OIL SEARCH LIMITED

(Incorporated in Papua New Guinea)

ARBN – 055 079 868

24 February 2009

Mr Vincent Ivosa
Market Controller
PORT MORESBY STOCK EXCHANGE
Level 4
Defens Haus
Cnr Champion Pde/Hunter Street
Port Moresby
PAPUA NEW GUINEA

Dear Mr Ivosa

Re: Oil Search Limited

2008 Full Year results. 24 February 2009

The attached announcement, released to the Australian Securities Exchange today, is for release to the market.

Upon release of the information, please advise the undersigned on facsimile number 02 8207 8500 or on telephone number 02 8207 8400.

Yours sincerely

PETER BOTTEN, CBE
Managing Director

OIL SEARCH LIMITED

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

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

24 February 2009

Oil Search reports a record core net profit after tax of US$240.0 million, 70% higher than in 2007

HIGHLIGHTS

- **Oil Search's core net profit after tax (NPAT) for the year to December 2008 was US$240.0 million (excluding significant items). This was 70% higher than NPAT in 2007 (US$140.8 million) and a record for the Company. NPAT including significant items was US$313.4 million, representing a 128% increase on 2007.**

- **The Company generated record operating revenues of US$814.3 million, up 13% on 2007, based on oil sales of 7.5 million barrels (8.7 million barrels in 2007). The main driver was oil price – despite a sharp fall in the latter part of the year, Oil Search realised an average price of US$100.10 per barrel, up 29% on 2007.**

- **2008 total oil and gas production was 8.6 million barrels of oil equivalent (mmboe), within market guidance, compared to 9.8 mmboe in 2007. Lower production reflected the sale of Oil Search's producing assets in the Middle East and North Africa (MENA) during the year and natural decline from the PNG oil fields.**

- **A highlight of 2008 was the decision in May to commence Front End Engineering and Design (FEED) work on the PNG LNG Project. This followed the signing of a joint operating agreement between the Project participants and a fiscal agreement with the PNG Government. At the end of 2008, FEED activities were approximately 50% complete and the Project remains on track to make a Final Investment Decision (FID) in late 2009.**

- **Marketing of PNG LNG also commenced during the year, with strong interest from a range of high quality buyers in the Asia Pacific region. Heads of Agreements, outlining key terms and conditions, are expected to be signed with offtakers in the near future.**

- **In April, Oil Search sold a package of its Middle East and North African (MENA) assets to Kuwait Energy, including its producing interests in Yemen and Egypt, for a total consideration of US$200 million plus working capital. The sale generated a profit of US$128 million, which was a pleasing result, representing significant value creation by the Company from its MENA activities.**

- **In October Oil Search finalised a US$435 million five year revolving credit facility with a syndicate of 16 banks. Given the difficult financial environment, this was an excellent outcome and a strong endorsement for the Company and PNG.**

- **Oil Search has a strong balance sheet and is very well positioned to support the PNG LNG development, as well as other measured growth initiatives. At the end of December 2008, Oil Search had cash reserves of US$534.9 million (including joint venture balances) compared to US$343.6 million at the beginning of the year. During 2008, US$257.3 million was spent on exploration and evaluation activities and US$193.8 million on other capital items, including rigs. Oil Search remained debt free throughout 2008.**

- **The Board has approved the payment of a four US cents final dividend for the 2008 financial year. Together with the interim dividend of four US cents per share, paid to shareholders in October 2008, the total dividend for the year is eight US cents per share, the same as in 2007. The Board has decided to introduce a fully underwritten Dividend Reinvestment Plan (DRP) in conjunction with the payment of the final dividend for 2008. This Plan reflects the desire to further actively manage the already strong balance sheet, in order to fully support major growth initiatives, including the PNG LNG Project, during a time of low oil prices.**

Commenting on the 2008 results, Mr. Peter Botten, Oil Search's Managing Director, said the following:

2008 Results – Record Full Year Profit

"Oil Search's 2008 full year net profit of US$240.0 million was a record for the Company. While the increase in operating revenues was largely driven by strong oil prices, the Company's cost control efforts and a fall in the effective tax rate were also contributors to the excellent result.

Including significant items, profit after tax was US$313.4 million, 128% higher than in 2007. Significant items included a profit of US$127.6 million from the sale of a package of our MENA assets, offset by an impairment charge of US$91.5 million, or US$53.2 million after tax. This followed the annual impairment review, which assesses the carrying value of all the Company's assets.

Total production for 2008 was 12% lower than in 2007, primarily due to the sale of the MENA assets and lower production from PNG, with an increase in production at Kutubu offset by declines from other fields. Oil Search realised an average price of US$100.10 per barrel, 29% above 2007 levels, which drove sales revenue to a record high for the Company of US$814.3 million. Operating costs continued to be affected by global industry pressures and, in the first half of the year, by the strong Australian dollar. The Company implemented a number of cost saving measures during the year, including a corporate restructure and reduction in headcount, which helped constrain total operating cost increases (excluding the MENA sale) to 6%, a satisfactory outcome given the cost environment. As a result, operating earnings before non-cash charges and exploration expense rose by 17%, to a record level for the Company of US$698.1 million.

The Company spent US$257 million on exploration and new venture evaluation in 2008 (US$222 million in 2007), of which US$81 million was on gas commercialisation including PNG LNG FEED. In line with the Successful Efforts accounting policy, all costs associated with unsuccessful drilling, seismic work and other evaluation activities were expensed, resulting in a pre-tax charge of US$91.2 million (US$163.3 million in 2007). Of this, only

US$27.1 million was related to activities in the Middle East/North Africa which are non-deductible for income tax purposes, considerably lower than the previous year expense (US$65 million). Consequently, the effective tax rate on core profit was 50.5% compared to 56% in 2007."

Health and Safety – World Class Performance

"The Company's safety record in 2008 was again world class, with a Total Recordable Injury Frequency Rate (TRIFR) of 2.04 per million hours worked, slightly lower than in 2007 (2.06 per million hours worked). This was achieved despite the introduction of new contractors and new equipment into PNG and Yemen and compares very favourably to our peers both in Australia and globally, reflecting the Company's strong safety culture."

Shareholder Returns – Continued Top Quartile Performance in 2008

"In 2008, Oil Search delivered top quartile shareholder returns for the fifth consecutive year. The Total Shareholder Return (TSR) for the five years to end December 2008 was 396%, with Oil Search one of only seven companies in the ASX 100 to achieve this over the period. The TSR in 2008 was -2%, ranking Oil Search 12th in the ASX 100 companies."

PNG LNG Project – FEED Activities 50% Complete

"The decision in May 2008 to commence FEED saw a major acceleration of activity and a marked increase in commitment to the PNG LNG Project by all Project participants. The Project economics are robust, even in a low oil price environment. There are now tangible signs that costs pressures will reduce in the required timeframe, enabling the Project to take advantage of a favourable cost cycle, PNG LNG continues to be viewed by the major LNG buyers as the next most likely greenfields LNG development in the Asia Pacific region. It presents a highly competitive package of strong economics, excellent quality resource, rich in liquids, conventional extraction technology, a first-rate proven operator and a stable attractive fiscal regime, fully supported by the Government and people of PNG.

By the end of 2008, FEED activities were approximately 50% complete. One of the key components of FEED is the selection of the liquefaction process. The competitive bid process, between Bechtel and Chiyoda, for the Engineering, Procurement and Construction (EPC) contract for the LNG Plant and associated facilities commenced in late 2008 and is on track for submission of bids in the third quarter of 2009.

On the marketing front, extensive discussions were held during the year with large LNG buyers from Japan, Korea, China, Taiwan and India. The response from the market to the Project has been encouraging and despite the economic slow down, it is clear that a number of buyers are willing to sign long term offtake agreements with the Project. Negotiations on Heads of Agreement are at an advanced stage and expected to be signed in the near future.

The Project is continuing to receive strong support and interest from agencies and banks to provide financing for this major development. A number of field visits have been made to PNG by financial institutions and an active programme of roadshows and initial due diligence by potential lenders has commenced. Feedback from these activities indicates that there is a strong level of interest, particularly from Export Credit Agencies, in supplying finance to the Project. The due diligence process and negotiations of key terms will continue through the second and third quarters of 2009 and the financing remains on schedule for offers to be in place prior to the planned late 2009 Final Investment Decision.

Other positive progress has been achieved by the Project on the provision of funding for the PNG Government's equity share of the Project, the maturing of the structure of the landowner benefits sharing agreement and the submission of a number of regulatory documents, including the Environmental Impact Statement."

Other gas initiatives – Progress on Several Fronts

"Work continued on Oil Search's gas expansion plans, with technical studies taking place on existing gas fields and potential new gas plays. The focus of this work was on exploring the potential for additional LNG trains, which has been identified as the most value enhancing way of commercialising the existing substantial gas resources not dedicated to PNG LNG. In addition, during the year the Company signed a Memorandum of Understanding (MOU) with the PNG Government to jointly develop a comprehensive gas development plan for the country, as well as an MOU with the PNG Government, ITOCHU Corporation and Mitsubishi Gas Chemical to update a feasibility study on a potential petrochemical project in PNG."

Exploration – Sale of MENA Assets at a Healthy Profit

"2008 saw a pullback in exploration activity from 2007 levels, particularly in the MENA region, following the asset sale which realised a profit of US$128 million. Two wells, NW Paua and Cobra, were drilled in PNG during the year. Gas, together with condensate, was recovered from a 34 metre hydrocarbon zone within the upper Hedinia sandstone at Cobra and the well was suspended. Importantly, the Cobra discovery represents the first successful test of the sub-thrust, foot wall play in PNG and as such has significant implications for prospectivity within the Fold Belt.

In addition to the MENA sale, the groundwork for a rationalisation of the PNG exploration portfolio took place, culminating in a four block farm-out of exploration assets to Nippon Oil Exploration in early 2009. This farm-out will lead to an estimated net capital expenditure saving of approximately US$60 million over the next three years."

IPIC Transaction – Delivers PNG Government's Equity Funding

"In November 2008, the PNG Government and International Petroleum Investment Company (IPIC), an investment company wholly owned by the Abu Dhabi Government, announced the acquisition by IPIC of exchangeable bonds over the PNG Government's 17.6% shareholding in Oil Search for a principal amount of A$1.68 billion. The money raised will be used by the PNG Government to finance its full equity component of PNG LNG development costs. The transaction has removed one of the uncertainties in the financing process, namely how the Government will fund its equity share of costs, and it enables the Government to retain its full direct equity holding in the Project. It also introduces a potential new major shareholder to Oil Search. The Company has recently had discussions with IPIC and believes that the relationship will prove to be beneficial to both parties, over time."

Reserves – 580 mmboe to be Booked on PNG LNG Sanction

"As at 31 December 2008, the Company had 1P reserves of 49.6 million barrels of oil equivalent (mmboe) and 2P reserves of 66.9 mmboe. 2P reserves were 9.0% lower than at the end of 2007, reflecting 2008 production of 8.58 mmboe, the sale of the Company's Middle East/North African producing assets, reducing 2P reserves by 1.1 mmboe, and an upward revision to the Kutubu 2P reserves of 3.1 mmboe. Proven (1P) reserves declined 5.6% to 49.6 mmboe.

In addition, the Company had a contingent resource inventory of 886 mmboe of gas and associated liquids, taking total 2P reserves and 2C resources to 953 mmboe. The 2C resources have been re-assessed during the year and, where relevant, aligned with the PNG LNG Project Operator's design basis. The 2C resource is 66 mmboe lower than the equivalent reported in 2007. This is primarily due to a 40 mmboe reduction in LPG associated with the PNG LNG Project, as LPG extraction is not currently part of the Project's base development plan. It should be noted that the value of the LPG will be captured in the gas stream. Other factors impacting the 2C resource include a 14 mmboe reduction in the estimate of condensate and black oil to be recovered from the oil fields as a result of a revision to the fields' blowdown plans for the PNG LNG Project and a net reduction of 12 mmboe relating to a number of other movements in resource estimation. It is expected that a reserves booking of approximately 580 mmboe will result from a PNG LNG Project sanction decision, leaving 1.6tcf of gas and associated liquids in our resource portfolio left to commercialise through other gas initiatives."

On the outlook for 2009, Mr Botten said:

"It is pleasing to note that Oil Search enters 2009, its eightieth year, in the best shape it has been in since its incorporation in 1929. The Company has a solid balance sheet with over US$530 million in cash and an undrawn line of cost effective credit which takes the Company's liquidity to close to US$1 billion. This strength is needed, as we remain on target to commit to the development of the PNG LNG Project, a Company-maker for Oil Search, within the next 12 months.

It is a particularly dynamic time in the world economic and commodity markets – a time that requires proactive management of all facets of our business to ensure continued superior performance. These times also represent a period of opportunity, to position the Company for unprecedented growth, based on judicious use of our resources and successful restructuring to suit a lower commodity price and cost environment.

The focus of the Company will clearly remain on supporting the PNG LNG Project and on other gas commercialisation initiatives. Discretionary expenditure on exploration will be attenuated during 2009, reflecting lower oil prices and cashflows. New acquisitions, especially those which are able to underscore our medium term gas growth objectives, are likely.

Exploration activity will focus on further defining gas resources in PNG through seismic and technical studies and the drilling of a number of high potential wells, including Caliph in Libya, wells in Block 3 & 7 in Yemen and Wasuma in PNG in late 2009/early 2010.

Development activity on the PNG fields will be reviewed regularly as the year progresses and flexibility has been incorporated into the planning schedule to adjust activity levels if appropriate. Based on a US$40 per barrel scenario, a number of previously planned infill development wells and work-over activity in PNG have been deferred, to be reviewed again should oil prices recover - 2009 drilling activity reflects a 2 rig programme (Rig 103 and Rig 104). On this basis, production in 2009 is expected to be between 8.0 – 8.3 mmboe, subject to the results of the drilling and workover activities.

Capital management measures to be implemented in 2009 include:

- A reduction in exploration expenditure, excluding gas commercialisation activities, from US$176 million in 2008 to US$70 million
- A reduction in development expenditure from US$162 million in 2008 to US$130 million
- The introduction of an underwritten DRP for the 2008 final dividend, which will reduce cash and capital outflows in early 2009 by US$45 million.

The Company will also take the opportunity to carry out a detailed review of how the value of our oil assets can be optimised in conjunction with the development of the PNG

LNG Project. Work to identify logistical and cost synergies between these businesses will be carried out in the second and third quarters of 2009.

The PNG LNG Project remains on schedule to achieve all major milestones in 2009 which include:

- Signing of HOAs with offtakers
- Completion of a Benefits Sharing Agreement (BSA) between the PNG Government and Landowners
- Contingent on the HOAs and the BSA being signed, a commitment to early works by the Project participants
- Finalisation of capital cost estimates
- Receipt of offers of project finance
- Final Investment Decision

With US$535 million in cash and an undrawn debt facility balance of US$420 million, combined with the prudent capital management measures outlined above, we are entering 2009 in good financial shape and are in an excellent position to actively manage the present business environment as well as deliver significant value growth through the commercialisation of our discovered gas resources."

PETER BOTTEN, CBE
Managing Director
24 February 2009

FINANCIAL PERFORMANCE

Year to 31 December	2006	2007	2008	% change 2008/2007
SALES DATA				
Oil sales (mmbbl)	9.18	8.71	7.46	-14
Gas equivalent sales (mmscf)	5,128	4,797	5,236	+9
Realised oil price (US$/bbl)	67.18	77.78	100.10	+29
FINANCIAL DATA (US$ million)				
Revenue from operations	644.5	718.8	814.3	+13
Operating costs	(103.8)	(121.3)	(116.3)	-4
Other income/ (expense)	4.0	0.8	0.0	na
EBITDAX	544.7	598.2	698.1	+17
Site Restoration	(4.6)	(11.1)	(9.9)	-11
Amortisation/Depreciation	(98.4)	(124.8)	(117.3)	-6
Exploration costs expensed	(46.8)	(163.3)	(91.2)	-44
EBIT	395.0	299.0	479.7	+60
Net financing (costs)/income	21.8	22.8	6.1	-73
Profit on sale of investments/ adjustments	258.4	1.3	126.1	na
Impairment	(65.2)	0.1	(91.5)	na
Profit before Tax	610.0	323.2	520.3	+61
Taxation Expense	(198.0)	(186.0)	(207.0)	+11
Profit after tax after significant items	412.0	137.2	313.4	+128
Profit after tax before significant items	**207.5**	**140.8**	**240.0**	+70
PER SHARE DATA				
Basic EPS before significant items (US cents)	18.5	12.6	21.4	+70
Basic EPS after significant items (US cents)	36.8	12.2	28.0	+128
Diluted EPS before significant items (US cents)	18.5	12.5	21.3	+70
Diluted EPS after significant items (US cents)	36.6	12.2	27.8	+128
CFPS (US cents)	35.6	29.2	45.3	+55
Interim dividend (US cents)	4.0	4.0	4.0	na
Final dividend (US cents)	4.0	4.0	4.0	na
Special dividend (US cents)	-		-	
Total dividend for the year (US cents)	8.0	8.0	8.0	na

Notes:

- In accordance with IFRS 8 “Accounting Policies Changes in Accounting Estimates and Errors”, prior year comparatives have been restated where applicable.
- Numbers may not add due to rounding.

FACTORS AFFECTING THE RESULT

Oil and gas production and sales

Total oil and gas production in 2008 net to Oil Search was 8.6 million barrels of oil equivalent, 12% below 2007 levels, due to natural decline in the PNG oil fields and the sale of the Middle East/North Africa producing assets effective from 1 May 2008. Excluding divested assets, the year on year decline was 9%.

Oil sales were 7.5 million barrels, 14% lower than in 2007, in line with lower production levels. Gas sales from the Hides field for electricity generation were 5.2 billion cubic feet, an increase of 9% on 2007 reflecting higher demand from the Porgera mine following a shut-down in 2007.

Higher oil prices realised

The average realised oil price for the year was US$100.10 per barrel, 29% higher than the average realised price of US$77.78 per barrel in 2007. Oil Search did not undertake any hedging activities during 2008.

Revenues increase

Revenue from operations increased 13% from US$718.8 million in 2007 to US$814.3 million in 2008. Higher oil prices were the key driver behind the 11% rise in revenue from oil and gas and refined product sales, which increased from US$701.7 million in 2007 to US$782.2 million. Other revenue rose significantly, from US$17.0 million to US$32.2 million, primarily due to increased third party rig income from the new Rig 103, which more than offset a 16% reduction in tariff income due to lower throughput.

Cost pressures under control

Operating costs totalled US$116.3 million, 4% lower than in 2007 due to a reduction in corporate costs following a corporate restructure mid-year and the sale of the MENA assets.

PNG field operating costs (including Hides) were US$84.9 million, compared to US$71.1 million in 2007, with the rise reflecting industry-wide inflationary pressures and increased workover activity. MENA operating costs were US$4.1 million, down from US$15.8 million the previous year, due to the sale of the producing MENA assets, effective 1 May 2008. PNG net oilfield costs, excluding tariffs, averaged US$9.72 per barrel compared to US$6.96 per barrel in 2007, reflecting general cost pressures and the lower production base.

Operating costs (US$ million)	**2006**	**2007**	**2008**
Field costs	76.5	86.9	89.0
Other operating costs	13.8	17.8	18.2
Net corporate costs	11.8	15.2	8.1
FX losses/(gains)	0.9	1.4	1.0
Operating Costs	**103.8**	**121.3**	**116.3**

Lower non-cash costs

Non-cash charges, including depreciation, amortisation and site restoration, decreased from US$135.9 million in 2007 to US$127.2 million. This reduction reflected lower sales volumes combined with a more favourable mix of production towards fields with lower amortisation rates.

Sale of MENA

During the first half of 2008, a major Strategic Review was completed, which included a recommendation to sell a package of non-material Middle East/North Africa (MENA) assets. In April, Oil Search sold a range of its MENA assets to Kuwait Energy for a consideration of US$200 million plus working capital. Production and profits from those assets ceased to be booked from 1 May 2008 and the sale was completed in the third quarter of 2008, realising a profit of US$127.6 million. This is slightly lower than previously reported due to a post completion adjustment.

Exploration expense

During 2008, Oil Search spent US$257.3 million on exploration, evaluation and new venture activities, which included US$81 million on gas commercialisation activities including the PNG LNG Project FEED expenses. In line with the successful efforts accounting policy, all costs associated with unsuccessful drilling, seismic work, new venture activities and other support costs related to exploration activity were expensed, resulting in a pre-tax charge of US$91.2 million. This was 44% lower than 2007 exploration expense, reflecting the reduced exploration programme. PNG exploration expense was US$64.1 million which included US$43.3 million of costs relating to the NW Paua 1 well, while US$27.1 million was related to activities in Middle East/North Africa that are non-deductible for income tax purposes.

Taxation expense

The effective tax rate on core profits was 50.5%, lower than the 2007 rate of 56% due to the reduction in non-deductible MENA exploration expenses. Tax expense of US$207.0 million was 11% higher than in 2007 reflecting higher operating earnings.

Impairment review

US$91.5 million (US$53.2 million after tax) was expensed as an impairment loss, following the Company's annual impairment review. The review compares the asset carrying value to the estimated net present value of future cash flows from each asset. Key components of the impairment charge were as follows:

- US$28.0 million related to SE Mananda
- US$26.6 million related to Arakubi
- US$8.0 million related to Cobra
- US$19.7 million related to Rig 101
- US$9.2 million related to MENA assets

Operating cash flows

Year to 31 December (US$ million)	**2006**	**2007**	**2008**
Net Receipts	559.6	558.5	766.2
Net Interest income/(expense)	19.7	20.8	10.4
Tax Paid	(180.3)	(252.5)	(269.1)
Operating cashflows	**399.0**	**326.8**	**507.4**
Net Investing cashflows	92.8	(379.2)	(234.9)
Net Financing cashflows	(226.0)	(81.9)	(81.2)
Net Cash Flow	**265.7**	**(134.3)**	**191.4**
OCFPS (US cents)	**35.6**	**29.2**	**45.3**

Note:
2006 figures include US$371 million received from the sale of assets to AGL
2008 figures include US$210 million received from the sale of assets to Kuwait Energy

The increase in net operating cash flow was primarily due to the impact of higher realised oil prices.

Over 2008, Oil Search's net investing cashflow included:

- Expenditure of US$250.9 million on exploration and evaluation, including gas commercialisation, up from US$210.2 million in 2007
- US$168.0 million on producing and development activities (US$88.4 million in 2007).
- US$25.8 million on property, plant and equipment (US$67.7 million in 2007).

The Company distributed US$89.4 million to shareholders by way of the 2007 final and 2008 interim dividends.

Balance sheet remains ungeared

As at 31 December (US$ million)	**2004**	**2005**	**2006**	**2007**	**2008**
Cash and STDs	210.4	212.2	477.9	343.6	534.9
Term Debt	168.0	126.0	Nil	Nil	Nil
Net cash / (debt)	42.4	86.2	477.9	343.6	534.9
Gearing (%)	NA	NA	NA	NA	NA

At the end of 2008, Oil Search had no debt and US$534.9 million in cash, including joint venture balances. The increase in cash balances over 2008 reflected the strong oil prices realised during the year combined with the inflow of funds from the MENA asset sale. At 31 January 2009, the Company's cash balance was US$536.4 million.

In October 2008, Oil Search finalised a US$435 million five year revolving credit facility with a syndicate of 16 banks, including all four major Australian banks. The pricing and other key terms obtained represented an improvement on the Company's previous facility, with almost half of the facility amount provided without recourse to political risk insurance.

DIVIDENDS

The Board of Directors announced a final dividend for 2008 of four US cents per share, unchanged from the final dividend of 2007. This takes the total dividend for the 2008 financial year to eight US cents per share, the same as in 2007. The Board also announced the introduction of a dividend reinvestment plan (DRP) and the intention to procure a full underwriting of the 2008 final dividend. The terms of the DRP and an offer for shareholders to participate in the DRP will be distributed to shareholders shortly. To accommodate the introduction of the DRP it will be necessary to delay the final dividend record and payment dates by approximately three weeks from the previously indicated dates, to 17 April for the Record date and 7 May for the Payment Date.

2008 PRODUCTION SUMMARY

Year to 31 December	2007		2008		% Difference 2008/2007	
Oil production	**Gross daily production (bopd)**	**Net to Oil Search (mmbbls)**	**Gross daily production (bopd)**	**Net to Oil Search (mmbbls)**	**Gross daily production**	**Net to Oil Search**
Kutubu	13,944	3.056	14,825	3.258	+6	+7
Moran - PDL 2	8,814	2.033	7,348	1.698	-17	-16
Moran – PDL 5	10,772	1.722	9,120	1.439	-15	-16
NW Moran– PPL 219	1,501	0.056	1,095	0.047	-27	-16
Total Moran	21,087	3.812	17,564	3.184	-17	-16
Gobe Main	2,481	0.091	1,969	0.072	-21	-20
SE Gobe	6,546	0.611	5,233	0.489	-20	-20
Total Gobe	9,028	0.701	7,202	0.561	-20	-20
SE Mananda	2,631	0.694	1,431	0.378	-46	-45
Total PNG Oil	**46,689**	**8.263**	**41,022**	**7.381**	**-12**	**-11**
Nabrajah (Yemen)	7,014	0.519	1,990	0.148	-72	-72
Area A (Egypt)	2,917	0.087	915	0.015	-69	-83
East Ras Qattara (Egypt)	46	0.005	305	0.032	+563	+540
Total MENA Oil	**9,977**	**0.611**	**3,209**	**0.195**	**-68**	**-68**
Total Oil	**56,666**	**8.874**	**44,231**	**7.576**	**-22**	**-15**
Hides Liquids	298	0.109	356	0.130	+19	+20
Total Oil & Condensate	**56,965**	**8.983**	**44,588**	**7.707**	**-22**	**-14**
Gas production	**Gross daily production (mmscf/d)**	**Net to Oil Search (mmscf)**	**Gross daily production (mmscf/d)**	**Net to Oil Search (mmscf)**	**Gross daily production**	**Net to Oil Search**
Hides Sales Gas	**13.14**	**4,797**	**14.31**	**5,236**	**+9**	**+9**
Total Oil and Gas Production	**Gross daily production (boepd)**	**Net to Oil Search (mmboe)**	**Gross daily production (boepd)**	**Net to Oil Search (mmboe)**	**Gross daily production**	**Net to Oil Search**
	59,155	**9.783**	**46,972**	**8.579**	**-21**	**-12**

Notes:

- Numbers may not add due to rounding.
- Nabrajah oil is on an entitlement basis
- Sale of MENA licences effective 1 May 2008

2008 ANNUAL RESERVES STATEMENT

Proven Reserves

Licence/Field	End 2007 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2008 Reserves
PDL 2 - Kutubu	18.0	3.3	3.8	0.0	18.5
PDL 2 - SE Mananda	0.8	0.4	0.0	0.0	0.5
PDL 2/5/6 - Moran Unit	17.5	3.2	2.2	0.0	16.5
PDL 4 - Gobe Main	0.2	0.1	0.0	0.0	0.1
PDL 3/4 - SE Gobe	1.2	0.5	0.0	0.0	0.7
PDL 1 - Hides	14.4	1.0	0.0	0.0	13.4
Yemen Block 43	0.3	0.1	0.0	-0.2	0.0
Egypt East Ras Qattara	0.0	0.0	0.0	0.0	0.0
Egypt Area A	0.2	0.0	0.0	-0.2	0.0
Total	52.6	8.6	6.0	-0.4	49.6

Proven & Probable Reserves

Licence/Field	End 2007 Reserves	Production	Discoveries/ Extensions/ Revisions	Acquisitions/ Divestments	End 2008 Reserves
PDL 2 - Kutubu	24.9	3.3	3.1	0.0	24.7
PDL 2 - SE Mananda	1.3	0.4	0.0	0.0	0.9
PDL 2/5/6 - Moran Unit	29.9	3.2	0.0	0.0	26.7
PDL 4 - Gobe Main	0.2	0.1	0.0	0.0	0.1
PDL 3/4 - SE Gobe	1.7	0.5	0.0	0.0	1.2
PDL 1 - Hides	14.4	1.0	0.0	0.0	13.4
Yemen Block 43	0.6	0.1	0.0	-0.4	0.0
Egypt East Ras Qattara	0.0	0.0	0.0	0.0	0.0
Egypt Area A	0.7	0.0	0.0	-0.7	0.0
Total	73.5	8.6	3.1	-1.1	66.9

2008 RESERVES AND RESOURCES SUMMARY

Reserves and Resources as at 31 December 2008[1][2]

Net to Oil Search

Licence / Field	Oil Search % Interest	Oil [3] million bbls	Gas [4],[5] Bscf	BOE [6]	Oil [3] million bbls	Gas [4],[5] Bscf	BOE [6]
RESERVES		**Proven (1P)**			**Proven & Probable (2P)**		
PDL 2 - Kutubu	60.0%	18.5	-	18.5	24.7	-	24.7
PDL 2 - SE Mananda [7]	72.3%	0.5	-	0.5	0.9	-	0.9
PDL 2/5/6 - Moran Unit	49.5%	16.5	-	16.5	26.7	-	26.7
PDL 4 - Gobe [7]	10.0%	0.1	-	0.1	0.1	-	0.1
PDL 3/4 - SE Gobe [7]	25.6%	0.7	-	0.7	1.2	-	1.2
PDL 1 - Hides [8]	100.0%	1.6	70.5	13.4	1.6	70.5	13.4
Subtotal Reserves		**37.9**	**70.5**	**49.6**	**55.2**	**70.5**	**66.9**
RESOURCES		**Proven (1C)**			**Proven & Probable (2C)**		
PNG LNG Project [9]		45.1	1,846.4	352.9	68.4	3,093.2	583.9
Other Gas [10],[11]		-	-	-	33.5	1,610.4	301.9
Subtotal Resources		**45.1**	**1,846.4**	**352.9**	**101.9**	**4,703.6**	**885.8**
TOTAL RESERVES AND RESOURCES		**83.0**	**1,916.9**	**402.5**	**157.1**	**4,774.1**	**952.8**

NOTES

(1) Numbers may not add due to rounding

(2) Proven Reserves (1P) and Contingent Resources (1C) are as certified by independent auditors, NSA. Proven and Probable reserves (2P) and Contingent Resources (2C) have been estimated by independent audit, PNG LNG Project operator and internal assessments

(3) Oil includes crude oil, separator and plant condensate

(4) Full wellstream (raw) gas reduced for field separator condensates are quoted for Hides GTE and Other Gas resources

(5) For PNG LNG Project, shrinkage has been applied to raw gas for the plant liquids recovery, fuel & flare.

(6) Oil equivalent barrels incorporate oil, condensate and gas (converted at 6 mcf / bbl)

(7) NSA did not audit SE Mananda, Gobe and SE Gobe in 2008. Estimate of reserves is based on NSA's end 2007 certification adjusted for 2008 production.

(8) Hides reserves associated with the Gas to Electricity Project only

(9) PNG LNG Project resources comprise the Kutubu, Moran, Gobe, SE Hedinia, Hides, Angore and Juha fields

(10) Other Gas Resources comprises the Company's other fields including SE Mananda, SE Gobe, Juha North, P'nyang, Kimu, Pandora, Uramu, Barikewa, Iehi and Cobra

(11) The Company's share in PRL 10 (Uramu) includes a 10.0% interest purchased from Gedd (PNG) Limited

For more information regarding this report, please contact:

Mr Peter Botten : 02 8207 8410
or
Mr Stephen Gardiner : 02 8238 8147
or
Ms Ann Diamant : 02 8207 8440
0407 483 128

Oil Search will be holding a presentation for analysts and fund managers at 11.00 am AEST today, 24 February 2009. 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 9016 3140

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

OIL SEARCH LIMITED
and its subsidiaries
ABN 055 079 868

Preliminary final report 2008

APPENDIX 4E

This preliminary final report is provided to the ASX under ASX Listing Rule 4.3A

This information should be read in conjunction with the Financial Report for the year ended 31 December 2008

Results for announcement to the market

			Year ended 31 December			
			2008		2007	
		% Change [b]	**US$'000**	**A$'000** [a]	**US$'000**	**A$'000** [a]
Revenue from operations	*up*	*13.3%*	**814,330**	**938,060**	718,755	860,269
EBITDAX [c]	*up*	*16.7%*	**698,061**	**804,125**	598,219	716,001
Net profit after tax, before significant items	*up*	*70.4%*	**239,966**	**276,427**	140,816	168,541
Net profit after tax attributable to members	*up*	*128.4%*	**313,362**	**360,975**	137,195	164,207
Net operating cash flow	*up*	*55.3%*	**507,423**	**584,521**	326,783	391,122

			Year ended 31 December			
			2008		2007	
			US cents	**A cents**	**US cents**	**A cents**
Final dividend per security [d]			**4.00**	**TBA** [e]	4.00	**4.32**
Interim dividend paid per security [d]			**4.00**	**4.78**	4.00	**4.55**
Basic earnings per share (before significant items)	*up*	*70.4%*	**21.43**	**24.68** [a]	12.57	15.05 [a]
Net operating cash flow per share	*up*	*55.3%*	**45.31**	**52.20** [a]	29.18	34.93 [a]

a. Amounts shown have been converted from US$ to A$ at the average exchange rate of 0.8681 (2007: 0.8355).
b. % Change calculations are based on the US$ figures.
c. Earnings before interest, borrowing costs, tax, depreciation and amortisation, and exploration costs expensed.
d. No franking credits available on dividends, as Oil Search Limited is incorporated in Papua New Guinea.
e. 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 final ordinary dividend, being 17 April 2009.

OIL SEARCH LIMITED
and its subsidiaries

ABN 055 079 868

Financial Report
for the year ended 31 December 2008

OIL SEARCH LIMITED
and its subsidiaries

Financial Report
for the year ended 31 December 2008

The directors submit their report for the financial year ended 31 December 2008.

DIRECTORS

The names, details and shareholdings of the directors of the company in office during or since the end of the financial year are:

Mr BF Horwood, B.Comm., F.A.I.C.D., F.C.P.A. (Chairman), *67 years*
Mr Horwood was appointed a director on 28 May 2004 and Chairman of Oil Search on 1 June 2004. Prior to joining Oil Search, Mr Horwood had 35 years experience with the Rio Tinto Group, having held executive positions in Australia, the United Kingdom and Papua New Guinea. Most recently, Mr Horwood was Managing Director, Rio Tinto-Australia. Mr Horwood was previously the Chairman of Energy Resources of Australia Limited and Coal and Allied Industries Limited. He has been a member of the Business Council of Australia and a director of the Minerals Council of Australia.
Ordinary shares, fully paid: nil; Options: nil

Mr PR Botten, CBE, B.Sc. ARSM, (Managing Director), *54 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 presently President of the Papua New Guinea Chamber of Mines and Petroleum and is on the Executive Committee of the Australia PNG Business Council. 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: 1,040,000; Options: nil; Performance Rights: 1,097,691; Restricted shares: 288,045

Mr F Ainsworth, AM, B.Comm., F.A.I.C.D., F.C.P.A. *63 years*
Mr Ainsworth joined the Board in October 2002. Mr Ainsworth has extensive energy and resources industry experience. He spent 26 years with CSR Limited ("CSR"), mainly in CSR's resources businesses, including 7 years in CSR's Oil and Gas Division, and 5 years as Managing Director of Delhi Petroleum Pty Ltd ("Delhi"). When CSR sold Delhi he became Managing Director and CEO of Sagasco Holdings Limited, then the 4th largest oil and gas company listed on the ASX. Mr Ainsworth is Chairman of Horizon Oil Ltd and a non-executive Director of Envestra Ltd (both ASX listed companies) and, from 1 January 2006, Chairman of the unlisted Tarac Australia Ltd. He was formerly Chairman of SA Generation Corporation (the South Australian Government owned coal mining and electricity generating Corporation).
Ordinary shares, fully paid: nil; Options: nil

Mr G Aopi, CBE, *54 years*
Mr Aopi was appointed an Executive Director in May 2006 and presently fills the position of General Manager PNG (Papua New Guinea), a post he took up in August 1998. Mr. Aopi has substantial public service and business experience in Papua New Guinea, having had a long and distinguished career in government, filling a number of important positions, including Secretary for Finance and Planning and Managing Director of Telikom PNG Ltd. He is presently Chairman of Independent Public Business Corporation (IPBC) and Telikom PNG Ltd. 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: 121,540; Options: nil; Performance Rights: 118,972; Restricted shares: 76,188

Mr KG Constantinou, OBE, *51 years*
Mr Constantinou joined the Board in April 2002. Mr Constantinou is a prominent business figure in Papua New Guinea, holding a number of high level public sector and private sector appointments. He is a director of various companies, including Airways Hotel & Apartments Limited, Lamana Hotel Limited, Heritage Park Hotel and Gazelle International Hotel. He is also Deputy President of the Employers Federation of Papua New Guinea, a director of Airlines of PNG, Chairman of the National Physical Planning Board, Honorary Consul for Greece in Papua New Guinea and Trade Commissioner of Solomon Islands to Papua New Guinea.
Ordinary shares, fully paid: nil; Options: nil

Mr R Igara, CMG, M.B.A, B.E., Grad.Dip.(International Law), *55 years*
Mr Igara joined the Board in April 2002. At that time he was one of Papua New Guinea's most highly placed civil servants and he has extensive experience in the public sector, in international relations and multilateral development and financial matters. He served as a diplomat in Suva and Canberra and as the Secretary to the Department of Trade & Industry. He was formerly Chief Secretary to Government in PNG, Acting Secretary for Treasury and Chairman of Mineral Resources Development Company Limited. Mr Igara was an independent director of Orogen Minerals. He has also held Chairmanships of other Boards of statutory bodies, including the PNG Investment Promotion Authority. He was a member of the Board of the Bank of Papua New Guinea from 2001 to 2005. He was the founding Chief Executive Officer of PNG Sustainable Development Program Ltd from 2002 to 2008, a company which has a 52% interest in Ok Tedi Mining Ltd, and since March 2008, the Executive Director (Strategic Investments Group) within PNGSDP Ltd. He also serves on the boards of several community and not-for-profit organisations in PNG and the Pacific.
Ordinary shares, fully paid: 10,000; Options: nil

Mr MD Kriewaldt, B.A., Ll.B., F.A.I.C.D., *59 years*
Mr Kriewaldt joined the Board in April 2002. Mr Kriewaldt is a director of Suncorp Metway Limited, Campbell Brothers Limited, Macarthur Coal Limited, BrisConnections and ImpediMed Limited. He is Chairman of Opera Queensland, President of the Queensland division of the Institute of Company Directors, and provides advice to Allens Arthur Robinson. He has previously served as a director of GWA International Limited, Peptech Limited and Orogen Minerals Limited and as Chairman of Suncorp Insurance and Finance, Infratil Australia Limited, Hooker Corporation Limited and Airtrain Citylink Ltd.
Ordinary shares, fully paid: 12,000; Options: nil

Mr JL Stitt, M.A. (Hons), F.A.I.C.D., *65 years*
Mr Stitt joined the Board in April 1998. He has extensive experience in the international oil and gas business, having worked for 33 years with the Royal Dutch/Shell Group of companies including inter alia being responsible for Shell's world wide procurement, Director of Finance for Shell Australia, and President and CEO of Shell Japan. Mr Stitt is a former director of Woodside Petroleum Limited, Mitsubishi Chemicals K.K. and Showa Shell Sekiyu K.K.
Ordinary shares, fully paid: 9,600; Options: nil

Mr TN Warren, B.Sc. (Hons), *60 years*
Mr Warren joined the Board in May 2006. Mr. Warren has had a long and distinguished career with the Shell Group of Companies, spanning many different areas of its business. He retired as Chairman of the Shell companies in Australia and the Pacific Islands on 1 May 2006, after more than 35 years with the Group. Prior to 2002, Mr Warren served as Business Director for Asia-Pacific and Australasia (2001-2002), Director of Exploration and Production Research and Technical Services (1995-2001), General Manager Western Division of the Shell Petroleum Development Company in Nigeria (1993-1995), and General Manager Operations for the Shell Petroleum Development Company in Nigeria (1992-1993). Mr Warren also held various other senior positions within the Group and was a member of Shell's Global Executive Committee for the Exploration and Production Business (1995-2002). Mr Warren was previously a director of Woodside Energy Ltd and was a member of the Business Council of Australia (2002-2006). He is a Director of the Save The Children International Alliance and Chairman of World Energy Council Australia Ltd.
Ordinary shares, fully paid: nil; Options: nil

GROUP SECRETARY
Michael Sullivan, B.A., Ll.B., Ll.M., FCIS, *51 years*
Mr Sullivan joined Oil Search in 1997 as General Counsel after an extensive period in private practice specialising in banking and finance law. Mr Sullivan was a partner at Gadens Ridgeway before joining Oil Search. He assumed the role of Group Secretary in 1999. Mr Sullivan is admitted as a lawyer in New South Wales and Papua New Guinea. He is a Fellow of the Chartered Institute of Secretaries and a Public Notary in New South Wales.
Ordinary shares, fully paid: nil; Options: 2,170; Performance Rights: 173,228; restricted shares: 24,148

RESULTS AND REVIEW OF OPERATIONS

Financial

The economic entity delivered a net profit of US$313.4 million (2007: US$137.2 million) for the year, after providing for income tax of US$206.9 million (2007: US$186.0 million). Excluding significant items (namely, net asset impairment adjustments and the net profit realised from the sale of Middle East/North Africa ("MENA") licence interests), the core net profit increased by 70.4% on the prior year to US$240.0 million, driven by higher revenues and lower exploration costs expensed.

Operations

2008 revenue from operations was US$814.3 million (2007: US$718.8 million), with crude oil sales contributing US$746.8 million (2007: US$677.2 million). The 10.3% crude revenue increase on the prior year was driven by a 28.7% increase in realised oil prices to US$100.10/bbl, partially offset by a 14.3% decrease in oil sales volumes to 7,460,000 barrels. The lower sales volumes were due to natural declines in the mature fields in PNG and the impact of the sale of the producing MENA assets with effect from 1 May 2008.

Operating expenses increased slightly to US$93.4 million in 2008 compared to US$92.6 million in 2007, reflecting inflationary pressures on oil industry costs globally and within PNG. PNG oil field costs per barrel increased, reflecting the impact of a stronger PNG Kina, the flow-on impact of high oil prices for most of the year on fuel costs and the lower sales volume base over which the costs are shared.

Amortisation and depreciation charges decreased by US$8.7 million to US$127.2 million, due to lower sales volumes.

Exploration costs expensed during 2008 were US$91.2 million, compared to US$163.3 million, due to the completion of fewer wells in 2008. Exploration and evaluation expenditure during the year was US$257.3 million (2007: US$222.4 million) and development/production expenditure was US$161.8 million (2007: US$94.8 million).

Total oil and gas production, net to the Company, was 8.58 million barrels of oil equivalent (mmboe) in 2008 compared to 9.78 mmboe in 2007, with the maturity of many of the Company's producing fields, the sale of the MENA producing assets and delays in the development drilling programme contributing to the 12.3% decline.

Considerable progress was made in moving the world scale PNG LNG Project closer to sanction during 2008, including finalisation of the joint operating agreement to cover the construction and operations of the the project, commencement of front end engineering and design, signing a gas agreement with the State of PNG to define the fiscal terms applying to the project and development of marketing and financing plans.

The Company's financial position remains sound, with cash and cash equivalent holdings of US$534.9 million (2007: US$343.6 million), including US$17.4 million (2007: $17.4 million) held in joint venture accounts, and no debt at the end of December. The Company's liquidity was further bolstered by the signing of a new five year US$435 million revolving credit facility in October 2008.

DIVIDENDS

Subsequent to balance date, the directors have approved the payment of a final unfranked dividend of US 4 cents per ordinary share (2007: US 4 cents final dividend), to ordinary shareholders in respect of the financial year ended 31 December 2008. The due date for payment is 7 May 2009 to all holders of ordinary shares on the Register of Members on 17 April 2009. Dividends paid and declared during the year are recorded in note 9 to the financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Oil Search economic entity is the exploration for oil and gas deposits and the development and production of such deposits. This is carried out as both the operator of producing and exploration joint ventures and as a non-operator participant in exploration and production joint ventures.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, there were no significant changes in the state of affairs of the economic entity other than that referred to in the financial statements and notes thereto.

DIRECTORS’ AND OTHER OFFICERS’ REMUNERATION

The Remuneration Committee of the Board is responsible for reviewing compensation for the directors and staff and recommending compensation levels to the Board. The Committee assesses the appropriateness of the nature and amount of emoluments on a periodic basis with reference to relevant employment market conditions, with the overall benefit of maximising shareholder value by the retention of high quality personnel. To achieve this objective the Board links a component of executive director and other staff emoluments to the company’s financial and operational performance.

Details of the amount, in US dollars, of each element of the emoluments for the financial year for directors and executives of the company are disclosed in note 26 to the financial statements.

COMMITTEES OF THE BOARD

During the year ended 31 December 2008 the company had an Audit Committee, a Remuneration and Nominations Committee, and a Finance and Risk Committee. Members comprising the committees of the Board during the year were:

Audit: Mr MDE Kriewaldt (Chairman), Mr EF Ainsworth, Mr R Igara and Mr JL Stitt. Mr BF Horwood is an ex officio attendee;

Remuneration and Nominations: Mr TN Warren (Chairman), Mr KG Constantinou, Mr R Igara and Mr JL Stitt. Mr BF Horwood is an ex officio attendee;

Finance and Risk: Mr EF Ainsworth (Chairman), Mr G Aopi, Mr KG Constantinou, Mr MDE Kriewaldt and Mr TN Warren. Mr BF Horwood is an ex officio attendee.

ATTENDANCES AT DIRECTORS' AND COMMITTEE MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director, were as follows:

		Meetings of committees		
Directors	**Directors' Meetings**	**Audit [a]**	**Remuneration and Nominations**	**Finance and Risk [a]**
Number of meetings held	7	4	6	4
Number of meetings attended				
BF Horwood [b]	7	4	5	4
PR Botten	7	-	-	-
EF Ainsworth	7	4	-	4
G Aopi	7	-	-	4
KG Constantinou	7	-	6	4
R Igara	7	4	5	-
MDE Kriewaldt	7	4	-	4
JL Stitt	7	4	6	-
TN Warren	7	-	6	4

a. The Managing Director and Chief Financial Officer attend meetings at the request of the Committee.
b. Mr Horwood is ex-officio attendee at all the Committees.
c. Other members of the Board have attended various Committee meetings during the year. These attendances are not included in the above table.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS, EMPLOYEES AND AUDITORS

During the financial year, the company paid premiums to insure all directors, officers and employees of the company against claims brought against the individual while performing services for the company and against expenses relating thereto. The amount of the insurance premium paid during the year has not been disclosed as it would breach the confidentiality clause in the insurance policy.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as an officer or auditor.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

During the year the auditor, Deloitte Touche Tohmatsu provided non-audit accounting services for the economic entity. This is outlined in note 27.

Deloitte Touche Tohmatsu's Independence Declaration which forms part of this report is attached on page 9.

ENVIRONMENTAL DISCLOSURE

The economic entity complies with all environmental laws and regulations and operates at the highest industry standard for environmental compliance. The economic entity has provided for costs associated with the restoration of sites that will be incurred at the conclusion of the economic life of the producing assets in which it holds a participating interest.

CORPORATE INFORMATION

Oil Search Limited is a company limited by shares and is incorporated and domiciled in Papua New Guinea. The economic entity had 1,021 employees as at 31 December 2008 (2007: 1,113).

SHARE BASED PAYMENT TRANSACTIONS

There were 1,788,080 (2007: 1,811,950) share options granted during the year to employees under the Employee Share Option Plan, 2,437,300 (2007: 2,783,746) performance rights under the Employee Rights Plan, and 481,635 (2007: 2,162,796) restricted shares issued under the Restricted Share Plan.

As at 31 December 2008 there were 6,795,186 (2007: 9,431,236) performance rights outstanding and 4,549,767 (2007: 4,529,828) options outstanding to take up unissued ordinary shares and 2,312,996 (2007: 2,162,796) restricted shares in Oil Search Limited. These are further detailed in note 25 to the financial statements.

LIKELY DEVELOPMENTS

Oil and gas production from each of the fields in which the economic entity is a participant is expected to continue in 2009. The 2009 work programme includes a number of development wells in PNG in the Kutubu and Moran fields. Exploration activity will continue in 2009, but with a lower level of expenditure than that incurred in 2008.

A range of activities will continue on the PNG LNG Project including further work on engineering and design, contracting, marketing and financing with the objective of reaching a final investment decision on the project in late 2009.

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.

B. F. Horwood
....
BF HORWOOD
Chairman

....
PR BOTTEN
Managing Director

Sydney, 23 February 2009

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Directors
Oil Search Limited
Level 27, Angel Place
123 Pitt Street
Sydney NSW 2000

23 February 2009

Dear Directors,

Oil Search Limited

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

As lead audit partner for the audit of the financial statements of Oil Search Limited for the year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Australian Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

John A Leotta
Partner
Chartered Accountants

Member of
Deloitte Touche Tohmatsu

OIL SEARCH LIMITED
and its subsidiaries

Income statements
for the financial year ended 31 December 2008

		Consolidated		Chief Entity	
		2008	2007	2008	2007
	Note	US$'000	US$'000	US$'000	US$'000
Revenue from operations	2	**814,330**	718,755	**4,967**	8,876
Operating expenses		**(93,383)**	(92,639)	**(781)**	(688)
Amortisation - site restoration		**(9,919)**	(11,117)	**-**	-
Amortisation - oil and gas assets		**(99,564)**	(117,009)	**(517)**	(437)
Depreciation - operating assets		**(12,086)**	(3,847)	**-**	-
Royalties, development, and mining levies		**(13,842)**	(12,063)	**-**	(82)
Costs of sales		**(228,794)**	(236,675)	**(1,298)**	(1,207)
Gross profit from operating activities		**585,536**	482,080	**3,669**	7,669
Other income	3	**-**	803	**-**	-
Other expenses	4	**(14,705)**	(20,603)	**(2,723)**	(3,423)
Profit from operating activities		**570,831**	462,280	**946**	4,246
Exploration costs expensed		**(91,234)**	(163,324)	**(9,796)**	(50,728)
Net impairment reversals/(losses)	5	**(91,530)**	129	**-**	-
Contractual adjustments to profit on sale of joint venture interests	5	**(1,000)**	(677)	**-**	-
Profit on sale of joint venture interests		**-**	1,928	**-**	-
Profit on sale of MENA assets	5	**127,639**	-	**-**	-
Profit/(loss) on sale of other non-current assets		**(494)**	40	**-**	42
Interest income	6	**13,768**	30,420	**8,219**	22,724
Borrowing costs	6	**(7,675)**	(7,629)	**(2,116)**	(3,809)
Profit/(loss) from continuing operations before income tax		**520,305**	323,167	**(2,747)**	(27,525)
Income tax (expense) / benefit	7	**(206,943)**	(185,972)	**(943)**	9,431
Net profit/(loss) after tax		**313,362**	137,195	**(3,690)**	(18,094)

		US cents	US cents
Basic earnings per share	8	**27.98**	12.25
Diluted earnings per share	8	**27.76**	12.15

The income statements should be read in conjunction with the accompanying notes.

OIL SEARCH LIMITED
and its subsidiaries

Balance sheets
as at 31 December 2008

		Consolidated		Chief Entity	
		2008	**2007**	**2008**	**2007**
	Note	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Current assets					
Cash and cash equivalents	22(a)	**534,928**	343,578	**238,663**	307,380
Receivables	10	**96,132**	207,461	**37,476**	104,096
Inventories	11	**52,854**	56,003	**126**	803
Current tax asset		**-**	-	**833**	-
Other current assets	12	**3,748**	3,573	**122**	118
Total current assets		**687,662**	610,615	**277,220**	412,397
Non-current assets					
Receivables	10	**42,848**	42,931	**-**	-
Other non-current assets	12	**1,651**	-	**-**	-
Exploration and evaluation assets	13	**516,256**	376,894	**95,208**	62,578
Oil and gas assets	14	**588,133**	633,289	**1,672**	1,955
Other property, plant and equipment	15	**80,006**	87,815	**247**	224
Investments	16	**-**	-	**326,507**	326,507
Deferred tax assets	17	**88,901**	81,935	**9,852**	19,892
Total non-current assets		**1,317,795**	1,222,864	**433,486**	411,156
Total assets		**2,005,457**	1,833,479	**710,706**	823,553
Current liabilities					
Payables	18	**169,580**	161,779	**15,440**	23,387
Provisions	19	**12,276**	12,089	**80**	80
Current tax liabilities		**15,128**	42,345	**-**	6,793
Total current liabilities		**196,984**	216,213	**15,520**	30,260
Non-current liabilities					
Provisions	19	**114,621**	99,493	**288**	114
Deferred tax liabilities	20	**100,625**	128,641	**158**	-
Total non-current liabilities		**215,246**	228,134	**446**	114
Total liabilities		**412,230**	444,347	**15,966**	30,374
Net assets		**1,593,227**	1,389,132	**694,740**	793,179
Shareholders' equity					
Share capital	21	**620,491**	625,602	**620,491**	625,602
Reserves	21	**1,514**	16,214	**9,867**	9,944
Retained profits		**971,222**	747,316	**64,382**	157,633
Total shareholders' equity		**1,593,227**	1,389,132	**694,740**	793,179

The balance sheets should be read in conjunction with the accompanying notes.

OIL SEARCH LIMITED
and its subsidiaries

Statements of cash flows
for the financial year ended 31 December 2008

	Note	Consolidated 2008 US$'000	Consolidated 2007 US$'000	Chief Entity 2008 US$'000	Chief Entity 2007 US$'000
Cash flows from operating activities					
Receipts from customers		**881,017**	680,565	**10,630**	4,485
Payments to suppliers and employees		**(114,841)**	(122,154)	**(31,563)**	(12,202)
Interest received		**14,676**	21,993	**9,725**	18,793
Borrowing costs paid		**(4,287)**	(1,120)	**(2,101)**	(3,090)
Income tax paid		**(269,142)**	(252,501)	**(7,999)**	-
Net operating cash flows	22(b)	**507,423**	326,783	**(21,308)**	7,986
Cash flows from investing activities					
Payments for property, plant and equipment		**(25,765)**	(67,667)	**(23)**	(194)
Payments for materials and supplies		**-**	(22,036)	**-**	-
Payments for exploration and evaluation expenditure		**(250,940)**	(210,174)	**(45,333)**	(55,772)
Payments for oil and gas expenditure		**(168,049)**	(88,387)	**(4,670)**	(419)
Proceeds from sale of property, plant and equipment		**18**	40	**-**	218
Cash inflow on sale of joint venture interests		**209,842**	9,000	**-**	-
Net investing cash flows		**(234,894)**	(379,224)	**(50,026)**	(56,167)
Cash flows from financing activities					
Purchase of treasury shares		**(7,666)**	-	**-**	-
Dividend paid	9	**(89,415)**	(89,587)	**(89,415)**	(89,587)
Loans to related entity		**15,902**	7,722	**92,032**	78,116
Net financing cash flows		**(81,179)**	(81,865)	**2,617**	(11,471)
Net (decrease)/increase in cash and cash equivalents held		**191,350**	(134,306)	**(68,717)**	(59,652)
Cash and cash equivalents at the beginning of the year		**343,578**	477,884	**307,380**	367,032
Cash and cash equivalents balance at end of year	22(a)	**534,928**	343,578	**238,663**	307,380

The statements of cash flows should be read in conjunction with the accompanying notes.

OIL SEARCH LIMITED
and its subsidiaries

Statements of changes in equity
for the financial year ended 31 December 2008

Consolidated	Share capital US$'000	Reserves[c] US$'000	Retained profits US$'000	Total US$'000
Balance at 1 January 2007	630,848	10,424	699,708	1,340,980
Transfer of vested shares	1,441	(1,441)	-	-
Settlement of equity based employee share payments	(6,687)	-	-	(6,687)
Employee share-based remuneration	-	6,287	-	6,287
Net exchange differences	-	53	-	53
Net profit after tax for the year [a]	-	-	137,195	137,195
Exchange differences on translation of foreign operations [b]	-	891	-	891
Dividends provided for or paid	-	-	(89,587)	(89,587)
Balance at 1 January 2008	**625,602**	**16,214**	**747,316**	**1,389,132**
Transfer of vested shares	**9,767**	**(9,767)**	-	-
Settlement of equity based employee share payments	**(14,878)**	-	-	**(14,878)**
Employee share-based remuneration	-	**9,690**	-	**9,690**
Purchase of treasury shares	-	**(7,666)**	-	**(7,666)**
Net exchange differences	-	-	**(41)**	**(41)**
Net profit after tax for the year [a]	-	-	**313,362**	**313,362**
Exchange differences on translation of foreign operations [b]	-	**(6,957)**	-	**(6,957)**
Dividends provided for or paid	-	-	**(89,415)**	**(89,415)**
Balance at 31 December 2008	**620,491**	**1,514**	**971,222**	**1,593,227**
Chief Entity				
Balance at 1 January 2007	630,848	5,045	265,314	901,207
Transfer of vested shares	1,441	(1,441)	-	-
Settlement of equity based employee share payments	(6,687)	-	-	(6,687)
Employee share-based remuneration	-	6,287	-	6,287
Net exchange differences	-	53	-	53
Net profit after tax for the year [a]	-	-	(18,094)	(18,094)
Dividends provided for or paid	-	-	(89,587)	(89,587)
Balance at 1 January 2008	**625,602**	**9,944**	**157,633**	**793,179**
Transfer of vested shares	**9,767**	**(9,767)**	-	-
Settlement of equity based employee share payments	**(14,878)**	-	-	**(14,878)**
Employee share-based remuneration	-	**9,690**	-	**9,690**
Dividends received on shares held in trust[d]	-	-	**(146)**	**(146)**
Net profit after tax for the year [a]	-	-	**(3,690)**	**(3,690)**
Dividends provided for or paid	-	-	**(89,415)**	**(89,415)**
Balance at 31 December 2008	**620,491**	**9,867**	**64,382**	**694,740**

a. Net profit after tax plus exchange differences equate to total income and expenses recognised in the period.
b. Exchange differences equate to net income recognised directly in equity.
c. This is the first year that the employee equity compensation reserve has been separately disclosed from share capital.
d. Dividends received on shares held in Retention Share Plan Trust are eliminated on a Group basis.

The statements of changes in equity should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

Oil Search Limited, the chief entity, is incorporated in Papua New Guinea (PNG). The consolidated financial report for the year ended 31 December 2008 comprises the chief entity and its controlled entities (consolidated entity).

The financial statements were authorised for issue by the directors on 24 February 2009.

(a) Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention together with the PNG Companies Act 1997, International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee.

All amounts in these statements are expressed in US dollars, as this is the functional and presentational currency of the consolidated entity.

(i) Issued standards not early adopted

At 31 December 2008, certain new accounting standards and interpretations have been published that will become mandatory in future reporting periods. Oil Search has not elected to early-adopt these new or amended accounting standards and interpretations. The expected impact of these changed accounting requirements should not materially alter Oil Search's financial results at the date of this report. The consolidated entity will adopt the following standards during the applicable mandatory annual reporting periods:

• Amended IFRS 2 "Amendment to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations", applicable for annual reporting periods on or after 1 January 2009;
• Revised IFRS 3 "Business Combinations", applicable for annual reporting periods on or after 1 January 2009;
• IFRS 8 "Operating Segments", applicable for annual reporting periods on or after 1 January 2009;
• Revised IAS 1 "Presentation of Financial Statements", applicable for annual reporting periods on or after 1 January 2009;
• Revised IAS 23 "Borrowing Costs", applicable for annual reporting periods on or after 1 January 2009;
• Amended IAS 27 "Consolidated and Separate Financial Statements", applicable for annual reporting periods on or after 1 January 2009;
• Amended IAS 32 and IAS1 "Amendments to IAS 32 Financial Instruments: Presentation and Disclosure, and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation", applicable for annual reporting periods on or after 1 January 2009;
• Amended IAS 39 "Eligible Hedged Items - Amendments to IAS 39 Financial Instruments: Recognition and Measurement", applicable for annual reporting periods on or after 1 January 2009; and
• Various Standards "Improvements to IFRS's 2008" - dealt with on a standard-by-standard basis, generally applicable for annual reporting periods on or after 1 January 2009.

(ii) Critical accounting estimates and judgements

The preparation of these financial statements requires management to make accounting estimates, assumptions and judgements. These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates and assumptions are continually evaluated and reviewed.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Oil Search Limited (the parent company) and its controlled subsidiaries, after elimination of all inter-company transactions. Subsidiaries are consolidated from the date the parent obtains control and until such time as control ceases.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess or deficiency of the cost of acquisition above or below the fair values of the identifiable net assets acquired is recognised as goodwill. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

(c) Currency translation

Translation of transactions denominated in currencies other than US dollars

Transactions in currencies other than US dollars (US$) of entities within the economic entity are converted to US$ at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the economic entity that are outstanding at the balance date and are denominated in currencies other than US$ have been converted to US$ using rates of exchange ruling at the end of the financial year.

All resulting exchange differences arising on settlement or retranslation are brought to account in determining the profit or loss for the financial year.

Translation of financial reports of overseas operations

All operations outside Australia have a functional currency of US$. Exchange gains and losses arising on translation of non US$ functional currency financial statements are brought to account directly in equity.

(d) Income recognition

Oil, gas and other liquid sales

The economic entity's revenue, which is mainly derived from the sale of crude oil, is brought to account after each shipment is loaded. Gas sales are recognised on production following delivery into the pipeline.

Dividend income

Dividend income is taken to profit after dividends have been declared.

(e) Capitalisation of borrowing costs

Interest and other finance charges on borrowings for major capital projects are capitalised until the commencement of production and then amortised over the estimated economic life of the project. Where only part of a project is commissioned interest, capitalisation occurs on a pro-rata basis. All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(f) Leases

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are included in the determination of the operating profit on a straight line basis over the lease term.

1 Summary of significant accounting policies (continued)

(g) Share-based remuneration

The Group currently operates equity-settled, share-based compensation plans of share options, performance rights and restricted shares. In accordance with IFRS 2, the fair value of the employee services received in exchange for the grant of the options and rights is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to their grant date fair value, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options, rights and restricted shares that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital when options are exercised.

The reserve for the Company's own shares ("treasury shares") represents the cost of shares held by the trustee of an equity compensation plan that the Group is required to include in the consolidated financial statements. This reserve will be reversed with any surplus or deficit on sale shown as an adjustment to retained earnings when the underlying shares are exercised under share rights. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(h) Income tax

The current tax payable or receivable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The economic entity’s liability or asset for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

1 Summary of significant accounting policies (continued)

(h) Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Tax losses transferred between group companies are transferred under normal commercial arrangements, with consideration paid equal to the tax benefit of the transfer.

(i) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined as follows:
(i) materials, which include drilling and maintenance stocks, are valued at the cost of acquisition; and
(ii) petroleum products, comprising extracted crude oil and condensate stored in tanks and pipeline systems, are valued using the full absorption cost method.
Inventories are accounted for on a FIFO basis.

(j) Exploration and evaluation assets

Exploration and evaluation expenditures are accounted for under the successful efforts method. Exploration licence acquisition costs for established areas are initially capitalised except for new unexplored areas which are expensed as incurred. For exploration wells, costs directly associated with the drilling of wells are initially capitalised pending evaluation of whether potentially economic reserves of hydrocarbons have been discovered.

Costs are expensed where the well does not result in the successful discovery of potentially economically recoverable hydrocarbons, unless the well is to be used in the recovery of economically recoverable hydrocarbons.

All other exploration and evaluation expenditures including directly attributable general administration costs, geological and geophysical costs and new venture activity expenditures are charged as expenses in the income statement as incurred, except where:

- The expenditure relates to an exploration discovery that:
  - at balance date, an assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or where
  - a decision on additional major capital expenditure is pending; or
  - additional exploration wells or appraisal work is underway or planned
- The expenditure relates to a discovery well and it is expected that the expenditure will be recouped by future exploitation or sale.

When an oil or gas field has been approved for development, the accumulated exploration and evaluation costs are transferred to Oil and gas assets - Assets in development.

1 Summary of significant accounting policies (continued)

(k) Oil and gas assets

Assets in development

The costs of oil and gas assets in development are separately accounted for and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment and any associated land and buildings. When the committed development expenditure programs are completed and production commences, these costs are subject to amortisation. Once the required statutory documentation for a production licence is lodged the accumulated costs are transferred to oil and gas assets - producing assets.

Producing assets

The costs of oil and gas assets in production are separately accounted for and include past exploration and evaluation costs, past development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. These costs are subject to amortisation. Where asset costs incurred in relation to a producing field are under evaluation and appraisal, those costs will be continually reviewed for recoupment of those costs by future exploitation. When a determination has been made that those expenditures will not be recouped and/or no further appraisal will be undertaken, they will be written off.

Amortisation of oil and gas assets

Costs in relation to producing assets are amortised on a production output basis. In relation to the Kutubu, Gobe, Moran, SE Mananda, and NW Moran oil fields, exploration and development costs, along with any future expenditure necessary to develop the assumed reserves, are amortised over the remaining estimated economic life of the fields. Producing assets under evaluation and appraisal are not subject to amortisation until such time as the evaluation and appraisal stage is complete.

Costs in relation to the Hides gas to electricity project are amortised in order to expense accumulated exploration and development costs over the two years remaining under the sales contract with the Porgera Joint Venture for supply of gas to the Porgera Gold Mine.

Restoration costs

Site restoration costs are capitalised within the cost of the associated assets and the provision is stated in the balance sheet at total estimated present value. These costs are estimated and based on judgements and assumptions regarding removal dates, future environmental legislation and technologies. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The costs of restoration are brought to account in the profit and loss through depreciation of the associated assets over the economic life of the projects with which these costs are associated. The unwinding of the discount is recorded as an accretion charge within finance costs.

Reserves

The estimated reserves are management assessments and take into consideration reviews by an independent third party, Netherland Sewell and Associates under the reserve audit program requiring an external audit of each producing field every three years, as well as other assumptions, interpretations and assessments. These include assumptions regarding commodity prices, exchange rates, discount rates, future production and transportation costs, and interpretations of geological and geophysical models to make assessments of the quality of reservoirs and their anticipated recoveries. Reserves estimation conforms with guidelines prepared by the Society of Petroleum Engineers.

1 Summary of significant accounting policies (continued)

(l) Other property, plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and impairment. Any gain or loss on the disposal of assets is determined as the difference between the carrying value of the asset at the time of disposal and the proceeds from disposal, and is included in the results of the economic entity in the year of disposal.

Depreciation

Depreciation on corporate plant and equipment is calculated on a straight-line basis so as to generally write off the cost of each fixed asset over its estimated useful life on the following basis:

Motor vehicles	20.0%
Office furniture	13.0%
Office equipment	20.0%
Buildings	3.0%
Computer equipment	33.3%
Rigs	Drilling days based on a 5 year drilling life

Depreciation is applied to joint venture plant and equipment so as to expense the cost over the estimated economic life of the reserves with which it is associated.

(m) Impairment of assets

The carrying amounts of all assets, other than inventory, certain financial assets and deferred tax assets, are reviewed at each balance sheet date to determine whether there is an indication of impairment. Where such an indication exists, an estimate of the recoverable amount is made. For any asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit (CGU) to which the asset belongs.

An impairment loss is recognised in the income statement when the carrying amount of an asset or its cash generating unit (CGU) exceeds its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted

(n) Jointly controlled operations

Exploration, development and production activities of the economic entity are carried on through joint ventures with other parties and the economic entity's interest in each joint venture is brought to account by including in the respective classifications, where material, the share of individual assets and liabilities.

(o) Employee benefits

Provision is made for long service leave and annual leave estimated to be payable to employees on the basis of statutory and contractual requirements. Vested benefits are classified as current liabilities.

The contributions made to defined contribution superannuation funds by entities within the economic entity are charged against profits when due. In Australia, contributions of up to 9% of employees' salaries and wages are legally required to be made.

1 Summary of significant accounting policies (continued)

(p) Financial instruments

Trade receivables

Trade receivables are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Trade payables

Trade payables and other accounts payable are recognised when the economic entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are stated at amortised cost.

Borrowings

Interest-bearing bank loans are initially recorded at fair value net of transaction costs. Finance charges are accounted for on an accrual basis at the effective interest rate.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash at bank and on hand and short-term interest-bearing investments readily convertible into cash which are subject to an insignificant risk of charges in value, net of outstanding bank overdrafts.

Investments

Investments are initially measured at fair value. Investments classified as available-for-sale are measured at subsequent reporting dates at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Hedging contracts

Hedging contracts are periodically entered into to limit the financial exposure of the economic entity in relation to oil price, interest rate and foreign exchange movements. Such derivatives are initially recorded at fair value and remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows relating to foreign currency risk of firm commitments and highly probable forecast transactions are recognised directly in equity. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the profit or loss for the period.

(q) Rounding

The majority of amounts included in this report are rounded to the nearest US$1,000.

		Consolidated		Chief Entity	
		2008	**2007**	**2008**	**2007**
		US$'000	**US$'000**	**US$'000**	**US$'000**
2	**Revenue from operations**				
	Oil sales (gross)	**746,779**	677,202	**4,057**	8,249
	Gas and refined product sales	**35,375**	24,507	**910**	627
	Other field revenue	**32,176**	17,046	**-**	-
		814,330	718,755	**4,967**	8,876
3	**Other income**				
	Insurance recovery	**-**	803	**-**	-
4	**Other expenses**				
	Salaries and short term employee benefits	**(39,524)**	(40,113)	**-**	-
	Post-employment benefits	**(2,697)**	(2,903)	**-**	-
	Employee share-based remuneration	**(9,690)**	(6,287)	**-**	-
	Premises and equipment - operating leases	**(4,083)**	(3,854)	**-**	-
	Other expenses	**(28,646)**	(27,108)	**(3,241)**	(3,626)
	Corporate cost recoveries	**76,588**	65,051	**-**	-
	Net corporate expenses	**(8,052)**	(15,214)	**(3,241)**	(3,626)
	Depreciation	**(5,661)**	(3,966)	**-**	-
	Foreign currency (losses)/gains	**(992)**	(1,423)	**518**	203
		(14,705)	(20,603)	**(2,723)**	(3,423)
5	**Significant items**				
	Proceeds on sale of MENA assets	**225,321**	-	**-**	-
	Assets and liabilities disposed	**(97,682)**	-	**-**	-
	Net profit on sale of MENA assets	**127,639**	-	**-**	-
	Contractual adj to profit on sale of JV interest	**(1,000)**	-	**-**	-
	Impairment losses	**(91,530)**	(7,371)	**-**	-
	Applicable income tax benefit	**38,287**	-	**-**	-
	Net impairment losses	**(53,243)**	(7,371)	**-**	-
	Reversal of impairment losses	**-**	7,500	**-**	-
	Applicable income tax benefit	**-**	(3,750)	**-**	-
	Net reversal of impairment losses	**-**	3,750	**-**	-
	Total significant items	**73,396**	(3,621)	**-**	-

On 25 August 2008, Oil Search completed the sale of Oil Search (MENA) Limited to Kuwait Energy Company. The assets owned by Oil Search (MENA) Limited comprised the Company's interests in Area A, East Ras Qattara and Block 6 in Egypt and Blocks 15, 35, 43, 49 and 74 in Yemen. Oil Search (MENA) Limited formed part of the Middle East and North Africa reporting segment.

		Consolidated		Chief Entity	
		2008	**2007**	**2008**	**2007**
		US$'000	**US$'000**	**US$'000**	**US$'000**
6	**Net financing costs**				
	Interest received or receivable from others	**13,768**	30,420	**8,219**	22,724
	Interest paid or payable to:				
	others	**(857)**	(5,811)	**-**	-
	subsidiaries	**-**	-	**(961)**	(1,997)
		(857)	(5,811)	**(961)**	(1,997)
	Borrowing costs	**(1,336)**	(1,818)	**(1,140)**	(1,812)
		(2,193)	(7,629)	**(2,101)**	(3,809)
	Unwinding of discount on site restoration	**(5,482)**	-	**(15)**	-
	Total borrowing costs expensed	**(7,675)**	(7,629)	**(2,116)**	(3,809)
		6,093	22,791	**6,103**	18,915
7	**Income tax**				
	The major components of tax expenses are:				
	Current tax expense	**245,229**	199,106	**3,509**	7,563
	Deferred tax income	**(34,235)**	(12,877)	**(3,623)**	(15,338)
	Adjustments for current tax of prior periods	**(4,051)**	(257)	**1,057**	(1,656)
	Income tax expense/(benefit)	**206,943**	185,972	**943**	(9,431)
	Reconciliation between tax expense and the pre-tax profit multiplied by the applicable tax rate is set out below:				
	Pre-tax profit/(loss)	**520,305**	323,167	**(2,747)**	(27,525)
	Tax at PNG rate for petroleum (50%)	**260,154**	161,584	**-**	-
	Tax at PNG rate for corporate (30%)	**-**	-	**(824)**	(8,258)
	Effect of differing tax rates across tax regimes	**2,291**	4,657	**705**	-
		262,445	166,241	**(119)**	(8,258)
	Tax effect of items not tax deductible or assessable:				
	Profit on sale of MENA assets	**(63,819)**	-	**-**	-
	Under/(over) provisions in prior periods	**(4,051)**	(257)	**1,057**	(1,656)
	(Non-assessable)/deductible expenditure	**15,241**	19,988	**5**	483
	Other	**(2,873)**	-	**-**	-
	Income tax expense/(benefit)	**206,943**	185,972	**943**	(9,431)

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
7 Income tax (continued)				
The amount of the deferred tax expense/(benefit) recognised in the net profit in respect of each type of temporary difference:				
Exploration and development	**(29,810)**	(15,332)	**(3,046)**	(15,338)
Other assets	**(5,287)**	-	**-**	-
Provisions	**(2,114)**	2,455	**(577)**	-
Other items	**3,225**	-		-
Tax losses	**(249)**	**-**	**-**	-
	(34,235)	(12,877)	**(3,623)**	(15,338)

	Consolidated	
	2008	**2007**
	US cents	**US cents**
8 Earnings per share		
Basic earnings per share (before significant items)	**21.43**	12.57
Basic earnings per share (after significant items)	**27.98**	12.25
Diluted earnings per share (after significant items)	**27.76**	12.15

	No.	**No.**
Weighted average number of ordinary shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:		
Basic earnings per share	**1,119,841,193**	1,119,841,193
Employee share options	**1,252,663**	1,185,880
Employee performance rights	**7,834,413**	7,928,945
Diluted earnings per share	**1,128,928,269**	1,128,956,018

Basic earnings per share (before significant items) have been calculated on a net profit after tax of US$239.966 million (2007: US$140.816 million).

Basic earnings per share (after significant items) have been calculated on a net profit after tax of US$313.362 million (2007: US$137.195 million).

Diluted earnings per share have been calculated on a net profit after tax of US$313.362 million (2007: US$137.195 million). There are 4,549,767 options (2007: 4,529,898), 6,795,186 rights (2007: 9,431,236) and 2,312,996 restricted shares (2007: 2,162,796) which are dilutive potential ordinary shares and are therefore included in the weighted average number of shares for the calculation of diluted earnings per share.

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
9 Dividends paid or proposed				
Unfranked [a] dividends in respect of the year, proposed subsequent to the year end:				
Ordinary dividends [b]		44,794		44,794
Unfranked [a] dividends paid during the year:				
Ordinary – previous year final	**44,767**	44,794	**44,767**	44,794
Ordinary – current year interim [c]	**44,648**	44,793	**44,648**	44,793
	89,415	89,587	**89,415**	89,587

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

b. On 23 February 2009, the Directors declared a final unfranked dividend in respect of the current year, of US 4 cents per ordinary share (2007: US 4 cents final dividend), to be paid to the holders of ordinary shares on 7 May 2009. The proposed final dividend for 2008 are payable to all holders of ordinary shares on the Register of Members on 17 April 2009. The estimated dividends to be paid are US$44,793,648 and have not been included as a liability in these financial statements.

c. On 18 August 2008, the Directors declared an interim unfranked dividend in respect of the current half-year, of US 4 cents per ordinary share, paid to the holders of ordinary shares on 10 October 2008.

	Consolidated 2008	Consolidated 2007	Chief Entity 2008	Chief Entity 2007
10 Receivables				
Current				
Trade debtors	**41,222**	116,981	**189**	5,852
Other debtors [a]	**54,910**	90,480	**37,287**	98,244
	96,132	207,461	**37,476**	104,096
Non-current				
Amounts due by:				
subsidiaries	**-**	-	**-**	-
other entities	**42,848**	42,931	**-**	-
	42,848	42,931	**-**	-

a. During the year no receivables (2007: US$4.4 million) have been determined to be impaired and no related impairment loss has been charged to the Income Statement.

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
11 Inventories				
Current				
At cost				
Materials and supplies	**47,693**	50,558	**113**	631
Petroleum products	**5,161**	5,445	**13**	172
	52,854	56,003	**126**	803
12 Other assets				
Current				
Prepayments	**3,748**	3,573	**122**	118
Non Current				
Prepayments	**1,651**	-	-	-
13 Exploration and evaluation assets				
At cost	**567,699**	411,184	**95,208**	62,578
Less impairment	**(51,443)**	(34,290)	-	-
	516,256	376,894	**95,208**	62,578
Balance at start of year	**376,894**	351,351	**62,578**	49,493
Reclassification	-	4,618	-	7
Expenditure incurred during the year	**257,286**	222,391	**42,426**	63,806
Exploration costs expensed during the year	**(91,234)**	(163,324)	**(9,796)**	(50,728)
Impairment losses	**(17,153)**	(3,000)	-	-
Disposals	**(9,669)**	(4,555)	-	-
Net exchange differences	**132**	-	-	-
Transferred to assets in development	-	(3,969)	-	-
Transferred to producing assets	-	(26,618)	-	-
Balance at end of year	**516,256**	376,894	**95,208**	62,578

	Consolidated		Chief Entity	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
14 Oil and gas assets				
Assets in development				
At cost	**-**	33,766	**-**	-
Less accumulated amortisation	**-**	-	**-**	-
	-	33,766	**-**	-
Balance at start of year	**33,766**	-	**-**	-
Transferred from exploration and evaluation assets	**-**	3,969	**-**	-
Additions	**4,214**	37,617	**-**	-
Disposals	**(37,176)**	(7,820)	**-**	-
Amortisation	**(804)**	-	**-**	-
Balance at end of year	**-**	33,766	**-**	-
Producing assets				
At cost	**1,579,987**	1,438,056	**7,911**	7,741
Less accumulated amortisation and impairment	**(991,854)**	(838,533)	**(6,239)**	(5,786)
	588,133	599,523	**1,672**	1,955
Balance at start of year	**599,523**	628,356	**1,955**	2,982
Reclassification	**-**	(9,952)	**-**	(6)
Transferred from exploration and evaluation assets	**-**	26,618	**-**	-
Additions	**157,584**	57,219	**226**	376
Disposals	**(14,880)**	-	**-**	-
Impairment (losses)/reversals	**(54,590)**	7,500	**-**	-
Changes in restoration obligations	**9,146**	19,577	**(56)**	(906)
Amortisation of site restoration	**(9,919)**	(11,345)	**-**	-
Amortisation	**(98,731)**	(118,450)	**(453)**	(491)
Balance at end of year	**588,133**	599,523	**1,672**	1,955
Total oil and gas assets	**588,133**	633,289	**1,672**	1,955

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
15 Other property, plant and equipment				
At cost	**142,415**	112,770	**247**	224
Less accumulated depreciation and impairment	**(62,409)**	(24,955)	**-**	-
	80,006	87,815	**247**	224
Rigs				
Balance at start of year	**75,057**	18,728	**-**	-
Additions	**28,865**	57,283	**-**	-
Disposals	**(485)**	-	**-**	-
Depreciation	**(12,086)**	(3,847)	**-**	-
Impairment losses	**(19,707)**	-	**-**	-
Net exchange differences	**(12)**	2,893	**-**	-
Balance at end of year	**71,632**	75,057	**-**	-
Other property, plant and equipment				
Balance at start of year	**12,758**	10,757	**224**	206
Additions	**3,151**	10,384	**23**	194
Disposals	**-**	(16)	**-**	(176)
Depreciation	**(5,661)**	(3,966)	**-**	-
Net exchange differences	**(1,874)**	(4,401)	**-**	-
Balance at end of year	**8,374**	12,758	**247**	224
16 Non-current investments				
Available-for-sale assets:				
Shares not quoted on stock exchange [a]	**962**	962	**-**	-
Accumulated impairment losses	**(962)**	(962)	**-**	-
	-	-	**-**	-
Shares in subsidiaries (at cost)	**-**	-	**326,507**	326,507
	-	-	**326,507**	326,507

a. Shares in Misima Mines Limited 2008: 3,772,843 (2007: 3,722,843) ordinary shares at acquisition cost.

17 Deferred tax assets				
Temporary differences				
Other assets	**5,453**	**-**	**-**	**-**
Provisions	**61,993**	63,694	**134**	89
Exploration and development	**-**	-	**9,608**	19,803
Other	**2,933**	-	**110**	-
Tax losses recognised	**18,522**	18,241	**-**	-
	88,901	81,935	**9,852**	19,892

	Consolidated		Chief Entity	
	2008	2007	2008	2007
	US$'000	US$'000	US$'000	US$'000
18 Payables				
Current				
Trade creditors and accruals	**166,127**	143,993	**14,018**	8,830
Other payables	**3,453**	17,786	**1,422**	14,557
	169,580	161,779	**15,440**	23,387
19 Provisions				
Current				
Employee entitlements	**12,196**	11,730	**-**	-
Directors retirement allowances	**80**	80	**80**	80
Other	**-**	279	**-**	-
	12,276	12,089	**80**	80
Non-current				
Site restoration [a]	**114,121**	99,493	**288**	114
Other	**500**	-	**-**	-
	114,621	99,493	**288**	114
Movement in site restoration provision				
Balance at start of year	**99,493**	79,916	**114**	1,170
Revision of provision	**9,146**	19,577	**9**	(906)
Unwinding of discount	**5,482**	-	**15**	-
Reclassification	**-**	-	**150**	(150)
Balance at end of year	**114,121**	99,493	**288**	114

a. These provisions are in relation to the estimated costs associated with the restoration of sites that will be incurred at the conclusion of the economic life of the producing assets in which the economic entity holds a participating interest. No usage of this provision is expected during the next 12 months.

	Consolidated 2008 US$'000	Consolidated 2007 US$'000	Chief Entity 2008 US$'000	Chief Entity 2007 US$'000
20 Deferred tax liabilities				
Temporary differences				
Exploration and development	**95,141**	128,641	**-**	-
Prepayments and receivables	**219**	-	**158**	-
Other assets	**5,250**	-	**-**	-
Other differences	**15**	-	**-**	-
	100,625	128,641	**158**	-

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
21 Share capital and reserves				
Issued 1,119,841,193 (2007: 1,119,841,193)				
Ordinary shares, fully paid (no par value)	**620,491**	625,602	**620,491**	625,602
Movements in shares on issue				
Balance at start of year	**625,602**	630,848	**625,602**	630,848
Transfer of vested shares from employee equity compensation reserve [a]	**9,767**	1,441	**9,767**	1,441
Settlement of equity based share based payments [b]	**(14,878)**	(6,687)	**(14,878)**	(6,687)
Balance at end of year	**620,491**	625,602	**620,491**	625,602

a. This is the first year that the employee equity compensation reserve has been separately disclosed from share capital.

b. Employee share options and performance rights that vested on 25 June 2007 and 13 May 2008 and were exercised have been settled by cashing out and cancelling the options and rights or by purchasing shares on market, thereby not diluting the equity base through the issue of new shares.

Share options, share rights and restricted shares - Employee Share Option Plan, Performance Rights Plan, and Restricted Share Plan

At balance date, there are 4,549,767 options (2007: 4,529,898), 6,795,186 performance rights (2007: 9,431,236), and 2,312,996 restricted shares (2007: 2,162,796) granted over ordinary shares exercisable at various dates in the future, subject to meeting applicable performance hurdles, and at varying exercise prices (refer to note 25 for further details). During the year, a total of 1,212,935 share options (2007: 1,173,600) and 4,076,548 rights (2007: 589,600) were exercised and 555,276 options (2007: 384,385) and 996,802 rights (2007: 648,922) were forfeited. No restricted shares were exercised or forfeited during the year. There were 1,788,080 share options (2007: 1,811,950) granted under the Employee Share Option Plan, 2,437,300 performance rights (2007: 2,783,746) granted under the Performance Rights Plan, and 481,635 restricted shares (2007: 2,162,796) granted under the Restricted Share Plan during the year.

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
21 Share capital and reserves (continued)				
a) Reserves at the end of the financial year				
Foreign currency translation reserve	**(3,677)**	3,280	**-**	-
Amalgamation reserve	**-**	-	**(2,990)**	(2,990)
Reserve for treasury shares	**(7,666)**	-	**-**	-
Employee equity compensation reserve	**12,857**	12,934	**12,857**	12,934
Balance at end of year	**1,514**	16,214	**9,867**	9,944
b) Movements in reserves				
Foreign currency translation reserve				
Balance at start of year	**3,280**	2,389	**-**	-
Translation of financial statements of foreign subsidiaries	**(6,957)**	891	**-**	-
Balance at end of year	**(3,677)**	3,280	**-**	-

The foreign currency translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Amalgamation reserve				
Balance at start of year	**-**	-	**(2,990)**	(2,990)
Balance at end of year	**-**	-	**(2,990)**	(2,990)

The amalgamation reserve was used to record the retained earnings of entities amalgamated into the chief entity in 2006.

Reserve for treasury shares				
Balance at start of year	**-**	-	**-**	-
Purchase of shares during financial year	**(7,666)**	-	**-**	-
Balance at end of year	**(7,666)**	-	**-**	-

The reserve for treasury shares is used to record the cost of purchasing Oil Search Limited shares by the Restricted Share Plan Trust.

Employee equity compensation reserve [a]				
Balance at start of year	**12,934**	8,035	**12,934**	8,035
Expense recognised in employing subsidiaries during financial year	**9,690**	6,287	**9,690**	6,287
Transfer of vested shares to share capital	**(9,767)**	(1,441)	**(9,767)**	(1,441)
Net exchange differences	**-**	53	**-**	53
Balance at end of year	**12,857**	12,934	**12,857**	12,934

The employee equity compensation reserve is used to record the share based remuneration obligations to employees in relation to Oil Search Limited ordinary shares as held by the Employee Options and Rights Share Plans, which have not vested as at the end of the year.

[a] This is the first year that the employee equity compensation reserve has been separately disclosed from share capital.

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
22 Statement of cash flows				
(a) For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and at bank, deposits at call, and bank overdraft				
Cash at bank and on hand	**93,917**	90,775	**16,213**	67,992
Share of cash in joint ventures	**17,415**	17,414	**659**	3,999
Interest-bearing short-term deposits [a]	**423,596**	235,389	**221,791**	235,389
	534,928	343,578	**238,663**	307,380

a. Includes US$28.7 million (2007: US$39.3 million) held as security for letters of credit on issue.

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
22 Statement of cash flows (continued)				
(b) Reconciliation of operating profit/(loss) after tax to net cash flows from operating activities				
Net profit/(loss) after tax	**313,362**	137,195	**(3,690)**	(18,094)
Add/(deduct):				
Exploration costs expensed	**91,234**	163,324	**9,796**	50,728
Impairment reversals/(losses)	**91,530**	(129)	**-**	-
Profit on sale of investment and joint venture interests	**(127,639)**	(1,928)	**-**	-
Contractual adjustments to profit on sale of joint venture interests	**-**	677	**-**	-
Profit/(loss) on sale of fixed assets	**494**	(40)	**-**	(42)
Amortisation - site restoration	**9,919**	11,117	**-**	-
Unwinding of site restoration discount	**5,482**	-	**15**	-
Amortisation - oil and gas assets	**99,564**	117,009	**517**	437
Cost of share options	**9,690**	6,287	**-**	-
Depreciation	**17,747**	7,813	**-**	-
Exchange losses - unrealised	**(4,865)**	2,314	**-**	(203)
Movement in tax provisions	**(62,199)**	(66,529)	**2,572**	(9,195)
Net increase in provisions	**466**	4,428	**-**	-
Settlement of equity based employee share payments	**(14,878)**	(6,687)	**(14,878)**	(6,687)
Decrease/(increase) in inventories	**804**	(2,212)	**621**	(144)
Decrease/(increase) in other current assets	**(467)**	(1,171)	**(14)**	(605)
(Decrease)/increase in payables	**(29,019)**	(13,335)	**(8,472)**	(423)
Decrease/(increase) in receivables	**106,239**	(31,333)	**1,999**	(7,839)
Decrease/(increase) in intercompany	**-**	-	**(9,628)**	-
Other	**(41)**	(17)	**(146)**	53
	194,061	189,588	**(17,618)**	26,080
Net cash flows from operating activities	**507,423**	326,783	**(21,308)**	7,986

(c) Financing facility

Oil Search (PNG) Limited ("OSP") signed a new five year financing facility effective 23 October 2008 for US$435 million, decreasing by US$14.5 million at the end of each quarter. A facility limit of US$420.5 million was available at 31 December 2008. There was a nil drawn balance as at 31 December 2008. As part of the terms and conditions of this facility, OSP has provided a charge over its credit account in Melbourne with Australian & New Zealand Banking Group Limited. Refer to notes 30(a) and 33(a)(ii). The previous financing facility was a US$300 million, five year, revolving facility, amortising to a nil balance as at 31 December 2008. That facility was terminated by Oil Search Limited in September 2008.

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
23 Interests in jointly controlled operations				
(a) Net assets employed in joint ventures				
Current assets				
Cash	**17,415**	17,414	**659**	3,999
Receivables	**17,871**	22,601	**297**	1,260
Inventories	**40,637**	48,867	**113**	631
Non-current assets				
Exploration and evaluation assets	**516,256**	376,894	**95,208**	62,578
Oil and gas assets	**588,133**	633,289	**1,672**	1,955
Current liabilities	**(82,309)**	(82,198)	**(9,988)**	(22,578)
	1,098,003	1,016,867	**87,961**	47,845

(b) Interests in jointly controlled operations

The principal activities of the following jointly controlled operations in which the economic entity holds an interest are the exploration for and the production of crude oil and natural gas.

Contingent liabilities and commitments for expenditure in respect of these jointly controlled operations are disclosed in notes 30 and 31, respectively.

(i) Production joint ventures		**Country**	**% Interest 2008**	**2007**
PDL 1	Hides gas to electricity project	PNG	**100.00**	100.00
PDL 2 [a]	Kutubu, Moran & South East Mananda oil fields	PNG	**60.05**	60.05
PDL 3	Gobe oil field	PNG	**36.36**	36.36
PDL 4 [a]	Gobe oil field	PNG	**10.00**	10.00
PDL 5	Moran oil field	PNG	**40.69**	40.69
PDL 6 [a]	Moran oil field	PNG	**72.52**	-
PL 1 [a]	Hides gas pipeline	PNG	**100.00**	100.00
PL 2 [a]	Kutubu oil pipeline	PNG	**60.05**	60.05
PL 3 [a]	Gobe oil pipeline	PNG	**17.78**	17.78
Area A		Egypt	**-**	70.00
Block 43	Nabrajah oil field	Yemen	**-**	28.33

a. Joint venture operated by the economic entity.

23 Interests in jointly controlled operations (continued)

(ii) Exploration joint ventures		Country	% Interest 2008	2007
PPL 188 [a]		PNG	**100.00** [c]	100.00
PPL 190 [a]		PNG	**62.56**	62.56
PPL 219 [a]		PNG	**72.52**	72.52
PPL 233		PNG	**52.50**	52.50
PPL 234 [a]		PNG	**100.00**	100.00
PPL 239 [a]		PNG	**100.00**	100.00
PPL 240 [a]		PNG	**90.00** [b]	90.00
PPL 244		PNG	**40.00**	40.00
Area A		Egypt	**-**	70.00
East Ras Qattara Block		Egypt	**-**	49.50
Mesaha Area		Egypt	**-**	30.00
Bina Bawi		Iraq	**6.00**	10.00 [d]
Shakal		Iraq	**15.00**	-
Area 18		Libya	**30.00**	30.00
Le Kef		Tunisia	**50.00**	50.00
Tajerouine [a]		Tunisia	**100.00**	100.00
Block 3 [a]		Yemen	**60.00**	60.00
Block 7 [a]		Yemen	**34.00** [e]	34.00 [e]
Block 15 [a]		Yemen	**-**	35.00
Block 35 [a]		Yemen	**-**	32.50
Block 49		Yemen	**-**	42.33
Block 74 [a]		Yemen	**-**	34.00
(iii) Gas licence joint ventures				
PDL 1	Hides gas field	PNG	**21.50**	21.50
PRL 1	Pandora	PNG	**5.00**	5.00
PRL 2	Juha	PNG	**31.51**	31.51
PRL 3	P'nyang	PNG	**38.51**	38.51
PRL 8 [a]	Kimu	PNG	**60.71**	60.71
PRL 9	Barikewa	PNG	**42.55**	42.55
PRL 10 [a]	Uramu	PNG	**49.55** [b]	49.55
PRL 11	Angore	PNG	**52.50**	52.50
PRL 12	Hides	PNG	**52.50**	52.50
PNG LNG	PNG LNG project	PNG	**34.05**	-

a. Joint venture operated by the economic entity.
b. Awaiting government department approval and registration of 10.00% transfer to Oil Search.
c. New PPL has been lodged. Awaiting government department approval.
d 2007 Interest held through a 20% shareholding in a company which holds a 50% interest in, and operatorship of the Production Sharing Agreement. 2008 interest held as a direct joint venture interest.
e Awaiting ministerial grant.

24 Segment reporting

Primary reporting - geographical segments

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise profit on sale of joint venture interests and related costs, interest income and borrowing costs, interest-earning assets and loans, and corporate assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographical segments

The Oil Search Group operates primarily in Papua New Guinea but also has activities in Yemen, Libya, Iraq, Tunisia and Australia. Production from the designated segments is sold on commodity markets and may be sold to other geographical segments.

US$'000	PNG and Australia		Middle East and North Africa		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Revenue from operations	**795,781**	676,201	**18,549**	42,554	**814,330**	718,755
Results						
Segment profit from operating activities	**568,274**	454,960	**7,629**	5,529	**575,903**	460,489
Exploration costs expensed	**(64,112)**	(98,105)	**(27,122)**	(65,219)	**(91,234)**	(163,324)
Impairment reversals/(losses)	**(82,298)**	7,500	**(9,232)**	(7,371)	**(91,530)**	129
Net interest and borrowing costs	**3,003**	20,585	**1,824**	89	**4,827**	20,674
Profit on sale of MENA assets	**-**	-	**127,639**	-	**127,639**	-
Segment profit/(loss) from continuing operations before income tax	**424,867**	384,940	**100,738**	(66,972)	**525,605**	317,968
Unallocated profit from operating activities					**(5,072)**	1,791
Profit/(Loss) on sale of joint venture interest and non-current assets					**(494)**	1,968
Contractual adjustments to profit on sale of joint venture interests					**(1,000)**	(677)
Unallocated net borrowing costs					**1,266**	2,117
Total profit from continuing operations before income tax					**520,305**	323,167
Income tax expense					**(206,943)**	(185,972)
Net profit after tax					**313,362**	137,195

24 Segment reporting (continued)

Primary reporting - geographical segments (continued)

US$'000	PNG and Australia		Middle East and North Africa		Consolidated	
	2008	2007	2008	2007	2008	2007
Non-cash expenses						
Amortisation - site restoration	**(9,919)**	(11,117)	**-**	-	**(9,919)**	(11,117)
Amortisation - oil and gas assets	**(93,899)**	(101,711)	**(5,665)**	(15,298)	**(99,564)**	(117,009)
Depreciation - operating assets	**(12,086)**	(3,847)	**-**	-	**(12,086)**	(3,847)
Unwinding of discount on site restoration	**(5,482)**	-	**-**	-	**(5,482)**	-
Segment non-cash expenses	**(121,386)**	(116,675)	**(5,665)**	(15,298)	**(127,051)**	(131,973)
Unallocated depreciation					**(5,661)**	(3,966)
Employee share-based remuneration					**(9,690)**	(6,287)
Total non-cash expenses					**(142,402)**	(142,226)
Assets						
Segment assets	**1,927,514**	1,690,935	**39,836**	121,318	**1,967,350**	1,812,253
Unallocated corporate assets					**38,107**	21,226
Total assets					**2,005,457**	1,833,479
Liabilities						
Segment liabilities	**(382,854)**	(173,311)	**(13,021)**	(253,707)	**(395,875)**	(427,018)
Unallocated corporate liabilities					**(16,355)**	(17,329)
Total liabilities					**(412,230)**	(444,347)
Acquisition of non-current assets						
Exploration, evaluation, development and producing assets	**374,901**	277,623	**73,536**	99,000	**448,437**	376,623
Unallocated corporate acquisitions					**2,663**	8,271
					451,100	384,894

Secondary reporting - business segments

The Oil Search Group operates predominantly in one business, namely the exploration, development and production of hydrocarbons. Revenue is derived from the sale of gas and liquid hydrocarbons.

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
25 Employee entitlements and superannuation commitments				
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries and on costs	**4,930**	6,917	**-**	-
Directors' retirement allowances	**80**	80	**80**	80
Long service leave entitlements	**7,266**	4,813	**-**	-
	12,276	11,810	**80**	80
Balance at start of year	**11,810**	8,096	**80**	704
Additional provision	**8,797**	8,369	**-**	-
Reversal of provision	**(2,627)**	-	**-**	-
Provision utilised	**(5,704)**	(4,655)	**-**	(624)
Balance at end of year	**12,276**	11,810	**80**	80

The provisions represent amounts due to employees in respect of entitlements to annual leave and long service leave accrued under statutory obligations applicable in Australia, PNG, and Middle East and North Africa. These amounts are payable in the normal course of business either when leave is taken or on termination of employment.

Employee Share Option Plan

The Employee Share Option Plan was established in 2004 where selected employees of the economic entity are granted options over ordinary shares of Oil Search Limited. The options are granted for nil consideration and are granted in accordance with guidelines approved by shareholders at the Annual Meeting in 2004. The options cannot be transferred and will not be quoted on the Australian Stock Exchange. If an employee ceases to be employed by the Group they forfeit any options and rights that have not vested, subject to Board discretion. There are currently 790 (2007: 782) employees participating in the Employee Share Option Plan.

25 Employee entitlements and superannuation commitments (continued)
Employee Share Option Plan (continued)

	August 2008 grant[b]	May 2007 grant	July 2006 grant	October 2005 grant[a]	June 2004 grant
Grant date	4 Aug 2008	7 May 2007	28 July 2006	28 Oct 2005	25 June 2004
Share price at grant date	A$5.65	A$3.66	A$4.13	A$3.30	A$1.30
Exercise date	5 May 2011	7 May 2010	28 July 2009	13 May 2008	25 June 2007
Exercise price	A$4.88	A$3.57	A$4.15	A$2.29	A$1.25
Number of options					
Balance at 1 January 2008	-	1,696,940	1,433,048	1,236,710	163,200
Granted during period	1,788,080	-	-	-	-
Forfeited during period	(30,380)	(260,400)	(264,496)	-	-
Exercised during period [c]	-	-	-	(1,126,535)	(86,400)
Balance at 31 December 2008	**1,757,700**	**1,436,540**	**1,168,552**	**110,175**	**76,800**
Exercisable at 31 December 2008	-	-	-	110,175	76,800
Average share price at date of exercise				A$6.14	A$5.40
Balance at 1 January 2007	-	-	1,563,128	1,330,665	1,382,140
Granted during period	-	1,811,950	-	-	-
Forfeited during period	-	(115,010)	(130,080)	(93,955)	(45,340)
Exercised during period [c]	-	-	-	-	(1,173,600)
Balance at 31 December 2007	-	1,696,940	1,433,048	1,236,710	163,200
Exercisable at 31 December 2007	-	-	-	-	163,200
Average share price at date of exercise					A$4.13

a. Whilst not formally granted until 28 October 2005, the 2005 options were awarded on 13 May 2005, when the share price was A$2.29.

b. Whilst not formally granted until 4 August 2008, the 2008 options were awarded on 5 May 2008, when the share price was A$4.88.

c. Settled by cashing out and cancelling the options or by purchasing shares on market, thereby not diluting the equity base through the issue of new shares.

Options were priced using a binomial option pricing model using the following inputs:

	August 2008 grant	May 2007 grant	July 2006 grant	October 2005 grant	June 2004 grant
Volatility	38%	32%	35%	40%	40%
Dividend yield	1.50%	2.90%	1.80%	1.73%	3.00%
Risk-free interest rate	5.96%	5.93%	5.90%	5.27%	5.60%

An expense of US$1,525,701 (2007: US$1,549,426) has been recognised in the financial statements in respect of these options. All options expire two years after their vesting date or on termination of employment.

25 Employee entitlements and superannuation commitments (continued)

Performance Rights Plan

An employee Performance Rights Plan was established in 2004 where selected employees of the economic entity are granted rights over ordinary shares of Oil Search Limited. Up until and including the 2006 grant, the performance criteria for the awards will be based on the Company's Total Shareholder Return ("TSR") over the three year performance period measured against the TSR performance of the top 150 companies comprised in the ASX 200 Index. Performance for the 2007 and 2008 grant is measured over the three year performance period against two comparator groups. One half is measured against the TSR performance of the top 150 companies in the ASX 200 Index, the other half is measured against an international comparator group of 17 companies as determined by the Board.

The performance criteria applicable to any performance period are as follows:

If the Company's TSR is below the 50th percentile, then no rights vest;
If the Company's TSR is equal to the 50th percentile, then 50% rights vest;
If the Company's TSR is between the 50th percentile and the 75th percentile, then 50% plus 2% of rights vest per 1 percentile point;
If the Company's TSR is equal and above the 75th percentile, then 100% rights vest.

The rights are granted for nil consideration and are granted in accordance with guidelines approved by shareholders at the Annual Meeting in 2004. The rights cannot be transferred and will not be quoted on the Australian Stock Exchange. There are currently 132 (2007: 155) employees participating in the Performance Rights Plan.

25 Employee entitlements and superannuation commitments (continued)

Performance Rights Plan (continued)

	August 2008 grant[a]	May 2007 grant[b]	July 2006 grant[b]	October 2005 grant[d]	June 2004 grant[e]
Grant date	4 Aug 2008	7 May 2007	28 July 2006	28 Oct 2005	25 June 2004
Share price at grant date	A$5.65	A$3.66	A$4.13	A$3.30	A$1.30
Exercise date	5 May 2011	7 May 2010	28 July 2009	13 May 2008	25 June 2007
Exercise price	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil
Number of rights					
Balance at 1 January 2008	-	2,692,852	2,525,811	3,419,773	792,800
Granted during period	2,437,300	-	-	-	-
Forfeited during period	(25,700)	(408,258)	(562,844)	-	-
Exercised during period [g]	-	(2,179)	(9,820)	(3,353,821)	(710,728)
Balance at 31 December 2008	**2,411,600**	**2,282,415**	**1,953,147**	**65,952**	**82,072**
Exercisable at 31 December 2008	-	-	-	65,952	82,072
Average share price at date of exercise		A$5.59	A$5.59	A$6.14	A$5.40
Balance at 1 January 2007	-	-	2,728,933	3,721,079	1,436,000
Granted during period	-	2,783,746	-	-	-
Forfeited during period	-	(90,894)	(203,122)	(301,306)	(53,600)
Exercised during period [f g]	-	-	-	-	(589,600)
Balance at 31 December 2007	-	2,692,852	2,525,811	3,419,773	792,800
Exercisable at 31 December 2007	-	-	-	-	792,800
Average share price at date of exercise					A$3.58

a. Performance period 1 January 2008 - 31 December 2010.
b. Performance period 1 January 2007 - 31 December 2009.
c. Performance period 1 January 2006 - 31 December 2008.
d. Performance period 1 January 2005 - 31 December 2007. All rights vested on 13 May 2008.
e. Performance period 1 January 2004 - 31 December 2006. All rights vested on 25 June 2007.
f. Settled by cashing out and cancelling the rights or by purchasing shares on market, thereby not diluting the equity base through the issue of new shares.
g. Board discretion exercised in relation to the death, resignation or termination of employee's.

Performance rights were priced using a Monte-Carlo simulation model using the following inputs:

	August 2008 grant	May 2007 grant	July 2006 grant	October 2005 grant	June 2004 grant
Volatility	38%	32%	35%	40%	40%
Dividend yield	1.50%	2.90%	1.80%	1.73%	3.00%
Risk-free interest rate	6.00%	5.98%	5.93%	5.25%	5.60%

An expense of US$5,366,398 (2007: US$4,001,318) has been recognised in the financial statements in respect of these rights. All rights that have vested expire two years after their exercise date or on termination of employment.

25 Employee entitlements and superannuation commitments (continued)

Restricted Share Plan

An employee Restricted Share Plan was established in 2007 where selected employees of the economic entity are granted restricted shares of Oil Search Limited.

Restricted shares are granted under the plan in two situations. First as a way of retaining key management and other employees. Second, by way of mandatory deferral of a portion of a selected participant's short term incentive award. Awards under the Restricted Share Plan are structured as grants of restricted shares for nil consideration. Restricted shares will be held on behalf of participants in trust, subject to the disposal restrictions and forfeiture conditions, until release under the terms of the plan and in accordance with guidelines approved by shareholders at the Annual Meeting in 2007. There are currently 47 (2007: 49) employees participating in the Restricted Share Plan.

	March 2008 grant	**March 2008 grant**	**March 2008 grant**	**December 2007 grant**	**May 2007 grant**
Grant date	1 May 2008	1 May 2008	7 March 2008	13 December 2007	4 May 2007
Share price at grant date	A$4.95	A$4.95	A$4.16	A$4.55	A$3.38
Exercise date	1 January 2011	1 January 2010	1 January 2010	13 December 2010	1 January 2010
Exercise price	A$ nil	A$ nil	A$ nil	A$ nil	A$ nil
Number of shares					
Balance at 1 January 2008	-	-	-	1,298,870	863,926
Granted during period	33,898	131,356	316,381	-	-
Forfeited during period	-	-	(55,483)	(95,195)	(180,757)
Balance at 31 December 2008	**33,898**	**131,356**	**260,898**	**1,203,675**	**683,169**
Exercisable at 31 December 2008	-	-	-	-	-
Balance at 1 January 2007	-	-	-	-	-
Granted during period	-	-	-	1,298,870	863,926
Balance at 31 December 2007	-	-	-	1,298,870	863,926

Restricted shares were priced at the closing share price at the grant date.

An expense of US$2,798,314 (2007: US$735,978) has been recognised in the financial statements in respect of these restricted shares.

	Consolidated		Chief Entity	
	2008	2007	2008	2007
	US$	US$	US$	US$

26 Key management personnel remuneration

(a) Directors' remuneration

Remuneration paid or payable, or otherwise made available, in respect of the financial year, to all Directors of the economic entity, directly or indirectly, by the entities of which they are Directors or any related party:

	Consolidated 2008 US$	Consolidated 2007 US$	Chief Entity 2008 US$	Chief Entity 2007 US$
Short-term benefits	**5,562,449**	3,320,279		
Long-term benefits	**127,690**	-		
Post-employment benefits	**249,533**	280,204		
Share-based payments	**1,768,834**	1,742,863		
	7,708,506	5,343,346		

Remuneration paid or payable, or otherwise made available, in respect of the financial year, to all Directors of Oil Search Limited, directly or indirectly, by the entity or any related party:

	Consolidated 2008 US$	Consolidated 2007 US$	Chief Entity 2008 US$	Chief Entity 2007 US$
Short-term benefits			**4,819,476**	2,877,203
Long-term benefits			**114,816**	-
Post-employment benefits			**106,542**	211,370
Share-based payments			**1,422,344**	1,414,980
			6,463,178	4,503,553

The number of Directors of Oil Search Limited whose remuneration falls within the following bands:

	No.	No.
US$50,000 – US$59,999	**-**	1
US$110,000 – US$119,999	**-**	4
US$120,000 – US$129,999	**-**	2
US$140,000 – US$149,999	**3**	-
US$150,000 – US$159,999	**3**	-
US$270,000 – US$279,999	**-**	1
US$330,000 – US$339,999	**1**	-
US$660,000 – US$669,999	**-**	1
US$2,800,000 – US$2,809,999	**-**	1
US$860,000 – US$869,999	**1**	-
US$4,360,000 – US$4,369,999	**1**	-

The insurance premium paid during the year to insure the Directors against claims made against them while performing services for the Company has not been disclosed as it would breach the confidentiality clause in the insurance policy.

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$	**US$**	**US$**	**US$**
26 Key management personnel remuneration (continued)				
(b) Executives' remuneration				
Amounts received or due and receivable by executive officers of the economic entity whose remuneration is US$100,000 or more, from entities in the economic entity and related entities				
Short-term benefits	**10,761,825**	5,638,942	**-**	-
Long-term benefits	**195,151**	-	**-**	-
Post-employment benefits	**522,849**	460,606	**-**	-
Share-based payments	**3,844,828**	3,359,533	**-**	-
	15,324,653	9,459,081	**-**	-

The number of executive officers whose remuneration falls within the following bands:

	2008	**2007**	**2008**	**2007**
	No.	**No.**	**No.**	**No.**
US$420,000 – US$429,999	**2**	-	-	-
US$630,000 – US$639,999	**-**	1	-	-
US$660,000 – US$669,999	**1**	1	-	-
US$740,000 – US$749,999	**-**	1	`	-
US$760,000 – US$769,999	**1**	-	-	-
US$830,000 – US$839,999	**-**	1	-	-
US$860,000 – US$869,999	**1**	-	-	-
US$940,000 – US$949,999	**1**	-	-	-
US$1,010,000 – US$1,019,999	**-**	1	-	-
US$1,090,000 – US$1,099,999	**1**	-	-	-
US$1,240,000 – US$1,249,999	**1**	-	-	-
US$1,260,000 – US$1,269,999	**1**	-	-	-
US$1,340,000 – US$1,349,999	**-**	1	-	-
US$1,410,000 – US$1,419,999	**-**	1	-	-
US$1,480,000 – US$1,489,999	**1**	-	-	-
US$1,770,000 – US$1,779,999	**1**	-	-	-
US$2,800,000 – US$2,809,999	**-**	1	-	-
US$4,360,000 – US$4,369,999	**1**	-	-	-

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$	**US$**	**US$**	**US$**
27 Auditors' remuneration				
Amounts paid or due and payable in respect of:				
Auditing the economic entity's financial report	**428,610**	391,700	**54,127**	43,532
Other services	**44,811**	-	**-**	-
	473,421	391,700	**54,127**	43,532

28 Related party transactions

(a) Key management personnel

The Directors and key management personnel of Oil Search Limited during the year to 31 December 2008, and their interests in the shares of Oil Search Limited at that date were:

	No. of ordinary shares		No. of performance rights[a]		No. of restricted shares[a]	
Directors	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
BF Horwood	**-**	-	**-**	-	**-**	-
PR Botten	**1,040,000**	-	**1,097,697**	1,799,091	**288,045**	200,285
G Aopi	**121,450**	35,100	**118,972**	199,072	**76,188**	58,651
F Ainsworth	**-**	-	**-**	-	**-**	-
KG Constantinou	**-**	12,000	**-**	-	**-**	-
R Igara	**10,000**	-	**-**	-	**-**	-
MD Kriewaldt	**12,000**	12,000	**-**	-	**-**	-
JL Stitt	**9,600**	9,600	**-**	-	**-**	-
TN Warren	**-**	-	**-**	-	**-**	-
Executives						
P Bainbridge	**-**	-	**330,463**	237,463	**206,212**	172,881
P Caldwell	**156,500**	-	**202,946**	258,346	**60,966**	60,966
P Crute	**-**	-	**65,900**	-	**165,254**	-
S Gardiner	**-**	-	**149,915**	111,215	**38,200**	38,200
N Hartley	**166,292**	-	**273,450**	363,142	**98,605**	71,164
R Marcellus	**-**	-	**78,200**	-	**95,447**	67,429
A Miller	**44,000**	44,000	**346,112**	455,979	**214,928**	180,188
M Sullivan	**-**	-	**173,228**	326,286	**24,148**	-
K Wilkinson[b]	**46,000**	-	**-**	193,736	**-**	-
K Wulff [b]	**6,000**	6,000	**-**	544,045	**-**	180,757

a. Refer to note 25.

b. Number of ordinary shares held by the Executive at date of ceasing employment with the Group.

During the year the economic entity acquired hotel, conference facility and accommodation services in PNG from companies of which Mr KG Constantinou is a Director. These services were based upon normal commercial terms and conditions, totalling US$264,028 (2007: US$201,988).

28 Related party transactions (continued)

(b) Other transactions

(1) Interests in subsidiaries are disclosed in note 32.

(2) Loans receivable from subsidiaries are disclosed in note 10. Interest revenue and expenses brought to account by the company in respect of these loans during the financial year is disclosed in note 6.

(3) Interest held in joint ventures are set out in note 23.

(4) Other than transactions between entities within the economic entity (as disclosed in notes 3 and 6 to the financial statements), which were made under normal commercial terms and conditions, there were no other related party transactions during the year to 31 December 2008.

	Consolidated		Chief Entity	
	2008	**2007**	**2008**	**2007**
	US$'000	**US$'000**	**US$'000**	**US$'000**
29 Leases				
Operating leases not capitalised in the accounts				
Rental of premises and motor vehicles				
Payable within 12 months	**1,084**	3,069	**-**	-
Payable 1 to 2 years	**403**	1,027	**-**	-
Payable 2 to 5 years	**1,296**	701	**-**	-

30 Contingent liabilities

(a) Guarantees

As part of the terms and conditions of a Loan Agreement between Oil Search (PNG) Limited ("OSP") as borrower and the Commonwealth bank of Australia lending syndicate for the provision of a US$435 million term revolving facility, OSP provided a charge over its credit account in Melbourne with Australia & New Zealand Banking Group Limited.

(b) Contingent claims

Various claims for damages, occurring through the ordinary course of business, existed at balance sheet date. Legal advice indicates it is unlikely that any significant liabilities will arise from these outstanding claims.

31 Commitments for expenditure

(a) Exploration and evaluation expenditure

The economic entity, together with joint venture partners, has undertaken exploration programmes. The Directors estimate the economic entity's future contribution to these joint ventures, based on firm commitments and other likely expenditure for existing joint venture interests at 31 December 2008, will be US$65 million (2007: US$130 million) during the year ending 31 December 2009. A further US$263 million (2007: US$75 million) is expected to be spent on the continuation of the Front End Engineering and Design (FEED) phase of the LNG project, additional LNG-related expenditure and other gas activities.

These obligations may vary from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the economic entity.

(b) Development expenditure

The economic entity, through its participation in various joint ventures, has capital expenditure commitments for 2009 in relation to the Kutubu, Gobe, Moran and South East Mananda Projects. At balance date, the Directors estimate that the economic entity has commitments of US$84.5 million in respect of the Kutubu Project (2007: US$115.4 million); US$0.2 million in respect of the Gobe Project (2007: US$0.3 million); US$43.6 million in respect of the Moran Project (2007: US$39.9 million); with no committed spend for the South East Mananda Project (2007: US$0.4 million). Due to the sale of assets in Yemen and Egypt in 2008 there will be no development expenditure commitments during 2009 outside PNG (2007: US$4.4 million and US$8.5 million in Egypt).

(c) Other capital expenditure

Corporate capital expenditure commitments total US$12.0 million (2007: US$23.0 million), including US$3.6 million (2007: US$17 million) associated with drilling rigs.

Notes to the Financial Statements
for the year ended 31 December 2008

	Ownership interest % 2008	Ownership interest % 2007	Country of Incorporation
32 Consolidated entities			
Oil Search (Middle Eastern) Limited	**100**	100	British Virgin Is.
Oil Search (MENA) Limited [1]	**-**	-	British Virgin Is.
Oil Search (Eastern Desert) SAE	**-**	100	Egypt
Oil Search (Egypt) Limited	**-**	100	British Virgin Is.
Oil Search (Iraq) Limited	**100**	100	British Virgin Is.
Oil Search (Libya) Limited	**100**	100	British Virgin Is.
Oil Search (Tunisia) Limited	**100**	100	British Virgin Is.
Oil Search (ROY) Limited (formerly Oil Search (UAE) Limited)	**100**	100	British Virgin Is.
Oil Search (Yemen) Limited	**-**	100	British Virgin Is.
Oil Search (PNG) Limited	**100**	100	PNG
Oil Search (Drilling) Limited (formerly Oil Search (Gas) Limited)	**100**	100	PNG
Oil Search (Exploration) Inc.	**100**	100	Cayman Is.
Oil Search (Tumbudu) Limited	**100**	100	PNG
Papuan Oil Search Limited	**100**	100	Australia
Oil Search Limited Retention Share Plan Trust	**100**	-	Australia

1. Oil Search (MENA) Limited was incorporated on 25 February 2008 as a subsidiary of Oil Search (Middle Eastern) Limited. Oil Search (Middle Eastern) Limited then sold Oil Search Eastern Desert SAE, Oil Search (Egypt) Limited, and Oil Search (Yemen) Limited to Oil Search (MENA) Limited in February 2008. Oil Search (Middle Eastern) Limited then executed a share sale agreement for all the issued shares of Oil Search (MENA) Limited to Kuwait Energy Company. These subsidiaries were previously 100% owned

33 Financial instruments

(a) Terms, conditions and accounting policies

The economic entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date, are as follows:

Recognised financial instruments	Balance sheet notes	Accounting policies	Terms and conditions
(i) Financial assets			
Receivables - trade	10	Trade receivables are carried at amortised costs less any allowance for doubtful debts. An allowance for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are on 30 day terms.
Receivables - Related parties/entities	10	Amounts (other than trade debts) receivable from related parties/entities are carried at amortised cost less any allowance for doubtful debts.	Receivables from related parties/entities are payable at call. Refer to note 28(b).
Short-term deposits	22(a)	Short-term deposits are stated at amortised cost. Interest is recognised in the profit and loss account at the effective interest rate.	Short-term deposits have maturity dates of three months or less.
(ii) Financial liabilities			
Trade creditors and accruals	18	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the economic entity.	Trade liabilities are normally settled on 30 day terms.
Accounts payable - Related parties/entities	-	Loans from related parties are carried at amortised cost. Interest is taken up as an expense on an accrual basis.	Amounts owing to related parties/entities are payable at call.

33 Financial instruments (continued)

(a) Terms, conditions and accounting policies (continued)

Recognised financial instruments	Balance sheet notes	Accounting policies	Terms and conditions
(ii) Financial liabilities (continued)			
Secured loans	-	Secured loans are carried at fair value net of transaction costs. Interest on borrowings for major projects is capitalised until the commencement of production and then amortised over the estimated life of the project. All other interest on borrowings is expensed at the effective interest rate.	The secured loans are repayable in quarterly instalments from proceeds earned from the producing oil fields. Interest is charged at LIBOR plus a margin. Details of the security over the secured loans are set out in note 30(a).
(iii) Equity			
Ordinary shares	21	Ordinary share capital is recognised at the historical US$ equivalent of capital raised.	Under the PNG Companies' Act, the concept of Authorised Capital no longer exists and there is no limit on the number of shares the company may issue. Details of shares issued and the terms and conditions of options and rights outstanding over ordinary shares are disclosed in notes 21 and 25.

33 Financial instruments (continued)

(a) Terms, conditions and accounting policies (continued)

Recognised financial instruments	Balance sheet notes	Accounting policies	Terms and conditions
(iii) Equity (continued)			
Hedges		From time to time the economic entity enters into hedging arrangements in circumstances where it is necessary to ensure adequate cash flow to meet financial commitments. As per IAS39: Financial Instruments Recognition and Measurement the company recognises the fair value of outstanding effective hedges in the Balance Sheet. Hedging settlements are included in the profit and loss at the same time as the underlying physical exposure is recognised in the profit and loss.	There are no outstanding forward sales contracts at balance date (2007: nil). As at 31 December 2008, there are no outstanding barrels hedged (2007: nil).

33 Financial instruments (continued)

(b) Financial risk management

Financial risk exposures arise in the course of the day-to-day operating activities of the Group, primarily due to the impact of oil price movements on revenue items and exchange rate and interest rate impacts on expenditure and balance sheet items. The management of borrowings and surplus cash also create liquidity and credit risk exposures. Monetary assets and liabilities denominated in currencies other than the Group's functional currency, US dollars (US$), may also give rise to translation exposures.

The Group's overall approach is to enter into hedges using derivative financial instruments only in circumstances where it is necessary to ensure adequate cash flow to meet future financial commitments. Financial risk management is undertaken by Group Treasury and risks are managed within the parameters of the Board approved Financial Risk Management policy.

(i) Market risk

Foreign exchange risk

The Group has revenue flows and major capital obligations predominantly denominated in US$ and the functional currency for the preparation of consolidated accounts is US$.

The Group's residual currency risk exposure originates from two different sources:

• Administrative and business development expenditures incurred at the corporate level in Australian dollars (A$); and

• Operating and capital expenditures incurred by the Group in its role of Operator in Papua New Guinea Kina (PGK) and A$.

In addition to these operational foreign exchange exposures, the Group may also be exposed to one-off transactional flows which occur on an ad hoc basis: i.e. capital equipment purchases in currencies other than US$. The Group is not exposed to material translation exposures as the majority of its assets and liabilities are denominated in US$.

Foreign exchange risk management

The Group manages its exposure to foreign exchange rate volatility by matching the currency of its cost structure to its US$ revenue stream. Transaction exposures are netted off across the Group to reduce volatility and avoid incurring the dealing spread on transactions, providing a natural hedge. The residual operating cost exposures, primarily in A$, are recurring in nature and therefore no long-term hedging is undertaken to minimise the profit and loss impact of these exposures.

The Operator cash flows are managed independently to the Group's corporate exposures, reflecting the interests of joint venture partners in the Operator cash flows. A$ and PGK are bought on the spot market in excess of immediate requirements. Where these currencies are purchased in advance of requirements, A$ and PGK cash balances do not exceed three months requirements.

As at 31 December 2008, there were no foreign exchange deals outstanding (2007: nil).

33 Financial instruments (continued)

(b) Financial risk management (continued)

(i) Market risk (continued)

Foreign exchange (continued)

No currency sensitivity analysis is provided as there were no derivative financial instruments in place to hedge residual foreign exchange exposure and any non-derivative financial instruments are directly denominated in the functional currency of the entity in which it is taken out.

Interest rate risk

The Group is exposed to interest rate exposure directly through borrowings and investments in each of the currencies of its operations. Surplus cash is invested in short term (floating) instruments due to uncertainty of timing of major cash outflows. Whilst some of the invested cash is in PGK and A$, the primary exposure is to US interest rates.

Interest rate risk management

Interest rate risk is managed on a Group basis at the corporate level. Limits on the proportion of fixed interest rate exposure are applied and interest rates may be fixed for a maximum term of four years or the remaining life of term debt facilities, whichever is the longer.

As at 31 December 2008, as there was no debt outstanding and there was no interest rate hedging in place (2007: nil). Surplus cash was invested in short term instruments with an average maturity of 1 to 2 months.

Interest rate sensitivity

The sensitivity analysis below has been determined based on exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year.

At the reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's:

• net profit after tax would increase/decrease by $1.1 million (2007: $1.1 million).

At the reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the company's:

• net profit after tax would increase/decrease by $0.7 million (2007: $0.9 million).

33 Financial instruments (continued)
(b) Financial risk management (continued)
Interest rate risk (continued)
Consolidated

Financial Instruments	Floating Interest Rate US$'000	Fixed interest rate maturing in: 1 year or less US$'000	1-5 years US$'000	More than 5 years US$'000	Non interest bearing US$'000	Total carrying amount as per the balance sheet US$'000	Weighted average effective interest rate %
2008							
Financial assets							
Cash and cash equivalents	**111,332**	**423,596**	**-**	**-**	**-**	**534,928**	**3.4**
Receivables – trade	**-**	**-**	**-**	**-**	**41,222**	**41,222**	
Other debtors	**-**	**-**	**-**	**-**	**54,910**	**54,910**	
Non-current receivables	**-**	**-**	**-**	**-**	**42,848**	**42,848**	
Total financial assets	**111,332**	**423,596**	**-**	**-**	**138,980**	**673,908**	
Financial liabilities							
Trade creditors and accruals	**-**	**-**	**-**	**-**	**166,127**	**166,127**	
Other payables	**-**	**-**	**-**	**-**	**3,453**	**3,453**	
Total financial liabilities	**-**	**-**	**-**	**-**	**169,580**	**169,580**	
2007							
Financial assets							
Cash and cash equivalents	343,578	-	-	-	-	343,578	6.0
Receivables – trade	-	-	-	-	116,981	116,981	
Other debtors	-	-	-	-	90,480	90,480	
Non-current receivables	-	-	-	-	42,931	42,931	
Total financial assets	343,578	-	-	-	250,392	593,970	
Financial liabilities							
Trade creditors and accruals	-	-	-	-	143,993	143,993	
Other payables	-	-	-	-	17,786	17,786	
Total financial liabilities	-	-	-	-	161,779	161,779	

There exists no unrecognised financial instruments at balance date.

33 Financial instruments (continued)
(b) Financial risk management (continued)
Interest rate risk (continued)
Chief Entity

Financial Instruments	Floating Interest Rate US$'000	Fixed interest rate maturing in: 1 year or less US$'000	1-5 years US$'000	More than 5 years US$'000	Non interest bearing US$'000	Total carrying amount as per the balance sheet US$'000	Weighted average effective interest rate %
2008							
Financial assets							
Cash and cash equivalents	**16,871**	**221,792**	**-**	**-**	**-**	**238,663**	**3.4**
Receivables – trade	**-**	**-**	**-**	**-**	**189**	**189**	
Other debtors	**-**	**-**	**-**	**-**	**37,287**	**37,287**	
Total financial assets	**16,871**	**221,792**	**-**	**-**	**37,476**	**276,139**	
Financial liabilities							
Trade creditors and accruals	**-**	**-**	**-**	**-**	**14,018**	**14,018**	
Other payables	**-**	**-**	**-**	**-**	**1,422**	**1,422**	
Total financial liabilities	**-**	**-**	**-**	**-**	**15,440**	**15,440**	
2007							
Financial assets							
Cash and cash equivalents	307,380	-	-	-	-	307,380	6.0
Receivables – trade	-	-	-	-	5,852	5,852	
Other debtors	-	-	-	-	98,244	98,244	
Total financial assets	307,380	-	-	-	104,096	411,476	
Financial liabilities							
Trade creditors and accruals	-	-	-	-	8,830	8,830	
Other payables	-	-	-	-	14,557	14,557	
Total financial liabilities	-	-	-	-	23,387	23,387	

There exists no unrecognised financial instruments at balance date.

33 Financial instruments (continued)

(b) Financial risk management (continued)

Commodity price risk

The Group has exposure to commodity price risk associated with the production and sale of crude.

Commodity risk management

The Group does not seek to limit its exposure to the fluctuations in oil prices; rather the central aim of oil price risk management is to ensure the Group's financial position remains sound and that the Group is able to meet its financial obligations in the event of low oil prices. Hedge cover targets are determined through detailed modelling of the Group's position under various oil price scenarios. The policy ensures that maturities of the hedges are spread over time and there is no fixed minimum hedge cover level. This allows the Group not to be forced to price a significant proportion of its exposure in an unfavourable oil price environment.

As at 31 December 2008, there was no oil price hedging in place (2007: nil).

No commodity price sensitivity analysis is required as there was no hedging in place.

(ii) Credit risk

The Group has exposure to credit risk if counterparties are not able to meet their financial obligations to the Group. The exposure arises as a result of the following activities:

- Financial transactions involving money market, surplus cash investments and derivative instruments.
- Direct sales of crude
- Other receivables

Credit risk management

Global credit limits have been established across all categories of financial transactions. The limits are based on the credit ratings provided by Standard and Poor's, and Moody's.

Following the transfer in late 2006 of Kutubu crude marketing responsibilities for the Joint Lifting Consortium from Chevron to the Group, the direct sale of crude to investment grade counterparties was approved, provided the counterparties enter into Buyer Consent Deeds as required under the terms of the Group's debt facility. Sales to all other buyers are secured by letters of credit issued by single "A" rated banks and confirmed by the ANZ Banking Corporation.

At 31 December 2008 (2007: nil) there was no significant concentration of credit risk exposure to any counterparty.

The extent of the Group's credit risk exposure is identified in the following table.

33 Financial instruments (continued)
(b) Financial risk management (continued)
(ii) Credit risk (continued)

	Note	Consolidated 2008 US$'000	Consolidated 2007 US$'000	Chief Entity 2008 US$'000	Chief Entity 2007 US$'000
Current					
Cash at bank and on hand	22(a)	**93,917**	90,775	**16,213**	67,992
Share of cash in joint ventures	22(a)	**17,415**	17,414	**659**	3,999
Interest-bearing short-term deposits	22(a)	**423,596**	235,389	**221,791**	235,389
Receivables	10	**96,132**	207,461	**37,476**	104,096
		631,060	551,039	**276,139**	411,476
Non-current					
Receivables	10	**42,848**	42,931	**-**	-
		42,848	42,931	**-**	-

(iii) Liquidity risk

The Group has exposure to liquidity risk if it is unable to settle transactions in the normal course of business and if new funding and refinancing cannot be obtained as required and on reasonable terms.

Liquidity risk management

The Group manages liquidity risk by ensuring that there are sufficient funds available to meet its financial obligations on a day-to-day basis and to meet unexpected liquidity needs in the normal course of business. The Group's liquidity policy is to maintain surplus immediate cash liquidity together with committed undrawn lines of credit for business opportunities and unanticipated cash outflows.

The Group also seeks to ensure maturities of committed debt facilities are reasonably well spread over time to minimise the Group's exposure to risk on the cost or availability of funds should the refinancing requirement coincide with unexpected short-term disruption or adverse fund-raising conditions in the capital markets. In order to avoid an exposure to any particular source of external funding the Group acknowledges the benefits of diversification of funding sources and where possible, aims to source its funds from a range of lenders, markets and funding instruments.

Oil Search (PNG) Limited ("OSP") signed a new five year financing facility effective 23 October 2008 for US$435 million, decreasing by US$14.5 million at the end of each quarter. A facility limit of US$420.5 million was available at 31 December 2008. There was a nil drawn balance as at 31 December 2008. As part of the terms and conditions of this facility, OSP has provided a charge over its credit account in Melbourne with Australian & New Zealand Banking Group Limited. The previous financing facility was a US$300 million, five year, revolving facility, amortising to a nil balance as at 31 December 2008. That facility was terminated by Oil Search Limited in September 2008.

As at 31 December 2008, the Group has surplus cash of US$517 million invested in short term instruments (2007: US$326 million).

33 Financial instruments (continued)

(b) Financial risk management (continued)

(iv) Capital risk

Capital management

The consolidated entity manages its capital to ensure that entities in the consolidated group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances.

This involves the use of corporate forecasting models which facilitates analysis of the Group's financial position including cash flow forecasts to determine the future capital management requirements. Capital management is undertaken to ensure a secure, cost-effective and flexible supply of funds is available to meet the Group's operating and capital expenditure requirements.

(c) Fair values

The aggregate fair values of financial assets and financial liabilities, both recognised and unrecognised at balance date, are as follows:

	Aggregate fair value			
	Consolidated		Chief Entity	
	2008 US$'000	2007 US$'000	2008 US$'000	2007 US$'000
Financial assets				
Cash	**534,928**	343,578	**238,663**	307,380
Receivables – trade	**41,222**	116,981	**189**	5,852
Other debtors	**54,910**	90,480	**37,287**	98,244
Non current receivables	**42,848**	42,931	**-**	-
Total financial assets	**673,908**	593,970	**276,139**	411,476
Financial liabilities				
Trade creditors and accruals	**166,127**	143,993	**14,018**	8,830
Other payables	**3,453**	17,786	**1,422**	14,557
Total financial liabilities	**169,580**	161,779	**15,440**	23,387

The methods and assumptions used to estimate the fair value of financial instruments are outlined below:

Cash

The carrying amount is fair value due to the liquid nature of these assets.

Receivables/payables

Due to the short term nature of these financial rights and obligations, their carrying amounts are estimated to represent their fair values.

OIL SEARCH LIMITED
and its subsidiaries

Directors' Declaration 31 December 2008

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 company and of the economic entity:

(i) give a true and fair view of the company's and economic entity's financial position as at 31 December 2008 and their performance for the 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 Stock 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.

Signed in accordance with a resolution of the directors.

On behalf of the Board of Directors

B. F. Horwood
....
BF HORWOOD
Chairman

....
PR BOTTEN
Managing Director

Sydney, 23 February 2009

Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Deloitte Tower, Level 12
Douglas Street
Port Moresby
PO Box 1275 Port Moresby
National Capital District
Papua New Guinea
Tel: +675 308 7000
Fax: +675 308 7001
www.deloitte.com.pg

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia
DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

We have audited the accompanying financial report of Oil Search Limited (the company), which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 58.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards and the Companies Act 1997. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the financial report of Oil Search Limited is in accordance with the Companies Act 1997, including:

(a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date;

(b) complying with International Financial Reporting Standards; and

(c) proper accounting records, in all material respects, have been kept.

Other Information

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

DELOITTE TOUCHE TOHMATSU

Suzaan Theron
Partner
Chartered Accountants
Registered under the Accountants Act, 1996
Port Moresby, 23 February 2009

DELOITTE TOUCHE TOHMATSU

John A Leotta
Partner
Chartered Accountants
Registered Company Auditor in Australia
Sydney, 23 February 2009

OIL SEARCH LIMITED

Incorporated in Papua New Guinea
ARBN 055 079 868

OIL SEARCH LIMITED
2008 Final Dividend

Oil Search Limited (the Company) will pay a 2008 final dividend of US$0.04 (US four cents) per ordinary share.

The Company also announces the introduction of a Dividend Reinvestment Plan (DRP) and the intention to procure a full underwriting of the 2008 final dividend. The terms of the DRP and an offer for shareholders to participate in the DRP will be distributed to shareholders shortly.

To accommodate the introduction of the DRP, it will be necessary to delay the 2008 final dividend record and payment dates by approximately three weeks from the previously indicated dates.

The dates of the 2008 final dividend will be:

Record Date: Friday, 17 April 2009; and
Payment Date: Thursday, 7 May 2009.

The ordinary shares will trade “ex” dividend from Thursday, 9 April 2009.

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 United States dollar dividend into the payment currencies will be the closing rates as on the record date being Friday, 17 April 2009.

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

M. Sullivan

Michael Sullivan
<u>General Counsel/Group Secretary</u>

Tuesday, 24 February 2009