079 868

OIL SEARCH 2013 FIRST HALF RESULTS

20 August 2013

(ASX: OSH; ADR: OISHY)

HIGHLIGHTS

Six months to 30 June	2012	2013	% change
Production (mmboe)	3.26	3.19	-2
Average realised oil price (US\$/bbl)	115.48	108.58	-6
Sales revenue (US\$m)	398.5	381.0	-4
EBITDAX ¹ (US\$m)	304.1	274.4	-10
Net Profit after Tax (US\$m)	107.5	113.5	+6
Operating cash flow (US\$m)	198.3	214.3	+8
Interim dividend (US cents/share)	2.0	2.0	unch
Liquidity (cash & undrawn corporate facility) (US\$m)	988.3 (31 Dec 2012)	792.1 (30 Jun 2013)	-20

1. EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration) is a non-IFRS measure that is presented to provide a more meaningful understanding of the performance of Oil Search's operations. The non-IFRS financial information is unaudited but is derived from the financial statements which have been subject to review by the Company's auditor. A detailed reconciliation of EBITDAX is included under Financial Performance on page 6.

- Total oil and gas production in the first half of 2013 was 3.19 mmboe, similar to the previous corresponding period, reflecting a solid production performance from the key PNG oil fields.
- The average realised oil price was 6% lower than in the first half of 2012 at US\$108.58 per barrel, in line with the moderately weaker global oil price environment.
- Net profit after tax was US\$113.5 million, 6% higher than the corresponding period in 2012, driven by lower exploration and tax expense.
- Operating cash flow for the six months to June increased 8% on the first half of 2012, to US\$214.3 million.
- Oil Search's balance sheet remains solid, with US\$292.1 million in cash and an undrawn US\$500 million revolving facility at the end of June.
- A 2013 interim dividend of two US cents per share was announced, payable on 8 October 2013.

Commenting on the 2013 first half results, Managing Director, Peter Botten, said:

“Oil Search recorded a strong operational and financial performance in the first half of 2013.

Oil and gas production remained solid, declining only marginally from the first half of 2012. Production remains on track to finish the year within our guidance of 6.2 – 6.7 mmboe. Net profit after tax of US\$113.5 million was 6% higher than the corresponding period in 2012.

Major progress was achieved through the continued delivery of the PNG LNG Project, with the Project now 90% complete. The Company also had two oil discoveries, at Mananda 6 in the PNG Highlands and Taza 1 in Kurdistan, and we are now moving to further appraisal and development of these fields. In addition, two gas discoveries were made from drilling in the Gulf of Papua, proving the potential of this area to contain gas in a newly defined play type. A further well, Kidukidu, is now being drilled in the area.

Exploration success from our drilling programme resulted in a lower exploration expense of US\$33.9 million, compared with US\$56.5 million in 2012, positively impacting our first half profit.”

PNG LNG Project

“The PNG LNG Project, operated by Esso Highlands Limited, made excellent progress during the first half of 2013. We are now at the 90% completion mark and soon expect to start delivering gas from the oil fields to the LNG Plant to support commissioning.

At the LNG Plant site near Port Moresby, commissioning activities are underway on Train 1, the common process area, tanks, jetty and utilities and construction activities are continuing on Train 2. On the onshore pipeline, land access is now complete along the entire pipeline route and, as at mid-2013, only 40 kilometres of mainline pipeline remained to be welded between Kutubu and Hides. Nitrogen purging of the offshore pipeline and onshore pipeline to Kutubu has taken place, in preparation for the introduction of commissioning gas from the oil fields. The Hides Gas Conditioning Plant is progressing well, with the arrival of heavy equipment via the Komo airfield increasing the number of work fronts. The drilling rigs are currently drilling ahead on the B and C pad wells and the construction of all Hides well pads is now complete.

The Project is on track for first deliveries in 2014 and costs incurred to date are consistent with the US\$19 billion capital cost outlook provided in November 2012. As highlighted in our second quarter activities report, the operator expects to finalise the US\$1.5 billion supplemental project financing for the Project in the second half of 2013.”

Gas expansion activities

“The Company is presently involved in a range of appraisal and exploration activities targeted at confirming gas resources that can be optimally developed to underwrite the expansion of our LNG business in PNG.

During the first half of 2013, the operator of PRL 3, Esso PNG P'nyang Ltd, continued to progress studies on the potential development of the P'nyang gas field. Further work, including resource definition, engineering, environmental and social impact studies, is being carried out to underpin a development licence application for this field. This work will continue through 2014, in preparation for the submission of the application in early 2015.

Development drilling is ongoing on the Hides gas field and will continue through 2013 and 2014. While primarily for production deliverability requirements, this drilling will also help constrain the Hides gas resource. An exploration well, Hides Deep, is likely to be drilled at the end of the development drilling programme.

In the offshore Gulf of Papua, the Company's new exploration programme has yielded encouraging results, with two gas discoveries made in a new play type in this area, confirming the validity of Oil Search's pre-drill geological models and the de-risking capability of our high quality 3D seismic data. Preliminary work on the Flinders discovery suggests the field contains mean recoverable resources in excess of 400 bcf, with potential upside to the north and south of the well.

We have recently spudded a third offshore exploration well, Kidukidu 1, in PPL 385, which contains potential recoverable gas resources of 1 – 1.3 tcf. Work has begun to re-calibrate the 3D seismic data with the drilling results, which will lead to updated geological models and an improved understanding of the petroleum systems in the Gulf of Papua. This will help us fine tune and better define the remaining prospectivity.

With an active drilling programme in the PNG Highlands and the Gulf of Papua, Oil Search believes that we will be in a good position to quantify much of the gas resource base in our licences in the second half of 2014. It will then be possible to review and optimise how gas expansion from various fields and owner groups can be carried out. As part owner of important gas infrastructure, as well as a major resource owner, we believe we are well situated to participate in future expansions in a meaningful and value creating way.

We await with interest the outcome of discussions between ExxonMobil and InterOil regarding the potential purchase by ExxonMobil of an interest in the Elk and Antelope fields in PRL 15. Depending on the terms of the ExxonMobil deal, these discussions may potentially provide Oil Search with the opportunity to participate in the development of a further LNG train in PNG. ExxonMobil has publicly indicated its interest in accessing the PNG LNG plant site, to take advantage of the land space and existing facilities there."

Oil exploration

"During the first half of 2013, the Company made two oil discoveries, Mananda 6 and Taza 1, both of which have the potential to add materially to our production base.

The Mananda 6 well, in the PNG Highlands, discovered oil in both the Toro and Digimu reservoirs. Following this success, the Company has submitted a development licence application covering the Mananda 5 and 6 oil discoveries, located north-west of the SE Mananda field on the Mananda Ridge, to the PNG Government. With a significant potential mean in place resource base of up to 100 million barrels and existing underutilised infrastructure on the Mananda Ridge, this area is an attractive place to pursue further oil exploration and development. The Company has formed a dedicated development team to optimise the appraisal and development of the oil fields, including SE Mananda, on this ridge. It is likely that future appraisal and development drilling will include high angle and horizontal wells to optimise oil recoveries.

The next well on the Mananda field will be Mananda 7, a deviated well to appraise the up-dip potential of the Mananda 6 discovery, which is planned to commence drilling in the fourth quarter of 2013. A number of other exploration prospects close to Mananda 5 and 6 are also being matured for potential future drilling.

In the Kurdistan region of Iraq, the Taza 1 oil discovery was suspended as a future oil producer. A new appraisal and development team has been formed to accelerate the appraisal of the field and embark on a phased development. The first step of this development will be an extended well test commencing in late 2014, which will provide valuable production information for future full field development planning.

Preliminary analysis indicates that the Taza 1 well has proven the pre-drill potential resource estimate of 250-500 million barrels of recoverable light oil in the Jeribe/Dhiban and Euphrates/Kirkuk intervals. Further potential also exists in deeper, presently untested horizons. Up to a further five wells are planned to be drilled over the next two years, to help better define the resource estimates of the known oil bearing reservoirs and explore the potential resource upside in the deeper targets which are hydrocarbon-bearing in nearby fields. The first well in this comprehensive appraisal programme, Taza 2, is expected to spud in the fourth quarter of 2013.

Our ongoing geological and geophysical work has identified an additional prospect in the Taza block, lying down-dip from the producing one billion barrel Jambur Field, which is located in the adjacent PSC. We are presently evaluating drilling this prospect in 2014."

Dividends

"Consistent with previous dividend payments made during the construction phase of the PNG LNG Project, the Board has approved the payment of a 2013 interim dividend of two US cents per share. A fully underwritten Dividend Reinvestment Plan will fund this payment.

The Company has a range of potentially highly attractive growth projects in its opportunity pipeline, which we will progressively mature over the next 12 to 24 months. The Board recognises that, when significant cash flows from PNG LNG production commence, we will need to balance continued investment in business growth with the provision of dividends to our shareholders. It is the Board's intent to share future PNG LNG cash flows with shareholders through materially higher dividend payments, after financial completion of the PNG LNG Project. The level of dividends and other initiatives will be reviewed by the Board in 2014, when a number of projects and opportunities currently under consideration will have been matured and an appropriate, consistent dividend payout ratio and capital management programme can be communicated to our shareholders."

Safety record

"The Company achieved a Total Recordable Incident Rate (TRIR) of 2.91 per million hours worked for the first half of 2013, compared to a TRIR of 3.20 in the same period of 2012. Following a concerted effort to improve safety performance, the TRIR at our PNG operations, including both production and PNG LNG-related construction activities, fell from 3.30 per million hours worked in the first half of 2012, to 2.58 in the second half of 2012 and to 2.08 in the first half of 2013. However, while our performance is in the top quartile amongst major Australian listed companies, the number of incidents remains unacceptably high. It remains a key priority for the Company to improve safety in all parts of the business, in particular in remote area operations."

2013 FULL YEAR OUTLOOK

On the outlook for the second half of 2013, Mr Botten said the following:

Production outlook

“Production is forecast to remain broadly flat over the second half of 2013. Natural decline at the Kutubu and Moran fields is expected to be largely offset by production from the UDT 14 ST1 and Moran 13 ST3 wells, which both came onstream in the first half of the year, and, if successful, by the Moran 10 ST3 well currently being drilled. A short shut-down of facilities for planned maintenance is expected to take place in November. Natural decline at Gobe Main and SE Gobe is expected to be mitigated by the workover programme which is currently underway.

Production guidance for the 2013 full year is unchanged at between 6.2 – 6.7 mmboe.”

Cost guidance

“Normalised cash operating costs in the second half of 2013 are expected to be slightly higher than in the first half, due to expenditure on preparations for the supply of gas to the PNG LNG Project, partially offset by more favourable exchange rates. Nonetheless, operating costs for the 2013 full year are still expected to be within our previously advised guidance range of US\$24 – 26 per boe. Additional cash costs related to the PDL 1 Hides GTE contract are expected to be similar to those incurred in 2012, at US\$40 million. Guidance for 2013 full year non-cash charges, comprising depreciation, amortisation and site restoration, is unchanged, at US\$8 - 10 per boe.

Total investing capital expenditure for the 2013 full year is forecast to be approximately US\$2.0 billion. Due to the recent fall in the A\$/US\$ exchange rate, full year expenditure on the PNG LNG Project is anticipated to be lower than previously forecast, in the range of US\$1.4 – 1.5 billion, depending on phasing of construction activities and billings from the Operator. Due to the phasing of development drilling, spending for the year on production activities is also expected to be a little lower than previously forecast, at US\$160 – 180 million. The Company’s exploration budget has increased following the decision to drill the Kidukidu exploration well in the Gulf of Papua and unbudgeted well test and appraisal costs. Total exploration expenditure for the full year, including on gas growth (which was previously included in the PNG LNG category for guidance purposes), is now forecast to be between US\$320 and 360 million.

PNG LNG Project expenditures will continue to be funded 30% from our existing cash position and corporate finance facility, with liquidity presently at US\$792 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.”

2013 Full Year Guidance	
Production	6.2 – 6.7 mmboe
Operating costs:	
Underlying (incl corporate costs)	US\$24 – 26/boe
Gas purchase costs	Approx. US\$40 million
Business development costs	US\$5 – 10 million
Non-cash charges	US\$8 – 10/boe
Capital expenditure:	
Exploration (including gas growth)	US\$320 – 360 million
PNG LNG Project	US\$1,400 – 1,500 million
Production	US\$160 – 180 million
Other Plant and Equipment	US\$10 – 20 million
Total	US\$1,890 – 2,060 million

FINANCIAL PERFORMANCE

Six months to 30 June ^{1, 2}	2012	2013	% change
SALES DATA			
Total oil and gas production (mmboe)	3.26	3.19	-2
Total saleable oil production (mmbbl)	2.74	2.63	-4
Total oil liftings (mmbbl)	2.86	2.87	-
Gas equivalent sales (mmscf)	2,496	2,654	+6
Total oil and gas sales (mmboe)	3.34	3.37	+1
Average realised oil price (US\$/bbl)	115.48	108.58	-6
FINANCIAL DATA (US\$m)			
Revenue from operations	398.5	381.0	-4
Operating expenses	(73.0)	(84.3)	+15
Royalties and levies	(6.7)	(5.9)	-12
Other expenses	(8.8)	(10.8)	+23
Business development costs	(6.0)	(5.6)	-7
EBITDAX ³	304.1	274.4	-10
Site restoration	(5.6)	(1.9)	-66
Amortisation/depreciation	(22.8)	(22.7)	-
Exploration costs expensed	(56.5)	(33.9)	-40
EBIT	219.3	215.9	-2
Net financing (costs)/income	(1.2)	(7.5)	N.M.
Profit on sale of investment/adjustments	-	0.2	N.M.
Profit before tax	218.1	208.6	-4
Taxation expense	(110.6)	(95.1)	-14
Profit after tax	107.5	113.5	+6
PER SHARE DATA (US cents)			
Basic EPS	8.09	8.49	+5
Diluted EPS	8.07	8.46	+5
Net operating cash flow per share	14.9	16.0	+7
Interim dividend	2.0	2.0	Unch

Notes:

- Numbers and percentage moves may not match due to rounding.
- In accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", prior year comparatives have been restated where applicable.
- EBITDAX (earnings before interest, tax, depreciation/amortisation, impairment and exploration) and EBIT (earnings before interest and tax) are non-IFRS measures that are presented to provide a more meaningful understanding of the performance of Oil Search's operations. The non-IFRS financial information is unaudited but is derived from the financial statements which have been subject to review by the Company's auditor.

Oil and gas production and sales

Oil Search's oil and gas production in the first half 2013 was 3.19 million barrels of oil equivalent (mmboe), compared to 3.26 mmboe in the first half 2012.

Oil sales volumes were 2.87 million barrels (mmbbl), flat on the first half of 2012. Gas equivalent sales attributed to Hides GTE increased 6% to 2.65 billion cubic feet, due to higher demand from the Porgera mine, while 56,000 barrels of Hides condensate was sold. Total oil and gas sales

volumes for the six months to 30 June 2013 were 3.37 mmbbl, similar to the corresponding period in 2012.

Realised oil prices

Oil Search realised an average oil price of US\$108.58 per barrel in the first half of 2013, 6% lower than the price achieved in the first half of 2012 of US\$115.48 per barrel, reflecting the easing in global oil prices. No hedging was undertaken during the period.

Operating revenue

Total revenue from operations was US\$381.0 million, 4% lower than in the first half of 2012. This was largely due to lower crude oil revenue, which fell 6% as a result of the weaker oil price realised during the period. Other field revenue, primarily rig related income, decreased marginally. This was partly offset by higher revenue from the sale of gas and refined products.

Revenue (US\$ million)			
Six months to 30 June	2012	2013	% change
Sale of oil	330.6	311.6	-6
Sale of gas and refined products	48.0	49.8	+4
Other revenue*	20.0	19.6	-2
Total	398.5	381.0	-4

* Primarily tariff and rig income

Operating cash costs and business development costs

Operating costs (US\$ million)			
Six months to 30 June	2012	2013	% change
Field costs	52.0	63.8	+23
Other opex	9.0	7.2	-20
Purchase of hydrocarbons	18.7	19.0	+2
Net corporate costs	8.9	10.5	+18
FX (gains)/losses	(0.2)	0.4	N.M.
Operating costs	88.4	101.0	+14
Business development & other costs	6.0	5.6	-7

Total cash operating costs increased from US\$88.4 million in the first half of 2012 to US\$101.0 million in the first half of 2013. Excluding gas purchase costs, the underlying operating cost per barrel was US\$24.36 per barrel, which was within the US\$24-26/boe guidance range, compared to US\$20.89 per barrel in the previous corresponding period. The increase in underlying costs was driven by higher oilfield operating costs due to increased maintenance activities, PNG inflationary pressures and higher levels of well work.

An additional US\$5.6 million of costs related to new venture, business development and corporate screening activities was expensed in the first half of 2013, compared to US\$6.0 million expensed in the corresponding period of 2012.

Non-cash costs

Total non-cash charges, comprising depreciation, amortisation and site restoration, decreased 13% to US\$24.7 million in the six months to June 2013. This was primarily driven by a fall in the site restoration charge from US\$5.6 million for the first half of 2012 to US\$1.9 million for the first half of 2013, due to a reduction in the restoration rate for the SE Mananda field.

Non-cash costs (US\$ million)			
Six months to 30 June	2012	2013	% change
Amortisation	16.6	16.0	-4
Depreciation	6.2	6.8	+10
Site restoration	5.6	1.9	-66
Total	28.4	24.7	-13

Exploration expense

Exploration and evaluation expenditure for the first half of 2013 totalled US\$165.3 million, 32% higher than in the first half of 2012, due to the Company's active exploration programme onshore and offshore in PNG and in Kurdistan. Key items of expenditure included the Mananda 6 well in PPL 219 (US\$51.6 million), the Gulf of Papua drilling programme (US\$37.0 million), Taza in Kurdistan (US\$31.3 million) and the Semda well in Tunisia (US\$17.5 million).

In line with the successful efforts accounting policy, all costs associated with unsuccessful drilling, seismic work and other support costs related to exploration activity were expensed. This resulted in a pre-tax charge of US\$33.9 million, which comprised the Semda 1 well (US\$21.2 million, including US\$3.7 million of prior year costs), as well as seismic, geological, geophysical and general and administration expenses.

Interest income / expense

Net finance costs for the first half of 2013 were US\$7.5 million, compared to a charge of US\$1.2 million in the corresponding period of 2012. The increase was primarily attributed to facility fee payments associated with the Company's new US\$500 million corporate facility established in October 2012 and higher non-cash interest charges associated with the unwinding of the Company's restoration obligations. Interest charges related to PNG LNG Project finance drawdowns are being capitalised until the commencement of production.

Taxation expense

Income tax on statutory profit in the first half 2013 was US\$95.1 million, 14% lower than in the first half of 2012. The lower tax expense was driven primarily by a transfer of asset carrying values from oil licences to the PNG LNG Project asset pool during the period, partly offset by non-deductible expenses relating to MENA activities. This resulted in an effective tax rate of 46%, below the statutory tax rate for oil earnings in PNG of 50%.

Operating cash flows

Cash Flow (US\$ million)			
Six months to 30 June	2012	2013	% change
Net receipts	292.5	284.0	-3
Net interest income/(expense)	1.9	(2.4)	N.M.
Tax paid	(69.4)	(51.5)	-26
Expensed exploration and evaluation, business development and site restoration	(26.7)	(15.8)	-41
Operating cash flow	198.3	214.3	+8
Net investing cash flow	(941.4)	(791.5)	-16
Net financing cash flow	548.4	381.1	-31
Net cash flow	(194.7)	(196.1)	+1
Net operating cash flow/share (US cents)	14.9	16.0	+7

2013 first half operating cash flows were 8% higher than in the first half of 2012, primarily due to lower income tax and exploration and evaluation costs expensed.

Oil Search's net investing cash flow comprised the following:

Net investing cash flow (US\$ million)		
Six months to 30 June	2012	2013
PNG LNG Project	(802.6)	(571.7)
Exploration and evaluation	(77.7)	(134.6)
Producing activities	(55.6)	(93.1)
Property, plant and equipment	(2.0)	(2.0)
Financial loan*	(3.6)	(14.3)
Proceeds from sale of investment	-	24.1

* The financial loan relates to an appraisal and development opportunity in the Middle East region. Oil Search has extended a loan to a company which holds a 100% interest in the licence containing this opportunity. Oil Search's entry into the licence is subject to the relevant government approvals, with the details to remain confidential until that occurs. As at 30 June 2013, Oil Search's total financial investment in this opportunity (shown under 'Other financial assets' in the Statement of Financial Position) was US\$62.7 million.

The Company distributed US\$26.7 million to shareholders by way of the 2012 final dividend, funded by a fully underwritten dividend reinvestment plan.

Liquidity

Net Debt (US\$ million)			
As at 30 June	June 2012	Dec 2012	June 2013
Cash and short term deposits	852.7	488.3	292.1
Term debt	(2,349.2)	(2,866.1)	(3,307.9)
Net debt	(1,496.5)	(2,377.8)	(3,015.8)

As at 30 June 2013, Oil Search had a net debt position of US\$3,015.8 million, comprising PNG LNG project finance debt of US\$3,307.9 million and US\$292.1 million of cash. The Company also had an undrawn corporate debt facility of US\$500 million, resulting in liquidity of US\$792.1 million.

The US\$1.5 billion supplemental project financing for the PNG LNG Project remains on schedule to be executed in the second half of 2013. The financing has been well supported and the documentation phase is close to finalisation.

DIVIDENDS

The Board of Directors has announced an interim dividend for 2013 of two US cents per share, consistent with dividend levels in previous years and in line with the Board's policy to maintain steady dividends until financial completion of the PNG LNG Project.

The Record Date for the interim dividend payment is 12 September 2013 and the Payment Date is 8 October 2013. The shares will trade ex-dividend from 6 September 2013.

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

FIRST HALF 2013 PRODUCTION SUMMARY

Six months to 30 June ^{1, 2}	2012		2013		% Change	
Oil production	Gross daily production (bopd)	Net to OSH (mmbbl)	Gross daily production (bopd)	Net to OSH (mmbbl)	Gross daily production	Net to OSH
Kutubu	15,185	1.660	14,476	1.573	-5	-5
Moran	10,694	0.964	11,029	0.988	+3	+3
Gobe Main	1,076	0.020	1,108	0.020	+3	+2
SE Gobe	2,409	0.112	1,730	0.080	-28	-29
SE Mananda	143	0.019	77	0.010	-46	-46
Total PNG Oil	29,508	2.774	28,420	2.672	-4	-4
Hides Liquids	301	0.055	326	0.059	+8	+8
Total Oil & Condensate	29,809	2.829	28,746	2.731	-4	-3
Gas production	mmscf / d	mmscf	mmscf / d	mmscf		
Hides Produced Gas	14.18	2,581	15.14	2,741	+7	+6
Total Oil and gas production	(boepd)	(mmboe)	(boepd)	(mmboe)		
Total production	32,172	3.259	31,271	3.188	-3	-2

Notes:

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

For more information regarding this report, please contact:

Ms Ann Diamant
Group Manager, Investor Relations

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

Oil Search will be holding a presentation for analysts and fund managers at 11.00 am AEDT today, 20 August 2013. 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 experience any technical difficulties, please call: +61 2 8280 6000

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 055 079 868

Half yearly report
30 June 2013

APPENDIX 4D

**This information should be read in conjunction with the
Financial Report for the half-year ended 30 June 2013**

Results for announcement to the market

			Half-year ended 30 June 2013		Half-year ended 30 June 2012	
			US\$'000	A\$'000 ⁽¹⁾	US\$'000	A\$'000 ⁽¹⁾
Revenue from ordinary activities	<i>down</i>	-4.4%	380,995	375,328	398,545	385,776
Profit from ordinary activities after tax attributable to members	<i>up</i>	5.6%	113,480	111,792	107,453	104,010
Net profit for the period attributable to members	<i>up</i>	5.6%	113,480	111,792	107,453	104,010

The financial information above has been prepared in accordance with International Financial Reporting Standards.

Dividends

	Half-year ended 30 June 2013		Half-year ended 30 June 2012	
	US cents	A cents	US cents	A cents
Interim dividend paid per security ⁽²⁾	2.00	TBA ⁽³⁾	2.00	1.91 ⁽³⁾

Details of Dividend Reinvestment Plan

The Company advises the continuation of its Dividend Reinvestment Plan (DRP). The issue price of DRP shares will be based on the volume weighted average price (VWAP) over a period of 10 trading days commencing on 16 September 2013. The price of shares issued under the DRP will be at a 2.0% discount to the VWAP. The last date for the receipt of an election notice to participate in the DRP is the record date, 12 September 2013.

Net tangible assets

	Half-year ended 30 June 2013		Half-year ended 30 June 2012	
	US\$	A\$ ⁽¹⁾	US\$	A\$ ⁽¹⁾
Net tangible asset backing per ordinary security	2.34	2.31	2.27	2.20

Details of entities over which control was gained or lost

There were no acquisitions or disposals of controlled entities during the half-year ended 30 June 2013 (June 2012: nil).

(1) Amounts shown have been converted from US\$ to A\$ at the average exchange rate for the half-year of 1.0151 (2012: 1.0331).

(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 12 September 2013 (2012: 13 September 2012).

OIL SEARCH LIMITED
and its subsidiaries

ARBN 055 079 868

Consolidated Interim Financial Report
for the half-year ended 30 June 2013

OIL SEARCH LIMITED
and its subsidiaries

Consolidated Interim Financial Report for the half-year ended
30 June 2013

	Page
Directors' report	1
Auditor's independence declaration	6
Consolidated financial statements	
Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of cash flows	9
Consolidated statement of changes in equity	10
Selected explanatory notes to the financial statements	11
Directors' declaration	19
Independent Auditor's review report	20

OIL SEARCH LIMITED
and its subsidiaries

Directors' report

The Directors submit their report for the half-year ended 30 June 2013.

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 RJ Lee, BEng (Chem) (Hons), MA (Oxon), FAICD, (Chairman) Non-Executive, 63 years

Mr Lee joined the Board on 9 May 2012 and was appointed Chairman on 28 February 2013. Mr Lee has extensive resource, banking and international commercial experience. His previous senior executive roles include 16 years with CSR Limited and 9 years in the position of Chief Executive Officer of NM Rothschild Australia Limited. Mr Lee is Lead Independent Director of Salmat Limited and Director of Newcrest Mining Limited.

Ordinary shares, fully paid: 40,000

Mr BF Horwood, BCom, FAICD, FCPA, (Chairman) Non-Executive, 71 years

(Resigned 28 February 2013)

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

Mr PR Botten, CBE, BSc, ARSM, (Managing Director), Executive, 58 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: 2,192,082; Performance Rights: 734,500; Restricted shares: 174,666

Mr G Aopi, CBE, BEc, BAC, MBA, Executive, 59 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, filling a number of important positions, including Secretary for Finance and Planning and Managing Director of Telikom PNG Ltd. He was previously the Chairman of Telikom PNG Ltd and 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: 312,188; Performance Rights: 189,936; Restricted shares: 145,918

OIL SEARCH LIMITED
and its subsidiaries

Directors' report

Mr KG Constantinou, OBE, Non-Executive, 56 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

Ms FE Harris, BCom, FAICD, FCA (Aust), 52 years

Ms Harris joined the Board on 1 March 2013. Ms Harris has over 18 years of experience as a non-executive director, including on the boards of numerous resource and other companies in the ASX50, ASX100 and ASX200, and several with international operations. She is currently a non-executive director of listed companies Aurora Oil & Gas Limited, BWP Trust, Infigen Energy Limited and Sundance Resources Limited. Prior to commencing her career as non-executive director, Ms Harris was a partner at KPMG, working in Perth, San Francisco and Sydney.

Ordinary shares, fully paid: 10,000

Dr AJ Kantsler, BSc (Hons), PhD, GAICD, FTSE, Non-Executive, 62 years

Dr Kantsler joined the Board on 19 July 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 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 Managing Director of Transform Exploration Pty Ltd, a Director of Savcor Group Limited, Apprenticeships Australia Pty Ltd and the Chamber of Commerce & Industry, WA.

Ordinary shares, fully paid: 17,136

Mr B Philemon, Non-Executive 68 years

Mr Philemon joined the Board on 5 November 2012. Mr Philemon is acknowledged as one of Papua New Guinea's most influential leaders, with distinguished careers in both business and public service. Mr Philemon's career highlights include serving as Chairman of Air Nuigini and holding a number of ministerial posts in PNG Government, including Minister of Foreign Affairs and Minister for Finance and Treasury. Mr Philemon served as the member for Lae Open in Government from 1992 until the 2012 elections. Mr Philemon is a director of Highlands Pacific Limited.

Ordinary shares, fully paid: 7,184

OIL SEARCH LIMITED
and its subsidiaries

Directors' report

Mr KW Spence, BSc (Geophysics) (Hons), Non-Executive 59 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 Synergy and also chairs a number of other bodies including the National Offshore Petroleum Safety and Environmental Management Authority Advisory Board.

Ordinary shares, fully paid: nil

Dr ZE Switkowski, BSc (Hons), PhD, FAICD, FTSE, Non-Executive, 65 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

GROUP SECRETARY

Mr SW Gardiner, BEc (Hons), CPA, 55 years

Mr Gardiner joined Oil Search Limited in 2004, after a twenty year career in finance at two of Australia's largest multinational construction materials companies and a major Australian telecoms company. Mr Gardiner's roles at Oil Search have covered senior corporate finance and corporate services responsibilities. In November 2012 Mr Gardiner was appointed to the position of Chief Financial Officer of Oil Search. Mr Gardiner is also the Group Secretary of Oil Search, a role he has held since May 2009.

Ordinary shares, fully paid: 221,126; Performance Rights: 113,960; Restricted shares: 44,001

RESULTS AND REVIEW OF OPERATIONS

Financial

During the period, the consolidated entity made a net profit after tax of US\$113.5 million (June 2012: US\$107.5 million). The net profit was after providing for income tax of US\$95.1 million (June 2012: US\$110.6 million).

Operations

Revenue from operations for the first six months of 2013 was US\$381.0 million, 4.4% lower than the first half 2012 outcome of US\$398.5 million. This result reflected lower oil prices, compared to the previous corresponding period. The average realised oil price for the first half of 2013 was US\$108.58 per barrel, or US\$6.90 lower than the US\$115.48 per barrel realised in the first half of 2012. The Company did not establish any oil hedges during the period and remains unhedged to oil price movements.

OIL SEARCH LIMITED
and its subsidiaries

Directors' report

Total oil, gas and condensate production for the first half of 2013 was 3.188 million barrels of oil equivalent, or 2.2% lower than in the first half of 2012 (3.259 million barrels of oil equivalent). Closing oil inventory at 30 June 2013 was 0.028 million barrels. Operating expenses were US\$11.3 million higher at US\$84.3 million, compared to US\$73.0 million in the previous corresponding period.

Amortisation and depreciation charges decreased by 13.0%, or US\$3.7 million, from US\$28.4 million to US\$24.7 million.

Exploration and evaluation costs expensed in the first half of 2013 totalled US\$33.9 million, compared to US\$56.5 million in the previous corresponding period, due to increased capitalised drilling activity in the current period and fewer exploration well write-offs compared to the prior first half. As at 30 June 2013, total carried forward exploration costs totalled US\$535.9 million (December 2012: US\$401.6 million).

Income tax expense decreased to US\$95.1 million in the first half of 2013 compared to US\$110.6 million in the prior corresponding period representing an effective tax rate of 46% (June 2012: 51%).

Operating cash flow of US\$214.3 million (June 2012: US\$198.3 million) was received during the half-year, an increase of 8.1% on the corresponding period in 2012. At 30 June 2013 the Company held cash of US\$292.1 million (December 2012: US\$488.3 million). Debt totalled US\$3,307.9 million (December 2012: US\$2,866.1 million), representing drawdowns under the PNG LNG Project finance facility.

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 2013. The due date for payment is 8 October 2013 to all holders of ordinary shares on the Register of Members on 12 September 2013. Dividends paid and declared during the period are recorded in note 7 to the financial statements.

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

OIL SEARCH LIMITED
and its subsidiaries

Directors' report

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



.....
RJ Lee
Chairman



.....
PR BOTTEN
Managing Director

Sydney, 19 August 2013

The Directors
Oil Search Limited
7th Floor, Credit House
Cuthbertson Street
Port Moresby
Papua New Guinea

19 August 2013

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 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Jason Thorne
Partner
Chartered Accountants

OIL SEARCH LIMITED
and its subsidiaries

Consolidated statement of comprehensive income
for the half-year ended 30 June 2013

	Note	Half-year ended 30 June 2013 US\$'000	Half-year ended 30 June 2012 US\$'000
Revenue from operations	2	380,995	398,545
Operating expenses		(84,297)	(72,953)
Amortisation - site restoration		(1,927)	(5,578)
Amortisation - oil and gas assets		(15,974)	(16,643)
Depreciation - operating assets		(3,915)	(4,012)
Royalties, development and mining levies		(5,850)	(6,683)
Costs of sales		(111,963)	(105,869)
Gross profit from operating activities		269,032	292,676
Other expenses	3	(13,669)	(10,949)
Profit from operating activities		255,363	281,727
Exploration costs expensed		(33,906)	(56,455)
Business development costs		(5,607)	(6,012)
Profit on sale of other non-current assets		220	-
Interest income		2,267	2,994
Finance costs	4	(9,739)	(4,168)
Profit from continuing operations before income tax		208,598	218,086
Income tax expense	5	(95,118)	(110,633)
Net profit after tax		113,480	107,453
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation differences for foreign operations		(3,968)	(613)
Total comprehensive income for the period		109,512	106,840
Earnings per share (cents per share)		US cents	US cents
Basic earnings per share	6	8.49	8.09
Diluted earnings per share	6	8.46	8.07

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 2013

	Note	30 June 2013 US\$'000	31 December 2012 US\$'000
Current assets			
Cash and cash equivalents		292,130	488,274
Receivables		169,009	173,233
Inventories		115,384	109,076
Other financial assets		62,657	48,398
Other assets		57,477	89,424
Total current assets		696,657	908,405
Non-current assets			
Receivables		4,221	4,271
Other non-current assets		7,548	8,948
Exploration and evaluation assets	9	535,928	401,597
Oil and gas assets	10	6,092,613	5,423,610
Other property, plant and equipment		67,387	71,906
Deferred tax assets		314,171	283,984
Total non-current assets		7,021,868	6,194,316
Total assets		7,718,525	7,102,721
Current liabilities			
Payables		380,176	392,217
Provisions		14,388	10,484
Current tax liabilities		118,914	75,329
Total current liabilities		513,478	478,030
Non-current liabilities			
Payables		11,577	4,951
Provisions		287,148	302,024
Loans and borrowings		3,307,851	2,866,050
Deferred tax liabilities		274,187	243,320
Total non-current liabilities		3,880,763	3,416,345
Total liabilities		4,394,241	3,894,375
Net assets		3,324,284	3,208,346
Shareholders' equity			
Share capital	8	1,788,780	1,753,192
Reserves		5,256	11,690
Retained profits		1,530,248	1,443,464
Total shareholders' equity		3,324,284	3,208,346

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 2013

		Half-year ended 30 June 2013	Half-year ended 30 June 2012
	Note	US\$'000	US\$'000
Cash flows from operating activities			
Receipts from customers		385,303	370,679
Payments to suppliers and employees		(101,314)	(78,220)
Interest received		2,443	3,186
Borrowing costs paid		(4,800)	(1,252)
Income tax paid		(51,539)	(69,384)
Payments for exploration and evaluation - seismic, G&A, G&G		(10,179)	(19,308)
Payments for site rehabilitation		-	(1,379)
Payments for business development		(5,607)	(6,012)
Net cash from operating activities		214,307	198,310
Cash flows from investing activities			
Payments for property, plant and equipment		(2,029)	(2,002)
Payments for exploration and evaluation expenditure		(134,635)	(77,660)
Payments for development asset expenditure		(571,663)	(802,569)
Payments for producing asset expenditure		(93,057)	(55,571)
Proceeds from sale of investment		24,142	-
Loan to third party in respect of exploration and evaluation		(14,259)	(3,641)
Net cash used in investing activities		(791,501)	(941,443)
Cash flows from financing activities			
Proceeds from underwriter of dividend reinvestment plan (DRP)	8	14,702	14,643
Dividend payments (net of DRP) ¹	7	(14,676)	(14,617)
Costs relating to dividend reinvestment plan		(57)	-
Cash received on exercise of share options		1,018	3,699
Proceeds from borrowings		380,063	544,679
Net cash from financing activities		381,050	548,404
Net decrease in cash and cash equivalents		(196,144)	(194,729)
Cash and cash equivalents at the beginning of the period		488,274	1,047,463
Cash and cash equivalents at the end of the period ²		292,130	852,734

¹ Total dividend payments including cash and dividend reinvestment was \$26.7 million (2012: \$26.5 million). Total dividend payments net of dividends reinvested under the dividend reinvestment plan was \$14.7 million (2012: \$14.6 million).

² For 2013, includes US\$10.0 million in a debt service reserve account held with Australia & New Zealand Banking Group Limited, as required by the US\$500 million revolving facility agreement. In 2012, included US\$22.5 million in a debt service reserve account held with Australia & New Zealand Banking Group Limited, as required by the US\$435 million revolving facility agreement. Also includes US\$164.5 million (2012: \$409.4 million) held in escrow to meet future LNG Project base equity commitments, and US\$2.0 million (2012: US\$2.0 million) held as security for letters of credit on issue.

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 2013**

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

	Share capital	Foreign currency translation reserve	Reserve for treasury shares	Employee equity compensation reserve	Retained profits	Total
Consolidated	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2013	1,753,192	(1,002)	(5,584)	18,276	1,443,464	3,208,346
Dividends provided for or paid	-	-	-	-	(26,704)	(26,704)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	113,480	113,480
Other comprehensive income	-	(3,968)	-	-	-	(3,968)
Total comprehensive income for the period	-	(3,968)	-	-	113,480	109,512
Transactions with owners, recorded directly in equity						
Issue of shares through underwritten dividend reinvestment plan	26,730	-	-	-	-	26,730
Costs associated with share issues	(57)	-	-	-	-	(57)
Transfer of vested shares	7,036	-	-	(7,036)	-	-
Release of treasury shares on vesting	-	-	3,825	(3,825)	-	-
Issue of shares on exercise of options and rights	1,018	-	-	-	-	1,018
Employee share-based remuneration	-	-	-	5,365	-	5,365
Issue of treasury shares	861	-	(861)	-	-	-
Net exchange differences	-	-	-	66	-	66
Trust distribution	-	-	-	-	8	8
Total transactions with owners	35,588	-	2,964	(5,430)	8	33,130
Balance at 30 June 2013	1,788,780	(4,970)	(2,620)	12,846	1,530,248	3,324,284

The 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 2013

1 Summary of significant accounting policies

Oil Search Limited (Oil Search) is a company domiciled in PNG. This condensed consolidated interim financial report of Oil Search for the half-year reporting period ended 30 June 2013 comprises Oil Search and its subsidiaries (Oil Search Group).

This condensed consolidated interim financial report was authorised for issue by the directors on 19 August 2013.

Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2013 has been prepared in accordance with Accounting Standard IAS 134 *Interim Financial Reporting* and the Australian Securities Exchange (ASX) Listing Rules.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2012 and any public announcements made by Oil Search during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below:

New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2013 had a material effect on any of the amounts recognised in the current period or any prior period. The following new standards and amendments to standards were adopted by the Oil Search Group:

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosures of Interests in Other Entities*
- IFRS 13 *Fair Value Measurement*
- IAS 27 *Separate Financial Statements*
- IAS 28 *Investments in Associates and Joint Ventures*
- Amended IAS 19 *Employee Benefits*
- Amended IFRS 7 *Financial instruments: Disclosures on asset and liability offsetting*

As a result of the adoption of IFRS 11 *Joint Arrangements*, Oil Search had to revise its accounting policy. Under the new principles, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. Oil Search has assessed the nature of its joint arrangements and determined that they comprise investments in joint operations.

The accounting for the Oil Search Group's joint operations has not changed as a result of the adoption of IFRS 11. The Group continues to account for its direct rights and obligations by recognising its share of jointly held assets, liabilities, revenues and expenses of each joint operation. These have been incorporated in the financial statements under the appropriate headings.

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2013

	Half-year ended 30 June 2013 US\$'000	Half-year ended 30 June 2012 US\$'000
2 Revenue from operations		
Oil sales	311,575	330,550
Gas and refined product sales	49,832	48,029
Other field revenue	19,588	19,966
Total revenue from operations	380,995	398,545
3 Other expenses		
Salaries and short-term employee benefits	(32,575)	(31,509)
Post-employment benefits	(1,524)	(1,245)
Employee share-based remuneration	(5,365)	(5,722)
Premises and equipment - operating leases	(3,767)	(2,493)
Other expenses	(21,988)	(14,504)
Corporate cost recoveries	54,761	46,528
Net corporate expenses	(10,458)	(8,945)
Depreciation	(2,853)	(2,170)
Foreign currency (loss)/gain	(358)	166
Total other expenses	(13,669)	(10,949)
4 Finance costs		
Borrowing costs	(5,959)	(1,478)
Unwinding of discount on site restoration	(3,780)	(2,690)
Total finance costs	(9,739)	(4,168)

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2013

	Half-year ended 30 June 2013 US\$'000	Half-year ended 30 June 2012 US\$'000
5 Income tax		
The major components of tax expense are:		
Current tax expense	107,958	117,662
Adjustments for current tax of prior periods	(6,438)	(1,144)
Deferred tax income	(6,402)	(5,885)
Income tax expense	95,118	110,633
 Reconciliation between tax expense and the pre-tax profit multiplied by the applicable tax rate is set out below:		
Pre-tax net profit	208,598	218,086
 Tax at PNG rate for petroleum (50%) (2012: 50%)	104,299	109,043
Effect of differing tax rates across tax regimes	(19,044)	(7,196)
	85,255	101,847
 Tax effect of items not tax deductible or assessable:		
Over provisions in prior periods	(6,438)	(1,140)
Non-deductible expenditure	18,247	9,926
Other	(1,946)	-
Income tax expense	95,118	110,633
 The amount of the deferred tax (income)/expense recognised in net profit in respect of each type of temporary difference:		
Exploration and development	(4,527)	17,653
Other assets	315	88
Provisions	2,715	(22,070)
Other items	43	(4,689)
Tax losses	(4,948)	3,133
	(6,402)	(5,885)

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2013

	Half-year ended 30 June 2013 US cents	Half-year ended 30 June 2012 US cents
6 Earnings per share		
Basic earnings per share	8.49	8.09
Diluted earnings per share	8.46	8.07

Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares (basic)	1,336,709,393	1,327,493,682
Effect of employee share options/share appreciation rights	134,558	225,606
Effect of employee performance rights	4,244,634	4,228,844
Weighted average number of ordinary shares (diluted)	1,341,088,585	1,331,948,132

Basic and diluted earnings per share have been calculated on a net profit after tax of US\$113.5 million (2012: US\$107.5 million). There are 134,558 share appreciation rights (2012: 225,606) and 4,244,634 performance rights (2012: 4,228,844) 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 2013 to 30 June 2013.

	Half-year ended 30 June 2013 US\$'000	Half-year ended 30 June 2012 US\$'000
7 Dividends paid or proposed		
Unfranked ¹ dividends in respect of the half-year, proposed subsequent to the reporting period:		
Ordinary dividends ²	26,800	26,632
Unfranked ¹ dividends paid during the period in respect of previous year	26,704	26,511

¹ As Oil Search Limited is a Papua New Guinea incorporated company, there are no franking credits available on dividends.

² On 19 August 2013, 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 2013. The proposed dividend is payable to all holders of ordinary shares on the Register of Members on 12 September 2013. The estimated dividend to be paid is US\$26.8 million and has not been included as a liability in these financial statements.

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2013

			30 June 2013 US\$'000	31 December 2012 US\$'000
8 Share capital				
(a) Issued and fully paid shares				
1,340,018,530 ordinary shares (no par value) (31 December 2012: 1,334,756,742)			1,788,780	1,753,192
	Six months ended 30 June 2013	Six months ended 30 June 2012	Six months ended 30 June 2013	Six months ended 30 June 2012
	Shares	Shares	US\$'000	US\$'000
(b) Movement in issued and fully paid shares				
Balance at the beginning of the period	1,334,756,742	1,325,155,171	1,753,192	1,683,492
Transfer of vested shares from employee compensation reserve	-	-	7,036	8,879
Ordinary shares issued on exercise of options and rights, and grant of restricted shares	1,775,000	2,510,333	1,879	5,526
DRP underwriting agreement ¹				
Ordinary shares issued at US\$7.26 (2011 final dividend)	-	2,017,775	-	14,643
Ordinary shares issued at US\$7.74 (2012 final dividend)	1,900,006	-	14,702	-
DRP ²				
Ordinary shares issued at US\$7.11 (2011 final dividend)	-	1,672,768	-	11,894
Ordinary shares issued at US\$7.58 (2012 final dividend)	1,586,782	-	12,028	-
Share issue costs	-	-	(57)	-
	1,340,018,530	1,331,356,047	1,788,780	1,724,434

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%.

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2013

	30 June 2013	31 December 2012
	US\$'000	US\$'000
9 Exploration and evaluation assets		
At cost	623,347	489,016
Less impairment	(87,419)	(87,419)
	535,928	401,597
Balance at start of year	401,597	337,611
Additions	165,325	240,615
Exploration costs expensed during the period	(33,906)	(143,970)
Impairment losses	-	(23,793)
Changes in restoration obligations	4,188	923
Disposals	-	(9,782)
Net exchange differences	(1,276)	(7)
Balance at end of period	535,928	401,597

Exploration and evaluation assets include \$187.4 million (2012: \$188.6 million) of license acquisition costs and signature bonuses that are classified as intangible assets.

10 Oil and gas assets

Assets in development

At cost	5,825,933	5,103,463
Balance at start of year	5,103,463	3,467,975
Transferred from producing assets	81,336	74,501
Additions	565,892	1,375,820
Borrowing costs capitalised (LNG Project)	61,738	116,709
Changes in restoration obligations	13,504	68,458
Balance at end of period	5,825,933	5,103,463

Producing assets

At cost	1,480,252	1,515,818
Less accumulated amortisation and impairment	(1,213,572)	(1,195,671)
	266,680	320,147
Balance at start of year	320,147	310,186
Transferred to assets in development	(81,336)	(74,501)
Additions	79,296	111,498
Amortisation	(15,974)	(29,432)
Changes in restoration obligations	(33,526)	10,109
Amortisation of site restoration	(1,927)	(7,713)
Balance at end of period	266,680	320,147
Total oil and gas assets	6,092,613	5,423,610

OIL SEARCH LIMITED
and its subsidiaries

Notes to the financial statements
for the half-year ended 30 June 2013

11 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		Australia Corporate		Total	
	Oil and gas		LNG		Oil and gas		Corporate		Total	
	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June	30 June
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
External revenues	380,995	398,545	-	-	-	-	-	-	380,995	398,545
Amortisation - site restoration	(1,927)	(5,578)	-	-	-	-	-	-	(1,927)	(5,578)
Amortisation - oil and gas assets	(15,974)	(16,643)	-	-	-	-	-	-	(15,974)	(16,643)
Depreciation - operating assets	(3,915)	(4,012)	-	-	(116)	(56)	(2,737)	(2,114)	(6,768)	(6,182)
Foreign currency (losses)/gains	(6)	(15)	-	-	8	-	(360)	181	(358)	166
Exploration, development and production costs expensed	(3,148)	(49,673)	-	-	(30,758)	(6,782)	-	-	(33,906)	(56,455)
Business development costs	(5,163)	(3,484)	-	-	(444)	(2,528)	-	-	(5,607)	(6,012)
Employee share based remuneration	-	-	-	-	-	-	(5,365)	(5,722)	(5,365)	(5,722)
Operating costs	(90,436)	(80,603)	-	-	(126)	(251)	(4,678)	(2,005)	(95,240)	(82,859)
EBIT	260,426	238,537	-	-	(31,436)	(9,617)	(13,140)	(9,660)	215,850	219,260
Profit on sale of other non-current assets									220	-
Unwinding of discount on site restoration									(3,780)	(2,690)
Interest income									2,267	2,994
Borrowing costs									(5,959)	(1,478)
Reportable segment profit before income tax									208,598	218,086
Income tax expense									(95,118)	(110,633)
Net profit after tax									113,480	107,453
Capital expenditure										
Exploration and evaluation assets	(107,162)	(110,225)	-	-	(58,163)	(15,453)	-	-	(165,325)	(125,678)
Oil and gas assets - development and production	(79,296)	(39,380)	(627,630)	(778,989)	-	-	-	-	(706,926)	(818,369)
Property, plant and equipment	(1)	(23)	-	-	(126)	(345)	(3,215)	(836)	(3,342)	(1,204)
Total capital expenditure	(186,459)	(149,628)	(627,630)	(778,989)	(58,289)	(15,798)	(3,215)	(836)	(875,593)	(945,251)

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
	2013	2012	2013	2012
PNG	380,995	398,545	6,833,605	6,035,695
Australia	-	-	37,787	35,528
MENA	-	-	150,476	123,093
Total	380,995	398,545	7,021,868	6,194,316

Major customers

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

Revenue from one customer represents approximately \$179.1 million or 50% of the Group's total oil and gas sales revenues (2012: \$nil) and 47% of the Group's total revenue of \$381.0 million (2012: \$nil).

Revenue from one customer represents approximately \$132.5 million or 37% of the Group's total oil and gas sales revenues (2012: \$330.6 million, 87%) and 35% of the Group's total revenue of \$381.0 million (2012: 83% of \$398.5 million).

Revenue from one other customer represents approximately \$41.6 million or 12% of the Group's total oil and gas sales revenues (2012: \$39.9 million, 11%) and 11% of the Group's total revenue of \$381.0 million (2012: 10% of \$398.5 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 2013

12 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 2013.

(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 2013 interim dividend.

There were no other significant events after balance date.

OIL SEARCH LIMITED
and its subsidiaries

Directors' Declaration

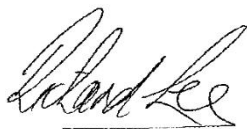
In accordance with a resolution of the Directors of Oil Search Limited, the Directors declare that:

- (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 2013 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 2013.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



.....
RJ LEE
Chairman



.....
PR BOTTEN
Managing Director

Sydney, 19 August 2013

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 2013, 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 2013 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 2013 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



Jason Thorne
Partner
Chartered Accountants
Registered Company Auditor in Australia

Sydney, 19 August 2013



DELOITTE TOUCHE TOHMATSU



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

Port Moresby, 19 August 2013



OIL SEARCH LIMITED

Incorporated in Papua New Guinea
ARBN 055 079 868

OIL SEARCH LIMITED

2013 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 Tuesday, 8 October 2013.

The record date is Thursday, 12 September 2013 and the ordinary shares will trade ex-dividend from Friday, 6 September 2013.

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 2013 interim dividend.

The specific terms of the DRP for the 2013 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, 16 September 2013 to Friday, 27 September 2013;
- 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 Monday, 30 September 2013; and
- The DRP shares will be issued on Tuesday, 8 October 2013.

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, 12 September 2013.**

Yours faithfully
OIL SEARCH LIMITED

STEPHEN GARDINER
Group Secretary

Tuesday, 20 August 2013