Oil Search

ASX Announcement

Activities for the Quarter ended 31 March 2014

22 April 2014

Highlights

	1Q 2014	4Q 2013	% change
Total production (mmboe)	**1.68**	1.77	-5
Total sales (mmboe)	**1.51**	1.83	-17
Total revenue (US$m)	**170.2**	210.0	-19

- **The PNG LNG Project is progressing a few months ahead of schedule, with first cargo deliveries expected in the middle of 2014. The Project cost outlook remains unchanged at US$19 billion.**
- **Oil and gas production in the first quarter of 2014 was 1.68 million barrels of oil equivalent (mmboe), compared to 1.56 mmboe in the previous corresponding period and 1.77 mmboe in the fourth quarter of 2013. This is a pleasing result given the impact of a planned shutdown of oil production facilities during the quarter. At present, the Company is on track to deliver 2014 oil and gas production towards the upper end of the 13 – 16 mmboe guidance range.**
- **Total revenue for the quarter was US$170.2 million, based on an average realised oil price of US$110.94 per barrel.**
- **Work by the PRL 3 Joint Venture continued on the potential development of the P'nyang field as a resource for PNG LNG expansion, while drilling was ongoing at the Hides gas field during the quarter on the final development wells. These Hides wells will also help provide a better understanding of the resource base in the field.**
- **In March, Oil Search completed the purchase of a 22.835% gross interest in PNG Petroleum Retention Licence 15 (PRL 15), containing the Elk/Antelope gas discoveries. Elk/Antelope is the largest undeveloped gas resource in PNG and is highly complementary to Oil Search's existing asset base. The purchase was funded by a placement of 149.39 million fully paid ordinary shares (10.0% of current issued capital) to the Independent State of Papua New Guinea.**
- **International Petroleum Investment Company (IPIC) of Abu Dhabi became Oil Search's largest shareholder in March, with 13.1%, following the exchange of its exchangeable bonds for 196.6 million Oil Search ordinary shares previously held by the PNG Government.**
- **In Kurdistan, drilling continued at the Taza 2 appraisal well. Hydrocarbon shows have been encountered in the Jeribe Formation, in line with prognosis.**

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- **At the end of March 2014, Oil Search had a cash balance of US$411 million and debt of US$4,108 million, comprising US$3,908 million drawn down from the PNG LNG Project finance facility and US$200 million from the Company's US$500 million corporate facility.**

COMMENTING ON 2014 FIRST QUARTER ACTIVITIES, OIL SEARCH MANAGING DIRECTOR, PETER BOTTEN, SAID:

"Several important events took place during the first quarter of 2014, which have delivered Oil Search a strong platform for future growth. In March, the Company completed the acquisition of a material interest in PRL 15, containing the Elk/Antelope discoveries in the onshore Papuan Basin. This resource has the potential to underpin a world scale, commercially attractive, LNG development. Together with a potential expansion of the PNG LNG Project, underwritten by gas resources in the Highlands and Western Province regions, it is now likely that Oil Search will be involved in the development of two, or possibly three, additional LNG trains in PNG over the next five years. Meanwhile, the construction and commissioning of the foundation PNG LNG Project entered its final stages during the quarter. First LNG sales, which are expected to commence in the next few months, ahead of schedule and within the revised budget, will herald the commencement of a steady, long-term, cash flow stream for Oil Search, providing the Company with sufficient funds to finance these value accretive growth opportunities as well as pay material dividends to shareholders."

PNG LNG Project

"The PNG LNG Project achieved a number of major milestones during the first quarter of 2014. These included the start of gas and condensate production from the first two wells on the Hides field and the official handover by the construction contractors of key parts of upstream and downstream infrastructure, including Train 1 at the LNG plant, to the operator, ExxonMobil PNG Limited. Gas flowing from the B Wellpad wells, along with gas from the Kutubu oil fields, is being used for commissioning activities at the Hides Gas Conditioning Plant (HGCP) and at the LNG plant. The condensate, separated from the Hides gas stream at the HGCP, is being transported to the Oil Search-operated Kutubu Central Processing Facility (CPF), where it is being blended with crude oil from our existing oil fields, to be sold as Kutubu Blend for export via the offshore Kumul Marine Terminal.

At the Hides field, six wells have now been completed and drilling is ongoing at Wellpad G on the final two Hides production wells with Rig 703 and on the produced water disposal (PWD) well with Rig 702. The PWD well, which will be used to reinject any water produced by the Hides production wells, will also help constrain the vertical extent of the hydrocarbon column at the Hides gas field and further define gas volumes.

Downstream at the LNG plant, operatorship of Train 1 and the associated facilities was transferred to the Project operator on 16 January. At the end of the quarter, construction of Train 2 was substantially complete, with initial testing underway.

In early March, the operator advised that it had narrowed the window for first LNG deliveries to the middle of 2014. The operator also confirmed that the Project cost outlook remains unchanged from the November 2012 estimate of US$19 billion.

During the quarter, further environmental and social studies were undertaken on the potential development of the P'nyang gas field, in preparation for the submission of a development licence application for the field by early 2015. These studies are expected to continue in the second quarter of 2014. Meanwhile, the seismic programme over the Juha field in PDL 9 continued during the quarter."

Acquisition of interest in PRL 15 and Joint Venture dispute

"In March, Oil Search completed the purchase of a 22.835% gross interest in PRL 15, containing the Elk/Antelope gas discoveries, through the acquisition of the Pac LNG Group Companies for US$900 million.

The acquisition provides the Company with a strategic interest in the largest undeveloped gas resource in PNG, as well as significant exploration upside, and is in line with our strategy to aggregate gas resources to underpin LNG expansion opportunities in PNG. The purchase also diversifies the Company's portfolio and is highly complementary to Oil Search's existing PNG assets and operating platform in PNG. Our objective is to work with our PRL 15 partners to appraise and develop Elk/Antelope in the most capital efficient manner, to realise the full value of this material gas resource and other potential gas within PRL 15. Oil Search brings a wealth of local experience to the PRL 15 Joint Venture, including expertise in PNG logistics and upstream operations, landowner and Government relations and, as a participant in the PNG LNG Project, recent exposure to the development of a major LNG project.

The PRL 15 licence is governed by an existing joint venture operating agreement (JVOA). The terms of the agreement, and our rights, are consistent with market standard petroleum JVOAs, including pre-emptive rights and specified voting thresholds on issues such as work programme, capital commitments and operatorship responsibilities. In late March, InterOil Corporation announced the sale of part of its interest in PRL 15 to Total SA. Oil Search believes that the transfer of this interest to Total, first announced in December 2013, is subject to various notifications and pre-emptive rights under the governing JVOA. The Company has commenced a dispute resolution process to try to resolve the matter and ensure our Joint Venture rights are respected. This process includes arbitration proceedings in London and injunctive relief through the PNG Courts. At the same time, formal negotiations are underway to achieve a commercial resolution as, naturally, we are eager to progress the appraisal and development of PRL 15 as quickly and efficiently as possible, making maximum use of existing infrastructure in the country."

Oil appraisal

"In Kurdistan, drilling of the Taza 2 appraisal well continued during the quarter. To date, structural data from the well, which is located 10 kilometres northwest of Taza 1, is very close to prognosis and the well has recently penetrated the first of the primary objectives, the Jeribe Formation, with hydrocarbon shows, as expected. The well is expected to reach total planned depth late in the second quarter of 2014. A second appraisal well, Taza 3, located six kilometres southeast of Taza 1, is expected to spud in the third quarter of 2014 and will help better define the field structural configuration, fluid contacts, reservoir quality and the distribution and nature of fracturing of this large oil field. A 3D seismic programme, covering an area of up to 500 square kilometres over the block, is expected to commence in the second quarter.

In March, the Mananda 7 well in the PNG Highlands was suspended as a potential future oil producer. Development studies on Mananda 5, 6 and 7 are ongoing."

2014 first quarter production and revenue performance

"Total production in the first quarter of 2014 was 1.68 mmboe, 8% higher than the first quarter of 2013 but 5% lower than the fourth quarter of 2013, primarily due to a scheduled seven day shutdown at Kutubu for routine maintenance and service activities. Pleasingly, reservoir performance, particularly from our main Kutubu and Moran fields, remains strong.

Total operating revenue for the quarter was US$170.2 million, based on an average realised oil price of US$110.94 per barrel. Due to the timing of liftings, oil sales were slightly lower than production available for sale, resulting in an increase in crude oil inventories to 260,000 barrels at the end of March, worth approximately US$29 million in revenue at first quarter prices.

During the period, we spent US$270.3 million on exploration, development and production activities, of which US$189.6 million related to the PNG LNG Project (down from US$307.4 million in the prior quarter as construction activity starts to wind up). This spend was funded by cash, operating cash flows and draw-downs from the PNG LNG Project finance facility. Total liquidity rose from US$509.7 million at the end of December 2013 to US$711.2 million at the end of March 2014, comprising US$411.2 million in cash and US$300 million in undrawn committed funding lines. The increase in liquidity largely reflected the proceeds from the share placement to the PNG Government of approximately US$1.1 billion less the PRL 15 acquisition cost of US$900 million and will be used to fund our LNG growth and oil exploration activities."

Changes in the share register

"On 5 March, the exchangeable bonds issued to International Petroleum Investment Company (IPIC) of Abu Dhabi by the Independent Public Business Corporation of Papua New Guinea (IPBC) on behalf of the PNG Government in 2009 as part of the Government's PNG LNG Project funding arrangements, matured into 196,604,177 Oil Search shares owned by the Government. IPIC is now Oil Search's largest shareholder, holding approximately 13.1% of the share capital, diluted for the Government placement (see below). IPIC has a reputation for being a long-term investor in overseas energy and energy-related assets and we are delighted to have IPIC on the register as a core shareholder.

The purchase of our interest in PRL 15 was funded by a placement of 149.39 million shares to the Independent State of Papua New Guinea at A$8.20 per share, which was completed on 12 March 2014. The placement means that the PNG Government, which first became a shareholder in the Company in 2002, will continue to have a material holding in the Company, ensuring the ongoing alignment of Oil Search and the PNG Government's interests and a continuation of our strong working relationship."

2014 production expected to be at upper end of guidance range

"Based on recent PNG LNG Project progress and assuming a relatively trouble-free commissioning and ramp-up process, we presently anticipate that Oil Search's 2014 production will be at the upper end of our previously advised guidance range of 13 – 16 million barrels of oil equivalent. Further guidance will be provided once we have received a formal PNG LNG Project production update from the operator."

2014 FIRST QUARTER PERFORMANCE SUMMARY[1]

	Quarter End			Full Year
	Mar 2014	**Dec 2013**	**Mar 2013**	**Dec 2013**
Production data[2]				
Crude oil production ('000 bbls)				
Kutubu	848	962	780	3,473
Moran	492	503	465	2,041
SE Mananda	4	4	1	18
Gobe Main	8	6	10	36
SE Gobe	35	24	42	132
Total oil production	1,388	1,500	1,299	5,700
Hides GTE gas (mmscf)	1,349	1,420	1,392	5,514
Hides GTE liquids ('000 bbls)	29	31	30	119
Total barrels of oil equivalent produced ('000 boe)[3]	1,681	1,767	1,561	6,737
Sales				
Internal oil usage ('000 bbls)[4]	20	18	22	75
Oil sales volume ('000 bbls)	1,233	1,571	1,231	5,726
Hides GTE gas (mmscf)[5]	1,309	1,375	1,349	5,339
Hides GTE liquids ('000 bbls)[6]	25	27	27	110
Crude inventory ('000 bbls)[7]	260	130	319	130
Total barrels of oil equivalent sold ('000 boe)[3]	1,514	1,827	1,483	6,726
Financial data				
Oil sales (US$m)	136.7	178.0	140.2	634.1
Gas and refined product sales (US$m)	23.4	23.7	25.7	95.4
Other field revenue (US$m)[8]	10.1	8.3	10.1	36.7
Total operating revenue (US$m)	170.2	210.0	176.0	766.3
Average realised oil price (US$ per bbl)	110.94	113.33	113.92	110.73
Cash (US$m)[9]	411.2	209.7	443.5	209.7
Debt (US$m)				
PNG LNG financing	3,907.8	3,824.4	3,056.5	3,824.4
Revolving corporate facility[10]	200.0	200.0	Nil	200.0
Net debt (US$m)[9]	3,696.6	3,814.8	2,613.0	3,814.8

1. Numbers may not add due to rounding.
2. Production numbers exclude Oil Search's share of 2014 first quarter PNG LNG Project commissioning gas of approximately 619 mmscf (approximately 197 mmscf in the fourth quarter of 2013) and associated condensate of 492 barrels.
3. Gas volumes for 2014 have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. The change to a specific boe conversion factor more closely reflects the energy content of the Company's gas reserve portfolio compared to the previous conversion factor of 6,000 scf per boe. Note that prior year figures have not been restated.
4. Oil used within Oil Search's operations or sold locally.
5. Gas sales relate to gas sold under the Hides GTE Gas Sales Agreement.
6. Hides refined products used within Oil Search's operations, sold under the Hides GTE Gas Sales Agreement or sold in the domestic market.
7. Includes minor field quality adjustments.
8. Other field revenue consists largely of rig lease income and infrastructure tariffs.
9. Restated to include Oil Search's share of joint venture cash balances.
10. At the end of March 2014, the Company had drawn down US$200 million under its US$500 million revolving corporate facility.

PNG LNG PROJECT ACTIVITIES

Key Project activities and achievements during the quarter included the following:

LNG plant site

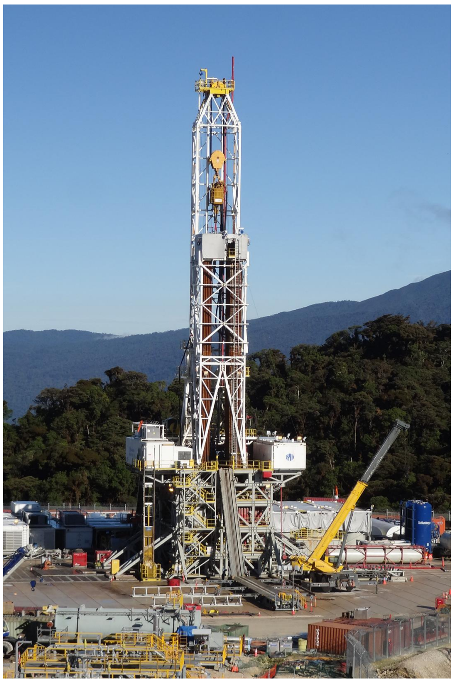
- By the end of March 2014, the LNG plant labour force had completed over 70 million work hours without a Lost Time Incident.
- In January, operatorship of Train 1 and the associated facilities was transferred to the operator, ExxonMobil PNG Limited, in readiness for first production. The process, storage and loading systems associated with Train 1 were de-frosted using Kutubu gas and are ready for start-up.
- Construction of Train 2 was almost complete, with initial testing underway.
- Following the completion of commissioning activities, the common process and utilities areas, LNG loading jetty and both LNG tanks are ready for start-up.

Upstream facilities

- The 292 kilometre 32" main onshore gas pipeline connecting Hides to the Gulf of Papua coast was completed, with over 90% of the pipeline right-of-way restored to allow the re-growth of vegetation.
- Installation of the pipeline gathering system linking the Hides production wells to the HGCP continued, with the 22" spineline to Wellpad B completed and flowing gas. Hydrotesting and backfilling of the Hides spineline was ongoing during the quarter.
- The HGCP is in the final stages of construction. Mechanical completion and commissioning of all plant and equipment required for first gas production, including Wellpad B, was completed and handed over to the operator.
- The Wellpad B wells (B1 and B2) were brought online, with gas from these wells used in commissioning activities at the HGCP as well as the LNG plant. Production of condensate associated with Wellpad B gas commenced.
- At the Hides field, the Wellpad C wells were perforated and are ready to be brought into production, while both Wellpad D wells (D1 and D2) have reached total depth, with six wells (B1, B2, C1, C2, D1 and D2) now completed at three wellpads. At the end of the quarter, Rig 702 was being moved to the proposed site for the PWD well, located in the south-east area of Hides and drilling is currently underway. Drilling continued with Rig 703 on the two Wellpad G wells, which will serve as production wells for the Project as well as help constrain the north-western extent of the Hides gas field.

Hides Gas Conditioning Plant

March 2014



Rig 703 at Wellpad G, Hides

March 2014

GAS GROWTH AND EXPLORATION ACTIVITY

Gas Growth

During the quarter, the PRL 3 joint venture continued to undertake studies on the P'nyang gas field in PRL 3 (Oil Search – 38.51%), focused on the potential development of P'nyang as a gas resource for PNG LNG Project expansion. This work, including environmental and social field work studies, is expected to continue, in preparation for the submission of a development licence application for the field by early 2015.

31 kilometres of 2D seismic was acquired over the Juha field in PDL 9 (Oil Search – 24.42%) during the quarter. This programme will continue in the second quarter of 2014. Further seismic acquisition is also planned in adjacent licences after the wet season. The data will be used to assess opportunities for further exploration and appraisal drilling.

In the Gulf of Papua, analysis of the drilling results obtained from Oil Search's offshore exploration programme in PPLs 244 and 385 continued during the quarter. In the onshore Gulf area, evaluation of seismic data over PPL 338 failed to identify any attractive drilling prospects and consequently, the option to farm-in to an equity interest in the licence was allowed to lapse. Evaluation of seismic data acquired over PPL 339 is ongoing.

Initial discussions were held with InterOil, the operator of PRL15, regarding the drilling of two appraisal wells on the Antelope field. Subject to Joint Venture agreement on rig selection and well locations, these wells are expected to commence drilling in the third and fourth quarters of 2014, respectively.

Oil exploration

During the quarter, the Mananda 7 appraisal well (Oil Search – 71.25%, operator), located in PPL 219 in the PNG Highlands, was drilled to a total depth of 2,540 metres. The well included a number of sidetracks which were drilled to gain additional information about the structure of the field, including the possibility of additional compartments, and to target an optimal producer location. While the structure appears to be more complex than originally modelled, Mananda 7 ST4 encountered hydrocarbons in the Toro and Digimu sandstones, as expected, along strike from the Mananda 6 discovery and was suspended as a potential future oil producer. Evaluation of the data gathered from drilling the well is ongoing. In parallel, extensive studies on development options for the field are underway.

In the Kurdistan Region of Iraq, the Taza 2 appraisal well located in the Taza PSC (Oil Search – 60%, operator), 10 kilometres north-west of the Taza 1 discovery well, continued drilling. The well is presently at a depth of 3,244 metres and taking a core in the Jeribe Formation. The forward plan for Taza 2 is to drill through the same intervals (Dhiban/Jeribe and Euphrates/Kirkuk Formations) that were hydrocarbon bearing in the discovery well, as well as explore deeper Tertiary and Cretaceous intervals known to be productive in other fields in Kurdistan. The second appraisal well, Taza 3, located approximately six kilometres south-east of Taza 1, is expected to spud in the third quarter of 2014, using a second rig contracted from the Sakson Group. Meanwhile, equipment for a 3D seismic programme covering most of the block was mobilised to site, with a 2D test line about to commence at the end of the quarter.

In Tunisia, preparations continued for the 300 kilometre 2D seismic survey over the Tajerouine PSC (Oil Search – 100%, operator), which is expected to commence in the second/third quarter of 2014.

The Company's Block 7 asset in Yemen (Oil Search - 34%, operator), remains in a state of force majeure. Positive discussions were held with the Yemeni Government regarding a further licence extension (the current licence expires in June 2014). Meanwhile, preparations for a joint operator airborne geophysical survey continued.

DRILLING CALENDAR

Subject to Joint Venture approvals, the 2014 exploration, appraisal and development programme is as follows:

Well	Well type	Licence	OSH interest	Latitude / Longtitude	Rig name	Timing
PNG						
Hides drilling programme	Development/ Appraisal	PNG LNG Project	29.0%	Various	Rig 702 & 703	Ongoing
Agogo 7 (AFL A)	Development/ Appraisal	PDL 2	60.05%	6° 20' 0.439" S 143° 6' 12.524" E	Rig 104	Drilling
Usano UFL A	Near field exploration	PDL 2	60.05%	TBA	Rig 104	2Q/3Q 2014
Elk/Antelope drilling programme	Appraisal	PRL 15	22.835%	TBA	TBA	3Q/4Q 2014
Kurdistan Region of Iraq						
Taza 2	Appraisal	Taza PSC	60.0% (75% paying interest)	35° 4' 36.547" N 44° 45' 9.646" E	Sakson Rig PR 3	Drilling
Taza 3	Appraisal	Taza PSC	60.0% (75% paying interest)	35° 0' 27.174" N 44° 49' 51.183" E	Sakson Rig SK605	3Q 2014

Note: Wells, location and timing subject to change.

PRODUCTION PERFORMANCE

Production in the first quarter of 2014 was 1.68 million barrels of oil equivalent (mmboe) net to Oil Search, produced at an average rate of 18,682 barrels of oil per day (bopd). This was 2.8% lower than in the fourth quarter of 2013, primarily due to a planned shutdown at Kutubu for routine maintenance and service activities. Production performance from our main oil fields remained strong.

Kutubu (PDL 2 – 60.0%, operator)

First quarter production net to Oil Search was 0.85 million barrels (mmbbl), 12% lower than the fourth quarter of 2013. Gross production rates averaged 15,686 bopd during the period, down from 17,419 bopd in the previous quarter.

Production was impacted during the quarter by a scheduled seven day shutdown of the Central Processing Facility (CPF) for routine maintenance and service. Facilities and wells were brought back online successfully following the shutdown.

Production at Kutubu benefited from sustained production rates of over 6,000 bopd from the Usano East field, particularly the successful UDT 14 ST1 development well drilled in 2013. The IDT 25 ST2 well, targeting undrained oil in the northern segment of the Main Block Toro reservoir, was commissioned during the quarter. Initial results have been encouraging, with production rates of up to 1,700 bopd achieved from the Toro reservoir. Commissioning of additional zones was ongoing at the end of March.

Following the suspension of Mananda 7 in mid-March, Rig 104 was mobilised to the Agogo field in preparation to drill the Agogo 7 development well in the forelimb of the Agogo field.

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

Oil Search's share of Moran 2014 first quarter production was 0.49 mmbbl, 2% lower than the fourth quarter of 2013. The field produced at a gross average rate of 11,051 bopd, broadly unchanged from the last quarter of 11,047 bopd.

Field production rates were supported by a sustained production rate of approximately 3,000 bopd from the Moran 13 ST3 well which was drilled and completed last year.

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

Oil Search's share of production from the Gobe fields in the first quarter of 2014 was 0.04 mmbbl, up 43% from fourth quarter 2013 production levels.

The gross average production rate for Gobe Main was 40% higher than in the fourth quarter, at 932 bopd. The increase was due to the reinstatement of production from the GM 5 ST3 well following successful workover operations in the previous quarter.

The gross average production rate at SE Gobe was 44% higher than the previous quarter, at 1,526 bopd, due to the reinstatement of production from the SEG 2 and SEG 5 wells following workover operations conducted in 2013.

A scheduled 14 day shutdown of the Gobe Production Facility is planned for the second quarter of 2014 for routine maintenance and service.

SE Mananda (PDL 2 – 72.3%, operator)

At SE Mananda, Oil Search's share of production in the first quarter was 4,035 barrels. The field produced at a gross average rate of 62 bopd compared to 63 bopd in the fourth quarter.

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

2014 first quarter production of gas for the Hides Gas to Electricity Project was 1.35 billion cubic feet, produced at an average daily rate of 15 million cubic feet per day. This was slightly lower than fourth quarter production of 15.4 million cubic feet per day. 29,000 barrels of condensate were produced for use within the Hides facility or transported by truck to the CPF.

FINANCIAL PERFORMANCE

Sales revenue

Oil production available for sale (production less internal usage) during the quarter was 1.37 mmbbl. Oil sales volumes for the period were 1.23 mmbbl (1.57 mmbbl in the fourth quarter of 2013), resulting in an increase in the crude inventory position, from 0.13 mmbbl at the end of December 2013 to 0.26 mmbbl at the end of March 2014. The average oil price realised during the quarter was US$110.94 per barrel, 2% lower than the previous quarter's price of US$113.33 per barrel. The Company did not undertake any hedging transactions during the period and remains unhedged.

Sales revenue from oil, gas and refined products for the quarter was US$160.1 million, while other field revenue, comprising rig lease income and infrastructure tariffs, was US$10.1 million.

Capital management

As at 31 March 2014, Oil Search held cash of US$411.2 million, compared to US$209.7 million at the end of 2013. The increase in the cash position reflected the surplus proceeds from the A$1.2 billion (approximately US$1.1 billion) raised from the share placement to the PNG Government less the US$900 million upfront cost for the acquisition of a 22.835% interest in PRL 15. The Company had drawn down US$3,907.8 million under the PNG LNG Project finance facility at the end of March 2014 (US$3,824.4 million at the end of 2013) and US$200.0 million from the Company's revolving corporate facility (unchanged from the end of 2013).

A dividend of two US cents per share was paid on 8 April 2014, which was fully funded by an underwritten dividend reinvestment plan.

Capital expenditure

During the quarter, exploration and evaluation expenditure was US$60.0 million. Key items of expenditure included the Mananda 7 well (US$22.4 million) and the Taza 2 well (US$14.2 million). US$10.9 million of these costs was expensed, primarily related to seismic, geological, geophysical and general and administration expenses.

Oil Search's share of PNG LNG Project development and financing costs in the first quarter was US$189.6 million, funded 70% by drawdowns from the PNG LNG Project finance facility and the remaining 30% funded from cash and operating cash flows. Expenditure on producing assets totalled US$19.6 million, mainly spent on well workovers and development wells in PNG.

Summary of expenditure and exploration and evaluation expensed[1]

(US$ million)	Quarter End			Full Year
	Mar 2014	Dec 2013	Mar 2013	Dec 2013
Investment expenditure				
Exploration & Evaluation				
PNG	32.8	33.3	27.6	206.8
MENA	27.3	16.3	37.6	87.1
Total exploration & evaluation	60.0	49.6	65.2	293.8
Development[2]	189.6	307.4	285.9	1,214.0
Production	19.6	35.6	53.7	152.6
Other property plant & equipment	1.1	4.7	1.2	11.9
Total	**270.3**	**397.3**	**406.0**	**1,672.4**
Exploration & evaluation expenditure expensed[3,4]				
PNG	6.9	12.8	2.3	67.4
MENA	3.9	3.5	17.8	36.3
Total current year expenditures expensed	10.9	16.4	20.1	103.7
Prior year expenditures expensed	-	-	3.7	3.7
Total	**10.9**	**16.4**	**23.8**	**107.4**

1. Numbers may not add up due to rounding.
2. Includes capitalised interest and finance fees
3. Exploration expensed includes costs of unsuccessful wells except where costs continue to be capitalised, certain administration costs and geological and geophysical costs. Costs relating to permit acquisition costs, expenditure associated with the drilling of wells that result in a successful discovery of potentially economically recoverable hydrocarbons and expenditures on exploration and appraisal wells pending economic evaluation of recoverable reserves are capitalised.
4. Numbers do not include expensed business development costs of US$2.3 million in the first quarter of 2014.

PETER BOTTEN, CBE

Managing Director

22 April 2014

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DISCLAIMER

This report contains some forward-looking statements which are subject to particular risks associated with the oil and gas industry. Actual outcomes could differ materially due to a range of operational, cost and revenue factors and uncertainties including the timing of commissioning, completion of construction and commencement of production from the PNG LNG Project, oil and gas prices, changes in market demand for oil and gas, currency fluctuations, drilling results, field performance, the timing of well work-overs and field development, reserves depletion and fiscal and other government issues and approvals.