Oil Search

ASX Announcement

2014 First Half Results

19 August 2014

Highlights

Six months to 30 June	2013	2014	% change
Total production (mmboe)	3.188	5.369	+68
Total sales (mmboe)	3.367	4.737	+41
Total revenue (US$m)	381.0	510.0	+34
Net profit after tax (US$m)	113.5	152.5	+34
Operating cash flow (US$m)	214.3	255.4	+19
Interim dividend (US cents/share)	2.0	2.0	unch

- **Net profit after tax for the first half of 2014 was US$152.5 million, 34% higher than in the corresponding period of 2013. The increase reflected the first earnings contribution from the PNG LNG Project, a project that will transform the Company's long term production and financial profile.**

- **Total oil and gas production rose 68% on the same period of 2013, to 5.4 million barrels of oil equivalent (mmboe), while total sales were 4.7 mmboe, including 1.3 mmboe of LNG and condensate from the PNG LNG Project.**

- **Revenue rose 34% to US$510.0 million, driven by first sales from the PNG LNG Project, continued strong oil production and a slightly higher realised oil price of US$111.57 per barrel (US$108.32 per barrel in the first half of 2013).**

- **Production costs were US$15.49 per barrel of oil equivalent (boe) compared to US$17.98 per boe in the first half of 2013, with average costs per barrel expected to decline further in the second half now that the PNG LNG Project is producing at full capacity. Total cash operating costs were in line with guidance, at US$22.83 per boe, compared to US$24.36 per boe in the previous corresponding period.**

- **Operating cash flow rose 19% to US$255.4 million, lagging the significantly higher revenue due to the timing of LNG cargo receipts.**

- **At 30 June 2014, the Company had total liquidity of US$1,067.8 million, comprising US$367.8 million in cash and US$700 million undrawn under the Company's corporate debt facilities.**

- **A 2014 interim unfranked dividend of two US cents per share was announced, payable on 7 October 2014.**

Commenting on the 2014 first half results, Oil Search Managing Director, Peter Botten, said:

"The first half of 2014 was one of the most significant periods in Oil Search's history.

Major milestones were reached in April, when LNG production from the PNG LNG Project commenced, and in May, when the first LNG cargo left PNG bound for Japan. The commencement of revenue streams from the PNG LNG Project signals the start of Oil Search's corporate transformation. Production in the first half of 2014 was 68% higher than in the same period of 2013, while both revenue and net profit increased by 34%. Production is expected to be significantly higher in the second half of the year, now that the PNG LNG Project production ramp-up phase is complete. In 2015, the first full year of operations, the Project is expected to add approximately 21 mmboe net to Oil Search, resulting in total production more than four times 2013 levels.

Another key event during the period was Oil Search's acquisition in March of an interest in PRL 15 in the onshore Papuan Gulf Basin, which contains the Elk/Antelope gas fields. An appraisal programme on this resource, which has the potential to underwrite another major LNG development in PNG, will start soon. Together with potential expansion of the PNG LNG Project, PRL 15 provides Oil Search with a second, commercially attractive, LNG development opportunity and an extremely strong platform for future growth.

The Company is in a good financial position to be able to fund our growth projects, a position that will only strengthen in coming years with steady cash flows now being generated from both the PNG LNG Project and our oil fields."

Dividends

"The Board has approved the payment of an interim unfranked dividend for 2014 of two US cents per share, unchanged from last year. A fully underwritten dividend reinvestment plan will fund this payment. (See separate 2014 Interim Dividend and DRP announcement for more information on the dividend payment).

At present, Oil Search's share of sales proceeds from the PNG LNG Project, after deducting operating and debt servicing costs, is being held in an escrow account until the Project has been certified as technically and operationally complete and having met all its environmental and social obligations. Based on the current performance of the Project, we anticipate that certification will take place in early 2015. With completion in sight, it is the Board's present intention to increase dividend payments commencing with the 2014 final dividend. The appropriate future balance between reinvestment of cash flows to finance high returning growth opportunities and capital returns to shareholders is being analysed as part of the Strategic Review, which is currently underway. The outcome of this review will be provided to the market in the fourth quarter."

PNG LNG Project

"Both PNG LNG Project LNG trains are now operating at full capacity, just three months after first production. ExxonMobil's development personnel are being steadily demobilised and, as they leave, I would like to congratulate them for delivering the Project ahead of schedule, within the revised budget and, together with the new Production Team, for completing the commissioning and ramp-up phase safely and efficiently.

The only remaining development activity for this phase of the Project is the completion of drilling. The second of the two Hides Wellpad G wells, G2, and the Produced Water Disposal (PWD) well are both expected to reach their objective before the end of the third quarter. Two production wells on the Angore field and a production/exploration well, Hides F1 Deep, will then be drilled prior to demobilisation of the two Nabors rigs.

The Production Team, comprising some 750 full time employees and contractors (of which approximately 50% are PNG citizens) working at Hides, the LNG Plant site and the Port Moresby PNG LNG Project office, is now in place and operating well. The focus for the team is to ensure continued incident free operations and to optimise the performance of the infrastructure that has been built."

Gas growth

"One of Oil Search's key objectives for 2014 is to determine how much further gas is available in its PNG licence portfolio, to provide gas feedstock for additional LNG production. Oil Search has extensive interests in two major gas hubs, the NW Highlands and the Papuan Gulf Basin, both of which have the potential to underpin the next phase of LNG development.

Based on the existing proven resource in the P'nyang gas field in PRL 3, preparations remain on track for the submission, in early 2015, of a development licence application, with P'nyang being used as a source of gas for a potential expansion of the PNG LNG Project.

Completion of planned drilling activity in the Hides field area remains a high priority, as Oil Search believes there is potential for considerable gas upside. As previously reported, the development wells being drilled this year on Hides will help constrain gas volumes at the Toro/Digimu level. Once the G2 and PWD wells have completed drilling, the data gathered from all the development wells will be used to refine our Hides structural and reservoir models. Towards the end of the year, we expect the operator to commence drilling the Hides F1 Deep well. With a surface location close to the crest of the structure near Hides 1, this well is being designed as both a Toro producer and to penetrate the Koi-Iange reservoir for the first time at Hides. Based on current mapping, the Koi-Iange reservoir is located some 700 metres below the Toro and is prospective for gas.

To ensure the Company is continually refilling its inventory of future Highlands gas exploration opportunities, over the past six months field work and seismic acquisition has taken place in a number of areas close to the existing PNG LNG Project gas fields. This work will continue over the balance of the year, with the objective of maturing a number of prospects for potential drilling in 2015. In addition, Oil Search has aggressively expanded its Highlands acreage footprint during 2014, taking an interest in PPL 464, south of the P'nyang field and entering a conditional agreement to acquire 100% of PPL 402, located north of the Hides and Juha gas fields. Most recently, the Company has entered a conditional agreement to acquire a 10% interest in PPL 269, located south of the P'nyang field, and is currently acquiring an extensive 2D seismic programme, aimed at confirming prospects to be drilled in late 2015. All these new licences are believed to have additional gas potential.

In PRL 15 in the Papuan Gulf Basin, site preparation for the Antelope 4 and 5 wells is close to completion with both wells expected to spud in the third quarter of 2014. A comprehensive data acquisition and testing programme is planned for these wells. Work has also commenced on a possible third appraisal well, Antelope 6, and an exploration prospect, Antelope Deep, located south of Antelope, is being matured for likely drilling during the first half of 2015.

The PRL 15 joint venture is presently scoping Concept Select studies and surveys, which are likely to assess a number of LNG development options, ranging from an integrated development at existing facilities through to a greenfields LNG development. Given our extensive in-country operating experience and proven ability to deliver, Oil Search will be seeking to provide leadership on a number of the Concept Select activities.

As highlighted in the second quarter results, the arbitration, 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, is proceeding to a hearing in London in late November 2014. A decision from this arbitration is expected during the first quarter of 2015."

Oil appraisal

"The results of the Taza 2 well, located 10 kilometres north of the Taza 1 well in the Kurdistan Region of Iraq, have been very encouraging. The well has confirmed that the Taza structure extends up to, and beyond, this northerly location and that hydrocarbons are present in all the hydrocarbon-bearing intervals discovered in Taza 1, as well as in several deeper intervals.

Due to the recent increase in regional tensions, our ability to deploy key skilled technicians, equipment and materials to the Taza 2 well site has been interrupted. Consequently, in consultation with Kurdistan's Ministry for Natural Resources, we have decided to temporarily suspend the well. As the security situation at Taza is presently stable, our other operations, including rigging-up at the Taza 3 appraisal well site and the acquisition of 570 square kilometres of 3D seismic, are ongoing. We are continuing to monitor the security situation closely and plan to re-commence Taza 2 operations once we are confident that the long term integrity of our supply chain has been safely re-established.

Further appraisal drilling on this potentially very large oil field is planned. Taza 3, located six kilometres south of Taza 1, will help establish the southerly extent of the structure, while a further appraisal well, Taza 4, will be drilled towards the west, in an area where fracturing is believed to be significantly better developed than in the Taza 1 and Taza 2 areas. If this is the case, Taza 4 flow rates could be materially higher than at Taza 1 and those anticipated at Taza 2, which are both in areas where natural fractures are only lightly developed.

In the PNG Highlands, the Mananda 7 well completed drilling early in 2014. Data from the well indicated the Mananda structure is more complex than originally mapped. Additional upside has been identified in the Mananda 5 Block and in other prospects, including Mananda Deep, which lies below the existing Mananda discoveries. Evaluation of the development options for Mananda and the exploration prospects continues, with further drilling planned for 2015."

Strategic Review Update

"The 2014 Strategic Review is now well advanced with a series of major work streams being progressed. These include an analysis of the potential value of our existing assets, how to optimise the development of future gas projects, how to further develop our exploration portfolio, in conjunction with commercialisation opportunities, and how to balance the allocation of capital invested in these high returning growth projects with capital management initiatives. Work also includes how to maintain a stable operating environment and how to manage these risk, as well as covering organisational requirements and succession planning, in order to continue to deliver top quartile returns to our shareholder over the next five-plus years. The review is expected to be finalised late in the third quarter of 2014 and we plan to communicate the outcomes to the market through the rest of the year. Early results of this work indicate we have unprecedented opportunities to build our business through high returning investments, whilst managing growing and more challenging operating risks."

Safety performance

"Oil Search recorded a Total Recordable Injury Rate (TRIR) of 1.86 per million hours worked during the first half of 2014, compared to 2.47 per million hours worked in 2013. This result represents an encouraging improvement in safety performance, particularly as the Company expanded its operations in Kurdistan and successfully completed a number of Oil Search-operated projects associated with the PNG LNG Project during the period.

During the second half of the year, we will continue the focus on simplifying safety systems and improving the Company's safety culture throughout all areas of operation."

Outlook for the second half of 2014

"With both PNG LNG Project LNG trains operating at full capacity, production in the second half of 2014 is expected to be materially higher than that achieved in the first half. Our production guidance has been narrowed, from 17 – 20 mmboe to 18 – 20 mmboe, based on the PNG LNG plant performance during start-up and commissioning. Forecasts are subject to no major interruptions being experienced over the balance of the year.

Higher production and sales will flow through to earnings and further strengthen our balance sheet position."

Full Year Guidance[1]:

Year to December	FY 2014 Guidance
Production	
Oil Search operated (PNG oil and gas)	6.5 – 6.9 mmboe[2]
PNG LNG Project	
LNG	49 – 57 bcf
Liquids	1.8 – 2.0 mmbbl
Total PNG LNG Project	11.5 – 13.1 mmboe[2]
Total production	**18 – 20 mmboe**
Operating costs	
Production costs	US$12 – 15/boe
Other operating costs[3]	US$130 – 150 million
Depreciation and amortisation	US$13 – 15/boe
Capital costs	
PNG producing fields	US$110 – 130 million
PNG LNG Project	US$450 – 575 million
Exploration and evaluation	US$1,300 – 1,380 million[4]
Property, plant and equipment	US$15 – 25 million
Total	**US$1,875 – 2,110 million**

1. Numbers may not add due to rounding.
2. Gas volumes 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.
3. Includes Hides GTE gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, corporate administration costs (including business development) and inventory movements.
4. Includes PRL 15 acquisition and associated costs of US$918.3 million.

FINANCIAL PERFORMANCE SUMMARY[1, 2, 3]

Six months to 30 June	2013	2014	% change
Sales data			
PNG LNG Project			
LNG (Billion Btu)	-	4,974	na
Condensate ('000 bbls)	-	389	na
Naphtha ('000 bbls)	-	-	na
PNG oil ('000 bbls)	2,869	2,905	+1
Hides GTE			
Gas (Billion Btu)	2,939	2,989	+2
Condensate & refined products ('000 bbls)	56	51	-9
Total barrels of oil equivalent sold ('000 boe)	3,367	4,737	+41
Average realised oil and condensate price (US$/bbl)	108.32	111.57	+3
Average realised LNG and gas price (US$/mmBtu)	13.39	14.20	+6
Financial data (US$ million)			
Revenue from operations	381.0	510.0	+34
Costs of production	(88.6)	(96.3)	+9
Other cash operating costs	(18.0)	(27.1)	+51
Other income	0.2	7.3	N.M.
EBITDAX	274.6	393.9	+43
Depreciation and amortisation	(24.7)	(59.2)	+140
Exploration costs expensed	(33.9)	(15.4)	-55
EBIT	216.1	319.3	+48
Net financing costs	(7.5)	(41.8)	+457
Profit before tax	208.6	277.5	+34
Taxation expense	(95.1)	(125.0)	+31
Profit after tax	**113.5**	**152.5**	**+34**
Per share data (US cents)			
Basic EPS before significant items	8.49	10.59	+25
Diluted EPS before significant items	8.46	10.56	+25
Net operating cash flow per share	16.0	16.8	+5
Interim dividend	2.0	2.0	unch

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

Oil and gas production and sales

Oil and gas production in the first half of 2014 was 5.37 million barrels of oil equivalent (mmboe), up 68% from 3.19 mmboe in the first half of 2013. 2014 first half production comprised 3.35 million barrels (mmbbl) of oil and liquids and 2.02 mmboe of LNG and gas (2.73 mmbbl and 0.46 mmboe respectively in the previous corresponding period). The increase was driven by the commencement of production of LNG and associated liquids from the PNG LNG Project, combined with an 8% increase in oil field production, with a strong performance at both Moran and Kutubu, underpinned by excellent contributions from recently drilled wells.

Total hydrocarbon sales for the six months to 30 June 2014 were 4.74 mmboe, up 41% from 3.37 mmboe in the corresponding period of 2013. Sales were lower than production volumes primarily due to the build-up of LNG inventory and the timing of shipments. 3.34 mmbbl of oil, condensate and refined products were sold, up from 2.93 mmbbl in the corresponding period of 2013. LNG sales totalled 4,974 billion Btu while gas sales from the Hides GTE Project increased 2% to 2,989 billion Btu.

Realised prices

Oil Search realised an average oil and condensate price of US$111.57 per barrel in the first half of 2014, 3% higher than the price achieved in the first half of 2013 of US$108.32 per barrel. No hedging was undertaken during the period. The average realised LNG and gas price during the period was US$14.20 per mmBtu (on a delivered basis) compared to US$13.39 per mmBtu in the same period of 2013, reflecting the change in product mix following the commencement of LNG sales.

Operating revenue

Total revenue from operations was US$510.0 million, a 34% increase on the first half of 2013. This reflected higher sales volumes following the PNG LNG Project start-up, with revenue from the PNG LNG Project totalling US$117.3 million, combined with an improvement in realised oil prices. Other revenue decreased marginally due to lower refinery sales.

Revenue (US$ million)

Six months to 30 June	2013	2014	% change
Sale of LNG and gas	39.3	113.1	+188
Sale of oil and condensate	311.9	367.9	+18
Other revenue[1]	29.7	29.0	-2
Total	**381.0**	**510.0**	**+34**

1 Primarily rig lease income, infrastructure tariffs and refinery and naphtha sales.

Operating costs

Total operating costs increased from US$106.6 million in the first half of 2013, to US$123.4 million. This was largely driven by a 45% increase in production costs (US$83.1 million compared to US$57.5 million in the previous corresponding period) related to the start-up of the PNG LNG Project. However, production costs on a per barrel of oil equivalent basis declined from US$17.98 per boe in the first half of 2013 to US$15.49 per boe, reflecting lower average PNG LNG Project unit production costs relative to average oil field unit production costs. Other operating costs decreased from US$49.1 million in the first half of 2013 to US$40.3

million, mainly due to inventory build-up for the PNG LNG Project, partially offset by selling and distribution costs attributed to the commencement of LNG sales cargoes.

Operating costs (US$ million)

Six months to 30 June	2013	2014	% change
Production costs	57.5	83.1	+45
Royalties and levies	5.9	7.7	+32
Gas purchases	19.0	19.3	+1
Inventory movements	6.2	(13.8)	-322
	88.6	96.3	+9
Other cash operating costs	18.0	27.1	+51
Total operating costs	**106.6**	**123.4**	**+16**

Depreciation and amortisation

Total depreciation and amortisation was US$59.2 million compared to US$24.7 million in the six months to June 2013. The increase was driven primarily by the commencement of depreciation and amortisation of PNG LNG Project assets. On a unit of production basis, non-cash costs increased from US$7.74 per boe to US$11.03 per boe.

Non-cash costs (US$ million)

Six months to 30 June	2013	2014	% change
Oil and gas assets	17.9	51.8	+190
Rig assets	3.9	3.7	-5
Corporate assets	2.9	3.6	+24
Total	**24.7**	**59.2**	**+140**

Exploration expense

In line with the successful efforts accounting policy, all costs associated with unsuccessful drilling, seismic work and other support costs related to exploration activity are expensed. This resulted in a pre-tax charge of US$15.4 million in the first half of 2014, which largely comprised seismic, geological, geophysical and general and administration expenses and was lower than in the previous corresponding period due to no well write-offs and a greater focus on appraisal work in 2014.

Interest income/expense

US$41.8 million of net finance costs were expensed during the first half of 2014, compared to US$7.5 million in the corresponding period of 2013. In late April, PNG LNG Project borrowing costs (which were capitalised during the construction phase of the Project) started to be expensed. In addition, interest costs and commitment fees were incurred on the Company's revolving corporate facilities.

Taxation expense

Income tax on statutory profit in the first half of 2014 was US$125.0 million (US$95.1 million in the corresponding period of 2013). The increase in tax expense was driven primarily by the higher level of profitability. The effective tax rate of 45% was marginally lower than the first half 2013 effective tax rate of 46%, reflecting the lower statutory tax rate for the PNG LNG Project of 30% compared to 50% applying to oil field earnings in PNG.

Operating cash flows

Cash flow (US$ million)

Six months to 30 June	2013	2014	% change
Net receipts	278.4	309.9	+11
Net interest paid	(2.4)	(4.8)	+104
Tax paid	(51.5)	(37.5)	-27
Exploration and evaluation expensed	(10.2)	(12.2)	+20
Operating cash flow	214.3	255.4	+19
Net investing cash flow	(791.5)	(1,377.1)	+74
Net financing cash flow	381.1	1,279.8	+236
Net cash flow	(196.1)	158.1	+181
Net operating cash flow/share (US cents)	16.0	16.8	+5

2014 first half operating cash flows increased 19%, from US$214.3 million to US$255.4 million, due to the commencement of cash flows from PNG LNG Project LNG and condensate sales.

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

Net investing cash flow (US$ million)

Six months to 30 June	2013	2014	% change
PNG LNG Project	(571.7)	(266.5)	-53
Exploration and evaluation[1]	(134.6)	(1,032.6)	+667
Producing activities	(93.1)	(65.8)	-29
Property, plant and equipment	(2.0)	(2.8)	+39
Loan to third party [2]	(14.3)	(9.4)	-34
Proceeds from sale of investment	24.1	-	na

1 Includes US$900 million and US$0.4 million of associated acquisition costs relating to the purchase of an interest in PRL 15.

2 The financial loan relates to an appraisal and development opportunity in the Middle East region. Oil Search has extended a loan to a company which holds a 100% interest in the licence containing this opportunity. Oil Search's entry into the licence is subject to the relevant government approvals, with the details to remain confidential until that occurs. As at 30 June 2014, Oil Search's total financial investment in this opportunity (shown under 'Other financial assets' in the Statement of Financial Position) was US$85.8 million (US$75.5 million as at 31 December 2013).

The Company distributed US$29.9 million to shareholders by way of the 2013 final dividend, funded by a fully underwritten dividend reinvestment plan.

Financial position

Net debt (US$ million)

As at	30 Jun 2013	31 Dec 2013	30 Jun 2014
Cash and short-term deposits	292.1	209.7	367.8
Debt[1]			
PNG LNG financing	(3,307.9)	(3,824.4)	(4,084.0)
Corporate revolving facilities	-	(200.0)	(50.0)
Total	(3,307.9)	(4,024.4)	(4,134.0)
Net debt	(3,015.8)	(3,814.8)	(3,766.2)
Total liquidity	792.1	509.7	1,067.8

1. Excludes finance leases presented as 'Borrowings' in the Statement of Financial Position.

As at 30 June 2014, Oil Search had a net debt position of US$3,766.2 million, comprising PNG LNG Project finance debt of US$4,084.0 million, US$50.0 million drawn from the US$500 million five year revolving debt facility and US$367.8 million of cash, of which US$60.9 million is escrowed in PNG LNG Project sales proceed accounts.

During the period, the Company established two US$125 million bilateral revolving facilities to provide additional near term funding. At the end of June these facilities, and US$450 million from the existing corporate revolving facility, remained undrawn.

In March 2014, Oil Search completed a placement of 149.4 million shares to the Independent State of Papua New Guinea at A$8.20 per share, proceeds of which were used to fund the purchase of a 22.835% interest in PRL 15. In May, 22.3 million shares were issued to eligible shareholders under a Share Purchase Plan, also at A$8.20 per share.

DIVIDENDS

The Board of Directors has announced an interim dividend for 2014 of two US cents per share, consistent with dividend levels in previous years and in line with the Board's policy to maintain steady dividends until financial completion of the PNG LNG Project.

The Record Date for the interim dividend payment is 11 September 2014 and the Payment Date is 7 October 2014. The shares will trade ex-dividend from 9 September 2014.

The Company's Dividend Reinvestment Plan (DRP) will operate for the interim dividend and it is intended that any shortfall be underwritten. The last date to elect to participate in the DRP for the 2014 interim dividend is 12 September 2014.

FIRST HALF 2014 PRODUCTION SUMMARY [1, 2, 3]

Six months to 30 June	2013		2014		% change	
	Gross daily production	Net to OSH	Gross daily production	Net to OSH	Gross daily production	Net to OSH
Gas production	**mmscf/d**	**mmscf**	**mmscf/d**	**mmscf**		
PNG LNG gas	-	-	142.79	7,496	-	-
Hides GTE	15.14	2,741	15.38	2,785	+2	+2
Total gas produced	15.14	2,741	158.17	10,280	+945	+275
Oil production	**bopd**	**mmbbl**	**bopd**	**mmbbl**		
Kutubu	14,476	1,573	16,689	1.814	+15	+15
Moran	11,029	0.988	11,122	0.997	+1	+1
Gobe Main	1,108	0.020	844	0.015	-24	-24
SE Gobe	1,730	0.080	1,347	0.062	-22	-22
SE Mananda	77	0.010	39	0.005	-50	-50
Total PNG oil	28,420	2.672	30,041	2.893	+6	+8
Hides GTE liquids	326	0.059	328	0.059	-	-
PNG LNG liquids	-	-	7,628	0.400	-	-
Total oil and condensate	28,746	2.731	37,997	3.353	+32	+23
	boepd	**mmboe**	**boepd**	**mmboe**		
Total production	31,271	3.188	69,011	5.369	+121	+68

1. Prior period comparatives updated for subsequent changes.
2. Numbers may not add due to rounding.
3. 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.

Gas/LNG Glossary and Conversion Factors Used

Mmscf	Million (10^6) standard cubic feet
mmBtu	Million (10^6) British thermal units
Billion Btu	Billion (10^9) British thermal units
MTPA (LNG)	Million tonnes per annum
Boe	Barrel of oil equivalent
1 mmscf LNG	Approximately 1.13 billion Btu
1 boe	Approximately 5,100 standard cubic feet
1 tonne LNG	Approximately 52 mmBtu

Note: Minor variations in conversion factors may occur over time, due to changes in gas composition.

PETER BOTTEN, CBE

Managing Director

19 August 2014

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Presentation and Webcast

Oil Search will be holding a presentation for analysts and fund managers at 11.00 am AEDT today, 19 August 2014. The presentation will be webcast live over Oil Search's website. To listen to the webcast, please log on to www.oilsearch.com. If you experience any technical difficulties, please call: +61 2 8280 6000.

The webcast will be available in archive form on the Oil Search website 2 – 3 hours after the completion of the presentation.

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.

APPENDIX 4D

This information should be read in conjunction with the Financial Report for the half-year ended 30 June 2014.

Results for announcement to the market

			Half-year ended 30 June 2014		Half-year ended 30 June 2013	
			US$'000	A$'000 (1)	US$'000	A$'000 (1)
Revenue from ordinary activities	*up*	*33.9%*	**509,989**	**557,434**	380,995	375,309
Profit from ordinary activities after tax attributable to members	*up*	*34.4%*	**152,483**	**166,669**	113,480	111,787
Net profit for the period attributable to members	*up*	*34.4%*	**152,483**	**166,669**	113,480	111,787

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

Dividends

	Half-year ended 30 June 2014		Half-year ended 30 June 2013	
	US cents	A cents	US cents	A cents
Interim dividend paid per security (2)	**2.00**	**TBA** (3)	2.00	1.91 (3)

Details of Dividend Reinvestment Plan

The Company advises the continuation of its Dividend Reinvestment Plan (DRP) for the 2014 interim dividend. The issue price of DRP shares will be based on the volume weighted average price (VWAP) over a period of 10 trading days commencing on 16 September 2014. The price of shares issued under the DRP will be at a 2.0% discount to the VWAP. The last date for the receipt of an election notice to participate in the DRP is the 12 September 2014, the business day following the interim dividend record date.

Net tangible assets

	30 June 2014		30 June 2013	
	US$	A$(4)	US$	A$(4)
Net tangible asset backing per ordinary security	**3.18**	**3.38**	2.34	2.52

Details of entities over which control was gained or lost

On 13 March 2014, Oil Search Limited acquired 100% of the issued share capital of the following entities:

– Pac LNG Investments Limited;
– Pac LNG Assets Limited;
– Pac LNG International Limited;
– Pac LNG Overseas Limited; and
– Pac LNG Holdings Limited.

There were no acquisitions or disposals of controlled entities during the half-year ended 30 June 2013.

(1) Amounts shown have been converted from US$ to A$ at the average exchange rate for the half-year of 0.9149 (2013: 1.0151).
(2) No franking credits available on dividends, as Oil Search Limited is incorporated in Papua New Guinea.
(3) The Australian dollar amount will be fixed at the rate of exchange applicable on the day of the record date for determining entitlements to the interim ordinary dividend, being 11 September 2014 (2013: 12 September 2013).
(4) Amount has been converted from US$ to A$ at the 30 June 2014 exchange rate of 0.9420 (30 June 2013: 0.9275).

OIL SEARCH LIMITED
and its subsidiaries

ARBN 055 079 868

Consolidated Interim Financial Report for the half-year ended 30 June 2014

OIL SEARCH LIMITED
and its subsidiaries
ARBN 055 079 868

The Directors submit their report for the half-year ended 30 June 2014.

DIRECTORS

The names, details and shareholdings of the Directors of Oil Search Limited ("the Company") in office during or since the end of the financial half-year are:

Mr RJ Lee, BEng (Chem) (Hons), MA (Oxon), FAICD, (Chairman) Non-Executive, *64 years*
Mr Lee joined the Board on 9 May 2012 and was appointed Chairman on 28 February 2013. Mr Lee has extensive resource banking and international commercial experience. His previous senior executive roles include 16 years with CSR Limited and 9 years in the position of Chief Executive Officer of NM Rothschild Australia Limited. Mr Lee is a Director of Newcrest Mining Limited. *Ordinary shares, fully paid: 71,829*

Mr PR Botten, CBE, BSc, ARSM, (Managing Director), Executive, *59 years*
Mr Botten was appointed Managing Director on 28 October 1994, having previously filled both exploration and general manager roles in the company since joining in 1992. He has extensive worldwide experience in the oil and gas business, previously holding various senior technical and managerial positions in a number of listed and government owned organisations. Mr Botten is immediate past President of the Papua New Guinea Chamber of Mines and Petroleum and is on the Executive Committee of the Australia PNG Business Council. He is also a Director of Business for Millennium Development. He was awarded Commander of the Order of the British Empire (CBE) in the 2008 Queen's Birthday Honours List for services to commerce and the mining and petroleum industry in Papua New Guinea. *Ordinary shares, fully paid: 2,322,403; Performance Rights: 711,300; Restricted shares: 236,221*

Mr G Aopi, CBE, BEc, BAC, MBA, Executive, *60 years*
Mr Aopi joined the Board as an Executive Director on 18 May 2006 and presently holds the position of Executive General Manager External & Government Affairs and Sustainability. Mr Aopi has substantial public service and business experience in Papua New Guinea, having had a long and distinguished career in government, with a number of important positions, including Secretary for Finance and Planning and Managing Director of Telikom PNG Ltd. He was previously the Chairman of Telikom PNG Ltd and Independent Public Business Corporation (IPBC). Mr Aopi is a Director of Steamships Trading, Bank of South Pacific and a number of other private sector and charitable organisations in Papua New Guinea. *Ordinary shares, fully paid: 419,300; Performance Rights: 154,400; Restricted shares: 62,460*

Mr KG Constantinou, OBE, Non-Executive, *56 years*
Mr Constantinou joined the Board on 16 April 2002. He is a prominent business identity in Papua New Guinea, holding a number of high level public sector and private sector appointments. Mr Constantinou is Chairman of various companies, including Airways Hotel & Apartments Limited, Lamana Hotel Limited, Lamana Development Limited, Hebou Constructions, Alotau International Hotel, Pacific Games 2015 Authority and Bank of South Pacific. He is a Director of Heritage Park Hotel in Honiara, Gazelle International Hotel in Kokopo, Grand Pacific Hotel in Fiji, Taumeasina Island Resort in Samoa and Good Taste Company in New Zealand. Mr Constantinou is also Vice Chairman of the Employers Federation of Papua New Guinea and Honorary Consul for Greece in Papua New Guinea. *Ordinary shares, fully paid: nil*

Ms FE Harris, BCom, FAICD, FCA (Aust), *53 years*
Ms Harris joined the Board on 1 March 2013. Ms Harris has over 19 years of experience as a non-executive director, including on the boards of numerous resource and other companies in the ASX50, ASX100 and ASX200, and several with international operations. She is currently a non-executive director of listed entities BWP Trust, Infigen Energy Limited and Sundance Resources Limited. Prior to commencing her career as non-executive director, Ms Harris was a partner at KPMG, working in Perth, San Francisco and Sydney. *Ordinary shares, fully paid: 31,882*

Dr AJ Kantsler, BSc (Hons), PhD, GAICD, FTSE, Non-Executive, *63 years*
Dr Kantsler joined the Board on 19 July 2010. Dr Kantsler worked with Woodside Petroleum for 15 years, where he was most recently the Executive Vice President Health, Safety and Security. Dr Kantsler was Woodside Petroleum's Executive Vice-President Exploration & New Ventures from 1996 to 2009. Before joining Woodside Petroleum, Dr Kantsler had extensive experience with the Shell Group of Companies working in various exploration roles in Australia and internationally. Dr Kantsler has been a director of Forte Consolidated Limited and Savcor Limited. He was also Councillor and Director of the Australian Petroleum Production and Exploration Association (APPEA) for 15 years, where, as well as being chairman of several of APPEA's committees, he was Chairman from 2000 to 2002. In 2005, Dr Kantsler was awarded the APPEA Reg Sprigg Medal for his outstanding contribution to the oil and gas industry in Australia. Dr Kantsler was also a founding member of the Australian Government's Council for Australian Arab Relations (CAAR), where he served for two terms. He is Managing Director of Transform Exploration Pty Ltd, a Director of Apprenticeships Australia Pty Ltd and the Chamber of Commerce & Industry, WA. *Ordinary shares, fully paid: 45,623*

Mr B Philemon, Non-Executive, *69 years*
Mr Philemon joined the Board on 5 November 2012. Mr Philemon is acknowledged as one of Papua New Guinea's most influential leaders, with distinguished careers in both business and public service. Mr Philemon's career highlights include serving as Chairman of Air Nuigini and holding a number of ministerial posts in PNG Government, including Minister of Foreign Affairs and Minister for Finance and Treasury. Mr Philemon served as the member for Lae Open in Government from 1992 until the 2012 elections. Mr Philemon is a director of Highlands Pacific Limited and the Bank of Papua New Guinea. *Ordinary shares, fully paid: 7,223*

Mr KW Spence, BSc (Geophysics) (Hons), Non-Executive, *60 years*
Mr Spence joined the Board on 9 May 2012. Mr Spence brings over thirty years of oil and gas experience to the Board, having served in senior executive positions with Woodside Petroleum Limited, including Chief Operating Officer and Acting Chief Executive. Mr Spence was with Shell for 18 years prior to Woodside. Mr Spence is Chairman of Geodynamics Limited. He also chairs a number of other bodies, including the National Offshore Petroleum Safety and Environmental Management Authority Board.Ordinary *shares, fully paid: 25,000*

Dr ZE Switkowski, AO, BSc (Hons), PhD, FAICD, FTSE, Non-Executive, *66 years*
Dr Switkowski joined the Board on 22 November 2010. Dr Switkowski's career highlights include serving as Chief Executive Officer and Managing Director of Telstra, Chief Executive Officer of Optus and Chairman and Managing Director of Kodak (Australasia). Dr Switkowski is Chairman of Suncorp Group and NBN Co and is a director of Tabcorp Limited. He is also Chancellor of the Royal Melbourne Institute of Technology (RMIT University). Dr Switkowski is former Chairman of the Australian Nuclear Science and Technology Organisation and Opera Australia. He holds a PhD in nuclear physics from the University of Melbourne. *Ordinary shares, fully paid: 201,829*

GROUP SECRETARY
Mr SW Gardiner, BEc (Hons), CPA, *56 years*
Mr Gardiner joined Oil Search Limited in 2004, after a twenty year career in finance at two of Australia's largest multinational construction materials companies and a major Australian telecoms company. Mr Gardiner's roles at Oil Search have covered senior corporate finance and corporate services responsibilities. In November 2012 Mr Gardiner was appointed to the position of Chief Financial Officer of Oil Search. Mr Gardiner is also the Group Secretary of Oil Search, a role he has held since May 2009. *Ordinary shares, fully paid: 294,447; Performance Rights: 146,700; Restricted shares: 35,823*

RESULTS AND REVIEW OF OPERATIONS

Financial

During the period, the consolidated entity made a net profit after tax of US$152.5 million (June 2013: US$113.5 million). The net profit was after providing for income tax of US$125.0 million (June 2013: US$95.1 million).

Operations

Total production for the first half of 2014 was 5.369 million barrels of oil equivalent (mmboe), or 68% higher than in the first half of 2013 (3.188 mmboe). Costs of production were US$7.8 million higher at US$96.3 million, compared to US$88.6 million in the previous corresponding period.

Revenue for the first half of 2014 was US$510.0 million, 33.9% higher than the first half 2013 outcome of US$381.0 million. This result reflected the delivery of 5 spot cargoes of liquefied natural gas (LNG) following commencement of production at the PNG LNG Project in April 2014. Oil and condensate sales volumes for the first half of 2014 totalled 3.30 million barrels (mmbbl), 14.6% higher than the 2.88 mmbbl for the first half of 2013, due to commencement of PNG LNG condensate sales, higher oil production and the timing of shipments. The average realised oil and condensate price for the first half of 2014 was US$111.57 per barrel, or US$3.25 higher than the US$108.32 per barrel realised in the first half of 2013. The Company did not establish any oil hedges during the period and remains unhedged to oil price movements.

Amortisation and depreciation charges increased by 140.0%, or US$34.5 million, from US$24.7 million to US$59.2 million, primarily due to commencement of depreciation on the PNG LNG Project assets.

Exploration and evaluation costs expensed in the first half of 2014 totalled US$15.4 million, compared to US$33.9 million in the previous corresponding period, due to decreased seismic, G&A and G&G activity, and no exploration well write-offs compared to the prior first half. As at 30 June 2014, carried forward exploration costs totalled US$1,618.2 million (December 2013: US$594.2 million), including the PRL 15 licence interest acquired in March 2014.

Income tax expense increased to US$125.0 million in the first half of 2014 compared to US$95.1 million in the prior corresponding period, representing an effective tax rate of 45% (June 2013: 46%).

Operating cash flow of US$255.4 million (June 2013: US$214.3 million) was generated during the half-year, an increase of 19.2% on the corresponding period in 2013. At 30 June 2014, the Company held cash of US$367.8 million (December 2013: US$209.7 million). Borrowings totalled US$4,143.0 million (December 2013: US$4,024.4 million), representing drawdowns under the PNG LNG Project finance facility, the US$500 million corporate revolving facility and finance leases.

DIVIDENDS

Subsequent to balance date, the directors have approved the payment of an unfranked interim dividend of US 2 cents per ordinary share to ordinary shareholders in respect of the half-year ended 30 June 2014. The due date for payment is 7 October 2014 to all holders of ordinary shares on the Register of Members on 11 September 2014. Dividends paid and declared during the period are recorded in note 9 to the financial statements.

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

AUDITOR'S INDEPENDENCE DECLARATION
Deloitte Touche Tohmatsu's Independence Declaration is included at page 5.

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

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

....
RJ LEE
Chairman

....
PR BOTTEN
Managing Director

Sydney, 18 August 2014

Deloitte Touche Tohmatsu
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The Directors
Oil Search Limited
Ground Floor, Credit House
Cuthbertson Street, Port Moresby
Papua New Guinea

18 August 2014

Dear Sirs

Auditor's Independence Declaration to Oil Search Limited

I am pleased to provide the following declaration of independence to the directors of Oil Search Limited.

As lead audit partner for the review of the financial statements of Oil Search Limited for the half-year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Australian Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountant

OIL SEARCH LIMITED
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Condensed consolidated statement of comprehensive income
for the half-year ended 30 June 2014

	Notes	Half-year ended 30 June 2014 US$'000	Half-year ended 30 June 2013 US$'000
Revenue	2	**509,989**	380,995
Cost of sales	3	**(160,466)**	(111,963)
Gross profit		**349,523**	269,032
Other income		**7,337**	220
Other expenses	4	**(37,534)**	(53,182)
Profit from operating activities		**319,326**	216,070
Net finance costs	5	**(41,818)**	(7,472)
Profit before income tax		**277,508**	208,598
Income tax expense	7	**(125,025)**	(95,118)
Net profit after tax		**152,483**	113,480
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation differences for foreign operations		**1,476**	(3,968)
Total comprehensive income for the period		**153,959**	109,512
Earnings per share (cents per share)		**US cents**	**US cents**
Basic earnings per share	8	**10.59**	8.49
Diluted earnings per share	8	**10.56**	8.46

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

OIL SEARCH LIMITED
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Condensed consolidated statement of financial position as at 30 June 2014

	Notes	30 June 2014 US$'000	31 December 2013 US$'000
Current assets			
Cash and cash equivalents		**367,782**	209,661
Receivables		**282,685**	246,933
Inventories		**147,190**	131,654
Other financial assets		**85,847**	75,483
Other assets		**34,429**	42,513
Total current assets		**917,933**	706,244
Non-current assets			
Receivables		**4,784**	4,757
Other non-current assets		**5,986**	6,358
Exploration and evaluation assets	6, 11	**1,618,186**	594,169
Oil and gas assets	12	**7,108,354**	6,710,189
Other property, plant and equipment		**65,449**	68,446
Deferred tax assets		**332,382**	331,374
Total non-current assets		**9,135,141**	7,715,293
Total assets		**10,053,074**	8,421,537
Current liabilities			
Payables		**232,846**	284,754
Provisions		**10,145**	11,417
Borrowings		**208**	-
Current tax liabilities		**171,029**	123,033
Total current liabilities		**414,228**	419,204
Non-current liabilities			
Payables		**22,772**	21,408
Provisions		**335,246**	267,127
Borrowings		**4,142,809**	4,024,421
Deferred tax liabilities		**308,141**	268,325
Total non-current liabilities		**4,808,968**	4,581,281
Total liabilities		**5,223,196**	5,000,485
Net assets		**4,829,878**	3,421,052
Shareholders' equity			
Share capital	10	**3,116,406**	1,821,957
Reserves		**(4,737)**	3,474
Retained profits		**1,718,209**	1,595,621
Total shareholders' equity		**4,829,878**	3,421,052

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

OIL SEARCH LIMITED
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Condensed consolidated statement of cash flows for the half-year ended 30 June 2014

	Notes	Half-year ended 30 June 2014 US$'000	Half-year ended 30 June 2013 US$'000
Cash flows from operating activities			
Receipts from customers		**454,669**	385,303
Payments to suppliers and employees		**(144,792)**	(106,921)
Interest received		**714**	2,443
Borrowing costs paid		**(5,512)**	(4,800)
Income tax paid		**(37,486)**	(51,539)
Payments for exploration and evaluation - seismic, G&A, G&G		**(12,196)**	(10,179)
Net cash from operating activities		**255,397**	214,307
Cash flows from investing activities			
Payments for property, plant and equipment		**(2,814)**	(2,029)
Payments for exploration and evaluation assets		**(1,032,644)**	(134,635)
Payments for assets in development		**(266,536)**	(571,663)
Payments for producing assets		**(65,758)**	(93,057)
Proceeds from sale of investment		**-**	24,142
Loan to third party in respect of exploration and evaluation		**(9,361)**	(14,259)
Net cash used in investing activities		**(1,377,113)**	(791,501)
Cash flows from financing activities			
Proceeds from private placement	10	**1,097,037**	-
Proceeds from share purchase plan	10	**169,466**	-
Proceeds from underwriter of dividend reinvestment plan (DRP)	10	**16,810**	14,702
Dividend payments (net of DRP) [1]	9	**(16,787)**	(14,676)
Costs relating to share issues	10	**(1,946)**	(57)
Purchase of treasury shares		**(14,954)**	-
Cash received on exercise of share options		**175**	1,018
Proceeds from borrowings		**181,536**	380,063
Repayment of borrowings		**(150,000)**	-
Establishment fee on credit facility		**(1,500)**	-
Net cash from financing activities		**1,279,837**	381,050
Net increase/(decrease) in cash and cash equivalents		**158,121**	(196,144)
Cash and cash equivalents at the beginning of the period		**209,661**	488,274
Cash and cash equivalents at the end of the period [2]		**367,782**	292,130

[1] Total dividend payments including cash and dividend reinvestment was US$29.9 million (2013: US$26.7 million). Total dividend payments net of dividends reinvested under the dividend reinvestment plan was US$16.8 million (2013: US$14.7 million).

[2] Includes US$10.0 million (2013: US$10.0 million) in a debt service reserve account held with Australia & New Zealand Banking Group Limited, as required by the US$500 million revolving facility agreement. Also includes US$109.6 million (2013: US$164.5 million) held in escrow to meet future PNG LNG Project base equity commitments, US$60.9 million held in PNG LNG sales proceeds accounts and US$2.0 million (2013: US$2.0 million) held as security for letters of credit on issue.

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

OIL SEARCH LIMITED
and its subsidiaries
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Condensed consolidated statement of changes in equity
for the half-year ended 30 June 2014

Consolidated	Share capital US$'000	Foreign currency translation reserve US$'000	Reserve for treasury shares US$'000	Employee equity compensation reserve US$'000	Retained profits US$'000	Total US$'000
Balance at 1 January 2013	**1,753,192**	**(1,002)**	**(5,584)**	**18,276**	**1,443,464**	**3,208,346**
Dividends provided for or paid	-	-	-	-	(26,704)	(26,704)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	113,480	113,480
Other comprehensive income	-	(3,968)	-	-	-	(3,968)
Total comprehensive income for the period	-	(3,968)	-	-	113,480	109,512
Transactions with owners, recorded directly in equity						
Issue of shares through underwritten dividend reinvestment plan	26,730	-	-	-	-	26,730
Costs associated with share issues	(57)	-	-	-	-	(57)
Transfer of vested shares	7,036	-	-	(7,036)	-	-
Release of treasury shares on vesting	-	-	3,825	(3,825)	-	-
Issue of shares on exercise of options and rights	1,018	-	-	-	-	1,018
Employee share-based remuneration	-	-	-	5,365	-	5,365
Issue of treasury shares	861	-	(861)	-	-	-
Net exchange differences	-	-	-	66	-	66
Trust distribution	-	-	-	-	8	8
Total transactions with owners	35,588	-	2,964	(5,430)	8	33,130
Balance at 30 June 2013	**1,788,780**	**(4,970)**	**(2,620)**	**12,846**	**1,530,248**	**3,324,284**
Balance at 1 January 2014	**1,821,957**	**(5,412)**	**(2,620)**	**11,506**	**1,595,621**	**3,421,052**
Dividends provided for or paid	-	-	-	-	(29,882)	(29,882)
Total comprehensive income for the period						
Net profit after tax for the period	-	-	-	-	152,483	152,483
Other comprehensive income	-	1,476	-	-	-	1,476
Total comprehensive income for the period	-	1,476	-	-	152,483	153,959
Transactions with owners, recorded directly in equity						
Shares issued through private placement	1,097,037	-	-	-	-	1,097,037
Shares issued for the share purchase plan	169,466	-	-	-	-	169,466
Issue of shares through underwritten dividend reinvestment plan	29,892	-	-	-	-	29,892
Costs associated with share issues	(1,946)	-	-	-	-	(1,946)
Transfer of vested shares	-	-	9,007	(9,007)	-	-
Exercise of share options	-	-	175	-	-	175
Employee share-based remuneration	-	-	-	5,266	-	5,266
Purchase of treasury shares	-	-	(14,954)	-	-	(14,954)
Net exchange differences	-	-	-	(174)	-	(174)
Trust distribution	-	-	-	-	(13)	(13)
Total transactions with owners	1,294,449	-	(5,772)	(3,915)	(13)	1,284,749
Balance at 30 June 2014	**3,116,406**	**(3,936)**	**(8,392)**	**7,591**	**1,718,209**	**4,829,878**

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

Oil Search Limited ("the Company") is a company domiciled in Papua New Guinea. This condensed consolidated interim financial report of Oil Search for the half-year reporting period ended 30 June 2014 comprises Oil Search and its subsidiaries ("the Group").

This condensed consolidated interim financial report was authorised for issue by the Directors on 18 August 2014.

Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2014 has been prepared in accordance with Accounting Standard IAS 134 *Interim Financial Reporting* .

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

	Half-year ended 30 June 2014 US$'000	Half-year ended 30 June 2013 US$'000
2 Revenue		
Liquefied natural gas sales	**73,682**	-
Oil and condensate sales	**367,945**	311,937
Gas sales	**39,387**	39,344
Other revenue	**28,975**	29,715
Total revenue	**509,989**	380,995
3 Cost of sales		
Costs of production:		
Production costs	**(83,135)**	(57,452)
Royalties and levies	**(7,720)**	(5,850)
Gas purchases	**(19,261)**	(19,022)
Inventory movements	**13,840**	(6,241)
	(96,276)	(88,565)
Selling and distribution costs	**(7,058)**	(356)
Rig operating costs	**(1,559)**	(1,226)
Depreciation and amortisation:		
Oil and gas assets	**(51,848)**	(17,901)
Rig assets	**(3,725)**	(3,915)
	(160,466)	(111,963)
4 Other expenses		
Corporate [1]	**(18,540)**	(16,065)
Exploration costs expensed	**(15,395)**	(33,906)
Depreciation	**(3,643)**	(2,853)
Foreign currency gain/(loss)	**44**	(358)
Total other expenses	**(37,534)**	(53,182)

[1] Includes business development costs of US$5.0 million (June 2013: US$5.6 million).

	Half-year ended 30 June 2014 US$'000	Half-year ended 30 June 2013 US$'000
5 Net finance costs		
Interest income	**1,746**	2,267
Borrowing costs	**(38,779)**	(5,959)
Unwinding of discount on site restoration	**(4,785)**	(3,780)
Total net finance costs	**(41,818)**	(7,472)

6 Acquisition of subsidiaries

On 13 March 2014, Oil Search Limited acquired 100% of the issued share capital of the following entities:

- Pac LNG Investments Limited;
- Pac LNG Assets Limited;
- Pac LNG International Limited;
- Pac LNG Overseas Limited; and
- Pac LNG Holdings Limited.

The principal activity of the entities acquired is the exploration, evaluation and development of hydrocarbon resources in PNG. This is carried out as non-operator participants in the joint venture of the PRL15 licence covering the Elk-Antelope fields. At the time of acquisition, the acquired entities collectively held a 22.835% interest in PRL15.

This acquisition has been accounted for as an asset acquisition.

(i) Consideration transferred

The following summarises the consideration transferred:

	US$'000
Cash paid	900,000
Transaction costs	16,948
Total consideration transferred	**916,948**

(ii) Assets acquired and liabilities assumed

	US$'000
Exploration and evaluation assets	918,316
Trade creditors and accruals	(241)
Site restoration provision (non-current)	(1,127)
Net assets acquired	**916,948**

(iii) Contingent payments

Under the agreement, Oil Search Limited is required to make contingent payments of US$0.775/mcf for any certified 2C raw gas contingent resource within the Elk-Antelope fields greater than 7 tcf (applied to Oil Search's gross share before Government back-in).

No amounts were recognised at the acquisition date, or during the subsequent period to 30 June 2014, in respect of the contingent payment as no certification indicating 2C raw gas contingent resource greater than 7 tcf has been completed.

	Half-year ended 30 June 2014 US$'000	Half-year ended 30 June 2013 US$'000
7 Income tax		
The major components of tax expense are:		
Current tax expense	**93,753**	107,958
Adjustments for current tax of prior periods	**(5,744)**	(6,438)
Deferred tax expense/(income)	**37,016**	(6,402)
Income tax expense	**125,025**	95,118
Reconciliation between tax expense and the pre-tax profit multiplied by the applicable tax rate is set out below:		
Pre-tax net profit	**277,508**	208,598
Tax at PNG rate for petroleum (50%) (2013: 50%)	**138,754**	104,299
Restatement of deferred tax for gas and non-petroleum (30%)	**17,704**	(18,264)
Effect of differing tax rates across tax regimes	**(14,128)**	(780)
	142,330	85,255
Tax effect of items not tax deductible or assessable:		
Over provisions in prior periods	**(17,187)**	(6,438)
Non-deductible expenditure	**6,358**	18,247
Non-assessable income	**(2,170)**	-
Reinstatement of deferred tax assets	**(4,306)**	-
Other	**-**	(1,946)
Income tax expense	**125,025**	95,118
The amount of the deferred tax (income)/expense recognised in net profit in respect of each type of temporary difference:		
Exploration and development	**60,594**	(4,527)
Other assets	**(1,270)**	315
Provisions	**(18,860)**	2,715
Other items	**(211)**	43
Tax losses	**(3,237)**	(4,948)
	37,016	(6,402)

	US cents	US cents
8 Earnings per share		
Basic earnings per share	**10.59**	8.49
Diluted earnings per share	**10.56**	8.46
Weighted average number of ordinary shares		
Weighted average number of ordinary shares (basic)	**1,439,675,542**	1,336,709,393
Effect of employee share options/share appreciation rights	**406,787**	134,558
Effect of employee performance rights	**3,522,840**	4,244,634
Weighted average number of ordinary shares (diluted)	**1,443,605,169**	1,341,088,585

		Half-year ended 30 June 2014 US$'000	Half-year ended 30 June 2013 US$'000
9	**Dividends paid or proposed**		
	Unfranked [1] dividends in respect of the half-year, proposed subsequent to the reporting period:		
	Ordinary dividends [2]	**30,380**	26,840
	Unfranked [1] dividends paid during the period in respect of previous year	**29,882**	26,704

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

2 On 18 August 2014, the directors declared an interim unfranked dividend in respect of the current half-year, of US 2 cents per ordinary share, to be paid to the holders of ordinary shares on 7 October 2014. The proposed dividend is payable to all holders of ordinary shares on the Register of Members on 11 September 2014. The estimated dividend to be paid is US$30.4 million and has not been included as a liability in these financial statements.

		30 June 2014 US$'000	31 December 2013 US$'000
10	**Share capital**		
(a)	**Issued and fully paid shares**		
	1,519,022,225 ordinary shares (no par value) (31 December 2013: 1,343,361,150)	**3,116,406**	1,821,957

		Six months ended 30 June 2014 Shares	Six months ended 30 June 2013 Shares	Six months ended 30 June 2014 US$'000	Six months ended 30 June 2013 US$'000
(b)	**Movement in issued and fully paid shares**				
	Balance at the beginning of the period	**1,343,361,150**	1,334,756,742	**1,821,957**	1,753,192
	Transfer of vested shares from employee compensation reserve	**-**	-	**-**	7,036
	Shares issued on exercise of options, rights, and grants of restricted shares	**-**	1,775,000	**-**	1,879
	DRP underwriting agreement [1]				
	Ordinary shares issued at US$7.74 (2012 final dividend)	**-**	1,900,006	**-**	14,702
	Ordinary shares issued at US$7.65 (2013 final dividend)	**2,196,784**	-	**16,810**	-
	DRP [2]				
	Ordinary shares issued at US$7.58 (2012 final dividend)	**-**	1,586,782	**-**	12,028
	Ordinary shares issued at US$7.50 (2013 final dividend)	**1,744,275**	-	**13,082**	-
	Shares issued through private placement[3]	**149,390,244**	-	**1,097,037**	-
	Shares issued under share purchase plan[4]	**22,329,772**	-	**169,466**	-
	Share issue costs	-	-	**(1,946)**	(57)
		1,519,022,225	1,340,018,530	**3,116,406**	1,788,780

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

2 The price for shares issued under the DRP was calculated in accordance with the DRP Rules and is the arithmetic average of the daily volume weighted average sales price of all Oil Search shares sold on the Australian Securities Exchange (excluding off-market trades) during the ten trading days shortly after the Record Date for the dividend less a discount of 2.00%.

3 On 12 March 2014, the Company completed a private placement of ordinary shares at A$8.20 per share to the Independent State of Papua New Guinea.

4 On 9 May 2014, the Company completed its Share Purchase Plan to eligible shareholders at A$8.20 per share.

	30 June 2014 US$'000	31 December 2013 US$'000
11 Exploration and evaluation assets		
At cost	**1,705,605**	681,588
Less impairment	**(87,419)**	(87,419)
	1,618,186	594,169
Balance at start of year	**594,169**	401,597
Additions	**1,037,346**	293,985
Exploration costs expensed during the period	**(15,395)**	(107,424)
Changes in restoration obligations	**1,523**	7,664
Net foreign exchange differences	**543**	(1,653)
Balance at end of period	**1,618,186**	594,169
12 Oil and gas assets		
Assets in development		
At cost	**182,688**	6,400,179
Balance at start of year	**6,400,179**	5,103,463
Additions	**277,095**	1,062,840
Borrowing costs capitalised (LNG Project)	**45,945**	151,775
Transferred (to)/from producing assets	**(6,540,531)**	63,688
Changes in restoration obligations	**-**	18,413
Balance at end of period	**182,688**	6,400,179
Producing assets		
At cost	**8,209,992**	1,542,488
Less accumulated amortisation and impairment	**(1,284,326)**	(1,232,478)
	6,925,666	310,010
Balance at start of year	**310,010**	320,147
Additions	**69,239**	152,600
Transferred from/(to) assets in development	**6,540,531**	(63,688)
Depreciation and amortisation	**(51,848)**	(36,807)
Changes in restoration obligations	**57,734**	(62,242)
Balance at end of period	**6,925,666**	310,010
Total oil and gas assets	**7,108,354**	6,710,189

13 Segment reporting

(a) Information about reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. Each managed segment has a management team that is accountable to the Managing Director.

The following operating segments are identified by management based on the nature and geographical location of the business or project:

PNG oil and gas

Exploration, evaluation, development, production and sale of crude oil, natural gas, condensate and other refined products from the Group's interest in its operated assets for PNG crude oil and Hides gas-to-electricity operations.

PNG LNG Project

Exploration, evaluation, development, production and sale of liquefied natural gas, condensate and naphtha from the Group's interest in the PNG LNG Project.

MENA oil and gas

Exploration and evaluation of crude oil and gas through the Group's licence interests in the Republic of Yemen, Republic of Iraq and Tunisian Republic.

Other

This segment includes the Group's ownership of drilling rigs and corporate activities.

Net finance costs (excluding the PNG LNG project financing) and income taxes are managed at a Group level.

(b) Segment information provided to the executive management team

The Group's executive management team evaluates the financial performance of the Group and its segments principally with reference to earnings before interest and tax, and capital expenditure on exploration and evaluation assets, oil and gas assets, and property, plant and equipment.

	PNG oil and gas 30 June		PNG LNG Project 30 June		MENA oil and gas 30 June		Other 30 June		Total 30 June	
US$'000	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
External revenues	**376,546**	364,952	**117,338**	-	**-**	-	**16,105**	16,043	**509,989**	380,995
Costs of production	**(91,334)**	(88,565)	**(4,942)**	-	**-**	-	-	-	**(96,276)**	(88,565)
Selling and distribution costs	**-**	-	**(6,459)**	-	**-**	-	**(599)**	(356)	**(7,058)**	(356)
Rig operating costs	**-**	-	**-**	-	**-**	-	**(1,559)**	(1,226)	**(1,559)**	(1,226)
Corporate	**-**	-	**-**	-	**-**	-	**(18,540)**	(16,065)	**(18,540)**	(16,065)
Foreign currency gains/(losses)	**-**	-	**-**	-	**-**	-	**44**	(358)	**44**	(358)
Other income	**6**	220	**185**	-	**-**	-	**7,146**	-	**7,337**	220
EBITDAX	**285,218**	276,607	**106,122**	-	**-**	-	**2,597**	(1,962)	**393,937**	274,645
Depreciation and amortisation	**(24,559)**	(17,785)	**(27,154)**	-	**(135)**	(116)	**(7,368)**	(6,768)	**(59,216)**	(24,669)
Exploration costs expensed	**(8,871)**	(3,148)	**(1,108)**	-	**(5,416)**	(30,758)	**-**	-	**(15,395)**	(33,906)
EBIT	**251,788**	255,674	**77,860**	-	**(5,551)**	(30,874)	**(4,771)**	(8,730)	**319,326**	216,070
Net finance costs	**-**	-	**(32,227)**	-	**-**	-	**(9,591)**	(7,472)	**(41,818)**	(7,472)
Profit before income tax									**277,508**	208,598
Income tax expense									**(125,025)**	(95,118)
Net profit after tax									**152,483**	113,480
Capital expenditure										
Exploration and evaluation assets	**(973,744)**	(107,162)	**-**	-	**(63,602)**	(58,163)	**-**	-	**(1,037,346)**	(165,325)
Oil and gas assets - development and production	**(69,239)**	(79,296)	**(314,037)**	(627,630)	**-**	-	**-**	-	**(383,276)**	(706,926)
Property, plant and equipment	**-**	(1)	**-**	-	**(378)**	(126)	**(2,513)**	(3,215)	**(2,891)**	(3,342)
Total capital expenditure	**(1,042,983)**	(186,459)	**(314,037)**	(627,630)	**(63,980)**	(58,289)	**(2,513)**	(3,215)	**(1,423,513)**	(875,593)

The difference between capital expenditure on oil and gas assets disclosed above for the period ended 30 June 2014 and the additions in note 12 relates to finance leased assets recognised during the period that are not included as capital expenditure for management reporting purposes.

(c) Geographical segments

The Oil Search Group operates primarily in PNG but also has activities in Yemen, Iraq, Tunisia (collectively MENA) and Australia.
Production from the designated segments is sold on commodity markets and may be sold to other geographical segments.

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the location of operating activity.

	Revenues 30 June		Non-current assets	
			30 June	**31 December**
US$'000	**2014**	**2013**	**2014**	**2013**
PNG	**509,989**	380,995	**8,860,331**	7,499,739
Australia	**-**	-	**45,666**	44,926
MENA	**-**	-	**229,144**	170,628
Total	**509,989**	380,995	**9,135,141**	7,715,293

14 Borrowings

During the period, the Group entered into 2 new bilateral revolving facilities with facility limits of US$125 million each. Advances drawn down bear interest at variable market rates and are repayable within two years. At 30 June 2014, $nil has been drawn down under the facilities.

15 Events after balance sheet date

(a) Dividends

Subsequent to balance date, the Directors declared an unfranked interim dividend of US 2 cents per share in respect of the current half-year to the holders of ordinary shares, to be paid on 7 October 2014.

(b) Dividend Reinvestment Plan (DRP)

A DRP is currently in operation. It provides shareholders with the option of reinvesting all or part of their dividends in additional Oil Search shares. The DRP will be fully underwritten for the 2014 interim dividend.

There were no other significant events after balance date.

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

(a) the attached financial statements and notes thereto of the consolidated entity:

(i) give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and

(ii) comply with International Financial Reporting Standards; and

(iii) the attached financial statements and notes thereto comply with the reporting requirements of the Australian Securities Exchange Listing Rules; and

(b) in the opinion of the Directors, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due or payable.

This declaration has been made after receiving unqualified declarations from the Managing Director and the Chief Financial Officer, that are consistent with requirements under section 295A of the Australian Corporations Act 2001, for the half-year ended 30 June 2014.

Signed in accordance with a resolution of the Directors.
On behalf of the Directors

....
RJ LEE
Chairman

....
PR BOTTEN
Managing Director

Sydney, 18 August 2014

Deloitte.

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Independent Auditor's Review Report to the members of Oil Search Limited

We have reviewed the accompanying half-year financial report of Oil Search Limited, which comprises the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of cash flows, statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 6 to 17.

Director's Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with International Financial Reporting Standards (including the interpretations of the IFRS Interpretations Committee) and the *PNG Companies Act 1997*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *PNG Companies Act 1997* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with International Accounting Standard IAS 34 *Interim Financial Reporting* and the *PNG Companies Act 1997*. As the auditor of Oil Search Limited, ISRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oil Search Limited is not in accordance with the *PNG Companies Act 1997*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

(b) complying with International Accounting Standard IAS 34 Interim Financial Reporting and the *PNG Companies Act 1997*.

Other Information

We have no interest in the company or any relationship other than that of the auditor of the company.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Registered Company Auditor in Australia

Sydney, 18 August 2014

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Theron

Zanie Theron
Partner
Chartered Accountants
Registered under the Accountants Act, 1996

Port Moresby, 18 August 2014

OIL SEARCH LIMITED

2014 Interim Dividend and Dividend Reinvestment Plan

Oil Search Limited will pay an interim dividend of US$0.02 (two US cents) per ordinary share on Tuesday, 7 October 2014.

The record date is Thursday, 11 September 2014 and the ordinary shares will trade ex-dividend from Tuesday, 9 September 2014.

The dividend will be paid in PNG Kina for those shareholders domiciled in Papua New Guinea, in GB Pounds for those shareholders that have lodged direct credit details requesting a GB Pounds credit and in Australian dollars for all other shareholders.

The exchange rates used for converting the US dollar dividend into the payment currencies will be the rates on the record date.

The dividend will be unfranked and no withholding tax will be deducted.

The Company also advises the continuation of its Dividend Reinvestment Plan (DRP) for eligible shareholders, currently being all shareholders with a registered address in Australia, Papua New Guinea, the United Kingdom, New Zealand, Hong Kong or Singapore. It is intended that the DRP will be fully underwritten for the 2014 interim dividend.

The specific terms of the DRP for the 2014 interim dividend will be as follows:

- The period for calculating the issue price of DRP shares will be the volume weighted average price (VWAP) over the period from and including Tuesday, 16 September 2014 to Monday, 29 September 2014;
- The price of shares issued under the DRP will be at a 2.0% discount to the VWAP;
- The issue price of the DRP shares will be announced on Tuesday, 30 September 2014; and
- The DRP shares will be issued on Tuesday, 7 October 2014.

Shareholders that have not elected to participate in the DRP, but wish to do so, must notify Oil Search's share registry, Computershare Investor Services Pty Limited, by way of an election notice, of their intention to participate in the DRP **before 5.00pm (AEST) on Friday, 12 September 2014**.

Yours faithfully
OIL SEARCH LIMITED

STEPHEN GARDINER
Group Secretary

Tuesday, 19 August 2014