ASX Announcement

Activities for the Quarter ended 30 June 2015

(ASX: OSH | ADR: OISHY | POMSoX: OSH)
21 July 2015

Highlights

	2Q 2015	1Q 2015	% change
Total production (mmboe)	**7.41**	6.91	+7%
Total sales (mmboe)	**7.41**	7.04	+5%
Total revenue (US$m)	**391.5**	472.3	-17%

- **Total production in the second quarter of 2015 was 7.41 million barrels of oil equivalent (mmboe), 7% higher than in the previous quarter and the highest quarterly production in Oil Search's history. The PNG LNG Project contributed 5.67 mmboe (24.7 bcf LNG and 0.83 mmbbl liquids), while production from the base PNG oil and gas business was 1.74 mmboe.**
- **Based on the strong performance in the first half, the Company has upgraded its 2015 production forecast range, from 26 – 28 mmboe to 27 – 29 mmboe.**
- **Total revenue for the quarter was US$391.5 million, compared to US$472.3 million in the first quarter of 2015. The average realised LNG and gas price was US$8.10 per mmBtu, 35% lower than in the first quarter, while the average realised oil and condensate price was US$61.69 per barrel, 20.3% higher than in the first quarter. This brought total revenue for the first half of 2015 to US$863.8 million, compared to US$510.0 million in the first half of 2014.**
- **In June 2015, the 100th LNG cargo from the PNG LNG Project departed PNG. Since the commencement of production in April 2014, the Project has exported more than seven million tonnes of LNG.**
- **During the quarter, a production test of the Antelope 5 appraisal well in PRL 15 took place. Preliminary interpretation of the test results is encouraging and confirms the existence of a substantial resource base, with the best quality reservoir seen to date in the field. Preparations to sidetrack the Antelope 4 appraisal well progressed during the quarter, with drilling expected to commence in August.**
- **Shortly after the end of the quarter, a major milestone was reached when the PRL 15 Joint Venture, led by Total SA, selected the locations of key infrastructure sites for the potential future development of the Elk-Antelope gas field. The LNG plant site is to be located at Caution Bay, adjacent to the PNG LNG plant site. This will maximise the opportunity to pursue any potential synergies with the PNG LNG Project. The development has been named the Papua LNG Project.**

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- **In line with the Memorandum of Understanding (MoU) signed between ExxonMobil PNG Ltd and the PNG Government in the first quarter of 2015, a power sale agreement between ExxonMobil PNG Ltd and PNG Power was executed in April and the PNG LNG plant commenced supplying electricity to PNG Power in early July, in time for the Pacific Games. Under the MoU, the P'nyang gas field in PRL 3 will provide long-term gas resources to support domestic power, PNG LNG Project debottlenecking and a potential third train.**
- **Preparations to drill an appraisal well on the P'nyang field continued during the quarter, with the well targeted to spud in early 2016. Based on recent subsurface studies, the appraisal results could have a material positive impact on P'nyang 2C contingent resources.**
- **As part of a broad but measured expansion of appraisal and exploration activities in PNG, during the quarter, Oil Search exercised its right to farm into PPL 339. The Company has acquired a 70% operated interest in the block and is planning to drill two wells in the first half of 2016, chasing large reefal plays on trend with the Elk-Antelope gas field. An extensive appraisal and exploration programme is being matured in various licences in PNG, to progressively evaluate the Company's portfolio.**
- **Oil Search has embarked on a comprehensive review to ensure it has the appropriate cost base and resources to deliver the Company's potentially high-returning growth projects over the next few years. This work has already started to deliver meaningful efficiencies and cost reductions, with full year production cost guidance per barrel of oil equivalent declining from US$10 - 12/boe to US$9 - 11/boe.**
- **At the end of June 2015, Oil Search had cash of US$843.0 million and debt of US$4,285.9 million. Including US$750 million of undrawn corporate credit facilities, the Company had total liquidity of US$1,593.0 million.**

COMMENTING ON 2015 SECOND QUARTER ACTIVITIES, OIL SEARCH MANAGING DIRECTOR, PETER BOTTEN, SAID:

"Total production of 7.41 mmboe for the quarter was the highest quarterly production ever achieved by the Company. This excellent result reflected further production increases from the PNG LNG Project, combined with a solid performance from our operated oil fields. Based on the PNG LNG plant's performance to date, we are confident the Project can continue to produce LNG above the nameplate capacity of 6.9 MTPA in 2015.

The PNG LNG Project's contract customers continued to take their full contractual volumes and the Project was successful in selling all its additional spot cargoes during the period. In June, we celebrated the delivery of the 100th LNG cargo from the Project, achieved in just over one year from the start of export operations, underscoring PNG LNG's reputation as a reliable producer of gas.

Good progress was also made on gas commercialisation activities, both in the North-West Highlands and in the Gulf Province of PNG. The selection of the site locations for the proposed Elk-Antelope development, to be named the Papua LNG Project, is a significant milestone and followed extensive evaluation of a large range of options by the PRL 15 Joint Venture over the last 12 months.

The PNG Prime Minister, Hon. Peter O'Neill, has expressed his strong support for the proposed Papua LNG Project, highlighting that the Government is ready to move ahead with preparatory work, including ensuring regulatory requirements are met and processed and environmental studies are undertaken. The Joint Venture is engaging with key stakeholders, including State, Provincial and Local Governments as well as local communities, to ensure that FID can be achieved in the earliest practicable timeframe. Although early in the appraisal and testing programme, encouraging results were seen from the Antelope 5 well, underscoring growing confidence about the resource base for the Project.

Another highlight of the quarter was the start of power deliveries from the PNG LNG Project to PNG Power in early July. The availability of up to 25 megawatts of interruptible power for local use ensured a reliable supply of electricity during the Pacific Games, which took place this month in Port Moresby. The provision of power to Port Moresby was one of the key commitments under the MoU signed in January this year, under which the PRL 3 co-venturers are progressing the development of the P'nyang gas field to support the delivery of domestic power to PNG and the expansion of the PNG LNG Project through debottlenecking and a potential third LNG train.

Oil Search remains focused on fiscal discipline and has reduced its operating cost base, with further efficiency opportunities to be progressed in the second half, following completion of the first phase of our Business Optimisation Programme.

With strong production and a solid balance sheet, the Company is well positioned to progress its value accretive growth projects, despite the current weak global oil and LNG price environment."

2015 second quarter production and revenue performance

"Production net to Oil Search in the second quarter of 2015 was 7.41 mmboe, 7% higher than in the previous quarter and an all-time high for the Company. During the period, 26 PNG LNG cargoes were exported, of which 19 were sold under long-term contracts to customers in Japan, China and Taiwan and an additional seven cargoes sold on the spot market. Eight cargoes of Kutubu Blend, comprising production from our operated PNG oil fields and condensate from the PNG LNG Project, were also sold, as well as two cargoes of naphtha.

Total production for the first half of 2015 was 14.3 mmboe, nearly three times higher than in the same period of 2014. Based on the strong first half production performance, the Company now expects 2015 full year production to be between 27 - 29 mmboe, up from the previous guidance range of 26 - 28 mmboe.

Total operating revenue for the quarter was US$391.5 million, compared to US$472.3 million in the first quarter of 2015. While the average realised oil and condensate price increased by 20% to US$61.69 per barrel, the average realised LNG and gas price fell 35% to US$8.10/mmBtu, largely reflecting the approximate 2-3 month lag between the oil price and LNG contract prices. Total operating revenue for the first half of 2015 was US$863.8 million, 69% higher than in the first half of 2014."

P'nyang gas development activities

"During the quarter, ExxonMobil PNG Limited executed a power sale agreement with PNG Power Limited for the supply of up to 25 megawatts of interruptible electricity for local use in Port Moresby and in early July, the PNG LNG plant commenced delivery of electricity to PNG Power, in time for the start of the Pacific Games. This fulfilled one of the key commitments made under the MoU signed in January 2015, as already highlighted.

The Environmental Impact Statement and Social Impact Assessment for the proposed development of the P'nyang field have now been submitted to the Conservation and Environment Protection Authority and the Department of Petroleum and Energy, respectively. Preparatory works for P'nyang appraisal drilling are progressing, with the well targeted to spud in early 2016. The Project team is working closely with various Government departments to facilitate the award of a petroleum development licence over P'nyang."

Elk-Antelope gas development activities

"During the quarter, initial production testing of the Antelope 5 appraisal well took place. The well has encountered the highest quality reservoir section seen to date in the field and the test results have demonstrated a highly productive carbonate reservoir. Further testing is planned once a sidetrack of the Antelope 4 well, which is expected to spud in August using Oil Search's Rig 103, reaches total depth. A further appraisal well, Antelope 6, on the eastern flank of the field, is expected to complete drilling in the fourth quarter. While substantial work remains, Oil Search is confident that the Elk-Antelope field has sufficient resources to underpin at least one larger LNG train (which was the basis for our entry into PRL 15) and possibly two PNG LNG-sized trains.

The transition of operatorship from InterOil to Total SA commenced during the quarter and is expected to complete in the third quarter of 2015, with Total personnel progressively being mobilised to Port Moresby.

After an extensive study lasting more than 12 months, led by Total SA, the PRL 15 Joint Venture recently unanimously agreed on the locations for the Central Processing Facility (CPF), pipeline routes and LNG plant site for the proposed Elk-Antelope development (to be named the Papua LNG Project).

Fourteen potential sites for the LNG plant, including seven in the Gulf Province, and seven sites for the CPF were considered, together with several alternative pipeline routes. Caution Bay was selected as the most suitable location for the LNG plant due to the availability of a large area of state land, comparable in size to the PNG LNG Project site, with favourable sea and coastal conditions for ship loading and no requirement to build a breakwater. Its easy access and close proximity to Port Moresby will facilitate materials and personnel logistics, while its location adjacent to the PNG LNG Project site will also allow for potential synergies during the construction and operations phases, which will enhance the value of the development for all stakeholders.

The selection of the final development concept, including the sizing and capacity of the facilities, is expected to take place early in 2016 once appraisal and resource evaluation of the Elk-Antelope field has been completed. This development concept will then be used to determine the final Basis of Design and subsequently Front End Engineering and Design.

Work has also commenced on the financing of the Papua LNG Project, with the PRL 15 Joint Venture recently appointing key advisors including Credit Agricole (Financial Advisor), Milbank (International Legal Counsel), Allens (PNG Legal Counsel) and PwC (Tax Advisor).

The Papua LNG Project has the potential to have a similar impact on PNG's Gross Domestic Product and export revenues as the PNG LNG Project. This would result in a significant boost to economic activity and opportunities for the people of PNG, particularly in the Gulf Province, where the wells, onshore pipeline and CPF are located. Progressing this project to the earliest practicable FID remains one of Oil Search's highest priorities."

Power solutions in PNG

"Oil Search continues to work closely with the PNG Government and power agencies to provide sustainable power solutions to PNG. In addition to the first deliveries of electricity from the PNG LNG Project to Port Moresby, in April, the first phase of Oil Search's Ramu Power Project was completed, with the commencement of continuous 24-hour power generation and supply to Tari, a major town located approximately 50 kilometres north-east of the Hides gas field. This project comprised an upgrade of PNG

Power Limited's existing power plant in Tari, with assistance from Oil Search, and the signing of an agreement for Oil Search to provide fuel for the plant from its Hides GTE plant.

The Ramu Power Project is a long term, multi phased project. Potential future phases which Oil Search is presently evaluating include the construction of several new transmission lines and up to 100 MW of additional electricity generating capacity, which, over the next decade, could provide up to three million people and businesses in PNG with access to reliable, affordable power for the first time."

Taza oil field, Kurdistan

"Testing of the Taza 2 appraisal well, located 10 kilometres north-west of the Taza 1 discovery well, took place during the quarter. In addition, the Taza 3 well was drilled to its total depth of 3,800 metres and testing commenced, with three separate zones to be flow tested. Preliminary interpretation of the 3D seismic acquired across the PSC in 2014 has indicated that both Taza 2 and Taza 3 have been drilled in areas with minimal fracture development, resulting in limited success to date in the testing programme. The seismic data is presently being used to identify areas with better fracture distribution, information which will be used to determine the location of the next appraisal well."

Financial position

"At the end of June 2015, Oil Search had US$843.0 million in cash and total debt of US$4,285.9 million, all of which was drawn under the PNG LNG project finance facility. In June, the first PNG LNG project finance principal repayment (US$45.7 million, net to Oil Search) was made, with interest and principal to be paid semi-annually over the next 11 years.

The Company's US$500 million five year non-amortising debt facility and US$250 million of bilateral revolving facilities remained undrawn at the end of the period. Based on the Company's cash position and funding available from these facilities, total liquidity at the end of June was US$1,593.0 million."

2015 Business Optimisation Programme

"Oil Search is in a strong position to manage and build its business through a sustained period of subdued oil and gas prices. The core oil and gas business is highly profitable at prevailing prices, as are the future LNG expansion and development opportunities in our portfolio. The Company also has a strong balance sheet, which, combined with healthy cash flows, tight cost control and investment discipline, will continue to support our exploration, appraisal and development programme over the next few years.

Our core strategies of delivering production and revenue growth from our top tier oil and gas assets through expansion and further development remain unchanged. The Business Optimisation Programme, which commenced in the first quarter, is designed to ensure that we have the appropriate cost base and investment discipline for the lower price regime and that our contractors and partners work with us to deliver our growth and return objectives. We are taking a methodical and strategic approach to analyse how we can improve our business efficiencies and ensure we have the right people and processes to deliver our expansion plans. This is not just about reducing costs but also about ensuring we have the operating efficiencies and organisation to appropriately deliver our objectives.

The programme will be discussed in more detail in our 2015 half year results."

Factors affecting the 2015 first half and full year results

"The 2015 first half results are scheduled to be released to the market on Tuesday 25 August. Production costs are expected to be in the range of US$8 - 10 per boe, below the full year guidance due to the deferral of some work programmes into the second half of the year. Other operating non-cash charges, including Hides GTE gas purchase costs, royalties and levies, selling and distribution costs, rig operating costs, corporate administration costs (including business development and one-off legal costs arising from the PRL 15 arbitration process) and inventory movements, are expected to be approximately US$87 - 89 million. Depreciation and amortisation is expected to be in the range of US$13 - 14 per boe.

As shown on page 14, US$34.5 million of exploration and evaluation expenditure is expected to be expensed, primarily related to the exploration component of the Hides F1 well (US$16.1 million), as well as seismic, geological, geophysical and general and administration expenses in PNG and MENA.

Net finance costs will be in the order of US$91 - 93 million, consisting primarily of PNG LNG Project borrowing costs. The effective tax rate is expected to be in the range of 27-30%.

At present, the Company does not anticipate any impairment charges in the first half of 2015.

All the above guidance is subject to the finalisation of the financial statements, Board review and the half year review by the Company's auditors, which are currently underway.

Guidance for the 2015 full year key metrics is shown below. Production guidance has been upgraded, while production costs per boe are expected to be lower than previously advised, due to savings from renegotiated supply contracts, lower costs for labour, transportation and chemicals and favourable exchange rate movements as well as the impact of higher than budgeted production.

2015 Full Year Guidance

	New guidance	**Previous guidance**
Total production	27 – 29 mmboe	26 – 28 mmboe
Operating costs:		
Production costs	US$9 – 11 per boe	US$10 – 12 per boe
Other operating costs	US$145 – 165 million	US$145 – 165 million
Depreciation and amortisation	US$13 – 14 per boe	US$13 – 14 per boe

An update of the full year capital expenditure forecast will be provided when we report our 2015 half year results."

2015 SECOND QUARTER PERFORMANCE SUMMARY[1]

Production[1]

	Quarter End			Half Year		Full Year
	Jun 2015	Mar 2015	Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Dec 2014
Production data						
PNG LNG Project[2]						
LNG (mmscf)	24,668	23,059	7,496	47,727	7,496	52,199
Condensate ('000 bbls)	785	710	389	1,494	389	1,870
Naphtha ('000 bbls)	49	42	11	91	11	90
PNG crude oil production ('000 bbls)						
Kutubu	944	922	966	1,867	1,814	3,692
Moran	380	407	504	787	997	1,989
SE Mananda	-	-	1	-	5	5
Gobe Main	8	7	7	15	15	32
SE Gobe	34	25	27	60	62	127
Total oil production ('000 bbls)	1,367	1,362	1,506	2,729	2,893	5,845
SE Gobe gas to PNG LNG (mmscf) [3]	305	-	-	305	-	-
Hides GTE Refinery Products[4]						
Sales gas (mmscf)	1,448	1,263	1,436	2,711	2,785	5,675
Liquids ('000 bbls)	31	27	30	57	59	121
Total barrels of oil equivalent ('000 boe)[5]	7,412	6,909	3,697	14,321	5,369	19,274

1. Numbers may not add due to rounding.
2. Production net of fuel, flare and shrinkage and SE Gobe wet gas.
3. SE Gobe wet gas reported at inlet to plant, inclusive of fuel, flare and naphtha.
4. Hides GTE production is reported on a 100% basis for gas and associated liquids purchased by the Hides (GTE) Project Participant (Oil Search 100%) for processing and sale to the Porgera power station. Sales gas volumes are inclusive of approximately 2% unrecovered process gas.
5. Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time.

Sales[1]

	Quarter End			Half Year		Full Year
	Jun 2015	Mar 2015	Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Dec 2014
Sales data						
PNG LNG Project						
LNG (Billion Btu)	28,433	27,394	4,974	55,827	4,974	51,922
Condensate ('000 bbls)	776	683	389	1,459	389	1,770
Naphtha ('000 bbls)	58	61	-	119	-	53
PNG oil ('000 bbls)	1,323	1,262	1,672	2,585	2,905	5,759
Hides GTE						
Gas (Billion Btu)[2]	1,553	1,355	1,540	2,908	2,989	6,090
Condensate and refined products ('000 bbls)[3]	27	24	27	51	51	106
Total barrels of oil equivalent ('000 boe)[4]	7,412	7,039	3,223	14,451	4,737	17,762
Financial data (US$ million)						
LNG and gas sales	242.9	355.7	93.9	598.6	113.1	808.6
Oil and condensate sales	129.8	99.8	231.2	229.5	367.9	737.1
Other revenue[5]	18.8	16.8	14.7	35.6	29.0	64.7
Total operating revenue	391.5	472.3	339.7	863.8	510.0	1,610.4
Average realised oil and condensate price (US$ per bbl)[6]	61.69	51.29	111.95	56.64	111.57	97.79
Average realised LNG and gas price (US$ per mmBtu)	8.10	12.37	14.41	10.19	14.20	13.94
Cash (US$m)	843.0	1,067.2	367.8	843.0	367.8	960.2
Debt (US$m)						
PNG LNG financing	4,285.9	4,331.7	4,084.0	4,285.9	4,084.0	4,262.2
Corporate revolving facilities[7]	-	-	50.0	-	50.0	150.0
Net debt (US$m)	3,443.0	3,264.5	3,766.2	3,443.0	3,766.2	3,452.0

1. Numbers may not add due to rounding.
2. Relates to gas delivered under the Hides GTE Gas Sales Agreement.
3. Relates to refined products delivered under the Hides GTE Gas Sales Agreement or sold in the domestic market and condensate.
4. Gas and LNG volumes have been converted to barrels of oil equivalent using an Oil Search specific conversion factor of 5,100 scf = 1 boe, which represents a weighted average, based on Oil Search's reserves portfolio, using the actual calorific value of each gas volume at its point of sale. Minor variations to the conversion factors may occur over time.
5. Other revenue consists largely of rig lease income, infrastructure tariffs and refinery and naphtha sales.
6. Average realised price for Kutubu Blend including PNG LNG condensate.
7. At the end of June 2015, the Company's US$250 million of bilateral revolving facilities and the US$500 million corporate revolving facility were undrawn.

PRODUCTION PERFORMANCE

Total second quarter production net to Oil Search was 7.41 million barrels of oil equivalent (mmboe), comprising the following:

- LNG produced at the PNG LNG plant, net of fuel, flare and shrinkage, of 24,668 mmscf.
- PNG LNG liquids production of 0.83 mmbbl, comprising condensate produced during gas processing at the Hides Gas Conditioning Plant (HGCP) and naphtha at the LNG plant.
- PNG oil field production and gas and liquids production from the Hides GTE Project of 1.74 mmboe, produced at an average rate (gross) of 34,139 barrels of oil equivalent per day. This included 305 mmscf of gas from the SE Gobe field, which commenced gas supply to the PNG LNG Project in May.

PNG LNG Project (29.0%)

Second quarter production from the PNG LNG Project net to Oil Search was 5.67 mmboe, comprising 24.7 bcf of gas and 0.83 mmbbl of liquids. This was 7.5% higher than in the previous quarter, reflecting improved uptime and throughput at the PNG LNG plant. Gas exports from the Oil Search operated SE Gobe field to the PNG LNG Project commenced in May.

Development drilling continued on the Angore field, with the completion of the Angore A1 well. The well reached the Toro reservoir in a crestal location, after penetrating a complex overburden. The drilling of a second well from the A1 well pad, Angore A2, has been approved by the PNG LNG Project co-venturers. This will ensure adequate production capacity from Angore, and will replace Angore B1, which did not reach reservoir due to technical problems during drilling.

Kutubu (PDL 2 – 60.0%, operator)

Second quarter oil production net to Oil Search was 0.94 million barrels (mmbbl), slightly higher than in the first quarter of 2015. Gross production rates averaged 17,284 bopd during the period, compared to 17,062 bopd in the previous quarter.

Unplanned downtime at the Agogo Processing Facility was offset by better than expected production from the Kutubu field.

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

Oil Search's share of Moran 2015 second quarter oil production was 0.38 mmbbl, 7% lower than in the previous quarter. The field produced at a gross average rate of 8,427 bopd, down from the previous quarter of 9,142 bopd. This reflected the unplanned shut-in of one well to replace the production choke and reduced production from a second well due to scale formation. During the quarter, the Moran 16 development well was fully commissioned and is now producing at a sustained rate of 1,500 bopd.

During the quarter, Rig 104 was mobilised to the NW Moran 1 ST5 well to undertake a sidetrack, NW Moran 1 ST6, which commenced drilling in late June. This well is designed as a twin of the existing NW Moran 1 ST5 well.

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

Oil Search's share of oil production from the Gobe fields in the second quarter of 2015 was 0.04 mmbbl. This was an increase of 34% from production levels in the previous quarter, reflecting improved facilities uptime.

The gross average production rate for Gobe Main was 21% higher than in the first quarter, at 923 bopd, while the gross average production rate at SE Gobe was 34% higher than in the previous quarter, at 1,472 bopd.

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

Gas production for the Hides Gas-to-Electricity Project in the second quarter of 2015 was 1.45 bcf, produced at an average rate of 16 mmscf per day. This was 15% higher than the previous quarter's production of 14 mmscf per day due to increased facilities uptime. 30,707 barrels of condensate were produced for use within the Hides facility and sales to third parties, with the balance transported by truck to the Central Processing Facility at Kutubu for export.

EXPLORATION AND APPRAISAL ACTIVITY

Gas Development

In the North-West Highlands, during the quarter, the PRL 3 Joint Venture reached agreement on the location of an appraisal well on the P'nyang field (Oil Search – 38.51%), in the south-east of the structure. The well is targeted to be drilled in early 2016, following the grant of a petroleum development licence. A 2D seismic data acquisition programme, covering 102 kilometres around the Juha and Hides fields, was completed in June. The PPL 269 seismic programme (71 kilometres in 2015 and 250 kilometres in total), operated by Talisman/Repsol, was also completed in June. Data acquired from both these seismic programmes will be used to define prospects for exploration drilling in 2016.

In the Gulf Province in PRL 15 (Oil Search – 22.835%), the Antelope 4 well, located one kilometre south of Antelope 2, was suspended at a depth of 2,134 metres due to drilling difficulties and the Western Drilling 1 rig was demobilised. Preparations commenced to sidetrack Antelope 4 using Oil Search's Rig 103, which is presently being mobilised to site. The sidetrack, which is expected to commence drilling in August, is planned to be drilled to a total depth of approximately 2,378 metres.

Testing of Antelope 5, located 1.8 kilometres west of Antelope 2, to appraise the western part of the structure, was concluded successfully during the quarter. An initial clean-up test of the well was constrained to a maximum flow rate of approximately 70 million standard cubic feet per day. This was followed by a four-rate test, culminating in an extended period of flow at approximately 60 million standard cubic feet per day. Monitoring of pressure responses in Antelope 1 demonstrated pressure communication between the Antelope 5 and Antelope 1 wells. Testing to date has confirmed excellent reservoir quality and deliverability, consistent with a substantial resource base. An extended production and interference test is planned once the Antelope 4 ST1 well reaches total depth.

Preliminary planning work continued for Antelope 6, on the eastern flank of the field and on Antelope South, an exploration prospect in the south of the licence.

In May, Oil Search exercised its option with Kina Petroleum to farm in to PPL 339. Under the farm-in, Oil Search will acquire a 70% participating interest in the licence in return for carrying Kina through the drilling of an exploration well. The farm-in follows the acquisition of high resolution airborne gravity and magnetics and seismic data, which have indicated a range of interesting structures within the licence, which is well located, given its proximity to the proposed Papua LNG Project facilities. Total has a back-in right into the farm-in, which is currently being negotiated.

Oil Appraisal

In the Kurdistan Region of Iraq, the Taza 2 appraisal well, located in the Taza PSC (Oil Search – 60%, operator), 10 kilometres north-west of the Taza 1 discovery well, was cased to a total depth of 4,200 metres. A drill-stem test (DST) was carried out over the deepest interval of interest, the Cretaceous Shiranish Formation, with low rates of oil and water observed. A second test, over the Jaddala, Kirkuk, Euphrates and Dhiban intervals, recovered low rates of oil. Geochemistry of the oil produced suggests it is similar to that recovered from the Shiranish, but different from that seen in Taza 1, indicating that the field may be more structurally complex than previously thought.

Taza 3 ST1 reached a total depth of 3,800 metres in June. The first of three planned DSTs over the Kirkuk section recovered only minor traces of oil, with the Kirkuk interval proving to be tight. Preparations are underway to conduct the remaining two tests, over the Euphrates and Jeribe intervals.

Processing of 630 square kilometres of 3D seismic data acquired in 2014 continued during the quarter and is producing very good quality data. Initial interpretation of the seismic has indicated that both Taza 2 and 3 are located in areas where natural fractures are only lightly developed. Advanced processing is ongoing, focused on maximising information on fracture distribution.

In Tunisia, the evaluation of the Tajerouine PSC (Oil Search – 100%, operator) was completed. Oil Search has decided not to renew the licence after the expiry of the first exploration term in August. Discussions have been held with the authorities on this decision and on other exploration opportunities available in the country.

Block 7 in Yemen (Oil Search – 34%, operator), remains in a state of force majeure and the security situation has deteriorated further into a state of civil war. The sale of Oil Search's interest to Petsec will continue, though the timing of completion may be affected by the civil unrest.

DRILLING CALENDAR

Subject to joint venture and government approvals, the 2015-2016 exploration and appraisal programme is as follows:

Well	Well type	Licence	OSH interest	Timing
PNG				
Antelope 4 ST1	Appraisal	PRL 15	22.8%	3Q 2015
Antelope 6	Appraisal	PRL 15	22.8%	4Q 2015
Strickland 1	Exploration	PPL 269	10.0%	4Q 2015
PPL 269 Well 2	Exploration	PPL 269	10.0%	1Q 2016
PPL 339 Well 1	Exploration	PPL 339	70.0%	1Q 2016
PPL 339 Well 2	Exploration	PPL 339	70.0%	1Q 2016
P'nyang 4	Appraisal	PRL 3	38.5%	1Q 2016
Barikewa 3	Appraisal	PRL 9	45.1%	2Q 2016
Barikewa 4	Appraisal	PRL 9	45.1%	2Q 2016
Antelope South	Exploration	PRL 15	22.8%	2Q 2106
Kimu North	Exploration	PRL 8	60.7%	3Q 2016
PPL 402 Well 1	Exploration	PPL 402	50.0%	3Q 2016
Uramu 2	Appraisal	PRL 10	100%	4Q 2016
Kurdistan Region of Iraq				
Taza 3 ST1	Appraisal	Taza PSC	60.0% (75% paying interest)	Testing
Taza 4	Appraisal	Taza PSC	60.0% (75% paying interest)	Late 2015/early 2016

Note: Wells, location and timing subject to change.

FINANCIAL PERFORMANCE

Sales revenue

29,986 billion Btu of LNG and gas were sold during the quarter, 4% higher than in the previous quarter. This primarily reflected stronger production and volumes lifted from the PNG LNG Project and higher Hides GTE gas sales. Oil, condensate and naphtha sales volumes for the period totalled 2.18 mmbbl, 8% higher than the 2.03 mmbbl produced in the first quarter of 2015.

The average oil and condensate price realised during the quarter was US$61.69 per barrel, 20% higher than in the first quarter, in line with the rebound in global oil prices. The average price realised for LNG and gas sales declined 35% to US$8.10 per mmBtu, reflecting the approximately three month lag between spot oil prices and LNG contract prices combined with weaker spot LNG prices. The Company did not undertake any hedging transactions during the period and remains unhedged.

Total sales revenue from LNG, gas, oil and condensate for the quarter was US$372.7 million, while other revenue, comprising rig lease income, infrastructure tariffs and refinery sales, was US$18.8 million.

Total operating revenue for the six months to 30 June 2015 was US$863.8 million, 69% higher than revenue in the first half of 2014 of US$510.0 million.

Capital management

As at 30 June 2015, Oil Search had cash of US$843.0 million, compared to US$1,067.2 million at the end of March 2015. The Company's share of debt drawn down under the PNG LNG project finance facility was US$4,285.9 million at the end of the quarter. This compared to US$4,331.7 million at the end of March 2015, reflecting the first principal repayment by the Joint Venture in June. During the quarter, US$182.7 million was distributed to shareholders, representing the 2014 final and special dividends, totalling 12 US cents per share.

The Company's US$250 million of bilateral revolving credit facilities and US$500 million revolving corporate facility remained undrawn during the quarter. At the end of June 2015, the Company had total liquidity of US$1,593.0 million (US$1,817.2 million at the end of March 2015).

Capital expenditure

During the quarter, exploration and evaluation expenditure totalled US$73.4 million, including US$23.5 million spent on PRL 15 and US$34.0 million on Taza appraisal activity in Kurdistan. US$12.5 million of exploration costs were expensed, primarily related to the exploration component of the Hides F1 (Deep) well (US$2.1 million) and seismic, geological, geophysical and general and administration expenses in PNG and MENA.

Oil Search's share of PNG LNG Project development costs in the second quarter was US$34.8 million.

Expenditure on producing assets totalled US$25.8 million, mainly spent on the NW Moran 1 ST6 well, sustaining capital expenditure and well workovers.

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

(US$ million)	Quarter End			Half Year		Full Year
	Jun 2015	Mar 2015	Jun 2014	Jan-Jun 2015	Jan-Jun 2014	Dec 2014
Investment Expenditure						
Exploration & Evaluation						
PNG	37.4	41.0	23.7	78.4	973.7	1,077.2
MENA	35.9	50.7	36.3	86.7	63.6	165.6
Total exploration & evaluation	73.4	91.7	60.0	165.1	1,037.3	1,242.8
Development	34.8	41.2	133.4	76.0	323.0	502.6[2]
Production	25.8	30.1	41.3	55.9	60.9	110.3
PP&E	2.7	1.9	1.9	4.6	3.0	13.4
Total	**136.7**	**164.8**	**236.7**	**301.5**	**1,424.2**	**1,869.1**
Exploration & evaluation expenditure expensed[3,4]						
PNG	10.6	14.3	3.1	24.8	10.0	88.2
MENA	1.9	1.6	1.5	3.5	5.4	21.0
Total current year expenditures expensed	12.5	15.8	4.5	28.3	15.4	109.2
Prior year expenditures expensed	-	6.2	-	6.2	-	-
Total	**12.5**	**22.0**	**4.5**	**34.5**	**15.4**	**109.2**

1. Numbers may not add up due to rounding.
2. Includes capitalised interest and finance fees.
3. Exploration expensed includes costs of unsuccessful wells except where costs continue to be capitalised, certain administration costs and geological and geophysical costs. Costs relating to permit acquisitions, expenditure associated with the drilling of wells that result in a successful discovery of potentially economically recoverable hydrocarbons and expenditures on exploration and appraisal wells pending economic evaluation of recoverable reserves are capitalised.
4. Numbers do not include expensed business development costs of US$3.9 million in the second quarter of 2015 (US$2.3 million in the first quarter of 2015).

Gas/LNG Glossary and Conversion Factors Used

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

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

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21 July 2015

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DISCLAIMER

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