OIL SEARCH LIMITED

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

REPORT TO THE AUSTRALIAN SECURITIES EXCHANGE

Activities for the Quarter ended 31 December 2013

28 January 2014

HIGHLIGHTS

	4Q 2013	3Q 2013	% change
Total production (mmboe)	1.77	1.78	-1%
Total sales (mmboe)	1.83	1.53	+19%
Total revenue (US$m)	210.0	175.3	+20%

- **Production in the fourth quarter was 1.77 million barrels of oil equivalent (mmboe), taking production for the 2013 full year to 6.74 mmboe, slightly above the 6.2 – 6.7 mmboe guidance range and 6% higher than the 2012 full year.**
- **Total revenue for the quarter was US$210.0 million, 20% higher than the third quarter, based on an average realised oil price of US$113.33 per barrel. Total revenue for the 2013 full year was US$766.3 million, compared to US$724.6 million in 2012, an increase of 6% year on year.**
- **At the end of 2013, the PNG LNG Project was more than 90% complete and remained on budget and on target for first LNG sales in the second half of 2014. Commissioning activities continued during the fourth quarter, with the introduction of gas from the Kutubu field into the Hides Gas Conditioning Plant in December.**
- **Work by the PRL 3 Joint Venture continued on the potential development of the P'nyang field as a resource for PNG LNG expansion.**
- **Discussions were ongoing during the quarter regarding Oil Search's potential involvement in PRL 15 in PNG, which contains the Elk/Antelope gas fields.**
- **Two high potential oil appraisal wells commenced drilling in December, with the spudding of Mananda 7 in the PNG Highlands and Taza 2 in Kurdistan.**
- **At the end of December 2013, Oil Search had a cash balance of US$210 million and debt of US$4,024 million, comprising US$3,824 million drawn down from the PNG LNG Project finance facility and US$200 million from the Company's US$500 million corporate facility.**
- **Based on updated information from the PNG LNG Project operator and a strong operating performance from the PNG oil fields, Oil Search's 2014 full year production guidance has increased, from 10 – 13 mmboe to 12 – 15 mmboe.**

Commenting on the fourth quarter of 2013, Managing Director, Peter Botten, said:

"Oil Search closed the 2013 financial year on a very positive note, with strong production in the second half resulting in full year production above guidance. The fourth quarter also saw continued progress on the PNG LNG Project, which remains on track for first sales in the second half of 2014, and the commencement of oil appraisal drilling both in PNG and Kurdistan.

At the PNG LNG Project, commissioning activities are now in full swing. A major milestone was reached in December 2013 when gas was introduced from the Oil Search-operated Kutubu field into the Hides Gas Conditioning Plant (HGCP). This followed the commencement of commissioning activities at the LNG plant in the third quarter of 2013.

Significant progress has also been made on the onshore pipelines. Welding of the main gas pipeline, connecting the HGCP to the offshore pipeline, was completed during the fourth quarter and the condensate line, linking the Kutubu field to the HGCP, was completed and is now being used to supply commissioning gas from Kutubu to the HGCP. Installation of the gathering pipeline system, linking the Hides production wells to the HGCP, is also making good progress, with the pipeline between Wellpad B and the HGCP now complete. Drilling is moving ahead, with the fourth production well at Hides completed during the quarter. Drilling is presently ongoing at Wellpad D and at the most northerly wellpad, Wellpad G, where the two wells drilled will not only produce gas for the LNG Project but will also help better constrain the north-western extent of the Hides gas field.

Work continues on the potential development of the P'nyang gas field, to help underwrite an expansion of the PNG LNG Project. As previously indicated, scoping studies are expected to continue through 2014, in preparation for the submission of a development licence application for the field in early 2015. Seismic programmes, which had previously been suspended due to the wet weather season, recommenced over both P'nyang and Juha in the fourth quarter.

In December, Total SA announced that it had reached agreement with InterOil Corporation to acquire a material interest in PRL 15, which contains the Elk/Antelope gas fields. Oil Search is in ongoing discussions with the key stakeholders regarding a potential involvement in the licence.

Production and revenue performance:

"Production from our PNG oil fields was strong during the fourth quarter, particularly from the Usano field at Kutubu. Active field management, contributions from new workovers and wells and high facilities uptime more than compensated for natural field decline. Fourth quarter production of 1.77 mmboe took production for the 2013 full year to 6.74 mmboe, slightly above the top end of our guidance range of 6.2 – 6.7 mmboe, compared to 6.38 mmboe in the 2012 full year.

The Company continued to benefit from strong global oil prices during the quarter, realising an average price of US$113.33 per barrel. Due to the timing of liftings, oil sales were slightly higher than production available for sale, leading to a 0.1 mmbbl draw down in inventories during the quarter. Total revenue for the quarter was US$210.0 million.

During the period, we spent US$392.6 million on exploration, development and production activities, of which US$307.4 million related to the PNG LNG Project. This spend was funded by cash, operating cash flows and draw-downs from the PNG LNG project finance and our corporate debt facility. At the end of December 2013, the Company held US$210 million in cash and US$300 million in undrawn committed funding lines, resulting in total liquidity of US$510 million."

Oil drilling activity:

"Two oil appraisal wells were spudded during the quarter. Mananda 7 in the PNG Highlands commenced drilling in December, to appraise the Mananda discovery. If successful, this well is likely to be incorporated into the Petroleum Development Licence application covering the Mananda 5 and 6 oil discoveries that was submitted to the PNG Government in August 2013.

In Kurdistan, the Taza 2 well was also spudded in December. This well is the first of up to five appraisal wells on the Block through 2014 and 2015, with the acquisition of up to 500 square kilometres of 3D seismic data expected to commence shortly. This high level of planned activity reflects our view that there is material upside potential in the Taza PSC, where oil was discovered by Taza 1 last year.

Oil Search will also continue to test opportunities near our existing oil fields through 2014, with wells planned at Agogo and Usano and potentially at Moran."

On the 2013 full year results, Mr Botten said:

"The Company's financial results for the year to 31 December 2013 will be released to the market on 25 February 2014.

Normalised cash operating costs for 2013 are expected to be within the previously advised guidance range of US$24–26/boe. Additional cash costs related to Hides GTE gas purchase costs are expected to total approximately US$37 million. Non-cash charges, comprising depreciation, amortisation and site restoration, are forecast to be between US$7.00-7.50/boe, slightly below the previous US$7.50–8.50/boe guidance range.

As noted on page 13, US$107.4 million of 2013 and prior year exploration and evaluation expenditure is expected to be expensed, primarily related to the Kidukidu and Semda wells, PNG seismic and general and administration costs. US$40.0 million of the exploration costs expensed relates to exploration activities in the Middle East, which are non-deductible for tax purposes. However, due to the transfer of some asset carrying values from PNG oil licences to the PNG LNG Project, which is subject to a 30% tax rate, and other PNG LNG Project related deductions, the effective tax rate is expected to be broadly in line with the effective tax rate in the first half of 2013 of 46%.

Following an initial review of asset carrying values, at present no material impairment charges are anticipated.

All the above guidance is subject to the finalisation of the financial statements, Board review and the year end audit currently underway."

Guidance for 2014:

"Following the receipt of updated 2014 forecasts from the PNG LNG Project operator and a successful drilling and well intervention campaign in the PNG oil fields, which has raised the level of confidence on 2014 production performance, Oil Search's 2014 full year production is now anticipated to be in the range of 12 – 15 mmboe. This compares to the previously advised range of 10 – 13 mmboe, with forecast contributions as follows:

2014 PRODUCTION	
Current operations (oil and GTE)	6.3 – 6.8 mmboe
PNG LNG Project	
- LNG	26 – 38 bscf
- Liquids	1.3 – 1.8 mmbbl
Total PNG LNG Project	5.7 – 8.2 mmboe
Total Production	**12.0 – 15.0 mmboe**

Note: PNG LNG Project volumes measured at the plant outlet after fuel and flare, converted to boe on the basis of 6,000 scf = 1 boe.

Capital cost guidance is unchanged from that previously provided, at US$1.2 – 1.5 billion, with indicative expenditure in the following ranges:

2014 CAPITAL COSTS	
PNG producing fields	US$130 - 170 million
PNG LNG Project	US$700 – 850 million
Exploration and evaluation	US$360 – 440 million
Property, plant and equipment	US$25 – 35 million
Total	**US$1,215 – 1,495 million**

Note: Excludes business development costs.

Provisional 2014 operating cash and non-cash cost guidance is as follows:

2014 OPERATING COSTS	
Cash operating costs*	US$23 – 28/boe
Hides GTE gas purchase costs	US$37 – 40 million
Depreciation, amortisation and site restoration	US$14 – 16/boe

* Includes corporate costs

It should be noted that, due to the high level of fixed costs associated with the PNG LNG Project, LNG operating costs on a per barrel basis are very sensitive to the PNG LNG Project start-up date and ramp-up profile. Operating costs per barrel are expected to decline significantly once PNG LNG Project plateau production has been reached and the LNG plant is working at full capacity.

Updated guidance will be provided when we release our 2013 full year results in February.”

2013 FOURTH QUARTER PERFORMANCE SUMMARY

See notes 1, 2, 3	Quarter End			Full Year	
	Dec 2013	Sep 2013	Dec 2012	Dec 2013	Dec 2012
PRODUCTION DATA					
Crude oil production ('000 bbls)					
- Kutubu	962	938	957	3,473	3,267
- Moran	503	550	541	2,041	1,865
- SE Mananda	4	3	-	18	22
- Gobe Main	6	10	9	36	39
- SE Gobe	24	27	37	132	198
Total oil production	1,500	1,528	1,545	5,700	5,390
Gas production (mmscf)[4]	1,420	1,352	1,311	5,514	5,267
Hides condensate ('000 bbls)	31	29	28	119	112
Barrels of oil equivalent ('000 boe)[5]	1,767	1,782	1,791	6,737	6,380
SALES DATA					
Internal oil usage ('000 bbls)[6]	18	18	25	75	73
Oil sales volume ('000 bbls)	1,571	1,286	1,657	5,726	5,205
Gas sales (mmscf)[7]	1,375	1,309	1,271	5,339	5,098
Hides liquids ('000 bbls)[8]	27	27	28	110	111
Crude inventory ('000 bbls)[9]	130	232	279	130	279
Barrels of oil equivalent sold ('000 boe)	1,827	1,532	1,897	6,726	6,166
FINANCIAL DATA					
Oil sales (US$m)	178.0	144.5	184.1	634.1	593.2
Gas and refined product sales (US$m)	23.7	21.9	24.7	95.4	95.6
Other field revenue (US$m)[10]	8.3	8.8	9.4	36.7	35.8
Total operating revenue (US$m)	210.0	175.3	218.2	766.3	724.6
Average realised oil price (US$ per bbl)	113.33	112.36	111.09	110.73	113.97
Cash (US$m)[11]	209.7	317.6	488.3	209.7	488.3
Debt (US$m)					
- PNG LNG financing	3,824.4	3,557.3	2,866.0	3,824.4	2,866.0
- Revolving oil facility[12]	200.0	150.0	Nil	200.0	Nil
Net debt (US$m)	3,814.8	3,389.7	2,377.8	3,814.8	2,377.8

1 2013 figures are unaudited.
2 Prior period comparatives updated for subsequent changes.
3 Numbers may not add due to rounding.
4 Gas production numbers exclude Oil Search's share of 2013 fourth quarter PNG LNG Project commissioning gas of approximately 197 mmscf (approximately 199 mmscf in the third quarter of 2013).
5 Gas converted to barrels of oil equivalent on the basis of 6,000 scf = 1 boe.
6 Oil used within Oil Search's operations or sold locally.
7 Gas sales relate to gas sold under the Hides Gas Sales Agreement.
8 Hides refined products used within Oil Search's operations, sold under the Hides Gas Sales Agreement or sold in the domestic market.
9 Includes minor field quality adjustments.
10 Other field revenue consists largely of rig lease income and infrastructure tariffs.
11 Restated to include Oil Search's share of joint venture cash balances.
12 At the end of December 2013, the Company had drawn down US$200 million under its US$500 million revolving corporate facility.

PNG LNG PROJECT ACTIVITIES

At the end of the fourth quarter of 2013, the PNG LNG Project was more than 90% complete and on track for first LNG deliveries in the second half of 2014. Over 180 million hours have been worked since Project sanction.

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

LNG Plant Site

- By the end of December 2013, the LNG Plant labour force had completed 64 million work hours without a Lost Time Incident.
- Commissioning activities ramped up at the LNG plant, with gas circulating in Train 1 and the refrigeration compressors being test run.
- Commissioning activities also continued on the common process and utilities areas. All gas turbine generators are now operable. The LNG loading jetty and both LNG tanks are complete and ready for handover.
- Construction of Train 2 continued to make progress.
- Both LNG tanks were completed and are being used to store the excess commissioning gas flowing into the Plant from the Oil Search-operated Kutubu field.

Upstream Facilities

- The final section of the main 32" diameter gas pipeline between Kutubu and Hides was welded and the 8" condensate pipeline between the HGCP and Kutubu was completed and purged.
- Installation of the gathering pipeline system linking the Hides production wells to the HGCP progressed, with the spineline to Wellpad B completed.
- Commissioning gas from the Kutubu field was introduced into the condensate line and commenced flowing to the HGCP in late December. At the end of the quarter, the HGCP was undergoing initial commissioning and testing, with power generation units becoming operational and work proceeding on process equipment tie-ins and interconnecting pipework.
- Drilling of the C1 well at Hides was completed in November, with four wells (B1, B2, C1, C2) now completed at two wellpads. Following the completion of C1, Rig 703 was moved to Wellpad G in preparation to drill at that location. At Wellpad D, Rig 702 drilled and cased D2 through the production interval, while drilling of the deeper sections of D1 is continuing.

	LNG plant site November 2013
	
	Hides Gas Conditioning Plant November 2013

Onshore pipeline at Hides
November 2013

Rig 702 at Wellpad D, Hides
November 2013

GAS GROWTH AND EXPLORATION ACTIVITY

Gas Growth

During the quarter, the PRL 3 joint venture continued to advance technical, environmental and social baseline field studies on the P'nyang gas field in PRL 3 (Oil Search – 38.51%), focused on the potential development of P'nyang as a resource for PNG LNG Project expansion. The final line of the 2D seismic programme over P'nyang was completed and a full re-evaluation of all the seismic data commenced. Preparations for the submission of a development licence application for the field will continue through 2014 based on studies completed in 2013.

A seismic programme over the Juha field in PDL 9 (Oil Search – 24.42%) recommenced during the quarter. This programme will continue into the second quarter of 2014, with data also planned to be acquired in PPL 260, to the north east.

Towards the end of the quarter, the first of two Wellpad G wells, which will serve as production wells for the LNG Project as well as help constrain the north-western extent of the Hides gas field, commenced 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 licences (PPLs 338 and 339), a 42 kilometre seismic programme was completed and the data is being evaluated.

In December, Total SA announced the acquisition of a material interest in PRL 15, containing the Elk/Antelope gas fields, from InterOil Corporation. During the quarter, discussions took place between Oil Search and key stakeholders regarding Oil Search's potential involvement in the licence. These discussions are ongoing.

Oil Exploration

In December, the Mananda 7 well (Oil Search – 71.25%, operator), located in PPL 219 in the PNG Highlands, was spudded using Rig 104. Mananda 7, which is being drilled from the Mananda 6 wellpad, is appraising the Mananda oil field, targeting the Toro and Digimu sandstones which were found to be oil-bearing at the Mananda 6 well drilled earlier in 2013.

A deviated pilot hole, to obtain further structural information regarding the northern extent of the field, has recently been completed. This hole was sidetracked and is presently being drilled as a deviated hole towards the crest of the Mananda 6 structure. The sidetrack will help further define the structural form of the accumulation, with the objective of targeting an optimal producer location. Mananda 7 is expected to reach total depth late in the first quarter of 2014. A Petroleum Development Licence application covering the development plan for the Mananda 5 and 6 oil discoveries was submitted to the PNG Government in August 2013. If successful, Mananda 7 will be incorporated into the proposed Mananda development

In the Kurdistan Region of Iraq, the Taza 2 well located in the Taza PSC (Oil Search – 60%, operator) commenced drilling in late December, using Rig PR3 contracted from the Sakson Group. Taza 2 is located 10 kilometres to the north-west of Taza 1 and will appraise the hydrocarbon-bearing intervals discovered by Taza 1 (Dhiban/Jeribe and Euphrates/Kirkuk Formations) as well as explore deeper Tertiary and Cretaceous intervals known to be productive in other fields in Kurdistan. The well is expected to reach total planned depth in the third quarter of 2014. Taza 2 is the final commitment well for the present licence period and the first well in a comprehensive appraisal programme of the Taza PSC. Contracting activities were also undertaken during the quarter for the acquisition of 3D seismic, which is planned to commence in early 2014, and for the provision of an Early Production Facility to be available in mid-2014.

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

The Company's Block 7 asset in Yemen (Oil Search - 34%, operator), remains in a state of force majeure. The Yemeni government has granted the Joint Venture a 12 month extension of the licence until June 2014. Preparations for a joint operator airborne geophysical survey continued during the quarter with mobilisation of the plane planned for early 2014. Should the security situation allow it, new seismic acquisition or well work on the suspended Al Meashar discovery will take place later in 2014.

DRILLING CALENDAR

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

Well	Well type	Licence	OSH interest	Latitude / Longitude	Rig name	Timing
PNG						
Hides drilling programme	Development/ Appraisal	PNG LNG Project	29.0%	various	Rig 702 & 703	Ongoing
Mananda 7	Appraisal/ Exploration	PPL 219	71.25%	6° 13' 52.738" S 142° 55' 25.609" E	Rig 104	Ongoing
Agogo AFL A	Development/ Appraisal	PDL 2	60.05%	6° 20' 0.439" S 143° 6' 12.524" E	Rig 104	1Q/2Q 2014
Usano UFL A	Near field exploration	PDL 2	60.05%	TBA	Rig 104	2Q/3Q 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 PR3	Ongoing
Taza 3	Appraisal	Taza PSC	60.0% (75% paying interest)	35° 0' 27.174" N 44° 49' 51.183" E	TBA	2Q 2014

Note: Wells, location and timing subject to change

PRODUCTION PERFORMANCE

Production in the fourth quarter of 2013 was 1.77 million barrels of oil equivalent (mmboe) net to Oil Search, produced at an average rate of 19,210 barrels of oil per day (bopd). This was similar to third quarter production of 1.78 mmboe, driven by a particularly strong performance from the Kutubu field.

The solid performance in the second half of the year took total production for the 2013 full year to 6.74 mmboe, up 6% on 2012 and slightly above the Company's guidance range of 6.2 – 6.7 mmboe.

Kutubu (PDL 2 – 60.0%, operator)

Fourth quarter Kutubu production net to Oil Search was 0.96 million barrels, 3% higher than the third quarter of 2013. Gross production rates averaged 17,419 barrels of oil per day (bopd) during the period, up from 16,976 bopd in the previous quarter.

Production at Kutubu benefited from sustained production rates of over 6,000 bopd from the Usano East wells, UDT 14 ST1 and UDT 11. At the Usano Main UDT 3A well, a coiled tubing intervention to clear a tubing obstruction proved very successful and sustained gas injection rates of more than 30 mmscf/d were achieved. This pressure support to the Usano Main wells is expected to lead to improved production rates in 2014.

A scheduled two day shutdown for maintenance at the Central Processing Facility (CPF) and Agogo Processing Facility (APF) was held during the quarter. All facilities and wells were brought back on line successfully following the shutdown.

During the quarter, Rig 103 continued to drill the IDT 25 ST1 well, a sidetrack of the IDT 25 well, which is targeting undrained oil in the northern segment of the Main Block Toro reservoir. The first sidetrack successfully reached total depth on prognosis, with oil interpreted to be present in the Toro C. Mechanical issues required the drilling of a sidetrack parallel to ST1 in order to achieve the same reservoir outcome. A six zone selective completion has been installed and commissioning had commenced in late December.

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 2013 fourth quarter production was 0.50 million barrels, 8% lower than in the third quarter. The field produced at a gross average rate of 11,047 bopd compared to 12,067 bopd in the third quarter.

Field production rates were impacted during the quarter by the APF and CPF shutdown noted above. At Moran 6 ST3, a coiled tubing intervention to stimulate the Toro reservoir was successful, with production rates increasing from approximately 700 bopd to 2,500 bopd. The intervention also allowed a successful zone change to the Digimu, which had not been possible prior to this work. Additional coiled tubing interventions were also undertaken, with stimulation to the Toro in the Moran 11 well for future gas injection and stimulation to the Toro in the Moran 9 ST4 well, where production rates have increased by approximately 500 bopd.

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

Oil Search's share of production from the Gobe fields in the fourth quarter of 2013 was 0.03 million barrels, down 18% from third quarter 2013 production levels.

The gross average production rate for Gobe Main was 39% lower than in the third quarter, at 650 bopd. Rates were impacted by the shut-in of the GM 5 ST3 well for workover operations. The workover was successfully completed with commissioning underway in late December. Production was also impacted by a scheduled seven day shut down at the Gobe Processing Facility (GPF) for maintenance. All facilities and wells were brought back on line successfully following the shutdown.

The gross average production rate at SE Gobe was 11% lower than the previous quarter, at 1,037 bopd. Field rates were impacted by the GPF shutdown noted above.

SE Mananda (PDL 2 – 72.3%, operator)

At SE Mananda, Oil Search's share of production in the fourth quarter was 4,184 barrels. The field produced at a gross average rate of 63 bopd compared to 51 bopd in the third quarter. Production rates were improving towards the end of the quarter once the SEM 4 and SEM 3 wells had both been brought back on line.

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

2013 fourth quarter production of gas for the Hides Gas to Electricity Project was 1.42 billion cubic feet, produced at an average daily rate of 15.4 million cubic feet per day. This was slightly higher than third quarter production of 14.7 million cubic feet per day. 31,000 barrels of condensate were produced for use within the Hides facility and for local sales.

FINANCIAL PERFORMANCE

2013 fourth quarter performance summary

Sales Revenue

Oil production available for sale (production less internal usage) during the quarter was 1.48 mmbbl. Oil sales volumes for the period were 1.57 mmbbl (1.29 mmbbl in the third quarter), resulting in a decrease in the crude inventory position (after refinery shrinkage), from 0.23 mmbbl at the end of September to 0.13 mmbbl at the end of December. The average oil price realised during the quarter was US$113.33 per barrel, 1% higher than the previous quarter price of US$112.36 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$201.7 million, while other field revenue, comprising rig lease income and infrastructure tariffs, was US$8.3 million.

Capital Management

As at 31 December 2013, Oil Search held cash of US$209.7 million, compared to US$317.6 million at the end of September 2013. US$3,824.4 million had been drawn down under the PNG LNG Project finance facility (US$3,557.3 million at the end of September 2013) and US$200.0 million from the Company's revolving corporate facility (US$150.0 million at the end of September 2013).

A dividend of 2 US cents per share was paid on 8 October 2013, which was fully funded by an underwritten dividend reinvestment plan.

Capital Expenditure

During the quarter, exploration and evaluation expenditure was US$49.6 million. Key items of expenditure included preparations for the Mananda 7 well (US$16.2 million) and the Taza 2 well (US$ 12.0 million) and Train 3 pre-FEED costs (US$3.9 million).

Oil Search's share of PNG LNG Project development and financing costs in the fourth quarter was US$307.4 million, funded 70% by drawdowns from the PNG LNG Project finance facility and the remaining 30% funded corporately. Expenditure on producing assets totalled US$35.6 million, mainly spent on well workovers and development wells in PNG.

During the quarter, US$16.4 million of exploration and evaluation costs was expensed, primarily related to the Kidukidu well (US$7.9 million) and seismic, geological, geophysical and general and administration expenses.

Performance for the 2013 Full Year

Oil Search generated oil and gas related sales revenue of US$729.5 million, 6% higher than in 2012, reflecting 10% higher oil liftings partly offset by lower average realised oil prices, of US$110.73 per barrel compared to US$113.97 in 2012. Total operating revenue in 2013 was US$766.3 million compared to US$724.6 million in the previous year.

Exploration and evaluation expenditure for the 2013 full year was US$293.8 million (US$240.6 million in 2012). This was spent primarily on the offshore Gulf drilling campaign (US$89.9 million), the Mananda drilling campaign (US$72.9 million) and on the Taza PSC in Kurdistan (US$64.8 million). US$152.6 million was spent on producing assets, predominantly on well work.

US$107.4 million of exploration and evaluation expenditure is expected to be expensed in 2013, of which US$54.3 million is attributable to the Kidukidu 1 well in the PNG Gulf and US$16.3 million on the Semda 1 well in Tunisia.

A review of the carrying value of all other assets is currently taking place as part of the finalisation of the financial statements and is subject to Board review and the year end audit currently in progress.

SUMMARY OF EXPENDITURE AND EXPLORATION AND EVALUATION EXPENSED

See notes 1, 2, 3	Quarter End			Full Year	
(US$m)	**Dec 2013**	**Sept 2013**	**Dec 2012**	**Dec 2013**	**Dec 2012**
INVESTMENT EXPENDITURE					
Exploration & Evaluation					
PNG – Oil and Gas	33.3	66.7	20.1	206.8	185.5
MENA	16.3	12.6	25.4	87.1	55.0
Total Exploration & Evaluation	49.6	79.3	45.4	293.8	240.6
Development[4]	307.4	279.0	351.4	1,214.0	1,492.5
Production	35.6	37.7	49.4	152.6	111.5
Other Property Plant & Equipment	4.7	4.0	9.9	11.9	16.5
TOTAL	**397.3**	**400.0**	**456.1**	**1,672.4**	**1,861.2**
EXPLORATION & EVALUATION EXPENDITURE EXPENSED[5,6]					
Exploration and Evaluation					
From current year expenditure:					
PNG – Oil and Gas	12.8	51.4	15.5	67.4	117.4
MENA	3.5	5.8	2.9	36.3	14.5
Total	16.4	57.2	18.5	103.7	131.9
Prior year expenditures expensed	-	-	-	3.7	12.1
TOTAL	**16.4**	**57.2**	**18.5**	**107.4**	**144.0**

1 2013 figures are unaudited.
2 Prior period comparatives updated for subsequent changes.
3 Numbers may not add up due to rounding.
4 Includes capitalised interest and finance fees
5 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.
6 Numbers do not include expensed business development costs of US$10.2 million in 2013 (US$12.3 million in 2012).

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Managing Director
28 January 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.