22 July 2014

Please find attached the correct version of the Quarterly Report - 140722 Quarterly report to 30 June 2014 released to the market today.

Thank you,

Stephen Gardiner

Chief Financial Officer

Oil Search Limited
Incorporated in
Papua New Guinea
ARBN 055 079 868

Head office
Port Moresby
Papua New Guinea

Sydney office
1 Bligh Street
Sydney NSW 2000
Australia

Mailing address
GPO Box 2442
Sydney NSW 2001
Australia

Tel: +61 2 8207 8400
Fax: +61 2 8207 8500
www.oilsearch.com

ASX Announcement

Activities for the Quarter ended 30 June 2014

22 July 2014

Highlights

	2Q 2014	1Q 2014	% change
Total production (mmboe)	**3.69**	1.68	+120
Total sales (mmboe)	**3.22**	1.51	+113
Total revenue (US$m)	**339.7**	170.2	+100

- **The PNG LNG Project commenced production of LNG in April 2014 and the first LNG cargo departed from PNG on 25 May 2014. This was an historic milestone for the PNG LNG Project co-venture partners and for the Government and people of Papua New Guinea, which will transform Oil Search's long term production and financial profile.**
- **Oil Search's total oil and gas production in the second quarter was 3.69 million barrels of oil equivalent (mmboe), compared to 1.68 mmboe in the previous corresponding period, reflecting the impact of the start-up of the PNG LNG Project. Production from PNG LNG was 1.87 mmboe, while the base PNG business contributed 1.82 mmboe, 8% higher than in the first quarter of 2014. The Company remains on track to deliver 2014 production within the upgraded 17 – 20 mmboe guidance range.**
- **Total revenue for the quarter was US$339.7 million, almost double that of the first quarter, based on an average realised oil and condensate price of US$111.95 per barrel and an average realised LNG and gas price of US$14.41 per mmBtu. Seven LNG cargoes were loaded and five LNG cargoes and seven cargoes of Kutubu Blend (comprising crude from the PNG oil fields and PNG LNG Project condensate) were delivered during the second quarter.**
- **At the Hides gas field, the first of two Wellpad G development wells reached total depth during the quarter, encountering the gas-bearing Toro/Digimu reservoirs as expected. Drilling continues on the second Wellpad G well and on the produced water disposal (PWD) well, both of which will help provide a better understanding of the resource base in the field.**
- **Preparations for the submission of a development licence application for the P'nyang gas field in PRL 3 continued during the quarter.**
- **The PRL 15 Joint Venture began preparations to drill two appraisal wells on the Elk/Antelope field, as well as a possible high potential exploration well. Preliminary work on concept selection studies, to define the optimum LNG development scenario for the resource, also commenced.**

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Fax: +61 2 8207 8500
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Meanwhile, the arbitration process, in which Oil Search is disputing the validity of the sale by an InterOil subsidiary of a stake in PRL 15 to a subsidiary of the Total SA Group, remains ongoing.

- **In Kurdistan, the Taza 2 appraisal well has recently completed drilling. Hydrocarbon shows have been observed throughout the target Jeribe, Euphrates and Kirkuk zones as well as in the deeper Shiranish Formation. A programme to flow test a number of selected intervals is being prepared.**
- **At the end of June 2014, Oil Search had cash of US$367.8 million and debt of US$4,134.0 million, comprising US$4,084.0 million drawn down from the PNG LNG Project finance facility and US$50.0 million from the Company's US$500 million corporate facility. During the quarter, US$250 million of additional funding lines were established, to provide extra near-term funding flexibility.**

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

"The highlight of the 2014 second quarter was the start of production and sales of LNG from the PNG LNG Project. This was a major milestone for Oil Search, our co-venture partners and Papua New Guinea. It marked the completion of the country's largest resource project, which is expected to more than double PNG's Gross Domestic Product and transform the country into a significant supplier of LNG to key neighbouring Asian markets. Delivering this world scale project, ahead of schedule, was the culmination of many years of effort by the operator, ExxonMobil PNG Limited, and its co-venture partners, with significant support from the PNG Government and local communities. It also heralded the start of a major corporate transformation for Oil Search, with the Company's production expected to quadruple in 2015, the first full year of operation.

Work continues on aggregating gas to support a potential expansion of PNG LNG as well as a potential LNG development based on the Elk/Antelope gas fields. Income from the PNG LNG Project, together with continued steady cash flows from our oil fields, will enable us to pursue these and other potential growth opportunities, such as the Taza oil field in Kurdistan, as well as deliver higher dividends to shareholders in the years ahead."

PNG LNG Project

"Following the completion, commissioning and start-up of all major equipment and facilities at the Hides Gas Commissioning Plant (HGCP) in the PNG Highlands and the LNG plant near Port Moresby, production of LNG commenced in April. On 25 May, the inaugural LNG cargo departed PNG on the Spirit of Hela, bound for TEPCO in Japan. By the end of the quarter, seven LNG cargoes had been lifted and five sold and delivered to Asian buyers. To date, all cargoes have been sold on the spot market, with sales under our long-term contracts with Sinopec from China, TEPCO and Osaka Gas from Japan and CPC from Taiwan to commence later in 2014.

Operations at the LNG plant site and the HGCP are now focused on an incident-free ramp-up to full capacity. Based on current progress, Oil Search expects the LNG Project to reach annual plateau production, of approximately 21 mmboe (net to Oil Search), by the end of 2014."

PNG LNG Project delivers first LNG cargo to Japan, June 2014

PNG LNG expansion

"Plans for the submission of a development licence application on the P'nyang gas field in PRL 3, as an underwriting gas resource for the potential expansion of the PNG LNG Project, were further matured during the quarter. In addition, as already highlighted, drilling is presently underway on the Hides field, which will assist in defining the reserves potential in Hides."

PRL 15 activities

"During the quarter, Oil Search worked with the PRL 15 operator, InterOil Corporation, on three main streams of technical work. These comprised an appraisal programme on the Elk/Antelope field, further exploration within PRL 15 and a Concept Select process.

Two appraisal wells, Antelope 4 and 5, are expected to commence drilling in the third quarter of 2014 and a comprehensive data acquisition and testing programme is planned. The successful narrowing of the contingent resource range, to determine whether the field can underpin one or two LNG trains, is a key objective over the next six months. Antelope Deep, an exciting exploration prospect to the south of the permit, is being matured for potential drilling during the first half of 2015. In parallel, the joint venture is considering the scope for Concept Select phase studies and surveys, which will address viable LNG development options.

PRL 15 is a key part of Oil Search's portfolio of value-adding growth opportunities in PNG and Oil Search looks forward to utilising its extensive in-country operating experience to add further value to the asset. Our objective is to develop Elk/Antelope in the most timely and capital efficient manner, to realise the full value of this material gas resource and other potential gas within PRL 15, for the benefit of all stakeholders

As previously announced, Oil Search considers that the transfer of an interest in PRL 15 from an InterOil subsidiary to a subsidiary in the Total SA Group, first announced in December 2013, is subject to various consent and pre-emptive rights under the Joint Venture Operating Agreement (JVOA). The arbitration, instigated by Oil Search to ensure that JVOA rights are respected, is proceeding to a hearing in London in late November 2014. A decision from this arbitration is expected during the first quarter of 2015."

Taza oil field, Kurdistan

“Drilling continued at the Taza 2 appraisal well in Kurdistan during the quarter and the well is now at a total depth of 4,200 metres. Hydrocarbon shows have been observed in the Jeribe, Euphrates and Kirkuk intervals, as seen in Taza 1, as well as in a number of deeper intervals, including the Shiranish Formation. We remain very encouraged by the results so far. Despite Taza 2 being located 10 kilometres north of the discovery well, the structural depth is very similar to our original prognosis. Preparations are underway to acquire final wireline logs, followed by flow testing of a number of selected zones. Meanwhile, preparations for drilling the Taza 3 appraisal well in the third quarter are well advanced, with site construction and assembly of the second rig almost complete. A 3D seismic programme, covering an area of more than 500 square kilometres over the block, commenced in early May and is ongoing.

While the security situation in neighbouring provinces of Iraq deteriorated in June, there is currently no direct threat to Oil Search’s Taza operations or our personnel at the rig sites. However, we have implemented a number of precautionary measures to enable the Company to safely suspend drilling operations, if required.”

2014 second quarter production and revenue performance

”Total production in the second quarter of 2014 was 3.69 mmboe, more than double the previous quarter, driven by a 1.87 mmboe contribution from the PNG LNG Project following its start-up during the quarter. Meanwhile, production from our base PNG oil and gas business increased 8%, reflecting a strong performance from the key producing fields, Kutubu and Moran. This took total production for the first half of 2014 to 5.37 mmboe. Based on the current production ramp-up profile of the PNG LNG Project, our 2014 full year production guidance of 17 – 20 mmboe remains unchanged,.

Total operating revenue for the quarter was US$339.7 million, compared to US$170.2 million in the first quarter of 2014. LNG and gas sales totalled US$93.9 million, materially higher than first quarter sales of US$19.2 million, reflecting revenue from the sale and delivery of five LNG spot cargoes during the quarter. Meanwhile, oil and condensate sales volumes grew 67% over the previous quarter, driven by the commencement of PNG LNG condensate sales as well as higher oil liftings. The average realised oil and condensate price was US$111.95 per barrel, while sales of LNG and gas realised an average price of US$14.41 per mmBtu. Total operating revenue for the first half of 2014 was US$510.0 million (US$381.0 million in the first half of 2013).”

Financial position

“At the end of June 2014, Oil Search had US$367.8 million in cash, including US$60.9 million in PNG LNG sales proceeds accounts, and total debt of US$4,134.0 million, comprising US$4,084.0 million drawn from the PNG LNG Project finance facility and US$50.0 million from the Company’s US$500 million revolving corporate facility.

To optimise funding costs, US$150 million of the US$500 million five year revolving debt facility was repaid during the period and a US$250 million bilateral revolving facility was established, to provide additional near-term funding flexibility. At the end of June, this new facility remained undrawn. Based on the Company’s cash position and funding available from both facilities, total liquidity at the end of June was US$1,067.8 million.”

2014 Strategic Review

"The 2014 Strategic Review is progressing well and is expected to be concluded in the third quarter of 2014. Having realised a total shareholder return for the five years to 30 June 2014 of 82.5% (compared to a median return of 29.8% for the ASX 200 Index and a negative median return of 21.9% for the ASX 200 Energy Index), Oil Search's primary objective is to continue to deliver top quartile returns to shareholders. The Strategic Review is designed to establish how this may be achieved. Key areas of focus include how to capture full value from our existing asset base, including our portfolio of growth opportunities, a review of the Company's structure, cost base and operating model and the ongoing development of our people and organisation as well as the optimal balance between delivering growth projects and capital management initiatives. "

Factors affecting the 2014 first half and full year results

"The 2014 first half results are scheduled to be released to the market on Tuesday 19 August. Normalised cash operating costs (including corporate costs) are expected to be in the range of US$22-24 per boe, while non-cash charges, comprising depreciation and amortisation, are expected to be US$10-12 per boe. Additional cash costs for gas purchases for the PDL 1 Hides GTE contract are forecast to be approximately US$19.3 million.

Net finance costs will reflect the expensing of PNG LNG Project borrowing costs, previously capitalised during the construction phase of the Project, which commenced from the start-up of LNG production in late April.

As shown on page 14, US$15.4 million of exploration and evaluation expenditure is expected to be expensed, primarily related to seismic, geological, geophysical and general and administration outlays. The effective tax rate is expected to be broadly in line with the effective tax rate in 2013, of 46%.

At present, the Company does not anticipate any impairment charges in the first half of 2014.

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

Guidance for the 2014 full year key metrics remains unchanged, as follows:

2014 Full Year Guidance

Production	17 – 20 mmboe
Operating costs:	
Cash opex (incl corporate costs)	US$18 – 22 per boe
Hides GTE gas purchase costs	US$37 – 40 million
Business development costs	US$10 – 15 million
Depreciation and amortisation	US$13 – 15 per boe

An update of capital expenditure forecasts will be provided when we report our 2014 half year results."

Oil Search

2014 SECOND QUARTER PERFORMANCE SUMMARY[1]

Production

	Quarter End			Half Year		Full Year
	Jun 2014	Mar 2014	Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Dec 2013
Production data						
PNG LNG Project[2]						
LNG (mmscf)	7,495	619	-	8,114	-	-
Liquids ('000 bbls)[3]	400	0.5	-	401	-	-
PNG crude oil production ('000 bbls)						
Kutubu	966	848	793	1,814	1,573	3,473
Moran	504	492	523	996	988	2,041
SE Mananda	1	4	9	5	10	18
Gobe Main	7	8	10	15	20	36
SE Gobe	27	35	38	62	80	132
Total oil production ('000 bbls)	1,506	1,388	1,373	2,894	2,672	5,700
Hides GTE						
Gas (mmscf)	1,433	1,349	1,349	2,782	2,741	5,514
Liquids ('000 bbls)	30	29	29	59	59	119
Total barrels of oil equivalent ('000 boe)[4]	3,687	1,681	1,627	5,368	3,188	6,737

1. Numbers may not add due to rounding.
2. Production net of fuel, flare and shrinkage. 1Q 2014 production numbers relate to Oil Search's share of PNG LNG Project commissioning gas and associated condensate.
3. PNG LNG liquids comprise condensate and naphtha.
4. Gas and LNG 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. Minor variations to the conversion factors may occur over time.

Sales

	Quarter End			Half Year		Full Year
	Jun 2014	Mar 2014	Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Dec 2013
Sales data						
PNG LNG Project						
LNG (Billion Btu)	4.974	-	-	4.974	-	-
Condensate ('000 bbls)	389	-	-	389	-	-
Naphtha ('000 bbls)	-	-	-	-	-	-
PNG oil ('000 bbls)	1,672	1,233	1,639	2,905	2,869	5,726
Hides GTE						
Gas (Billion Btu)[2]	1.540	1.449	1.446	2.989	2.939	5.910
Condensate and refined products ('000 bbls)[3]	27	25	29	51	56	110
Total barrels of oil equivalent ('000 boe)[4]	3,223	1,514	1,886	4,737	3,367	6,726
Financial data						
LNG and gas sales (US$m)	93.9	19.2	19.3	113.1	39.3	76.9
Oil and condensate sales (US$m)	231.2	136.7	171.5	367.9	311.9	634.5
Other revenue (US$m)[5]	14.7	14.3	14.1	29.0	29.7	54.8
Total operating revenue (US$m)	339.7	170.2	204.9	510.0	381.0	766.3
Average realised oil and condensate price (US$ per bbl)[6]	111.95	110.94	104.38	111.57	108.32	110.57
Average realised LNG and gas price (US$ per mmBtu)	14.41	13.25	13.35	14.20	13.39	13.01
Cash (US$m)	367.8	411.2	292.1	367.8	292.1	209.7
Debt (US$m)						
PNG LNG financing	4,084.0	3,907.8	3,307.9	4,084.0	3,307.9	3,824.4
Corporate revolving facilities[7]	50.0	200.0	Nil	50.0	Nil	200.0
Net debt (US$m)	3,766.2	3,696.6	3,015.8	3,766.2	3,015.8	3,814.8

1. Numbers may not add due to rounding.
2. Relates to gas delivered under the Hides GTE Gas Sales Agreement.
3. Relates to refined products delivered under the Hides GTE Gas Sales Agreement or sold in the domestic market and condensate.
4. Gas and LNG 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. Minor variations to the conversion factors may occur over time.
5. Other revenue consists largely of rig lease income, infrastructure tariffs and refinery and naphtha sales.
6. Average realised price for Kutubu Blend including PNG LNG condensate.
7. At the end of June 2014, the Company had drawn down US$50 million under its US$500 million revolving corporate facility and nil under the new US$250 million bilateral revolving facility.

PRODUCTION PERFORMANCE

Total second quarter production net to Oil Search was 3.69 million barrels of oil equivalent (mmboe), comprising the following:

- PNG base oil and gas production of 1.82 mmboe produced at an average rate of 19,968 barrels of oil equivalent per day (boepd).
- PNG LNG liquids production of 0.4 mmbbl comprising condensate produced during gas processing at the HGCP and naphtha at the LNG plant.
- LNG produced at the PNG LNG plant, net of fuel, flare and shrinkage, of 7,495 mmscf.

PNG LNG Project (29.0%)

Second quarter production from the PNG LNG Project was 1.87 mmboe net to Oil Search, comprising 7.5 bscf of gas for LNG and 0.40 mmbbl liquids.

During the quarter, the construction and start-up of all major equipment and facilities at the HGCP was completed and the plant achieved stable operation and full capacity capability towards the end of the period. Production of condensate, which commenced late in the first quarter from the Wellpad B wells and is being blended with crude oil from Oil Search's existing oil fields and sold as Kutubu Blend, continued to ramp-up, reflecting the tie-in of the Wellpad C and D wells into the HGCP in April and June respectively.

Delivery of gas from the HGCP to the LNG plant began in April while gas from the Oil Search-operated Kutubu fields, which has been a key contributor to the speed of the production ramp-up of the LNG plant, continued to be delivered through the quarter. Installation of the pipeline gathering system, linking the Hides production wells to the HGCP, and the reinstatement of the 292 kilometre 32" main onshore gas pipeline and spinelines, to allow the re-growth of vegetation, was completed.

In June, the first of two Wellpad G wells at Hides reached total depth, encountering the gas-bearing Toro/Digimu reservoirs, as expected. At the end of the quarter, drilling was ongoing on the final development wells at Hides, namely the second Wellpad G well and the PWD well.

At the LNG plant, the construction and commissioning of Train 2 was completed and LNG production commenced ahead of schedule, with the start-up of Train 1 in April, followed by Train 2 in May. The first cargo was loaded in mid-May.

Since Project construction began in 2010, more than 194 million work hours have been completed with a peak workforce of more than 21,000 people, including more than 9,000 PNG nationals. Approximately US$4.4 billion has been spent in PNG, including more than US$1.1 billion with landowner companies.

Kutubu (PDL 2 – 60.0%, operator)

Second quarter oil production net to Oil Search was 0.97 million barrels (mmbbl), 14% higher than the first quarter. Gross production rates averaged 17,681 bopd during the period, up from 15,686 bopd in the previous quarter.

The increase at Kutubu reflected a return to full production following a scheduled plant shutdown in the first quarter of 2014. In addition, the IDT 25 ST2 well, drilled at the end of last year, was fully commissioned and is now producing at sustained rates of approximately 1,800 bopd.

At Agogo, drilling of the Agogo 7 development well in the forelimb of the Agogo field continued during the quarter. The well successfully encountered the Toro and Digimu sands in line with pre-drill expectations and well and log data have confirmed that these intervals are oil bearing. The well was being completed at the end of the quarter with first production expected in late July.

Rig 104 will now be mobilised to Usano to drill Usano 4, testing a similar forelimb structure underlying the Usano 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 second quarter oil production was 0.50 mmbbl, 2% higher than in the first quarter of 2014. The field produced at a gross average rate of 11,194 bopd, up slightly from the last quarter of 11,051 bopd.

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

Oil Search's share of oil production from the Gobe fields in the second quarter of 2014 was 0.03 mmbbl, down 22% from first quarter production levels. This was largely due to a scheduled shutdown of the Gobe Production Facility for routine maintenance and servicing. All wells and facilities were successfully brought back on line following the shutdown.

The gross average production rate for Gobe Main was 18% lower than in the first quarter, at 757 bopd while the gross average production rate at SE Gobe was 22% lower than the previous quarter, at 1,170 bopd, due to the shutdown.

SE Mananda (PDL 2 – 72.3%, operator)

At SE Mananda, Oil Search's share of oil production in the second quarter was 1,036 barrels. The field produced at a gross average rate of 16 bopd compared to 62 bopd in the first quarter.

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

2014 second quarter production of gas for the Hides Gas to Electricity Project was 1.43 bcf, produced at an average daily rate of 15.7 mmcf per day. This was slightly higher than first quarter production of 15 mmcf per day. 30,000 barrels of condensate were produced for use within the Hides facility or transported by truck to the CPF.

EXPLORATION AND APPRAISAL ACTIVITY

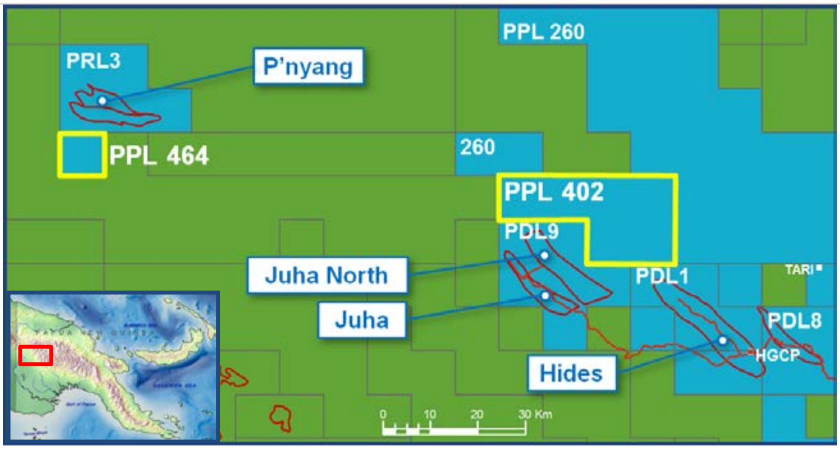
Gas Growth

During the quarter, the PRL 3 Joint Venture continued to make progress on environmental and social field-work studies on the P'nyang gas field in PRL 3 (Oil Search – 38.51%), focusing on the potential development of P'nyang as a resource for PNG LNG Project expansion. As previously indicated, this work is expected to continue through 2014, in preparation for the submission of a development licence application for the field by early 2015.

The acquisition of 71 kilometres of 2D seismic data over the Juha field in PDL 9 (Oil Search – 24.42%) was completed during the quarter. Interpretation of this data will help guide a further 2D seismic programme, currently planned to be acquired over adjacent licences after the wet season.

At Hides, the first of the two Wellpad G wells, which will serve as production wells for the PNG LNG Project as well as help constrain the north-western extent of the Hides gas field, reached total depth, encountering the gas-bearing Toro reservoir. Drilling continues on the second Wellpad G and PWD wells at Hides, which will also help provide a better understanding of the resource base in the field.

In June, the Minister for Petroleum and Energy offered a new exploration licence, PPL 464 in the Hela Province, to Oil Search in a 50:50 partnership with ExxonMobil. Located adjacent to the PRL 3 P'nyang gas field licence, obligations in the first two year period consist of technical studies, field mapping and seismic data acquisition. In addition, Oil Search has entered into a conditional agreement with Strike Oil Limited to acquire a 100% interest in exploration licence PPL 402, located adjacent to the Hides and Juha gas fields in an area believed to be prospective for gas.



Location Map - PPL 464 and 402

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, with the identification of several high-potential areas for further investigation. In the onshore Gulf area, evaluation of PPL 339 is ongoing, with further acquisition of airborne field data and seismic likely in the second half of the year.

In PRL 15, preparations continued for the drilling of two appraisal wells on the Antelope field, with a number of workshops held with InterOil regarding the upcoming appraisal drilling programme and the selection of potential LNG development concepts. The Antelope 4 and Antelope 5 appraisal wells are expected to commence drilling in the third quarter of 2014.

Oil Appraisal

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 ahead. The well is presently at a total depth of 4,200 metres. During the quarter, hydrocarbon shows were observed through the same intervals (Dhiban/Jeribe and Euphrates/Kirkuk Formations) that were hydrocarbon bearing in the Taza 1 discovery well as well as in the deeper Tertiary Jaddala/Aalije and Cretaceous Shiranish Formations. Cores of 18 metres and 9 metres were cut from the Jeribe and Euphrates Formations, respectively, and are currently being analysed. The forward plan is to acquire final wireline logs prior to flow testing a number of selected zones.

The second appraisal well, Taza 3 (Oil Search – 60%, operator), 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. During the quarter, site construction, civil works and rig assembly made significant progress. Taza 3 is expected to help better define the field structural configuration, fluid contacts, reservoir quality and the distribution and nature of fracturing of the carbonate reservoirs. Meanwhile, the acquisition of more than 500 square kilometres of 3D seismic over the Taza block commenced in early May and was one third complete at the end of the quarter. This data will assist in defining the detail of the field structure and location of potential future wells.

Rigging up Taza 3, Taza PSC, Kurdistan Region of Iraq

Evaluation of the results of the Mananda 7 appraisal well (Oil Search – 71.25%, operator), located in PPL 219 in the PNG Highlands continued. The Mananda 6/7 pool is now well constrained. Additional upside exists in the Mananda 5 pool and also in a number of other exploration prospects on the Mananda Ridge. Analysis of the optimum development plan for the discovered resources is being undertaken as part of the development licence application.

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 third quarter of 2014.

Block 7 in Yemen (Oil Search – 34%, operator), remains in a state of force majeure. During the quarter, the Yemeni Government granted a further licence extension until June 2015. 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
Usano 4 UFL A	Near field exploration	PDL 2	60.05%	6° 28' 26.622" S 143° 14' 54.296" E	Rig 104	July 2014
Antelope 4 and Antelope 5	Appraisal	PRL 15	22.835%	TBA	TBA	3Q 2014
Kurdistan Region of Iraq						
Taza 2	Appraisal	Taza PSC	60.0% (75% paying interest)	35° 04' 36.663" N 44° 45' 9.809" E	Sakson Rig PR 3	Ongoing
Taza 3	Appraisal	Taza PSC	60.0% (75% paying interest)	34° 58' 24.031" N 44° 52' 2.682" E	Sakson Rig SK605	3Q 2014

Note: Wells, location and timing subject to change. PNG locations reported in AGD66 datum, Kurdistan locations reported in WGS84 datum.

FINANCIAL PERFORMANCE

Sales revenue

6.5 billion Btu of LNG and gas were sold during the quarter. This was lower than production, primarily due to the build-up of LNG inventory and the timing of LNG cargo deliveries. Oil and condensate sales volumes for the period totalled 2.06 mmbbl, slightly higher than the 1.91 mmbbl produced, due to the timing of shipments. The average oil and condensate price realised during the quarter was US$111.95 per barrel, slightly higher than in the first quarter, while an average price of US$14.41 per mmBtu was realised for LNG and gas sales. The Company did not undertake any hedging transactions during the period and remained unhedged.

Total sales revenue from LNG, gas, oil and condensate for the quarter was US$325.1 million, while other revenue, comprising rig lease income, infrastructure tariffs and refinery and naphtha sales, was US$14.7 million.

Total operating revenue for the six months to 30 June 2014 was US$510.0 million, 34% higher than revenue in the first half of 2013 of US$381.0 million.

Capital management

As at 30 June 2014, Oil Search had cash of US$367.8 million, compared to US$411.2 million at the end of March 2014. The Company had drawn down US$4,084.0 million under the PNG LNG Project finance facility (US$3,907.8 million at the end of March 2014). US$50.0 million of the Company's US$500 million revolving corporate facility was drawn down, compared to US$200.0 million at the end of March 2014. During the quarter, an additional US$250 million of revolving credit facilities was established to provide additional near-term funding flexibility. In May, the Company raised US$169.5 million (A$184 million) from the Share Purchase Plan.

Capital expenditure

During the quarter, exploration and evaluation expenditure totalled US$60.0 million, which included US$21.8 million spent on the Taza 2 and Taza 3 wells in Kurdistan and US$4.4 million of appraisal costs on PRL 15. US$4.5 million of exploration 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 second quarter was US$133.4 million, funded 70% by drawdowns from the PNG LNG Project finance facility and with the remaining 30% funded from cash and operating cash flows. Expenditure on producing assets totalled US$41.3 million, mainly spent on well workovers and the Agogo forelimb development well in PNG.

Summary of investment expenditure and exploration and evaluation expensed[1]

(US$ million)	Quarter End			Half Year		Full Year
	Jun 2014	Mar 2014[2]	Jun 2013	Jan-Jun 2014	Jan-Jun 2013	Dec 2013
Investment expenditure						
Exploration & Evaluation						
PNG	23.7	950.0	81.4	973.7	109.0	206.8
MENA	36.3	27.3	20.5	63.6	58.2	87.1
Total exploration & evaluation	60.0	977.2	102.0	1,037.3	167.2	293.8
Development[3]	133.4	189.6	341.7	323.0	627.6	1,214.0
Production	41.3	19.6	25.6	60.9	79.3	152.6
PP&E	1.9	1.1	2.1	3.0	3.3	11.9
Total	**236.7**	**1,187.5**	**471.5**	**1,424.2**	**877.5**	**1,672.4**
Exploration & evaluation expenditure expensed[4,5]						
PNG	3.1	6.9	0.8	10.0	3.1	67.4
MENA	1.5	3.9	9.3	5.4	27.0	36.3
Total current year expenditures expensed	4.5	10.9	10.1	15.4	30.2	103.7
Prior year expenditures expensed	-	-	-	-	3.7	3.7
Total	**4.5**	**10.9**	**10.1**	**15.4**	**33.9**	**107.4**

1. Numbers may not add up due to rounding.
2. Restated to reflect the 13 March 2014 acquisition of an interest in PRL 15 for US$900 million and associated acquisition costs of US$16.9 million.
3. Includes capitalised interest and finance fees.
4. 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.
5. Numbers do not include expensed business development costs of US$2.7 million in the second quarter of 2014 (US$2.3 million in the first quarter of 2014).

PETER BOTTEN, CBE

Managing Director

22 July 2014

For more information regarding this report, please contact:

Ms Ann Diamant

Group Manager, Investor Relations

Tel: +612 8207 8440

Mob: +61 407 483 128

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 ramp-up 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.